U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the year ended December 31, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from to

Commission file number 001-35258

DUNKIN' BRANDS GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-4145825**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

130 Royall Street
Canton, Massachusetts 02021
(Address of principal executive offices) (zip code)

(781) 737-3000
(Registrants' telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value per share	The Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller Reporting Company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting stock of the registrant held by non-affiliates of Dunkin' Brands Group, Inc. computed by reference to the closing price of the registrant's common stock on the NASDAQ Global Select Market as of July 27, 2011, was approximately $751 million.

As of February 17, 2012, 120,153,097 shares of common stock of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2012 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K, are incorporated by reference in Part III, Items 10-14 of this Form 10-K.

EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K (this “Amendment”) amends the Annual Report on Form 10-K for the fiscal year ended December 31, 2011, originally filed on February 24, 2012 (the “Original 10-K”), of Dunkin’ Brands Group, Inc., a Delaware corporation (the “Company”, or “we”). We are filing this Amendment to amend Item 15 to include the separate financial statements of each of BR Korea Co., Ltd. (“BR Korea”) and B-R 31 Ice Cream Co., Ltd. (“BR Japan”) for their fiscal years ended December 31, 2011 as required by Regulation S-X Rule 3-09 (the “Rule 3-09 financial statements”), which were not included in the Original 10-K in reliance on Rule 3-09. The Rule 3-09 financial statements were prepared and provided to the Company by BR Korea and BR Japan, respectively.

This Amendment should be read in conjunction with the Original 10-K and the Company’s other filings made with the Securities and Exchange Commission subsequent to the filing of the Original 10-K on February 24, 2012. The Original 10-K has not been amended or updated to reflect events occurring after February 24, 2012, except as specifically set forth in this Amendment.

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial statements: All financial statements are included in Part II, Item 8 of this report.

2. Financial statement schedules:

For fiscal year 2010, our joint ventures BR Korea Co., Ltd. and B-R 31 Ice Cream Co., Ltd. were deemed significant to us under Rule 3-09 of Regulation S-X, and as such the financial statements of these joint ventures are required to be filed as financial statement schedules herein within six months of their fiscal year end. Accordingly, the financial statements of these joint ventures are filed herein as Exhibit 99.1 and Exhibit 99.2, respectively.

All other financial statement schedules are omitted because they are not required or are not applicable, or the required information is provided in the consolidated financial statements or notes described in Item 15(a)(1) above.

3. Exhibits:

Exhibit Number	Exhibit Title
3.1	Form of Second Restated Certificate of Incorporation of Dunkin' Brands Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1, File No. 333-173898, as amended on July 11, 2011)
3.2	Form of Second Amended and Restated Bylaws of Dunkin' Brands Group, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1, File No. 333-173898, as amended on July 11, 2011)
4.1	Form of Amended and Restated Registration Rights Agreement among Dunkin' Brands Group, Inc. (f/k/a Dunkin' Brands Group Holdings, Inc.), Dunkin' Brands Holdings, Inc., Dunkin' Brands, Inc. and certain Stockholders of Dunkin' Brands Group, Inc. (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1, File No. 333-173898, as amended on July 11, 2011)
4.2	Specimen Common Stock certificate of Dunkin' Brands Group Holdings, Inc. (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-1, File No. 333-173898, as amended on July 11, 2011)
10.1*	Dunkin' Brands Group, Inc. (f/k/a Dunkin' Brands Group Holdings, Inc.) Amended and Restated 2006 Executive Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.2*	Form of Option Award under 2006 Executive Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.3*	Form of Restricted Stock Award under 2006 Executive Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.4*	Dunkin' Brands Group, Inc. 2011 Omnibus Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1, File No. 333-173898, as amended on July 11, 2011)
10.5*	Form of Option Award under 2011 Omnibus Long-Term Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K, File No. 001—35258, filed with the SEC on February 24, 2012)
10.6*	Form of Restricted Stock Unit Award under 2011 Omnibus Long-Term Incentive Plan (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K, File No. 001—35258, filed with the SEC on February 24, 2012)
10.7*	Dunkin' Brands Group, Inc. Annual Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1, File No. 333-173898, as amended on July 11, 2011)
10.8*	Amended and Restated Dunkin' Brands, Inc. Non-Qualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.9*	Dunkin' Brands, Inc. Short Term Incentive Plan (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.10*	Amended and Restated Executive Employment Agreement among Dunkin' Brands, Inc., Dunkin' Brands Group, Inc. (f/k/a Dunkin' Brands Group Holdings, Inc.), and Jon Luther, dated as of December 31, 2008 (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)

Exhibit Number	Exhibit Title
10.11*	Transition Agreement of Jon Luther, dated as of June 30, 2010 (incorporated by reference to Exhibit 10.9 to the Company’s Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.12*	First Amended and Restated Executive Employment Agreement between Dunkin’ Brands, Inc., Dunkin’ Brands Group, Inc. and Nigel Travis (incorporated by reference to Exhibit 10.10 to the Company’s Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.13*	Offer Letter to Neil Moses dated September 27, 2010 (incorporated by reference to Exhibit 10.13to the Company’s Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.14*	Offer Letter to Richard Emmett dated November 23, 2009 (incorporated by reference to Exhibit 10.14 to the Company’s Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.15*	Offer Letter to John Costello dated September 30, 2009 (incorporated by reference to Exhibit 10.15 to the Company’s Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.16*	Offer Letter to Paul Twohig dated September 10, 2009 (incorporated by reference to Exhibit 10.16 to the Company’s Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.17*	Form of amendment to Offer Letters (incorporated by reference to Exhibit 10.16(a) to the Company’s Registration Statement on Form S-1, File No. 333-173898, as amended on July 11, 2011)
10.18*	Offer Letter to Neal Yanofsky dated May 1, 2011 (incorporated by reference to Exhibit 10.18 to the Company’s Annual Report on Form 10-K, File No. 001—35258, filed with the SEC on February 24, 2012)
10.19	Form of Non-Competition/Non-Solicitation/Confidentiality Agreement (incorporated by reference to Exhibit 10.17 to the Company’s Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.20	Form of Amended and Restated Investor Agreement among Dunkin’ Brands Group, Inc. (f/k/a Dunkin’ Brands Group Holdings, Inc.), Dunkin’ Brands Holdings, Inc., Dunkin’ Brands, Inc. and the Investors named therein (incorporated by reference to Exhibit 10.18 to the Company’s Registration Statement on Form S-1, File No. 333-173898, as amended on July 11, 2011)
10.21	Form of Amended and Restated Stockholders Agreement among Dunkin’ Brands Group, Inc. (f/k/a Dunkin’ Brands Group Holdings, Inc.), Dunkin’ Brands Holdings, Inc., Dunkin’ Brands, Inc. and the Stockholders named therein (incorporated by reference to Exhibit 10.19 to the Company’s Registration Statement on Form S-1, File No. 333-173898, as amended on July 11, 2011)
10.22	Credit Agreement among Dunkin’ Finance Corp, Dunkin’ Brands Holdings, Inc., Dunkin’ Brands, Inc., Barclays Bank PLC and the other lenders party thereto, dated as of November 23, 2010 (incorporated by reference to Exhibit 10.20 to the Company’s Registration Statement on Form S-1, File No. 333-173898, as amended on June 7, 2011)
10.23	Joinder to Credit Agreement dated as of December 3, 2010 (incorporated by reference to Exhibit 10.21 to the Company’s Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.24	Amendment 1, dated as of February 18, 2011, to the Credit Agreement among Dunkin’ Brands, Inc., Dunkin’ Brands Holdings, Inc., Barclays Bank PLC and the other lenders party thereto (incorporated by reference to Exhibit 10.22 to the Company’s Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.25	Amendment 2, dated as of May 25, 2011, to the Credit Agreement among Dunkin’ Brands, Inc., Dunkin’ Brands Holdings, Inc., Barclays Bank PLC and the other lenders party thereto (incorporated by reference to Exhibit 10.29 to the Company’s Registration Statement on Form S-1, File No. 333-173898, as amended on June 7, 2011)
10.26	Security Agreement among the Grantors identified therein and Barclays Bank PLC, dated as of December 3, 2010 (incorporated by reference to Exhibit 10.23 to the Company’s Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.27	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.24 to the Company’s Registration Statement on Form S-1, File No. 333-173898, as amended on June 7, 2011)
10.28	Lease between LSF3 Royall Street, LLC and Dunkin’ Donuts Incorporated, dated as of October 29, 2003 (incorporated by reference to Exhibit 10.25 to the Company’s Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)

Exhibit Number	Exhibit Title
10.29	Assignment of Lease between Dunkin' Donuts Incorporated and Dunkin' Brands, Inc., dated as of July 22, 2005 (incorporated by reference to Exhibit 10.26 to the Company's Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.30	Guaranty delivered with LSF3 Royall Street, LLC Lease dated as of October 29, 2003 (incorporated by reference to Exhibit 10.27 to the Company's Registration Statement on Form S-1, File No. 333-173898, filed with the SEC on May 4, 2011)
10.31	Form of Baskin-Robbins Franchise Agreement (incorporated by reference to Exhibit 10.30 to the Company's Registration Statement on Form S-1, File No. 333-173898, as amended on June 23, 2011)
10.32	Form of Dunkin' Donuts Franchise Agreement (incorporated by reference to Exhibit 10.31 to the Company's Registration Statement on Form S-1, File No. 333-173898, as amended on June 23, 2011)
10.33	Form of Combined Baskin-Robbins and Dunkin' Donuts Franchise Agreement (incorporated by reference to Exhibit 10.32 to the Company's Registration Statement on Form S-1, File No. 333-173898, as amended on June 23, 2011)
10.34	Form of Dunkin' Donuts Store Development Agreement (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K, File No. 001—35258, filed with the SEC on February 24, 2012)
10.35	Form of Baskin-Robbins Store Development Agreement (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K, File No. 001—35258, filed with the SEC on February 24, 2012)
10.36*	Offer Letter to William Mitchell dated August 2, 2010
10.37*	Separation Agreement with Neal Yanofsky, dated September 22, 2011
21.1	Subsidiaries of Dunkin' Brands Group, Inc.
23.1	Consent of KPMG LLP (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K, File No. 001—35258, filed with the SEC on February 24, 2012)
23.2	Consent of Deloitte Anjin LLC
23.3	Consent of PricewaterhouseCoopers Aarata
31.1	Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002 by Chief Executive Officer
31.2	Certification pursuant to Section 302 of Sarbanes Oxley Act of 2002 by Chief Financial Officer
32.1	Certification of periodic financial report pursuant to Section 906 of Sarbanes Oxley Act of 2002
32.2	Certification of periodic financial report pursuant to Section 906 of Sarbanes Oxley Act of 2002
99.1	Audited financial statements of BR Korea Co., Ltd. for the fiscal years ended December 31, 2011, December 31, 2010 and December 31, 2009
99.2	Audited financial statements of B-R 31 Ice Cream Co., Ltd. for the fiscal years ended December 31, 2011, December 31, 2010 and December 31, 2009
101	The following financial information from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, formatted in Extensible Business Reporting Language, (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholders' Equity (Deficit), (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements (incorporated by reference to Exhibit 101 to the Company's Annual Report on Form 10-K, File No. 001—35258, filed with the SEC on February 24, 2012)

* Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 16, 2012

DUNKIN' BRANDS GROUP, INC.

By:	/s/ Nigel Travis
Name:	Nigel Travis
Title:	Chief Executive Officer

130 Royall Street Canton, MA 02021 P: 781-737-3000 F: 781-737-4000

Offer of Employment

August 2, 2010

Mr. Bill Mitchell
9203 Dayflower Street
Prospect, KY 40059

Dear Bill,

On behalf of Dunkin' Brands, Inc. (the "Company"), I am pleased to offer you employment on the terms set forth below.

This offer of employment is contingent upon the satisfactory completion of:

- *a background screening,*
- *reference checks regarding your past employment,*
- *satisfactory completion of all legal documents including non-competition and intellectual property protection documents, and*
- *documented release from all binding non-competition agreements (Dunkin' Brands, Inc. reserves the right to verify, status of agreements and releases).*

<u>Position</u>

You will serve in a full-time capacity as Vice President, Baskin Robbins, US, reporting directly to myself.

<u>Start Date</u>

Your anticipated start date is on or about August 2, 2010.

<u>Cash Compensation</u>

Base Salary

You will be paid a bi-weekly salary of $11,538.47 which is equivalent to $300,000.00 on an annual basis, payable in accordance with Dunkin' Brands' standard payroll practices for salaried employees.

Your base salary will be reviewed annually, based on market competitiveness and performance, and may be adjusted at that time.

Short-Term Incentive

In addition to your base salary, you will be eligible to participate in the Dunkin' Brands' Executive Short-Term Incentive (STI) Plan with a target of 40% of your annual salary. The actual percentage of your Short-Term Incentive will be paid on a prorated basis based upon days employed during the 2010 Plan year, as well as Dunkin' Brands' overall performance, your individual job performance, your ability to meet established goals and objectives, and the terms of the plan as they exist at any given time. A participation letter as well as a plan document, which explains the program in detail, will be provided to you at a later date.

Long-Term Incentive

You will be eligible to participate in the Dunkin' Brands' 2006 Executive Incentive Plan. You will be recommended for a grant of 300,000 Stock Options on Shares at the current value as of the date of the grant. This grant is subject to approval of the Board of Directors at the first grant meeting following your first day of employment. A Stock Option Grant containing the terms and conditions of this grant and a plan document that governs the Plan will be provided to you at a later date.

Other Compensation

Flexible Perquisites Allowance

You will be entitled to a flexible perquisites allowance of $13,858 per annum paid bi-weekly ($533.00).

Signing Bonus

You will receive a signing bonus in the amount of $25,000 (less required payroll taxes). This bonus will be provided upon the start of your employment with the Company.

Should you leave Dunkin' Brands voluntarily, or be terminated for cause within the first 12 months of your employment, you will be required to reimburse Dunkin' Brands for the full bonus amount. After 12 months of active employment, the sign on bonus will be considered earned.

Benefits

Dunkin' Brands offers an attractive benefits program. Upon election, medical and dental coverage is effective the first of the month following your start date. Most company-paid benefits are effective upon hire. Employee elected benefit contributions are handled via payroll deduction.

Insurance

You will be eligible for medical, dental and disability coverage and various life insurance programs. Details are attached.

Retirement

Dunkin' Brands will provide you with the opportunity to participate in the Company's 401(k) plan for retirement savings.

Deferred Compensation

You will be eligible to participate in the 2010 Non-Qualified Deferred Compensation Plan. The plan provides an opportunity for pre-tax savings to assist you in accumulating assets for planned events during your working life and retirement. Details are attached.

Vacation

You will begin eligible to accrue vacation at a rate of 3 weeks per year as of your first day of employment with the company.

Proof of Right to Work

For purposes of federal immigration law, you will be required to provide to Dunkin' Brands documentary evidence of your identity and eligibility for employment in the United States within (3) business days of your date of hire.

Period of Employment

Your employment with Dunkin' Brands will be "at will", meaning that this offer of employment does not constitute a contract of employment. If employed, you may elect to resign at any time and Dunkin' Brands may elect to terminate your employment at any time for any reason.

Severance

In the event of your termination by Dunkin' Brands for something other than "cause", you will be eligible for severance equal to 6 months of your then-current base compensation, conditioned on the return of a full release of claims by you. "Cause" means fraud; material neglect (other than as a result of illness or disability) of your duties to Dunkin' Brands; conduct that is not in the best interest of, or injurious to, Dunkin Brands; acts of dishonesty in connection with the performance of your duties; or conviction of a felony or crime involving falsehood or moral turpitude.

Without our receipt of the full release of claims, you will not be entitled to the aforementioned severance, which is in lieu of and replaces the Dunkin' Brands' Severance Program generally applicable to eligible Dunkin' Brands employees.

Code of Conduct/Non-Compete

Before you make your decision regarding this position, you should carefully review the attached Code of Conduct that you will be required to adhere to once employed by Dunkin' Brands. As set forth in the conflict of interest section, you will be expected to devote your full-time and attention to Dunkin' Brands and not be actively involved in any other business.

While you are employed by Dunkin' Brands, the Company (Dunkin' Brands, Inc.) will not utilize the services of any business in which you have held an ownership interest. Further, you will have to recuse yourself from any hiring decision involving an employee or former employee of a business in which you have held an ownership interest.

Consistent with other senior executives, you will be asked to sign a Non-Compete Agreement with the Company. That document will be provided to you under separate cover.

Entire Agreement

This offer of employment contains all of the terms of your employment with Dunkin' Brands, Inc. and supersedes any prior understandings or agreements, whether oral or written, between you and Dunkin' Brands.

Term

This offer will expire at 5:00PM on August 4, 2010.

We hope that you find the foregoing terms acceptable. You may indicate your agreement with these terms and accept this offer by signing and dating the enclosed letter and returning it to me. We look forward to your decision to join Dunkin' Brands.

Sincerely,

/s/ Nigel Travis

Nigel Travis
Chief Executive Officer
Dunkin' Brands, Inc.

I ACCEPT THE ABOVE OFFER OF EMPLOYMENT:

/s/ Bill Mitchell	4-2-10
Bill Mitchell	Date

cc: Christine Deputy
Personnel File

Exhibit 10.37

September 22, 2011

Neal Yanofsky
55 Hartwell Rd
Carlisle, MA 01741

Dear Neal:

Per your conversation with Nigel Travis, your employment with Dunkin' Brands, Inc. (the "Company") Company will terminate as of September 22, 2011 (the "Termination Date").

At the time your employment terminates, and regardless of whether you elect to sign this Agreement, you will receive the following, less all authorized and all legally required deductions:

1. Payment for all work you performed for the Company during the last payroll period through the Termination Date; and
2. A lump sum payment for all hours of vacation time that you accrued but had not used as of the Termination Date as reflected on the Company's books.

Your current participation and that of your eligible dependents in the Company's group health and dental plans will continue through last day of the month in which your employment terminates. Thereafter, you may be eligible to continue, at your own cost, your participation and that of your eligible dependents in the Company's group health and dental plans under the federal law known as "COBRA." You will be provided with information regarding COBRA under separate cover.

You may also be eligible to convert your Company-provided life insurance to an individual plan, at your own cost, in accordance with the terms and conditions of that plan.

If you are a current participant, your salary deferral and the Company match to the 401(k) Savings Plan will cease coincident with the paycheck representing pay through the Termination Date. You will be provided with information under separate cover on your future participation and certain elections you may make with regard to the 401(k) plan. Except as expressly noted above, your participation in all Company employee benefit plans will end as of the Termination Date.

You will receive the compensation and benefits described above, whether or not you accept the severance offer described below.

The Company is prepared to provide you with certain severance benefits on the following terms and conditions:

SEVERANCE AGREEMENT

1. **Severance Payment**. The Company shall provide you with twelve (12) months salary, paid at your current rate of pay, less appropriate taxes or withholdings. Payment shall be made on the Company's usual payroll schedule, beginning with the first payroll date after the Effective Date of this Agreement.

2. **COBRA**. If you are eligible and elect to continue your participation and that of your eligible dependents in the Company's group health and dental plans under COBRA, for four weeks from the last day of the month in which your employment terminates (or the date you cease to be eligible for coverage, if sooner), the Company will continue to pay that share of the premium cost that it pays for active employees generally.

3. **Outplacement**. The Company will pay for twelve (12) month of outplacement services for you through a firm selected by the Company.

4. **Release of Claims**. (a) For and in consideration of the payment set forth in paragraph 1 of this Agreement, to which you acknowledge you are not otherwise entitled, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, you, on your own behalf and on behalf of your heirs, executors, administrators, beneficiaries, representatives and assigns, hereby release and forever discharge the Company, its parent, subsidiaries and affiliates, and all of their respective past and present officers, directors, shareholders, officers, employees, employee benefit plans, insurers, agents, representatives, successors and assigns (collectively hereafter the "Releasees"), both individually and in their official capacities, from any and all liability, claims, demands, actions and causes of action of any type which you have had in the past, now have, or might now have, from the beginning of the world up to the date that you execute this Agreement, in any way resulting from, arising out of or connected with your employment or its termination, or pursuant to any federal, state or local statute, common law, employment law, regulation or other requirement (including without limitation Title VII of the Civil Rights Act of 1964, the Family and Medical Leave Act, the Pregnancy Discrimination Act, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Worker's Adjustment and Retraining Notification Act, the Fair Credit Reporting Act, the Americans with Disabilities Act, the Rehabilitation Act of 1973, the Occupational Safety and Health Act, the Equal Pay Act, the Employee Retirement Income Security Act of 1974, Sections 1981 through 1988 of Title 42 of the United States Code, the Immigration Reform and Control Act, the Massachusetts Fair Employment Practices Act, G.L. c. 151B, all state fair employment practices acts, each as amended, and any and all claims for wrongful discharge, discrimination, harassment, retaliation, common law claims, actions in tort, defamation, breach of contract, and claims of interest in unvested stock options, for wages or for attorneys' fees), as well as claims under the Company Severance Program. (b) Notwithstanding the foregoing, this Release shall not apply to any claim to enforce the terms of this Agreement, any rights or claims that are vested under any retirement or stock option plan, or that may arise after your execution of this Release of Claims. (c) Nothing in this Release is intended to, or shall be interpreted to, discourage or interfere with rights under the Older Workers Benefit Protection Act to test the knowing and voluntary nature of this release of claims under the Age Discrimination in Employment Act, or to prevent the exercise of such rights. Nothing in this Release prevents you from participating in or cooperating in any governmental, administrative, or regulatory investigation or proceeding regarding the Company, but you acknowledge that this Release does prevent you from obtaining any benefit, damages or remedy from such investigation or proceeding.

5. **Covenant Not to Sue.** You agree and covenant never to file a lawsuit against the Releasees asserting any claims covered by the Release of Claims in paragraph 4**.** If you file such a lawsuit, you must "tender back", that is give back before filing a lawsuit, any consideration you received in exchange for this Agreement. You agree that a court cannot even consider such a lawsuit until you tender back such consideration. In the event that the court considers such a lawsuit even though you have not tendered back the consideration, you agree that the Company may set-off any claim made against it or otherwise recover the amount you have received as consideration hereunder.

6. **Confidentiality.** You agree to keep the terms and conditions of this Agreement and the facts and circumstances leading up to it confidential and shall not disclose them to anyone except immediate family members, attorneys and financial advisers, and only if they agree to keep this information confidential and not disclose it to others, or pursuant to court order, subpoena or as otherwise required by law.

7. **Non-Disparagement.** You agree that you will not disparage, or in any way cause disparagement, to the Company, its affiliates, subsidiaries or any of its directors, officers or employees. The Company agrees that all calls from prospective employers will be directed to its Human Resources department, which shall provide only your starting and ending dates of employment and last position held.

8. **Company Property.** (a) You represent and warrant that as of the date you sign this Agreement, you have returned all Company assets, such as computer(s), PDA(s), telephone(s), vehicle, and credit cards, all documents, materials, records, files and information, in any media, related to the business of the Company, including all copies, and all keys or other property of the Company in your possession or control. (b) You expressly acknowledge that you may not use, for the benefit of yourself or any other person or entity, any confidential information, proprietary information or trade secrets of the Company.

9. **Breach.** Your breach of any of the terms set forth in this Agreement shall constitute a material breach of this Agreement and shall relieve the Company of any further obligations hereunder. In addition to any other legal or equitable remedy available to the Company, it shall be entitled to recover any monies paid pursuant to you pursuant to this Agreement.

10. **Acknowledgement/Acceptance.** (a) You acknowledge that you are signing this Agreement knowingly, voluntarily, with full understanding of its terms and effects and without duress, coercion, fraud or undue influence; (b)You are advised, prior to signing this Agreement, to seek the advice of an attorney of your choosing and all other advice you may require regarding the purpose and effect of this Agreement, its Release of Claims and all matters contained herein, including without limitation those under the Age Discrimination in Employment Act and the Older Workers Benefit Protection Act; (c) You have twenty-one (21) days from the date you receive this Agreement to consider its terms and the consequences of the Release of Claims contained herein and to accept the terms of this Agreement by signing below and returning it to Dunkin' Brands, Inc. c/o Christine Deputy, Chief Human Resources Officer, Dunkin' Brands, Inc., 130 Royall Street, Canton, MA 02021 (although you may choose to voluntarily execute this Agreement prior to the expiration of the twenty-one (21) day period); (d) If you thereafter desire to revoke acceptance of this Agreement, you must do so by notice in writing to Ms. Deputy within seven (7) days following the execution of this Agreement; and (e) this Agreement shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after this Agreement is executed by you and you have not revoked it (the "Effective Date"). The parties agree that any changes to the offer in this Agreement, whether material or not, do not restart the running of the 21 day period.

11. **No Liability or Wrongdoing.** The parties hereto agree and acknowledge that this Agreement is intended only to settle all matters between the parties and nothing contained in this Agreement, nor an of its terms and provisions, nor an of the negotiations or proceedings connected with it, constitutes, will be construed to constitute, will be offered in evidence as or deemed to be evidence of an admission of liability or wrong doing by any of the Releases, and any such liability or wrong doing is hereby expressly denied by each of the Releases.

12. **Miscellaneous.** (a) This Agreement shall be binding upon the parties and may not be modified in any manner, except by an instrument in writing of concurrent or subsequent date signed by a duly authorized representative of the parties hereto. This Agreement is binding upon and shall inure to the benefit of the parties and their respective agents, heirs, executors, administrators, successors and assigns. (b) This Agreement contains the entire agreement between you and the Company and replaces all prior and contemporaneous agreements, communications and understandings, whether written or oral, with respect to your employment and its termination and all related matters. You represent that you have carefully read this Agreement, that you are not relying on any promise or representation, whether oral or written, that is not expressly contained herein, that you have been afforded the opportunity to be advised of its meaning and consequences by your own attorney, and have signed the same of your own free will. (c) The provisions of this Agreement are severable, and if any provision of this Agreement is found to be unenforceable, the other provisions shall remain fully valid and enforceable. (d) This Agreement shall be interpreted and construed pursuant to the laws of the Commonwealth of Massachusetts, without regard to conflict of laws provisions. (e) This Agreement may be executed in counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

If you fail to timely return this signed Agreement to the Company within 21 days, this severance offer shall expire and will no longer be available to you.

If you should have any questions, please feel free to contact me.

Regards,

/s/ Christine Deputy
Christine Deputy
Chief Human Resource Officer
Dunkin' Brands, Inc

ACCEPTED AND AGREED TO:

/s/ Neal Yanofsky
Neal Yanofsky

9/29/11
[DATE]

Exhibit 21.1

Dunkin' Brands Group, Inc. Subsidiaries

Entity	Jurisdiction of Organization
Dunkin' Brands Group, Inc.	Delaware
Dunkin' Brands Holdings, Inc.	Delaware
Dunkin' Brands, Inc.	Delaware
Dunkin' Brands Canada, Ltd.	Ontario, Canada
Dunkin' Brands Australia Pty. Ltd	Australia
SVC Service LLC	Colorado
SVC Service II Inc.	Colorado
Dunkin Brands (UK) Limited	United Kingdom
Dunkin' Donuts LLC	Delaware
Dunkin Espanola S.A.	Spain
Dunkin' Ventures LLC	Delaware
Massachusetts Refreshment Corp. [1]	Massachusetts
Third Dunkin' Donuts Realty LLC	Delaware
Dunkin' Donuts Realty Investment LLC	Delaware
Dunkin' (Shanghai) Enterprise Management Consulting Co., Ltd.	China
Dunkin' Donuts USA LLC	Delaware
Mister Donut of America, LLC	Delaware
Baskin-Robbins LLC	Delaware
Baskin-Robbins USA LLC	California
DBI Stores LLC	Delaware
DBI Stores Texas LLC	Delaware
Star Dunkin', L.P. [2]	Delaware
Baskin-Robbins Flavors LLC	Delaware
Baskin-Robbins International LLC	Delaware
B-R Korea Co. Ltd. [3]	Korea
DB Master Finance LLC	Delaware
DB Canadian Supplier Inc.	Delaware
DB Canadian Holding Company Inc.	Delaware
DB Canadian Franchising ULC	Nova Scotia
BR Japan Holdings LLC	Delaware
B-R 31 Ice Cream Co. Ltd. [4]	Japan
DB Franchising Holding Company LLC	Delaware
Dunkin' Donuts Franchising LLC	Delaware
Baskin-Robbins Franchising LLC	Delaware
Baskin-Robbins Australia Pty. Ltd	Australia
DB Real Estate Assets I LLC	Delaware
DB Real Estate Assets II LLC	Delaware
DB Mexican Franchising LLC	Delaware
DB International Franchising LLC	Delaware
DD IP Holder LLC	Delaware
BR IP Holder LLC	Delaware
Baskin-Robbins Franchised Shops LLC	Delaware
Dunkin' Donuts Franchised Restaurants LLC	Delaware
DB AdFund Administrator LLC	Delaware
DB UK Franchising LLC	Delaware

1 Represents a joint venture company of which registrant indirectly owns 50% of the voting equity.
2 Represents a joint venture partnership of which registrant indirectly owns 51% of the partnership interest.
3 Represents a joint venture company of which registrant indirectly owns 33.3% of the voting equity.
4 Represents a joint venture company of which registrant indirectly owns 43.27% of the voting equity.

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement No. 333-176246 on Form S-8 of Dunkin' Brands Group, Inc. of our report dated March 16, 2012 related to the financial statements of BR Korea Co., Ltd. as of December 31, 2011 and 2010, and for each of the three fiscal years ended December 31, 2011 (which report expresses an unqualified opinion on the financial statements and includes an explanatory paragraph referring the application of Accounting Standards for Non-Public Entities in the Republic of Korea ("KAS-NPE") as of January 1, 2011 and the nature and effect of differences between KAS-NPE and accounting principles generally accepted in the United States of America), appearing in the Amendment No. 1 to the Annual Report on Form 10-K of Dunkin Brands Group, Inc. for the year ended December 31, 2011.

/s/ DELOITTE ANJIN LLC

March 16, 2012

Exhibit 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-176246) of Dunkin' Brands Group, Inc. of our report dated April 29, 2011 relating to the financial statements of B-R 31 Ice Cream Co. Ltd., which appears in this Form 10-K/A. We also consent to the reference to us under the heading "Experts" in this Form 10-K/A.

/s/ PricewaterhouseCoopers Aarata
Tokyo, Japan
March 16, 2012

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nigel Travis, Chief Executive Officer, certify that.

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K of Dunkin' Brands Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and the other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 16, 2012	/s/ Nigel Travis
Date	Nigel Travis
	Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Neil Moses, Chief Financial Officer, certify that.

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K of Dunkin' Brands Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and the other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 16, 2012	/s/ Neil Moses
Date	Neil Moses
	Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Amendment No. 1 to the Annual Report of Dunkin' Brands Group, Inc. (the "Company") on Form 10-K for the period ending December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neil Moses, as the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 16, 2012

/s/ Nigel Travis

Nigel Travis*

Chief Executive Officer

* A signed original of this written statement required by Section 906 has been provided to Dunkin' Brands Group, Inc. and will be retained by Dunkin' Brands Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Amendment No. 1 to the Annual Report of Dunkin' Brands Group, Inc. (the "Company") on Form 10-K for the period ending December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Neil Moses, as the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: March 16, 2012

/s/ Neil Moses

Neil Moses*
Chief Financial Officer

* A signed original of this written statement required by Section 906 has been provided to Dunkin' Brands Group, Inc. and will be retained by Dunkin' Brands Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

Exhibit 99.1

Independent auditors' report

To the Shareholders and Board of Directors of
BR KOREA CO., LTD.:

We have audited the accompanying statements of financial position of BR KOREA CO., LTD. (the "Company") as of December 31, 2011 and 2010, and the statements of income, statements of changes in shareholders' equity, and statements of cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BR KOREA CO., LTD. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with Accounting Standards for Non-Public Entities in the Republic of Korea ("KAS-NPEs").

As explained in Note 2 to the accompanying financial statements, the Company has prepared the financial statements in accordance with KAS—NPEs for the reporting periods beginning on or after January 1, 2011. In accordance with the KAS—NPEs 'Effective date and Transitional Provisions' paragraph 4 on January 1, 2011, the prior periods' financial position, results of operations, and cash flows under previous generally accepted accounting principles in the Republic of Korea ("previous K-GAAP") have been carried over and presented as is, with no retrospective adjustments due to the application of KAS—NPEs. Effects due to the application of KAS—NPEs are further discussed in Note 2.

KAS-NPEs vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 26 to the financial statements.

March 16, 2012

/s/ Deloitte Anjin

BR Korea Co., Ltd.
Statements of financial position
As of December 31, 2011 and 2010

	2011	2010
		(In thousands)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 8 and 13)	(Won) 10,187,008	(Won) 10,435,234
Short-term financial instruments	40,000,000	40,500,000
Trade accounts receivable, net of allowance for doubtful accounts of (Won)192,047 thousand for 2011 and (Won)170,149 thousand for 2010 (Note 14)	19,012,616	16,844,763
Inventories (Notes 3 and 8)	34,568,962	28,308,117
Securities (Notes 5,8 and 25)	4,500	5,600
Other current assets (Note 4)	7,147,794	6,541,307
	110,920,880	102,635,021
NON CURRENT ASSETS:		
Securities under the equity method (Note 6)	677,340	677,340
Securities (Notes 5 and 8)	1,354,910	62,985
Other investments	138,855	184,085
Tangible assets, net (Notes 7 and 8)	65,962,903	62,200,625
Intangible assets (Note 9)	8,578,563	9,338,876
Guarantee deposits paid (Note 10)	123,590,176	112,647,141
Membership certificates	2,307,877	2,277,527
Deferred income tax assets (Note 18)	1,283,463	1,310,229
	203,894,087	188,698,808
Total Assets	(Won)314,814,967	(Won)291,333,829
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade accounts payable (Note 14)	(Won) 16,444,547	(Won) 15,308,691
Accounts payable-other (Note 14)	13,588,829	8,843,013
Income tax payable (Note 18)	3,532,886	5,912,523
Advances from customers (Note 13)	2,728,591	2,068,757
Guarantee deposits received	17,685,162	17,373,276
Deferred income tax liabilities (Note 18)	136,978	108,745
Other current liabilities (Notes 11,13, and 14)	6,864,380	6,964,772
	60,981,373	56,579,777
NON- CURRENT LIABILITIES:		
Accrued severance indemnities, net of benefit plan assets of (Won)13,144,957 thousand for 2011 and (Won)11,572,261 thousand for 2010 (Note 12)	4,250,472	3,995,292
Allowance for unused points (Note 23)	2,651,480	1,428,034
	6,901,952	5,423,326
TOTAL LIABILITIES	67,883,325	62,003,103
SHAREHOLDERS' EQUITY:		
Common stock (Note 15)	6,000,000	6,000,000
Accumulated other comprehensive income (Notes 5 and 16)	300,121	—
Appropriated retained earnings (Note 15)	24,234,977	24,234,977
Retained earnings before appropriations	216,396,544	199,095,749
Total Shareholders' Equity	246,931,642	229,330,726
Total Liabilities and Shareholders' Equity	(Won)314,814,967	(Won)291,333,829

See accompanying notes to financial statements.

BR Korea Co., Ltd.
Statements of income
For the years ended December 31, 2011, 2010 and 2009

	2011	2010	2009
			(In thousands, except per share amounts)
SALES (Notes 14 and 24)	(Won)452,359,842	(Won)426,063,145	(Won)406,214,174
COST OF SALES (Note 14)	223,625,882	205,865,736	206,622,944
GROSS PROFIT	228,733,960	220,197,409	199,591,230
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 21 and 22)	195,163,739	181,504,761	155,286,246
OPERATING INCOME	33,570,221	38,692,648	44,304,984
NON OPERATING INCOME (EXPENSES):			
Interest income	2,150,932	2,112,109	1,353,475
Foreign currency loss, net (Note 13)	(2,852)	(17,252)	(74,007)
Gain (Loss) on foreign currency transactions, net	(35,493)	4,310	(5,061)
Commission income	3,208,904	5,199,869	5,685,017
Gain (Loss) on disposal of tangible assets, net	(715,563)	17,414	(598,839)
Gain on disposal of intangible assets	755,000	309,350	177,975
Donations (Note 17)	(2,426,487)	(1,983,239)	(2,261,554)
Miscellaneous, net (Note 17)	(677,804)	(336,130)	(1,168,736)
	2,256,637	5,306,431	3,108,270
INCOME BEFORE INCOME TAX	35,826,858	43,999,079	47,413,254
INCOME TAX EXPENSE (Note 18)	8,494,063	10,586,975	12,050,772
NET INCOME	(Won) 27,332,795	(Won) 33,412,104	(Won) 35,362,482
NET INCOME PER SHARE (Note 19)	(Won) 45,555	(Won) 55,687	(Won) 58,937

See accompanying notes to financial statements.

BR Korea Co., Ltd.
Statements of changes in shareholders' equity
For the years ended December 31, 2011, 2010 and 2009

	Common stock	Accumulated other comprehensive income	Retained earnings	Total
				Korean Won (In thousands)
Balance at January 1, 2009	(Won)6,000,000	(Won) —	(Won)175,058,140	(Won)181,058,140
Annual dividends			(9,888,000)	(9,888,000)
Balance after appropriations			165,170,140	171,170,140
Net income			35,362,482	35,362,482
Balance at December 31, 2009	(Won)6,000,000	(Won) —	(Won)200,532,622	(Won)206,532,622
Balance at January 1, 2010	(Won)6,000,000	(Won) —	(Won)200,532,622	(Won)206,532,622
Annual dividends			(10,614,000)	(10,614,000)
Balance after appropriations			189,918,622	195,918,622
Net income			33,412,104	33,412,104
Balance at December 31, 2010	(Won)6,000,000	(Won) —	(Won)223,330,726	(Won)229,330,726
Balance at January 1, 2011	(Won)6,000,000	(Won) —	(Won)223,330,726	(Won)229,330,726
Annual dividends			(10,032,000)	(10,032,000)
Balance after appropriations			213,298,726	219,298,726
Gains on valuation of available-for-sale securities, net of tax		300,121		300,121
Net income			27,332,795	27,332,795
Balance at December 31, 2011	(Won)6,000,000	(Won) 300,121	(Won)240,631,521	(Won)246,931,642

See accompanying notes to financial statements.

BR Korea Co., Ltd
Statements of cash flows
For the years ended December 31, 2011, 2010 and 2009

	2011	2010	2009
			(In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	(Won)27,332,795	(Won)33,412,104	(Won)35,362,482
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	20,215,617	18,899,166	19,914,400
Provision for severance indemnities	5,115,531	6,695,012	4,015,539
Amortization of lease premium	3,720,031	3,604,761	3,229,923
Provision for doubtful accounts	1,364,490	31,982	21,800
Foreign currency translation loss	3,415	—	—
Disposal of tangible assets, net	715,563	(17,414)	598,839
Disposal of intangible assets, net	(755,000)	(309,350)	(177,975)
Payment of severance indemnities	(3,333,628)	(4,074,977)	(2,299,625)
Transfer of severance indemnities from related parties	45,973	174,604	176,542
Change in trade accounts receivable	(2,189,751)	(463,142)	(137,154)
Change in accounts receivable-other	(970,223)	537,197	(2,091,922)
Change in accrued income	(188,753)	17,600	166,021
Change in advanced payments	642,527	(1,030,369)	1,152,192
Change in prepaid expenses	(132,630)	101,573	(69,533)
Change in inventories	(6,260,845)	1,442,542	1,944,500
Change in deferred income tax assets	26,766	(215,534)	(612,949)
Change in trade accounts payable	1,132,441	866,869	487,801
Change in accounts payable-other	4,745,816	1,660,450	(7,837,644)
Change in withholdings	(57,023)	(752,033)	2,638,929
Change in accrued expenses	(43,370)	(2,982,152)	3,563,367
Change in income tax payable	(2,379,638)	(1,909,418)	(140,325)
Change in deferred income tax liabilities	(67,584)	1,675	(60,151)
Change in advances from customers	652,134	188,042	(983,082)
Change in allowance for unused points	1,223,446	(735,036)	(69,893)
Change in gift certificate discounts	7,700	(12,156)	(3,629)
Change in the national pension fund	3,198	7,208	—
Change in benefit plan assets	(1,575,894)	(2,623,783)	(3,269,803)
Net cash provided by operating activities	48,993,104	52,515,421	55,518,650

(Continued)

BR Korea Co., Ltd
Statements of cash flows—(continued)
For the years ended December 31, 2011, 2010 and 2009

	2011	2010	2009
			(In thousands)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Withdrawal of short-term financial instruments	(Won) 117,500,000	(Won) 157,000,000	(Won) 78,678,865
Proceeds from disposal of securities	5,600	4,390	16,945
Disposal of tangible assets	375,932	327,457	3,923,898
Refund of guarantee deposits paid	9,905,072	4,752,250	7,684,153
Collection of long-term loans	45,230	226,922	167,330
Disposal of lease premium	1,010,000	352,600	190,454
Disposal of membership certificates	70,150	—	362,810
Acquisition of short-term financial instruments	(117,000,000)	(162,500,000)	(96,678,865)
Purchase of securities under the equity method	—	(677,340)	—
Purchase of securities	(900,486)	—	(2,370)
Payment of guarantee deposits paid	(21,898,107)	(19,845,301)	(17,863,614)
Acquisition of tangible assets	(25,069,389)	(17,149,920)	(25,082,537)
Purchase of membership certificates	(100,500)	(589,546)	(157,081)
Payment of lease premium	(3,464,718)	(1,955,074)	(2,056,515)
Net cash used in investing activities	(39,521,216)	(40,053,562)	(50,816,527)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Refund of guarantee deposits received	23,496,253	5,074,855	5,978,607
Dividends paid	(10,032,000)	(10,614,000)	(9,888,000)
Payment of guarantee deposits received	(23,184,367)	(2,890,568)	(4,340,270)
Net cash used in financing activities	(9,720,114)	(8,429,713)	(8,249,663)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(248,226)	4,032,146	(3,547,540)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,435,234	6,403,088	9,950,628
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 25)	(Won) 10,187,008	(Won) 10,435,234	(Won) 6,403,088

See accompanying notes to financial statements.

BR Korea Co., Ltd.
Notes to financial statements
For the years ended December 31, 2011 and 2010

1. General:

BR KOREA CO., LTD. (the "Company") was incorporated under the laws of the Republic of Korea on June 10, 1985 in accordance with the joint venture agreement dated April 19, 1985 between three Korean shareholders represented by Mr. Young In Hur and Dunkin' Brands Inc. Under such agreement, the Company engages in the production, distribution and sale of ice cream, ice cream treats, donuts and other related activities. Sales are made through the Company's distribution network under its direct management and franchise stores under the brand names of Baskin-Robbins and Dunkin' Donuts.

As of December 31, 2011, the Company's common stock amounts to (Won)6,000 million, and the issued and outstanding shares of the Company are owned 66.67% by those Korean shareholders and 33.33% by Dunkin' Brands Inc.

2. Summary of significant accounting policies:

Basis of financial statement presentation

The Company has prepared the accompanying financial statements in accordance with *Accounting Standards for Non-Public Entities in the Republic of Korea* ("KAS—NPEs") for the reporting periods beginning on or after January 1, 2011. In accordance with the *KAS—NPEs 'Effective date and Transitional Provisions'* paragraph 4, on January 1, 2011, the prior periods' financial position, results of operations, and cash flows under previous generally accepted accounting principles in the Republic of Korea ("previous K-GAAP") have been carried over and presented as is, with no retrospective adjustments due to the application of KAS—NPEs.

The Company maintains its official accounting records in Korean won and prepares its statutory financial statements in the Korean language (Hangul) in conformity with Accounting Standards for Non-Public Entities in the Republic of Korea. Certain accounting principles applied by the Company that conform with the financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about KAS—NPEs and Korean practices.

The accompanying financial statements to be presented at the annual shareholders' meeting were approved by the board of directors on March 8, 2012.

The Company's significant accounting policies used for the preparation of the financial statements are as follow.

Cash and cash equivalents

Cash and cash equivalents includes cash, checks issued by others, checking accounts, ordinary deposits and financial instruments, which can be easily converted into cash and whose value changes due to changes in interest rates are not material, with maturities (or date of redemption) of three months or less from acquisition. Credit card sales are recognized as trade accounts receivable.

Revenue recognition

The Company's revenue consists of sales of ice cream and donuts to franchisees and to customers (for its retail stores) and other.

(Continued)

The Company sells individual franchise agreements, under which a franchisee pays an initial nonrefundable fee (refer to Commission Income) and subsequently purchases ice cream and donuts from the Company. Once the franchise begins operations, the Company recognizes revenue from the sale of ice cream and donuts to a franchise as Sales during the period. Revenue generated from the sale of ice cream and donuts to franchisees is recognized upon delivery; however, revenue is recognized when the sales terms have been fully met if there are sales terms related with post-delivery. Retail store revenues at company-owned stores are recognized at the point of sale, net of sales tax and other sales-related taxes.

The Company offers customer loyalty programs—bonus points, under which customers can earn from 1.5% ~ 5% of any purchase amount above (Won)1,000, as points to use in the future. Such points expire within one year from the date the customer earns them. When a customer earns bonus points under the program, the Company recognizes selling, general and administrative expense in the same amount and a corresponding liability under Allowance for unused points. When points are used, the Company reduces Allowance for unused points and recognizes revenue. At the end of the period, 100% of the unused points are recognized as Allowance for unused points (Note 23), in the Company's statements of financial position.

Commission income

The Company sells individual franchise agreements, under which a franchisee pays an initial nonrefundable fee. The initial franchise fee is recognized as Commission Income, upon substantial completion of the services required of the Company as stated in the franchise agreement, which is generally upon the opening of the respective franchise. The Company does not consider its Commission Income from such initial nonrefundable fees as part of its main business operations. Thus, presents the related income as part of non operating income.

Gift certificates

Gift certificates are stated at face value, net of any discounts given, at the time of issuance and accounted for as Advances from Customers. The gift certificates generally expire within 5 years of issuance. The redemption of gift certificates is reflected as sales at the time the certificates are redeemed at stores by the portion of advances, net of discounts for the relative amount of redemption. Any expired gift certificates are recognized as Non-operating income.

Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts to cover estimated losses on receivables, based on collection experience and analysis of the collectability of individual outstanding receivables.

Inventories

Inventories are stated at cost which is determined by using the moving average method. The Company maintains perpetual inventory, which is adjusted to physical inventory counts performed at year end. When the market value of inventories (net realizable value for finished goods or merchandise and current replacement cost for raw materials) is less than the carrying value, carrying value is stated at the lower of cost or market.

(Continued)

The Company applies the lower of cost or market method by each group of inventories and loss on inventory valuation is presented as a deduction from inventories and charged to cost of sales.

Classification of securities

At acquisition, the Company classifies securities into one of the following categories: trading, available-for-sale, held-to-maturity and securities accounted for under the equity method, depending on marketability, purpose of acquisition and ability to hold. Debt and equity securities that are bought and held for the purpose of selling them in the near term and actively traded are classified as trading securities. Debt securities with fixed and determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities. Investments in equity securities over which the Company exercises significant influence, are accounted for under the equity method. Securities accounted for under the equity method are presented as securities accounted for using the equity method in the statement of financial position. Debt and equity securities not classified as the above are categorized as available-for-sale securities.

Valuation of securities

For available-for-sale securities, the average method is used to determine the cost of debt and equity securities for the calculation of gain (loss) on disposal of those securities.

Debt securities that have fixed or determinable payments with a fixed maturity are classified as held-to-maturity securities only if the Company has both the positive intent and ability to hold those securities to maturity. However, debt securities, whose maturity dates are due within one year from the period end date, are classified as current assets.

After initial recognition, held-to-maturity securities are stated at amortized cost in the statements of financial position. When held-to-maturity securities are measured at amortized costs, the difference between their acquisition cost and face value is amortized using the effective interest rate method and the amortization is included in the cost and interest income.

When the possibility of not being able to collect the principal and interest of held-to-maturity securities according to the terms of the contracts is highly likely, the difference between the recoverable amount (the present value of expected cash flows using the effective interest rate upon acquisition of the securities) and book value is recorded as loss on impairment of held-to-maturity securities included in the non-operating expense and the held-to-maturity securities are stated at the recoverable amount after impairment loss. If the value of impaired securities subsequently recovers and the recovery can be objectively related to an event occurring after the impairment loss was recognized, the reversal of impairment loss is recorded as reversal of impairment loss on held-to-maturity securities included in non-operating income. However, the resulting carrying amount after the reversal of impairment loss shall not exceed the amortized cost that would have been measured, at the date of the reversal, if no impairment loss was recognized.

Tangible assets

Property, plant and equipment are stated at cost (acquisition cost or manufacturing cost plus expenditures directly related to preparing the assets ready for use). Assets acquired from investment-in-kind, received

(Continued)

through donations or acquired free of charge in other ways are stated at the market value of the item which is considered as the fair value.

Expenditures after acquisition or completion that increase future economic benefit in excess of the most recently assessed capability level of the asset are capitalized and other expenditures are charged to expense as incurred.

In accordance with the Company's policy, borrowing costs in relation to the manufacture, purchase, construction or development of assets are capitalized as part of the cost of those assets.

When the expected future cash flow from use or disposal of the property, plant and equipment is lower than the carrying amount due to obsolescence, physical damage or other causes, the carrying amount is adjusted to the recoverable amount (the higher of net sales price or value in use) and the difference is recognized as an impairment loss. When the recoverable amount subsequently exceeds the carrying amount of the impaired asset, the excess is recorded as a reversal of impairment loss to the extent that the reversed asset does not exceed the carrying amount before previous impairment as adjusted by depreciation.

Depreciation is computed using the declining-balance method, except for buildings and structures using straight-line method, over the estimated useful lives of the assets as follows:

Assets	Useful lives (Years)
Buildings	30
Structures	15
Machinery and equipment	8
Vehicles	4
Others	4

Intangible assets

Intangible asset amount represents lease premiums paid, which is amortized using the straight-line method over the estimated useful life of 5 years. A lease premium is an amount a lessee pays to the previous lessee related to the property. A long-term lease contract with a contract period of 5 years or more is amortized over the actual contract years. When the leasing right is transferred to a sub-lessee before the end of the lease period, the gain or loss on disposal of the lease premium is recognized in the amount of the difference between the lease premium previously paid and the lease premium received from the sub-lessee.

Accrued severance indemnities

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive a lump-sum severance payment upon termination of their employment, based on their current salary rate and length of service. The accrual for severance indemnities is computed as if all employees were to terminate at the period end dates and amounted to (Won)17,395 million and (Won)15,568 million for the years ended December 31, 2011 and 2010, respectively. In accordance with the National Pension Law of Korea, a portion of its severance indemnities which has been transferred in cash to the National Pension Fund through March 1999 is presented as a deduction from accrued severance indemnities. Additionally, the Company has insured a portion of its obligations for severance indemnities by contributing to benefit plan assets that will be directly paid to employees with Shinhan Bank Co. and others, and records them as plan assets which are directly deducted from accrued severance indemnities. Actual payments for severance indemnities amounted to (Won)3,334 million, (Won)4,075 million and (Won)2,300 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Income tax expense

The Company recognizes deferred income tax assets or liabilities for the temporary differences between the carrying amount of an asset and liability and tax base. A deferred tax liability is generally recognized for all taxable temporary differences with some exceptions and a deferred tax asset is recognized to the extent when it is probable that taxable income will be available against which the deductible temporary difference can be utilized in the future. Deferred income tax asset (liability) is classified as current or non-current asset (liability) depending on the classification of related asset (liability) in the statements of financial position. Deferred income tax asset (liability), which does not relate to specific asset (liability) account in the statements of financial position such as deferred income tax asset recognized for tax loss carryforwards, is classified as current or non-current asset (liability) depending on the expected reversal period. Deferred income tax assets and liabilities in the same tax jurisdiction and in the same current or non-current classification are presented on a net basis. Current and deferred income tax expense are included in income tax expense in the statements of income and additional income tax or tax refunds for the prior periods are included in income tax expense for the current period when recognized. However, income tax resulting from transactions or events, which was directly recognized in shareholders' equity in current or prior periods, or business combinations, is directly adjusted to equity account or goodwill (or negative goodwill).

Accounting for foreign currency translation

The Company maintains its accounts in Korean won. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying financial statements at the exchange rates prevailing at the period end dates. The balances have been translated using the market exchange rate announced by Seoul Money Brokerage Services Ltd., which is (Won)1,153.30 and (Won)1,138.90 to US $1.00 at December 31, 2011 and 2010, respectively. The translation gains or losses are reflected in non operating income (expense).

3. Inventories:

Inventories as of December 31, 2011 and 2010 consist of the following:

	Korean Won (In thousands)	
	2011	**2010**
Merchandise	(Won) 6,874,214	(Won) 8,116,884
Finished goods	4,412,773	4,941,342
Semi finished goods	224,481	219,911
Raw materials	16,712,431	10,693,639
Materials in transit	6,345,063	4,336,341
Total	(Won)34,568,962	(Won)28,308,117

(Continued)

4. Other current assets:

Other current assets as of December 31, 2011 and 2010 consist of the following:

	Korean Won (In thousands)	
	2011	2010
Accounts receivable—other	(Won)4,431,259	(Won)3,503,628
Accrued income	687,597	498,843
Advanced payments	1,624,706	2,267,233
Prepaid expenses	404,232	271,603
Total	(Won)7,147,794	(Won)6,541,307

5. Securities:

(1) Securities as of December 31, 2011 and 2010 consist of following:

	Korean Won (In thousands)	
	2011	2010
Available-for-sale Securities		
Dunkin' Brands Group, Inc	(Won)1,296,425	(Won) —
Held-to-maturity securities		
Government & public bonds	62,985	68,585
Total	(Won)1,359,410	(Won)68,585

Held-to-maturity securities whose maturity are within one year from the period end date in the amount of (Won)4,500 thousand and (Won)5,600 thousand as of December 31, 2011 and 2010, respectively, are classified as securities in the current assets.

(2) Details of available-for-sale Securities as of December 31, 2011 and 2010 consist of following:

			Korean Won (In thousands)		
	Number of shares	Ownership	Acquisition cost	Fair value	Book value
Dunkin' Brands Group, Inc.	45,000	0.2%	(Won)900,486	(Won)1,296,425	(Won)1,296,425

The fair value of available-for-sale Securities that are quoted in active markets is determined using the quoted prices and the accumulated unrealized gain on valuation of available-for-sale Securities before tax effect is (Won)395,939 thousand as of December 31, 2011.

In addition, during the years ended December 31, 2011 and 2010, no impairment loss or reversal of any previously recognized impairment loss on securities occurred.

6. Securities under the equity method:

Details of securities accounted for under the equity method as of December 31, 2011 and 2010 are as follow:

			Korean Won (In thousands)	
	Number of shares	Ownership	Acquisition cost	Book value
Nexgen Food Research (NFR)	6,000	100%	(Won) 677,340	(Won)677,340

KAS-NPEs do not require the equity method to be applied when both condition are met; (a) the investee does not require to be audited in accordance with Korean External Audit Laws, and (b) the ownership of investor does not change significantly from previous periods.

As of December 31, 2011 and 2010, the Company does not reflect its proportionate share of operational results or equity adjustments of NFR as both conditions are met for NFR.

In addition, during the year ended December 31, 2011 and 2010, no impairment loss or reversal of any previously recognized impairment loss on securities under the equity method occurred.

7. Tangible assets:

(1) Tangible assets as of December 31, 2011 and 2010 consist of the following:

	Korean Won (In thousands)	
	2011	2010
Land	(Won)11,103,689	(Won)11,103,689
Buildings	21,867,337	21,571,820
Structures	996,666	752,500
Machinery	8,409,626	8,080,418
Vehicles	45,373	113,898
Other	23,540,212	20,578,300
Total	(Won)65,962,903	(Won)62,200,625

(2) Disclosure of Land Price and Valuation of Land

The Korean government annually announces the public price of domestic land by address and type of purpose pursuant to the laws on Disclosure of Land Price and Valuation of Land. This is determined based on the comprehensive consideration including market price, surrounding road condition, possibility of future development and others. As of December 31, 2011 and 2010, the public price of Company-owned land is (Won)9,720,605 thousand and (Won)8,960,541 thousand, respectively.

(Continued)

(3) Changes in book values of tangible assets for the years ended December 31, 2011 and 2010 consist of the following:

	Korean Won (In thousands) 2011				
	January 1, 2011	Acquisition	Disposal	Depreciation	December 31, 2011
Land	(Won)11,103,689	(Won) —	(Won) —	(Won) —	(Won)11,103,689
Buildings	21,571,820	1,576,412	327,480	953,415	21,867,337
Structures	752,500	357,064	—	112,898	996,666
Machinery	8,080,418	3,415,485	1	3,086,276	8,409,626
Vehicles	113,898	—	8,330	60,195	45,373
Others	20,578,300	19,720,428	755,683	16,002,833	23,540,212
Total	(Won)62,200,625	(Won)25,069,389	(Won)1,091,494	(Won)20,215,617	(Won)65,962,903

	Korean Won (In thousands) 2010				
	January 1, 2010	Acquisition	Disposal	Depreciation	December 31, 2010
Land	(Won)11,103,689	(Won) —	(Won) —	(Won) —	(Won)11,103,689
Buildings	22,532,797	—	—	960,977	21,571,820
Structures	748,657	101,200	—	97,357	752,500
Machinery	11,214,919	529,247	—	3,663,748	8,080,418
Vehicles	46,327	129,632	8	62,053	113,898
Others	18,613,526	16,389,840	310,035	14,115,031	20,578,300
Total	(Won)64,259,915	(Won)17,149,919	(Won)310,043	(Won)18,899,166	(Won)62,200,625

During the years ended December 31, 2011 and 2010 no impairment loss or reversal of any previously recognized impairment loss on property, plant and equipment occurred.

8. Insured assets:

As of December 31, 2011, the Company's buildings and structures, machinery, equipment and inventories are insured up to (Won)112,295,327 thousand for fire and (Won)1,900,000 thousand for gas casualty insurance, and (Won)200,000 thousand for the theft of securities and cash. In addition, the Company carries general insurance for vehicles, product liability insurance, business liability insurance and workers' compensation and casualty insurance for employees.

(Continued)

9. Intangible assets:

Change in intangible asset which consists of lease premiums for the years ended December 31, 2011 and 2010 are as follows:

	Korean Won (In thousands)	
	2011	2010
Beginning balance	(Won) 9,338,876	(Won) 11,031,813
Increase	3,464,718	1,955,074
Amortization	(3,720,031)	(3,604,761)
Disposal	(255,000)	(43,250)
Reclassification	(250,000)	—
Ending balance	(Won) 8,578,563	(Won) 9,338,876

Lease premium paid to the previous lessee, was reclassified as rental deposit, included in guarantee deposits, as the property owner rejected the right to transfer the lease premium and terminated the lease agreement the during the year ended December 31, 2011.

10. Guarantee deposits:

Guarantee deposits paid as of December 31, 2011 and 2010 are as follows:

	Korean Won (In thousands)	
	2011	2010
Rental deposits	(Won)123,569,697	(Won)112,622,634
Other	20,479	24,507
Total	(Won)123,590,176	(Won)112,647,141

The Company obtained lien rights for the amount of (Won)80,312 million and (Won)77,975 million related to its guarantee deposits as of December 31, 2011 and 2010, respectively.

11. Other current liabilities:

Other current liabilities as of December 31, 2011 and 2010 consist of the following:

	Korean Won (In thousands)	
	2011	2010
Withholdings	(Won)3,222,248	(Won)3,279,270
Accrued expenses	3,642,132	3,685,502
	(Won)6,864,380	(Won)6,964,772

12. Accrued severance indemnities:

(1) Employees with more than one year of service are entitled to receive severance indemnities, based on their length of service and salary rate upon termination of their employment. The severance indemnities that would

(Continued)

be payable assuming all eligible employees were to resign amount to (Won)17,395,428 thousand and (Won)15,567,553 thousand as of December 31, 2011 and 2010, respectively. The changes in accrued severance indemnities for the years ended December 31, 2011 and 2010 are as follows:

	Korean Won (In thousands)	
	2011	2010
Beginning accrued severance indemnities	(Won) 15,567,553	(Won) 12,772,914
Provision for severance indemnities for the period	5,115,531	6,695,012
Transferred-in from affiliates	45,973	174,604
Actual payment	(3,333,629)	(4,074,977)
Ending accrued severance indemnities	(Won) 17,395,428	(Won) 15,567,553
Deposits in National Pension Fund	(Won) (23,612)	(Won) (26,810)
Deposits in financial institutions	(13,121,345)	(11,545,451)
Total benefit plan assets	(Won)(13,144,957)	(Won)(11,572,261)
Accrued severance indemnities, net of benefit plan assets	(Won) 4,250,472	(Won) 3,995,292

(2) The Company has insured a portion of its obligations for severance indemnities, in order to obtain the related tax benefits by joining retirement pension plan with Shinhan Bank Co. and others. Withdrawal of these retirement pension plan assets, in the amount of (Won)13,121,345 thousand and (Won)11,545,451 thousand as of December 31, 2011 and 2010, respectively, is restricted to the payment of severance indemnities. In addition, a part of severance liabilities has been transferred to the national pension fund under the relevant regulation, which is no longer effective. The amounts of the national pension fund benefit transferred are (Won)23,612 thousand and (Won)26,810 thousand as of December 31, 2011 and 2010, respectively. The benefit plan assets and the national pension fund benefit transferred and outstanding are presented as a deduction from accrued severance indemnities.

13. Assets and liabilities in foreign currency:

Assets and liabilities denominated in foreign currency as of December 31, 2011, 2010 and 2009 are as follows:

	Korean Won (In thousands) and US Dollars					
	2011		2010		2009	
	Foreign currency	Korean Won equivalent	Foreign currency	Korean Won equivalent	Foreign currency	Korean Won equivalent
Assets:						
Cash and cash equivalents	USD 40,543	(Won)46,758	USD 715,149	(Won)814,483	USD 314,460	(Won)367,163
Liabilities:						
Accrued expense	USD 60,274	(Won)69,514	—	—	—	—
Advance from customers	USD 12,656	(Won)14,597	—	—	—	—

The Company recorded (Won)(2,852) thousand, (Won)(17,252) thousand and (Won)(74,007) thousand of Loss on foreign currency translation in Non-operating incomes (expenses) for the years ended December 31, 2011, 2010, and 2009, respectively.

14. Transactions with related parties:

Dunkin' Brands, Inc is a significant shareholder of the Company. NEXGEN FOOD RESEARCH is a wholly-owned subsidiary of the Company (Note 6). The entities listed below have investment relationships with the Korean shareholders of Company or the entities which the Korean shareholders invest in.

(1) Transactions with affiliated companies and other related parties in 2011, 2010 and 2009 are as follows:

	Korean Won (In thousands)					
	2011		2010		2009	
	Revenues	Purchases and others	Revenues	Purchases and others	Revenues	Purchases and others
Shany Co., Ltd.	(Won) 29,156	(Won) 1,320,572	(Won)1,083,848	(Won)11,853,327	(Won)1,150,848	(Won) 8,382,872
Honam Shany Co., Ltd.	—	116,580	—	79,844	—	75,770
Paris Croissant Co., Ltd.	343,449	8,398,987	322,424	6,969,578	175,654	4,586,953
Samlip General Food Co., Ltd.	2,548,977	6,938,463	1,250,728	3,493,164	980,148	4,071,503
SPC Co., Ltd.	2,083,113	5,739,561	2,050,502	4,409,849	—	2,674,935
SPC Networks Co., Ltd.	1,570,524	3,243,939	2,110,253	948,483	15,426	29,568
Mildawon Co., Ltd.	—	53,480	—	309,236	—	66,620
NEXGEN FOOD RESEARCH	—	412,457	—	—	—	—
Dunkin' Brands, Inc.	2,639,430	3,755,019	1,191,083	3,448,705	352,442	3,193,370
Paris Baguette Bon Doux, Inc.	—	37,525,091	—	23,482,273	—	33,281,213
SPC Euro	—	7,000,897	—	3,048,417	—	4,156,874
SPC Japan	—	629,860	—	5,172,213	—	5,018,539
	(Won)9,214,649	(Won)75,134,906	(Won)8,008,838	(Won)63,215,089	(Won)2,674,518	(Won)65,538,217

(Continued)

(2) Related balances of receivables and payables with related parties as of December 31, 2011 and 2010 are summarized below.

	Korean Won (In thousands)	
	2011	2010
Receivables		
Shany Co., Ltd.	(Won) 20,350	(Won) 786
Paris Croissant Co., Ltd.	38,847	27,215
Samlip General Food Co., Ltd.	208,959	209,348
SPC Co., Ltd.	147,500	154,120
SPC Networks Co., Ltd.	365,230	—
Dunkin' Brands, Inc.	458,905	—
	(Won)1,239,791	(Won) 391,469
Allowance for doubtful accounts	12,398	3,914
Payables(*1)		
Shany Co., Ltd.	(Won) —	(Won) 167,480
Honam Shany Co., Ltd.	12,181	14,529
Paris Croissant Co., Ltd.	472,507	478,588
Samlip General Food Co., Ltd.	917,851	271,371
SPC Co., Ltd.	476,318	497,234
SPC Networks Co., Ltd.	731,846	85,644
Mildawon Co., Ltd.	—	50,832
Dunkin' Brands Inc.	1,222,819	1,126,000
	(Won)3,833,522	(Won)2,690,678

(*1) Payables consists of trade accounts payable, accrued expenses and accounts payable—other.

15. Shareholders' equity:

Capital Stock

As of December 31, 2011, the Company has 3,000,000 authorized shares of common stock with a (Won)10,000 par value, of which 600,000 shares were issued and outstanding as of December 30, 2011.

Appropriated Retained Earnings

Appropriated retained earnings as of December 31, 2011 and 2010, which are maintained by the Company in accordance with tax and other relevant regulations, consist of the following:

	Korean Won (In thousands)	
	2011	2010
Legal reserve(*1)	(Won) 3,000,000	(Won) 3,000,000
Reserve for business rationalization(*2)	3,493,977	3,493,977
Reserve for business development(*3)	17,741,000	17,741,000
	(Won) 24,234,977	(Won) 24,234,977

(*1) The Korean Business Law requires the Company to appropriate at least 10 percent of the cash dividends paid as legal reserve until such reserve equals 50 percent of its common stock. This reserve is not available for cash dividends and can only be transferred to capital or can be used to reduce deficit.

(*2) In accordance with the Tax Exemption and Reduction Control Law, the amount of tax benefit associated with certain tax credits are appropriated as a reserve for business rationalization.

(*3) In order to obtain a tax credit on excess retained earnings' tax, the Company previously accrued for a reserve for business development. However, as the relevant tax regulation concerning excess retained earnings' tax was repealed in early 2002, the Company has not accrued for any additional reserve for business development since 2002. The remaining reserve can be used to offset deficit or transferred to paid-in capital. However, if this reserve is used for other purposes, the amount used is subject to additional corporate tax.

Statements of Appropriated Retained Earnings

	2011	2010	2009
			(In thousands)
RETAINED EARNINGS BEFORE APPROPRIATIONS:			
Unappropriated retained earnings brought forward from prior year	(Won) 189,063,749	(Won) 165,683,645	(Won) 140,935,163
Net income	27,332,795	33,412,104	35,362,482
	216,396,544	199,095,749	176,297,645
APPROPRIATIONS:			
Dividends calculated (Note 20)	8,202,000(*1)	10,032,000	10,614,000
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	(Won) 208,194,544	(Won) 189,063,749	(Won) 165,683,645

(*1) Dividends calculated by the Company are pending approval.

16. Statements of comprehensive income:

Statements of comprehensive income for the years ended December 31, 2011, 2010 and 2009 consist of the following:

	2011	2010	2009
			(In thousands)
Net income	(Won)27,332,795	(Won)33,412,104	(Won)35,362,482
Other comprehensive income:			
Gain on valuation of AFS financial assets	359,939	—	—
Tax effects	(95,818)	—	—
	300,121	—	—
Comprehensive income	(Won)27,632,916	(Won)33,412,104	(Won)35,362,482

17. Donations and miscelleneous expense:

The Company donates donuts to the Food Bank on a daily basis as part of its Corporate social responsibility.

The Company recognized miscellaneous income and expense related to various types of other income offset by mainly inventory scrap expenses. Gross presentation of miscellaneous income and expense is as follows:

	Korean Won (In thousands)		
	2011	2010	2009
Miscellaneous income	(Won) 1,034,374	(Won) 864,534	(Won) 848,083
Miscellaneous (expense)	(1,712,178)	(1,200,664)	(2,016,819)
Miscellaneous, net	(Won) (677,804)	(Won) (336,130)	(Won)(1,168,736)

18. Income tax expense and deferred taxes:

(1) Income tax expense for the years ended December 31, 2011, 2010 and 2009 is as follows:

	Korean Won (In thousands)		
	2011	2010	2009
Income tax currently payable	(Won)8,534,882	(Won)10,800,834	(Won)12,723,873
Changes in deferred income tax assets due to temporary differences:			
End of year	1,146,485	1,201,484	987,625
Beginning of year	1,201,484	987,625	314,526
	54,999	(213,859)	(673,101)
Tax effect	8,589,881	10,586,975	12,050,772
Changes in deferred income tax liabilities reflected directly in shareholders' equity:			
End of year	—	—	—
Beginning of year	(95,818)	—	—
	(95,818)	—	—
Income tax expense	(Won)8,494,063	(Won)10,586,975	(Won)12,050,772

(Continued)

If the amount in the actual tax return differs from the amount used for the calculation of tax expenses for financial reporting purposes above, the Company reflects such difference in the following fiscal period.

Income tax currently payable as of December 31, 2009 includes additional payment arising from a tax assessment for prior years' corporate income taxes amounting to (Won)2,133,542 thousand.

(2) The reconciliations between income before income tax and income tax expense for the years ended December 31, 2011, 2010 and 2009 are as follows:

	Korean Won (In thousands)		
	2011	**2010**	**2009**
Income before income tax	(Won)35,826,858	(Won)43,999,079	(Won)47,413,254
Income tax payable by statutory income tax rate	8,643,700	10,623,577	11,449,808
Tax reconciliations:			
Non-deductible expense	75,203	55,479	193,957
Special tax	20,936	9,294	170,405
Tax credit(a)	(132,626)	(152,850)	(1,015,551)
Additional payment from the tax assessment(b)	—	—	2,133,542
Adjustment in beginning balance of deferred tax assets from the tax assessment (b)	—	—	(902,429)
Other(c)	(113,150)	51,475	21,040
Income tax expense	(Won) 8,494,063	(Won)10,586,975	(Won)12,050,772
Effective tax rate	23.71%	24.06%	25.42%

(a) Tax credit consists of research and human resource development tax credit, temporarily investment tax credit, and other tax credits applicable under the special tax control laws of Korea.
(b) Adjustment to the temporary differences arising from the prior period tax returns and the final tax assessment and the amount reported in the financial statements are included within the increase or decrease columns.
(c) Other represents the effect from change in the applied corporate tax rate.

(Continued)

(3) Details of changes in accumulated temporary differences for the years ended December 31, 2011 and 2010 are as follows:

	Korean Won (In thousands)			
	2011			
Descriptions	**Beginning balance**	**Decrease**	**Increase**	**Ending balance**
Temporary differences to be deducted:				
Accrued severance indemnities	(Won) 13,686,988	(Won) 1,407,091	(Won) 3,345,137	(Won) 15,625,034
Foreign currency translation	17,252	17,252	2,852	2,852
Amortization of lease premium	425,559	170,455	128,661	383,765
Advertising	180,491	180,491	—	—
Allowance for doubtful accounts	32,232	32,232	118,721	118,721
Accumulated depreciation—Structures	3,984,050	962,961	530,840	3,551,929
Accumulated depreciation	69,026	4,120	—	64,906
Total	18,395,598	2,774,602	4,126,211	19,747,207
Tax rate (*1)	22.0%,24.2%			24.2%
Deferred income tax assets	4,048,120			4,778,823
Temporary differences to be added:				
Severance insurance deposits	(11,545,452)	(612,059)	(2,187,953)	(13,121,346)
Accrued income	(498,843)	(498,843)	(687,596)	(687,596)
Lease premium	(425,559)	(170,455)	(128,661)	(383,765)
Special accumulated depreciation	(419,517)	(49,028)	(50,529)	(421,018)
Total	(12,889,371)	(1,330,385)	(3,450,678)	(15,009,664)
Tax rate (*1)	22.0%,24.2%			24.2%
Deferred income tax liabilities	(2,846,636)			(3,632,338)
Deferred income tax assets, net	(Won) 1,201,484			(Won) 1,146,485

(Continued)

	Korean Won (In thousands)			
	2010			
Descriptions	**Beginning balance**	**Decrease**	**Increase**	**Ending balance**
Temporary differences to be deducted:				
Accrued severance indemnities	(Won) 9,611,773	(Won) 1,177,583	(Won) 5,252,798	(Won) 13,686,988
Foreign currency translation	74,007	74,007	17,252	17,252
Amortization of lease premium	304,709	11,364	132,214	425,559
Advertising	614,883	434,392	—	180,491
Allowance for doubtful accounts	—	—	32,232	32,232
Accumulated depreciation—Structures	3,985,468	511,419	510,001	3,984,050
Accumulated depreciation	81,032	12,006	—	69,026
Total	14,671,872	2,220,771	5,944,497	18,395,598
Tax rate (*1)	22.0%,24.2%			22.0%,24.2%
Deferred income tax assets	3,229,440			4,048,120
Temporary differences to be added:				
Severance insurance deposits	(8,921,668)	(1,177,583)	(3,801,367)	(11,545,452)
Accrued income	(516,444)	(516,444)	(498,843)	(498,843)
Lease premium	(304,709)	(11,364)	(132,214)	(425,559)
Special accumulated depreciation	(395,604)	(26,435)	(50,348)	(419,517)
Total	(10,138,425)	(1,731,826)	(4,482,772)	(12,889,371)
Tax rate	22.0%,24.2%			22.0%,24.2%
Deferred income tax liabilities	(2,241,815)			(2,846,636)
Deferred income tax assets, net	(Won) 987,625			(Won) 1,201,484

(*1) Based on tax rates announced in 2010, the tax rates expected to be applicable to the Company's deferred tax assets and liabilities are 24.2 % in 2011 and 22% after 2012 and thereafter.

(4) Balances of income tax payable and prepaid income tax before offsetting as of December 31, 2011 and 2010 are as follows:

	Korean Won (In thousands)	
Description	**2011**	**2010**
Before offsetting		
Prepaid income tax	(Won)5,001,996	(Won) 4,888,309
Income tax payable	8,534,882	10,800,834
Income tax payable after offsetting	(Won)3,532,886	(Won) 5,912,523

19. Net income per share:

Net income per share for the years ended December 31, 2011, 2010 and 2009 are computed as follows (In thousands except per share amounts and number of shares):

	2011	2010	2009
Net income	(Won)27,332,795	(Won)33,412,104	(Won)35,362,482
Weighted average number of outstanding shares(*)	600,000	600,000	600,000
Net income per share	(Won) 45,555	(Won) 55,687	(Won) 58,937

(*) The number of outstanding shares did not change for the years ended December 31, 2011, 2010 and 2009.

20. Dividends:

(1) Dividends for the years December 31, 2011, 2010 and 2009 are as follows:

	Korean Won		
	2011	2010	2009
Dividend per share	(Won) 13,670	(Won) 16,720	(Won) 17,690
Number of shares	600,000	600,000	600,000
Dividends	(Won)8,202,000,000	(Won)10,032,000,000	(Won)10,614,000,000

(2) The calculation of dividend to net income ratio for the years ended December 31, 2011, 2010 and 2009 is as follows:

	Korean Won		
	2011	2010	2009
Dividend	(Won) 8,202,000,000	(Won)10,032,000,000	(Won)10,614,000,000
Net income	27,332,795,164	33,412,104,480	35,362,481,645
Dividend ratio	30.01%	30.03%	30.01%

21. Summary of information for computation of value added:

The accounts and amounts needed for calculation of value added for the years ended December 31, 2011, 2010 and 2009 are as follows:

	Korean won (In thousands)		
	2011		
	SG & A expenses	Manufacturing cost	Total expenses
Salaries	(Won)39,681,839	(Won) 4,009,394	(Won) 43,691,233
Provision for severance indemnities	4,507,179	608,352	5,115,531
Employee benefits	6,245,433	847,576	7,093,009
Rent	26,370,435	1,662,524	28,032,959
Depreciation	13,095,509	7,120,108	20,215,617
Amortization of lease premium	3,720,031	—	3,720,031
Taxes and dues	1,909,169	204,744	2,113,913
Total	(Won)95,529,595	(Won)14,452,698	(Won)109,982,293

	Korean won (In thousands)		
	2010		
	SG & A expenses	Manufacturing cost expenses	Total expenses
Salaries	(Won)34,303,927	(Won) 3,543,584	(Won)37,847,511
Provision for severance indemnities	6,209,530	485,482	6,695,012
Employee benefits	5,850,725	795,384	6,646,109
Rent	22,564,643	964,233	23,528,876
Depreciation	11,659,293	7,239,873	18,899,166
Amortization of lease premium	3,604,761	—	3,604,761
Taxes and dues	1,736,351	194,801	1,931,152
Total	(Won)85,929,230	(Won)13,223,357	(Won)99,152,587

	Korean won (In thousands)		
	2009		
	SG & A expenses	Manufacturing cost	Total. expenses
Salaries	(Won)30,876,952	(Won) 3,380,604	(Won)34,257,556
Provision for severance indemnities	3,514,136	501,403	4,015,539
Employee benefits	5,403,641	748,302	6,151,943
Rent	18,163,520	1,042,299	19,205,819
Depreciation	12,128,425	7,786,368	19,914,793
Amortization of lease premium	3,229,923	—	3,229,923
Taxes and dues	1,542,840	180,437	1,723,277
Total	(Won)74,859,437	(Won)13,639,413	(Won)88,498,850

(Continued)

22. Selling, general and administrative expenses:

Selling, general and administrative expenses for the years ended December 31, 2011, 2010 and 2009 consist of the following:

	Korean Won (In thousands)		
	2011	2010	2009
Salaries (*1)	(Won) 39,681,839	(Won) 34,303,927	(Won) 30,876,952
Provision for severance indemnities (*1)	4,507,179	6,209,531	3,514,136
Other salaries	3,921,219	3,847,903	3,867,808
Employee benefits (*1)	6,245,433	5,850,725	5,403,641
Rent (*1)	26,370,435	22,564,643	18,163,520
Depreciation (*1)	13,095,509	11,659,293	12,128,425
Amortization of lease premium (*1)	3,720,031	3,604,760	3,229,923
Taxes and dues (*1)	1,909,169	1,736,351	1,542,840
Advertising	27,250,600	30,235,596	26,201,518
Research	603,372	550,848	402,720
Provision for doubtful accounts	1,364,490	31,982	21,800
Commission	36,506,938	32,672,470	25,861,672
Others	29,987,525	28,236,732	24,071,291
	(Won)195,163,739	(Won)181,504,761	(Won)155,286,246

(*1) Other amounts of expenses under the same categorization are considered as manufacturing costs and recognized as Cost of Sales in the statements of income. See Note 21 for the breakout between selling, general and administrative expenses and manufacturing costs for the above categories of expenses.

23. Commitments and litigations:

(1) Commitments

The Company established an import documentary letter of credit up to US $3 million with two commercial banks of Korea as of December 31, 2011. In addition, as of December 31, 2011, the Company is provided with a line of credit of (Won)10 billion under a factoring agreement with Shinhan Bank.

(2) Litigations

As of December 31, 2011, the Company is a defendant in five litigations with total claims of (Won)1,772 million. However, the Company does not expect that the cost to resolve these matters will have a material effect on the financial statements. The Company does not believe a risk of loss resulting from litigation is probable or reasonably possible.

Seoul Metro filed two lawsuits against the Company in relation to sublease taken from Seoul Express Bus & Central City, amount of claims of (Won)362 million. Seoul Metro is a building owner and leased a property with a rent free period to Seoul Express Bus & Central City, which subsequently has been subleased to the Company. The lawsuit is about an eviction suit filed against all lessee and sub-lessee of Seoul Express Bus & Central, since

Seoul Metro intends to directly operate the property. The Company's lease payments made to Seoul Express Bus & Central City to the present have been deposited with the courts. The litigations are currently pending the final round decision at the Supreme Courts. Thus, the Company believes that the likelihood of loss or need for additional payment to the courts is remote.

The lawsuit against the Company is filed by the owners of the building and buildings in the neighbor for a fire accident in Myungdong store. The case with the claims of (Won)41 million is currently pending the first round decision in the court. In addition, there is a lawsuit with Media and Convergence due to the change of the business partner for monitors for promotions ("Happy TV"). The case with the claim of (Won)1,368 million is currently pending in the first round.

(3) Allowance for unused points

Customer loyalty programs are operated by the Company to provide customers with incentives to buy their goods and services. Under the programs, customers can earn from 1.5% ~ 5% of any purchase amount above (Won)1,000, as points to use in the future. Such points expire within one year from the date the customer earns them. As the Company's obligation to provide such awards are in the future, any unused program points as of the period end date, are recognized as Allowance for unused points and amounts to (Won)2,651,480 thousand and (Won)1,428,034 thousand as of December 31, 2011 and 2010 respectively.

24. Segment information:

The Company has two operating divisions, ice cream and donut, in which sales are made through the Company's distribution network consisting of stores under the Company's direct management and under the franchise agreement.

The divisions' sales for the years ended December 31, 2011, 2010 and 2009 are as follows:

	Korean Won (In millions)		
	2011	**2010**	**2009**
Ice Cream	(Won)235,227	(Won)209,367	(Won)197,608
Donut	217,133	216,696	208,606
	(Won)452,360	(Won)426,063	(Won)406,214

25. Cash flow statements:

Significant transactions not involving cash flows for the years ended December 31, 2011, 2010 and 2009 are as follows:

	Korean Won (In thousands)		
	2011	**2010**	**2009**
Transfer to current assets from held-to-maturity securities	(Won) 4,500	(Won)5,600	(Won) 4,390
Transfer from construction in progress to buildings	250,000	—	11,211,800

26. Reconciliation to united states generally accepted accounting principles:

The financial statements have been prepared in accordance with Accounting Standards for Non-Public Entities in the Republic of Korea ("KAS-NPEs"), which differ in certain respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). The classification of the cash flow items on the statements on the cash flow is same for the KAS-NPEs and U.S. GAAP. The significant differences are described in the reconciliation tables below. Other differences do not have a significant effect on either net income or shareholders' equity. The effects of the significant adjustments to net income for the years ended December 31, 2011 and 2010 which would be required if U.S. GAAP were to be applied instead of KAS-NPEs are summarized as follows :

		Korean Won (In thousands except earnings per share)		
	Note reference	2011	2010	2009
Net income based on Korean GAAP		(Won)27,332,795	(Won)33,412,104	(Won)35,362,482
Adjustments:				
Retirement and severance benefits	26.a	127,471	3,003,808	1,063,693
Compensated absences	26.b	603,219	(116,766)	(5,797)
FIN 48 effect	26.c	(10,457)	(8,766)	(10,099)
Tax effect of the reconciling items	26.e	(277,279)	(632,580)	(232,610)
Net income based on U.S. GAAP		(Won)27,775,749	(Won)35,657,800	(Won)36,177,669
Weighted average number of common shares outstanding		600,000	600,000	600,000
Basic and Diluted Earnings per share based on US GAAP		(Won) 46,293	(Won) 59,430	(Won) 60,296

The effects of the significant adjustments to shareholders' equity for the years ended December 31, 2011 and 2010 which would be required if U.S. GAAP were to be applied instead of KAS-NPEs are summarized as follows :

		Korean Won (In thousands)	
	Note reference	2011	2010
Shareholders' equity based on Korean GAAP		(Won)246,931,642	(Won)229,330,726
Adjustments:			
Retirement and severance benefits	26.a	(2,747,769)	(1,710,408)
Compensated absences	26.b	(40,126)	(643,345)
FIN 48 effect	26.c	(29,322)	(18,865)
Tax effect of the reconciling items	26.e	674,671	531,979
Shareholder's equity based on U.S. GAAP		(Won)244,789,096	(Won)227,490,087

(Continued)

a. Retirement and severance benefits

Under the Korean labor law, employees with more than one year of service are entitled to receive a lump sum payment upon voluntary or involuntary termination of their employment. The amount of the benefit is based on the terminated employee's length of employment and rate of pay prior to termination. KAS-NPEs requires that a company record the vested benefit obligation at the end of reporting period assuming all employees were to terminate their employment as of that date. The change in the vested benefit obligation during the year is recorded as the current year's severance expense.

U.S. GAAP generally requires the use of actuarial methods for measuring annual employee benefit costs including the use of assumptions as to the rate of salary progression and discount rate, the amortization of prior service costs over the remaining service period of active employees and the immediate recognition of a liability when the accumulated benefit obligation exceeds the fair value of plan assets. The Company recognizes the actuarial present value of the vested benefits to which the employee is currently entitled but based on the employee's expected date of separation or retirement.

Under U.S. GAAP, actuarial gains or losses, which result from a change in the value of either the projected benefit obligation or the plan assets resulting from experience different from that assumed or from a change in an actuarial assumption, that are not recognized as a component of net income or loss are recognized as increases or decreases to other comprehensive income, net of tax, in the period they arise. At a minimum, amortization of a net actuarial gain or loss included in accumulated other comprehensive income is included as a component of net pension cost for a year if, as of the beginning of the year, that net actuarial gain or loss exceeds 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If amortization is required, the minimum amortization shall be that excess divided by the average remaining service period of active employees expected to receive benefits under the plan.

The effects of retirement and severance benefits to shareholders' equity as of December 31, 2011 and 2010 consist of (Won)4,693,495 thousand recognized as retained earnings and (-) (Won)7,441,264 recognized as other comprehensive income, and (Won)4,566,024 thousand recognized as retained earnings and (-) (Won)6,276,432 thousand recognized as other comprehensive income, respectively. Under US GAAP due to the use of the actuarial method, the Company recognized accrued severance indemnities, net of benefit plan assets of (Won)6,998,240 thousand, and (Won)5,705,700 thousand as of December 31, 2011 and 2010, respectively.

b. Compensated absences

Under U.S. GAAP, a liability for amounts to be paid as a result of employee's rights to compensated absences shall be accrued in the year in which earned. Under KAS-NPEs, while there is no specific provision for the accounting treatment of accruing the compensated absences, the Company accrues such liability in the following year pursuant to industry practice.

c. Income taxes

Under U.S. GAAP, effective January 1, 2009, the Company adopted accounting guidance which clarifies the accounting guidance for uncertainties in income taxes. The guidance requires that the tax effect(s) of a position be recognized only if it is "more-likely-than-not" to be sustained based solely on its technical merits as of the

(Continued)

reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on its technical merits, no benefits of the tax position are to be recognized. The more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. With the adoption of the accounting guidance, companies are required to adjust their financial statements to reflect only those tax positions that are more-likely-than-not to be sustained. Any necessary adjustment would be recorded directly to retained earnings and reported as a change in accounting principle.

Under Korean corporation tax law, the tax deductibility of executive bonuses which are paid without an actual executive bonuses payment policy undergoes a qualitative assessment by the tax authorities. The Company paid such executive bonuses, for the years ended December 31, 2011, 2010 and 2009 in the amount of (Won)33,248 thousand, (Won)30,084 thousand, and (Won)37,939 thousand, respectively. As a result, under US GAAP, the Company recorded additional tax provision related to the uncertain tax position for the years ended December 31, 2011, 2010 and 2009, in the amount of (Won)10,457 thousand, (Won)8,766 thousand, and (Won)10,099 thousand, respectively .

d. Scope of consolidation

Under KAS-NPEs, majority-owned subsidiaries with total assets below (Won)10 billion at prior year end are not consolidated. Under U.S. GAAP, a company is required to consolidate all majority-owned subsidiaries regardless of total asset size if it has control of the subsidiary. However, the reconciliation to US GAAP does not include the consolidation of a majority-owned subsidiary with total assets below (Won)10 billion as the Company believes such amounts are immaterial.

e. Tax effect of the reconciling items

The applicable statutory tax rate used to calculate the tax effect of the reconciling items on the net income reconciliation between KAS-NPEs and U.S. GAAP for the years ended December 31, 2011 and 2010 was 24.2%. Such tax rates are inclusive of resident surtax of 2.2%. The following is a reconciliation of the tax effect of the reconciling items on net income:

	Korean Won (In thousands)		
	2011	**2010**	**2009**
Net income based on U.S.GAAP	(Won)27,775,749	(Won) 35,657,800	(Won) 36,177,669
Net income based on Korean GAAP	27,332,795	33,412,104	35,362,482
Total GAAP adjustments on net income	442,954	2,245,696	815,187
Adjustments related to tax items:			
FIN 48 effect	10,457	8,766	10,099
Tax effect of the reconciling items	277,279	632,580	232,610
Taxable GAAP adjustment	730,689	2,887,042	1,057,896
Applicable tax rate(*)	24.2%	24.2%,22.0%	24.2%,22.0%
Tax effect of the reconciling items	(Won) 277,279	(Won) 632,580	(Won) 232,610

(*) The Company applied tax rates that are expected to apply in the period in which the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Hence, since the adjustment in compensated absences for the year ended December 31, 2010 amounting to (Won)(116,766) thousand is expected to be settled in 2011, the Company applied 24.2% which is an enacted tax rate for fiscal year 2011. In addition, since the adjustment in retirement and severance benefits for the year ended December 31, 2010 amounting to (Won)3,003,808 thousand is expected to be settled in 2012 and thereafter, the Company applied 22.0% which is an enacted tax rate for fiscal year 2012 and thereafter.

The following is a reconciliation of the tax effect of the reconciling items on shareholders' equity:

	Korean Won (In thousands)	
	2011	**2010**
Shareholders' equity based on U.S.GAAP	(Won)244,789,096	(Won)227,490,087
Shareholders' equity based on Korean GAAP	246,931,642	229,330,726
Total GAAP adjustments on net income	(2,142,546)	(1,840,639)
Adjustments related to tax items:		
FIN 48 effect	29,322	18,865
Tax effect of the reconciling items	(674,671)	(531,979)
Taxable GAAP adjustment	(2,787,895)	(2,353,753)
Applicable tax rate (*)	24.2%	24.2%, 22.0%
Tax effect of the reconciling items	(Won) (674,671)	(Won) (531,979)

(*) The Company applied tax rates that are expected to apply in the period in which the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Hence, since the adjustment in compensated absences as of December 31, 2010 amounting to (Won)(643,345) thousand is expected to be settled in 2011, the Company applied 24.2% which is an enacted tax rate for fiscal year 2011. In addition, since the adjustment in retirement and severance benefits as of December 31, 2010 amounting to (Won)(1,710,408) thousand is expected to be settled in 2012 and thereafter, the Company applied 22.0% which is an enacted tax rate for fiscal year 2012 and thereafter.

f. Subsequent event

ASC 855 (formerly, SFAS Statement No. 165), *Subsequent Events,* was issued in May 2009 and is effective for interim or annual financial periods ending after June 15, 2009. ASC 855 establishes principles and requirements for subsequent events by setting forth the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. The Company has adopted ASC 855 and management has performed its evaluation of subsequent events through March 16, 2012, the date these financial statements are issued or available to be issued, and has determined that there are no subsequent events requiring adjustment or disclosure in the financial statements.

Report of Independent Auditors

To the board of Directors and Shareholders of
B-R 31 ICE CREAM CO., LTD.:

In our opinion, the accompanying balance sheet and the related statement of income, changes in net assets and cash flows present fairly, in all material respects, the financial position of B-R 31 ICE CREAM CO., LTD. at December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Japan. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Accounting principles generally accepted in Japan vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 18 to the financial statements.

/s/ PricewaterhouseCoopers Aarata
Tokyo, Japan
April 29, 2011

B-R 31 Ice Cream Co., Ltd.
Balance sheets
(In thousands)

	(Not covered by auditors' report) December 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	¥ 3,239,687	¥ 3,912,939
Accounts receivable-trade	3,045,929	2,797,245
Finished products	640,354	528,830
Raw materials	335,519	254,757
Supplies	218,569	200,306
Advance payments	11,872	56,987
Prepaid expenses	134,708	82,720
Deferred tax assets	93,748	131,590
Accounts receivable-other	28,063	20,038
Other current assets	30,458	19,689
Allowance for doubtful accounts	(10,304)	(23,873)
Total current assets	7,768,603	7,981,228
Non-current assets:		
Tangible fixed assets		
Buildings	1,522,471	1,495,756
Accumulated depreciation	(1,092,515)	(1,057,432)
Buildings, net	429,956	438,324
Structures	195,248	195,248
Accumulated depreciation	(156,970)	(154,183)
Structures, net	38,278	41,065
Machinery and equipment	2,052,109	2,042,838
Accumulated depreciation	(1,589,977)	(1,578,672)
Machinery and equipment, net	462,132	464,166
Store leasehold improvements	2,881,850	2,612,281
Accumulated depreciation	(1,520,945)	(1,397,189)
Store leasehold improvements, net	1,360,905	1,215,092
Retail store equipment	313,768	188,127
Accumulated depreciation	(97,065)	(60,558)
Retail store equipment, net	216,703	127,569
Vehicles and transportation equipment	37,294	18,627
Accumulated depreciation	(18,751)	(16,544)
Vehicles and transportation equipment, net	18,543	2,083
Tools, furniture and fixtures	655,795	582,697
Accumulated depreciation	(470,297)	(388,598)
Tools, furniture and fixtures, net	185,498	194,099
Land	695,362	226,363
Construction in progress	268,230	117,682
Total tangible fixed assets	3,675,607	2,826,443
Intangible assets		
Software	194,889	216,138
Telephone subscription rights	17,065	17,065
Total intangible assets	211,954	233,203
Investments and other assets		
Investment securities	24,949	25,672
Loans receivable	—	11,206
Loans receivable from employees	12,013	20,000
Other receivables	236,616	117,449
Prepaid expenses	530,922	517,068
Deferred tax assets	132,962	116,808
Lease deposits	2,080,836	1,943,612
Other non-current assets	19,685	19,685
Allowance for doubtful accounts	(93,470)	(83,933)
Investments and other assets	2,944,513	2,687,567
Total non-current assets	6,832,074	5,747,213
Total assets	¥ 14,600,677	¥ 13,728,441

B-R 31 Ice Cream Co., Ltd.
Balance sheets—(continued)
(In thousands)

	(Not covered by auditors' report) December 31, 2011	December 31, 2010
Liabilities and Net assets		
Current liabilities:		
Accounts payable-trade	¥ 529,888	¥ 494,760
Accounts payable-other	1,210,192	1,226,993
Accrued expenses	27,478	25,427
Provision for income taxes	566,660	812,790
Accrued consumption taxes	37,510	41,718
Gift card liability	540,768	295,528
Deposits received	106,009	139,794
Employees' bonuses	32,572	34,352
Directors' bonuses	17,000	17,000
Other current liabilities	59,490	83,404
Total current liabilities	3,127,567	3,171,766
Non-current liabilities:		
Employees' retirement benefits	143,012	132,108
Directors' retirement benefits	65,401	54,000
Asset retirement obligations	73,261	—
Long-term deposits received	1,099,229	1,009,692
Total non-current liabilities	1,380,903	1,195,800
Total liabilities	4,508,470	4,367,566
Net Assets:		
Stockholders' equity:		
Common stock	735,286	735,286
Capital surplus		
Legal capital surplus	241,079	241,079
Total capital surplus	241,079	241,079
Retained earnings		
Legal reserve	168,677	168,677
Other		
Other reserves	4,140,000	4,140,000
Retained earnings	4,836,010	4,122,041
Total retained earnings	9,144,687	8,430,718
Treasury stock	(16,893)	(16,793)
Total stockholders' equity	10,104,159	9,390,290
Valuation and translation adjustments:		
Net unrealized gains (losses) on available-for-sale securities, net of tax	(835)	1,144
Net gains (losses) on deferred hedges, net of tax	(11,117)	(30,559)
Total valuation and translation adjustments	(11,952)	(29,415)
Total net assets	10,092,207	9,360,875
Total liabilities and net assets	¥ 14,600,677	¥ 13,728,441

See accompanying notes to financial statements.

B-R 31 Ice Cream Co., Ltd.
Statements of income
(In thousands)

	(Not covered by auditors' report) Year ended December 31, 2011	Year ended December 31, 2010	(Not covered by auditors' report) Year ended December 31, 2009
Revenues:			
Sales of finished products	¥ 15,729,348	¥ 14,696,644	¥ 12,939,121
Royalty income	3,349,178	3,150,990	2,826,902
Rental income of store equipment	980,414	930,737	893,773
Total revenues	20,058,940	18,778,371	16,659,796
Cost of sales:			
Finished products at the beginning of the year	528,830	365,758	367,260
Cost of products manufactured during the year	7,693,295	7,006,948	6,135,411
Total	8,222,125	7,372,706	6,502,671
Transfers to other accounts	(78,595)	(45,364)	(32,440)
Finished products at the end of the year	(640,353)	(528,830)	(365,758)
Cost of finished products sold	7,503,177	6,798,512	6,104,473
Cost of store equipment	480,920	439,665	422,465
Total cost of sales	7,984,097	7,238,177	6,526,938
Gross profit	12,074,843	11,540,194	10,132,858
Selling, general and administrative expenses:			
Delivery and storage charges	1,468,236	1,255,453	1,125,538
Advertising expenses	2,581,232	2,306,586	2,099,743
Royalty	198,961	184,387	163,255
Rental expenses	365,615	352,524	363,083
Salaries, allowances and bonuses	1,005,028	980,201	905,626
Provision for bonuses	27,077	28,966	25,418
Employees' retirement benefits	72,645	59,880	55,094
Directors' retirement benefits	11,400	10,100	10,100
Other wages	194,024	187,517	163,264
Sales promotion expenses	752,143	673,778	573,540
Franchise general expenses	322,149	490,461	—
Depreciation	578,064	562,282	586,890
Inventory write-off	—	—	31,293
Other	1,587,503	1,551,556	1,692,952
Total selling, general and administrative expenses	9,164,077	8,643,691	7,795,796
Operating income	2,910,766	2,896,503	2,337,062

B-R 31 Ice Cream Co., Ltd.
Statements of income—(continued)
(In thousands)

	(Not covered by auditors' report) Year ended December 31, 2011	Year ended December 31, 2010	(Not covered by auditors' report) Year ended December 31, 2009
Non-operating income:			
Interest income	800	1,082	1,549
Gain on sales of fixed assets	51,983	45,342	33,897
Gain on unused gift card	22,356	15,208	15,595
Royalty income	11,542	—	—
Other	5,839	6,339	8,493
Total non-operating income	92,520	67,971	59,534
Non-operating expenses:			
Inventory write-off	—	—	—
Loss on disposals of fixed assets	21,467	20,710	19,900
Other	1,835	2,654	803
Total non-operating expenses	23,302	23,364	20,703
Ordinary income	2,979,984	2,941,110	2,375,893
Extraordinary gains:			
Gain on reversal of allowance for doubtful accounts	3,620	5,249	—
Insurance income	15,313	—	—
Compensation on lease termination	—	20,029	—
Refund of consumption taxes	—	4,203	—
Other	1,846	1,154	—
Total extraordinary income	20,779	30,635	—
Extraordinary losses :			
Loss on disposals of other fixed assets	21,086	24,137	34,720
Loss on disaster	223,948	—	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	26,010	—	—
Total extraordinary losses	271,044	24,137	34,720
Income before income taxes	2,729,719	2,947,608	2,341,173
Income taxes-current	1,186,988	1,294,000	1,048,000
Income taxes-deferred	9,701	1,758	(14,127)
Total income taxes	1,196,689	1,295,758	1,033,873
Net income	¥ 1,533,030	¥ 1,651,850	¥ 1,307,300

See accompanying notes to financial statements.

B-R 31 Ice Cream Co., Ltd.
Statements of changes in net assets
(In thousands)

	(Not covered by auditors' report) December 31, 2011	December 31, 2010	(Not covered by auditors' report) December 31, 2009
Shareholders' equity			
Common stock			
Balance at the beginning of the year	¥ 735,286	735,286	735,286
Changes during the year			
Total changes during the year	—	—	—
Balance at the end of the year	735,286	735,286	735,286
Capital surplus			
Legal capital surplus			
Balance at the beginning of the year	241,079	241,079	241,079
Changes during the year			
Total changes during the year	—	—	—
Balance at the end of the year	241,079	241,079	241,079
Total capital surplus			
Balance at the beginning of the year	241,079	241,079	241,079
Changes during the year			
Total changes during the year	—	—	—
Balance at the end of the year	241,079	241,079	241,079
Retained earnings			
Legal Reserve			
Balance at the beginning of the year	168,677	168,677	168,677
Changes during the year			
Total changes during the year	—	—	—
Balance at the end of the year	168,677	168,677	168,677
Other reserves			
Balance at the beginning of the year	4,140,000	4,140,000	4,140,000
Changes during the year			
Total changes during the year	—	—	—
Balance at the end of the year	4,140,000	4,140,000	4,140,000
Retained earnings brought forward			
Balance at the beginning of the year	4,122,041	3,192,893	2,463,754
Changes during the year			
Dividends	(819,061)	(722,702)	(578,161)
Net income	1,533,030	1,651,850	1,307,300
Total changes during the year	713,969	929,148	729,139
Balance at the end of the year	4,836,010	4,122,041	3,192,893
Total retained earnings			
Balance at the beginning of the year	8,430,718	7,501,570	6,772,431
Changes during the year			
Dividends	(819,061)	(722,702)	(578,161)
Net income	1,533,030	1,651,850	1,307,300
Total changes during the year	713,969	929,148	729,139
Balance at the end of the year	9,144,687	8,430,718	7,501,570

B-R 31 Ice Cream Co., Ltd.
Statements of changes in net assets—(continued)
(In thousands)

	(Not covered by auditors' report) December 31, 2011	December 31, 2010	(Not covered by auditors' report) December 31, 2009
Treasury stock			
Balance at the beginning of the year	(16,793)	(16,793)	(16,793)
Changes during the year			
Total changes during the year	(100)	—	—
Balance at the end of the year	(16,893)	(16,793)	(16,793)
Total shareholders' equity			
Balance at the beginning of the year	9,390,290	8,461,142	7,732,003
Changes during the year			
Dividends	(819,061)	(722,702)	(578,161)
Net income	1,533,030	1,651,850	1,307,300
Acquisiotion of treasury stock	(100)	—	—
Total changes during the year	713,869	929,148	729,139
Balance at the end of the year	10,104,159	9,390,290	8,461,142
Valuation and translation adjustments			
Net unrealized gains (losses) on available-for-sale securities, net of tax			
Balance at the beginning of the year	1,144	(229)	834
Changes during the year			
Net changes of items other than shareholders' equity	(1,979)	1,373	(1,063)
Total changes during the year	(1,979)	1,373	(1,063)
Balance at the end of the year	(835)	1,144	(229)
Deferred gains or losses on hedges			
Balance at the beginning of the year	(30,559)	(5,376)	(34,949)
Changes during the year			
Net changes of items other than shareholders' equity	19,442	(25,183)	29,573
Total changes during the year	19,442	(25,183)	29,573
Balance at the end of the year	(11,117)	(30,559)	(5,376)
Total valuation and translation adjustments			
Balance at the beginning of the year	(29,415)	(5,605)	(34,115)
Changes during the year			
Net changes of items other than shareholders' equity	17,463	(23,810)	28,510
Total changes during the year	17,463	(23,810)	28,510
Balance at the end of the year	(11,952)	(29,415)	(5,605)
Total net asset			
Balance at the beginning of the year	9,360,875	8,455,537	7,697,888
Changes during the year			
Dividends	(819,061)	(722,702)	(578,161)
Net income	1,533,030	1,651,850	1,307,300
Acquisition of Treasury stock	(100)	—	—
Net changes of items other than shareholders' equity	17,463	(23,810)	28,510
Total changes during the year	731,332	905,338	757,649
Balance at the end of the year	¥ 10,092,207	9,360,875	8,455,537

See accompanying notes to financial statements.

B-R 31 Ice Cream Co., Ltd.
Statements of cash flows
(In thousands)

	Fiscal year ended		
	(Not covered by auditors' report) December 31, 2011	December 31, 2010	(Not covered by auditors' report) December 31, 2009
Cash flows from operating activities			
Income before income taxes	¥ 2,729,719	¥ 2,947,608	¥ 2,341,173
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	997,717	953,594	942,221
Insurance income	(15,313)	—	—
Compensation on lease termination	—	(20,029)	—
Refund of consumption taxes	—	(4,203)	—
Loss on disposals of fixed assets	21,467	20,710	19,900
Loss on devaluation of supplies	—	—	31,293
Loss on disposals of other fixed assets	21,086	24,137	34,720
Loss on adjustment for changes of accounting standard for asset retirement obligations	26,010	—	—
Loss on disaster	222,270	—	—
Increase (decrease) in allowance for doubtful accounts	(4,031)	(5,651)	27,714
Increase (decrease) in provision for bonuses	(1,779)	4,183	(43,356)
Increase (decrease) in provision for retirement benefits	10,904	12,508	19,723
Increase (decrease) in provision for directors' retirement benefits	11,400	10,100	(67,400)
Interest income	(800)	(1,081)	(1,549)
Decrease (increase) in accounts receivable-trade	(298,184)	(363,244)	(27,226)
Decrease (increase) in other receivables	(119,166)	11,537	(59,825)
Decrease (increase) in inventories	(238,074)	(242,658)	(5,198)
Increase (decrease) in accounts payable-trade	35,128	617	10,961
Decrease (increase) in advance payments	45,115	48,291	—
Decrease (increase) in prepaid expenses	(51,987)	(13,206)	—
Increase (decrease) in accounts payable	47,540	132,622	97,468
Increase (decrease) in gift card liability	245,239	39,991	—
Increase (decrease) in provision for directors' bonuses	—	3,000	4,000
Increase (decrease) in deposits received	(33,784)	46,099	—
Increase (decrease) in accrued consumption taxes	(4,208)	(38,366)	50,124
Other	(38,542)	(844)	(20,869)
Subtotal	3,607,727	3,565,715	3,353,874
Interest and dividends income	1,032	1,289	1,731
Proceeds from insurance	15,313	—	—
Proceeds from compensation on lease termination	—	20,029	—
Payments relating to disaster	(134,775)	—	—
Income taxes paid	(1,428,885)	(1,159,831)	(871,402)
Net cash provided by operating activities	2,060,412	2,427,202	2,484,203
Cash flows from investing activities:			
Payments for investments in securities	(2,612)	(2,590)	(2,562)
Payments for tangible fixed assets	(1,413,831)	(626,402)	(431,877)
Proceeds from sales of tangible fixed assets	3,000	16,777	—
Payments for intangible fixed assets	(79,748)	(29,269)	(112,953)
Payments for long-term prepaid expenses	(384,231)	(370,929)	(306,154)
Payments for lease deposits	(167,866)	(200,990)	(113,025)
Proceeds from lease deposits	19,704	31,273	21,791
Proceeds from loans receivable	12,138	9,889	15,065
Proceeds from long-term deposits	111,821	135,713	110,012
Other	(13,381)	(9,670)	(33,849)
Net cash used in investing activities	(1,915,006)	(1,046,198)	(853,552)
Cash flows from financing activities			
Payments for acqusition of treasury stock	(100)	—	—
Cash dividends paid	(818,558)	(701,264)	(577,468)
Net cash used in financing activities	(818,658)	(701,264)	(577,468)
Net (decrease) increase in cash and cash equivalents	(673,252)	679,740	1,053,183
Cash and cash equivalents, beginning of year	3,912,939	3,233,199	2,180,016
Cash and cash equivalents, end of year	¥ 3,239,687	¥ 3,912,939	¥ 3,233,199

See accompanying notes to financial statements.

B-R 31 Ice Cream Co., Ltd.
Notes to the financial statements
Years ended December 31, 2011, 2010 and 2009

(Information as of December 31, 2011 and 2009 and for the years ended December 31, 2011 and 2009, not covered by Auditors' report included herein)

(1) Organization and description of business

B-R 31 Ice Cream Co., Ltd. (the "Company") was incorporated in 1978 under the laws of Japan. The Company is engaged in the manufacture and sale of ice cream products mainly through franchise stores under the Baskin-Robbins brand.

(2) Summary of significant accounting policies

(a) Financial statements basis and presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"). Japanese GAAP vary in certain significant respects from accounting principles generally accepted in the United States of America ("US GAAP"). Information relating to the nature and effect of such differences is presented in Note 18 to the financial statements.

In preparing these financial statements, certain reclassifications and rearrangements, including additions of narrative footnote disclosures, have been made to the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The financial statements are stated in Japanese yen.

The accompanying financial statements as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 have been prepared on the assumption that the Company is a going concern.

(b) Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand, bank deposits on demand, and highly liquid short-term investments, generally with original maturities of three months or less, that are readily convertible to cash for which risk of changes in value is insignificant.

(c) Inventories

Inventories consist of finished products, raw materials and supplies. Supplies consist of stand-by store equipment and advertising goods.

Inventories are stated at the lower of acquisition cost or net selling value. Cost is principally determined by the first-in, first-out method, except for stand-by store equipment which is determined by the specific identification method.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost. Depreciation is computed by using the straight-line method over the estimated useful life of the corresponding asset. Estimated useful lives for major assets are as follows:

Buildings:	15 - 35 years
Machinery and equipment:	9 years
Store leasehold improvements:	6 - 10 years

(Continued)

(e) Leased assets

In March 2007, the ASBJ issued ASBJ No.13 "Revised Accounting Standard for Lease Transactions" and ASBJ Guidance No.16 "Revised Implementation Guidance on Accounting Standard for Lease Transactions". The new standard and related implementation guidance eliminated a transitional rule where companies were allowed to account for finance leases that do not transfer ownership of the leased property to the lessee as operating lease transactions and instead required that such transactions be recorded as finance leases on the balance sheet effective for fiscal years beginning on or after April 1, 2008. In accordance with this new standard, starting in fiscal year 2009 the Company capitalized all finance leases on its balance sheet and depreciates the leased assets using the straight-line method, assuming a residual value of zero, over the lease term. However, finance leases that do not transfer ownership which were entered into before December 31, 2008 are accounted for as operating leases with required disclosures in footnotes.

The effect of the change did not have a material impact on operating income, ordinary income, and income before income taxes for fiscal year 2009.

(f) Software for internal use

Software for internal use is stated at cost. Depreciation is computed using the straight-line method over an estimated useful life of 5 years.

(g) Long-term prepaid expenses

Long-term prepaid expenses mainly consist of store signage used for advertising purposes. These assets are depreciated using the straight-line method.

(h) Investment securities

i) Marketable available-for-sale securities

Marketable available-for-sale securities are stated at fair value, primarily based on market prices at the balance sheet date. Unrealized gains or losses, net of applicable taxes, are recorded as a component in "Net Assets". Cost of marketable securities sold is determined using the moving-average cost method.

ii) Non-marketable available-for-sale securities

Non-marketable available-for-sale securities are stated at cost. Cost of non-marketable securities sold is determined using the moving-average cost method.

(i) Derivatives and hedges

Derivatives are carried at fair value. The Company utilizes derivative instruments to reduce its exposures to the fluctuations in foreign currency exchange rates associated with purchases denominated in foreign currencies. The Company enters into foreign exchange forward contracts on forecasted import transactions, mainly for the purchase of raw materials.

The Company applies hedge accounting to account for its foreign exchange forward contracts because of high correlation and effectiveness. The Company does not perform a detailed effectiveness test since all of foreign currency forward transactions are based on forecasted transactions which are probable, and variability of the hedged items and hedging instruments is perfectly matched during the period that the hedges are designated.

Gains and losses on hedging instruments are deferred until completion of the hedged transactions.

(j) Allowance for doubtful accounts

The Company records an allowance for doubtful accounts on accounts receivable to cover probable credit losses, based on specific cases and past write-off experience.

(k) Employees' bonuses

Employees' bonuses are accrued at the end of the year to which such bonuses are attributable.

During fiscal year 2009, the Company changed its bonus payment policy. The periods for which bonus payments relates were changed as follow:

	Summer bonus	Winter bonus
Until fiscal year 2008	Previous year October through March	April through September
Effective fiscal year 2009	January through June	July through December

Furthermore, under the new policy, approximately 80% of annual bonuses are paid in June and December and the remaining portion is paid in February in the following fiscal year. The change in policy did not have any impact to results of operations.

(l) Directors' bonuses

Directors' bonuses are accrued at the end of the year to which such bonuses are attributable.

(m) Employees' retirement benefits

The Company accounts for a pension liability based on the pension obligations and the fair value of the plan assets at the balance sheet date. Pension benefit obligations are determined to be the total amount payable if all eligible employees voluntarily retired at the balance sheet date less the amounts that the Company would be entitled to under the "Gaishoku Sangyo JF Fund" to pay such obligations. See Note 7. Plan assets in the Company's cash balance fund are stated at fair value.

(n) Directors' retirement benefits

The Company records a liability for directors' retirement benefits which is determined to be the total amount payable if all directors retired at the balance sheet date.

(o) Consumption taxes

Consumption tax and local consumption tax on goods and services paid or collected are not included in revenue or expense accounts subject to such taxes in the accompanying statements of income.

(p) Asset retirement obligations

Effective fiscal year 2011, the Company adopted the ASBJ Statement No. 18 "Accounting Standard for Assets Retirement Obligations" and the ASBJ Guidance No. 21 "Guidance on Accounting Standard for Assets Retirement Obligations" issued in March 2008. Prior to the adoption of these standards, the Company did not recognize any asset retirement obligations until the Company was required to settle such obligations.

Upon the application of the new standards, the Company recorded asset retirement obligations in relation to certain lease agreements under which the Company is committed to assume the cost to restore the leased properties to their original condition upon termination of the lease.

The effect of the adoption of this new accounting standards was a decrease of gross profit of ¥2,729 thousand, ordinary income of ¥6,320 thousand, and income before income taxes of ¥32,330 thousand.

(3) Changes in presentation

The Company made the following changes in presentation. Prior year financial statements are not reclassified to conform to the current period presentation.

(a) Statement of income

For the year ended December 31, 2009, franchise general expenses were included in "Other" within selling, general and administrative expenses. Due to materiality for the year ended December 31, 2010, franchise general expenses were presented as a separate line item within selling, general and administrative expenses. Such expense amounted to ¥237,370 thousand for the year ended December 31, 2009.

For the year ended December 31, 2009 inventory write-off was presented in a separate line item within selling, general and administrative expenses. For the year ended December 31, 2010 inventory write-off of ¥1,868 thousand was included in advertising expenses in selling, general and administrative expenses.

(b) Statements of cash flows

For the year ended December 31, 2009, inventory write-off was presented as a separate line item in "Cash flows from operating activities". For the year ended December 31, 2010, inventory write-off of ¥1,868 thousand was included in "Other" of "Cash flows from operating activities".

For the year ended December 31, 2009, increase or decrease in advance payments and advances received was included in "Other" of "Cash flows from operating activities". For the year ended December 31, 2010, it was presented as a separate line item. Decrease in advance payments and advances received amounted to ¥910 thousand and ¥8,974 thousand, respectively for the year ended December 31, 2009.

(Continued)

For the year ended December 31, 2009, increase or decrease in prepaid expenses was included in "Other" within "Cash flows from operating activities". Due to materiality, for the year ended December 31, 2010, it was presented as a separate line item. Decrease in prepaid expenses amounted to ¥697 thousand for the year ended December 31, 2009.

For the year ended December 31, 2009, increase or decrease in gift card liability was included in "Other" within "Cash flows from operating activities". Due to materiality, for the year ended December 31, 2010, it was presented as a separate line item. Increase in gift card liability amounted to ¥8,644 thousand for the year ended December 31, 2009.

For the year ended December 31, 2009, proceeds from sales of tangible fixed assets were included in "Other" within "Cash flows from investing activities". Due to materiality, for the year ended December 31, 2010, it was presented as a separate line item. Proceeds from sales of tangible fixed assets amounted to ¥772 thousand for the year ended December 31, 2009.

(4) Financial instruments

(a) Company's policy for financial instruments

The Company invests in short-term deposits only and generates financing through operating cash flows. Derivatives are used for foreign exchange forward contracts with the purpose of hedging the exposure to exchange rate fluctuation risks in relation to the import of raw materials.

(b) Nature and extent of risks arising from financial instruments and risk management

Accounts receivable are subject to credit risks of customers. Their collection periods are generally one month. The Company manages these risks through periodic review of due dates and outstanding balances for each customer.

Investments in securities are subject to market volatility risks. These investments are related to capital and/or operating alliances with business partners, and are subject to market value volatility risk. The Company periodically monitors their fair values.

Lease deposits primarily relate to security deposits paid to the lessor for the lease of ice-cream stores. The Company periodically assesses the financial condition of the counterparties as appropriate.

"Long-term deposits received" are security deposit received from franchisees of ice-cream stores for the sublease of the property where the store is located.

Most trade payables such as accounts payable-trade, accounts payable-other and deposits received are settled within one month.

(Continued)

(c) Supplemental information on fair value of financial instruments

Fair values of financial instruments are based on quoted market prices. When quoted market prices are not available, other rational valuation techniques are used instead. Such rational valuation techniques contain certain assumptions. Results may differ if different assumptions were used in the valuation.

(d) Fair value of financial instruments

Effective fiscal 2010, the Company applied the ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" which was issued on March 10, 2008 and the ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures" which was also issued on March 10, 2008.

The carrying amounts, fair values and unrealized gains (losses) of financial instruments whose fair value is readily determinable as of December 31, 2011 and 2010 are as follows:

	Thousands of Yen		
	December 31, 2011		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and cash equivalent	¥ 3,239,687	3,239,687	—
(2) Accounts receivable-trade	3,045,929		
Less: Allowance for doubtful accounts	(10,304)		
	3,035,625	3,035,625	—
(3) Investment securities	24,949	24,949	—
(4) Lease deposits	1,791,954	1,640,553	(151,401)
Total	¥ 8,092,217	7,940,815	(151,401)
Liabilities:			
(1) Accounts payable-trade	¥ (529,888)	(529,888)	—
(2) Accounts payable-other	(1,210,192)	(1,210,192)	—
(3) Provision for income taxes	(566,660)	(566,660)	—
(4) Deposits received	(106,009)	(106,009)	—
(5) Long-term deposits received	(1,060,983)	(985,838)	75,145
Total	¥(3,473,733)	(3,398,588)	75,145
Derivative instruments under hedge accounting	¥ (18,747)	(18,747)	—

(Continued)

	Thousands of Yen		
	December 31, 2010		
	Carrying amount	Fair value	Unrealized gain (loss)
Assets:			
(1) Cash and cash equivalent	¥ 3,912,939	3,912,939	—
(2) Accounts receivable-trade	2,797,245		
Less: Allowance for doubtful accounts	(23,873)		
	2,773,372	2,773,372	—
(3) Investment securities	25,672	25,672	—
(4) Lease deposits	1,698,903	1,532,000	(166,903)
Total	¥ 8,410,886	8,243,983	(166,903)
Liabilities:			
(1) Accounts payable-trade	¥ (494,760)	(494,760)	—
(2) Accounts payable-other	(1,226,993)	(1,226,993)	—
(3) Provision for income taxes	(812,790)	(812,790)	—
(4) Deposits received	(139,794)	(139,794)	—
(5) Long-term deposits received	(983,362)	(909,533)	73,829
Total	¥(3,657,699)	(3,583,870)	73,829
Derivative instruments under hedge accounting	¥ (51,533)	(51,533)	—

The methods and assumptions used to estimate the fair value are as follows:

Assets:

(1) Cash and cash equivalent and (2) Accounts receivable-trade

Because of their short maturities, the fair value of these items approximates their carrying amounts, therefore, they are measured at their carrying amounts.

(3) Investment securities

The fair value of equity securities is based on quoted market prices.

(5) Lease deposits

The fair value of lease deposits is calculated by grouping the deposits by maturity and calculating their present value using the yield of government bonds adjusted for credit risk.

The carrying amounts in the tables above do not include the unamortized balance of lease deposits not required to be returned. Furthermore, lease deposits totaling ¥232,000 thousand and ¥274,000 thousand as of

December 31, 2010 and 2011, respectively, are not included in the table above since these lease deposits do not have quoted market prices and their fair value cannot be determined as their future cash flows cannot be estimated.

Liabilities:

(1) Accounts payable-trade, (2) Accounts payable-other, (3) Accrued income taxes, and (4) Deposits received

Because of their short maturities, the fair values of these items approximate their carrying amounts, therefore, they are measured at their carrying amounts.

(5) Long-term deposits received

The fair value of long-term deposits received is calculated by grouping the deposits by maturity and calculating their present value using the yield of government bonds adjusted for credit risk. The carrying amounts shown in the above table do not include unamortized balance of long-term lease deposits not required to be returned.

Derivative Transactions:

Fair value of derivatives is obtained from financial institutions. All of the derivative transactions are foreign exchange forward contracts entered into by the Company with the purpose of hedging the exposure to exchange rate fluctuation risks in relation to the import of raw materials.

The contract amount does not represent the Company's exposure to market risk associated with the derivative transactions.

	Thousands of Yen		
	December 31, 2011		
	Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts—to buy U.S. dollars	¥483,264	—	(18,747)

	Thousands of Yen		
	December 31, 2010		
	Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts—to buy U.S. dollars	¥539,088	—	(51,533)

(Continued)

(5) Investment securities

Marketable available-for-sale securities are stated at fair value based on quoted market prices at the balance sheet date. Unrealized gains or losses, net of applicable taxes, are recorded as a component of "Net assets". Investment securities are summarized as follow:

December 31, 2011

		Thousands of Yen		
		Carrying amount	Acquisition cost	Unrealized gain(loss)
Securities with carrying amounts in excess of acquisition costs	Equity securities	15,419	13,438	1,981
	Other securities	—	—	—
	Subtotal	15,419	13,438	1,981
Securities with carrying amounts below acquisition costs	Equity securities	9,530	12,917	(3,387)
	Other securities	—	—	—
	Subtotal	9,530	12,917	(3,387)
	Total	24,949	26,355	(1,406)

December 31, 2010

		Thousands of Yen		
		Carrying amount	Acquisition cost	Unrealized gain(loss)
Securities with carrying amounts in excess of acquisition costs	Equity securities	15,140	12,721	2,419
	Other securities	—	—	—
	Subtotal	15,140	12,721	2,419
Securities with carrying amounts below acquisition costs	Equity securities	10,532	11,021	(489)
	Other securities	—	—	—
	Subtotal	10,532	11,021	(489)
	Total	25,672	23,742	1,930

(Continued)

(6) Leases

Leases entered into on or before December 31, 2008 that do not transfer ownership of the leased property to the lessee are accounted for as operating lease transactions. Pro forma information on an "as if capitalized" basis for the years ended December 31, 2011 and 2010 is as follows:

						Thousands of Yen
	December 31, 2011			December 31, 2010		
	Acquisition cost	Accumulated depreciation	Balance at end of year	Acquisition cost	Accumulated depreciation	Balance at end of year
Vehicles, transportation equipment	¥ 14,858	13,509	1,348	37,719	30,708	7,011
Tools, furniture and fixtures	13,143	6,952	6,191	27,667	16,667	10,999
Software	—	—	—	3,363	2,794	568
Total	¥ 28,001	20,461	7,539	68,750	50,171	18,579

Future minimum lease payments outstanding at the end of the year are as follow:

		Thousands of Yen
	December 31, 2011	December 31, 2010
Due within one year	¥ 3,465	11,143
Due after one year	4,596	8,520
Total	¥ 8,061	19,664

Lease payments, depreciation expense and interest expense are as follow:

			Thousands of Yen
			Fiscal year ended
	December 31, 2011	December 31, 2010	December 31, 2009
Lease payments	¥ 11,646	25,865	30,080
Depreciation expense (*1)	10,849	23,824	27,992
Interest expense (*2)	475	1,154	1,575

(*1) Depreciation is computed using the straight-line method over the lease term assuming a residual value of zero.
(*2) Interest expense is computed and allocated to each period using the interest method assuming interest expense to be the excess of total lease payments over the acquisition cost.

(7) Employees' retirement benefits

The Company has a defined benefit plan under which the amount of pension benefit that an employee will receive upon retirement, is determined based on various factors such as age, years of service and individual performance.

(Continued)

The Company is responsible for the fulfillment of the pension obligations.

The pension benefits are payable at the option of the retiring employee either in a lump-sum amount or annuity payments.

The funded status of the Company's benefit plan as of December 31, 2011 and 2010 are as follows:

	Thousands of Yen	
	December 31, 2011	December 31, 2010
Retirement benefit obligations	¥ (589,206)	(565,309)
Fair value of plan assets	446,194	433,201
Employees' retirement benefits	¥ (143,012)	(132,108)

The Company accounts for a pension liability based on the pension obligations and the fair value of the plan assets at the balance sheet date. Pension obligations are determined to be the total amount payable if all eligible employees voluntarily retired at the balance sheet date less the amounts that the Company would be entitled to under the "Gaishoku Sangyo JF Pension Fund" to pay such obligations.

The Company's retirement benefit expenses for the years ended December 31, 2011, 2010, and 2009 amounted to ¥90,580 thousand, ¥76,897 thousand, and ¥70,832 thousand, respectively.

In October 2009 the Company transferred its Japanese tax-qualified pension plan to a cash balance plan, due to changes in the Japanese Corporate Tax law. This transfer was accounted for in accordance with ASBJ Guidance No.1, "Accounting for Transfer of Retirement Benefit Plans" and did not have a material impact in the Company's results of operations.

In addition, the Company makes contributions to a "Gaishoku Sangyo JF Pension Fund" under which the assets contributed by the Company are not segregated in a separate account or restricted to provide benefits only to employees of the Company. For the 12 month period ended March 31, 2011, 2010 and 2009, contributions to such plan amounted to ¥35,422 thousand, ¥32,581 thousand and ¥29,070 thousand, respectively. Such contributions are recorded as net pension cost. The amounts that the Company would be entitled to under the "Gaishoku Sangyo JF Pension Fund" to pay retirement benefit obligations is the amount assuming all eligible employees voluntarily retired at the balance sheet date.

The proportionate amount of plan assets of the welfare pension fund corresponding to the number of participants was ¥447,873 thousand, ¥399,778 thousand and ¥298,139 thousand as of March 31, 2011, 2010, and 2009, respectively.

The estimated fund status of the total "Gaishoku Sangyo JF Pension Fund" is as follow:

	Millions of Yen		
	March 31, 2011	March 31, 2010	March 31, 2009
Plan assets	¥ 114,044	112,959	92,971
Estimated benefit obligations	127,953	123,946	123,473
Fund status	(13,909)	(10,987)	(30,501)

As of March 31, 2011, and 2010, the "Gaishoku Sangyo JF Pension Fund" had ¥698 million and ¥842 million of unrecognized past service liability, respectively. As of March 31, 2009, the "Gaishoku Sangyo JF Pension Fund" had ¥990 million of unrecognized past service liability and ¥16,921 million of deficits.

The Company's fund contribution ratio to the "Gaishoku Sangyo JF Pension Fund" for the years ended March 31, 2011, 2010, and 2009 was 0.62%, 0.57%, and 0.47%, respectively.

(8) Stock options

The Company did not grant any stock options for the years ended December 31, 2011, 2010, and 2009 and there were no outstanding options as of December 31, 2011, 2010, and 2009.

(9) Production cost

The breakdown of production cost is as follows:

	Thousands of Yen		
			(Not covered by auditors' report)
	Fiscal 2011	Fiscal 2010	Fiscal 2009
Cost of raw materials	¥ 6,725,618	6,212,453	5,507,902
Labor cost	396,959	418,249	337,772
Other production costs	570,718	376,245	289,736
Total production cost during the year	¥7,693,295	7,006,948	6,135,411

Production cost is determined through process costing based on actual costs.

(Continued)

The breakdown of other production cost is as follows:

Breakdown of other production cost

	Thousands of Yen		
	(Not covered by auditors' report) Fiscal 2011	Fiscal 2010	(Not covered by auditors' report) Fiscal 2009
Depreciation	¥ 57,170	49,416	44,819
Utilities	30,636	28,880	28,219
Factory supplies cost	51,829	54,591	44,116
Machinery maintenance and repair cost	60,798	46,160	39,919
Outsourcing cost(*1)	170,429	—	—
Other	199,856	197,195	132,661
Total	¥ 570,718	376,245	289,736

(*1) In fiscal 2010, the outsourcing cost of \34,192 thousand was included in "other".

(10) Transfer to other account

"Transfer to other account" include amounts initially charged to cost of sales but reclassified to selling, general and administrative expenses as they represent the cost of sample products for sales promotion and finish goods used for training of store employees.

(11) Cost of store equipment

Cost of store equipment is mainly comprised of the following:

	Thousands of Yen		
	Fiscal year ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Depreciation	¥ 256,896	212,720	181,879
Maintenance and repair cost of store equipment	101,882	108,371	112,953
Rental expense	27,445	27,337	30,029
Supplies	35,881	31,646	31,724
Transportation	14,456	13,889	18,890
Storage charges	16,457	18,703	21,304

(12) Extraordinary gain

"Other" included in extraordinary income represents gains on sales of fixed assets of ¥1,846 thousand and ¥1,154 thousand for fiscal 2011 and 2010, respectively.

(13) Loss on disposal of fixed assets

Loss on disposal of fixed assets is comprised of the following:

	Thousands of Yen		
	For the year ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Loss on disposals of store equipment arising from store closing and related restoration	¥ 18,067	23,814	30,512
Loss on disposals of factory equipment	3,019	323	4,208
Total	¥ 21,086	24,137	34,720

(14) Loss on natural disaster

The loss on natural disaster represents the loss related to the Great East Japan Earthquake on March 11, 2011. This loss is comprised of the following:

	(Thousands of Yen) For the year ended December 31, 2011
Donations	¥ 110,083
Relief money to franchisees that suffered damages	52,800
Inventories write off	37,504
Provision for natural disasters	1,677
Plant and equipment repairment cost	19,700
Other	2,182
Total	¥ 223,948

(Continued)

(15) Income taxes

The components of the deferred tax assets and liabilities at December 31, 2011 and 2010 are as follows:

				Thousands of Yen
	December 31, 2011		December 31, 2010	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Employees' retirement benefits	¥ 52,215	—	53,768	—
Accrued enterprise tax	44,991	—	61,409	—
Allowance for doubtful accounts	30,731	—	37,338	—
Asset retirement obligations	26,657	(14,646)	—	—
Directors' retirement benefits	23,308	—	21,978	—
Accrued employees' bonuses	13,256	—	13,981	—
Inventory write-down	10,080	—	11,253	—
Impairment loss on investment property	9,737	—	9,737	—
Deferred loss on hedges	7,630	—	20,973	—
Amortization of long-term prepaid expenses	3,712	—	3,806	—
Other	19,039	—	14,155	—
Total	¥ 241,356	(14,646)	248,398	—

Reconciliations between the Japanese statutory income tax rate and the Company's effective income tax rate for the years ended December 31, 2011, 2010 and 2009 are as follows:

			Fiscal year ended
	December 31, 2011	December 31, 2010	December 31, 2009
Japanese statutory income tax rate	40.7%	40.7%	40.7%
Permanent differences, including entertainment expenses	3.2	3.2	3.4
Effect of the decrease of statutory income tax rate	0.5	—	—
Corporate inhabitant tax	0.1	0.1	0.1
Other	(0.8)	(0.1)	(0.1)
Effective income tax rate	43.8%	44.0%	44.2%

Adjustment for deferred income tax assets and deferred income tax liabilities corresponding to the change of Japanese statutory income tax rate

According to the "Revision of corporate income tax law in order to meet the structural changes of economy" (Law No.2011-114), as well as "Act on Special Measures concerning financing of the restoration activities in relation to the Great East Japan Earthquake" (Law No.2011-117), issued in December 2011, the statutory income tax rate was decreased from fiscal years commencing on or after April 1, 2012.

As a result, the statutory income tax rate for the Company will change as follows:

Before December 31, 2012	40.7%
From January 1, 2013 to December 31, 2015	38.0%
On and after January 1, 2016	35.6%

The effect of the future change in the statutory income tax rate resulted in a decrease of "deferred tax assets (net)" of ¥14,372 thousand, and an increase of "income taxes-deferred" of the same amount for the fiscal 2011.

(16) Changes in net assets

Number of shares issued and treasury stock is as follow:

	Common stock	
	Shares issued	Treasury stock
Number of shares at December 31, 2009	9,644,554	8,524
Increase in shares during the year	—	—
Decrease in shares during the year	—	—
Number of shares at December 31, 2010	9,644,554	8,524
Increase in shares during the year	—	37
Decrease in shares during the year	—	—
Number of shares at December 31, 2011	9,644,554	8,561

(17) Per share information

The Company has no outstanding potentially dilutive stock.

	December 31, 2011	December 31, 2010	December 31, 2009
Net book value per share	¥1,047.34	971.45	877.49

	Fiscal year ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Net income per share	¥ 159.09	171.42	135.67

The information to compute net income per share is as follow:

	Fiscal year ended		
	December 31, 2011	December 31, 2010	December 31, 2009
Net income per share			
Net income (in thousands)	¥ 1,533,030	1,651,850	1,307,300
Amount not attributable to common shareholders (in thousands)	—	—	—
Net income attributable to common stock (in thousands)	1,533,030	1,651,850	1,307,300
Average number of shares	9,636,005	9,636,030	9,636,030

(18) Summary of certain significant differences between Japanese GAAP and U.S. GAAP

The Company maintains its books and records in conformity with Japanese GAAP, which differs in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Reconciliations of net income and equity under Japanese GAAP with the corresponding amounts under U.S. GAAP, along with a description of those significant differences, statements of comprehensive income, related balance sheet and cash flow effects are summarized below.

Net income reconciliation

		Thousands of Yen	
	Note	December 31, 2011	December 31, 2010
Net income under Japanese GAAP		¥ 1,533,030	1,651,850
U.S. GAAP adjustments:			
Asset retirement obligations	a	(42,653)	(81,226)
Capitalized lease assets	c	564	(118)
Compensated absence	b	400	(2,400)
Lease obligation	c	(964)	(2,449)
Employees' retirement benefit	d	(4,966)	(7,146)
Hedge accounting	e	19,442	(25,183)
Tax effect on adjustments	f	8,491	37,989
Net income under U.S. GAAP		¥ 1,513,344	1,571,317

B-R 31 Ice Cream Co., Ltd.
Notes to the financial statements—(continued)
Years ended December 31, 2011, 2010 and 2009

(information as of December 31, 2011 and 2009 and for the years ended December 31, 2011 and 2009, not covered by auditors' report included herein)

Net income per share under U.S. GAAP

	December 31, 2011	December 31, 2010
Net income attributable to the Company's common shareholders—basic undiluted	¥ 157.05	163.06
Weighted average shares outstanding—basic undiluted	9,636,005	9,636,030

Statements of comprehensive income

	Thousands of Yen	
	December 31, 2011	December 31, 2010
Net income under U.S. GAAP	¥ 1,513,344	1,571,317
Other comprehensive income, net of tax:		
Unrealized (loss) gain on available for sale securities, net of tax	(1,977)	1,372
Comprehensive income under U.S. GAAP	¥ 1,511,367	1,572,689

Equity reconciliation

		Thousands of Yen	
	Note	December 31, 2011	December 31, 2010
Equity under Japanese GAAP		¥ 10,092,207	9,360,875
U.S. GAAP adjustments:			
Asset retirement obligations	a	(521,458)	(478,805)
Capitalized lease assets	c	(521)	(1,085)
Compensated absence	b	(23,800)	(24,200)
Lease obligation	c	232,680	233,644
Employees' retirement benefit	d	71,588	76,554
Hedge accounting	e	—	—
Other		(17,065)	(17,065)
Tax effect on adjustments	f	94,351	85,859
Equity under U.S. GAAP		¥ 9,927,982	9,235,777

(Continued)

Balance sheet items according to J GAAP and US GAAP

	Thousands of Yen			
	JGAAP		US GAAP	
	2011	2010	2011	2010
Current assets	7,768,603	7,981,228	7,768,603	7,981,228
Non-current assets	6,832,074	5,747,213	8,820,532	7,775,685
Total Assets	**14,600,677**	**13,728,441**	**16,589,135**	**15,756,913**
Current liabilities	(3,127,567)	(3,171,766)	(3,151,367)	(3,195,966)
Non-current liabilities	(1,380,903)	(1,195,800)	(3,509,786)	(3,325,170)
Total equity	(10,092,207)	(9,360,875)	(9,927,982)	(9,235,777)
Total liabilities and equity	**(14,600,677)**	**(13,728,441)**	**(16,589,135)**	**(15,756,913)**

(a) Asset retirement obligations

On March 31, 2008, the Accounting Standard Board of Japan ("ASBJ") issued a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset-Retirement Obligations" which is effective for fiscal years beginning on or after April 1, 2010. This new accounting standard requires all entities to recognize legal obligations associated with the retirement of a tangible fixed assets that result from the acquisition, construction or development and (or) the normal operation of a long-lived asset. A legal obligation is an obligation that an entity is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract.

The Company adopted this new accounting standard from the fiscal year beginning on January 1, 2011. Prior to the adoption of the standard, the Company did not recognize any asset retirement cost until the tangible fixed asset was retired and the Company was required to settle such cost.

Under U.S. GAAP, obligations associated with the retirement of tangible fixed assets and the associated asset retirement costs are accounted and reported under FASB ASC Subtopic 410-20, "Asset Retirement Obligations". Generally, there are no material differences between the new Japanese Standard and current U.S. GAAP, except that under Japanese GAAP asset retirement obligations are not recognized in situations where the entity can provide assurance that another party will ultimately reimburse the entity for the asset retirement cost. Under U.S. GAAP an asset retirement obligation would need to be recognized as such assurance would not extinguish the entity's legal obligation.

The Company leases several properties in which leasehold improvements, such as counters, partitions, telephone and air conditioning systems have been installed. Most lease agreements in Japan require the lessee to restore the lease property to its original condition, including removal of the leasehold improvements that the lessee has installed, when the lessee moves out of the leased property. As a result, the Company will incur certain future costs for the restoration that is required under the lease arrangements.

(Continued)

The following table summarizes the activities for asset retirement obligations for the years ended December 31, 2011 and 2010 under U.S. GAAP:

		Thousands of Yen	
		December 31, 2011	December 31, 2010
i) Asset retirement obligation			
Balance under Japanese GAAP	¥	(73,261)	—
U.S. GAAP adjustments:			
Beginning balance adjustments		(836,339)	(771,388)
Changes for the year		7,961	(64,951)
Total U.S. GAAP adjustments		(828,378)	(836,339)
Balance under U.S. GAAP	¥	(901,639)	(836,339)
ii) Asset retirement costs capitalized in tangible fixed assets			
Balance under Japanese GAAP	¥	40,849	—
U.S. GAAP adjustments:			
Beginning balance adjustments		357,534	373,808
Changes for the year		(50,614)	(16,274)
Total U.S. GAAP adjustments		306,920	357,534
Balance under U.S. GAAP	¥	347,769	357,534

(b) Compensated absences

Under Japanese GAAP, there is no specific accounting standard that requires an entity to accrue a liability for future compensated absences. U.S. GAAP, FASB ASC Topic 710, "Compensation—General" requires the accrual of a liability for employees' future compensated absences.

The following table summarizes the balance of accrued compensated absences and the changes during the years ended December 31, 2011 and 2010 under U.S. GAAP:

		Thousands of Yen	
		December 31, 2011	December 31, 2010
Balance at under Japanese GAAP	¥	—	—
U.S. GAAP adjustments:			
Beginning balance adjustments		(24,200)	(21,800)
Adjustments for the year		400	(2,400)
Total U.S. GAAP adjustments		(23,800)	(24,200)
Balance at under U.S. GAAP	¥	(23,800)	(24,200)

(Continued)

(c) Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which replaced the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard requires that all finance lease transactions be capitalized. It also permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions. The Company adopted this revised accounting standard as of January 1, 2009, and capitalizes in the balance sheet all finance lease transactions in which the Company is the lessee, except for those that existed at the transition date and do not transfer ownership, which continue to be accounted for as operating leases with require disclosure in the notes to the financial statements. As of December 31, 2011 and 2010, there were no leased assets to be capitalized under Japanese GAAP.

U.S. GAAP, FASB ASC Topic 840, "Leases" is applied in order to determine whether the lessee should account for a lease transaction as an operating or a capital lease and whether the lessor should account for a lease transaction as an operating lease, a direct financing lease, a sales type lease or a leverage lease. ASC Topic 840 requires the lessee to record a capital lease as an asset and an liability and the lessor to record a direct financing lease as a receivable representing the minimum lease payments along with the derecognition of the leased property from the balance sheet. The Company analyzed its leases in accordance with the criteria specified in ASC 840 and determined that certain leases in which the Company is the lessee should be capitalized, and certain leases in which the Company is the lessor should be classified as direct financing leases.

In addition, the statement of cash flows prepared under Japanese GAAP presents cash flows from capital lease and direct finance lease transactions, which are accounted for as operating lease transactions in accordance with Japanese GAAP, as operating cash flows. Such lease cash flows are included in operating activities whereas such transactions qualify as capital lease transactions or a direct financing lease transaction and deemed repayments of lease obligation or cash received from lease receivables are presented as financing activities under U.S. GAAP.

(Continued)

The following table summarizes the differences between Japanese GAAP and U.S. GAAP for capital leases and direct finance leases as of December 31, 2011 and 2010, and the changes for the years then ended:

Capital leases

	Thousands of Yen	
	December 31, 2011	December 31, 2010
i) Capitalized lease assets		
Balance under Japanese GAAP	¥ —	—
U.S. GAAP adjustments:		
Beginning balance adjustments	18,579	26,543
Changes for the year	(11,039)	(7,964)
Total U.S. GAAP adjustments	7,540	18,579
Balance under U.S. GAAP	¥ 7,540	18,579
ii) Lease obligation		
Balance under Japanese GAAP	¥ —	—
U.S. GAAP adjustments:		
Beginning balance adjustments	(19,664)	(27,510)
Changes for the year	11,603	7,846
Total U.S. GAAP adjustments	(8,061)	(19,664)
Balance under U.S. GAAP	¥ (8,061)	(19,664)

Direct finance leases

		Thousands of Yen	
		December 31, 2011	December 31, 2010
i) Lease accounts receivable			
Balance under Japanese GAAP	¥	—	—
U.S. GAAP adjustments:			
Beginning balance adjustments		2,089,797	2,025,729
Changes for the year		76,713	64,068
Total U.S. GAAP adjustments		2,166,510	2,089,797
Balance under U.S. GAAP	¥	2,166,510	2,089,797
ii) Tangible fixed assets under direct finance leases			
Balance under Japanese GAAP	¥	569,798	506,233
U.S. GAAP adjustments:			
Beginning balance adjustments		(506,233)	(445,159)
Changes for the year		(63,565)	(61,074)
Total U.S. GAAP adjustments		(569,798)	(506,233)
Balance under U.S. GAAP	¥	—	—
iii) Unearned interest			
Balance under Japanese GAAP	¥	—	—
U.S. GAAP adjustments:			
Beginning balance adjustments		(1,349,921)	(1,344,478)
Changes for the year		(14,111)	(5,443)
Total U.S. GAAP adjustments		(1,364,032)	(1,349,921)
Balance under U.S. GAAP	¥	(1,364,032)	(1,349,921)

(d) Pension

Under Japanese GAAP, the Company accounts for a pension liability based on the pension obligations and the fair value of the plan assets at the balance sheet date. Pension obligations are determined to be the total amount payable if all eligible employees voluntarily retired at the balance sheet date, minus the amounts that the Company would be entitled to receive under the "Japanese Multiemployer plan" to pay such obligations. See Note 7.

Under U.S. GAAP, FASB ASC Topic 715, "Compensation-Retirement Benefits" is applied to employees retirement benefits. If the projected benefit obligation exceeds the fair value of plan assets, the employer shall recognize in its balance sheet a liability that equals the unfunded projected benefit obligation. If the fair value of plan assets exceeds the projected benefit obligation, the employer shall recognize in its statement of financial position an asset that equals the overfunded projected benefit obligation.

The projected benefit obligation as of a date is the actuarial present value of all benefits attributed by the plan's benefit formula to employee service rendered before that date. Recognizing the funded status of an entity's benefit plans as a net liability or asset requires an offsetting adjustment to accumulated other comprehensive income ("AOCI") in shareholders' equity. The amounts to be recognized in AOCI representing unrecognized gains/losses, prior service costs/credits, and transition assets/obligations are amortized over certain period. Those amortized amounts are reported as net periodic pension cost in the income statement.

The following table summarizes the differences between Japanese GAAP and U.S. GAAP for accrued pension and severance liabilities as of December 31, 2011 and 2010, and the changes for the years then ended:

	Thousands of Yen	
	December 31, 2011	December 31, 2010
Accrued pension and severance liabilities		
Balance under Japanese GAAP	¥(143,012)	(132,108)
U.S. GAAP adjustments:		
Beginning balance adjustments	76,554	83,700
Changes for the year	(4,966)	(7,146)
Total U.S. GAAP adjustments	71,588	76,554
Balance under U.S. GAAP	¥(71,424)	(55,554)

(e) Hedge accounting

The Company utilizes foreign exchange forward contracts in order to hedge foreign exchange risk for forecasted import transactions denominated in foreign currencies. Under Japanese GAAP, the Company records the foreign exchange forward contracts at fair value at the balance sheet date. The resulting foreign exchange forward contracts' gain or loss is initially reported as a component of valuation and translation adjustments in net assets and subsequently reclassified into earnings when the forecasted transaction affects earnings. The accounting treatment is similar to the cash flow hedge of U.S. GAAP. However, U.S. GAAP requires an entity to meet specific criteria, such as formal documentation of the hedging relationship and assessment of hedging instrument's effectiveness for derivative instruments to qualify for hedge accounting. The Company's hedging relationship of the foreign exchange forward contracts and the forecasted import transactions denominated in foreign currencies did not meet the specific criteria for cash flow hedge accounting under U.S. GAAP. As such, forward contracts' gain and losses reported as a component of net assets under Japanese GAAP have been reclassified to net income under U.S. GAAP.

(Continued)

The following table summarizes the differences between Japanese GAAP and U.S. GAAP for hedge accounting as of December 31, 2011 and 2010.

	Thousands of Yen	
	December 31, 2011	December 31, 2010
Accumulated other comprehensive income		
Balance under Japanese GAAP	¥ (11,117)	(30,559)
U.S. GAAP adjustments:		
Beginning balance adjustments	30,559	5,376
Changes for the year	(19,442)	25,183
Total U.S. GAAP adjustments	11,117	30,559
Balance under U.S. GAAP	¥ —	—

(f) Tax effect on adjustments

Accounting for income taxes in accordance with Japanese GAAP is substantially similar to accounting for income taxes in accordance with ASC Topic 740. The following tables summarize the impact on the Japanese GAAP deferred tax assets and liabilities in the Company's consolidated balance sheets as a result of the U.S. GAAP adjustments as of December 31, 2011 and 2010.

	Thousands of Yen	
	December 31, 2011	December 31, 2010
Deferred tax assets, net of deferred tax liabilities		
Balance under Japanese GAAP	¥ 226,710	248,398
U.S. GAAP adjustments:		
Beginning balance adjustments	85,859	47,870
Changes for the year	8,491	37,989
Total U.S. GAAP adjustments	94,350	85,859
Balance under U.S. GAAP	¥ 321,060	334,257