# Dentsu Integrated Report 2016

## Key Figures of the Dentsu Group (CY2015)

Gross profit

¥761.9 billion

Organic growth rate (gross profit)

7.0%

January to December 2015, YoY

Gross profit international business ratio

54.3%

Organic growth rate (international business)

9.4%

January to December 2015, YoY

Gross profit digital domain ratio

34%

Gross profit digital domain growth rate

+22.2% (Japan)
+24.8% (International)

January to December 2015, YoY

Underlying operating profit operating margin

21.1%

January to December 2015

Share of the Japanese advertising market

25%

Note: Under JGAAP, net sales are calculated in calendar 2015.
Sources: Advertising and Economy, Current Situation of Japanese Advertising Agencies and 2015 Advertising Expenditures in Japan (Dentsu)

Operating area

over 140 countries and territories around the world

Number of employees

47,324

As of December 31, 2015

## Business Domains

Dentsu Group is a marketing communications group that determines the essence of clients' issues, and designs, proposes, and implements integrated communications that realize true solutions.

With the completion of the acquisition of Aegis in March 2013 and establishment of the Dentsu Aegis Network (DAN), the Dentsu Group has evolved into a truly global network with about 47,000 professionals in more than 140 countries (as of the end of December 2015). The Group also offers the best integrated solutions for clients, not only in Japan, but also in the global market.

As a solutions partner responding to the challenges faced by its clients, the Dentsu Group provides a diverse range of services. The Dentsu Group, with the communications domain at its core, is engaged in a wide range of business activities, from corporate management and operating solutions to the implementation of marketing and communications strategies.

To meet the changing needs of society, the environment, and consumer lifestyles, the Dentsu Group's service sphere is also expanding to cover an array of solutions that address societal issues.

## Dentsu Group Corporate Philosophy

### Statement

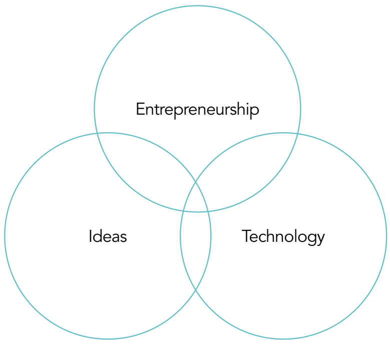
*Ideas that reach beyond the imaginable.*
*Technology that crosses the bounds of possibilities.*
*Entrepreneurship that surpasses the expected.*
*Three sources of strength, driving our innovation,*
*bringing positive change to people and society.*

### Slogan

**Good Innovation.**

### The three elements of innovation

**Entrepreneurship**
**+ Ideas**
**+ Technology**




By "innovation," we mean much more than just technological innovation.
We mean generating new value for people and society through a wide variety of changes.

## Dentsu 2017 and Beyond: Major Achievements and Strategy

### Behind the Figures

### Strategic Themes of Dentsu 2017 and Beyond: #1 Diversifying the portfolio on a global basis

- Steady performance of our core Japan business
- Continuous growth in our international business
- Retention of management who can lead the growth of our international business
- Increased new business wins, leveraging our group synergies

### Strategic Themes of Dentsu 2017 and Beyond: #2 Evolving and expanding in the digital domain

Through acquisitions, we accelerate the enhancement of our capability and service quality in newly eveloping areas including brand commerce, content marketing, experiential marketing, data analytics and CRM.

### Strategic Themes of Dentsu 2017 and Beyond: #3 Re-engineering business processes and improving profitability

- Continued cost control
- Expansion of fee element of our business
- Japan business: Restructuring of the value chain

### Strategic Themes of Dentsu 2017 and Beyond: #4 Further reinforcing the business platform in the core Japanese market

- Develop our digital solution capability, which includes marketing intelligence and data
- Seek growth opportunities through contributing to the revitalization of Japan

### Strengthening CSR activities on a global basis

The Group formulated Dentsu Group Medium-Term CSR Strategy 2020 in December 2015. In this strategy, targets are set for 2020 in the four key areas of environment, community, supply chain, and responsible marketing and sustainable consumption.

The spread of digital media and social media in recent years, as well as changes in consumer behavior patterns and the evolution of technologies, have changed the relationship between companies and consumers in marketing activities. As a result, it has become difficult for companies to succeed without organically linking each marketing process and individual measure, where they functioned separately in the past. In other words, companies require increasingly more focused strategies and tactics in order to raise the effectiveness of their marketing activities.

In an environment in which marketing convergence is progressing, the Dentsu Group will enjoy more opportunities for growth. The integrated abilities of the Dentsu Group will have greater value through the development of marketing convergence. Such abilities are based on platforms that include (1) a diversified data platform, (2) intelligence that leads to accurate insights, (3) ideas and planning that improve the effects of companies' overall marketing activities, and (4) the utilization of various possibilities brought about by the development of technology.

Under the medium-term management plan Dentsu 2017 and Beyond, which began in 2013, we exercise such competences more strongly in the global arena and aim to evolve into the world's most advanced global network—one that contributes to improving the corporate value of all our clients, beyond the borders of countries and regions.

## Dentsu 2017 and Beyond: Our Goal

### To evolve into a truly global network at the forefront of marketing convergence

### Innovation × Reinvention

We aim to become the world's most advanced global network, leading marketing convergence and innovation and providing solutions that contribute to improving the corporate value of all our clients.

# Dentsu 2017 and Beyond: Determination to Promote the Plan

We will create new social values by improving our problem-solving and revenue-generating capabilities.

**Tadashi Ishii**
Representative Director
President & CEO

▶P.007

We will further diversify the portfolio on a global basis while focusing on digital area.

**Tim Andree**
Director and Executive Vice President,
Dentsu Inc.
Executive Chairman,
Dentsu Aegis Network

▶P.023

We will maintain the positive momentum and further strengthen digital economy solutions.

**Jerry Buhlmann**
Executive Officer, Dentsu Inc.
CEO, Dentsu Aegis Network

▶P.025

We will increase profit by proactive investment in the growing business domain and maintenance and improvement of profitability.

**Shoichi Nakamoto**
Director and
Senior Executive Vice President,
CFO

▶P.008

We aim to create new values of Japan and disseminate such value to the world from Japan.

**Yoshio Takada**
Director and
Executive Vice President

▶P.018

We will improve all ESG values in conjunction with our business activities and pursue the realization of a better society.

**Kunihiro Matsushima**
Chair of the CSR Committee,
Director

▶P.045

# Contents



**Editorial Policy**

As an integrated report for the first year, this report covers both financial and non-financial reporting and illustrates medium- to long-term value and sustainability of the company.

Target audience
All stakeholders including shareholders and investors

**Reference guidelines**

IIRC (International Integrated Reporting Council)
The International Integrated Reporting Framework

GRI (Global Reporting Initiative)
Sustainability Reporting Guidelines, Version 4 (G4)

**Period covered by the report**

Centered on activities during fiscal 2015 (April 1, 2015 through December 31, 2015), but also describes some activities from preceding or more recent periods.

**Organizations covered**

Dentsu Inc. and Dentsu Group companies

**Publication date**

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**Forward-Looking Statements**

This integrated report contains statements that constitute "forward-looking statements" regarding the intent, belief or current expectations of Dentsu Inc. or its management with respect to the results of operations and financial condition of Dentsu or the Dentsu Group. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. The information contained in this integrated report identifies important factors that could cause such differences. These forward-looking statements speak only as of the date hereof. Dentsu disclaims any obligation to update or publicly announce any revisions to these forward-looking statements to reflect future events, conditions or circumstances.

## CEO Message

# Creating new social values

Tadashi Ishii

Representative Director
President & CEO

The business environment surrounding the Dentsu Group is continuously and significantly transforming with an emphasis on two keywords—global and digital. Furthermore, our clients and a wide variety of business partners are working toward various innovations. These innovations harness the ever-growing power of digital technology and include new business development, and business structure and business model innovation.

The series of changes extended to all areas pose a threat to us. However, they also bring significant opportunities for the Dentsu Group to achieve further growth.

The broad sense of creative capability that supports the fundamental element of the Dentsu Group can be effectively demonstrated not only in media business, but also in other areas, such as marketing, promotion, entertainment and sports. In addition, the recent environmental changes, as typified by digitalization, are dramatically expanding the scope and areas where we can demonstrate the creative capability we have cultivated over the years.

By incorporating the various environmental changes progressing on a global scale as the driving force for our evolution and growth, we can deliver the Dentsu Group's unique solutions in combination with our creative capability—a capability that has been heightened to date—and a variety of imagination, technical capabilities, and expertise. To create such unique solutions, and execute them, steadily offers a source of differentiation that gives the Dentsu Group an edge over our competitors, such as specialized digital agencies and consulting firms.

Furthermore, the target field of our solutions is no longer limited to the field of communication. I firmly believe that the role we should play is to evolve into a partner that can support client success and social advancement from multiple angles, by developing and executing myriad innovative, creative solutions for the success of our clients' various businesses and to address diverse social problems.

"Good Innovation." the Dentsu Group' s corporate philosophy, encapsulates the strong Group-wide drive to create new value and lead the way toward transformation while emphasizing our commitment to supporting innovation within business enterprises and society.

The Dentsu group, having a global network across over 140 countries and territories, will continue to accumulate a history of innovation to tackle challenges worldwide, undertake innovation toward the creation of new social values, and meet the expectations of all stakeholders.

# CFO Message

## Pursuing sustainable profit growth

Shoichi Nakamoto

Director and
Senior Executive Vice President & CFO

### Consolidated financial highlights (calendar-year basis) and performance outlook for fiscal 2016

The performance of the Dentsu Group remained strong in CY2015. The group posted 761.9 billion yen in gross profit (an increase of 8.51 billion yen year-on-year), and the organic gross profit growth rate, factoring out the effect of acquisitions and exchange rates, was 7.0%. Underlying operating profit increased to 160.4 billion yen (a 20.3% increase year-on-year), and the underlying operating margin also increased by 1.4 ppt year-on-year to 21.1%.

The Group's Japan business remained brisk, and the gross profit increased 4.3% year-on-year (including a 3.9% increase in organic growth), reflecting the contribution of sponsorship sales associated with the Tokyo 2020 Olympic and Paralympic Games. The international business continued to show high growth, and the gross profit increased 20.6% year-on-year (including organic growth of 9.4%), reflecting the effect of M&A projects and the contribution of new clients, in addition to the strong business momentum maintained in Europe, the Middle East and Africa (EMEA) and Asia Pacific, excluding Japan (APAC).

With regard to the consolidated performance outlook for fiscal 2016, we forecast 768.7 billion yen in gross profit (a 0.9% increase year-on-year) and 104.5 billion yen in underlying operating profit (a 7.8% decrease year-on-year).

### Capital management strategy and return to shareholders

In order for the Group to achieve sustainable improvement of its corporate value and continue to meet the shareholder expectations under the intensified competition both within and outside Japan, the Group must develop and reinforce the business foundation for enhancing the integrated and professional capabilities in Japan and globally, and drive acquisitions and the creation of new growth opportunities.

Based on such recognition, we continuously aim to ensure investment in growth domains in Japan and globally as our top priority, and pursue sustainable profit growth. Furthermore, we will steadily enhance capital efficiency by combining the long- term improvement in shareholder value through business growth, ongoing and stable dividend payments, and flexible share repurchases in order to provide comprehensive return to our shareholders.

Regarding the dividend for fiscal 2015, we carefully and comprehensively considered the operating results for the current fiscal year, the medium- and long-term performance forecast, the financial status, including the future investment plans, and financial soundness. After such consideration, we decided to pay out 75 yen per share by means of an interim dividend of 35 yen and a year-end dividend of 40 yen.

Your continued understanding and support of the management of the Dentsu Group is highly appreciated.

# Road to Value Creation

## - Review of CY2015 and the medium-term management plan

Changes in the business environment, which are driven by globalization and digitalization, are forcing big changes in the advertising industry and its business model. Under such circumstances, with the completion of the acquisition of Aegis Group plc, and the subsequent formation of Dentsu Aegis Network Ltd., in March 2013, the Dentsu Group has evolved into a truly global network. Taking this opportunity, we formulated the medium-term management plan Dentsu 2017 and Beyond (from FY2013 to FY2017).

In recent years, various advancements in technology have been made, and as consumer behavior changes, it has become difficult for many companies to achieve satisfactory results from marketing activities in the absence of coordination among initiatives. The medium-term management plan aims for the Dentsu Group to evolve into the world's leading global network to contribute to raising corporate value for every type of client, under such circumstances. Accordingly, we believe promotion of the plan is the road to value creation for our Group and for our clients.

The following summarizes the progress and achievements by the fiscal 2015 year-end, which was the halfway point of the current medium-term management plan, as well as the future outlook.

### Progress and Achievements, Future Outlook Part 1: Evolving into a Global Network

#### Steady performance of our core Japan business

Gross profit from the Japan business in 2015 (calendar-year basis, the same applies hereinafter) remained brisk and recorded 348.2 billion yen (a 4.3% increase year-on-year, including a 3.9% increase of organic growth). With the expansion of Japanese companies' operations outside Japan and the entry of foreign companies from outside Japan into the Japanese market, we have won much new business in markets, both within and outside Japan, since the inauguration of the Dentsu Aegis Network (DAN) to date. We will continue to work aggressively on winning new business in every market and in enhancing the competitiveness as a unique global network with a solid business foundation in Japan. (For more information on key initiatives in Japan, please refer to pages 17–22.)

#### Continued high growth in international business

Gross profit from the international business in 2015 significantly outperformed market growth in each region, underpinned by strong business momentum maintained in EMEA (Europe, the Middle East, and Africa), which recorded a profit of 157.1 billion yen (a 15.4% increase year-on-year, including a 12.2% increase of organic growth), and the APAC (Asia Pacific, excluding Japan), which recorded a profit of 117.5 billion yen (a 23.5% increase year-on-year, including an 11.4% increase of organic growth). In the Americas, the organic growth rate showed a 4.9% increase and fell slightly behind the market growth rate, as affected by the contract renewal of large accounts, etc. However, the gross profit increased by 24.6% year-on-year to 139.3 billion yen through the significant contribution of the

M&A effect.

The strong momentum of our Group is supported by the smooth integration of the former Aegis Group into our Group, as well as the progress of Group-wide collaboration. The entire leadership team of the former Aegis entity have been retained within DAN to drive our growth, which is supporting the momentum of our Group. (Please also refer to the comments from the general manager of international business on pages 23–26.)

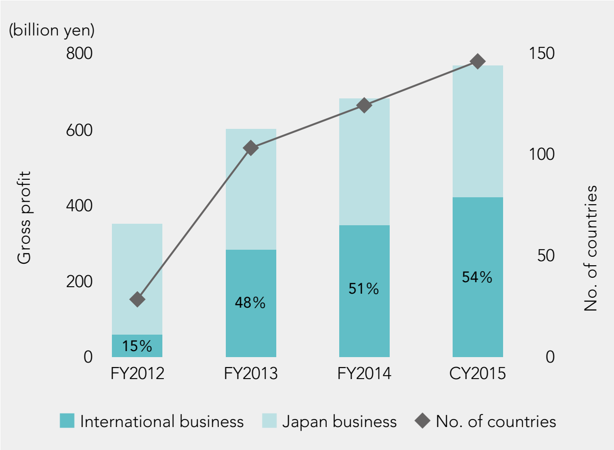
**Further enhancement of competitiveness as a global network**

The consolidated gross profit of the Dentsu Group almost doubled from that of FY2013 with the acquisition of Aegis. Thereafter, we have maintained strong momentum, so our Group's gross profit steadily grew, both in our Japan and international businesses. Consequently, the ratio of international business reached 54% in 2015, and our Group has evolved into a global network with about 47,000 professionals in more than 140 countries and territories.

With regard to One P&L, which is our unique operating model introduced at all locations outside Japan, we have made continued efforts to improve it and have already introduced a next-generation model in some regions. (For more information on One P&L, please also refer to page 31.)

We will further promote personnel exchanges between our Japan and international businesses, mainly in the growing digital field, and continue to engage in innovation to strengthen our competitiveness as a global network.

International business ratio*/No. of countries and territories




* International business ratio is on a gross profit basis. For more information, please refer to page 75.

### Progress and Achievements, Future Outlook Part 2: Continuation of Industry-Leading Organic Growth

As described above, we achieved steady organic growth in many areas, and the organic growth of the entire Dentsu Group continues to outperform our mega group competitors.

In addition to the winning of new client contracts, we have also been successful in retaining many major clients without competition. This business expansion, which contributes to our organic growth, proves clients' appreciation of our Group's performance. (For more information on performance and key initiatives in Japan and each overseas region, please refer to pages 17–22 and 23–28.)

In the fast-growing digital domain, both Japan and international businesses achieved double-digit growth in gross profit in 2015 with increases of 22.2% and 24.8%, respectively, on a year-on-year basis.

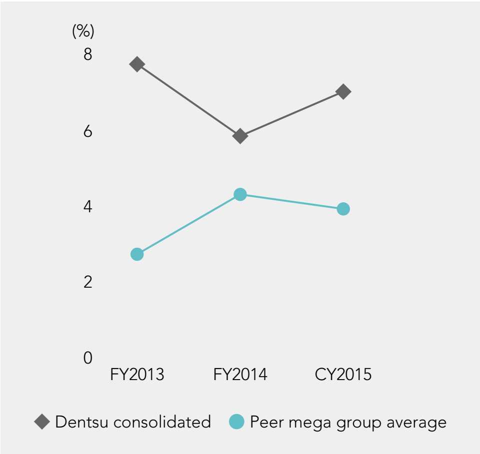
### Progress and Achievements, Future Outlook Part 3: Maintaining and Improving Our High Operating Margin

In terms of operating margin, the Dentsu Group as a whole has maintained a level that outperforms our mega group competitors as we further boosted our Japan business, which was already at a high level, and improved the margin of our international business.

Particularly, in 2015, the consolidated margin improved significantly because our international business started to see some effects of its first-phase business platform development and because our Group companies in Japan made a significant contribution. We will continue to restructure our value chain, including our Group companies.

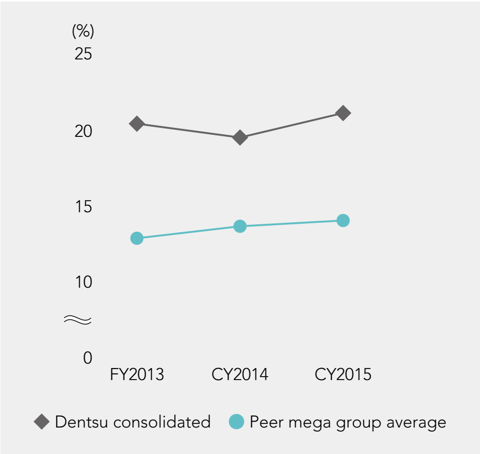
In 2016, we will continue investment to improve our competitiveness in the medium term and to further strengthen the level of our business platform across the Group. Through a series of initiatives, we aim to constantly achieve a consolidated operating margin of 20% or higher, which is one of the KPIs of the current medium-term management plan.

Organic growth*




* Organic growth is on a gross profit basis. For more information, please refer to page 75.

Operating margin*




* Operating margin is on an underlying operating profit basis. For more information, please refer to page 75.

## Progress and Achievements, Future Outlook Part 4: Continuing Various Measures to Establish Sustainable Growth Foundation

### Executing M&A to establish a business foundation outside Japan

M&A is an important means for establishing a foundation for sustainable growth, and we aggressively executed M&A outside Japan in recent years. After the completion of the acquisition of Aegis in March 2013 to the area, end of 2015, we carried out 76 acquisitions, which totaled about 760 million pounds in value terms. Contribution of past acquisitions to profit has reached the level of 90 million pounds or higher at the end of 2015. Furthermore, M&A in the fast-growing digital domain accounts for 43% of total transactions.

M&A outside Japan (from April 2013 to December 2015)

| 760m£ | 76transactions | 91m£ | 43% |
|---|---|---|---|
| M&A investment | No. of M&A transactions | Contribution of M&A investment to PBT (2015) | Digital domain ratio in M&A investment |

### Capability enhancement through M&As in growing business areas continues

In the digital domain, we have expanded our acquisition target areas, not only in the digital media but also in newly developing areas since 2015. Specifically, we successfully acquired companies in rapidly growing domains, such as content marketing, experiential marketing, e-commerce solutions, mobile, CRM, and data analytics. (Our M&A strategy and three case examples are described on pages 29–30.) We believe these rapidly growing business areas will become extremely important in Japan going forward. We will conduct acquisitions to enhance our capabilities as one of the important growth strategies to cope with changes in consumer behavior and the progress of marketing convergence.

### Aiming to achieve growth opportunities created by the acceleration of digitalization in Japan

We are actively working on gaining growth opportunities derived from marketing convergence in Japan.

We are proud of having strong competitiveness in the traditional domains of media content, creative, and marketing in Japan. (For more information on our competitiveness in the Japan market, please refer to pages 17–18.) Our clients have urged us to proactively broaden and merge these core competences with new capabilities such as CRM, e-commerce, system solutions, and data analytics.

To respond to such demands from our clients, we formed a new organization by integrating and restructuring our professional services in the digital marketing domain in January 2016, and then we spun off this organization and established a new company, Dentsu Digital Inc. (for more information, please refer to pages 19–20). We aim to gain further growth opportunities in the Japanese market by providing one-stop service in all areas of digital marketing through Dentsu Digital Inc.

**Seeking growth opportunities through contribution to the revitalization of Japan**

In association with the Tokyo 2020 Olympic and Paralympic Games, there will be numerous world sports events held in Japan up to 2020 and beyond. Moreover, various action plans, such as "Vision of the Future Society Brought by Accelerated Advancement of Intelligence in ICT" and "Infrastructure Improvement in Metropolitan Tokyo," are gaining momentum in Japan toward 2020.

Through our commitment to these social projects, which are not purely in the advertising domain, we will contribute to their success, as well as to the growth and realization of innovation in Japan and, ultimately, the revitalization of the "Japan" brand.

## Toward 2017

As a result of the above-mentioned initiatives, we made good progress according to the medium-term management plan and in moving toward achieving our 2017 KPI goals.

Centering around our Japan business while making the best of the global coverage of DAN, we continue to focus on innovation and new challenges to further expand our business. Furthermore, we will improve our integrated problem-solving ability and revenue-creation ability in order to become a partner that supports its clients' success in diverse ways.

Progress of medium-term management plan (from FY2013 to FY2017)

| | FY2012 (Actual) | CY2015 (pro forma) (Actual) | FY2017 (Target) |
|---|---|---|---|
| Gross Profit<br>Organic Growth Rate | | 7.0% | 3-5% |
| Gross Profit<br>International Business Ratio | 43% | 54.3% | 55% or higher |
| Gross Profit<br>Digital Domain*1 Ratio | 24% | 34% | 35% or higher |
| Underlying Operating Profit<br>Operating Margin*2 | 17% | 21.1% | 20% or higher |

Note: The fiscal period of FY2012 is from April 1 to March 31. Dentsu Inc. and its subsidiaries with closing dates other than December 31 changed their closing dates to December 31 in fiscal 2015.

*1 Digital domain: Internet-related marketing services and the contracted development and sales, etc., of the IT system
*2 Underlying operating profit operating margin: Underlying operating profit ÷ Gross profit × 100

# The Dentsu Group's Capability to Create Values

# The Dentsu Group's Capability to Create Values

## The Dentsu Group's Value Creating Process

OUTPUT

**Value creation**

The success of clients' businesses

Contribution to an affluent life through communication

Realization of a sustainable society

**Dentsu's strengths**

**Source of value creation**

Global network

**Enhancing our value-creating ability**

Capabilities by business domain

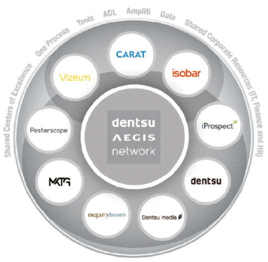
Personnel development

INPUT

**Business model**

**Good Innovation.**

**One P&L**




**Business domain**

**Integrated communication design**

**Social issues and business challenges**

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
**Development of resilient infrastructure and promotion of innovation**

Digital shift in marketing activities of clients

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
**Formulation of sustainable consumption and production patterns**

Changes in consumer behavior, diversified consumer needs, marketing communications, the impact of the activities on consumers, management of the social impact of the supply chain

13 CLIMATE ACTION
**Climate change and mitigation of its impact, etc.**

Reduction of the environmental burdens of business activities

10 REDUCED INEQUALITIES
**Eradication of poverty and hunger, and elimination of domestic and interstate disparities**

Expansion of the community to develop business activities on a global scale

▶ **Medium-term management plan P.009-013**

▶ **Medium-term CSR strategy 2020 P.049**

▶ **Corporate governance P.035-043**

It is the Dentsu Group's social mission to develop and implement all kinds of solutions for the success of clients' businesses. Not only are we responsible for the success of clients' businesses, but we are also responsible for the social development and innovation of society as a whole.

Under the medium-term management plan, Dentsu 2017 and Beyond, the Group takes on challenges that exceed the traditional business framework through strengthening competitiveness in the digital domain. The Group also hones its integrated problem-solving and revenue-generating capabilities, aiming at creation of new social value.

Additionally, under the Dentsu Group Medium-term CSR strategy 2020, formulated in December 2015, we provide responsible marketing communications services and engage in a wide range of CSR activities in collaboration with our business partners within the supply chain. By improving the ESG value in conjunction with our business activities, we pursue the realization of a better society.

# [Japan] Source of Value-Creating Capability: Solid Business Foundation

## Competitiveness in the Market – Japan

The Dentsu Group's leading position in Japan derives from success in combining our creative and execution capabilities with the creation of innovative solutions. In addition, the global platform has further strengthened the business foundation of the Dentsu Group by capturing the untapped needs of major Japanese companies, the principal clients of Dentsu Inc., looking to expand their business outside Japan, as well as the needs of major global companies, the principal clients of DAN, seeking to enter the Japanese market from outside Japan.

We take advantage of the movements, actions and sports events taking place around Japan and continue to seek growth opportunities in Japan business through contribution to the revitalization of Japan.

Future movements, actions, and sports events taking place around Japan

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 and Beyond |
|---|---|---|---|---|---|---|---|
| Movements and actions related to TOKYO 2020 and digital society | | Sophistication of various services toward 2020 brought by accelerated advancement of intelligence in ICT in future society | | | | | |
| | | Social infrastructure improvement toward the Tokyo 2020 Olympic and Paralympic Games | | | | | |
| | | Expansion of content distribution on the Internet (sports and entertainment, etc.) | | | | | |
| World Sports Events | Olympic and Paralympic Games | Rio (Summer) | Host for 2024 will be chosen | Pyeonchang (Winter) | Host for 2026 will be chosen | Tokyo (Summer) | Beijing (Winter 2022) |
| | Asian Games | | Sapporo (Winter) | Jakarta (Summer) | | | Hangzhou (Summer 2022) |
| | FIFA World Cup™ | | | Russia | France (Women's) | | Qatar (2022) |
| | FIFA Club World Cup | Japan | UAE | UAE | | | |
| | World Championships in Athletics | | London | | Doha | | Oregon (2021) |
| | World Aquatics Championships | | Budapest | | Gwangju | | Fukuoka (2021) |
| | FIVB Volleyball World Championship | | | Japan (Women's) | | | |
| | Rugby World Cup | | | | Japan | | |
| Other major events inside and outside Japan | | G7 Ise-Shima Summit | EXPO Astana 2017 (Kazakhstan) | Commencement of practical broadcasting for 4K/8K ultra-high-definition televisions | | EXPO 2020 Dubai | World Masters Games Kansai (2021) |

## Japan business of the Dentsu Group pursues the vision to increase clients' corporate value and disseminate such corporate value to the world from Japan

Yoshio Takada

Director and Executive Vice President

The Dentsu Group's Japan business is a unique operating model. It is neither a brand agency nor a media agency. We deliver solutions to the myriad challenges clients face—a business model so unique that it might be called "Dentsu business." Through this model, we have fostered trusting relationships with more than 6,000 clients in Japan and built a solid business foundation and competitiveness in the Japanese market.

By making full use of ideas and digital technology, the Dentsu Group has recently gained capability in delivering solutions with greater values. The following are just a few examples of such capabilities:

- Deepening digital connections between clients and the consumers who enjoy clients' content, and producing new experiences and contents
- Promptly providing optimal contents and advertisements for consumers by leveraging technologies, such as AI (artificial intelligence)
- Creating digital connections between clients and the foreigners planning trips to Japan, prior to their visits

In 2014, Dentsu was designated as the exclusive marketing agency for the Tokyo Organising Committee of the Olympic and Paralympic Games (Tokyo 2020). In relation to the Tokyo 2020 Olympic and Paralympic Games, nationwide initiatives that cover not just sports but also culture, urban development, and technology, among other areas, will begin in the fall of 2016. By making positive commitments to clients' business activities—not only as the exclusive marketing agency, but also as a leading solution provider in Japan—we continuously work on addressing the social challenges in Japan, further enhancing the business foundation and increasing our competitiveness.

We aim at expanding the solutions we hone in Japan through "Dentsu business" toward 2020 to the global offices of the Dentsu Group in order to further increase the corporate value while also creating and disseminating the new value of Japan to the world.

# [Japan] Capability to Increase the Value-Creating Capability: Digital

## Evolution of Digital Marketing

Amid the acceleration of the shift toward utilizing digital solutions in clients' marketing activities, needs in the advertising industry's digital domain are becoming more diversified and sophisticated. The roles played by agencies are increasingly expanding, encompassing the following:

- Programmatic trading in the media buying domain
- Digital solutions, including creative and content-related services
- Data analysis that contributes to business decision-making and consumer engagement strategies

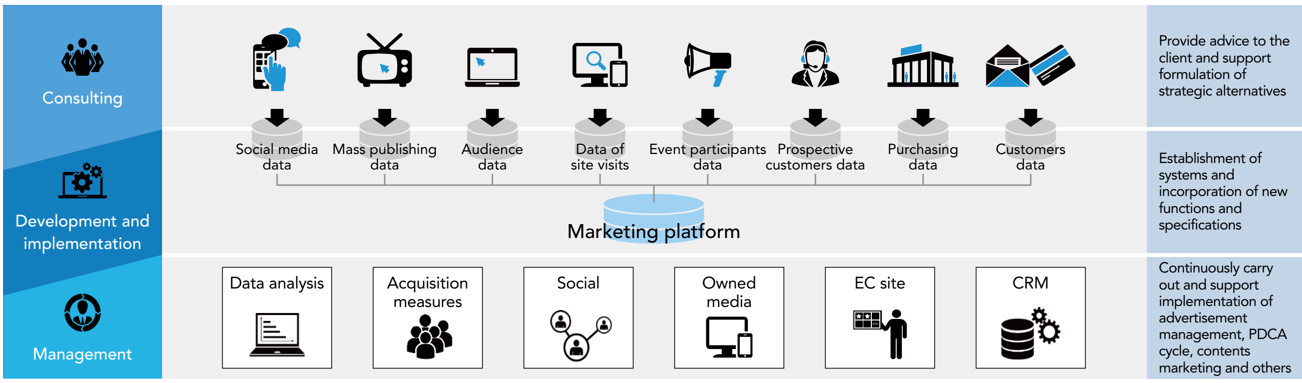
Under these circumstances, the Dentsu Group continues to work to improve its capabilities and quality of service.

On the other hand, there is growing importance to integrate these capabilities. While advances in digitalization and the evolution of various technologies are transforming consumer behavior patterns, the execution of integrated digital marketing—which organically links each process and individual measure of marketing activities that, until now, functioned separately—is becoming the most crucial issue for corporate marketing activities. At the same time, marketing services agencies like the Dentsu Group are expected to provide integrated and specialized support services.

To respond to this changing environment, Dentsu restructured its digital-related functions and established the Digital Marketing Center in January 2016. In July 2016, we established Dentsu Digital Inc., a new specialist digital marketing company, by way of the Digital Marketing Center absorbing Dentsu e-marketing One Inc. and Nextage Dentsu Inc. Dentsu e-marketing One Inc. specializes in advertisement planning in the digital domain and business model support services, while Nextage Dentsu Inc. mainly provides digital performance marketing services, such as performance-based advertising, for business expansion of clients.

Dentsu Digital, in collaboration with other Dentsu Group companies, will focus on accelerating the capture of demand in the expanding market for digital marketing, as well as in the existing advertising market. Specifically, Dentsu Digital provides a wide range of services, including consulting services, to improve ROI by utilizing digital marketing and the integrated service, from development to operation, in the fields of CRM, owned media management, and EC support. Taking advantage of the total strength of the Dentsu Group, we will continue to deliver consistent services, from strategic planning to implementation, for major clients.

Business domains of Dentsu Digital Inc. - 3 features -



## Aiming to become a leading digital marketing company

Toshiya Oyama
Executive Officer, Dentsu Inc.
CEO, Dentsu Digital Inc.

The evolution of digital technology and devices has significantly changed consumer behavior given that all things and information are connected to the Internet, as represented by the "Internet of Things." Under such unprecedented market change, clients that previously focused on individual marketing processes have started to focus on linking them organically at each stage in an effort to maximize effectiveness and efficiency.

On the other hand, the Internet, mainly performance-based advertising, has grown into media now second only to television, and digital market-related spending outside of the traditional advertising market—such as business and IT consulting, Big Data analytics, support for marketing automation, and support for e-commerce—has expanded greatly.

In light of the above circumstances, Dentsu Inc. has established Dentsu Digital Inc., a new digital company that provides a one-stop digital marketing solution.

Dentsu Digital Inc. will provide functions that include consulting, the development and implementation of marketing initiatives, and operational and execution support for client companies pursuing digital transformation. It will also develop integrated customer journey solutions, from the discovery of potential customers and customer acquisition through to customer relationship management—and build platforms to support them.

Furthermore, Dentsu Inc. will strive to provide solutions on a global scale in collaboration with DAN by accelerating technology development and data acquisition.

In addition to investment activities and technological development to maintain state-of-the art capabilities, Dentsu Digital will acquire and develop digital marketing professionals with the right experiences and skills. By closely coordinating the experiences and skills with Dentsu's distinctive capabilities in marketing, creativity, and media—capabilities that competing consulting firms and IT companies cannot offer— we aim to become a leading digital marketing company in both name and reality.

DENTSU DIGITAL

# [Japan] Capability to Increase the Value Creating Capability: Sports Marketing

## Creating Movement in Society

Our many years of experience and achievements in the area of sports marketing are significant factors in value creation of the Dentsu Group. We believe this accomplishment is underpinned by our highly esteemed, unique approach as an advertising agency that creates major movement centered around excitement inspired by sports. We will continue to strengthen these activities and increase the outreach to society through sports.

### Sports marketing that Dentsu Group is engaged in:



© Tokyo Marathon Foundation


© JFA National match against Afghanistan, starting members, March 24, 2016

## We will contribute to the success of clients' businesses and further development of sports by providing solutions utilizing sports

Kiyoshi Nakamura
Executive Officer

The Dentsu Group is involved in a wide variety of sports events, from world-headlining events such as the Olympic Games, FIFA World Cup™, and IAAF World Championships in Athletics to national events such as the Tokyo Marathon.

We maintain good long-term relationships with international sports governing bodies, including the International Olympic Committee (IOC), International Paralympic Committee (IPC), Fédération Internationale de Football Association (FIFA), International Association of Athletics Federations (IAAF), and Fédération Internationale de Natation (FINA). These relationships have given us access to an assortment of rights, such as broadcasting and marketing rights. In recent years, Dentsu has continued to expand its sports business, mainly through our successful efforts to secure broadcasting rights from the IOC to sell to our clients in some parts of Asia and Central Asia and through event production for the FIFA Club World Cup in the Middle East and Africa.

In Japan, we are involved in the development and sale of broadcasting and marketing rights for many sports organizations, including the Japanese Olympic Committee (JOC), with which we have enjoyed a long relationship. With regard to football, in addition to the sponsorship package for Japan's national team, we acquired exclusive rights to sell the broadcasting and marketing rights for J. League.

Dentsu leverages its close business relationships with sports associations and federations in Japan and globally to offer clients unique and powerful solutions utilizing sports.

In the Tokyo 2020 Olympic and Paralympic Games, Dentsu Inc. has taken on a major responsibility to contribute to the Games' success by providing support in various areas, such as formulating a marketing plan and conducting sponsorship sales, as its exclusive marketing agent.

We will make efforts in creating a legacy, ensuring the benefits of the Tokyo Olympic and Paralympic Games last after 2020, and striving to improve the significance of sports. For the Dentsu Group, the Paralympic Games are just the start of concerted efforts to contribute to the development of the sports practiced by challenged people.

The Rugby World Cup is also coming up in 2019, and FINA World Aquatics Championships will be held in Fukuoka in 2021. The Dentsu Group has a record of managing numerous international sports events, as well as a proven history of having the associated know-how. Bringing together the abundant experience we have accumulated thus far, we will support sports organizations and sponsor companies in order to ensure the success of sporting events.

# [International] Source of Value-Creating Capability: Diversifying the Portfolio on a Global Basis

## Diversifying the portfolio on a global basis
## Progress and future strategy

Tim Andree

Director and Executive Vice President, Dentsu Inc.
Executive Chairman, Dentsu Aegis Network

### Steady progress in diversifying the portfolio

The goal of the Dentsu Group is to evolve into a truly global network at the forefront of marketing convergence—one of our strategic objectives toward this goal is "diversifying the portfolio on a global basis."

Our success to date in achieving this objective can be measured by the fact that we now operate in around 140 countries, from just 27 in 2005, and employ over 47,000 people globally, from 14,500 in 2005. In addition, we now have a diversified geographic revenue profile with 46% of our gross profit for the fiscal 2015 generated in Japan, 20% in EMEA, 18% in the Americas, and 16% in APAC.

As shown above, we are making steady progress in diversifying the portfolio; however, given the fast-moving nature of our industry, we need to continuously drive toward this strategic ambition.

### Capability expansion in the digital domain

In the global advertising market, digital media is continuously growing. For 10 key markets—including the UK, Ireland, Canada, and Australia—digital has already become the principal media channel for advertising expenditures, driven by the high demand for mobile and online video advertising, especially across social media platforms, and the rise of programmatic buying.

Under such circumstances, the Dentsu Aegis Network is expanding its digital capability portfolio through acquisitions and by continuing to invest internally in hiring digital talent and supplementing our product suite with cutting-edge digital tools.

In Japan, we established a new company, Dentsu Digital Inc., which provides a total package for clients across digital channels and platforms. Dentsu Digital collaborates with other key business units to ensure our clients have access to the full suite of Dentsu capabilities.

### Integration of newly acquired capabilities

According to Carat's latest forecasts for the industry outlook (published in September, 2016), global advertising expenditure is expected to grow by 4.4% in 2016. This growth is primarily driven by the continued solid growth of digital media (15.6%) with its share of adspend expected to be 27.7% in 2016. On the other hand, television is expected to remain resilient with a steady 41.1% market share forecast for 2016 as the upcoming Olympic Games and US elections are expected to drive considerable viewership.

Importantly, advertisers continue to place significant emphasis on the integration of their marketing plans across these media platforms. While continuing to invest in our digital capabilities, we will also integrate the newly acquired capabilities and skills into the services and operating model of the Dentsu Group. Furthermore, we will enhance our global infrastructure by strengthening partnerships with global media owners with an emphasis on mobile-centric, data-rich, and video-first.

In this rapidly evolving and complex environment, through these efforts, the Dentsu Group can continue to innovate for its clients, ensuring they have the best platforms.

## Continued promotion of intragroup talent migration

Talent migration has been a key focus area for us in recent years. We have been successful in sharing some of our key talent between Dentsu Inc. in Tokyo and our global operations at Dentsu Aegis Network.

Much of our initial focus in this cross-knowledge transfer has been on the Asia Pacific region, which has the most immediate synergy potential across the Group. We now have over 150 Dentsu Inc. employees, previously based in Tokyo, working across all of our international operations, four of whom manage the entire agency portfolios in those countries.

In 2015, we initiated a pilot program to move some of our international talent to Tokyo, and today, we have a small number of people from Dentsu Aegis Network working in Tokyo. We will continue to drive these liquid talent programs as they promote collaboration and enhance the potential for cross- learning opportunities.

# [International] Source of Value-Creating Capability: Transformation to Adapt to the Digital Economy

## Aiming at further growth and transformation to adapt to the digital economy

Jerry Buhlmann
Senior Vice President, Dentsu Inc.
CEO, Dentsu Aegis Network

### Progress of the digital economy fundamentally changes the existing business

The digital economy is the only growth certainty of the next five years. Digitally enabled business models, including omni-channel retail and the sharing and service economy, have become the dominant economic form, while traditional business models continue to be significantly disrupted. In the future, the most successful businesses will be those that can leverage the agility and speed of the digital economy, where data will become the new currency of business and hyper-connectivity will become even more predominant.

This evolving environment will require businesses to develop and integrate systems, platforms, and transversal workings within their organizations, supported by a significant change in culture. Ultimately, businesses will need digital economy solutions—such as strategic consult, data, analytics, CRM, and customer experience—in order to be truly successful in an increasingly agile and fast world.

### Focus on strategic objectives and maintaining strong momentum

Given a digital economy that advances with increasingly fast-paced changes, the Dentsu Group must maintain its positive momentum in operational and financial performance to remain well-positioned to access high-growth segments, capabilities, and geographies for our clients.

We will achieve this objective by continuing to outperform the peer group in organic revenue growth and increasing our utilization of capital through a higher pace and volume of acquisition. Dentsu Aegis Network, while carrying out international business of the Dentsu Group, has consistently outperformed the peer-group average, on an organic revenue basis, by a factor of 2x to 3x over the last four years. DAN's outperformance has been achieved through (1) leveraging our global scale and a consistent offering across our network, (2) ensuring an efficient and optimal utilization of capital—with a particular emphasis on acquisitions, and (3) using a unique operating model, which ensures we are truly differentiated from the peer group, and others.

Furthermore, a key driver of our peer group outperformance over this period is a significant and consistent focus on our key strategic objectives:

- Increase exposure to growth markets and segments
- Build capability in the digital economy
- Transform and broaden service offerings across clients
- Grow international client base
- Leverage the content and media transformation value chain
- Lead, and outperform, in the top 20 markets
- Build a scalable organization through innovation

By retaining our focus on these key strategic objectives, and targeting growth organically and through acquisitions, we aim to continue and build upon the positive momentum we have achieved in recent years. This momentum will help drive our business to the heart of the digital economy, maximizing value and impact for our clients while creating value for our stakeholders across the key value chains.

## Further growth and evolution by using One P&L

Dentsu Aegis Network aims to realize a two-fold increase in revenue by 2020. During this timeframe, we expect our business to become a 100% digital economy business.

To support our growth aspirations, we will continue building a scalable organization with an organizational structure that enables us to change rapidly. A key element of this is our unique operating model, "One P&L." One P&L is enabled by a 1P&L per market structure and drives our integrated and specialized approach.

To ensure we maintain our market leadership, we are implementing an evolved One P&L model across the business. Under the new model, we deliver broad systemization and integrated solutions while our global network brands and specialist local brands continue to be our interface with clients. The evolved One P&L model organizes our capabilities within the agency brands and enables our agencies to focus on building end-to-end solutions in specific sections of key capability areas. The organization will continue to be supported by a strong foundation of global platforms and global functions.

Ultimately, our business will become a solutions business that drives consumer engagement through to transaction with full data and insight integrity.

# [International] Capability to Increase the Value-Creating Capability: M&A Strategy to Accelerate Growth

## M&A strategy to accelerate growth of the global network

Nick Priday
CFO, Dentsu Aegis Network

### Emphasis on business expansion through M&A

Our capital utilization strategy is focused on prioritizing the deployment of capital to drive the growth of the business—by investing in growing our organization and by delivering value-enhancing acquisitions.

Acquisitions have helped to supplement our organic growth outperformance in recent years and will help us to achieve the capability transformation required as we move to the center of the digital economy.

Specifically, we will continue to focus on the following through M&A:

- Increasing exposure to faster-growing markets and segments
- Building our presence in North America and China
- Enhancing our service offerings, particularly across the digital landscape

### Clear strategy for acquisitions and target selection method

We have a clear strategy for acquisitions—we target scale, geographic and capability in-fill, and innovation, focusing on digital in both emerging and major markets, particularly the US and China.

Within the digital area, we are focused on strategic consult, data, analytics, CRM, performance marketing, and customer experience acquisition targets. We will continue to acquire small- to mid-sized bolt-on acquisitions while also looking at slightly larger deals.

### There are a number of elements in acquisition targeting:

- Country management identifies and targets small, local deals.
- Global brand management supports local management with small- and mid-sized deals.
- Executive management is responsible for targeting mid- to large-sized strategic deals.

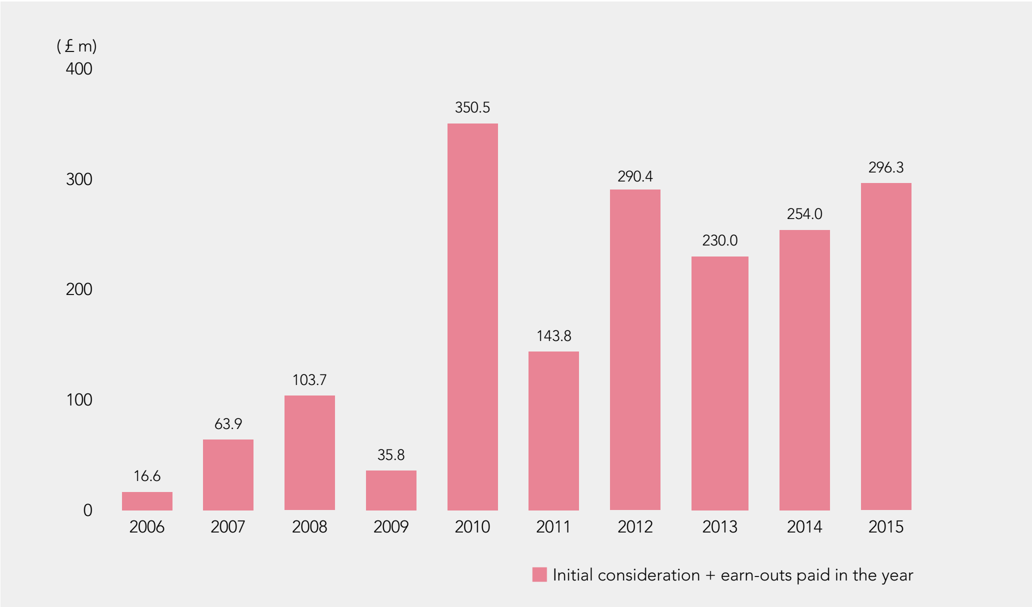
All three teams are supported by central (London) and regional M&A teams. M&A teams manage a pipeline of 50–60 active deals, and we have a monthly review by an M&A Committee, chaired by Jerry Buhlmann, CEO, Dentsu Aegis Network. The teams are supported by well-established M&A policies, practices, and procedures.

## Successful M&A track record and management retention rate

Since 2006, we have invested around £2 billion on over 200 acquisitions. We have a successful track record of executing and integrating deals, supported by well-managed structures and processes, and an experienced and integrated team. In addition, we have consistently delivered shareholder value through acquisitions. We have delivered an average Return on Invested Capital (ROI) of 14.1% on a portfolio basis from 2006 to 2014, which is more than double the Dentsu Inc.'s post-tax weighted-average cost of capital (WACC).

We also consider M&A an effective means to bring excellent talents into the Group. In this regard, we have a strong management retention record—with regard to acquisitions and investments since 2006, 71% of senior vendor management is still with the business. Of that number, 88% has stayed beyond earn-out expiry. In addition, around 50% of our senior operational management came into the business through acquisitions. We believe the Dentsu Group is attractive for vendors as our operating model enables quick integration and provides them with immediate opportunities.

DAN's acquisition investment



# [International] Capability to Increase the Value-Creating Capability: Business Expansion of the Dentsu Group

## Business Expansion of the Dentsu Group

One area of our M&A focus is expansion of the services and acquisition of capabilities all across the digital domain.

The particularly important fields are the brand commerce field to maximize consumer engagement through connections with various brands; the mobile field, which is growing rapidly worldwide; and the content marketing field to lead the consumer purchasing behavior to the products and services of client companies. The following examples illustrate the companies that the Dentsu Group has acquired in recent years.

eCommera
Linked by isobar

eCommera Global Limited (hereinafter "eCommera") has strengths in the brand commerce field, developing e-commerce solutions for major international retailers and consumer goods manufacturers, as well as providing maintenance and consulting services. Headquartered in London, eCommera's specialist team is active across the world, providing site management support for more than 150 e-commerce sites in 30 markets. Furthermore, eCommera has established development centers in Bulgaria and India.

The Dentsu Group will deepen the collaborative relationship between eCommera and Isobar, integrate their e-commerce solutions technology, brand-building capabilities based on creative design and user experience, and consumer data analysis. This will contribute to maximizing the value of client brands.

### Mark Fagan

CEO, eCommera Global Limited

As part of the Dentsu Group, eCommera now has a much richer offering in the field of digital commerce. We are able to leverage Isobar's brand-building capability and global scale to provide innovative best-in-class cross-channel solutions and guide clients on their journeys to success in an increasingly interconnected and complex brand commerce field.

## Fetch

Fetch Media Limited (hereinafter "Fetch") is a global full-service mobile agency specializing in mobile media planning and buying, and is highly rated for its expertise in advertising planning proposals that utilize mobile media and the buying of advertising space in particular. In addition to its London headquarters, the agency currently has offices in the US, Germany, and Hong Kong. It also has plans to further expand its base.

Going forward, Fetch will promote further collaboration with the Dentsu Group's global network brand companies specialized in mass media, digital media, OOH, creative, and other areas.

### James Connelly

Co-founder and CEO, Fetch Media Limited

Our acquisition by Dentsu Aegis Network was a logical next step for Fetch as we sought to deliver our ambitious growth plans and scale our business globally. Dentsu Group has a proven track record of growing digital businesses and a clear appreciation of the increasing importance of mobile in the media landscape. As part of the Dentsu Group, we remain fully focused on delivering world-class mobile capabilities on behalf of an increasing number of mobile-centric clients.

## JOHN BROWN

UK-based branded content marketing agency John Brown Media Group Limited (hereinafter "John Brown Media") provides highly credited content marketing services, particularly in the digital domain, to its portfolio of high-profile, multinational clients. In addition to its UK base, John Brown Media has offices in South Africa, Hong Kong, and Dubai, facilitating the expansion of innovative content marketing services on a global scale.

The Dentsu Group has to date provided its clients with services in the digital performance domain through iProspect, one of the Group's global network brands. The acquisition of John Brown Media, one of the world's leading branded content agencies, will strengthen the cooperative relationship that the company already has with iProspect and other Group companies, and contribute to maximizing client ROI through highly differentiated value-added solutions.

### Andrew Hirsch

CEO, John Brown Media Group Limited

John Brown Media has been producing brilliant content for some of the world's most prestigious brands for the last 20 years. As part of Dentsu Aegis Network, we have the ability to work alongside some of the world's leading strategists to deliver smarter content and drive even better results for our clients.

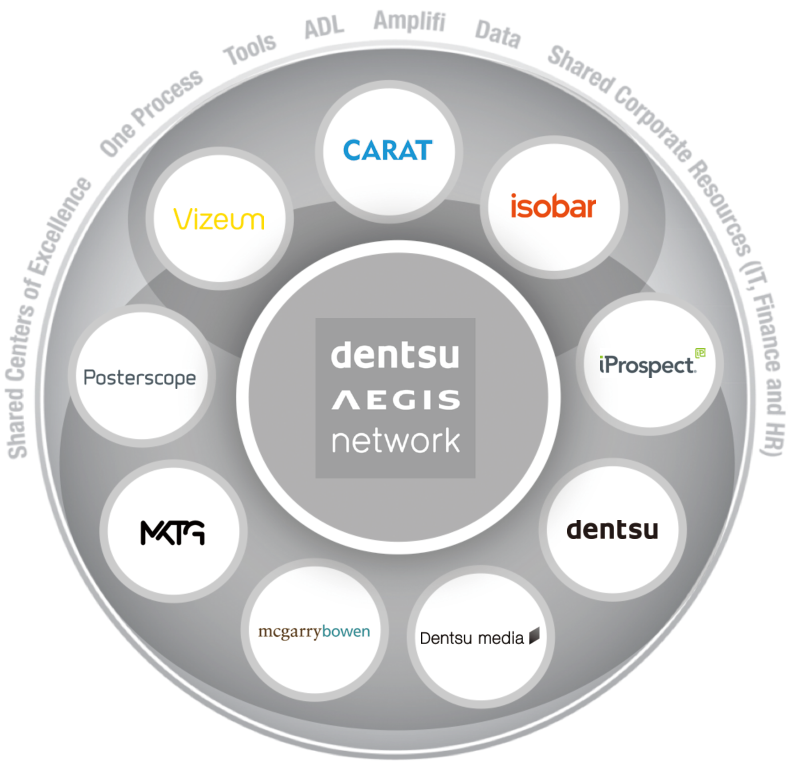
# [International] Capability to Increase the Value-Creating Capability: Network Brands

## Dentsu Group Brands That Enhance Our Capability

The Dentsu Group has a unique operating model designed for marketing convergence and globalization, the major driving forces of the advertising world. This operating model is enabled by a one-P&L-per-country structure, unique in the industry, which empowers our local teams to offer high-value-added and integrated services to clients at a local level, supported by a global infrastructure.

A key element of this infrastructure is our nine global network and six specialist/multimarket agency brands, which deliver our integrated and specialist approach, supported by local agency brands in certain countries.

The Group companies of the Dentsu Group collaborate seamlessly toward shared business goals, and our top-class professionals from various fields are incentivized to collaborate across agencies and countries, thus providing integrated and specialist client services.



## Global Network Brands

### Carat

is the world's largest media communications company with a presence in more than 100 countries. The company creates better business value for clients by maximizing media value.

### Dentsu Brand Agencies

Advertising companies overseas with Dentsu in the name are Dentsu-branded agencies. Companies that specialize in a particular domain—such as digital, creative, PR, or consulting—are specialized-domain agencies.

### Dentsu Media

As Dentsu's overseas media agency network, Dentsu Media provides high-quality services to clients around the world through three networks—Media Palette, Media Cubic, and Media Matrix—and digital agency brands, including &c.

### iProspect

is a digital performance marketing agency with a presence in 52 countries. The company supports clients in maximizing online marketing ROI.

### Isobar

is a digital agency, focusing on brand commerce, with a presence in more than 45 countries. The company established the world's largest global digital network by bringing together digital technologies from all over the world. Clients enjoy full support through Isobar's outstanding digital marketing capabilities.

### Dentsu McGarry Bowen

Never confined to existing methodologies or preconceptions, agency Dentsu McGarry Bowen always delivers unique insights and smart solutions. Boasting an excellent reputation for creative capabilities, the agency also puts effort into building new communication platforms.

### MKTG

is a lifestyle marketing agency that has an edge in the activation area, focusing on providing consumers with brand experience and experienced value. DAN will enhance and strengthen MKTG as a core company of the Dentsu Group's lifestyle marketing services.

### Posterscope

is a media agency specializing in out-of-home (OOH) communications and has a presence in about 30 countries. The company's OOH development expertise is based on an insightful grasp of the procurement behavior of consumers outside their homes.

### Vizeum

is a media agency with excellence in communication planning, particularly involving digital media, and is active in more than 40 countries. The company works with other companies within the Dentsu Aegis Network to bring about innovative change in the ad communications of its clients.

## Specialist/ Multimarket Brands

### Amnet

With a presence in 33 countries, Amnet—the Dentsu Aegis Network trading desk—organically links all kinds of data to ensure more timely, perfectly targeted online advertising.

### Amplifi

This media investment company raises value across all media—from television to print, digital, and radio—on a global basis, seeking to reinvent the supply side of media through investments, partnerships, and real-time bidding.

### Data2Decisions

This consulting company draws on all types of marketing data and analyzes what has worked and what has not to maximize clients' ROI.

### Mitchell Communications Group

A communications and PR company, Mitchell Communications Group boasts a diverse client portfolio that includes some of the world's top-tier corporations and high-profile brands. Covering a wide range of specialized fields, from consumer communications to corporate public relations, this company is known for delivering innovative ideas.

### 360i

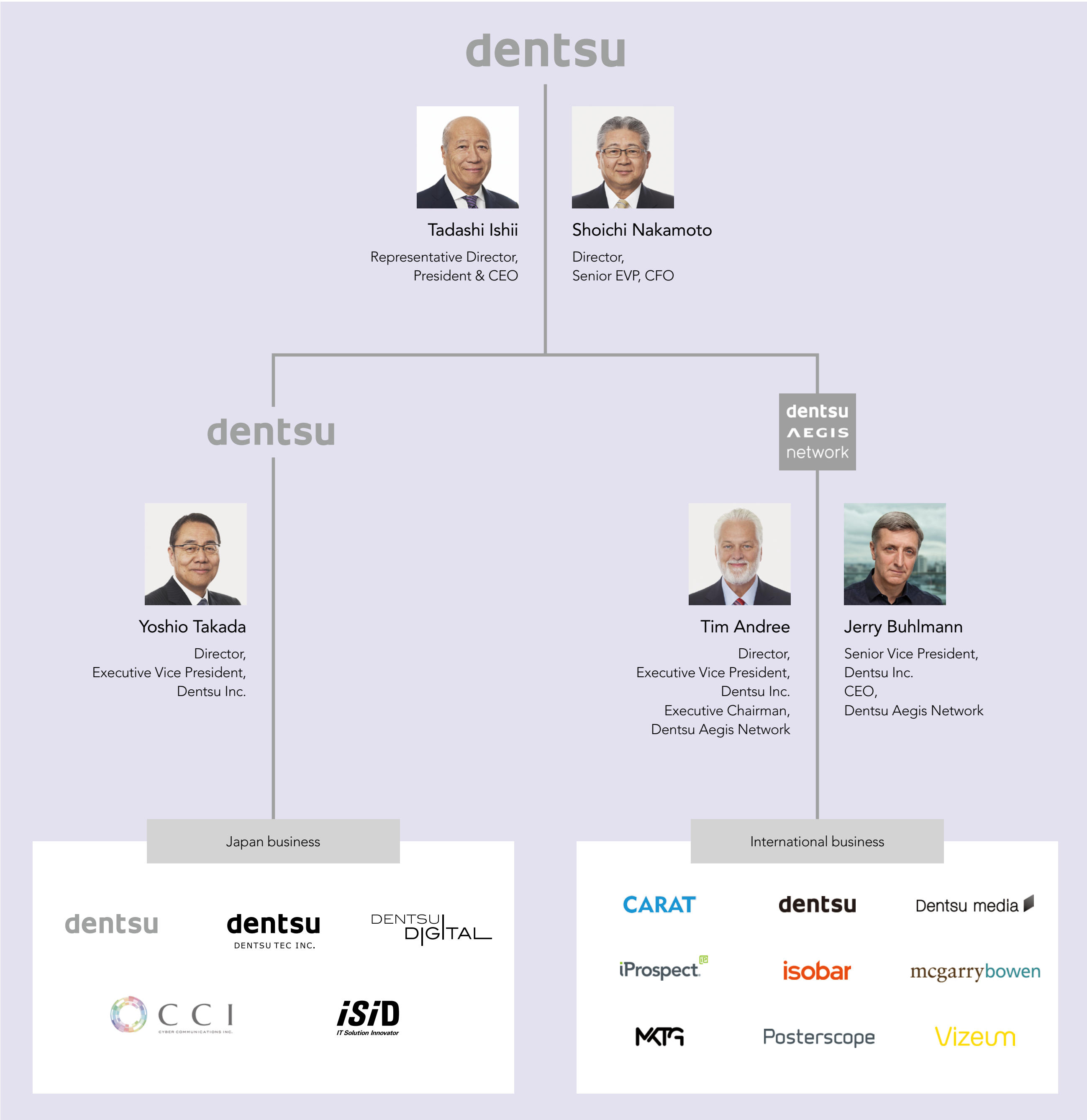
Championing the fusion of search marketing and social marketing, 360i has earned top marks in the industry as a next-generation digital agency.

# Corporate Governance

# The Dentsu Group's Management Structure

The Japan business is spearheaded by Dentsu, while the international business is led by Dentsu Aegis Network (DAN), which includes Aegis's and Dentsu's legacy international businesses.

Management Structure



# Dentsu's Corporate Governance Implementation Structure

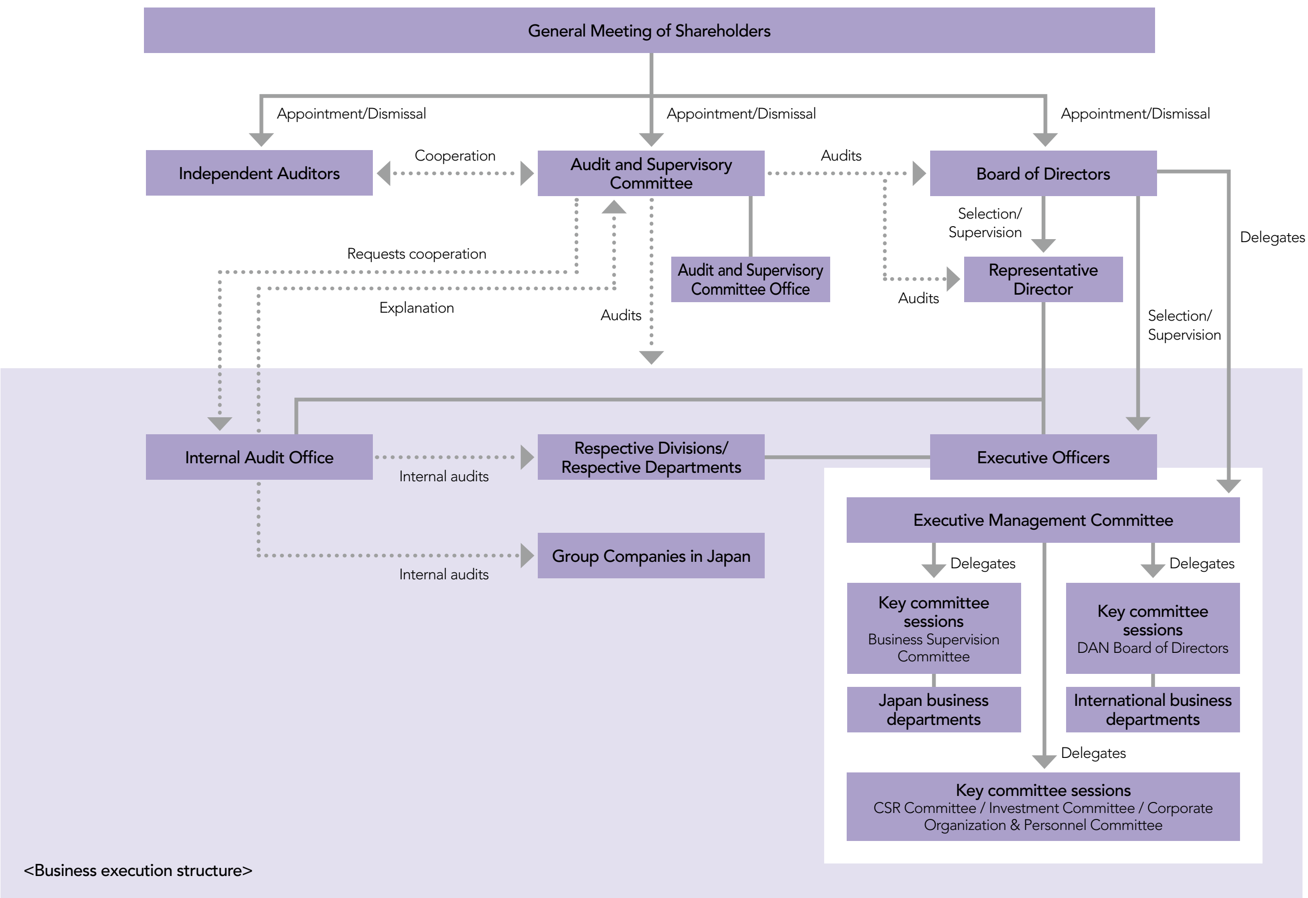
Dentsu Inc., as a company with an Audit and Supervisory Committee, transfers authority for important business execution in part from the Board of Directors to the directors to establish an expeditious and effective business execution system and aims to enhance the supervisory function of directors through the Board of Directors.

As of March 30, 2016, nine directors (of which three are independent outside directors) comprise the Board of Directors, and four of them (of which three are outside directors) are the Audit and Supervisory Committee members. Diversity in experience, insight, ability, gender, etc., are among the factors considered in nominating members of the Board of Directors.

Dentsu has introduced a Director and Executive Officer System to clarify roles and responsibilities and to reinforce the effectiveness of its management and operations systems.

We established the Executive Management Committee, which consists of the representative director and executive officers, including executive directors, and is positioned under the board of directors. The committee serves to make decisions on important matters relating to management and conducting preliminary deliberation on the resolution items of the board of directors. Furthermore, we regard the meeting body, to which authority is delegated from the Executive Management Committee, as Key Committee Sessions. The Business Supervision Committee for the Japan business division and the Dentsu Aegis Network Board of Directors for the international business division are regarded as Key Committee Sessions. By having separate committees, we divide the business execution structure into the Japan business division and the international business division and delegate the revenue responsibility and authority respectively.

Corporate Governance Structure



## Change of the Governance Structure to a Company with an Audit and Supervisory Committee

Dentsu Inc. changed from a company with an audit and supervisory board to a company with an Audit and Supervisory Committee on the closing of the General Meeting of Shareholders in March 2016.

This change in the Company's corporate governance structure is in response to the implementation of the "Corporate Governance Code" by the Tokyo Stock Exchange on June 1, 2015. The corporate governance structure of Dentsu was well-organized as a company with an audit and supervisory board. However, in order to enhance audit and monitoring functions and the corporate governance system, as voluntary efforts, we decided to have independent outside directors comprise at least one-third of the Board of Directors, along with transitioning into a company with an Audit and Supervisory Committee.

Due to the change into a company with an Audit and Supervisory Committee, the main role of the Board of Directors become supervision of business execution, which enables expeditious decision-making and effective business execution by persons who perform an executive role. With this change, the Dentsu Group aims to improve the soundness and transparency of management and expeditious decision-making in order to further increase the corporate value.

Voice

Toshiaki Hasegawa, Lawyer

Dentsu Inc.,
Director
Member of the Audit and Supervisory Committee (Outside)
Representative of T.Hasegawa & Co., Law Offices

### Regarding the Dentsu's Corporate Governance Implementation Structure

In 2016, the corporate community is continuously facing a firestorm of corporate governance (CG) reform from the previous year. The "degree of penetration" of the revised Companies Act and the CG Code, which were implemented and became applicable in Japan in May and June 2015, respectively, is currently being put to the test.

Dentsu has implemented revolutionary change that is not limited to governance reform. In addition to changing the accounting closing date from the end of March to the end of December, and applying the International Financial Reporting Standards (IFRS) as its accounting standards, the Company also changed its governance structure to a company with an Audit and Supervisory Committee, which was created as a result of a legislative amendment on the Companies Act. These changes are made for the purpose of strengthening internal control and governance of the entire group.

What is directly related to myself is that I resigned from the office of auditor and was appointed as an outside director and as a member of the Audit and Supervisory Committee at the Ordinary General Meeting of Shareholders held on March 30, 2016. Some people may view that it is merely a change of the job title and that the responsibility stays just about the same as an officer in charge of audit. However, from the governance enhancement point of view, I realize significant progress.

Since a member of the Audit and Supervisory Committee is also a director, I will participate and exercise the voting rights for a resolution at the Board of Directors meeting. While articulating my position on the pros and cons of management decisions, I am also responsible for auditing legality of the Board of Directors' execution of duties, as a member of the Audit and Supervisory Committee. This system, that the directors establish an auditing committee, is in line with the global standard. On the flip side of the coin, the management and supervisory system in a form of a company with an audit and supervisory board adopted in Japan was so unique and confusing for people outside of Japan.

Through this drastic reform, I believe the Dentsu Group has created a governance structure suitable for a truly global company.

# Response to Implementation of the Corporate Governance Code

## Formulation of the Corporate Governance Policy

In response to implementation of the Corporate Governance Code, Dentsu Inc. (the "Company") has newly formulated its Corporate Governance Policy in order to put effective corporate governance into practice to fulfill its responsibilities to its stakeholders (such as its shareholders, clients, employees, and local communities), ensuring sustainable growth and enhancing mid- to long-term corporate value.

Corporate Governance Policy ➡ http://www.dentsu.com/whoweare/cgp.html

## The Appointment of Senior Management and the Nomination of Director Candidates

In nominating directors who are not members of the Audit and Supervisory Committee, the representative director will submit his candidate plan and, in order to secure transparency, explain to the independent outside directors, who are members of the Audit and Supervisory Committee, the reason, suitability, and other factors for such nomination. Candidates shall be decided upon by the Board of Directors, who will consider the opinions of such independent outside directors.

In nominating directors who are members of the Audit and Supervisory Committee, the representative director will submit his or her candidate plan, and after approval from the Audit and Supervisory Committee, candidates shall be decided upon by the Board of Directors.

For the policies and procedures for nominating director candidates, please refer to the Corporate Governance Report.

Corporate Governance Report ➡ http://www.dentsu.com/csr/pdf/governance_201603_en.pdf

## Formulation of the Independence Standards for Outside Directors

In order to secure transparency of the Group's corporate governance structure, in November 2015, the Company formulated the Independence Standards for Outside Directors in accordance with the following items.

The Company deems that any directors who fall under any of the following items do not meet the standards for independent outside directors.

1. Persons who have certain relationships with the Company or its subsidiaries
2. Persons who hold the position of director or other executive of a corporation and who also perform an executive role in the Company
3. Principal business partners
4. Auditors of the Company
5. Outside experts of the Company
6. Persons who received donations from the Company
7. Major shareholders
8. Persons who have previously fallen under items 2 through 6
9. Close relatives

Independence Standards for Outside Directors at Dentsu Inc. ➡ http://www.dentsu.com/whoweare/isod.html

## Self-Evaluation of the Board's Effectiveness As a Whole and Disclosure of the Summary of the Results

With the transition to a company with an Audit and Supervisory Committee starting this business year (from FY2016), every year, directors will conduct self-evaluations with respect to the effectiveness and appropriateness of the Board of Directors' monitoring of the management of the Company and the performance of their own duties as directors. The Board of Directors will analyze and evaluate the effectiveness of the Board of Directors as a whole based on the results of the self-evaluations. An overview of such analysis and evaluation will be disclosed.

## Training Policy of Directors and Auditors

Directors and executive officers shall be given opportunities to gain indispensable knowledge for their offices and for continuous training so that they may appropriately perform their roles and responsibilities.

Currently, when directors (excluding outside directors) or executive officers assume their roles, the Company provides them with lectures conducted by inside and outside experts with respect to the Company's strategies of management, business, finance, and other applicable fields—as well as important matters and laws and regulations related thereto—and enables them to acquire and update the knowledge required for their offices. They are also given opportunities through discussion to find issues to be addressed by the Company group and solutions thereto. Moreover, after becoming directors or auditors, they are given opportunities to hold study seminars every month to gain the latest information regarding the best practices for various megatrend issues, with an emphasis on the positioning of the ESG in the Corporate Governance Code.

When new outside directors assume their offices, they are provided with an explanation of the business, organization structure, and other related matters of the Company, and after assuming their offices, the necessary information related to issues to be addressed by the Company shall be periodically provided to them.

## Remuneration

### Board policies and procedures in determining the remuneration of senior management and directors

Concerning remuneration for directors who are not members of the Audit and Supervisory Committee, a performance-linked framework is in place that considers encouragement of achieving goals set forth in the medium-term management plan in order to focus on the mid- to long-term profit of shareholders and to enhance motivation for maximizing the corporate value of the Company. The portion of the performance-linked bonuses under the model business results accounts for 40% of the total remuneration. The index for performance evaluation of business results is consolidated operating profit, and the total amount of bonus remuneration varies in accordance with the level of achievement of the budget.

The total amount of fixed monthly salaries and performance-linked bonuses shall be within the remuneration limit approved at the Ordinary General Meeting of Shareholders.

The amount of remuneration of each director who is not a member of the Audit and Supervisory Committee (including that for the role of executive officers) will be determined by a resolution of the Board of Directors within the above limit of remuneration, to be approved at the same General Meeting of Shareholders. In order to ensure transparency, such decision will be made considering the opinions of the members of the Audit and Supervisory Committee who are independent directors after explaining to them the reasonableness of the amount of remuneration.

Remuneration to directors who are members of the Audit and Supervisory Committee will consist solely of a fixed monthly salary in exchange for the execution of their duties. The gross amount of this monthly salary will be determined within the remuneration limit approved at the General Meeting of Shareholders.

The amount of remuneration of each director who is a member of the Audit and Supervisory Committee will be determined through consultation by directors who are members of the Audit and Supervisory Committee, within the above limit of remuneration to be approved at the same General Meeting of Shareholders.

Total Amount of Remuneration for Directors and Audit & Supervisory Board Members

| | Directors (of which are Outside Directors) | Audit & Supervisory Board Members (of which are Outside Audit & Supervisory Board Members) | All Officers (of which are Outside Officers) |
|---|---|---|---|
| Monthly Remuneration | 274 million yen: 12 persons<br>(10 million yen) (2 persons) | 75 million yen: 5 persons<br>(21 million yen) (3 persons) | 349 million yen: 17 persons<br>(31 million yen) (5 persons) |
| Bonuses | 195 million yen: 9 persons<br>( - yen) ( - persons) | - yen: - persons<br>( - yen) ( - persons) | 195 million yen: 9 persons<br>( - yen) ( - persons) |
| Total | 469 million yen: 12 persons<br>(10 million yen) (2 persons) | 75 million yen: 5 persons<br>(21 million yen) (3 persons) | 544 million yen: 17 persons<br>(31 million yen) (5 persons) |

1. The annual remuneration amount for Directors was approved by shareholders at the Ordinary General Meeting of Shareholders held on June 27, 2013. The resolution limits the amount to 1,200 million yen per year (of which up to 18 million yen per year is applied to Outside Directors).
2. The annual remuneration amount for Audit & Supervisory Board Members was approved by shareholders at the Ordinary General Meeting of Shareholders held on June 27, 2013. The resolution limits the amount to 132 million yen per year.
3. The totals for fixed monthly remuneration include amounts for one Director who resigned at the conclusion of the Ordinary General Meeting of Shareholders held on June 26, 2015.
4. Bonuses in the table above shows the amount approved at the meeting of the Board of Directors held in February 2016 within the limit of remuneration for Directors stated in Note 1. above. The Company does not pay bonuses to Outside Directors and Audit & Supervisory Board Members.
5. With the approval by the 167th Ordinary General Meeting of Shareholders held on March 30, 2016, the Company has been migrated to a company with an Audit and Supervisory Committee. At the same meeting, it was also approved that the maximum limit of the annual remuneration of the directors who are not members of the Audit and Supervisory Committee shall be ¥1.2 billion, and the maximum limit of the annual remuneration of the Directors who are members of the Audit and Supervisory Committee shall be ¥150 million. There is no payment of bonuses to Outside Directors.

# Communication with Shareholders and Investors

The Company is working on enhancing its mid- to long-term corporate value by disclosing various information—such as management strategy, financial information, and non-financial information—to shareholders and investors in a timely and proper manner and by continuously engaging in constructive dialogue with shareholders and investors through IR activities. In addition to holding earnings presentations twice a year, we aim for wide-ranging, two-way communication with shareholders and investors through individual briefings for institutional investors and analysts in Japan and overseas.

Policy on Constructive Dialogue with Shareholders ➡
http://www.dentsu.com/ir/stockandratings/constructivedialogue.html


The General Meeting of Shareholders


Exhibition panel for the reception at the General Meeting of Shareholders

## Capital Policy and Shareholder Return

Dentsu employs a capital policy aimed at improving its intrinsic corporate value. To that end, it pursues sustainable profit growth with aggressive M&A into growth areas in and outside Japan as a top priority for capital allocation. Furthermore, through a combination of continued dividend stability and agile treasury stock acquisition, Dentsu aims to consistently improve shareholder returns, raise capital efficiency, and improve ROE in the medium term.

## General Meeting of Shareholders

At Dentsu's General Meeting of Shareholders, we make efforts to ensure that shareholders' voting rights are exercised smoothly. This is done through the prompt delivery of notices of General Meetings of Shareholders, introduction of voting through the Internet, and other measures. At the 167th General Meeting of Shareholders on March 30, 2016, 307 shareholders attended to hold deliberations.

## Earnings Presentation

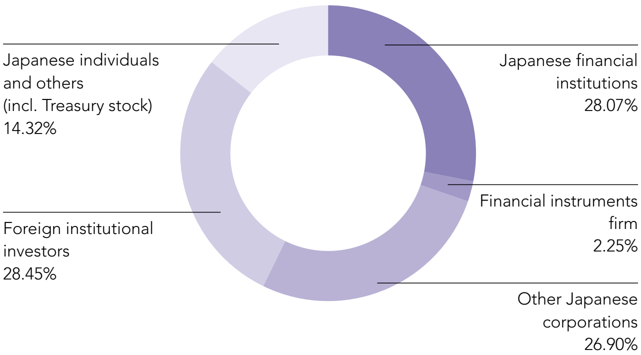
Dentsu places importance on its relationships with analysts and investors. We hold earnings presentations twice a year to explain our financial situation, general overview and management policies. Additionally, the documents used at earnings presentations are posted on the Dentsu website and made widely available to general investors.

Earnings presentation materials ➡ http://www.dentsu.com/ir/library/conferencematerials/

## Composition of Shareholders

The total number of Dentsu shareholders is 31,928, as of the end of December 2015, and the percentage of total shares issued by type of shareholder is shown to the right.

Ownership and Distribution of Shares



# Dentsu Group Internal Control System

We believe that the Dentsu Group Internal Control System encourages compliance among directors, executive officers, and employees while supporting continuous corporate development as Dentsu meets its social responsibilities. The Company has established the Dentsu Group Code of Conduct to ensure that the execution of duties by directors, executive officers, and employees of the Company and its subsidiaries conform to laws and regulations and that business is conducted appropriately. The Code also forms the basis of the Internal Control System.

Based on the Dentsu Group Code of Conduct, the Company familiarizes all employees with the relevant business procedures through regulations, manuals, and training. Check items relating to risk management and compliance have been created, and inspections are carried out from various perspectives, discovering problems and working on improvements.

In addition, a similar internal control structure is being deployed in Group companies in order to maintain and improve the corporate value of the entire Dentsu Group.

Dentsu Group Code of Conduct ➡ http://www.dentsu.com/csr/overview/codeofconduct.html

## Risk Management

The Dentsu Group, as a system to comprehensively manage the risks of the entire group, formed the CSR Committee chaired by the director and executive officer. The CSR Committee monitors the status of the Group's risk management efforts and manages the PDCA cycle of the efforts, including development and implementation of the policies and risk management process, monitoring, and improvement for continuous enhancement. Dentsu established the Risk Management Rules to maintain and improve a structure that prevents risks from becoming reality and precludes the spread of damage or loss while minimizing the impact of risk progression in the event risks become reality. The Company prioritizes key risks and formulates concrete measures that can be put into effect should a response be required.

For each key risk, a responsible department is assigned, and such departments develop and implement the response measures to reduce risks; put together a mid-term progress report, the year-end self-assessment, and the guidelines for the succeeding year; and report to the CSR Committee. Newly extracted key risks and potential risks that may become reality in the medium- to long-term perspective are reported to the Executive Management Committee from the CSR Committee. After confirming the status of risks—such as being avoided, reduced, transferred, or retained—the CSR Committee develops and reviews the response measures.

In prioritizing the key risks, the Dentsu Group conducts quantitative and qualitative analysis using a risk map. Taking into consideration the frequency and impact of each risk and implementing correlation analysis, we identify key risks.

Potential risk that may occur from a medium and long-term perspective and the response status of the Dentsu Group

| Potential risk | Outline | Mitigation plan and implementation status |
|---|---|---|
| Response to large-scale disasters | In case of crisis—such as disaster, accident, large-scale system failure, and health hazard—there is a risk that the business continuity plan (BCP) and contingency plan do not function properly and that time is required to resume the business. | •Developing the initial response manual<br>•Developing the management plans for the taskforce<br>•Streamlining the safety confirmation operation by centralization of the safety information system |
| Insufficient coping with globalization | The global strategy may be delayed due to flaw in the international business management systems and inadequate dealing with the measures and local legal system, etc., in the countries and regions where the Company engages in business. | •Building an effective governance structure<br>•Fostering global human resources<br>•Strengthening the compliance system |
| Reduction of the workload of employees | Health hazards or a decline in productivity of the employees may occur due to long working hours. | •Setting the no-overtime days policy<br>•Promoting the planning and taking of annual paid leave<br>•Implementing the "work style innovation." |

# Information Security

## Development of an Information Security Management System

Dentsu established the Dentsu Group Basic Policy for Information Security and established a very strict information security management system to protect important data held by the Dentsu Group, as well as personal and other information received from clients.

Based on this basic policy, the Company established the Information Management Rules and the relevant detailed rules. The Company thoroughly informs officers and employees of these rules and specifies compliance with them. Additionally, the Company engages in detailed activities to raise awareness, such as training for new graduate employees, briefings for employees, and distribution of videos and pamphlets. In particular, taking into consideration the importance of managers in information management, Dentsu also established a new manager training course to educate managers on their roles and responsibilities.

To further strengthen the management of the entire group, the Dentsu Head Office in Tokyo received BS 7799-Part 2:2002 certification for information management security, the predecessor of ISO/IEC 27001:2005, in March 2003. This was expanded to the entire Company when the Kansai and Chubu offices received the same certification in April 2005. In 2015, Dentsu went on to implement ISO/IEC27001:2013 and JIS Q 27001:2014, the international standards for information security management systems (ISMS). As of March 31, 2015, Dentsu Inc. and 50 Dentsu Group companies in Japan have this certification.

Through such measures, Dentsu strives to implement stringent information security management for the entire Dentsu Group to flexibly respond to the ever-changing and increasingly sophisticated environment of information and communication technology.

## Basic Policy for Information Security Management System

### Dentsu Group Basic Policy for Information Security

All of the companies in the Dentsu Group will address information security management as a unified group. In all business areas, the Dentsu Group will address information security management in order to protect important information held by our group.

1. Compliance with Laws
   Based on requests from our stakeholders, including clients and other business partners, we will properly address information security management to ensure compliance with the relevant laws and regulations. In particular, personal information will be strictly managed.

2. Strict Information Management
   We will strictly manage information to prevent any leakage, loss, damage or misuse of information, such as confidential client information and personal information. We will share such business information only among employees and group companies with the appropriate clearances. In selecting our subcontractors, we will fully consider how they are addressing information security.

3. Maintaining & Improving Achievement Level
   We will maintain the current security level we have already achieved and improve it through our PDCA cycle activities. We will also enlighten and educate all of our employees, from executives downward, about information security so that they can acquire the appropriate knowledge and judgment.

4. Adaptation to Environmental Changes
   We will flexibly adapt to the environmental changes in our group's business areas, information assets handled by our group, and the information and communication technology (ICT) field, and will update our information security management system and rules accordingly.

# Promotion of Compliance

## Compliance Promotion System

To promote the fair business activities in carrying out the business on a global scale, the Company formulated the Dentsu Group Code of Conduct based on the elements of the Guidelines for Multinational Enterprises of the Organization for Economic Cooperation and Development (OECD). Under Dentsu's compliance system, if directors or executive officers discover a violation of the prevailing laws or come across any other serious compliance-related issue, it is imperative that they report it without delay to the Board of Directors or the Executive Management Committee. The Audit and Supervisory Committee must also be immediately advised of the circumstances. If the Audit and Supervisory Committee states opinions on the Company's compliance system or require steps to improve the system, directors and executive officers must respond without delay and make the recommended improvements.

Additionally, in order to maintain and improve the compliance system of employees, the compliance department develops the rules and manuals, and conducts various training programs under the leadership of the CSR Committee in order to ensure complete compliance awareness among employees.

The Compliance Line was established as the designated contact point to receive reports on legal violations within the Company. The Compliance Line has an in-house contact point, as well as an external contact point where calls are handled by a law office. Operational and information management structures are in place to ensure that those seeking consultation or reporting violations are not penalized in any way. In fiscal 2015, a total of 15 reports and proposals (fiscal 2014: 10 cases, fiscal 2013: 13 cases, fiscal 2012: 21 cases) were made by Dentsu and Dentsu Group company employees and dealt with by the Company.

In order to prevent illicit behavior, the Dentsu Head Office held a Compliance Caravan and newly produced and showed an educational video to raise employee awareness.

Additionally, we set up a compliance website on the Company intranet and distributed the Compliance Digest booklet to all Group companies in order to promote understanding of the importance of compliance issues. The Company also holds compliance training every year for new and mid-career hires at Dentsu and Dentsu Group companies in order to foster compliance awareness.

Compliance Digest booklet

## Basic Policy on the Rejection of Antisocial Forces

Dentsu and all Dentsu Group companies established the Basic Policy on the Rejection of Organized Crime Groups and Other Antisocial Forces, articulating the determination of Dentsu and Dentsu Group companies to take a firm stand against antisocial forces. The Company also calls on business partners to take the same action.

Basic Policy on the Rejection of Boryokudan (organized crime groups) and Other Antisocial Forces ➡
http://www.dentsu.co.jp/csr/compliance/compliance.html

## Efforts to Exterminate Bribery by the Group Companies Overseas

DAN provides compliance training for the Group companies overseas on the intranet, on which the participation rate is as high as 90%. Each company also holds its own training sessions as a follow-up after the training and strives to raise employee awareness.

## Speak Up! Policy

The risk of fraud and other wrongdoing is a threat to the Group's profitability and reputation. Therefore, DAN established Speak Up!, which is the internal reporting program for reporting any incident of concern or suspicion of wrongdoing within the workplace. Employees can make a report to line managers, HR contacts, or senior managers, or follow internal grievance procedures. Appropriate legal and/or disciplinary action will be taken against the perpetrators of fraud or other wrongdoing. Dentsu Aegis Network also employs Safecall Limited, an independent specialist that employees can contact anonymously, 24 hours a day, 365 days of the year, in a number of different languages via phone, email, and a website.

**Incident of concern or suspicion of wrongdoing within the workplace**

- Bullying or harassment
- Theft or fraud
- Bribery and corruption
- Information security breaches (e.g. loss or theft of personal/ sensitive data)
- Abuse or inflation of expenses
- Non-compliance with contractual obligations
- Accounting and tax malpractice

# Sustainability

# Message of the Chairperson of CSR Committee

## Improving all ESG values and pursuing the realization of a better society

Kunihiro Matsushima

Chair of the CSR Committee,
Director

Dentsu Group's consolidated performance for 2015 (calendar-year basis) showed significantly robust growth with revenue increasing 12.8% year-on-year and underlying operating profit increasing 20.3%. However, in terms of future forecast, a variety of risks exist, including geopolitical issues and business model innovations.

Under such circumstances, it is difficult for many companies to grow and continuously increase corporate value solely by pursuing financial performance. The Corporate Governance Code, for which implementation began in June 2015 in Japan, promotes innovation aiming at medium- to long-term growth of the Company through a constructive dialogue with stakeholders. The Code places importance on the ESG (environmental, social, governance) perspective above all and seeks corporate value creation in the non-financial area. In addition, the institutional investors, both within and outside of Japan, also place importance on the Principles for Responsible Investment (PRI), and over 1,500 investors have already signed on to the PRI globally.

In order to properly respond to such momentum, in December 2015, the Group formulated the Dentsu Group Medium-term CSR strategy 2020, setting targets to be achieved by 2020. The plan aims to increase the corporate value from the ESG perspective and highlights the four key domains: environmental conservation, community, supply chain, and responsible marketing and sustainable consumption.

The Company is a "public institution" of society, and it cannot achieve sustainable growth without substantive collaboration with various stakeholders. To that end, the Company will continuously strive to achieve the following initiatives:

- Provide responsible marketing communication services to enable our clients to build better relationships with stakeholders through business activities
- Engage in a wide range of CSR activities in collaboration with our business partners within the supply chain
- Support all employees of the Dentsu Group to act as professionals with high aspirations and energy by further promoting a work-life balance.

We believe these initiatives, among others, help ensure our sustainability as a member of society, separate and aside from the pursuit of financial sustainability. We will improve all ESG values in conjunction with our business activities to further enhance the corporate value of the Dentsu Group and pursue the realization of a better society.

# Dentsu Group CSR

## CSR Philosophy: The Dentsu Group Code of Conduct

The Dentsu Group Code of Conduct, which is the Group's CSR philosophy, is structured around Dentsu's seven key areas for CSR activities. These activities are, namely, corporate governance, respect for human rights, ensuring a safe and civilized working environment, environmental protection, fair business practices, addressing consumer issues, and contributing to the community. The Code of Conduct articulates what all Dentsu Group managers and employees must undertake in order to fulfill their respective responsibilities to society.

Additionally, the Guidance on the Dentsu Group Code of Conduct provides specific and detailed actions that enable the management and employees of the Dentsu Group to deepen their understandings and make voluntary efforts in the seven key areas.

Furthermore, as a prerequisite, the Dentsu Group has declared compliance of the laws and regulations in each market where the Group is doing business while respecting the social norms based on regional diversity. Such declaration also serves as the code of conduct shared within the Dentsu Group worldwide.

### Dentsu Group Code of Conduct

- The Dentsu Group of companies, its officers, and employees ('we' or 'us') are committed to protecting the interests of our stakeholders by conducting business to the highest ethical standards. To achieve this commitment, we have established the Dentsu Group Code of Conduct ('Code of Conduct') to serve as our basic principles for conducting business in a socially responsible manner.
- We will comply with the Code of Conduct in all respects. Outside of the Dentsu Group, we will encourage compliance with the Code of Conduct by our business partners.
- We will comply with all national, local, and international laws and regulations in all markets in which we conduct business.
- We will respect diversity and will not discriminate on any basis. We will also respect the diverse social and cultural standards of each region in which we conduct business.

1. Corporate governance
   We respect the interests of our stakeholders and will refrain from engaging in inappropriate activities or taking inappropriate risks that might harm these interests. Our officers will take responsibility for developing and maintaining appropriate corporate governance systems.
2. Respect for human rights
   We comply with internationally recognized principles of human rights. We respect the human rights of all people connected with our business activities and will not discriminate on any basis.
3. Ensuring a safe and civilized working environment
   We will ensure that our workplaces are safe and create civilized working environments.
4. Environmental protection
   We aim to minimize the impact of our business on the environment and contribute to making society sustainable.
5. Fair business practices
   In carrying out our business, we will compete fairly in all markets in which we operate. We will avoid or appropriately manage any conflicting interests. We will not knowingly take part in any form of corrupt business practice, including bribery and money laundering.
6. Addressing consumer issues
   We will strive to address consumer issues in all markets in which we operate, including by providing appropriate information to consumers and giving due attention to safety and security in all of our activities.
7. Contributing to the community
   We are committed to contributing to the development of all local and global communities in which we operate and to the resolution of social issues in each community.

Dentsu Group Code of Conduct ➡ http://www.dentsu.com/csr/overview/codeofconduct.html

## Dentsu Group CSR Promotion System

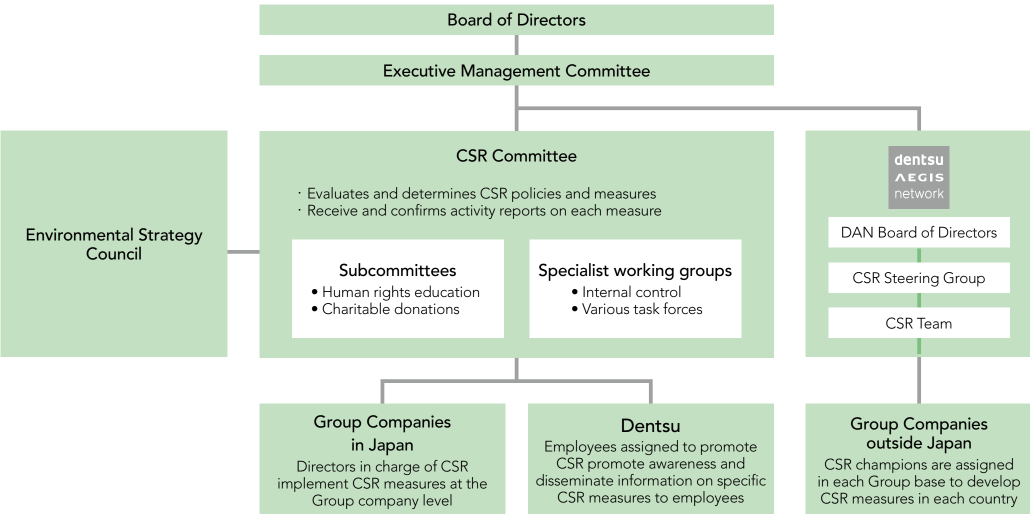
Dentsu has established three principal committees under its Executive Management Committee and Business Supervision Committee, which are responsible for all major management decisions. One of the committees established under the Executive Management Committee is the CSR Committee, comprising five board members and chaired by an executive officer. The committee, which met eight times (April to December) in fiscal 2015, makes decisions on all major CSR-related measures in accordance with the Dentsu Group Code of Conduct, which is the Group's CSR philosophy.

Under the CSR Committee, Dentsu has established subcommittees for human rights education and charitable donations, as well as specialist working groups to deliberate on issues in various fields. On the key theme of the environment, the CSR Committee works closely with the Environmental Strategy Council, Dentsu's in-house body tasked with promoting environment-related programs to promote greater Company-wide awareness concerning the environment.

For overseas Group companies, a CSR action plan was developed at the Board of Directors meeting of DAN, and the progress of such plan is reported to and shared with the Executive Management Committee and the CSR Committee.

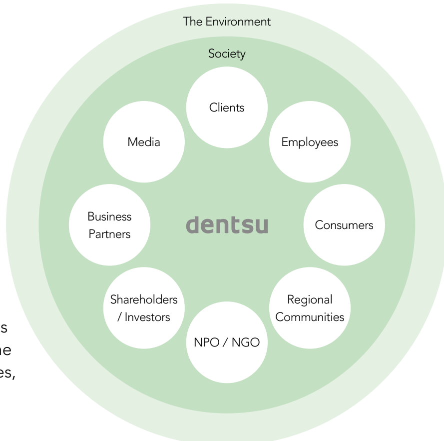
We have also designated CSR Promotion Committee members in all Company departments to promote awareness and disseminate information on specific CSR measures so that CSR efforts occur company-wide. At Group companies outside of Japan, we have appointed CSR Champions, who promote CSR activities. Through such efforts, we are advancing CSR activities on a Group-wide level. Dentsu aims to ensure that its CSR measures are consistent across the Group.

Dentsu Group CSR Promotion System




## Dentsu's Major Stakeholders

Dentsu pursues CSR activities and addresses social issues while maintaining interactive communication with its stakeholders. Dentsu Group stresses day-to-day dialogues with stakeholders, strives to disclose information properly, and incorporates the expectations and demands of stakeholders into the corporate activities.




Note: In addition to the above, Dentsu has many other stakeholders, such as the government, administrative agencies, and various organizations.

## Participation in International Initiatives

Dentsu actively participates in international initiatives in order to contribute to global social development and strives to address the issues with a focus on the ESG field and to promote information sharing. Dentsu joined the United Nations Global Compact in December 2009 and upholds its ten principles on human rights, labor, environment and anti-corruption. Dentsu submits a CSR report every year to the UN Global Compact and gives an annual activities report (Communication on Progress: COP) aimed at the realization of the ten principles. In addition, Dentsu became a member of CSR Asia, which is the largest CSR-specialized think tank in the Asia Pacific region, and focuses on deliberation of ESG issues in Asia and strengthening of alliances with companies in Asia.

UN GLOBAL COMPACT
Network Japan
WE SUPPORT

CSR ASIA

## Common Ground

The Dentsu Group has agreed to participate in a major global initiative with the world's five other biggest advertising and marketing services groups: Havas, IPG, Omnicom, Publicis, and WPP. At the suggestion of UN Secretary-General Ban Ki-moon, the Common Ground initiative focuses on specific areas of the Sustainable Development Goals (SDGs), which were adopted in September 2015 as an integral part of the 2030 Agenda for Sustainable Development at the United Nations. This is an innovative initiative to act globally beyond the business competition.

As a first step, the top management teams of each group have gathered at the session of the 63rd Cannes Lions International Festival of Creativity. At the session, we shared awareness of the issues and agreed to work toward addressing the most imminent global issue by fully utilizing creativity as the strength of advertising companies. We plan to jointly run the Common Ground advertising campaign to support the SDGs.

Organizing the subcommittee of the United Nations Global Compact Network Japan, Dentsu takes the initiative in Japan toward achievement of SDGs and resolution of global issues.

Common Ground ➡ http://www.dentsu.com/csr/commonground.html

COMMON GROUND
SUSTAINABLE DEVELOPMENT GOALS

## Dentsu Group Medium-term CSR strategy 2020

Dentsu formulated a five-year Dentsu Group Medium-term CSR strategy 2020, setting targets to be achieved by 2020. Under the Dentsu Group Code of Conduct as our CSR philosophy, based on the medium-term CSR strategy that specifies the four key areas and common goal in Japan and overseas, the Group will continue to contribute to the realization of a sustainable society by steadily promoting CSR activities worldwide.

### Background of CSR planning – Toward the realization of sustainable society

We are faced with a number of social issues, including environmental issues, at a global scale, such as global warming and human rights violations in some countries or regions. Many of these issues have been caused by corporate activities. With the increase of social expectations and demands, companies are focusing on a variety of activities to fulfill their responsibilities. The advertising industry is no exception, and we have persevered in our effort to manage the impact on the environment and society.

However, the role that should be played by the advertising industry is much greater than we expected. We must be aware that we have a significant impact on consumer behavior, from the purchase of daily consumer goods to big purchases for a once-in-a-lifetime opportunity. In addition to self-awareness of the magnitude of the impact that advertising has on consumption, we should also be aware of our responsibilities for fairness of the content and consumers' purchases of goods and services. Regarding environmental and social impact, we believe advertising companies should give consideration, not only to direct impact, but also to indirect impact.

Based on the above, we developed a plan that defines the common goal of the Dentsu Group. We will gather resources and knowledge of the Dentsu Group in Japan and overseas, steadily execute the plan toward the realization of a sustainable society, and promote the integration of business activity and sustainability.

### Four Key Areas

**Environment**
To tackle climate change through reducing our environmental impacts across our operations

**Community**
To build a more effective civil society through a wide variety of community activities

**Supply Chain**
To develop a more resilient supply chain through developing sustainable procurement practices

**Responsible Marketing and Sustainable Consumption**
To promote a sustainable society through implementing responsible marketing practices as well as encouraging sustainable behavior

### Quantitative Targets in Japan and Overseas Offices of the Group

| | dentsu<br>Dentsu Group companies in Japan | dentsu AEGIS network |
|---|---|---|
| Environment | Reduce our carbon footprint per person by 30% | Reduce our carbon footprint per person by 40% |
| Community | Have 90% of the employees participate in Dentsu's CSR program and contribute to community development | Enable 500 charities to build communications capabilities |
| Supply Chain | Cooperate with 90% of our main suppliers to promote sustainable business activities | Achieve 100% compliance with our supply chain charter principles |
| Responsible Marketing and Sustainable Consumption | Provide 90% of our employees with training in the responsible execution of their duties and use their skills and expertise to give something back to society | Engage 1,000,000 people with sustainable consumption campaigns |

# Social Responsibility Report



## Respect for Human Rights

<Social Issues>

- Human rights violations in communication activities

<Dentsu Group's Approach>

The Dentsu Group aspires to enrich its advertising and business communications activities from a human rights perspective. It regularly conducts Group-wide employee training programs designed to provide employees with a sound understanding of human rights that they can then apply to their work. We at Dentsu also consider that the thorough prevention of harassment and protection of employees' human rights are important themes to address to ensure employees can fully exercise their capabilities.

### Human Rights Policy and Systems

The Dentsu Group is aware of the magnitude of the impact of communication activities on society and carries out human rights awareness promotion activities under the Dentsu Group's Basic Policy on Human Rights Awareness. As a global company, Dentsu supports the international norms on human rights, such as the Universal Declaration of Human Rights and ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work.

We also develop due diligence process to identify, prevent, mitigate and address the negative impact on human rights at all corporate activities, in accordance with the United Nations' Guiding Principles on Business and Human Rights.

### The Dentsu Group's Basic Policy on Human Rights Awareness

1. In advertising communication activities, there shall be no discriminatory expression.
2. Respect for fundamental human rights is the foundation of our existence and the source of communications.

### Human Rights Promotion System

The Dentsu Group human rights education conference is held twice a year for those responsible for human rights education at Dentsu and human rights education managers at Group companies. In addition to the fundamental human rights issues, including the issue of discrimination against outcast people, the conference covers themes incorporating the highly concerned topicalities.

### Human Rights Awareness Activities

In order to increase human rights awareness, the Dentsu Group systematically runs human rights awareness training programs based on both the employees' hierarchy and occupational fields.

Beyond training programs, there are also various opportunities to raise awareness of human rights. Original textbooks with information on human rights and an explanation on their relationship to advertising expression are distributed to employees when they join the Company.

The Human Rights College, a site that collects past examples of advertising expressions related to human rights, is posted on the Company's intranet. A human rights newsletter containing timely human-rights-related topics is also distributed within the Group twice a month.

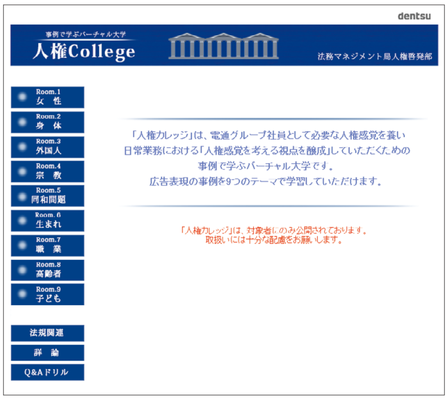
The Group also established a permanent consulting contact related to advertising expression and human rights in order to maintain the appropriateness of expressions communicated to the world and respond to inquiries from within the Group.

### Establishment of Internal Reporting System for Human Rights Protection

To create a system to perceive the human rights risks associated with advertising expressions, we established "the contact desk for advertising expressions and human rights" to respond to inquiries from employees within the Group. The desk received 63 inquiries during fiscal 2015, which were individually handled, and efforts were made to prevent recurrence. We are working to further improve the awareness of human rights through individually dealing with each case. Additionally, all harassment-related issues are centralized at the Harassment Counseling Section, which has contact points at Dentsu branches, as well as outside the Company, and provides consultation. The Harassment Counseling Section coordinates with harassment contacts at each Dentsu Group company to prevent harassment throughout the entire Group.

Moreover, to further employee educational activities to prevent power harassment and sexual harassment within the Dentsu offices, we issue the STOP! HARASSMENT educational guidebook, hold training sessions tailored to each target audience, including new employees and new managers, post messages to call attention to the Company bulletin boards, and provide the heads-up through CSR Promotion Committee members at each office.

In fiscal 2015, there were 49 consultations at the Harassment Counseling Section (FY 2014: 53 consultations, FY 2013: 50 consultations, FY 2012: 47 consultations), which were individually handled to make improvements to the working environment.



Site screen of the Human Rights College

# Ensuring a Safe and Civilized Working Environment

<Social Issues>
- Human resources development
- Diversity promotion
- Promotion of work-life balance

<Dentsu Group's Approach>
Maximizing all of our employees' capabilities and putting them into action is essential to realizing a sustainable society. At Dentsu, where we consider people to be our greatest asset, we believe that the development of an environment where employees can maintain high morale and motivation, and can take on their work enthusiastically, is an extremely important agenda. To this end, Dentsu implements detailed measures from the perspective of developing capabilities, work-life balance, and a structure for managing health and safety.

## Development of Human Resources

The Dentsu Group recognizes human resources as the Group's greatest asset, and Dentsu provides employees capability development opportunities depending on their career stage and organizational goal, and supports their growth in order to draw out and maximize the various capabilities of our employees and further develop the organization.

### Human Resources Development Policy

1. For new employees, training to acquire "mind/action" and "knowledge/skills" that are essential capabilities in working at Dentsu.
2. Training to foster solution capabilities and expertise so that employees can play central roles in their business units after several years at Dentsu.
3. Training to foster leadership and facilitate the acquisition of managerial knowledge in more senior employees.

In addition to the various training programs, in response to the changes in the advertising and communication domain, Dentsu conducts a variety of human resource development programs, such as programs for developing digital skills and global skills (foreign language ability, cross-cultural communication, and others). For instance, New School is a high-level director personnel development program launched in 2011. Through a repeated cycle of assignments and feedback, the program, which is taught by top-level lecturers within Dentsu, a "model" of direction is passed down. Additionally, because accurate and sophisticated direction capabilities are needed in new areas other than advertising as well, sessions taught by external lecturers active in various fields—such as art, technology, and curation—are incorporated.

Moreover, we also established the Dentsu Management Institute (DMI) in order to strengthen the management capability of the Dentsu Group and develop human resources that can provide advanced solutions for management issues and business challenges of various stakeholders, including our clients and the media.

## Diversity Promotion

### Promotion of active female participation

Dentsu actively carries out the development and growth support for the career development of female employees. In order to maximize the strength of the company, we formulated the following action plan (implementation period: January 1, 2015 – December 31, 2019). In addition to the steady implementation of the action plan, Dentsu strives to create further female-friendly work environments to facilitate active female participation.

#### Summary of the Action Plan

**Goals**

1. Increase the female percentage of new graduate recruitment (permanent employee) to 35% or more
2. Increase the female percentage of managers to 10% or more by 2020

**Specific efforts**

1. Implementation of PR measures for active recruitment and selection of female employees
2. Enhancement of management skills of the managers
3. Implementation of measures to foster career awareness of female employees
4. Dispelling uncertainty over balancing work and family care (raising children and providing nursing care) by disseminating system revisions and support measures
5. Promotion of "Work Style Redesign" activities to encourage a productive workstyle in order to rectify the long working hours

Summary of the Action Plan ➡ http://www.dentsu.com/csr/workingenvironment/workplaceenvironment.html

In fiscal 2013, we launched the Female Employees Promotion Project to create a working environment where women can continue to be active without interrupting their careers. In addition to enhancing the system, we give them opportunities to think about their careers at an early stage, such as lunch meetings with senior female employees, so that they can hear about a variety of experiences and career seminars held by lecturers invited from outside the Company.

Furthermore, in March 2016, Dentsu approved the Declaration on Action by a group of male leaders who will create "A Society in which Women Shine," supported by the Gender Equality Bureau of the Cabinet Office. We will promote cross-industry efforts for women to shine.

Approval of the Declaration on Action by a group of male leaders who will create "A Society in which Women Shine" supported by the Gender Equality Bureau of the Cabinet Office ➡ http://www.dentsu.co.jp/news/release/2016/0302-008688.html

行動宣言
輝く女性の活躍を加速する男性リーダーの会

### Promotion of employment of persons with disabilities

As part of its efforts to promote the employment of people with disabilities, in April 2013, the Company established Dentsu Solari, a wholly owned Group company, which was designated as a special-purpose subsidiary in November. The rate of employment of people with disabilities at three Group-certified companies (Dentsu, Dentsu Works, and Dentsu Solari) is 2.04% (as of June 2016). At Dentsu as well, there are many employees who are active in account management, creative, and other departments. Along with Dentsu Solari, we are making active efforts to further expand employment opportunities for people with disabilities.

## Creation of a Work-friendly Environment

### Promotion of work-life balance

The Company believes that a fulfilling personal life improves the quality of one's working life and that satisfying work increases one's level of self-fulfillment in life. The object of Dentsu's work-life balance (WLB) program, therefore, is to generate synergy between the two.

The most important factor in creating a work-friendly environment is health management. In particular, the starting point is to realize a workstyle reform to increase productivity and efficiency in achieving results. Dentsu has established a special in-house Labor Administration Committee, which is developing and implementing programs to reduce overtime working hours and to make it easier for employees to take holidays.

Additionally, the Human Relations Management Department, which responds to employee concerns, was also established to build employee opinions into the system.

### Labor management

The Dentsu Group emphasizes the development of good labor-management relations and strives to maintain and improve the trust relationship between employees and management by regularly having opportunities for conversations between management and the union. Participation rate of the labor union membership at Dentsu is 83.7%, as of December 31, 2015.

# Contributing to the Community

<Social Issues>

- Solving the problems of the local communities through business activities
- Human resources development through improved power of communication
- Activities to tackle global social issues

<Dentsu Group's Approach>

Dentsu considers regional communities to be important stakeholders. The Company contributes to resolving issues and promoting development of regional communities through its business operations and continuously deploys various social contribution activities. We believe that it is our role as a leading company in the sphere of communications to build relationships of trust with regional communities.

## Community Activities of the Dentsu Group

Under the basic policy of "using the power of communication to benefit society," Dentsu's social contribution activities engage in efforts that help people and activities that tackle social issues, leveraging the experience and professional skills employees have acquired in the Company's main business for social contribution activities.

Dentsu's social contribution activities focus on two themes: "supporting human resources development through improved communication skills" and "supporting activities to tackle international social issues."

Dentsu collaborates with NPOs and other partner organizations to engage in activities to resolve social issues and to contribute to the development of communities on all scales, from local to global communities.

Supporting human resources development through improved communication skills

Fostering the next generation

Improving citizens' capabilities

International exchange

Support for disaster-affected areas

- Advertising Elementary School
- NPO Organizations: Keys to Communicating
- Dentsu Chinese Advertising Human Resources Development Project
- Participation in 'Michinoku Fukkou Jigyou Partners

Supporting activities to tackle international social issues

Global education issues

World food problem

- Support to UNESCO's World Terakoya Movement
- Support to numerous NGOs in connection with the World Food Day

### Advertising Elementary School

The Advertising Elementary School was started in 2006 as a project to foster children's communication skills. Dentsu developed program materials, together with Tokyo Gakugei University, over three years. In these classes, children express a theme in 15-second commercial skits. Through this process, the children learn skills—such as creative thinking, decision-making, how to express ideas, and group problem-solving techniques—while having fun.

With the recognition of the importance of developing communication skills becoming widespread in the education field, use of the program in classes taught by school teachers is increasing, and over 30,000 students at 243 schools across Japan have taken part in this activity, as of March 31, 2016. We are also conducting activities to contribute to revitalization of regional communities. For example, in September 2015, at the request of the Iwaki City Board of Education, we provided support to a special class that creates commercial message drama on the subject of "Beauty of Iwaki that we want to save for the future."

Advertising Elementary School website ➡ http://www.dentsu.co.jp/komainu/

The special class for junior high school students in Iwaki City

### NPO Support Program: Keys to Communicating

For NPOs, communications skills are fundamental and essential skills to lead an organization, increase the number of supporters and collaborators, and engage in activities. Since 2004, in cooperation with the JAPAN NPO Center, Dentsu has been advancing the Keys to Communicating program in a manner that utilizes each organization's respective specialties, to provide support for the improvement of the communications skills of NPOs. Dentsu employees and members of NPOs serve as presenters at seminars held throughout Japan. As of December 31, 2015, the number of seminars has exceeded 118, with a cumulative total of around 4,700 participants. The program textbook was redesigned in November 2015. The new textbook contains further enriched contents—for example, the practical tips have been added in response to the needs.


Redesigned textbook

### Support for Chinese Advertising Human Resources Development and Contribution to Japan-China Private Sector Exchanges

Since 1996, Dentsu has continuously undertaken activities to support advertising education and human resources development in China. Dentsu holds various programs to respond to needs in the Chinese advertising education field, such as selecting young educators from Chinese universities to train at the Dentsu Head Office, Dentsu Student Advertising Seminars for students studying advertising, the establishment of the Dentsu Innovation Lab, and publications activities.

In January 2015, Dentsu was presented with the Most Valuable Partner Award from the Chinese Ministry of Education for recognition as a global company that has made a particular contribution to Chinese advertising human resources education and Japan-China private sector exchanges. Dentsu received the award for the second consecutive year.

Chinese educators and a lecturer at Dentsu

### Participation in Michinoku Fukkou Jigyou Partners

Since June 2012, Dentsu has been participating in Michinoku Fukkou Jigyou Partners, a platform to support next-generation leaders engaged in the reconstruction of disaster-affected areas. We work jointly with the NPO ETIC.* and six companies (Isuzu Motors, Kao, JCB, Sompo Japan Nipponkoa Insurance, Toshiba, and Benesse Holdings). Dentsu is engaged in reconstruction of disaster-affected Tohoku areas. For example, we carried out the Business Brush-up Program to enable organizations in the Tohoku area to contribute to the regional revitalization for six consecutive months.

Michinoku Fukkou Jigyou Partners ➡ http://www.michinokupartners.jp/

* NPO ETIC.: An organization that trains young, next-generation entrepreneurial leaders and that has produced many operational NPOs that will lead future generations. www.etic.or.jp

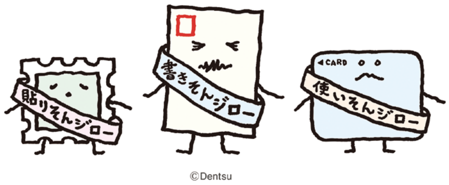
Meeting of the Business Brush-up Program

### Supporting Activities to Tackle International Educational Issues

Dentsu has been supporting the communication activities of UNESCO's World Terakoya Movement "Kakisonji-Hagaki Project" for 12 years. This is an effort to globally increase venues (terakoya) to acquire literacy, sponsored by the National Federation of UNESCO Associations in Japan. We are collecting kakisonji-hagaki (unusable prepaid postcards), unused stamps, and pre-paid cards to raise funds for the Terakoya Movement. As a result of our active inducement to a special website through enhanced communication activities centered on Tansu Isan Sankyodai (three heritage brothers from the drawers), an equivoque with UNESCO's World Heritage, the number of postcards we collected dramatically increased by 229% year-on-year and provided learning opportunities for 80,000 people during the project term.

Kakisonji-Hagaki Project ➡ http://www.unesco.or.jp/terakoya/kakisonji2016/

* Collecting period: November 1, 2015 to May 30, 2016




"Tansu Isan Sankyodai (three heritage brothers from the drawers)"
From the left
Unused stamp "Harisonjiro"
Unusable prepaid postcards "Kakisonjiro"
Unused prepaid cards "Tsukaisonjiro"

### Supporting Japanese NPOs and NGOs That Tackle the Global Food Issue

The month of World Food Day is the activity for resolution of the food issue in October, organized by 11 NPOs and NGOs and the UN agencies, and Dentsu is supporting its communication activities.

To promote the industrial-academic collaboration program, Dentsu jointly produced a song for considering the significance of eating called "Gohan Han Han" with participation of 11 organizations, the Kanto Gakuin University College of Nutrition, and the artists. The song is published on a special website (see below). Furthermore, we implemented demonstration experiments for children utilizing the program and favorable changes were observed such that children became less picky about food by singing (-13 ppt). Through this activity, we are providing an opportunity for children, who will be forging the future, to consider the significance of eating through questions such as "what it is to eat" and "why it is bad to leave food on the plate," and contributing to the increase of eating-conscious people.

a song for considering the significance of eating called "Gohan Han Han" ➡ http://www.worldfoodday-japan.net/nokomono.php

Note: World Food Day organizers: Africa Japan Council, WE21 Japan, Oxfam Japan, Japan Association for International Collaboration of Agriculture and Forestry (JAICAF), Second Harvest Japan, Japan International Food for the Hungry, Hunger Free World, Action for Green Sahel, Food and Agriculture Organization of the United Nations (FAO)


The singers of the theme song are "DJ Misoshiru and MC Gohan" from the Kagawa Educational Institute of Nutrition and "Keropons" whose song "Ebikanics" has been a big hit with children.


## Environmental Protection

**<Social Issues>**
- Promotion of environmental communication
- Efforts on reducing the environmental burdens by each employee

**<Dentsu Group's Approach>**
Dentsu considers environmental issues a key CSR issue and established the Environmental Strategy Council, chaired by the president & CEO. As an environmental management system, Dentsu Eco Program sets out an environmental policy and environmental targets to advance company-wide efforts for environmental protection. These efforts have been recognized, and Dentsu was certified as an Eco-First Company by the Ministry of the Environment. Dentsu will continue to advance environmental protection activities, not only through internal activities, but also through efforts in cooperation with our stakeholders and the implementation of environmental communications, in order to contribute to the realization of a sustainable society.

## Environmental Policy

The Dentsu Group aims to make each employee strongly conscious of its corporate philosophy of "Good Innovation" and, based on the Dentsu Group Code of Conduct, reduce the environmental burden generated through its business operations in order to contribute to the realization of a sustainable society.

- In order to realize a sustainable society, we will correctly assess the environmental impact of its business activities and work to reduce its burden on the environment.
- Work to develop and propose environmentally conscious business activities and contribute to the improvement of environmental issues.
- Ensure thorough implementation of environmental compliance and engage in ongoing improvements to boost environmental performance through more precisely defined environmental objectives and outcomes.

<Environmental Protection>

- Actively endeavor to prevent pollution, alleviate climate change, and conserve biodiversity and ecosystems.

<Environmental Communication>

- Actively engage in environmental education for the next generation and environmental communication activities to business partners and employees to raise recognition of environmental issues.

## Environmental Objectives

1. Promotion of activities to business partners, consumers and employees to raise recognition of environmental issues
2. Promotion of activities to prevent global warming and conserve ecosystems
3. Maintaining waste reduction and recycling at a high rate

## Structures for Environmental Activities

In July 2008, Dentsu strengthened its arrangement for implementing environment-related measures with the establishment of the Environmental Strategy Council, chaired by the president & CEO, to promote environmental strategy as a corporate group. Additionally, the CSR Committee, one of the Company's principal committees, designated environmental managers to advance Group-wide efforts for the environment. CSR Promotion Committee members and Eco Committee members advance environmental activities at respective Dentsu divisions (offices). At each Group company, board members in charge of the Eco Program, environmental managers, supervisors, and promotion committee members are appointed to advance environmental activities.

### Adoption of the Dentsu Group Eco Program

In January 2005, we adopted the Dentsu Group Eco Program (ongoing), and in May 2005, we acquired ISO 14001 certification. Integrated Group certification that included subsidiaries in Japan was acquired in June 2006. Dentsu and 16 Group companies hold this certification as of December 31, 2015.

## Eco-First Commitment (Revised)

Dentsu presented a revised Eco-First Commitment to the Minister of the Environment in March 2012, citing the following three points as focus areas.

1. We will actively promote environmental communications, thereby spreading the environmental message to the public.
2. We will support next-generation environmental communications and the environmental efforts of our employees.
3. We will promote further advancements in "green" office buildings.

The revised Eco-First Commitment promised that Dentsu will reduce $CO_2$ emissions at the Dentsu Head Office Building by 21% of the fiscal 2003–2004 average and improve the waste recycling rate to 90% by fiscal 2015. In fiscal 2015, the Company achieved our $CO_2$ emission reduction goal by reducing emissions to 28.5%, and our recycling rate was 89.4%. We continue to play a leading role in the industry and practice our environmental approach.

## Raising Environmental Awareness

### Environmental education

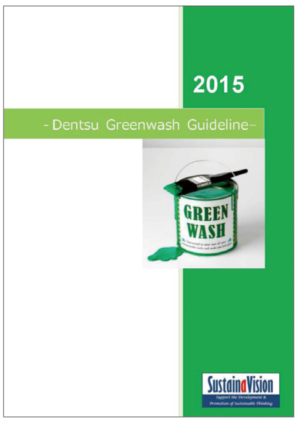
Dentsu provides environmental education and training in order to nurture employees with a broad range of environmental knowledge who will play a leading role in addressing environmental issues. As an example, Dentsu actively encourages its employees to take the Certification Test for Environmental Specialists (Eco Test), sponsored by the Tokyo Chamber of Commerce and Industry. Employees who acquire the certification are appointed as eco officers to promote Dentsu's environmental activities. These employees also contribute to the promotion of the Dentsu Group Eco Program in carrying out such roles as inspectors for internal environmental audits and judges for environmental slogans. In fiscal 2015, 89 employees acquired the certification.

### Awareness-raising using handbooks

Dentsu creates handbooks as part of its awareness-raising activities for employees and uses them for new employee training and other purposes.

For example, the term "greenwash" is used in reference to labels and advertising that use unsubstantiated information or partial data to give the impression that products or corporate activities are more environmentally friendly than they actually are. This practice is under scrutiny by corporations and NPOs. Dentsu uses the Greenwash Guide in order to eliminate the risk of greenwashing in advertising communications and to enhance employee knowledge. Based on the guidelines on greenwash in Europe and the initiatives of leading overseas companies, Dentsu revised the Greenwash Guide and strives to raise awareness of the Group companies in Japan and overseas from a global perspective.

Dentsu defines a "green event" as an event that is an environmentally friendly one, and the Green Event Guide is used for organizing such events. The guide describes how to organize green events from the viewpoint of a PDCA cycle, in line with the flow of event management, from the planning stage to implementation and post-event evaluation. The guide includes case studies that are useful in putting these instructions into practice.



Greenwash Guide

Green Event Guide

### Environment-related slogans and posters

To fully utilize its communication resources, in 2005, Dentsu began inviting Dentsu and Dentsu Group employees and their families in Japan to submit environmental slogans. In 2015, there were a total of 8,133 entries in both the employee and family categories. The winning entries are used in posters designed by Dentsu art directors, thereby helping to raise environmental awareness among employees.


Dentsu Environmental Posters Produced in fiscal 2016

## Prevention of Global Warming

### Governance concerning climate change

The CSR Committee takes a lead in determining the policies and key items on the global climate change issue. We have established a system where key issues will discussed at the Environmental Strategy Council and the CSR Committee and reported to the Executive Management Committee.

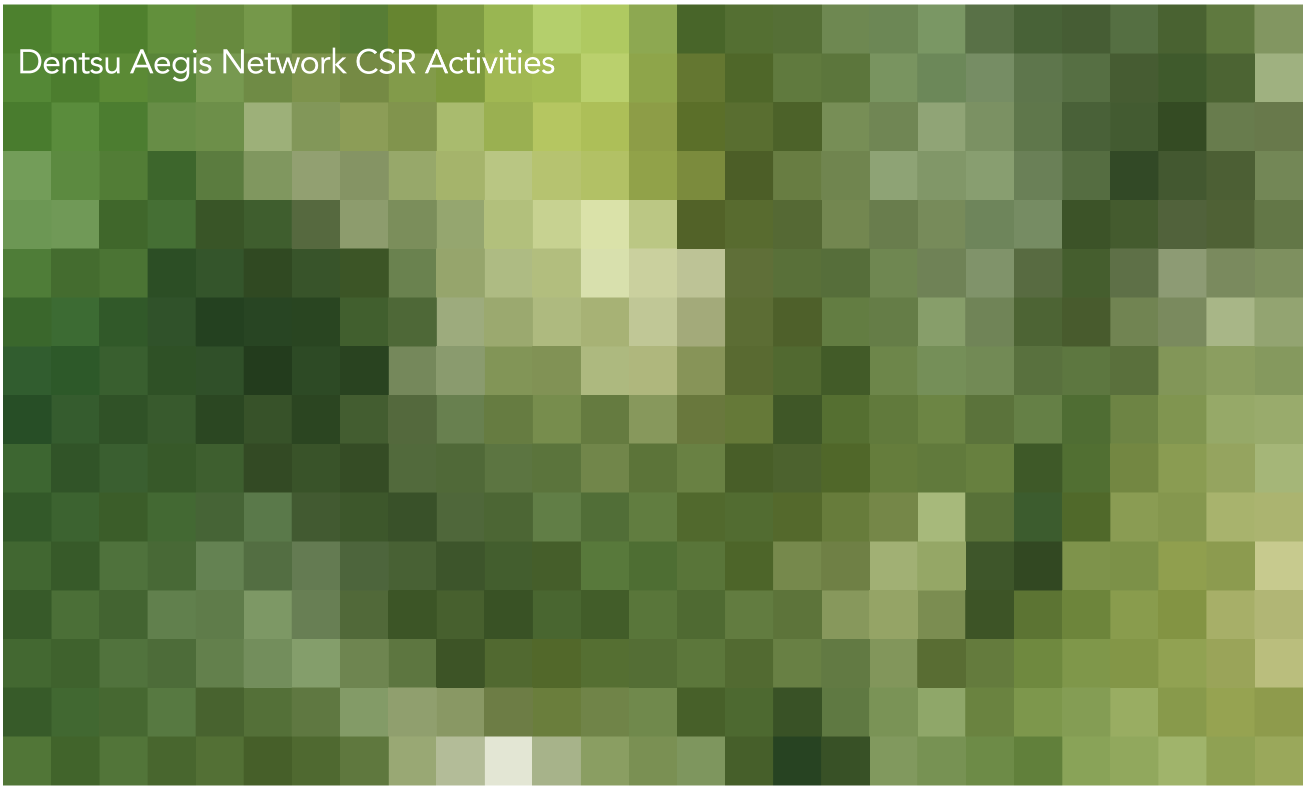
### Strategy and action plan

Based on the Dentsu Group's environmental policy, the CSR Committee conducts the performance evaluation on sustainability and provides feedback to the business units through the CSR Promotion Committee. During the process, the risks and opportunities are discussed from the medium- and long- term perspective. With the environment protection set as one of the key targets of The Dentsu Group Medium-term CSR Strategy 2020, we are working toward reducing environmental impact.

### Risks and opportunities

With the recent expansion of international business through M&A and others, the environmental burden may possibly be increased on a global scale. Therefore, with recognition of the issue as a long-term emerging risk, we are implementing the measures to reduce the environmental burden in collaboration with DAN.

# Dentsu Aegis Network CSR Activities



## CSR Governance

Dentsu Aegis Network recognizes that it has economic, social, and environmental impacts beyond its core business. We launched the Future Proof program—our Corporate Social Responsibility (CSR) strategy—to tackle these impacts and their associated risks and opportunities, and engage all the stakeholders involved. Future Proof reflects the company's material impacts, responds to the challenges facing its people and the wider industry, and addresses the issues it is concerned about.

## CSR Steering Group

The CSR strategy is set by the CSR Steering Group, composed of the leaders of our global functional departments and brand representatives. It is also responsible for setting the CSR targets, as well as ensuring they are aligned to the corporate strategy. The CSR Steering Group, chaired by Nigel Morris, CEO Dentsu Aegis Network Americas & EMEA, also oversees the implementation of Future Proof by the global CSR team and monitors its progress. The CSR Steering Group meets six times a year.

## CSR Team

The global CSR team is responsible for the implementation of Future Proof. The team, consisting of three full-time employees in 2015, coordinates the measurement, reporting, and management of all CSR campaigns and programs—including compliance with the global CSR, Community, and Environmental Policies. The global CSR team manages all internal and external communication and engagement with both CSR champions and stakeholders, and regularly assesses the risks and opportunities related to CSR. These are reported to the company-wide Risk Committees.

## CSR Champions

The CSR team engages on a regular basis with a network of over 300 CSR champions to help execute Future Proof campaigns and programs in every office around the world. These champions are volunteers and come from a variety of backgrounds, both client and functional side. The CSR champions are provided with free campaigns and programs by the global CSR team to implement, but are also encouraged to pursue specific issues and partnerships that are locally relevant to the offices, brands, and culture.

## Voice

Louisa Wong

Chief Digital Officer Amplifi

**Why is it important that we "give back" and engage around corporate social responsibility (CSR) as a leading global agency?**

During my time at Dentsu Aegis Network, I have been working across some of our newest agency offerings, Amnet and Amplifi. To get these off the ground, we really are looking for some of the best and brightest out there, and as they are 100% digital and programmatic, we are increasingly looking for those people who can contribute innovative and creative value to our team. On top of that, these agencies have been some of the fastest growing in our Network, doubling in size year-on-year. Keeping this newly built ship steady and on course means developing a culture of engagement around our brand—and CSR delivers that for us. It helps us build new teams, increase collaboration in the agency itself, and is a springboard for innovation, showcasing the power of what digital and programmatic can do for charities.

**What do you want people to know about your involvement with Future Proof?**

In 2015, I joined the global CSR Steering Group, making a contribution alongside functional and brand colleagues to the oversight of the CSR team and CSR strategy. I was so impressed to get a view of everything that is going on around our Network and, most importantly, the hard work behind the scenes by many volunteers to make sure we actually deliver real impact on the ground. I had the pleasure to help develop our new five-year CSR strategy launched in 2016 with some ambitious goals until 2020. We can really build on some of the success of Future Proof over the last five years and take a leadership role in our industry.

**What are you proud of last year?**

That's a really personal story for me. 2015 will stand out in history as the year of the refugee. Rather than a "far-from-my- bed show," it came close to home for many of us working and living in Europe. I spearheaded our efforts to make a small contribution when we had our annual leadership agency conference in Hungary in 2015. I asked everyone to bring an extra suitcase of winter clothing for a charity that helps refugees that had entered the country. Many of our media partners contributed, too, and together we released an enormous amount of clothing that helped more than 1,000 refugees locally. My little contribution to the bigger picture.

## Voice

Dawn Rowlands

Chief Executive Officer, Dentsu Aegis Network Sub Saharan Africa

**Why is it important that we "give back" and engage around corporate social responsibility (CSR) as a leading global agency?**

First and foremost, I believe that CSR builds a really strong culture of engagement in our agency. Our success depends on our ability to attract and retain the best talent in our industry and make sure that they grow as individuals whilst they are with us. CSR is a key part of our value proposition, and it contributes strongly to the culture of responsibility, ambition, and collaboration that we have. It also helps bring our values alive, off the page, and into hearts and minds. As we're aiming for continued growth in our region, CSR is more than ever a key building block for an engaged and successful agency.

**What do you want people to know about your involvement with Future Proof?**

What I want people to know about South Africa's contribution in 2015 to Future Proof is really that we are moving from doing "less bad" to "more good." Environmental responsibility remains important, and of course, our people's efforts to give blood, raise funds, and give back in a million other small ways are fantastic. But when thinking "more good," I firmly believe that in the future we will see more projects like isobar nowlab's Mandela Day rural coding day—where our people joined in a collaborative project to bring coding to rural young people across South Africa and inspire them to envisage a better future. That's what we as agencies can do, share our skills and reach as many people as possible to inspire them.

**What are you proud of last year?**

Alongisde the nowlab's rural coding initiative, I am proud of launching our new CSR strategy in South Africa, which has been re-aligned closely with the needs of all the stakeholders. We are focusing very strongly on local impact, adopting local schools in Cape Town and Johannesburg and working with them to identify and address the key issues they are facing. This new two-year partnership, spearheaded by Bongiwe Mhkize, is much more focused on longer-term impact and responsive to the local needs. That is what CSR should ultimately be about: not what is the sexiest, but what is most needed in the world around us.

# CSR Strategy

We launched Future Proof in 2010, reflecting our material impacts, responding to the biggest challenges facing our people and our industry, and addressing the issues we are concerned about. As our comprehensive CSR strategy, Future Proof set a clear vision for our business:

### Become a more responsible business

This means doing the right thing from the get-go, reducing our impact on the environment and weeding out illegal behavior. It is about a system of good governance, effective monitoring, and credible reporting.

### Inspire positive action

We have the reach and scope to make a positive impact on society. This means we play an active role in giving back to our communities, and we invest in a better environment.

### Innovate the way brands are built

Future Proof encourages internal collaboration, connections, and trust that help our vision come alive. It means doing things in a different and better way.

This vision has inspired the progress and performance of Future Proof since 2010 and enabled us to accept our responsibility as a corporate citizen, make a valuable contribution to our local communities, and start the process of innovating in all the work we undertake.

## Our Targets

As part of our vision for Future Proof, we set four ambitious targets until 2015, on which we have reported progress and performance on an annual basis since 2010. The four targets reflect the most important issues in Future Proof and are set at a global level:

- Reduce the carbon footprint per average person by 20%
- Increase the community investment to the equivalent of 1% of our people's time
- Enable 90% of employees to understand what Future Proof means in their day-to-day job
- Involve 90% of employees in creating the best place to work in the industry

## Our Delivery Model

We have a unique four-part delivery model to help us achieve our 2015 targets. This model explains what steps we are taking to drive positive outcomes across our company.

1. Global campaigns to raise awareness among our mostly digital and young audience. Examples of these in 2015 are Energize, Ignite, and Care.
2. Global programs that leverage the power of digital to inspire positive action across our Network. Examples of this in 2015 are Route to Good and GlobalGivingTIME.
3. Global integration of Future Proof into functional departments, such as HR, Technology, Finance, Facilities, Procurement, and Legal to embed CSR into our day-to-day operations.
4. Local partnerships that unlock meaningful action in the communities and environments near our offices through our Future Proof champions.

# Energize

In 2015, we brought a lot of our environmental and workplace campaigns together under the heading of "Energize." This campaign ran from March 1, 2015, to April 30, 2015, and it focused on raising awareness and unlocking greener and healthier behavior in and around our place of work. The campaign centered on Earth Day on April 22nd as a focal point for activities, but activities were deployed year-round. When it comes to wellbeing, we partner with Human Resources (HR) to further develop the workplace agenda.

## Local Partnerships Story: Million Trees Moscow

As part of its 10th anniversary celebrations, Vizeum in Russia joined the Million Trees global campaign to green Moscow. Following up on an earlier event three years ago, the whole office came together to plant 20 cedars and 20 junipers in the grounds of a local school, the 1550 Lyceum. It is symbolic that the main element of the Vizeum logo is a tree, which reflects an idea of growth and development. This event brought the office together and brought our values alive. By leaving a custom-made sign, we make sure everyone can see what contribution Vizeum made in 2015. This is a permanent and lasting impact on the environment in Moscow and beyond.

## Functional Integration Story: Germany Going 100% Green

Everyone is affected by climate change—whether personally or as a business. With a demand of more than 1.3 million kWh per year, Dentsu Aegis Network in Germany could make a big difference. We already reduced our consumption by 20% since 2010, but in 2015, we aimed to switch all our offices in Germany to 100% green electricity. By bundling our entire consumption together, we had a strong bargaining position. Even though we switched from cheap nuclear electricity to 100% renewable energy, we managed to still reduce the total costs of Germany's electricity consumption by 100,000 euros. This means Germany is now 100% green since January 1, 2016.

### Voice

Daniel Ahrens

Commercial Director
Dentsu Aegis Network
Germany

**Why is it important that we "give back" and engage around corporate social responsibility (CSR) as a leading global agency?**

In my role, I have to find the balance between our finite resources, our ambitious growth strategy, and the demands of our people and clients. CSR plays a key role in doing this successfully. Taking action on our environmental performance reduces our financial burden and makes us more resilient for the inevitable impacts of resource scarcity and price fluctuations in the future. It also helps us make a stronger case in the pitch to our clients and people: we are an agency that thinks much beyond own four walls, of create wider social and environmental benefits.

**What do you want people to know about your involvement with Future Proof?**

I think it's important to show people that CSR is not only for communications, HR, or brand people; functional leaders in Finance and Technology can also get involved and actually make a huge contribution. It may not involve everyone in the office like volunteering or pro bono work does, but it makes a huge impact. Whether it is better procurement of electronic equipment, improving our server or power management, or investing in greener offices, these are all things that functional people can contribute. Bringing these hidden contributions to light is what I want to do and why I take a leadership role. Without these people and their passion, we would not go half as fast on our CSR journey!

**What are you proud of last year?**

Together with the Future Proof team here in Germany, we really wanted to make a giant leap forward when it came to our environmental performance and show our leadership in our Network. We were thinking, "How can we have the biggest impact on our environmental performance?" And we realized that, if in some way we could run without any energy consumption, we would really be the greenest in the Network! That's how we started an energy audit and tender to find ways to save. In the end, we consolidated all energy consumption with one supplier, saving us 100,000 euros whilet also switching us to 100% certified green electricity. We are now the first country in Dentsu Aegis Network to go 100% green.

# Ignite

In 2015, we brought our non-skilled and team-based volunteering together under the heading of "Ignite." This campaign ran from May 1, 2015, until July 31, 2015, and it focused on raising awareness and unlocking volunteering time and enthusiasm from our people around the Network. The campaign centered on One Day For Change on June 4th and 5th as a starting point for activities, but community support was deployed year-round.

## Local Partnership Story: Refugees Welcome

In 2015, thousands of refugees from the Middle East, particularly Syria, fled to Europe. In Germany alone, approximately 1.1m refugees arrived after braving the dangerous and uncertain journey across Europe. Led by the Hamburg office, all brands in Germany came together to launch "Refugees Welcome" in response. 40 volunteers formed a core organizing team that delivered 50 boxes of donated clothing, organized several events with the refugee children (such as football games, excursions for the kids, etc.) to create even stronger relations and experiences. Overall, we showed that "Deutschland schafft das" ("Germany can do it"). Carat CEO Christopher Samsinger said, "This is 110% responsible: I love it!"

## Local Partnership Story: Dryden Primary School

Dentsu Aegis Network South Africa recently adopted Dryden Primary School, situated 2.5 km from the Cape Town offices. This partnership will be for the duration of about 24 months to complete a revamp of the school. All brands have adopted a class and each takes its in turn to lead activities. Work on the fabric of the school started in 2015, and helpful materials were fundraised. In addition, we have gone into partnership with one of Carat's clients, Woolworths Financial Services, who has agreed to assist with 50% of refurbishment costs of the school as well as participate in any Dentsu Aegis Network arranged activities.

### Voice

Bongiwe Mkhize

CSR Coordinator

Why is important that we "give back" and engage around corporate social responsibility (CSR) as a leading global agency?

As a global agency, we have the responsibility and the privilege of highlighting issues that concern us. With such a wide reach, we have to take the lead in our industry on the issue of CSR. For me, that means enabling our people to give back and make a difference. That's why in South Africa we set up some fantastic programs that really involve and engage our people with environmental and social issues. We can show the way for other agencies in our industry.

What do you want people to know about your involvement with Future Proof?

Coming from a finance background, I took the lead for CSR in South Africa, and we built some fantastic long-term programs that deliver real impact. Our main focus is on the key issues that the neighborhood around our offices in Cape Town and Johannesburg encounter. We adopted two local schools and are working through a two-year program with them to support them in any way possible. Dentsu Aegis Network South Africa also supports Sani Sisters, bringing female hygiene education and products to the underprivileged.

What are you proud of last year?

I am most proud of the increase in participation on the various projects we were involved in, across each of our brands and divisions. In addition, we built a partnership with our client Woolworths Financial Services to support our local schools, leveraging our scale for better partnerships.

# Care

In 2015, we brought our skilled and pro-bono volunteering together under the heading of "Care." This campaign ran from October 1, 2015, until December 31, 2015, and it focused on raising awareness and unlocking skilled, pro-bono volunteering time and enthusiasm from our people around the Network. The campaign centered on the #1000cranes global action day on December 4th as a focal point, but activities occurred year-round.

## Functional Integration Story: Dentsu Maker Lab Kids

This innovative and ground-breaking initiative aims to inspire the next generation of advertising stars and stimulate the development of more than 28 children. Children from the local community were invited to take part in a series of 18 workshops (two editions until now), during which kids could learn more about robotics, 3D printing, game programming and creating web pages, composing music, and wise use of media. The program, supported by DAN volunteers from the office, was realized in close cooperation with the Foundation "RUSZYŁA MASZYNA," which aims to inspire the next generation in Poland.


## Local Partnership Story: #likeforlife

Every day, 70 people across Hungary die of sudden heart attacks. Many of these deaths could be prevented if more people knew the basics of CPR—cardiopulmonary resuscitation. isobar in Hungary tried to do just this. isobar Hungary worked with the Red Cross to raise awareness of the potential of CPR to save lives. For this, they partnered with Instagram. isobar Hungary used this simple tool to ensure that the next time you "tap," you do it to save a life. As a result of the campaign, the number of followers of the Red Cross Instagram campaign increased by 66%. With an uplift of 2,000 more participants, 37k Hungarians are now trained in CPR.

# Data Summary

## Benchmarks CDP

| | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|
| Dentsu | 83B | 86B | 93B | 94C |
| DAN | 79C | 81C | 90C | 97B |

## Employment Data (Basically non-consolidated)

### Number of Employees (Each year-end)

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| Consolidated | 21,649 | 37,450 | 39,427 | 43,583 | 47,324 |
| Non-consolidated | 7,494 | 7,515 | 7,425 | 7,348 | 7,261 |

### Employee Composition (Dec. 31, 2015)

| | Male | Female | Total |
|---|---|---|---|
| Executive officers, others | 34 | 0 | 34 |
| Management staff | 1,574 | 139 | 1,713 |
| Non-management staff | 2,889 | 1,057 | 3,946 |
| Contract employees | 280 | 221 | 501 |
| Clerical staff | 2 | 532 | 534 |
| Partners / Senior staff | 96 | 35 | 131 |
| Part-timers, others | 20 | 13 | 33 |
| Seconded from other entities | 289 | 80 | 369 |
| Total | 5,184 | 2,077 | 7,261 |

Note 1: Executive officers, others: includes senior corporate advisors, special advisors, and executive officers
Note 2: Part-timers, others: includes permanent part-timers, non-permanent part- timers, and trainees from overseas

### Employees by Age and Gender (Each year-end)

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| Under 30 yrs. | 1,592 | 1,593 | 1,535 | 1,403 | 1,389 |
| 30-39 | 2,764 | 2,727 | 2,682 | 2,618 | 2,576 |
| 40-49 | 1,845 | 1,803 | 1,773 | 1,798 | 1,805 |
| 50-59 | 1,144 | 1,252 | 1,290 | 1,380 | 1,326 |
| 60 and over | 149 | 140 | 145 | 149 | 165 |
| Total | 7,494 | 7,515 | 7,425 | 7,348 | 7,261 |
| Average age | 38.6 | 38.9 | 39.6 | 39.5 | 39.5 |
| Male | 39.8 | 40.1 | 40.9 | 40.8 | 40.9 |
| Female | 35.7 | 36.0 | 36.1 | 36.4 | 36.1 |
| Average length of service (yrs.) | 12.8 | 13.1 | 13.9 | 13.9 | 13.3 |
| Male | 14.4 | 14.7 | 15.5 | 15.4 | 14.8 |
| Female | 8.9 | 9.3 | 9.8 | 10.2 | 9.5 |

## New Graduates Hired

| | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 |
|---|---|---|---|---|---|
| Total | 192 | 136 | 135 | 132 | 144 |
| Male | 132 | 93 | 91 | 92 | 88 |
| Female | 60 | 43 | 44 | 40 | 56 |
| Female Component | 31.3% | 31.6% | 32.6% | 30.3% | 38.9% |

## Average Number of Paid Vacation Days Taken

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015* |
|---|---|---|---|---|---|
| Total | 10.5 | 10.6 | 10.3 | 10.8 | 8.4 |
| Male | 9.6 | 9.7 | 9.2 | 9.6 | 7.5 |
| Female | 13.1 | 12.9 | 13.1 | 13.8 | 10.6 |
| Leave Taken | 52.5% | 53.0% | 51.5% | 54.0% | 42.0% |

## Annual Paid Vacation in Hour Increments Taken (Part of paid vacation days)

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015* |
|---|---|---|---|---|---|
| Total Hours Taken | 36,094 | 42,994 | 45,005 | 49,712 | 38,275 |
| Total Number of People Taking Leave | 13,632 | 16,161 | 17,111 | 14,568 | 14,308 |
| Number of Hours Taken at One Time | 2.6 | 2.7 | 2.6 | 3.4 | 2.7 |

## Employees' Health Check-up Rate

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015* |
|---|---|---|---|---|---|
| Total | 99.0% | 99.1% | 99.2% | 99.0% | 76.1% |

## Employees Taking Childcare Leave, Reinstatement Ratio

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015* |
|---|---|---|---|---|---|
| Total | 44 | 44 | 51 | 60 | 81 |
| Male | 7 | 8 | 11 | 10 | 15 |
| Female | 37 | 36 | 40 | 50 | 66 |
| Reinstatement ratio | 95.2% | 95.5% | 96.1% | 100% | 100% |

Note: In FY2014, we recounted the number of the employee who took child care leave in the past and revised the number in conjunction with the reinstatement ratio.

## Post-retirement Employees

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015* |
|---|---|---|---|---|---|
| Total | 41 | 28 | 32 | 55 | 53 |
| Male | 34 | 21 | 22 | 45 | 44 |
| Female | 7 | 7 | 22 | 10 | 9 |

## Employment Rate of People with Disabilities

| | June 2013 | June 2014 | June 2015 | June 2016 |
|---|---|---|---|---|
| Total | 1.62% | 1.79% | 2.01% | 2.04% |

* Scope of calculation: 9 months, from April 2015 to December 2015

## Environmental Data

### Dentsu's Environmental Performance Trends

#### Dentsu Group (Excluding Waste) Calculation of Environmental Performance Data

**Basic Unit and Individual Criteria**

- Calculation commenced in 2014. The period for calculation is from January 1, 2015, to December 31, 2015.
- Excluding some of Dentsu group companies.
- Intensity per full-time equivalent (FTE) employee was calculated based on a figure of 44,059 persons for $CO_2$ and 44,059 for water.
- For $CO_2$ emissions, Categories 1, 5, 6, and 7 were calculated for Scope 3.

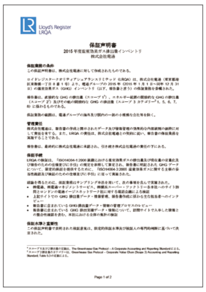
* Based on the calculation standards of WRI (World Resources Institute) GHG Protocol

$CO_2$ emissions (FY 2015)

| | Scope 1 | Scope 2 | Scope 3 | Total |
|---|---|---|---|---|
| $CO_2$ emissions (tons) | 4,482 | 53,836 | 51,522 | 109,840 |
| $CO_2$ emissions per FTE | 0.102 | 1.222 | 1.169 | 2.493 |

Amount of waste (FY 2015)

| | |
|---|---|
| Water consumption ($m^3$) | 502,813 |
| Water consumption per FTE | 11.41 |



Lloyd's Register Quality Assurance Limited (LRQA) provides third-party assurance on Dentsu's $CO_2$ emissions (greenhouse gas emissions).

#### Dentsu Inc. Calculation of Environmental Performance Data

**Basic Unit (FY 2014)**

$CO_2$ emission intensity per floor space unit 253,193.97$m^2$    Waste and water per floor space unit 252,512.90$m^2$

- The floor space of the Kyoto Account Management Division was excluded from the calculation of the amount of waste generated and water used.
- Intensity per full-time equivalent (FTE) employee was calculated based on a figure of 7,261 persons.

**Individual Criteria**

| | |
|---|---|
| Calculation Period | One year from January 1 to December 31 for each year. |
| $CO_2$ emissions | The coefficient specified under the Act on the Rational Use of Energy (EnergySaving Act) is applied. |
| Waste | The volume of waste generated (in kg) is the sum of general waste and industrial waste (including waste oil, waste plastic). |
| Water resource usage | The volume of water resources used is the sum of municipal water and gray water at the Tokyo Head Office, and the municipal water used at the Kansai Branch Office and Chubu Branch Office. |

### $CO_2$ Emissions

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | 2016 (Forecast) |
|---|---|---|---|---|---|---|
| $CO_2$ emissions (tons) | 20,684 | 22,656 | 23,916 | 23,520 | 21,515 | 21,299 |
| $CO_2$ emissions per $m^2$ of floor space | 0.081 | 0.089 | 0.094 | 0.093 | 0.085 | 0.084 |
| $CO_2$ emissions per FTE | 2.760 | 3.015 | 3.221 | 3.201 | 2.963 | 2.933 |

### Amount of Waste

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | 2016 (Forecast) |
|---|---|---|---|---|---|---|
| Amount of waste (kg) | 1,818,629 | 1,878,365 | 1,862,891 | 2,195,858 | 2,456,855 | 2,432,286 |
| Amount of waste per $m^2$ of floor space | 7.135 | 7.370 | 7.377 | 8.696 | 9.730 | 9.632 |
| Amount of waste per FTE | 242.678 | 249.949 | 250.894 | 298.837 | 338.363 | 334.980 |

### Water Consumption

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | 2016 (Forecast) |
|---|---|---|---|---|---|---|
| Water consumption($m^3$) | 156,210 | 168,236 | 160,046 | 153,852 | 152,452 | 150,927 |
| Water consumption per $m^2$ of floor space | 0.613 | 0.660 | 0.634 | 0.609 | 0.604 | 0.598 |
| Water consumption per FTE | 20.845 | 22.387 | 21.555 | 20.938 | 20.996 | 20.786 |

### Employees with Eco Test Certification

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| Total | 90 | 90 | 100 | 50 | 89 |

### Environmental Slogan Entries (Dentsu and Dentsu Group Companies in Japan)

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| Total | 7,917 | 6,909 | 8,230 | 8,082 | 8,133 |
| Employee category | 6,561 | 5,740 | 7,134 | 7,296 | 7,169 |
| Family category | 1,356 | 1,169 | 1,096 | 786 | 964 |

## Human Rights Activities

### Human Rights Slogan Entries

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| Total | 9,398 | 8,430 | 9,866 | 8,584 | 9,913 |
| Employee category | 8,219 | 7,310 | 8,723 | 7,765 | 9,001 |
| Family category | 1,179 | 1,120 | 1,143 | 819 | 912 |

### Students Participating in the Human Rights Art Project

| FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|
| 121 | 103 | 74 | 79 | 59 |

## Social Contributions Activities

### Advertising Elementary School

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015* |
|---|---|---|---|---|---|
| Participating schools | 61 | 86 | 90 | 92 | 27 |
| Participants | 4,449 | 6,051 | 7,382 | 6,203 | 1,785 |

### Keys to Communicating

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015* |
|---|---|---|---|---|---|
| Implementation | 16 | 20 | 14 | 11 | 4 |
| Participants | 678 | 676 | 557 | 414 | 108 |

### Michinoku Fukkou Jigyou Partners

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| Participating organizations | – | 20 | 18 | 15 | 6 |

### UNESCO's World Terakoya Movement

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| Participating organizations | 500 | 500 | 500 | 500 | 500 |
| Participants | 925 | 593 | 1,277 | 1,690 | 1,718 |

### World Food Day

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| Participating organizations | 1 | 1 | 1 | 12 | 12 |
| Participants | 9,365 | 19,510 | 17,422 | 13,995 | 10,176 |

### Chinese Researchers Invited

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015* |
|---|---|---|---|---|---|
| Invited universities | 6 | 6 | 6 | 6 | 6 |
| Participating researchers | 6 | 6 | 6 | 6 | 6 |

### Advertising Education Forum for Chinese Advertising Educators

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| Participating universities | 30 | 31 | 34 | 36 | – |
| Participants | 58 | 64 | 66 | 63 | – |

### Advertising Seminars for Chinese Students

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015* |
|---|---|---|---|---|---|
| Participating universities | 22 | – | 19 | 25 | 9 |
| Participating students | 1,100 | – | 1,200 | 500 | 480 |

* Scope of calculation: 9 months from April 2015 to December 2015

# Financial Report

# Consolidated Operating Highlights (IFRS)

Dentsu Inc. and Consolidated Subsidiaries

(Millions of Yen)

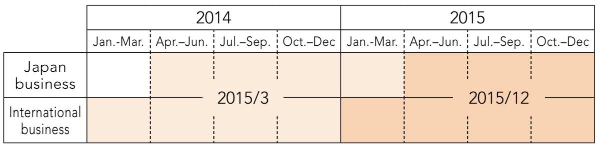
| | Consolidated (Financial reporting basis) IFRS | | | Consolidated (Calendar year basis (pro forma)) IFRS | |
|---|---|---|---|---|---|
| | 2014/3 | 2015/3 | 2015/12 | 2014 | 2015 |
| Turnover | 4,177,278 | 4,642,390 | 4,513,955 | 4,642,901 | 4,990,854 |
| Revenue | 659,772 | 728,626 | 706,469 | 725,886 | 818,566 |
| Gross profit | 614,654 | 676,925 | 669,489 | 676,882 | 761,996 |
| Organic gross profit growth rate(1) Consolidated | – | 5.8% | – | – | 7.0% |
| Organic gross profit growth rate Japan | – | 2.2% | – | – | 3.9% |
| Organic gross profit growth rate International | – | 10.3% | 9.4% | 10.3% | 9.4% |
| Operating profit | 107,283 | 132,305 | 107,265 | 137,558 | 128,212 |
| Underlying operating profit(2) | 125,593 | 131,937 | 133,328 | 133,402 | 160,438 |
| Operating margin(3) Consolidated | 20.4% | 19.5% | 19.9% | 19.7% | 21.1% |
| Operating margin Japan | 23.6% | 23.9% | 24.7% | 24.2% | 26.0% |
| Operating margin International | 16.7% | 15.3% | 16.9% | 15.3% | 16.9% |
| Profit for the year attributable to owners of the parent | 66,507 | 79,846 | 72,653 | 81,409 | 83,090 |
| Underlying profit(4) | 84,395 | 92,875 | 94,368 | 89,179 | 113,388 |
| Basic earnings per share | ¥241.49 | ¥276.89 | ¥254.05 | ¥282.31 | ¥289.95 |
| Basic underlying profit per share | ¥306.38 | ¥322.08 | ¥329.98 | ¥309.26 | ¥395.67 |
| Return on equity (ROE)(5) | 9.1% | 8.1% | 6.8% | 8.2% | 7.7% |
| Underlying ROE | 11.5% | 9.4% | 8.8% | 9.0% | 10.6% |
| ROA(6) | 4.5% | 4.6% | 3.4% | – | – |
| Ratio of equity attributable to owners of the parent(7) | 33.5% | 34.2% | 34.8% | – | 34.8% |
| Cash dividend per share | ¥33 | ¥55 | ¥75 | ¥55 | ¥75 |
| Dividend payout ratio(8) | 13.7% | 19.9% | 29.5% | 19.5% | 25.9% |
| Underlying dividend payout ratio | 10.8% | 17.1% | 22.7% | 17.8% | 19.0% |

(1) Organic gross profit growth rate represents the constant currency year-on-year growth after adjusting for the effect of business acquired or disposed of since the beginning of the previous year
(2) Underlying operating profit is a KPI to measure recurring business performance which is calculated as operating profit added with amortization of M&A related intangible assets, acquisition costs and one-off items such as impairment loss and gain/loss on sales of non-current assets.
(3) Underlying operating profit ÷ Gross profit × 100
(4) Underlying net profit (attributable to owners of the parent): KPI to measure recurring net profit attributable to owners of the parent which is calculated as net profit (attributable to owners of the parent) added with adjustment items related to operating profit, revaluation of earnout liabilities/M&A related put-option liabilities, tax-related and NCI profit-related and other oneoff items
(5) ROE (IFRS) = Profit for the year attributable to owners of the parent ÷ Average equity attributable to owners of the parent based on equity at the beginning and end of the fiscal year × 100
(6) ROA (IFRS) = Profit before tax ÷ Average total assets based on total assets at the beginning and end of the fiscal year × 100
(7) Ratio of equity attributable to owners of the parent = Equity attributable to owners of the parent÷Total assets
(8) Dividend payout ratio = Cash dividend per share ÷ Basic earnings per share × 100

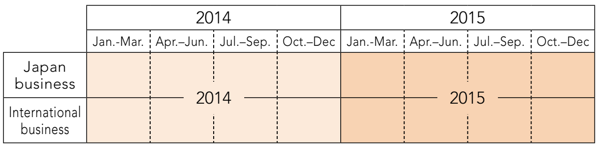
## Change in fiscal period

Effective from the current fiscal year, the Company and its subsidiaries with fiscal year-ends other than December 31 have changed their fiscal year-ends to December 31. As a result of this change, the consolidated fiscal year-end date has been changed from March 31 to December 31, and the current fiscal year is the nine-month period from April 1, 2015 to December 31, 2015. The fiscal year-end date of Dentsu Aegis Network Ltd. and its subsidiaries, which operate the Group's international business, is already December 31. Consequently, the financial results of these companies for the twelve-month period from January 1, 2015 to December 31, 2015 have been consolidated into the Group's consolidated financial results for the current fiscal year. [On a reporting basis]
Figures calculated on the assumption that the Group's accounting periods for both the previous fiscal year and the fiscal year ended December 31, 2015 were the periods from January 1 to December 31, and are provided as reference figures for the purpose of making comparisons. [On a calendar year basis (pro forma)]

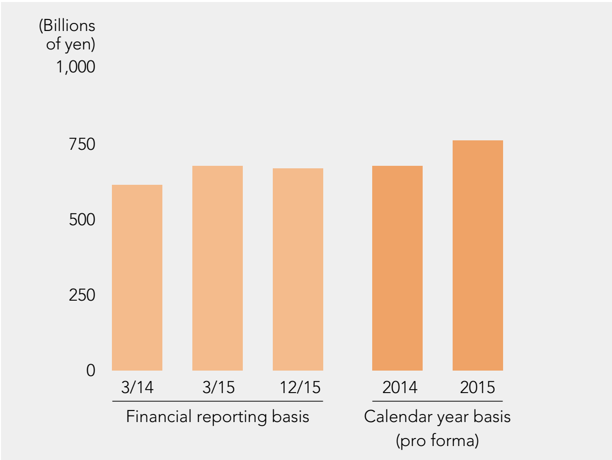
Financial reporting basis
2015/3: Japan business Apr.-Mar. (twelve months) + International business Jan.-Dec. (twelve months)
2015/12: Japan business Apr.-Dec. (nine months) + International business Jan.-Dec. (twelve months)



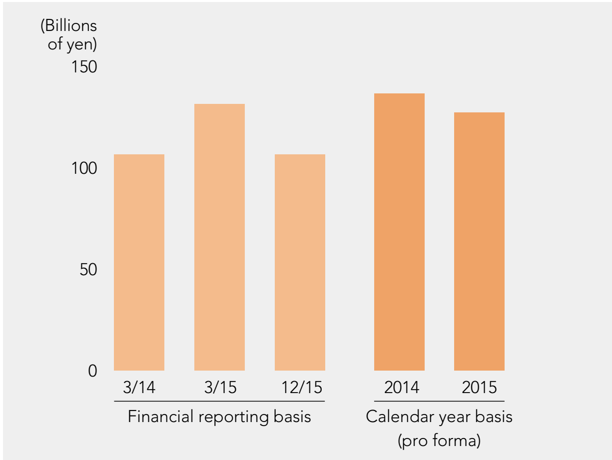

Calendar year basis (pro forma)
2014: Japan business Jan.-Dec. (twelve months) + International business Jan.-Dec. (twelve months)
2015: Japan business Jan.-Dec. (twelve months) + International business Jan.-Dec. (twelve months)



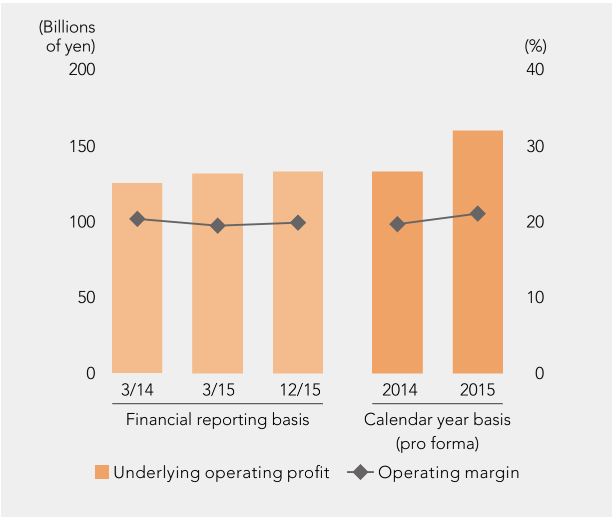
Gross profit



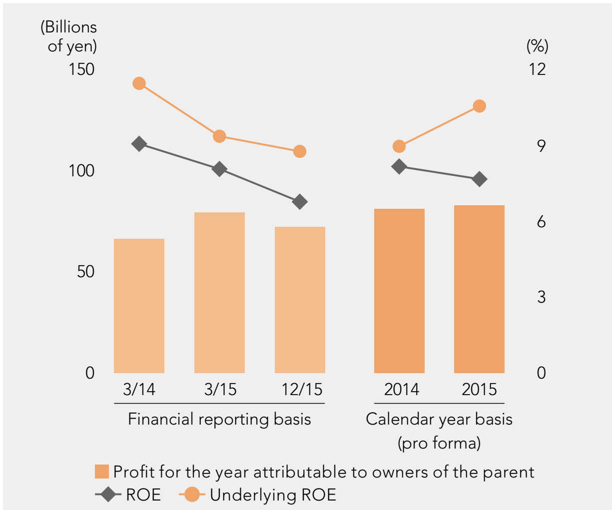

Operating profit



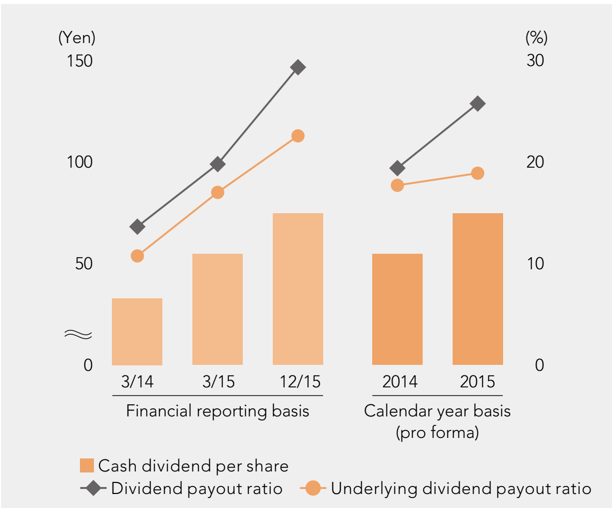

Underlying operating profit / Operating margin



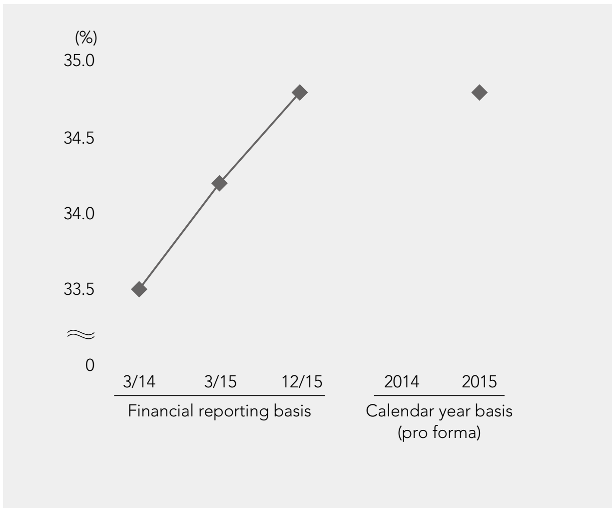

Profit for the year attributable to owners of the parent / Return on equity (ROE)




Cash dividend per share / Dividend payout ratio




Ratio of equity attributable to owners of the parent



# Management's Discussion and Analysis of Financial Position and Operating Results

Dentsu Inc. and Consolidated Subsidiaries
As of June 26, 2015

Any forward-looking statements in the following discussion and analysis are based on the judgment of management as of the date that Dentsu Inc. (hereinafter "Dentsu" or "the Company") filed its securities report for the fiscal year ended March 31, 2015 with regulatory authorities.

## Significant Accounting Policies and Estimates

The Company's consolidated financial statements are prepared on the basis of International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board.

In the preparation of these consolidated financial statements, management discloses the amounts of the reported asset and liability figures as well as those of off-balance sheet transactions such as contingent liabilities, as of the date the accounts are closed. Management also estimates the impact of these figures on the Company's financial position and operating results during the reporting period. Management continuously evaluates forecasts and assumptions regarding such items as investments, retirement benefits and corporate taxes, as well as contingencies and litigation. Management bases its estimates and assumptions on the consideration of several factors, given past performance and conditions. These results underpin asset and liability book values and reported revenue and expense figures. However, uncertainties are inherent in such results and estimates may vary from actual results.

The critical accounting policies described below are those that management considers to have specific potential to affect the financial position and operating results of the Group. Such policies may also include important assumptions and estimates used in creating the Company's consolidated financial statements and therefore have a material impact on these statements.

### Revenue Recognition

Revenue consists primarily of commissions received for the placement of advertising into different media and consideration received from advertisers and others for providing services, such as assistance in the production of advertising, including creative, and various content-related services.

Revenue from the production of advertising and other advertising-related services is recorded based on the consideration paid as compensation for such services to the Group by advertisers and others less costs incurred. In some cases, revenue is also recorded based on a fixed fee or other compensation.

Revenue from commissions received from advertisers for the placement of advertising is generally recognized when the media is placed. Other revenue is generally recorded when the service is completed, an estimate of the amount of compensation can be reasonably determined and it is probable that the future economic benefit will flow to the Group.

Revenue and costs arising from transactions relating to services other than advertising services are presented as a gross amount.

Turnover represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover information is not required under IFRS.

### Impairment Loss on Property, Plant and Equipment, Goodwill, Intangible Assets and Investment Property

The Group determines whether there is any indication of potential impairment loss on non-financial assets excluding inventories and deferred tax assets on the closing date. If any such indication exists, an impairment test shall be conducted based on the recoverable amount of relevant assets. Goodwill and intangible assets with indefinite useful lives are not subject to amortization, and are instead tested for impairment loss annually regardless of whether there is any indication of impairment, or every time when there is an indication of impairment loss. The recoverable amount of assets shall be either the fair value of assets or cash-generating units after deducting costs of disposal of the assets, or value in use, whichever is higher. If the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount and impairment loss is recognized. In the calculation of its value in use, certain assumptions regarding useful life, future cash flow, growth rate, discount rate, etc., of the asset are used.

These assumptions are determined based on past performance, best estimates, and judgments based on business plans approved by the management of the Company. The assumptions, however, may be affected by modifications in business strategies and changes in market environment. If any change to these assumptions is required, the amount of impairment loss to be recognized may be significantly affected.

Valuation of Financial Instruments

The Group holds financial assets such as securities and derivatives, and uses certain assumptions in the valuation thereof. Fair values are determined in accordance with calculation procedures such as the market approach, as well as referencing market prices. In particular, the fair value of stocks that are actively traded in the market, among other securities and financial assets, is determined based on the market price. The fair value of stocks that are not actively traded in the market is evaluated at the amount calculated by using observable market data, or at the amount calculated primarily by the market approach using unobservable inputs.

Management evaluates whether the valuation of fair value of financial instruments is conducted in a reasonable manner. However, fair value to be recognized may be significantly affected if any revision to the estimate is required due to unforeseeable changes in assumptions that underlie the value.

Valuation of Defined Benefit Obligation

Defined benefit obligation and retirement benefit costs are recorded on the basis of pension actuarial calculations. These calculations are dependent upon such factors as the discount rate, future compensation levels, employee turnover, and mortality rates, among others.

Management evaluates whether those assumptions that underlie the above values are reasonable. However, if the actual values of these factors vary from the forecast values, or if the assumptions that underlie these values change, the Company may be significantly impacted by the recognition of such costs or by the recording of such liabilities, on a consolidated basis.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, provisions are measured based on the present value using a discount rate reflecting the risks specific to the liability.

Such provisions are calculated based on the best estimate, taking uncertainties on the closing date into consideration. However, the amount may be impacted in case of any unforeseeable event s or changes in circumstances. If the actual result varies from the estimate, the amount of obligations to be recorded may be significantly affected.

Collectability of Differed Tax Assets

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which carryforwards of unused tax losses, tax credit carryforwards and deductible temporary differences can be utilized. Deferred tax assets are reassessed at the end of the fiscal year and reduced by the amount of any tax benefits that are not expected to be realized.

The Group records deferred tax assets based on future taxable income and ongoing tax planning that emphasizes cautious and highly implementable approaches. Thus, we determine that the collectability is evaluated based on reasonable estimates. However, such estimates may be impacted in case of any unforeseeable events or changes in circumstances. If the actual result varies from the estimate, costs to be recognized and assets to be recorded may be significantly affected.

Change of the closing date

Dentsu, Inc. has changed its closing dates from March 31 to December 31, and its subsidiaries with closing dates other than December 31 have also changed their closing dates to December 31. Accordingly, for the fiscal year ended December 31, 2015, the reporting period of the Company and its major subsidiaries engaging in the Japan business covers nine months, from April 1, 2015 to December 31, 2015. The reporting period of subsidiaries engaging in the international business covers 12 months, from January 1, 2015 to December 31, 2015.

## Operating Results for the Fiscal Year under Review

### Revenue and Gross Profit

Consolidated revenue for the fiscal year under review (the reporting period from April 1, 2015 to December 31, 2015 for the Japan business and the reporting period from January 1, 2015 to December 31, 2015 for the international business) reached 706.4 billion yen, and gross profit totaled 669.4 billion yen (see page 76).

Of the gross profit, 255.7 billion yen (up 6.7% compared to the previous consolidated fiscal year) was generated from the Japan business. The amount exceeded the previous consolidated fiscal year, largely due to the contribution of sponsorship sales, including the 15th IAAF World Championships in Beijing, the 44th Tokyo Motor Show 2015 and the Tokyo 2020 Olympic and Paralympic Games.

Gross profit from the international business was 414.0 billion yen (up 20.6.% compared to the previous consolidated fiscal year). The organic gross profit growth rate in the international business continuously expanded and increased by 9.4% compared to the previous consolidated fiscal year. All regions recorded higher growth than in the previous consolidated fiscal year, with EMEA up 12.2%, the Americas up 4.9%, and APAC up 11.4%.

### Selling, General and Administrative Expenses, Other Income, Other Expenses and Operating Profit

Consolidated selling, general and administrative (SG&A) expenses for the consolidated fiscal year under review came to 566.4 billion yen.

Other income was 13.0 billion yen, and other expenses came to 8.7 billion yen.
Major factors behind the decreases from the previous consolidated fiscal year in other income and other expenses are related to the sale of property, plant and equipment, intangible assets and investment property during the previous consolidated fiscal year.

As a result, operating profit for the consolidated fiscal year under review reached 107.2 billion yen (see page 76).

### Share of Results of Associates, Finance Income or Costs, and Profit for the Year

Share of results of associates for the consolidated fiscal year under review was 3.9 billion yen, and the net difference between finance income and finance costs came to 5.1 billion yen in costs. As a result, profit before tax came to 106.0 billion yen.

Of the profit for the year, derived by deducting income tax expense from profit before tax, profit attributable to owners of the parent reached 72.6 billion yen (see page 76).

## Factors Affecting Operating Results

Consolidated revenue is derived primarily from advertising services in the four traditional mass media format s and other advertising services, mainly interactive media and out-of-home, or OOH, media (billboard, transit and other), as well as related creative services. Commissions from media companies on the sale of media time and/or space represent the largest contribution to revenue, with the key revenue source being commissions for advertising time and/or space through the four traditional mass media formats.

The main factors affecting revenue from advertising in these traditional mass media formats are described below:

- Overall advertising expenditures, which fluctuate with changing industry conditions such as general economic conditions, technological innovations, deregulation and heightened competition;
- The Group's competitive position vis-à-vis other advertising companies;
- Rates charged by media companies for advertising time and/or space; and
- Changing advertiser needs for advertising across different media.

With increasing popularity in recent years, the

Internet is firmly in second place, behind television, as the medium garnering the most contact time in homes across Japan. As the media environment evolves, the needs of advertisers become increasingly sophisticated. Advertisers are particularly interested in effective and efficient media planning that integrates the Internet, mobile phone and other interactive media with the traditional mass media formats. Increasingly, they seek verification of advertising effectiveness. To accurately address these client needs, the Dentsu Group strives to provide high value-added cross-media campaigns.

Recent trends indicate heightened appreciation for integrated services that cover a broad spectrum of media domains as well as tools that verify cost efficiency and advertising effectiveness. The Group believes this will result in an increase in the number of transactions between advertisers and full-service advertising companies.

The Group frequently provides promotional services and other advertising services in combination with advertising in the four traditional mass media. For example, in promotional services, clients typically combine advertising campaigns in traditional mass media with point-of-purchase, or POP, displays, promotional events and other approaches to encourage consumers to buy the client company's products or subscribe to its services. Demand for traditional mass media advertising may fluctuate independently of demand for combined services, but the factors that influence one type of advertising will impact the other types as well.

The Group also secures revenue from services related to entertainment and sports marketing.

These services include the production, marketing and establishment of marketing tie-ins for, and the selling or brokering of, sponsorship, broadcasting and other rights to such content as movies, sports events, music and other forms of entertainment. A breakdown of revenue from such services shows net proceeds or commissions on the purchase and sale of content-related rights, returns on rights or interests in content owned as well as consideration for services. Revenue may vary depending on such factors as the location and timing of the entertainment and sports events, the terms under which the Group companies acquire the rights, the level of consumer demand for, or interest in, the associated content, and the level of demand for these rights, especially by advertisers and broadcasters.

In addition, the Group earns revenue from solutions services, including customer relationship management (CRM), e-marketing and system configuration. Revenue from these services is not only affected by factors that impact advertising services but also investment trends pertaining to system development.

As the factors that influence revenue, trends in revenue may differ among the countries in which the Group operates, based on such factors as the business climate in each country, developments in specific industries, the competitive position of the Group vis-à-vis other advertising companies, as well as market practices regarding remuneration for services and shifts in demand among clients for advertising in different media. Exchange rate fluctuations between the yen, the reporting currency for the Company's consolidated results, and the currencies of other countries in which the Group operates also have an effect on revenue.

## Current Status of Management Strategies and Outlook

(1) Basic Management Policies

With the completion of the acquisition of Aegis Group plc (current Dentsu Aegis Network Ltd.) in March 2013, the Dentsu Group has evolved into a truly global network. Taking this opportunity, Dentsu formulated the medium-term management plan "Dentsu 2017 and Beyond," implemented in the fiscal year ended March 31, 2014.

In recent years, various advancements in technology have been made, and as the behavior of consumers changes, it has become difficult for many companies to achieve satisfactory results from marketing activities in the absence of coordination between initiatives.

Under these circumstances, the Group strives to evolve into the world's leading global network to contribute to raising corporate value for every type of client.

(2) Targeted Management Indicators

Targets for the fiscal year ending December 31, 2017 were set as follows:

- Gross profit compound annual growth rate (CAGR): 3%–5%;
- Ratio of gross profit generated from markets outside of Japan: 55% or higher;
- Ratio of gross profit generated from digital businesses: 35% or higher; and
- Underlying operating margin: 20% or higher

Note: Underlying operating margin is the underlying operating profit divided by gross profit.

Furthermore, from the previous fiscal year, the Group has applied the International Financial Reporting Standards (hereinafter, "IFRS") instead of the Japanese GAAP. In line with this change, operating margin is now calculated utilizing "underlying operating profit" instead of "operating profit before amortization of goodwill and other intangible assets." There has been no change to target figures.

(3) Tasks to Be Addressed by the Group and Its Management Strategy

Specific challenges and efforts to achieve the goals stated in the medium-term management plan are as follows.

1) Diversifying the portfolio on a global basis

The gross profit organic growth rate in the Group's international business operations for the fiscal year under review was 9.4%, achieving a rate higher than those of its competitors in consecutive years. As a result, the gross profit international ratio reached 54% on a 2015 calendar year basis.

The Group believes the reasons for such robust growth is that, each Group company provides one-stop solutions to meet client needs by cooperating and coordinating, leveraging their unique strengths, and creating expanded business from existing clients, in addition to solid acquisition of new accounts through the Group's unique "One P&L" business model for its international business operations, and that the business in the digital network domain is steadily growing.

Moving forward, the Group will work to globally expand its strengths in the digital domain as well as in the areas of sports marketing and content creation, while making use of M&As to establish and expand a globally competitive global network.

2) Evolving and expanding in the digital domain

Gross profit in the Japanese digital domain on a 2015 calendar year basis increased 22.2% year on year, continuing to achieve double-digit growth.

Outside of Japan, the Group implemented M&As in various digital domain sectors in the fiscal year under review as well. Of the M&As conducted over the course of the year, almost half of the total projects were in the digital domain. Due to growth via M&As and internal growth, the gross profit of the international business operation in the digital domain increased 24.8% compared to the previous consolidated fiscal year.

As a result, the digital domain ratio across the entire Group reached 34% on a 2015 calendar year basis, making progress toward the goal of 35% or higher for the fiscal year ending December 31, 2017.

Under the accelerated digital shift of client marketing activities, the needs for the digital domain are further diverse and advanced in the advertising industry. Such needs include the followings:

- programmatic buying system in the media buying domain,
- digital solution including creative materials and contents, and
- data analysis which contributes to business decision making and consumer engagement strategy

As a result, the role played by the advertisement agency is further expanding. Given the circumstances, the Group will continue to utilize aggressive M&As and work to improve its capabilities and quality of service

3) Re-engineering business processes and improving profitability

Due to the continued cost control such as suppression of the cost increase associated with the revenue growth in both Japan and international business operations, the consolidated underlying operating margin on a 2015 calendar year basis improved 1.4 ppt as compared to the previous consolidated fiscal year to 21.1% (see page 76).

While aiming for growth in the top line in both its Japan and international businesses, the Group will continue to improve operational efficiency and cost controls to increase profitability across the entire Group, toward achieving the goal of "underlying operating margin of 20% or higher," as set forth as one of the objectives of the medium-term management plan.

4) Further reinforcing the business platform in the core Japanese market

The Group's greatest strength is its strong business platform in Japan, and this has not changed. In its business in this key market for the fiscal year under review, despite concerns over a pullback in demand after the 2014 FIFA World Cup Brazil™ and stagnant personal consumption, the performance of the major subsidiaries in promotion or digital domain has remained strong, yielding positive growth.

In Japan, where consumer behavior is drastically changing, it is becoming difficult to achieve sufficient results unless the individual measures in the marketing activities are organically linked.

In light of these environment changes, the entire Group continues to work on strengthening the capability for digital solutions including the marketing intelligence domain and enhancing the system.

In addition, the Group further strengthens its competitiveness in the mass media business by accumulating the collaboration with players in the media content domain and by making efforts to establish new revenue models and enhancing the value of the diverse media. Furthermore, the Company will work to increase its problem-solving abilities and capability to create profits in a greater number of domains, in its efforts to evolve into a partner who can support the success of its clients from a variety of angles.

Additionally, the Company is providing support for creating marketing plans and sponsorship sales as the exclusive marketing agency for the Tokyo 2020 Olympic and Paralympic Games. Concerning sponsorship sales, six Gold Sponsors (15 sponsors in total) were finalized during the fiscal year under review, and progress has been steady. The Company will continue to fulfill its role as the exclusive marketing agency.

The above is the overview of the medium-term management plan.

As the issues to be addressed, we are also striving to enhance our global CSR activities in addition to the efforts outlined above.

As described in the corporate governance code (implementation began in June 2015), there was growing momentum among our stakeholders to seek ESG (environmental, social, governance), in other words, commitment to CSR activities in the fiscal year under review.

In light of this situation, the Group formulated the "Dentsu Group Medium-term CSR strategy 2020" in December 2015.

The plan has set targets to be achieved by 2020 highlighting the four key domains: environmental conservation, community, supply chain, and responsible marketing communications.

In addition, as a leading member of the Japan Network of the United Nations Global Compact, which is the international CSR initiative, the Company will continuously strive to identify and solve global social issues through our cross-industry network.

Moving forward, we plan to continue our efforts to improve corporate value by enhancing the desirable CSR activities as the leading global group in the communication domain.

For details on individual activities, please refer to the Dentsu Sustainability Report (http://www.dentsu.com/csr/index.html).

## Analysis of Capital Resources and Cash Liquidity

### Assets, Liabilities and Equity

As of December 31, 2015, total assets decreased by 93,459 million yen, liabilities decreased by 85,139 million yen, and total equity decreased by 8,320 million yen compared to the previous consolidated fiscal year respectively, as affected by the repayment of bonds and borrowings and the acquisition of treasury stock.

### Cash Flows

As of December 31, 2015, cash and cash equivalents (hereinafter "cash") amounted to 263,322 million yen down from the 365,379 million yen posted at the end of the previous consolidated fiscal year. As net cash provided by operating activities exceeded net cash used in investing activities and financing activities, cash at the end of the consolidated fiscal year under review decreased 102,057 million yen from the end of the previous consolidated fiscal year

Net cash provided by operating activities amounted to 69,554 million yen (112,388 million was posted at the previous consolidated fiscal year), primarily due to recording of profit before tax.

Net cash used in investing activities amounted to 61,203 million yen (25,510 million yen was posted at the previous consolidated fiscal year), primarily due to purchase of investments in subsidiaries.

Net cash used in financing activities amounted to 95,666 million yen (income of 8,391 million yen was posted at the previous consolidated fiscal year), primarily due to expenditures in repayment of long-term borrowings, purchase of treasury stocks, and payment of dividends.

### Capital Requirements

The Group's principal working capital requirements are payments for the purchase of advertising time and/or space and the production of advertisements, as well as personnel costs and other SG&A expenses.

In recent years, capital requirements have increased for investments in the digital and global domains in the course of exploring different advertising opportunities.

### Financial Policy

The Group's primary source of funds is cash generated from internal reserves, short-term borrowings and the issuance of commercial paper. The Group has generally had positive working capital (current assets minus current liabilities) on a consolidated basis. In the previous fiscal year and the fiscal year under review, the Group's working capital recorded positive amounts of 170.6 billion yen and 129.4 billion yen, respectively.

To ensure short-term liquidity, Dentsu established a bank credit line of up to 50.0 billion yen via a syndication arrangement. Also, Dentsu Aegis Network established a bank credit line of 500 million pounds (approximately 89.0 billion yen) as a contingency fund. In addition, to improve cash efficiency within the Group, a cash management system (CMS) was introduced so that Dentsu could borrow cash from domestic consolidated subsidiaries. A Groupwide finance system is now in place that enables nearly all domestic consolidated subsidiaries that require funding to borrow funds acquired for this purpose from other domestic consolidated subsidiaries with excess cash. Also, a global CMS has been introduced at Dentsu Aegis Network, through which overseas cash is consolidated in London.

The Japanese rating agency Rating and Investment Information, Inc., or R&I, has assigned a rating of AA- to Dentsu's long-term debt and a rating of a-1+ to its short-term debt.

## Management Issues and Future Policies

See Current Status of Management Strategies and Outlook on page 80.

## Operating and Other Risks

The operating results, share price and financial position of Dentsu and, by extension, the Dentsu Group are subject to various risks, as described below.

Any forward-looking statements in the following discussion are based on the judgment of management as of the date of filing the securities report.

### Overall Industry-related Risk

#### Risk related to fluctuations in the economic and business environments

The financial results of the Dentsu Group and other companies in the advertising industry are highly susceptible to changes in the market and business conditions because many advertisers adjust their spending in response to changes in these conditions.

Management has taken steps, such as diversifying the types of services the Group provides and geographic regions in which the Group operates, to reduce exposure to the impact of fluctuations in economic and business environments. Nonetheless, the Group's financial results may be influenced by macroeconomic trends in Japan and fluctuations in the operating environment of key domestic industry sectors that have significant advertising expenditures. In addition, changes in business conditions outside Japan, such as an economic slowdown or exchange rate fluctuations, could also adversely affect business conditions in Japan, and therefore adversely affect the results of operations of the Group's business in Japan.

In April 2017, Japan's consumption tax rate is scheduled to be raised from 8% to 10%. Such a tax increase may adversely affect the Japanese economy in general, and in particular, curb consumer spending, which could in turn reduce the demand for the Group's services and negatively impact its results of operations.

The Great East Japan Earthquake that occurred in March 2011 adversely affected the Japanese economy due to supply chain disruptions, electricity shortages and other factors. While economic and business conditions in Japan have improved since then, there is no assurance that conditions may not deteriorate again in the future, including as a result of future earthquakes or other natural disasters.

With the acquisition of the major British advertising agency Aegis in March 2013, the proportion of the Group's gross profit accounted for by its operations outside of Japan increased significantly, to 54%, in fiscal 2015. With this development, downturns in the economies and business environments of the principal markets in which the Group operates outside of Japan could have an increased adverse impact on its overall results of operations.

### Risk related to technological innovation and structural changes in the media

Developments in technology and structural changes in the media are having an increasing impact on the Dentsu Group's business. According to 2015 Advertising Expenditures in Japan (issued by Dentsu), Internet advertising expenditures have continued to grow since the first survey in 1996 and have reached a level surpassing the amounts allocated to newspaper, magazine or radio advertising, which are three of the four traditional mass media (newspapers, magazines, radio and television).

Management believes that the development of Internet-based and other new media advertising should contribute to expanding the overall advertising market by generating synergies between advertising in the four traditional mass media and such new advertising. The Dentsu Group also believes that it has already secured a leading position in Japan not only in advertising in the four traditional mass media but also in Internet advertising, and the Group continues to seek to explore and exploit further business opportunities.

Nevertheless, if the Group cannot cope appropriately with changes in the media structure associated with the rapid pace of technological innovation, its results of operations could be adversely affected.

### Risk related to shortfalls in financial targets and other goals

Pursuant to the Dentsu Group's new medium-term management plan—Dentsu 2017 and Beyond—the Group has set financial targets and other goals to be achieved by the fiscal year ending December 31, 2017. For example, the Group intends to continue to increase the proportion of its revenue from business outside of Japan by enhancing and extending its new global network formed with the acquisition of Aegis. However, the Group's ability to achieve its financial targets and other goals is based on a number of underlying assumptions, including assumptions regarding factors beyond its control such as growth in advertising expenditures globally, foreign currency exchange rates and interest rates, as well as general economic growth rates of countries in which the Group operates. If any of these assumptions proves to be inaccurate, the Group may be unable to achieve its financial targets and other goals. In addition, there is no assurance that management will be able to successfully implement the medium-term management plan.

### Risk related to common business practices

In Japan, Dentsu Group companies are liable for payment to media companies regardless of whether they receive payment from their clients. This practice exposes the Group to the risk of payment default by advertiser clients, including as the result of the bankruptcy of clients. An increase in payment defaults by clients could adversely affect the Group's results of operations. The nature of the advertising business is such that sudden changes in advertising proposals and actual advertisements are frequent. The Group strives to preclude problems related to work for clients through measures such as encouraging the conclusion of basic written contracts with them, but unforeseen events or disputes with clients may arise.

Overseas, especially in Europe and the Americas, relationships between advertisers and advertising agencies are usually exclusive within a particular industry In Japan, however, these relationships are typically less exclusive. Accordingly, the Dentsu Group, like other advertising agencies in Japan, handles multiple clients in a single industry. If the practice in Japan were to change in favor of exclusive relationships, and if the Group's efforts to respond to such a change were ineffective, its results of operations could be adversely affected.

### Competition-related Risk

#### Risk related to competition among advertising agencies

The Dentsu Group faces increasing competition from advertising agencies in Japan and overseas.

In Japan, mergers among domestic advertising companies or other reorganizations of the domestic industry, or further entry into the market by large global advertising companies, could alter the structure of Japan's advertising industry and increase the competitive pressure that the Group faces. Going forward, the Group's results of operations could be adversely affected by increased competition to secure clients if the Group is unable to respond effectively to changes in the structure of the industry or standard business practices prompted by such developments.

Outside of Japan, the Group competes with large global advertising companies, some of which have greater geographic scope and greater financial, human and other resources than the Group, as well as with smaller agencies that specialize in one or more countries or local markets. To the extent that the Group is not able to remain competitive and obtain and retain key clients, its results of operations may be adversely affected.

#### Risk related to competition from new market entries and from adjacent industries

The rapid expansion and diversification of the advertising field is giving rise to competition from an increasing number of companies in adjacent industries, including general trading and consulting companies. Fields related to Internet advertising and social networking services are also seeing a sharp increase in the number of new market entrants, and the Dentsu Group competes with these companies in the development and expansion of new businesses. If the Group is unable to respond effectively to client needs in such business domains from either a service or a cost perspective, or if the entrance of new companies into these new markets suddenly causes rapid changes in customary advertising business practices, the Group's results of operations could be adversely affected.

### Risk Related to Advertisers and Media Companies

The Dentsu Group has formed business ties with major advertisers in Japan and has maintained stable, long-term relationships with a large majority of its current clients.

The Group has also established strong relationships with Japan's mass media companies, which enhances its ability to coordinate operations and sales activities between advertisers and media companies, and thereby facilitate transactions.

However, if the Group is unable to provide services that match the needs of existing or new advertisers and media companies, the Group may be adversely affected, including by the termination of business relationships, the reduction of accounts or unfavorable changes in the terms of business.

In recent years, advertisers have sought to consolidate their media service activities with one advertising agency to boost advertising efficiency and reduce costs. For this and other reasons, the Group and other advertising companies have experienced a decrease in the profitability of mass media advertising services. If this trend persists, the Group's results of operations could be further adversely affected.

### Risk Related to Efforts to Reinforce Domestic Service Capabilities

#### Risk related to the development of information technology processes and databases

The Dentsu Group is currently involved in research and development on information technology processes and databases that verify the effectiveness of clients' advertising activities and marketing budgets. Through these efforts, management seeks to bring latent demand to the surface and expand its share of the

Japanese advertising market. However, it is unclear if or when the results of these efforts will be marketable and put to practical use. Moreover, even if the Group is able to develop marketable services from its R&D activities, these services may not produce the results the Group expects, especially if the needs of clients have changed significantly or technological challenges preclude widespread use of the services.

Risk related to investments in media and Internet advertising businesses
To reinforce the Dentsu Group's position in the media markets and otherwise expand its business, the Group has made investments in the four traditional mass media, OOH media (out-of-home media such as transit and billboard) and satellite media (broadcast and communication satellites), as well as in related research and business development programs. However, if demand for media advertising becomes stagnant or competition in the media advertising market intensifies, profits and other business results may not be sufficient to generate the return the Group expects from these investments in R&D and commercialization.

In the Internet advertising domain, as advertising methods diversify and demands from clients expand, the Dentsu Group has been actively establishing alliances with leading, specialized agencies as well as investing in other specialized companies and technologies. These moves support the Group's efforts to further promote and propose cross-media campaigns that are aimed at creating effective synergies among multiple media and creative outlets that are effective in light of target consumers' behavior patterns. The Group is also focusing on performance-based advertising, a method of ad delivery which utilizes platforms that employ ad technologies processing vast amounts of data to provide automatic or instantaneous optimization of advertising. However, if the Group's efforts fail to adequately address the rapid progress in technologies and services associated with the Internet advertising domain, the Group may be unable to realize its initially expected return on these investments.

Risk related to expansion of the promotion business
The importance of promotional activities has been rising for advertisers, and the market is expanding. Taking advantage of this opportunity, the Dentsu Group has established several specialized companies in promotion-related fields such as point-of-purchase marketing, flyer production, direct business and client access in order to expand its future promotion business. However, if demand for these services falls short of expectations, or if the Group is unable to maintain competitiveness with other solutions providers, the Group may not realize the return on investments that it expects.

Risk Related to Content Business

The Dentsu Group actively invests in the acquisition of rights to, and in the production of, films, television programs, sports events and music, and seeks to generate profits from the production, distribution, sale and licensing of films and other content as well as from the sale of sponsorships, broadcasting rights and content-related advertising. However, these projects may extend over several fiscal years and require significant acquisition costs and financial commitments. In addition, media that provide content have been diversifying in recent years. Moreover, the success of the Group's content business depends primarily upon acceptance by the general public, which can be difficult to predict. Therefore, if these investments in content or events do not develop as planned or do not realize the benefits expected, the Group's results of operations may be adversely affected.

Risk Related to Global Businesses

Risks related to international business development
With the acquisition of Aegis, the Dentsu Group's global operations have expanded to over 140 countries and regions. The Group's global operations are subject to a number of risks, including but not limited to the following:

- Difficulties in monitoring and coordinating operations in such a large number and wide range of jurisdictions;
- Heightened exposure to any downturn affecting the global economy;
- Risks related to foreign laws, regulations and policies, including capital and exchange controls;

- Differences in, or conflicts among, the taxation regimes in the different jurisdictions in which the Group operates;
- Changes with respect to taxation, including impositions or increases of withholding and other taxes on remittances and other payments by the Group's overseas subsidiaries;
- Fluctuations in foreign currency exchange rates;
- Varying standards and practices in the legal, regulatory and business cultures in which the Group operates, including potential inability to enforce contracts or intellectual property rights and restrictions on employment matters;
- Trade restrictions and changes in tariff;
- Risks related to political instability and uncertain business environments;
- Changes in the political or economic relationship between Japan and the other countries and regions in which the Group operates;
- Acts of terrorism, war, epidemics and other sources of social disruption; and
- Difficulties associated with managing local personnel and preventing misconduct by local third-party alliance partners.

Any one or more of these or other factors could increase the Group's costs, reduce its revenues or disrupt its operations, with possible material adverse effects on its business, financial condition and results of operations.

Risk related to impairment losses on goodwill and other intangible assets

The Dentsu Group carries significant amounts of goodwill and other intangible assets on its balance sheet, particularly as a result of the acquisition of Aegis. Under Japanese GAAP, the Group is required to examine such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recognition of such impairment charges may adversely affect the Group's business, financial condition and results of operations.

Risk Related to Maintaining and Developing Human Resources

The growth potential and competitiveness of the Dentsu Group are highly dependent upon attracting, retaining and developing excellent human resources. Therefore, Group companies strive to attract the necessary talent by hiring a stable number of new graduates and by recruiting mid-career professionals with expertise and experience that will make an immediate contribution. At the same time, the Group endeavors to promote personnel development by offering training opportunities according to the position and ability of each individual. However, these efforts could be sidetracked for all sorts of reasons, making it difficult to attract exceptional people or keep them within the Group. If this were to occur, the Group's growth potential and its competitive edge could be adversely affected.

Moreover, the Group is continuing to address issues inherent in the management of a greater number of employees in diverse cultural and geographic areas, particularly with the integration of a large number of new overseas employees in connection with the acquisition of Aegis. There can be no assurance that the Group will be able to attract or retain key employees and successfully manage them. The Group's inability to do so could disrupt its business and have a material adverse effect on its financial condition, results of operations and competitive position.

Risk Related to Reliance on Information Technology Systems

The Dentsu Group relies on information technology systems and infrastructure to process transactions, summarize results and manage its business, including maintaining client marketing and advertising information. The Group's information technology systems are potentially vulnerable to system failures and network disruptions, malicious intrusion and random attack. Likewise, data security incidents and breaches by employees and others with or without permitted access to its systems may pose a risk that sensitive data may be exposed to unauthorized persons or to the public. Additionally, the Group utilizes third parties to store, transfer or process data. While the Group has taken prudent measures to protect its data and information technology systems, there can be no assurance that its efforts will prevent system failures or network disruptions or breaches in its systems, or in systems of third parties the Group uses, which could adversely affect its results of operations.

### Risk Related to Legal or Regulatory Changes

Advertising companies in Japan, including those under the Dentsu Group umbrella, are subject to a number of laws and regulations, including the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and the Act on the Protection of Personal Information. At the current time, management does not anticipate that these laws and regulations will have any material impact on the Group's business. However, the financial results of the Dentsu Group and other advertising companies could be adversely affected if existing laws or regulations governing the advertising activities of advertisers or the format or content of advertisements are strengthened, if new laws or regulations are introduced, or if existing laws and regulations are reinterpreted.

Members of the Group handle personal and other advertiser information in the course of doing business. The Dentsu Group's information security system is certified to international standards, and the utmost care is given to safeguarding information entrusted to the Group. However, in the unlikely event of an information leak or other such incident occurring, the Group's credibility could be severely compromised. This could adversely affect its financial results.

### Risk of Litigation

The Dentsu Group could become involved in litigation brought against it directly or indirectly in association with the execution of business by members of the Group, including claims by clients, organizations, consumers or owners of intellectual property.

# Consolidated Financial Statements

## Consolidated Statement of Financial Position

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2015

| ASSETS | Notes | FY2014 (As of March 31, 2015) | (Millions of Yen) FY2015 (As of December 31, 2015) | (Millions of U.S. Dollars) FY2015 (As of December 31, 2015) |
|---|---|---|---|---|
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | 7 | ¥365,379 | ¥263,322 | $2,183 |
| Trade and other receivables | 8, 32 | 1,224,190 | 1,263,317 | 10,474 |
| Inventories | 9 | 25,982 | 18,724 | 155 |
| Other financial assets | 10, 19, 32 | 22,732 | 20,945 | 174 |
| Other current assets | 11 | 43,575 | 46,201 | 383 |
| Subtotal | | 1,681,861 | 1,612,510 | 13,370 |
| Non-current assets classified as held for sale | 12 | – | 5,513 | 46 |
| Total current assets | | 1,681,861 | 1,618,024 | 13,415 |
| NON-CURRENT ASSETS: | | | | |
| Property, plant and equipment | 13 | 199,037 | 196,782 | 1,632 |
| Goodwill | 14 | 656,565 | 656,862 | 5,446 |
| Intangible assets | 14 | 274,745 | 256,991 | 2,131 |
| Investment property | 16 | 42,160 | 41,642 | 345 |
| Investments accounted for using the equity method | 6, 17 | 53,042 | 50,281 | 417 |
| Other financial assets | 10, 32 | 214,393 | 218,083 | 1,808 |
| Other non-current assets | 22 | 22,134 | 11,515 | 95 |
| Deferred tax assets | 18 | 15,594 | 15,893 | 132 |
| Total non-current assets | | 1,477,673 | 1,448,051 | 12,006 |
| TOTAL ASSETS | 6 | ¥3,159,534 | ¥3,066,075 | $25,421 |

## Consolidated Statement of Financial Position

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2015

| LIABILITIES AND EQUITY | Notes | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) (Millions of Yen) | FY2015 (As of December 31, 2015) (Millions of U.S. Dollars) |
|---|---|---|---|---|
| LIABILITIES: | | | | |
| CURRENT LIABILITIES: | | | | |
| Trade and other payables | 19, 32 | ¥1,231,220 | ¥1,207,347 | $10,010 |
| Bonds and borrowings | 20, 32 | 73,653 | 66,805 | 554 |
| Other financial liabilities | 20, 32 | 54,082 | 44,988 | 373 |
| Income tax payables | | 21,520 | 11,177 | 93 |
| Provisions | 21 | 208 | 1,819 | 15 |
| Other current liabilities | | 130,571 | 156,156 | 1,295 |
| Subtotal | | 1,511,256 | 1,488,294 | 12,340 |
| Liabilities directly associated with non-current assets classified as held for sale | 12 | – | 307 | 3 |
| Total current liabilities | | 1,511,256 | 1,488,602 | 12,342 |
| NON-CURRENT LIABILITIES: | | | | |
| Bonds and borrowings | 20, 32 | 335,965 | 286,977 | 2,379 |
| Other financial liabilities | 20, 32 | 69,765 | 72,735 | 603 |
| Liability for retirement benefits | 22 | 43,674 | 30,557 | 253 |
| Provisions | 21 | 4,627 | 3,096 | 26 |
| Other non-current liabilities | | 8,849 | 11,350 | 94 |
| Deferred tax liabilities | 18 | 74,331 | 70,011 | 580 |
| Total non-current liabilities | | 537,214 | 474,729 | 3,936 |
| Total liabilities | | 2,048,470 | 1,963,331 | 16,278 |
| EQUITY: | | | | |
| Share capital | 23 | 74,609 | 74,609 | 619 |
| Share premium account | 23 | 99,906 | 99,751 | 827 |
| Treasury shares | 23 | (131) | (20,155) | (167) |
| Other components of equity | | 292,652 | 261,039 | 2,164 |
| Retained earnings | 23 | 613,327 | 652,972 | 5,414 |
| Total equity attributable to owners of the parent | 32 | 1,080,364 | 1,068,216 | 8,857 |
| Non-controlling interests | | 30,699 | 34,526 | 286 |
| Total equity | | 1,111,063 | 1,102,743 | 9,143 |
| TOTAL LIABILITIES AND EQUITY | | ¥3,159,534 | ¥3,066,075 | $25,421 |

## Consolidated Statement of Income

Dentsu Inc. and Consolidated Subsidiaries
Nine months ended December 31, 2015

| | Notes | FY2014 (Year ended March 31, 2015) | (Millions of Yen) FY2015 (Nine months ended December 31, 2015) | (Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015) |
|---|---|---|---|---|
| (Turnover (Note 1)) | 6 | ¥4,642,390 | ¥4,513,955 | $37,426 |
| Revenue | 6 | 728,626 | 706,469 | 5,857 |
| Cost | 13, 14, 22, 26 | 51,701 | 36,979 | 307 |
| Gross profit | 6 | 676,925 | 669,489 | 5,551 |
| Selling, general and administrative expenses | 13, 14, 22, 25, 26 | 572,084 | 566,487 | 4,697 |
| Other income | 27 | 39,102 | 13,030 | 108 |
| Other expenses | 13, 14, 28 | 11,638 | 8,766 | 73 |
| Operating profit | 6 | 132,305 | 107,265 | 889 |
| Share of results of associates | 17 | 7,178 | 3,911 | 32 |
| Profit before interest and tax | | 139,483 | 111,177 | 922 |
| Finance income | 29 | 7,067 | 4,926 | 41 |
| Finance costs | 22, 26, 29 | 12,255 | 10,059 | 83 |
| Profit before tax | | 134,295 | 106,043 | 879 |
| Income tax expense | 18 | 49,649 | 28,339 | 235 |
| Profit for the year | | ¥84,645 | ¥77,704 | $644 |
| Profit attributable to: | | | | |
| Owners of the parent | | ¥79,846 | ¥72,653 | $602 |
| Non-controlling interests | | ¥4,799 | ¥5,051 | $42 |
| Earnings per share | | | (Yen) | (U.S. Dollars) |
| Basic earnings per share | 31 | ¥276.89 | ¥254.05 | $2.11 |
| Diluted earnings per share | 31 | ¥276.84 | ¥254.03 | $2.11 |

Reconciliation from operating profit to underlying operating profit

| | Notes | FY2014 (Year ended March 31, 2015) | (Millions of Yen) FY2015 (Nine months ended December 31, 2015) | (Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015) |
|---|---|---|---|---|
| Operating profit | | ¥132,305 | ¥107,265 | $889 |
| Amortization of intangible assets incurred in acquisitions | | 19,784 | 22,798 | 189 |
| Other adjusting items (selling, general and administrative expenses) | | 4,972 | 2,454 | 20 |
| Other adjusting items (other income) | | (33,275) | (4,565) | (38) |
| Other adjusting items (other expenses) | | 8,151 | 5,376 | 45 |
| Underlying operating profit (Note 2) | 6 | ¥131,937 | ¥133,328 | $1,105 |

(Note 1) Turnover represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover information is not required under IFRS; however, it is voluntarily disclosed in the Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.
(Note 2) For the definition of underlying operating profit, refer to "3. SIGNIFICANT ACCOUNTING POLICIES (20) Underlying Operating Profit."

## Consolidated Statement of Comprehensive Income

Dentsu Inc. and Consolidated Subsidiaries
Nine months ended December 31, 2015

| | Notes | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) (Millions of Yen) | FY2015 (Nine months ended December 31, 2015) (Millions of U.S. Dollars) |
|---|---|---|---|---|
| PROFIT FOR THE YEAR | | ¥84,645 | ¥77,704 | $644 |
| OTHER COMPREHENSIVE INCOME | | | | |
| ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS: | | | | |
| Net change in financial assets measured at fair value through other comprehensive income | 30, 32 | 66,704 | 3,354 | 28 |
| Remeasurements of defined benefit plans | 22, 30 | 7,542 | 2,849 | 24 |
| Share of other comprehensive income of investments accounted for using the equity method | 17, 30 | 152 | 411 | 3 |
| ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS: | | | | |
| Exchange differences on translation of foreign operations | 30 | 46,061 | (35,439) | (294) |
| Effective portion of the change in the fair value of cash flow hedges | 30 | 1,036 | (1,950) | (16) |
| Share of other comprehensive income of investments accounted for using the equity method | 17, 30 | 221 | (589) | (5) |
| Other comprehensive income, net of tax | | 121,717 | (31,363) | (260) |
| COMPREHENSIVE INCOME FOR THE YEAR | | ¥206,363 | ¥46,340 | $384 |
| COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO: | | | | |
| Owners of the parent | | ¥200,471 | ¥42,077 | $349 |
| Non-controlling interests | | ¥5,891 | ¥4,263 | $35 |

## Consolidated Statement of Changes in Equity

Dentsu Inc. and Consolidated Subsidiaries
Nine months ended December 31, 2015

(Millions of Yen)

| | Notes | Total equity attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Other components of equity | | | |
| | Notes | Share capital | Share premium account | Treasury shares | Share options | Exchange differences on translation of foreign operations | Effective portion of the change in the fair value of cash flow hedges | Net change in financial assets measured at fair value through other comprehensive income |
| As of April 1, 2014 | | ¥74,609 | ¥99,906 | ¥(104) | ¥– | ¥160,772 | ¥11,127 | ¥15,267 |
| Profit for the year | | | | | | | | |
| Other comprehensive income | | | | | | 45,129 | 1,004 | 66,847 |
| Comprehensive income for the year | | – | – | – | – | 45,129 | 1,004 | 66,847 |
| Repurchase of treasury shares | | | | (27) | | | | |
| Disposal of treasury shares | | | 0 | 0 | | | | |
| Issue of share options | | | | | 48 | | | |
| Dividends | 24 | | | | | | | |
| Transactions with non-controlling interests in subsidiaries that do not result in a loss of control | | | | | | | | |
| Transfer from other components of equity to retained earnings | | | | | | | | (732) |
| Transactions with owners—total | | – | 0 | (27) | 48 | – | – | (732) |
| As of March 31, 2015 | | ¥74,609 | ¥99,906 | ¥(131) | ¥48 | ¥205,902 | ¥12,131 | ¥81,382 |
| Profit for the year | | | | | | | | |
| Other comprehensive income | | | | | | (34,769) | (1,909) | 3,293 |
| Comprehensive income for the year | | – | – | – | – | (34,769) | (1,909) | 3,293 |
| Repurchase of treasury shares | | | (154) | (20,024) | | | | |
| Dividends | 24 | | | | | | | |
| Transactions with non-controlling interests in subsidiaries that do not result in a loss of control | | | | | | | | |
| Transfer from other components of equity to retained earnings | | | | | | | | (1,037) |
| Other | | | | | | | | |
| Transactions with owners—total | | – | (154) | (20,024) | – | – | – | (1,037) |
| As of December 31, 2015 | | ¥74,609 | ¥99,751 | ¥(20,155) | ¥48 | ¥171,132 | ¥10,222 | ¥83,639 |

(Millions of U.S. Dollars)

| | Notes | Total equity attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Other components of equity | | | |
| | Notes | Share capital | Share premium account | Treasury shares | Share options | Exchange differences on translation of foreign operations | Effective portion of the change in the fair value of cash flow hedges | Net change in financial assets measured at fair value through other comprehensive income |
| As of March 31, 2015 | | $619 | $828 | $(1) | $0 | $1,707 | $101 | $675 |
| Profit for the year | | | | | | | | |
| Other comprehensive income | | | | | | (288) | (16) | 27 |
| Comprehensive income for the year | | – | – | – | – | (288) | (16) | 27 |
| Repurchase of treasury shares | | | (1) | (166) | | | | |
| Dividends | 24 | | | | | | | |
| Transactions with non-controlling interests in subsidiaries that do not result in a loss of control | | | | | | | | |
| Transfer from other components of equity to retained earnings | | | | | | | | (9) |
| Other | | | | | | | | |
| Transactions with owners—total | | – | (1) | (166) | – | – | – | (9) |
| As of December 31, 2015 | | $619 | $827 | $(167) | $0 | $1,419 | $85 | $693 |

(Millions of Yen)

| | Notes | Total equity attributable to owners of the parent: Other components of equity: Remeasurements of defined benefit plans | Other components of equity: Total | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| As of April 1, 2014 | | ¥(14,456) | ¥172,711 | ¥553,889 | ¥901,012 | ¥24,709 | ¥925,722 |
| Profit for the year | | | – | 79,846 | 79,846 | 4,799 | 84,645 |
| Other comprehensive income | | 7,643 | 120,625 | | 120,625 | 1,092 | 121,717 |
| Comprehensive income for the year | | 7,643 | 120,625 | 79,846 | 200,471 | 5,891 | 206,363 |
| Repurchase of treasury shares | | | – | | (27) | | (27) |
| Disposal of treasury shares | | | – | | 0 | | 0 |
| Issue of share options | | | 48 | | 48 | | 48 |
| Dividends | 24 | | – | (10,669) | (10,669) | (2,498) | (13,167) |
| Transactions with non-controlling interests in subsidiaries that do not result in a loss of control | | | – | (10,471) | (10,471) | 2,596 | (7,875) |
| Transfer from other components of equity to retained earnings | | | (732) | 732 | – | | – |
| Transactions with owners—total | | – | (684) | (20,408) | (21,119) | 97 | (21,021) |
| As of March 31, 2015 | | ¥(6,813) | ¥292,652 | ¥613,327 | ¥1,080,364 | ¥30,699 | ¥1,111,063 |
| Profit for the year | | | – | 72,653 | 72,653 | 5,051 | 77,704 |
| Other comprehensive income | | 2,809 | (30,576) | | (30,576) | (787) | (31,363) |
| Comprehensive income for the year | | 2,809 | (30,576) | 72,653 | 42,077 | 4,263 | 46,340 |
| Repurchase of treasury shares | | | – | | (20,179) | | (20,179) |
| Dividends | 24 | | – | (20,072) | (20,072) | (3,164) | (23,236) |
| Transactions with non-controlling interests in subsidiaries that do not result in a loss of control | | | – | (13,972) | (13,972) | 2,743 | (11,229) |
| Transfer from other components of equity to retained earnings | | | (1,037) | 1,037 | – | | – |
| Other | | | – | | – | (15) | (15) |
| Transactions with owners—total | | – | (1,037) | (33,008) | (54,224) | (436) | (54,660) |
| As of December 31, 2015 | | ¥(4,003) | ¥261,039 | ¥652,972 | ¥1,068,216 | ¥34,526 | ¥1,102,743 |

(Millions of U.S. Dollars)

| | Notes | Total equity attributable to owners of the parent: Other components of equity: Remeasurements of defined benefit plans | Other components of equity: Total | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|
| As of March 31, 2015 | | $(56) | $2,426 | $5,085 | $8,957 | $255 | $9,212 |
| Profit for the year | | | – | 602 | 602 | 42 | 644 |
| Other comprehensive income | | 23 | (254) | | (254) | (7) | (260) |
| Comprehensive income for the year | | 23 | (254) | 602 | 349 | 35 | 384 |
| Repurchase of treasury shares | | | – | | (167) | | (167) |
| Dividends | 24 | | – | (166) | (166) | (26) | (193) |
| Transactions with non-controlling interests in subsidiaries that do not result in a loss of control | | | – | (116) | (116) | 23 | (93) |
| Transfer from other components of equity to retained earnings | | | (9) | 9 | – | | – |
| Other | | | – | | – | (0) | (0) |
| Transactions with owners—total | | – | (9) | (274) | (450) | (4) | (453) |
| As of December 31, 2015 | | $(33) | $2,164 | $5,414 | $8,857 | $286 | $9,143 |

## Consolidated Statement of Cash Flows

Dentsu Inc. and Consolidated Subsidiaries
Nine months ended December 31, 2015

| | Notes | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) (Millions of Yen) | FY2015 (Nine months ended December 31, 2015) (Millions of U.S. Dollars) |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before tax | | ¥134,295 | ¥106,043 | $879 |
| ADJUSTMENTS FOR: | | | | |
| Depreciation and amortization | | 40,390 | 41,453 | 344 |
| Impairment loss | | 1,824 | 2,489 | 21 |
| Interest and dividend income | | (4,275) | (4,136) | (34) |
| Interest expense | | 7,112 | 6,840 | 57 |
| Share of results of associates | | (7,178) | (3,911) | (32) |
| Increase (decrease) in liability for retirement benefits | | (215) | 1,670 | 14 |
| Other — net | | (38,339) | 1,838 | 15 |
| Cash flows from operating activities before adjusting changes in working capital and others | | 133,614 | 152,288 | 1,263 |
| CHANGES IN WORKING CAPITAL: | | | | |
| (Increase) decrease in trade and other receivables | | (114,985) | (73,141) | (606) |
| (Increase) decrease in inventories | | (12,201) | 7,367 | 61 |
| (Increase) decrease in other current assets | | 10,114 | (4,179) | (35) |
| Increase (decrease) in trade and other payables | | 101,835 | 28,483 | 236 |
| Increase (decrease) in other current liabilities | | 41,163 | 4,578 | 38 |
| Change in working capital | | 25,927 | (36,891) | (306) |
| Subtotal | | 159,542 | 115,396 | 957 |
| Interest received | | 2,046 | 2,044 | 17 |
| Dividends received | | 6,895 | 5,722 | 47 |
| Interest paid | | (6,564) | (6,781) | (56) |
| Income taxes paid | | (49,531) | (46,828) | (388) |
| Net cash flows from operating activities | | 112,388 | 69,554 | 577 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payment for purchase of property, plant and equipment, intangible assets and investment property | 6 | (21,669) | (19,652) | (163) |
| Proceeds from sale of property, plant and equipment, intangible assets and investment property | | 36,074 | 869 | 7 |
| Net cash (paid) received on acquisition of subsidiaries | | (35,528) | (41,996) | (348) |
| Net cash (paid) received on disposal of subsidiaries | | – | 25 | 0 |
| Payments for purchases of securities | | (4,536) | (6,755) | (56) |
| Proceeds from sales of securities | | 2,235 | 9,469 | 79 |
| Other — net | | (2,184) | (3,163) | (26) |
| Net cash flows from investing activities | | (25,610) | (61,203) | (507) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Net increase (decrease) in short-term borrowings | | (4,055) | (12,949) | (107) |
| Proceeds from long-term borrowings | | 52,134 | 91 | 1 |
| Repayment of long-term borrowings | | (16,375) | (29,246) | (242) |
| Repayments of bonds | | (8,008) | (11,936) | (99) |
| Payment for acquisition of interest in a subsidiary from non-controlling interests | | (580) | (2,735) | (23) |
| Proceeds from sales of interest in a subsidiary to non-controlling interests | | 59 | 2,952 | 24 |
| Payments for purchase of treasury shares | | (27) | (20,024) | (166) |
| Proceeds from disposal of treasury shares | | 0 | – | – |
| Dividends paid | 24 | (10,669) | (20,072) | (166) |
| Dividends paid to non-controlling interests | | (2,527) | (2,917) | (24) |
| Other — net | | (1,558) | 1,171 | 10 |
| Net cash flows from financing activities | | 8,391 | (95,666) | (793) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | 16,856 | (14,741) | (122) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 112,025 | (102,057) | (846) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 7 | 253,354 | 365,379 | 3,029 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 7 | ¥365,379 | ¥263,322 | $2,183 |

# Notes to Consolidated Financial Statements

Dentsu Inc. and Consolidated Subsidiaries

## 1. REPORTING ENTITY

Dentsu Inc. (hereinafter referred to as the "Company") is a joint stock corporation under the Companies Act of Japan located in Japan.

The addresses of the Company's registered corporate headquarters and principal business offices are available on the Company's website (http://www.dentsu.co.jp/).

The details of businesses and principal business activities of the Company and its subsidiaries (hereinafter referred to as the "Group") are stated in "6. SEGMENT INFORMATION".

The consolidated financial statements for the year ended December 31, 2015 were approved by Tadashi Ishii, Representative Director and President & CEO, and Shoichi Nakamoto, Director and Senior Executive Vice President & CFO, on March 30, 2016.

## 2. BASIS OF PREPARATION

### (1) Compliance with the International Financial Reporting Standards (hereinafter referred to as "IFRS")

The Company's consolidated financial statements meet all requirements of Article 1-2 "Specified Company" stipulated in the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; (the "Ordinance on Consolidated Financial Statements")) and are prepared in accordance with IFRS under the provisions of Article 93 of the Ordinance on Consolidated Financial Statements.

### (2) Basis of Measurement

The consolidated financial statements are prepared on the historical cost basis, except for financial instruments and others stated in "3. SIGNIFICANT ACCOUNTING POLICIES."

### (3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company.

For the convenience of readers outside Japan, the accompanying Consolidated Financial Statements are also presented in United States dollars by translating Japanese yen amounts at the exchange rate of ¥120.61 to U.S.$1, the approximate rate of exchange at the end of December 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at the above or any other rate.

Amounts of less than one million yen have been rounded down to the nearest million yen and less than one million U.S. dollars have been rounded to the nearest million U.S. dollars in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

### (4) Early Application of New Standards

The Group has early applied IFRS 9 "Financial Instruments" (revised in October 2010) effective the date of transition to IFRS (April 1, 2013).

### (5) Change in Fiscal Year End

Effective from the current fiscal year, the Company and its subsidiaries with fiscal year ends other than December 31 changed their fiscal year ends to December 31 in order to enhance and improve the efficiency of the account closing and management system on a Group-wide basis by unifying the fiscal year end with the Group's overseas consolidated subsidiaries.

As a result of this change of fiscal year end from March 31 to December 31, the current fiscal year was the nine-month period from April 1, 2015 to December 31, 2015.

The fiscal year end date of Dentsu Aegis Network Ltd. and subsidiaries under control (hereinafter, collectively "Dentsu Aegis Network"), which operate the Group's international advertising business, continues to be December 31 as before, hence the Group consolidates financial results of Dentsu Aegis Network for the twelve-month period from January 1, 2015 to December 31, 2015 into the consolidated financial results for the nine-month period ended December 31, 2015.

For pro forma information of the consolidated statement of income assuming that the fiscal year of the Group had been the twelve-month period from January 1, 2015 to December 31, 2015, please refer to Note "37. CONSOLIDATED STATEMENT OF INCOME (2015 JANUARY–DECEMBER)".

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (1) Basis of Consolidation

*A. Subsidiaries*

A subsidiary is an entity controlled by the Group. An entity is treated as a subsidiary if the Group is deemed, in principle, to have control over that entity when it holds a majority of the voting rights of that entity. An entity is treated as a subsidiary even if the Group holds less than a majority of the voting rights of the entity, where control is deemed to be achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. In cases where the accounting policies adopted by a subsidiary are different from those adopted by the Group, adjustments are made to the subsidiary's financial statements, as necessary, to conform with the accounting policies adopted by the Group.

A change in the ownership interest in a subsidiary without a loss of control is accounted for as an equity transaction, and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, any resulting gain or loss is recognized in profit or loss.

*B. Associates and Joint Ventures*

An associate is an entity over which the Group has significant influence in respect to the financial and operating policies but does not have control.

When the Group holds between 20% and 50% of the voting rights, the entity is, in principle, treated as an associate.

When the Group holds less than 20% of the voting rights of the entity but is determined to have significant influence over the entity, such as through delegation of officers, the entity is treated as an associate.

A joint venture is an entity in which two or more parties, including the Group, have contractually agreed to sharing of control of an arrangement and have rights to the net assets of the joint venture, and in which unanimous consent of the controlling parties is required to make decisions on relevant business activities.

The Group's investments in associates and joint ventures are accounted for using the equity method. The investments are measured as the carrying amount (including goodwill recognized upon acquisition) determined using the equity method less accumulated impairment losses.

The consolidated financial statements include the Group's share of changes in profit or loss and other comprehensive income of an associate and joint venture from the date of acquisition of significant influence or joint control until the date such influence or control is lost. In cases where the accounting policies adopted by an associate or joint venture are different from those adopted by the Group, adjustments are made to the associate or joint venture's financial statements, as necessary, to conform with the accounting policies adopted by the Group.

If application of the equity method ceases as a result of the loss of significant influence on associates or joint ventures, gain or loss on the sales of shares is recognized in profit or loss, and the valuation difference arising from remeasurement of the residual shares at fair value is recognized in profit or loss in the same period the significant influence is lost.

*C. Transactions Eliminated Under Consolidation*

All intragroup balances, transactions, and unrealized gains resulting from intragroup transactions are eliminated on consolidation. Unrealized gains resulting from transactions with associates and joint ventures are subtracted from investments, with the Company's share in an investee company as its upper limit.

(2) Business Combinations

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured as the sum of the acquisition-date fair value of the assets transferred, the liabilities assumed and equity instruments issued by the Company in exchange for control over an acquiree and includes contingent consideration when appropriate.

At the acquisition date, the identifiable assets and liabilities are recognized at their fair value, except that:

(i) Deferred tax assets or liabilities, and assets or liabilities, which are related to employee benefit arrangements, are recognized and measured in accordance with International Accounting Standards (hereinafter referred to as "IAS") 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively.

(ii) Assets or disposal groups that are classified as held-for-sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with such standard.

Any excess of the consideration of acquisition over the fair value of identifiable assets and liabilities is recognized as goodwill. If the consideration of acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is immediately recognized in profit.

If the initial accounting for a business combination is incomplete by the end of the fiscal year in which the combination occurs, provisional amounts of incomplete items are measured based on best estimates. Provisional amounts are adjusted retrospectively to reflect new information obtained during the measurement period, within one year from the date of acquisition, that, if known, would have affected the amounts recognized at that date.

The change in fair value of contingent consideration after the acquisition is reflected as an adjustment to the consideration transferred when the change occurs during the above measurement period, otherwise the change is recognized in profit or loss.

The Group elects to measure non-controlling interests at either fair value or based on the proportionate share in the recognized identifiable net asset amounts for each business combination transaction.

Acquisition-related costs incurred to effect a business combination are recognized as expenses when incurred, with the exception of costs related to the issuance of debt instruments and equity instruments.

(3) Foreign Currency Translation

*A. Translation of Foreign Currency Transactions*

Foreign currency transactions are translated into each functional currency of the group entity using the exchange rate at the date of the transaction.

At each fiscal year end, monetary assets and liabilities denominated in foreign currencies, and non-monetary assets and liabilities denominated in foreign currencies carried at fair value are translated into the functional currency at the closing rate, and the resulting translation differences are recognized in profit or loss.

Non-monetary items denominated in foreign currencies are translated at the exchange rate at the date of transaction.

*B. Translation of Foreign Operations*

For financial statements of foreign operations such as subsidiaries, assets and liabilities are translated into Japanese yen at the closing rate for a reporting period, and revenue and expenses are translated into Japanese yen using the average rate for the reporting period unless there are significant changes in the exchange rate. Resulting translation differences are recognized in other comprehensive income, and cumulative differences are recognized in other components of equity.

When a foreign operation of the Group is disposed of, cumulative translation differences relating to that foreign operation are transferred to profit or loss.

(4) Financial Instruments

*A. Non-derivative Financial Assets*

(i) Initial Recognition and Measurement

The Group initially recognizes trade and other receivables on the date of occurrence. All other financial assets are initially recognized on the transaction date when the Group became the contracting party for the financial asset.

Non-derivative financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met at the time of initial recognition of financial assets. Otherwise, they are classified as financial assets measured at fair value.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value are classified as financial assets in which changes in fair value subsequent to initial recognition are recognized in profit or loss (hereinafter referred to as "financial assets measured at fair value through profit or loss") and financial assets in which changes in fair value subsequent to initial recognition are recognized in other comprehensive income (hereinafter referred to as "financial assets measured at fair value through other comprehensive income").

At the time of initial recognition, equity financial assets not designated as financial assets measured at fair value through other comprehensive income and debt financial assets that do not satisfy amortized cost criteria are classified as financial assets measured at fair value through profit or loss.

Equity financial assets not held-for-sale, in principle, are designated as financial assets measured at fair value through other comprehensive income at the time of initial recognition.

All financial assets are measured at fair value with the addition of transaction costs that are directly attributable to the financial assets, except for when they are classified as financial assets measured at fair value through profit or loss.

(ii) Subsequent Measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial Assets Measured at Amortized Cost

Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest rate method.

(b) Financial Assets Measured at Fair Value through Profit or Loss

Subsequent to initial recognition, financial assets are remeasured at fair value at each fiscal year end. Changes in fair value and dividends are recognized in profit or loss.

(c) Financial Assets Measured at Fair Value through Other Comprehensive Income

Changes in fair value subsequent to initial recognition are recognized in other comprehensive income, and are transferred to retained earnings if a financial asset is derecognized or the fair value declines significantly. Dividends derived from these financial assets are recognized in profit or loss.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows expire, or when substantially all risks and rewards of ownership are transferred to another entity.

*B. Impairment of Financial Assets Measured at Amortized Cost*

The Group assesses whether objective evidence of impairment exists at each reporting date. Financial assets are determined to be impaired when there is objective evidence that loss events occurred subsequent to initial recognition of the financial assets and when negative effects on estimated future cash flows of the financial assets from those events can be reasonably estimated.

Objective evidence of impairment for a financial asset measured at amortized cost includes, but is not limited to; default or delinquency by the borrower, reductions of repayment amounts or extensions of repayment periods, significant financial difficulty of the borrower, and bankruptcy of the borrower.

The existence of objective evidence of impairment is assessed individually and collectively for financial assets measured at amortized cost.

Impairment losses for a financial asset measured at amortized cost are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset, and recognized as losses. If the amount of impairment losses decreases due to an event occurring after the impairment losses were recognized, the previously recognized impairment losses are reversed by the amount of the decrease through profit.

The impairment losses are recognized through an allowance for doubtful accounts, and the carrying amount of a receivable is directly reduced by an offset against the allowance for doubtful accounts when it is considered uncollectible.

*C. Non-derivative Financial Liabilities*

(i) Initial Recognition and Measurement

The Group initially recognizes debt securities on the date of issue. All other financial liabilities are initially recognized on the transaction date when the Group becomes the contracting party for the financial liability.

Non-derivative financial liabilities are classified as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost at initial recognition.

All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at cost, net of transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent measurements

After initial recognition, financial liabilities are measured based on the classification as follows:

(a) Financial Liabilities Measured at Amortized Cost

Subsequent to initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest rate method.

(b) Financial Liabilities Measured at Fair Value Through Profit or Loss

Subsequent to initial recognition, financial liabilities measured at fair value through profit or loss are remeasured at fair value at each fiscal year end and changes in fair value are recognized in profit or loss.

(iii) Derecognition
A financial liability is derecognized when the obligation is fulfilled, discharged, or expired.

*D. Derivative Financial Instruments and Hedge Accounting*
The Group utilizes derivative financial instruments, such as foreign exchange contracts and interest rate swap contracts, to hedge its foreign currency risks and interest rate risks, respectively.

At the inception of the hedge, the Group designates and documents the relationship to which hedge accounting is adopted, as well as the objectives and strategies of risk management for undertaking the hedge. The documentation includes hedging relationships, the risk management objective, strategies for undertaking the hedge and an assessment of the hedging instrument's effectiveness.

These hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine whether they have actually been highly effective throughout the periods for which they were designated.

Derivative financial instruments are initially recognized at fair value. In addition, derivatives are measured at fair value after initial recognition and changes in the fair value are accounted for as follows:
(i) Fair Value Hedge
Changes in the fair value of derivative financial instruments are recognized in profit or loss.

The change in the fair value of the hedged item attributable to the hedged risk is recorded as part of its carrying amount and recognized in profit or loss.

(ii) Cash Flow Hedge
For the effective portion of gains or losses on hedging instruments, changes in the fair value are recognized in other comprehensive income. The amounts recognized in other comprehensive income are recognized in profit or loss when the cash flows from the hedged items affect profit or loss.

For the ineffective portion, changes in the fair value are recognized in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, when the hedge no longer meets the criteria for hedge accounting, or when the hedging designation is revoked.

(iii) Hedge of Net Investment in Foreign Operations
Translation differences resulting from the hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while those for the ineffective portion are recognized in profit or loss.

Upon disposal of the foreign operation, cumulative gains or losses recognized in equity as other comprehensive income are reclassified to profit or loss.

(iv) Derivative Financial Instruments not Designated as Hedges
Changes in the fair value of derivative financial instruments are recognized in profit or loss.

*E. Offsetting of Financial Instruments*
Financial assets and financial liabilities are offset and presented on a net basis if there is a currently enforceable legal right to offset the recognized amounts, and if there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(5) Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(6) Inventories
Inventories are mainly comprised of broadcasting rights and contents related to sports and entertainment. The inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined mainly by the specific identification method.

(7) Property, Plant and Equipment (Excluding Leased Assets)
Property, plant and equipment is measured at acquisition cost using the cost model subsequent to initial recognition less accumulated depreciation and accumulated impairment losses.

The acquisition cost includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs.

Except for assets such as land that are not depreciated, property, plant and equipment are depreciated mainly using the straight-line method over their estimated useful lives.

The estimated useful lives of major property, plant and equipment items are as follows:
・Buildings and structures: 2 to 100 years

Depreciation methods, useful lives and residual values are reviewed at the end of each fiscal year and changes are made as necessary.

(8) Goodwill and Intangible Assets
*A. Goodwill*
Goodwill is not amortized and is measured at acquisition cost less accumulated impairment losses.

*B. Intangible Assets (Excluding Leased Assets)*
Intangible assets are measured at acquisition cost using the cost model subsequent to initial recognition less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are measured at acquisition cost for initial recognition, and the costs of intangible assets acquired in business combinations are recognized at fair value at the acquisition date.

The acquisition cost for internally generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets all of the capitalization criteria.

Except for intangible assets with indefinite useful lives, intangible assets are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives of major intangible asset items are as follows:

・Software: 3 to 5 years

・Customer relationships: Effective period (mainly 18 years)

Amortization methods and useful lives of intangible assets with finite useful lives are reviewed at the end of each fiscal year and changes are made as necessary.

(9) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership are transferred to the Group. All other leases are classified as operating leases.

*A. Finance Leases*

Leased assets and lease obligations are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Leased assets are depreciated using the straight-line method over the shorter of their estimated useful lives or lease terms. Total minimum lease payments are apportioned between the finance costs and the reduction of the outstanding liability, and the finance costs allocated to each reporting period are calculated using the effective interest rate method.

*B. Operating Leases*

Lease payments are recognized as expenses using the straight-line method over the lease terms.

(10) Investment Property

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is measured at acquisition cost using the cost model subsequent to initial recognition less accumulated depreciation and accumulated impairment losses.

Except for assets that are not depreciated, such as land, investment property is depreciated mainly using the straight-line method over its estimated useful life. Estimated useful lives are between 6 and 50 years.

The depreciation methods, useful lives and residual values of investment property are reviewed at the end of each fiscal year and changes are made as necessary.

(11) Impairment of Non-financial Assets

Except for inventories and deferred tax assets, the Group assesses at the end of the fiscal year whether there is any indication that a non-financial asset may be impaired. If such an indication exists, an impairment test is performed based on the recoverable amount of the asset.

Goodwill and intangible assets with indefinite useful lives are not amortized. Impairment tests for such assets are performed once a year, irrespective of whether there is any indication that they may be impaired, or in cases where there is an indication of impairment. Refer to Note "14. GOODWILL AND INTANGIBLE ASSETS" for details of impairment testing of goodwill.

Except for assets that generally do not generate independent cash flows from other assets or asset groups, the recoverable amount of an asset or a cash-generating unit is determined individually by asset at the higher of its fair value less costs of disposal or its value in use.

Where the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the asset is written down to its recoverable amount and impairment losses are recognized.

An impairment loss recognized for goodwill is not reversed in a subsequent period. For assets excluding goodwill, an assessment is made at fiscal year end to determine whether there is any indication that previously recognized impairment losses may no longer exist or have decreased. If any such indication exists, the recoverable amount of the asset is estimated. In cases that the recoverable amount exceeds the carrying amount of the asset, a reversal of impairment losses is recognized. The amount of the reversal of the impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized.

Because goodwill that forms part of the carrying amount of an investment in entities accounted for using the equity method is not separately recognized, it is not tested for impairment separately. If there is any indication that an investment in entities accounted for using the equity method may be impaired, the entire carrying amount of the investment is tested as a single asset.

(12) Non-current Assets classified as Held for Sale

A non-current asset or asset group whose carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use is classified as held-for-sale if the non-current asset or asset group is available for immediate sale in its present condition, Group management is committed to a sales plan and its sale is expected to be completed within one year.

The Group measures a non-current asset or asset group classified as held-for-sale at the lower of its carrying amount and fair value less costs to sell.

(13) Post-employment Benefits

The Group has set up defined benefit plans and defined contribution plans as employee retirement benefit plans.

For defined benefit plans, the Group recognizes the present value of defined benefit obligations less the fair value of any plan assets as liabilities or assets.

For defined benefit plans, the Group determines the present value of defined benefit obligations, related current service cost and past service cost using the projected unit credit method. The discount rate is determined based on high quality corporate bond yield rates at fiscal year end for the discount period which is set for the projected period until the expected date of benefit payments in each fiscal year.

Service costs and interest costs of defined benefit plans are recognized in profit or loss, and net interest is determined using the discount rate described above. Remeasurements of defined benefit plans are recognized in other comprehensive income in the period when they are incurred. Past service costs are recognized in profit or loss in the period incurred.

The cost for retirement benefits for defined contribution plans is recognized in profit or loss in the period in which the employees render the related services.

(14) Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled and a reliable estimate can be made for the amount of the obligation.

Where the effect of the time value of money is material, provisions are measured based on the present value using a discount rate reflecting the risks specific to the liability.

(15) Revenue
Revenue consists primarily of commissions received for the placement of advertising into different media and consideration received from advertisers and others for providing services, such as assistance in the production of advertising, including creative, and various content-related services.

Revenue from the production of advertising and other advertising related services is recorded based on the consideration paid as compensation for such service to the Group by advertisers and others less costs incurred. In some cases, revenue is also recorded based on a fixed fee or another compensation.

Revenue from commissions received from advertisers for the placement of advertising is generally recognized when the media is placed. Other revenue is generally recorded when the service is complete, an estimate of the amount of compensation can be reasonably determined and it is probable that the future economic benefits will flow to the Group.

Revenue and cost arising from transactions relating to services other than advertising services are presented on a gross basis.

Turnover represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover information is not required under IFRS.

(16) Finance Income and Finance Costs
Finance income mainly consists of interest and dividend income. Interest income is recognized as accrued using the effective interest rate method while dividend income is recognized when the shareholder's right to receive payment is established.

Finance costs mainly consist of interest expenses on borrowings and bonds. Interest expenses are recognized as incurred using the effective interest rate method.

(17) Income Taxes
Income taxes consist of current income taxes and deferred income taxes. Income taxes are recognized in profit or loss, except for taxes arising from items that are recognized in other comprehensive income or directly in equity and taxes arising from business combinations.

Current income taxes are measured at the amount which is expected to be paid to or refunded from the taxation authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted, by the end of the fiscal year.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of assets and liabilities in the Consolidated Statement of Financial Position and their tax basis amount. Deferred tax assets or liabilities are not recognized for differences arising from the initial recognition of assets or liabilities in transactions that are not business combinations and affect neither accounting profit or loss nor taxable profit or loss. Deferred tax liabilities are also not recognized for taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures. However, deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent the Group controls the timing of the reversal of the temporary difference and it is probable the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the fiscal year end.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which carryforwards of unused tax losses, tax credit carryforwards and deductible temporary differences can be utilized. Deferred tax assets are reassessed at the end of the fiscal year and reduced by the amount of any tax benefits that are not expected to be realized.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(18) Equity
*A. Share Capital and Share Premium Account*
Equity instruments issued by the Company are recorded in share capital and share premium account. Transaction costs directly attributable to the issuance of an equity instrument are deducted from equity.

*B. Treasury Shares*
Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of treasury shares.

When treasury shares are sold, any difference between their carrying amount and consideration received is recognized in the share premium account.

(19) Earnings per Share
Basic earnings per share are calculated by dividing profit for the year

attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the year, adjusted by the number of treasury shares. Diluted earnings per share are calculated by adjusting the effects of dilutive potential ordinary shares.

(20) Underlying Operating Profit

The underlying operating profit is calculated by eliminating from operating profit certain adjusting items such as amortization of intangible assets incurred in acquisition, impairment losses, gain or loss on sale of property, plant and equipment, intangible assets and investment property and costs incurred due to acquisition and is used by management for the purpose of measuring constant business performance.

The underlying operating profit is not defined under IFRS; however, it is voluntarily disclosed in the Consolidated Statement of Income and Note "6. SEGMENT INFORMATION" since management has concluded that the information is useful for users of the financial statements.

(21) Reclassfication

Certain reclassifications have been made to the consolidated financial statements for the year ended March 31, 2015 to conform to the presentation of the consolidated financial statements for the nine months ended December 31, 2015.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of the fiscal year end date. However, given their nature, actual results may differ from those estimates and assumptions.

The estimate and underlying assumptions are continuously reviewed. The effects of a change in estimate are recognized in the period of the change and future periods.

Information relating to judgements carried out in the process of the application of accounting policies that have a material impact on the consolidated financial statements, is mainly as follows:

- Scope of subsidiaries, associates and joint ventures ("3. SIGNIFICANT ACCOUNTING POLICIES (1) Basis of Consolidation")
- Revenue recognition ("3. SIGNIFICANT ACCOUNTING POLICIES (15) Revenue")

Estimates and assumptions that may have a material effect on the amounts recognized in the consolidated financial statements are as follows:

- Impairment of property, plant and equipment, goodwill, intangible assets and investment properties ("13. PROPERTY, PLANT AND EQUIPMENT," "14. GOODWILL AND INTANGIBLE ASSETS," and "16. INVESTMENT PROPERTY")
- Valuation of financial instruments ("32. FINANCIAL INSTRUMENTS")
- Valuation of defined benefit obligations ("22. POST-EMPLOYMENT BENEFITS")
- Provisions ("21. PROVISIONS")
- Recoverability of deferred tax assets ("18. INCOME TAXES")

5. NEW ACCOUNTING STANDARDS NOT YET ADOPTED BY THE GROUP

By the date of approval of the consolidated financial statements, new accounting standards, amended standards and new interpretations that have been issued, but have not been subject to early adoption by the Group are as follows:

The implications from adoption of these standards and interpretations are assessed by the Group at the time of preparing the consolidated financial statements.

| Standards | Name of standards | Mandatory adoption (From the year beginning) | To be adopted by the Group | Description of new standards and amendments |
|---|---|---|---|---|
| IAS 1 | Presentation of Financial Statements | January 1, 2016 | Fiscal year ending December 2016 | Clarifying the application of materiality in determining what information to disclose |
| IAS 16 | Property, Plant and Equipment | January 1, 2016 | Fiscal year ending December 2016 | Clarifying acceptable methods of depreciation and amortization |
| IAS 38 | Intangible Assets | January 1, 2016 | Fiscal year ending December 2016 | Clarifying acceptable methods of depreciation and amortization |
| IFRS 11 | Joint Arrangements | January 1, 2016 | Fiscal year ending December 2016 | Clarifying accounting treatment for acquisitions of interests in joint operations |
| IFRS 15 | Revenue from Contracts with Customers | January 1, 2018 | Fiscal year ending December 2018 | Amendments for accounting treatment for recognizing revenue |
| IFRS 9 | Financial Instruments | January 1, 2018 | Fiscal year ending December 2018 | Amendments for financial instrument classification and measurement, impairment requirements and hedge accounting |
| IFRS 16 | Leases | January 1, 2019 | Fiscal year ending December 2019 | Amendments for accounting treatment for lease arrangements |

## 6. SEGMENT INFORMATION

(1) Description of reportable segments

The Group's reportable segments are those for which discrete financial information is available and the Board of Directors conducts regular reviews to make decisions about resources to be allocated and assess their performance.

The Group is mainly engaged in providing communications-related services focusing on advertising, and manages its Japan business and international business separately.

Accordingly, the Group has two reportable segments: Japan business segment and international business segment.

(2) Information on reportable segments

Accounting methods for reportable segments are identical to those described in "3. SIGNIFICANT ACCOUNTING POLICIES."

Segment profit is based on operating profit net of "Amortization of intangible assets incurred in acquisitions" and "Other adjusting items."

Intersegment revenues are based on the prevailing market price.

FY2014: Year ended March 31, 2015

(Millions of Yen)

| | Japan business | International business | Total | Reconciliations | Consolidated |
|---|---|---|---|---|---|
| Turnover (Note1) | ¥1,798,523 | ¥2,869,699 | ¥4,668,222 | ¥(25,832) | ¥4,642,390 |
| Revenue (Note 2) | 397,637 | 356,821 | 754,459 | (25,832) | 728,626 |
| Gross profit (Note 3) | 333,995 | 343,232 | 677,228 | (303) | 676,925 |
| Segment profit (underlying operating profit) (Note 3) | 79,735 | 52,618 | 132,353 | (416) | 131,937 |
| (Adjusting items) | | | | | |
| Amortization of intangible assets incurred in acquisitions | – | – | – | – | (19,784) |
| Other adjusting items (selling, general and administrative expenses) (Note 5) | – | – | – | – | (4,972) |
| Other adjusting items (other income) (Note 5) | – | – | – | – | 33,275 |
| Other adjusting items (other expenses) (Note 5) | – | – | – | – | (8,151) |
| Operating profit | – | – | – | – | 132,305 |
| Share of results of associates | – | – | – | – | 7,178 |
| Finance income | – | – | – | – | 7,067 |
| Finance costs | – | – | – | – | 12,255 |
| Profit before tax | – | – | – | – | 134,295 |
| (Other income and expense items) | | | | | |
| Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions) | 12,855 | 7,750 | 20,606 | – | 20,606 |
| Segment assets (Note 4) | 1,273,922 | 1,995,777 | 3,269,699 | (110,164) | 3,159,534 |
| (Other asset items) | | | | | |
| Investments accounted for using the equity method | 43,705 | 9,337 | 53,042 | – | 53,042 |
| Capital expenditures | ¥8,845 | ¥12,824 | ¥21,669 | – | ¥21,669 |

FY2015: Nine months ended December 31, 2015

(Millions of Yen)

| | Japan business | International business | Total | Reconciliations | Consolidated |
|---|---|---|---|---|---|
| Turnover (Note1) | ¥1,369,732 | ¥3,156,328 | ¥4,526,061 | ¥(12,105) | ¥4,513,955 |
| Revenue (Note 2) | 302,237 | 416,337 | 718,574 | (12,105) | 706,469 |
| Gross profit (Note 3) | 255,746 | 414,066 | 669,812 | (323) | 669,489 |
| Segment profit (underlying operating profit) (Note 3) | 63,293 | 70,156 | 133,450 | (121) | 133,328 |
| (Adjusting items) | | | | | |
| Amortization of intangible assets incurred in acquisitions | – | – | – | – | (22,798) |
| Other adjusting items (selling, general and administrative expenses) (Note 5) | – | – | – | – | (2,454) |
| Other adjusting items (other income) (Note 5) | – | – | – | – | 4,565 |
| Other adjusting items (other expenses) (Note 5) | – | – | – | – | (5,376) |
| Operating profit | – | – | – | – | 107,265 |
| Share of results of associates | – | – | – | – | 3,911 |
| Finance income | – | – | – | – | 4,926 |
| Finance costs | – | – | – | – | 10,059 |
| Profit before tax | – | – | – | – | 106,043 |
| (Other income and expense items) | | | | | |
| Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions) | 8,951 | 9,702 | 18,654 | – | 18,654 |
| Segment assets (Note 4) | 1,212,941 | 1,957,884 | 3,170,825 | (104,749) | 3,066,075 |
| (Other asset items) | | | | | |
| Investments accounted for using the equity method | 46,819 | 3,461 | 50,281 | – | 50,281 |
| Capital expenditures | ¥4,136 | ¥15,516 | ¥19,652 | – | ¥19,652 |

FY2015: Nine months ended December 31, 2015

(Millions of U.S. Dollars)

| | Japan business | International business | Total | Reconciliations | Consolidated |
|---|---|---|---|---|---|
| Turnover (Note1) | $11,357 | $26,170 | $37,526 | $(100) | $37,426 |
| Revenue (Note 2) | 2,506 | 3,452 | 5,958 | (100) | 5,857 |
| Gross profit (Note 3) | 2,120 | 3,433 | 5,554 | (3) | 5,551 |
| Segment profit (underlying operating profit) (Note 3) | 525 | 582 | 1,106 | (1) | 1,105 |
| (Adjusting items) | | | | | |
| Amortization of intangible assets incurred in acquisitions | – | – | – | – | (189) |
| Other adjusting items (selling, general and administrative expenses) (Note 5) | – | – | – | – | (20) |
| Other adjusting items (other income) (Note 5) | – | – | – | – | 38 |
| Other adjusting items (other expenses) (Note 5) | – | – | – | – | (45) |
| Operating profit | – | – | – | – | 889 |
| Share of results of associates | – | – | – | – | 32 |
| Finance income | – | – | – | – | 41 |
| Finance costs | – | – | – | – | 83 |
| Profit before tax | – | – | – | – | 879 |
| (Other income and expense items) | | | | | |
| Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions) | 74 | 80 | 155 | – | 155 |
| Segment assets (Note 4) | 10,057 | 16,233 | 26,290 | (868) | 25,421 |
| (Other asset items) | | | | | |
| Investments accounted for using the equity method | 388 | 29 | 417 | – | 417 |
| Capital expenditures | $34 | $129 | $163 | – | $163 |

(Note 1) Turnover represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover information is not required under IFRS; however, it is voluntarily disclosed in the Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.
(Note 2) Reconciliations for revenue are due to eliminations of intersegment transactions (same amount as for turnover).
(Note 3) Reconciliations for gross profit and segment profit (underlying operating profit) are due to eliminations of intersegment transactions.
(Note 4) Reconciliations for segment assets are due to eliminations of intersegment transactions.
(Note 5) The breakdown of "Other adjusting items (selling, general and administrative expenses)," "Other adjusting items (other income)" and "Other adjusting items (other expenses)" is as follows:

| | (Millions of Yen) FY2014 (Year ended March 31, 2015) | (Millions of Yen) FY2015 (Nine months ended December 31, 2015) | (Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015) |
|---|---|---|---|
| Other adjusting items (selling, general and administrative expenses) | | | |
| Early retirement benefits | ¥3,947 | ¥813 | $7 |
| Costs associated with merger and acquisitions | 967 | 1,610 | 13 |
| Other | 56 | 29 | 0 |
| Total | ¥4,972 | ¥2,454 | $20 |
| Other adjusting items (other income) | | | |
| Gain on sale of property, plant and equipment, intangible assets and investment property | ¥32,194 | ¥700 | $6 |
| Gain on sale of subsidiaries and associates shares | 306 | 954 | 8 |
| Other | 775 | 2,910 | 24 |
| Total | ¥33,275 | ¥4,565 | $38 |
| Other adjusting items (other expenses) | | | |
| Loss on sale of property, plant and equipment, intangible assets and investment property | ¥4,261 | ¥50 | $0 |
| Impairment losses (Note) | 1,824 | 2,489 | 21 |
| Other | 2,065 | 2,836 | 24 |
| Total | ¥8,151 | ¥5,376 | $45 |

(Note) Impairment losses by segment are ¥1,588 million (Japan business) and ¥235 million (International business) for the year ended March 31, 2015 and ¥46 million ($0 million) (Japan business) and ¥2,442 million ($20 million) (International business) for the nine months ended December 31, 2015.

(3) Information about products and services

With regard to advertising services, the Group provides various advertising through media including newspapers, magazines, radio, television, internet, sales promotion, movies, outdoor events, public transportation, and others. The Group also provides clients with event marketing, creative services, marketing, public relations, contents services, and other services.

With regard to information services, the Group provides services such as information services and information-related products.

The Group also provides other services such as office rentals, building maintenance and fiduciary services of computation.

Revenues from external customers for each product and service are as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Advertising Services | ¥658,657 | ¥655,161 | $5,432 |
| Information Services | 63,498 | 47,099 | 391 |
| Other Services | 6,470 | 4,208 | 35 |
| Total | ¥728,626 | ¥706,469 | $5,857 |

(4) Geographical information for non-current assets (property, plant and equipment, goodwill, intangible assets and investment property)

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Japan | ¥230,612 | ¥226,159 | $1,875 |
| Overseas (mainly the United Kingdom) | 941,895 | 926,119 | 7,679 |
| Total | ¥1,172,508 | ¥1,152,278 | $9,554 |

Non-current assets are allocated according to the location of each group entity.

(5) Information about major customers

Information about major customers is omitted as the Group does not have a single external customer that contributes 10% or more to Group revenue in the Consolidated Statement of Income.

## 7. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents as of March 31, 2015 and December 31, 2015 is as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Cash and time deposits due within three months | ¥365,379 | ¥263,322 | $2,183 |

Cash and cash equivalents are classified as financial assets measured at amortised cost.

## 8. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables as of March 31, 2015 and December 31, 2015 is as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Notes and accounts receivable—trade | ¥1,196,242 | ¥1,229,430 | $10,193 |
| Other | 29,210 | 37,887 | 314 |
| Allowance for doubtful accounts | (1,262) | (4,000) | (33) |
| Total | ¥1,224,190 | ¥1,263,317 | $10,474 |

Trade and other receivables are presented net of allowance for doubtful accounts in the Consolidated Statement of Financial Position. Trade and other receivables are classified as financial assets measured at amortized cost.

## 9. INVENTORIES

The breakdown of inventories as of March 31, 2015 and December 31, 2015 is as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Work-in-process | ¥25,126 | ¥17,441 | $145 |
| Other | 856 | 1,282 | 11 |
| Total | ¥25,982 | ¥18,724 | $155 |

## 10. OTHER FINANCIAL ASSETS

(1) The breakdown of other financial assets as of March 31, 2015 and December 31, 2015 is as follows:

| | FY2014 (As of March 31, 2015) (Millions of Yen) | FY2015 (As of December 31, 2015) (Millions of Yen) | FY2015 (As of December 31, 2015) (Millions of U.S. Dollars) |
|---|---|---|---|
| Derivative assets | ¥21,515 | ¥22,519 | $187 |
| Equity securities | 188,996 | 185,463 | 1,538 |
| Debt securities | 705 | 715 | 6 |
| Other | 44,720 | 47,922 | 397 |
| Allowance for doubtful accounts | (18,811) | (17,592) | (146) |
| Total | ¥237,126 | ¥239,028 | $1,982 |
| Current assets | 22,732 | 20,945 | 174 |
| Non-current assets | 214,393 | 218,083 | 1,808 |
| Total | ¥237,126 | ¥239,028 | $1,982 |

Other financial assets are presented net of allowance for doubtful accounts in the Consolidated Statement of Financial Position.

Derivative assets are classified as financial assets measured at fair value through profit or loss excluding those accounted for under hedge accounting, equity securities are classified as financial assets measured at fair value through other comprehensive income, and debt securities are classified as financial assets measured at amortized cost. "Other" includes financial assets measured at fair value through profit or loss of ¥3,110 million and ¥3,005 million ($25 million) as of March 31, 2015 and December 31, 2015, respectively.

(2) Names of major securities held as financial assets measured at fair value through other comprehensive income and their fair values as of March 31, 2015 and December 31, 2015 are as follows:

(Millions of Yen)

| Investees | FY2014 (As of March 31, 2015) |
|---|---|
| Recruit Holdings Co., Ltd. | ¥112,500 |
| Digital Garage, Inc. | 6,078 |

(Millions of Yen)

| Investees | FY2015 (As of December 31, 2015) |
|---|---|
| Recruit Holdings Co., Ltd. | ¥106,800 |
| Digital Garage, Inc. | 7,167 |
| Tokyo Broadcasting System Holdings, Inc. | 4,940 |
| Asahi Group Holdings, Ltd. | 3,489 |
| TV Asahi Holdings Corporation | 3,011 |

(Millions of U.S. Dollars)

| Investees | FY2015 (As of December 31, 2015) |
|---|---|
| Recruit Holdings Co., Ltd. | $885 |
| Digital Garage, Inc. | 59 |
| Tokyo Broadcasting System Holdings, Inc. | 41 |
| Asahi Group Holdings, Ltd. | 29 |
| TV Asahi Holdings Corporation | 25 |

Equity securities are designated as financial assets measured at fair value through other comprehensive income since they are held mainly for strengthening relationships with investees.

In order to pursue the efficiency of assets held and to use them effectively, sales of financial assets (derecognition) measured at fair value through other comprehensive income have been carried out.

The fair value at the date of sales and cumulative gain or loss that is recognized in equity as other comprehensive income for each fiscal year is as follows:

FY2014: Year ended March 31, 2015

(Millions of Yen)

| Fair value | Cumulative gain or loss recognized in equity as other components of equity |
|---|---|
| ¥2,520 | ¥766 |

FY2015: Nine months ended December 31, 2015

(Millions of Yen)

| Fair value | Cumulative gain or loss recognized in equity as other components of equity |
|---|---|
| ¥7,976 | ¥1,592 |

FY2015: Nine months ended December 31, 2015

(Millions of U.S. Dollars)

| Fair value | Cumulative gain or loss recognized in equity as other components of equity |
|---|---|
| $66 | $13 |

The cumulative gain or loss recognized in equity as other components of equity are transferred to retained earnings when an equity instrument is sold or the decline in its fair value compared to its cost is significant.

## 11. OTHER CURRENT ASSETS

Advanced payments included in other current assets which are expected to be recognized in profit or loss after more than 12 months as of March 31, 2015 and December 31, 2015 are as follows:

| | (Millions of Yen) | | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Advanced payments which are expected to be recognized in profit and loss after more than 12 months | ¥10,674 | ¥4,289 | $36 |

## 12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The breakdown of non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale as of March 31, 2015 and December 31, 2015 is as follows.

Components of Non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale.

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Non-current assets classified as held for sale | | | |
| Goodwill | – | ¥2,536 | $21 |
| Investments accounted for using the equity method | – | 2,976 | 25 |
| Total | – | ¥5,513 | $46 |
| Liabilities directly associated with non-current assets classified as held for sale | | | |
| Other financial liabilities | – | ¥307 | $3 |
| Total | – | ¥307 | $3 |

Non-current assets classified as held for sale as of December 31, 2015 consist of assets and liabilities related to an equity-method associate located in China.

## 13. PROPERTY, PLANT AND EQUIPMENT

(1) Schedule of property, plant and equipment

The schedule of the carrying amount at the beginning and end of each fiscal year is as follows:

FY2014: Year ended March 31, 2015

(Millions of Yen)

| | Buildings and structures | Land | Other | Total |
|---|---|---|---|---|
| Balance at the beginning of the year | ¥69,739 | ¥117,271 | ¥14,889 | ¥201,900 |
| Additions | 6,417 | – | 6,857 | 13,275 |
| Acquisitions through business combinations | 510 | – | 352 | 862 |
| Sales or disposals | (1,265) | (388) | (334) | (1,987) |
| Depreciation | (6,225) | – | (5,080) | (11,306) |
| Impairment losses | (263) | (791) | (20) | (1,075) |
| Exchange differences on translation of foreign operations | 1,305 | 49 | 578 | 1,933 |
| Other | (1,672) | (2,106) | (785) | (4,564) |
| Balance at the end of the year | ¥68,546 | ¥114,034 | ¥16,456 | ¥199,037 |

FY2015: Nine months ended December 31, 2015

(Millions of Yen)

| | Buildings and structures | Land | Other | Total |
|---|---|---|---|---|
| Balance at the beginning of the year | ¥68,546 | ¥114,034 | ¥16,456 | ¥199,037 |
| Additions | 4,361 | – | 5,999 | 10,360 |
| Acquisitions through business combinations | 77 | – | 482 | 559 |
| Sales or disposals | (123) | (0) | (92) | (216) |
| Depreciation | (5,911) | – | (5,488) | (11,399) |
| Impairment losses | – | (2) | – | (2) |
| Exchange differences on translation of foreign operations | (654) | (36) | (785) | (1,475) |
| Other | (71) | 45 | (54) | (80) |
| Balance at the end of the year | ¥66,224 | ¥114,040 | ¥16,518 | ¥196,782 |

FY2015: Nine months ended December 31, 2015

(Millions of U.S. Dollars)

| | Buildings and structures | Land | Other | Total |
|---|---|---|---|---|
| Balance at the beginning of the year | $568 | $945 | $136 | $1,650 |
| Additions | 36 | – | 50 | 86 |
| Acquisitions through business combinations | 1 | – | 4 | 5 |
| Sales or disposals | (1) | (0) | (1) | (2) |
| Depreciation | (49) | – | (46) | (95) |
| Impairment losses | – | (0) | – | (0) |
| Exchange differences on translation of foreign operations | (5) | (0) | (7) | (12) |
| Other | (1) | 0 | (0) | (1) |
| Balance at the end of the year | $549 | $946 | $137 | $1,632 |

The acquisition cost, accumulated depreciation and impairment losses, and carrying amount of property, plant and equipment as of March 31, 2015 and December 31, 2015 are as follows:

(Millions of Yen)

| | Buildings and structures | Land | Other | Total |
|---|---|---|---|---|
| FY2014 (As of March 31, 2015) | | | | |
| Acquisition cost | ¥140,097 | ¥114,828 | ¥52,378 | ¥307,304 |
| Accumulated depreciation and impairment losses | 71,550 | 794 | 35,922 | 108,267 |
| Carrying amount | 68,546 | 114,034 | 16,456 | 199,037 |
| FY2015 (As of December 31, 2015) | | | | |
| Acquisition cost | ¥140,195 | ¥114,836 | ¥53,310 | ¥308,342 |
| Accumulated depreciation and impairment losses | 73,971 | 796 | 36,792 | 111,560 |
| Carrying amount | 66,224 | 114,040 | 16,518 | 196,782 |

(Millions of U.S. Dollars)

| | Buildings and structures | Land | Other | Total |
|---|---|---|---|---|
| FY2015 (As of December 31, 2015) | | | | |
| Acquisition cost | $1,162 | $952 | $442 | $2,557 |
| Accumulated depreciation and impairment losses | 613 | 7 | 305 | 925 |
| Carrying amount | 549 | 946 | 137 | 1,632 |

The carrying amount of property, plant and equipment above includes the carrying amount of the following leased assets as of March 31, 2015 and December 31, 2015.

(Millions of Yen)

| Leased assets | Buildings and structures | Other | Total |
|---|---|---|---|
| FY2014 (As of March 31, 2015) | ¥23 | ¥2,424 | ¥2,448 |
| FY2015 (As of December 31, 2015) | 8 | 2,135 | 2,144 |

(Millions of U.S. Dollars)

| Leased assets | Buildings and structures | Other | Total |
|---|---|---|---|
| FY2015 (As of December 31, 2015) | $0 | $18 | $18 |

There is no property, plant and equipment whose title is restricted or pledged as security for liabilities.

Depreciation is recorded in the Consolidated Statement of Income as "Cost" and "Selling, general and administrative expenses."

(2) Impairment Losses

Property, plant and equipment is grouped by the smallest cash-generating unit that generates cash inflows that are largely independent according to each reportable segment.

The Group recognized impairment losses of ¥1,075 million and ¥2 million ($0 million) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively, in the Consolidated Statement of Income as "Other expenses."

Impairment losses for the year ended March 31, 2015 represent the losses incurred to reduce the carrying amounts of buildings, structures, land and others to their recoverable amounts due to a decline in profitability.

Impairment losses for the nine months ended December 31, 2015 represent the losses incurred to reduce the carrying amounts of land to its recoverable amounts due to the assets becoming idle.

## 14. GOODWILL AND INTANGIBLE ASSETS

(1) Schedule of goodwill and intangible assets

The schedule of the carrying amount at the beginning and end of each fiscal year is as follows:

FY2014: Year ended March 31, 2015

(Millions of Yen)

| | Goodwill | Customer relation-ships | Software | Other | Total |
|---|---|---|---|---|---|
| Balance at the beginning of the year | ¥577,015 | ¥183,446 | ¥23,226 | ¥52,833 | ¥836,521 |
| Additions | – | – | 9,704 | 847 | 10,552 |
| Acquisitions through business combinations | 31,100 | 13,853 | 144 | 1,740 | 46,839 |
| Sales or disposals | – | – | (137) | (12) | (149) |
| Amortization | – | (14,228) | (8,220) | (5,566) | (28,015) |
| Impairment losses | – | – | (509) | (234) | (744) |
| Exchange differences on translation of foreign operations | 48,769 | 13,516 | 250 | 3,776 | 66,314 |
| Other | (320) | 279 | – | 32 | (7) |
| Balance at the end of the year | ¥656,565 | ¥196,867 | ¥24,459 | ¥53,417 | ¥931,310 |

FY2015: Nine months ended December 31, 2015

(Millions of Yen)

| | Goodwill | Customer relation-ships | Software | Other | Total |
|---|---|---|---|---|---|
| Balance at the beginning of the year | ¥656,565 | ¥196,867 | ¥24,459 | ¥53,417 | ¥931,310 |
| Additions | – | – | 8,980 | 617 | 9,597 |
| Acquisitions through business combinations | 35,811 | 14,684 | 66 | 3,726 | 54,288 |
| Sales or disposals | (1,905) | (391) | (503) | (55) | (2,855) |
| Amortization | – | (17,080) | (6,250) | (6,126) | (29,457) |
| Impairment losses | – | (2,060) | (143) | (278) | (2,482) |
| Exchange differences on translation of foreign operations | (31,015) | (10,091) | (555) | (2,251) | (43,912) |
| Other | (2,592) | – | (2) | (40) | (2,635) |
| Balance at the end of the year | ¥656,862 | ¥181,929 | ¥26,052 | ¥49,009 | ¥913,853 |

FY2015: Nine months ended December 31, 2015

(Millions of U.S. Dollars)

| | Goodwill | Customer relation-ships | Software | Other | Total |
|---|---|---|---|---|---|
| Balance at the beginning of the year | $5,444 | $1,632 | $203 | $443 | $7,722 |
| Additions | – | – | 74 | 5 | 80 |
| Acquisitions through business combinations | 297 | 122 | 1 | 31 | 450 |
| Sales or disposals | (16) | (3) | (4) | (0) | (24) |
| Amortization | – | (142) | (52) | (51) | (244) |
| Impairment losses | – | (17) | (1) | (2) | (21) |
| Exchange differences on translation of foreign operations | (257) | (84) | (5) | (19) | (364) |
| Other | (21) | – | (0) | (0) | (22) |
| Balance at the end of the year | $5,446 | $1,508 | $216 | $406 | $7,577 |

The acquisition cost, accumulated amortization and impairment losses, and carrying amount of goodwill and intangible assets as of March 31, 2015 and December 31, 2015 are as follows:

(Millions of Yen)

| | Goodwill | Customer relation-ships | Software | Other | Total |
|---|---|---|---|---|---|
| FY2014 (As of March 31, 2015) | | | | | |
| Acquisition cost | ¥656,565 | ¥227,439 | ¥107,630 | ¥72,170 | ¥1,063,805 |
| Accumulated amortization and impairment losses | – | 30,572 | 83,170 | 18,752 | 132,495 |
| Carrying amount | 656,565 | 196,867 | 24,459 | 53,417 | 931,310 |
| FY2015 (As of December 31, 2015) | | | | | |
| Acquisition cost | ¥656,862 | ¥229,645 | ¥104,424 | ¥73,070 | ¥1,064,002 |
| Accumulated amortization and impairment losses | – | 47,716 | 78,371 | 24,060 | 150,148 |
| Carrying amount | 656,862 | 181,929 | 26,052 | 49,009 | 913,853 |

(Millions of U.S. Dollars)

| | Goodwill | Customer relation-ships | Software | Other | Total |
|---|---|---|---|---|---|
| FY2015 (As of December 31, 2015) | | | | | |
| Acquisition cost | $5,446 | $1,904 | $866 | $606 | $8,822 |
| Accumulated amortization and impairment losses | – | 396 | 650 | 199 | 1,245 |
| Carrying amount | 5,446 | 1,508 | 216 | 406 | 7,577 |

The carrying amount of intangible assets above includes the carrying amount of the following leased assets as of March 31, 2015 and December 31, 2015.

(Millions of Yen)

| Leased assets | Software |
|---|---|
| FY2014 (As of March 31, 2015) | ¥562 |
| FY2015 (As of December 31, 2015) | 421 |

(Millions of U.S. Dollars)

| Leased assets | Software |
|---|---|
| FY2015 (As of December 31, 2015) | $3 |

There are no intangible assets whose title is restricted or pledged as security for liabilities.

Amortization is recorded in the Consolidated Statement of Income as “Cost” and “Selling, general and administrative expenses.”

(2) Significant goodwill and intangible assets

The significant portion of goodwill as of March 31, 2015 and December 31, 2015, arose from the international business segment which forms a cash generating unit, and amounted to ¥656,552 million and ¥656,590 million ($5,444 million) as of March 31, 2015 and December 31, 2015, respectively.

Significant intangible assets other than goodwill as of March 31, 2015 and December 31, 2015, consist of customer relationships in the international business segment, which amounted to ¥196,867 million and ¥181,929 million ($1,508 million) as of March 31, 2015 and December 31, 2015, respectively.

(3) Impairment testing of goodwill

Recoverable amounts of the international business segment to which significant goodwill was allocated are determined by the value in use based on the financial budget for the next fiscal year approved by management and the management forecast for the subsequent four years. The continuing growth rate of 3.4%(3.2% as of March 31, 2015 ) is set for cash flows beyond the four-year period.

The pre-tax discount rates used for determining value in use are 8.9% and 8.1% as of March 31, 2015 and December 31, 2015, respectively.

For the goodwill above, the recoverable amount of the cash-generating unit sufficiently exceeds its carrying amount. Therefore, it is unlikely that the recoverable amount of the cash-generating unit will fall below the carrying amount even with reasonable changes in the key assumptions.

(4) Impairment losses

Intangible assets are grouped by the smallest cash-generating unit that generates cash inflows that are largely independent according to each reportable segment.

The Group recognized impairment losses of ¥744 million and ¥2,482 million ($21 million) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively, in the Consolidated Statement of Income as “Other expenses.”

Impairment losses for the year ended March 31, 2015, represent the losses incurred to reduce the carrying amounts of software and other intangible assets to their recoverable amounts due to a decline in profitability.

Impairment losses for the nine months ended December 31, 2015, represent the losses incurred to reduce the carrying amounts of customer relationships, software and other intangible assets to their recoverable amounts due to a decline in profitability.

## 15. LEASES

The Group leases buildings, software and other assets as a lessee. The lease contracts include those with renewal options, while they do not include significant contracts with escalation clauses.

There are no restrictions on additional debt, further leasing and others imposed by the lease contracts.

### (1) Present value of finance lease obligations

The total of future minimum lease payments for leased assets recognized based on the finance lease contracts, their future financial costs and present value as of March 31, 2015 and December 31, 2015 are as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Not later than 1 year | | | |
| Total of future minimum lease payments | ¥1,263 | ¥1,138 | $9 |
| Future finance costs | 27 | 22 | 0 |
| Present value | ¥1,236 | ¥1,116 | $9 |
| Later than 1 year and not later than 5 years | | | |
| Total of future minimum lease payments | ¥2,030 | ¥1,595 | $13 |
| Future finance costs | 26 | 18 | 0 |
| Present value | ¥2,004 | ¥1,576 | $13 |
| Later than 5 years | | | |
| Total of future minimum lease payments | ¥5 | ¥6 | $0 |
| Future finance costs | 0 | 0 | 0 |
| Present value | ¥5 | ¥6 | $0 |
| Total | | | |
| Total of future minimum lease payments | ¥3,300 | ¥2,740 | $23 |
| Future finance costs | 54 | 41 | 0 |
| Present value | ¥3,245 | ¥2,699 | $22 |

### (2) Future minimum lease payments under non-cancellable operating leases

The total of future minimum lease payments under non-cancellable operating leases as of March 31, 2015 and December 31, 2015 are as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Not later than 1 year | ¥17,041 | ¥25,470 | $211 |
| Later than 1 year and not later than 5 years | 52,077 | 59,637 | 494 |
| Later than 5 years | 32,964 | 43,985 | 365 |
| Total | ¥102,083 | ¥129,093 | $1,070 |

### (3) Total of minimum lease payments

The total of minimum lease payments of operating lease contracts for the year ended March 31, 2015 and for the nine months ended December 31, 2015 are ¥21,916 million and ¥24,404 million ($202 million), respectively.

## 16. INVESTMENT PROPERTY

(1) Schedule of investment property.

The schedule of the carrying amount of investment property at the beginning and end of each fiscal year is as follows:

| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) (Millions of Yen) | FY2015 (Nine months ended December 31, 2015) (Millions of U.S. Dollars) |
|---|---|---|---|
| Balance at the beginning of the year | ¥45,655 | ¥42,160 | $350 |
| Additions | 24 | 40 | 0 |
| Transfers from property, plant and equipment | 3,769 | - | - |
| Depreciation | (1,004) | (555) | (5) |
| Sales or disposals | (6,285) | (4) | (0) |
| Other | - | 1 | 0 |
| Balance at the end of the year | ¥42,160 | ¥41,642 | $345 |
| Acquisition cost (balance at the beginning of the year) | ¥59,047 | ¥53,854 | $447 |
| Accumulated depreciation and impairment losses (balance at the beginning of the year) | 13,392 | 11,694 | 97 |
| Acquisition cost (balance at the end of the year) | ¥53,854 | ¥50,950 | $422 |
| Accumulated depreciation and impairment losses (balance at the end of the year) | 11,694 | 9,308 | $77 |

(2) Fair value

The carrying amount and fair value of investment property as of March 31, 2015 and December 31, 2015 are as follows:

| | FY2014 (As of March 31, 2015) | | FY2015 (As of December 31, 2015) (Millions of Yen) | | FY2015 (As of December 31, 2015) (Millions of U.S. Dollars) | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Investment property (Level 3) | ¥42,160 | ¥47,715 | ¥41,642 | ¥48,593 | $345 | $403 |

The fair value of investment property is mainly based on real estate appraisal value. The valuation techniques are based on the discounted cash flow model and observable quoted prices for similar properties and others.

The investment property that is measured at fair value is categorized into the three levels of the fair value hierarchy according to observability and significance of the inputs used in the measurements.

The fair value hierarchy is defined as follows:

Level 1: Fair value measured at the quoted price in the active market

Level 2: Fair value that is measured using the observable price other than categorized in Level 1 directly or indirectly

Level 3: Fair value that is measured based on unobservable inputs

The fair value of investment property for each fiscal year end is categorized within Level 3 of the fair value hierarchy.

(3) Income and expenses from investment property

The rental income from investment property and direct operating expenses for each fiscal year are as follows:

| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) (Millions of Yen) | FY2015 (Nine months ended December 31, 2015) (Millions of U.S. Dollars) |
|---|---|---|---|
| Rental income | ¥2,647 | ¥1,833 | $15 |
| Direct operating expenses | 2,516 | 1,307 | 11 |

## 17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of investments in associates and joint ventures as of March 31, 2015 and December 31, 2015 is as follows:

| | (Millions of Yen) | | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Total of carrying amount | ¥53,042 | ¥50,281 | $417 |

The financial information of associates and joint ventures for each fiscal year is as follows. The amounts take into account the Group's ownership ratio.

| | (Millions of Yen) | | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Profit for the year | ¥7,178 | ¥3,911 | $32 |
| Other comprehensive income | 373 | (178) | (1) |
| Comprehensive income for the year | ¥7,551 | ¥3,733 | $31 |

The Group does not recognize the share of the cumulative amount of losses exceeding the carrying amounts incurred in certain investees accounted for using the equity method.

Unrecognized losses for each fiscal year and cumulative unrecognized losses for the investments are as follows:

| | (Millions of Yen) | | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Unrecognized losses | ¥76 | ¥82 | $1 |

| | (Millions of Yen) | | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Cumulative unrecognized losses | ¥207 | ¥347 | $3 |

## 18. INCOME TAXES

(1) Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by major causes of their occurrence as of March 31, 2015 and December 31, 2015 is as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Deferred tax assets | | | |
| Liability for retirement benefits | ¥33,830 | ¥33,481 | $278 |
| Accrued expenses | 12,704 | 7,969 | 66 |
| Carryforwards of tax losses | 6,603 | 7,373 | 61 |
| Other | 8,719 | 6,441 | 53 |
| Total of deferred tax assets | ¥61,858 | ¥55,265 | $458 |
| Deferred tax liabilities | | | |
| Gain on establishment of retirement benefit trust | ¥(14,701) | ¥(14,701) | $(122) |
| Unrealized gain on securities | (38,364) | (36,879) | (306) |
| Valuation differences on intangible assets | (55,269) | (50,187) | (416) |
| Other | (12,260) | (7,614) | (63) |
| Total of deferred tax liabilities | ¥(120,596) | ¥(109,383) | $(907) |
| Net deferred tax assets (liabilities) | ¥(58,737) | ¥(54,118) | $(449) |

Changes in net deferred tax assets (liabilities) for each fiscal year are as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Net deferred tax assets (liabilities) | | | |
| Balance at the beginning of the year | ¥(6,923) | ¥(58,737) | $(487) |
| Deferred income taxes | (8,235) | 6,444 | 53 |
| Deferred taxes related to components of other comprehensive income | | | |
| Exchange differences on translation of foreign operations | 23 | (35) | (0) |
| Effective portion of the change in the fair value of cash flow hedges | (743) | 840 | 7 |
| Net change in financial assets measured at fair value through other comprehensive income | (30,845) | (734) | (6) |
| Remeasurements of defined benefit plans | (5,088) | (1,220) | (10) |
| Changes in deferred tax assets (liabilities) arising from business combinations, and others | (6,924) | (675) | (6) |
| Balance at the end of the year | ¥(58,737) | ¥(54,118) | $(449) |

Taxable temporary differences, future taxable income determinations and tax planning are taken into account when recognising deferred tax assets.

The breakdown of deductible temporary differences and carryforwards of tax losses as of March 31, 2015 and December 31, 2015, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Deductible temporary differences | ¥12,210 | ¥10,977 | $91 |
| Carryforwards of tax losses | 70,440 | 60,604 | 502 |

The breakdown of carryforwards of tax losses by expiry date as of March 31, 2015 and December 31, 2015, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

| | FY2014 (As of March 31, 2015) | (Millions of Yen) FY2015 (As of December 31, 2015) | (Millions of U.S. Dollars) FY2015 (As of December 31, 2015) |
|---|---|---|---|
| 1st year | ¥53 | ¥12,668 | $105 |
| 2nd year | 16,634 | 354 | 3 |
| 3rd year | 558 | 206 | 2 |
| 4th year | 564 | 783 | 6 |
| 5th year | 1,131 | 355 | 3 |
| After the 5th year | 4,291 | 3,118 | 26 |
| No definite term for expiry | 47,206 | 43,118 | 357 |
| Total | ¥70,440 | ¥60,604 | $502 |

The total amount of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, for which deferred tax liabilities are not recognized amounted to ¥140,079 million and ¥142,738 million ($1,183 million) as of March 31, 2015 and December 31, 2015, respectively.

Deferred tax liabilities are not recognized for these differences since the Group is able to control the timing of the reversal of the temporary difference and it is probable the temporary difference will not reverse in the foreseeable future.

(2) Income tax expense

The breakdown of income tax expense for each fiscal year is as follows:

| | FY2014 (Year ended March 31, 2015) | (Millions of Yen) FY2015 (Nine months ended December 31, 2015) | (Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015) |
|---|---|---|---|
| Current income taxes | ¥41,414 | ¥34,784 | $288 |
| Deferred income taxes | 8,235 | (6,444) | (53) |

Deferred income taxes increased by ¥3,847 million in the fiscal year ended March 31, 2015 due to a change in the income tax rate in Japan and decreased by ¥3,038 million ($25 million) in the nine months ended December 31, 2015 due to a change in the tax rate in England.

(3) Reconciliation of effective tax rate

The breakdown of major items that caused differences between the effective statutory tax rate and income tax rate following the adoption of deferred tax accounting for each fiscal year is as follows:

The Company is subject mainly to corporate tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes are 36.0% and 33.0% for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively. Foreign subsidiaries are subject to income taxes at their locations.

| | FY2014 (Year ended March 31, 2015) | (%) FY2015 (Nine months ended December 31, 2015) |
|---|---|---|
| Effective statutory tax rate | 36.0 | 33.0 |
| (Reconciliation items) | | |
| Permanently non-deductible items, including entertainment expenses | 2.9 | 1.3 |
| Permanently non-taxable items, including dividend income | (1.0) | (2.9) |
| Share of results of associates | (1.9) | (1.2) |
| Reduction of deferred tax assets (liabilities) at fiscal year end due to tax rate changes | 2.9 | (2.8) |
| Other | (1.9) | (0.7) |
| Income tax rate following the adoption of deferred tax accounting | 37.0 | 26.7 |

## 19. TRADE AND OTHER PAYABLES

(1) The breakdown of trade and other payables as of March 31, 2015 and December 31, 2015 is as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Notes and accounts payable—trade | ¥1,161,112 | ¥1,157,663 | $9,598 |
| Other | 70,107 | 49,684 | 412 |
| Total | ¥1,231,220 | ¥1,207,347 | $10,010 |

Trade and other payables are classified as financial liabilities measured at amortized cost.

(2) Assets pledged as collateral for liabilities

Assets pledged as collateral and corresponding liabilities as of March 31, 2015 and December 31, 2015 are as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| Assets pledged as collateral | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Other financial assets (current assets) | ¥72 | ¥72 | $1 |

| Corresponding liabilities | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
|---|---|---|---|
| Notes and accounts payable | ¥634 | ¥509 | $4 |

Other than the above corresponding liabilities, the assets are pledged as collateral for guarantee transactions that are released in the "Official Gazette" (*Kanpou*) and for opening checking accounts.

## 20. BONDS AND BORROWINGS (INCLUDING OTHER FINANCIAL LIABILITIES)

Breakdown of financial liabilities

The breakdown of bonds and borrowings (including other financial liabilities) as of March 31, 2015 and December 31, 2015 is as follows:

| | (Millions of Yen) | | | (Millions of U.S. Dollars) |
|---|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | Date of maturity | FY2015 (As of December 31, 2015) |
| Derivative liabilities | ¥27,848 | ¥34,971 | – | $290 |
| Current portion of bonds (Note) | 4,413 | – | – | – |
| Bonds (Note) | 7,955 | – | – | – |
| Short-term borrowings | 39,214 | 12,190 | – | 101 |
| Current portion of long-term borrowings | 30,026 | 34,615 | – | 287 |
| Long-term borrowings | 328,009 | 286,977 | 2016–2023 | 2,379 |
| Other | 95,999 | 82,752 | – | 686 |
| Total | ¥533,466 | ¥471,506 | – | $3,909 |
| Current liabilities | ¥127,735 | ¥111,794 | | $927 |
| Non-current liabilities | 405,730 | 359,712 | | 2,982 |
| Total | ¥533,466 | ¥471,506 | | $3,909 |

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss excluding those accounted for under hedge accounting.

Bonds and borrowings are classified as financial liabilities measured at amortized cost. The average interest rates of short-term borrowings and long-term borrowings (including the current portion of long-term borrowings) for the nine months ended December 31, 2015 are 3.01% and 1.16%, respectively.

"Other" includes financial liabilities measured at fair value through profit or loss of ¥64,790 million and ¥59,269 million ($491 million) as of March 31, 2015 and December 31, 2015, respectively.

There are no financial covenants on bonds and borrowings that have a significant effect on the Group's financial activities.

(Note) A summary of the issuing terms of each bond is as follows:

(Millions of Yen)

| Company | Name of bond | Date of issuance | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | Interest rate % | Collateral | Date of maturity |
|---|---|---|---|---|---|---|---|
| Dentsu Aegis Network Ltd. | Senior Unsecured Notes Series B | July 28, 2005 | ¥4,413 (USD 35 million) | – | 5.50 | Unsecured bonds | July 28, 2015 |
| Dentsu Aegis Network Ltd. | Senior Unsecured Notes Series B | September 17, 2007 | ¥6,001 (USD 50 million) | – | 6.29 | Unsecured bonds | September 17, 2017 (Note 2) |
| Dentsu Aegis Network Ltd. | Senior Unsecured Notes Series C | December 17, 2009 | ¥1,953 (USD 15 million) | – | 6.50 | Unsecured bonds | December 17, 2019 (Note 2) |
| Total | – | – | ¥12,368 (USD 100 million) | – | – | – | – |

(Note 1) Since bonds have been issued overseas, the amount denominated in foreign currency is noted in ( ) as of March 31, 2015.
(Note 2) The Company called the bond for early redemption in the full amount on July 28, 2015.

## 21. PROVISIONS

The breakdown and schedule of provisions for each fiscal year are as follows:

FY2014: Year ended March 31, 2015

(Millions of Yen)

| | Provisions for asset retirement obligations | Provisions for loss on order received | Other provisions | Total |
|---|---|---|---|---|
| Balance at the beginning of the year | ¥900 | ¥165 | ¥– | ¥1,065 |
| Additional provisions in the year | 255 | 112 | 3,655 | 4,024 |
| Interest expense incurred over the discount period | 15 | – | – | 15 |
| Provisions used | (56) | (146) | (83) | (286) |
| Provisions reversed | (3) | – | (17) | (21) |
| Exchange differences on translation of foreign operations | – | – | 38 | 38 |
| Balance at the end of the year | ¥1,110 | ¥132 | ¥3,593 | ¥4,836 |
| Current liabilities | ¥76 | ¥132 | ¥– | ¥208 |
| Non-current liabilities | 1,034 | – | 3,593 | 4,627 |
| Total | ¥1,110 | ¥132 | ¥3,593 | ¥4,836 |

FY2015: Nine months ended December 31, 2015

(Millions of Yen)

| | Provisions for asset retirement obligations | Provisions for loss on order received | Other provisions | Total |
|---|---|---|---|---|
| Balance at the beginning of the year | ¥1,110 | ¥132 | ¥3,593 | ¥4,836 |
| Additional provisions in the year | 23 | 989 | 1,372 | 2,385 |
| Interest expense incurred over the discount period | 11 | – | – | 11 |
| Provisions used | (90) | (132) | (127) | (349) |
| Provisions reversed | – | – | (1,111) | (1,111) |
| Exchange differences on translation of foreign operations | – | – | (1,008) | (1,008) |
| Other | – | – | 152 | 152 |
| Balance at the end of the year | ¥1,056 | ¥989 | ¥2,871 | ¥4,916 |
| Current liabilities | – | ¥989 | ¥830 | ¥1,819 |
| Non-current liabilities | 1,056 | – | 2,040 | 3,096 |
| Total | ¥1,056 | ¥989 | ¥2,871 | ¥4,916 |

FY2015: Nine months ended December 31, 2015

(Millions of U.S. Dollars)

| | Provisions for asset retirement obligations | Provisions for loss on order received | Other provisions | Total |
|---|---|---|---|---|
| Balance at the beginning of the year | $9 | $1 | $30 | $40 |
| Additional provisions in the year | 0 | 8 | 11 | 20 |
| Interest expense incurred over the discount period | 0 | – | – | 0 |
| Provisions used | (1) | (1) | (1) | (3) |
| Provisions reversed | – | – | (9) | (9) |
| Exchange differences on translation of foreign operations | – | – | (8) | (8) |
| Other | – | – | 1 | 1 |
| Balance at the end of the year | $9 | $8 | $24 | $41 |
| Current liabilities | $– | $8 | $7 | $15 |
| Non-current liabilities | 9 | – | 17 | 26 |
| Total | $9 | $8 | $24 | $41 |

(1) Provisions for asset retirement obligations

The probable amount to be paid in the future is recognized based on past performance in settling restoration obligations in lease contracts for offices that the Group uses.

These expenses are primarily expected to be paid after one year or more, subject to possible changes due to future events such as business plan changes.

(2) Provisions for loss on order received

If losses are expected to be incurred from the performance of contracts related to orders received from customers for the subsequent fiscal years and such losses can be reasonably estimated, loss provisions are recognized in the amounts expected to be incurred in the subsequent fiscal years.

## 22. POST-EMPLOYMENT BENEFITS

The Group operates defined benefit plans that include corporate pension fund plans, tax-qualified pension plans, defined benefit corporate pension plans and retirement lump-sum payment plans.

The corporate pension fund plans, tax-qualified pension plans and defined benefit corporate pension plans are administrated by a pension fund that is legally separated from the Group in accordance with statutory requirements.

The Group, or the board of pension funds and asset managers, is required by law to act in the best interests of the plan participants, and is responsible for managing the plan assets in accordance with the designated policy.

The Group is obligated to pay contributions to the corporate pension fund, which grants pension benefits, in accordance with laws and regulations.

The Company voluntarily operates a retirement benefits trust for corporate pension fund plans and retirement lump-sum payment plans.

In addition, the Company and certain domestic consolidated subsidiaries operate defined contribution pension plans while some overseas consolidated subsidiaries operate defined contribution retirement benefit plans.

The Company, on April 1, 2015, and regional Dentsu subsidiaries (Dentsu East Inc., Dentsu West Inc., Dentsu Kyushu Inc., and Dentsu Hokkaido Inc.), on January 1, 2016, partially shifted from a defined benefit corporate pension plan to a defined contribution pension plan.

### (1) Reconciliation of defined benefit obligations and plan assets

The reconciliation of the defined benefit obligations and plan assets to the net defined benefit liabilities (assets) recognized in the Consolidated Statement of Financial Position as of March 31, 2015 and December 31, 2015 is as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Funded defined benefit obligations | ¥164,439 | ¥122,840 | $1,018 |
| Plan assets | (149,463) | (107,123) | (888) |
| Subtotal | 14,976 | 15,717 | 130 |
| Unfunded defined benefit obligations | 14,110 | 14,141 | 117 |
| Total | ¥29,086 | ¥29,859 | $248 |
| Balance recognized in the Consolidated Statement of Financial Position | | | |
| Liabilities for retirement benefits | ¥43,674 | ¥30,557 | $253 |
| Assets for retirement benefits | (14,588) | (697) | (6) |
| Net defined benefit liabilities (assets) recognized in the Consolidated Statement of Financial Position | ¥29,086 | ¥29,859 | $248 |

### (2) Schedule of defined benefit obligations

The schedule of defined benefit obligations for each fiscal year is as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Balance at the beginning of the year | ¥168,515 | ¥178,550 | $1,480 |
| Current service cost (Note 1) | 8,342 | 5,366 | 44 |
| Interest expense (Note 1) | 2,144 | 855 | 7 |
| Actuarial gains and losses (Note 2) | 6,972 | 257 | 2 |
| Benefits paid | (8,235) | (9,711) | (81) |
| Past service cost | 516 | 162 | 1 |
| Changes due to termination (curtailment or settlement) of a defined benefit plans | – | (38,316) | (318) |
| Exchange differences on translation of foreign operations | 74 | (185) | (2) |
| Effects of business combinations and disposals | 17 | 3 | 0 |
| Other | 202 | – | – |
| Balance at the end of the year | ¥178,550 | ¥136,982 | $1,136 |

(Note 1) Current service cost is recognized in "Cost" and "Selling, general and administrative expenses". Interest expenses, net of interest income, are recognized in "Finance costs."
(Note 2) Actuarial gains and losses arise mainly from changes in financial assumptions.

The weighted average duration of defined benefit obligations as of March 31, 2015 and December 31, 2015 is as follows:

| | | (Years) |
|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) |
| Weighted average duration | 9.1 | 9.7 |

(3) Schedule of plan assets

The schedule of plan assets for each fiscal year is as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Balance at the beginning of the year | ¥115,329 | ¥149,463 | $1,239 |
| Interest income | 1,562 | 668 | 6 |
| Return on plan assets (excluding amounts included in interest income) | 19,575 | 4,219 | 35 |
| Contributions by the employer | 6,891 | 586 | 5 |
| Contributions (refunds) associated with the shift to defined contribution pension plans | 8,872 | (3,211) | (27) |
| Benefits paid | (3,102) | (6,219) | (52) |
| Changes due to termination (curtailment or settlement) of a defined benefit plans | – | (38,316) | (318) |
| Exchange differences on translation of foreign operations | 111 | (67) | (1) |
| Effects of business combinations and disposals | 10 | – | – |
| Other | 213 | – | – |
| Balance at the end of the year | ¥149,463 | ¥107,123 | $888 |

The Group plans to pay contributions of ¥177 million ($1 million) in the year ending December 31, 2016.

(4) Major breakdown of plan assets

The major breakdown of the total of plan assets as of March 31, 2015 and December 31, 2015 is as follows:

| | FY2014 (As of March 31, 2015) | | | FY2015 (As of December 31, 2015) (Millions of Yen) | | | FY2015 (As of December 31, 2015) (Millions of U.S. Dollars) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Plan assets with quoted market price in an active market | Plan assets without quoted market price in an active market | Total | Plan assets with quoted market price in an active market | Plan assets without quoted market price in an active market | Total | Plan assets with quoted market price in an active market | Plan assets without quoted market price in an active market | Total |
| Equity instruments | ¥85,053 | ¥5 | ¥85,059 | ¥72,291 | ¥0 | ¥72,291 | $599 | $0 | $599 |
| Debt instruments | 16,770 | 2,928 | 19,699 | 1,148 | 52 | 1,200 | 10 | 0 | 10 |
| General account of life insurance companies | – | 20,481 | 20,481 | – | 18,300 | 18,300 | – | 152 | 152 |
| Other | – | 24,224 | 24,224 | – | 15,330 | 15,330 | – | 127 | 127 |
| Total | ¥101,824 | ¥47,639 | ¥149,463 | ¥73,439 | ¥33,684 | ¥107,123 | $609 | $279 | $888 |

(Note) Plan assets above include retirement benefit trusts established for corporate pension fund plans and retirement lump-sum payment plans of ¥71,328 million and ¥72,563 million ($602 million), as of March 31, 2015 and December 31, 2015, respectively.
Equity and debt instruments held as of March 31, 2015 are mainly those issued in Japan. As of December 31, 2015, equity instruments are mainly those issued in Japan and debt instruments are mainly those issued in overseas.

The objectives of plan asset investments are to reduce long-term contribution obligations and improve benefits within a tolerable risk while securing sufficient assets to grant benefits. To achieve these objectives, medium- to long-term future estimates of fund finance are taken into account, and the effect of uncertainty in the plan asset management on plan assets financing (such as the possibility of fund shortages) and tolerable levels of uncertainty in the rates of return on plan assets are adequately reviewed.

In addition, asset investments are managed to achieve these objectives by establishing a policy for future optimal asset composition ratios (hereinafter referred to as "policy asset allocation"), selecting an asset manager and monitoring asset allocation, after setting forecasts of expected rates of returns on appropriate assets for investment.

The policy asset allocation is verified annually and reviewed as necessary if any changes are made to the terms and conditions set at the time of the policy's establishment.

(5) Actuarial assumptions

The major items of actuarial assumptions as of March 31, 2015 and December 31, 2015 are as follows:

| (%) | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) |
|---|---|---|
| Discount rate | 1.1 | 0.8 |

(Note) The sensitivities of the defined benefit obligations due to changes in major assumptions as of each fiscal year are as follows. Each of these analyses assumes that other variables remain fixed; however, they do not always change independently.
Negative figures indicate a decrease in defined benefit obligations, while positive figures indicate an increase.

| | Change in assumptions | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) (Millions of Yen) | FY2015 (As of December 31, 2015) (Millions of U.S. Dollars) |
|---|---|---|---|---|
| Discount rate | Increase by 0.5% | ¥(9,652) | ¥(6,298) | $(52) |
| | Decrease by 0.5% | ¥10,663 | ¥6,840 | $57 |

(6) Defined contribution plans

Expenses recognized due to contributions to defined contribution plans by the Company and consolidated subsidiaries amounted to ¥4,263 million and ¥6,534 million ($54 million) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively.

Such amounts are recognized in "Cost" and "Selling, general and administrative expenses."

## 23. EQUITY AND OTHER EQUITY ITEMS

(1) Share capital

A. authorized shares

The number of authorized shares as of March 31, 2015 and December 31, 2015 is 1,100,000,000 ordinary shares.

B. Fully paid issued shares

The number of issued shares as of March 31, 2015 and December 31, 2015 are as follows:

| | Number of ordinary issued shares (Shares) |
|---|---|
| FY2014 (As of March 31, 2015) | 288,410,000 |
| Increase (decrease) | – |
| FY2015 (As of December 31, 2015) | 288,410,000 |

All the shares issued by the Company are non-par value ordinary shares that have no restriction on any content of rights.

(2) Treasury shares

The number of treasury shares as of March 31, 2015 and December 31, 2015 are as follows:

| | Number of shares (Shares) |
|---|---|
| FY2014 (As of March 31, 2015) | 48,602 |
| Increase (decrease) | 3,222,337 |
| FY2015 (As of December 31, 2015) | 3,270,939 |

(Note) Out of the increase in treasury shares, 3,218,400 shares were acquired pursuant to the resolution at the Board of Directors Meeting held on May 14, 2015 in accordance with Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act. The remaining 3,937 shares represent an increase due to repurchase of shares less than one unit.

(3) Reserves

A. Share premium account

Under the Companies Act of Japan, at least 50% of the proceeds upon issuance of equity instruments shall be credited to share capital, while the remainder of the proceeds shall be credited to capital reserves included in share premium account.

B. Retained earnings

The Companies Act provides that 10% of the dividends of retained earnings shall be appropriated as capital reserves or as retained earnings reserves until their aggregate amount equals 25% of share capital.

## 24. DIVIDENDS

(1) Dividends paid

FY2014: Year ended March 31, 2015

| Resolution | Class of shares | Total dividends (Millions of Yen) | Dividends per share (Yen) | Basis date | Effective date |
|---|---|---|---|---|---|
| Annual Shareholders Meeting (June 27, 2014) | Ordinary shares | ¥4,902 | ¥17.00 | March 31, 2014 | June 30, 2014 |
| Board of Directors (November 12, 2014) | Ordinary shares | ¥5,767 | ¥20.00 | September 30, 2014 | December 5, 2014 |

FY2015: Nine months ended December 31, 2015

| Resolution | Class of shares | Total dividends (Millions of Yen) | Dividends per share (Yen) | Basis date | Effective date |
|---|---|---|---|---|---|
| Annual Shareholders Meeting (June 26, 2015) | Ordinary shares | ¥10,092 | ¥35.00 | March 31, 2015 | June 29, 2015 |
| Board of Directors (November 11, 2015) | Ordinary shares | ¥9,979 | ¥35.00 | September 30, 2015 | December 4, 2015 |

FY2015: Nine months ended December 31, 2015

| Resolution | Class of shares | Total dividends (Millions of U.S. Dollars) | Dividends per share (U.S. Dollars) | Basis date | Effective date |
|---|---|---|---|---|---|
| Annual Shareholders Meeting (June 26, 2015) | Ordinary shares | $84 | $0.29 | March 31, 2015 | June 29, 2015 |
| Board of Directors (November 11, 2015) | Ordinary shares | $83 | $0.29 | September 30, 2015 | December 4, 2015 |

(2) Dividends for which the basis date falls before fiscal year end, while the effective date falls in the following fiscal year

FY2014: Year ended March 31, 2015

| Resolution | Class of shares | Dividends resource | Total dividends (Millions of Yen) | Dividends per share (Yen) | Basis date | Effective date |
|---|---|---|---|---|---|---|
| Annual Shareholders Meeting (June 26, 2015) | Ordinary shares | Retained earnings | ¥10,092 | ¥35.00 | March 31, 2015 | June 29, 2015 |

FY2015: Nine months ended December 31, 2015

| Resolution | Class of shares | Dividends resource | Total dividends (Millions of Yen) | Dividends per share (Yen) | Basis date | Effective date |
|---|---|---|---|---|---|---|
| Annual Shareholders Meeting (March 30, 2016) | Ordinary shares | Retained earnings | ¥11,405 | ¥40.00 | December 31, 2015 | March 31, 2016 |

FY2015: Nine months ended December 31, 2015

| Resolution | Class of shares | Dividends resource | Total dividends (Millions of U.S. Dollars) | Dividends per share (U.S. Dollars) | Basis date | Effective date |
|---|---|---|---|---|---|---|
| Annual Shareholders Meeting (March 30, 2016) | Ordinary shares | Retained earnings | $95 | $0.33 | December 31, 2015 | March 31, 2016 |

## 25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses for each fiscal year is as follows:

| | (Millions of Yen) | | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Staff costs | ¥385,258 | ¥376,274 | $3,120 |
| Depreciation and amortisation | 36,249 | 39,092 | 324 |
| Other | 150,575 | 151,120 | 1,253 |
| Total | ¥572,084 | ¥566,487 | $4,697 |

"Other" includes research and development costs of ¥938 million and ¥596 million ($5 million) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively.

## 26. STAFF COSTS

The breakdown of staff costs for each fiscal year is as follows:

| | FY2014 (Year ended March 31, 2015) (Millions of Yen) | FY2015 (Nine months ended December 31, 2015) (Millions of Yen) | FY2015 (Nine months ended December 31, 2015) (Millions of U.S. Dollars) |
|---|---|---|---|
| Salaries, bonuses and allowances | ¥336,331 | ¥328,386 | $2,723 |
| Welfare expenses | 50,952 | 50,279 | 417 |
| Post-employment benefits costs | 13,653 | 12,335 | 102 |
| Other | 3,947 | 813 | 7 |
| Total | ¥404,884 | ¥391,815 | $3,249 |

Staff costs are recorded in "Cost," "Selling, general and administrative expenses" and "Finance costs" in the Consolidated Statement of Income.

## 27. OTHER INCOME

The breakdown of other income for each fiscal year is as follows:

| | FY2014 (Year ended March 31, 2015) (Millions of Yen) | FY2015 (Nine months ended December 31, 2015) (Millions of Yen) | FY2015 (Nine months ended December 31, 2015) (Millions of U.S. Dollars) |
|---|---|---|---|
| Profit distributions | ¥4,612 | ¥7,134 | $59 |
| Foreign exchange gains | 225 | 422 | 3 |
| Gain on sale of property, plant and equipment, intangible assets and investment property | 32,194 | 700 | 6 |
| Gain on sale of subsidiaries and associates shares | 306 | 954 | 8 |
| Gain on step acquisitions and gain on remeasurement of residual interests on loss of control or significant influence | 516 | 2,905 | 24 |
| Other | 1,247 | 912 | 8 |
| Total | ¥39,102 | ¥13,030 | $108 |

## 28. OTHER EXPENSES

The breakdown of other expenses for each fiscal year is as follows:

| | FY2014 (Year ended March 31, 2015) (Millions of Yen) | FY2015 (Nine months ended December 31, 2015) (Millions of Yen) | FY2015 (Nine months ended December 31, 2015) (Millions of U.S. Dollars) |
|---|---|---|---|
| Amortisation of long-term prepaid expenses | ¥2,603 | ¥2,377 | $20 |
| Loss on sale of property, plant and equipment, intangible assets and investment property | 4,261 | 50 | 0 |
| Impairment losses | 1,824 | 2,489 | 21 |
| Loss on liquidation of subsidiaries and associates | – | 2,617 | 22 |
| Other | 2,948 | 1,231 | 10 |
| Total | ¥11,638 | ¥8,766 | $73 |

## 29. FINANCE INCOME AND FINANCE COSTS

(1) The breakdown of finance income for each fiscal year is as follows:

| | FY2014 (Year ended March 31, 2015) | (Millions of Yen) FY2015 (Nine months ended December 31, 2015) | (Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015) |
|---|---|---|---|
| Interest income | | | |
| Financial assets measured at amortized cost | ¥1,980 | ¥1,884 | $16 |
| Financial instruments measured at fair value through profit or loss | 19 | – | – |
| Dividend income | | | |
| Financial assets measured at fair value through other comprehensive income | 2,276 | 2,251 | 19 |
| Changes in fair value of contingent consideration | 1,071 | – | – |
| Dividend income and asset management gains from insurance | 552 | 505 | 4 |
| Foreign exchange gains (Note 1) | 1,119 | – | – |
| Other (Note 2) | 48 | 284 | 2 |
| Total | ¥7,067 | ¥4,926 | $41 |

(Note 1) Valuation gain on foreign currency derivatives is included in the foreign exchange gains.
(Note 2) "Other" includes finance income arising from financial instruments measured at fair value through profit or loss of ¥5 million and ¥29 million ($0 million) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively.

The breakdown of dividend income is as follows:

| | FY2014 (Year ended March 31, 2015) | (Millions of Yen) FY2015 (Nine months ended December 31, 2015) | (Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015) |
|---|---|---|---|
| Financial assets derecognized during the fiscal year | ¥785 | ¥2 | $0 |
| Financial assets held at the end of the fiscal year | 1,490 | 2,248 | 19 |

(2) The breakdown of finance costs for each fiscal year is as follows:

| | FY2014 (Year ended March 31, 2015) | (Millions of Yen) FY2015 (Nine months ended December 31, 2015) | (Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015) |
|---|---|---|---|
| Interest expense | | | |
| Financial liabilities measured at amortized cost | ¥7,112 | ¥6,840 | $57 |
| Other | 564 | 195 | 2 |
| Changes in fair value of contingent consideration | – | 1,662 | 14 |
| Foreign exchange losses (Note 1) | – | 66 | 1 |
| Other (Note 2) | 4,578 | 1,294 | 11 |
| Total | ¥12,255 | ¥10,059 | $83 |

(Note 1) Valuation loss on foreign currency derivatives is included in the foreign exchange lossess.
(Note 2) "Other" includes finance costs arising from financial instruments measured at fair value through profit or loss of ¥305 million and ¥62 million ($1million) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively.

30. OTHER COMPREHENSIVE INCOME

Amount arising during the year, reclassification adjustments to profit or loss and income tax effects for each component of other comprehensive income for each fiscal year are as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Exchange differences on translation of foreign operations | | | |
| Amount arising during the year | ¥46,040 | ¥(35,232) | $(292) |
| Reclassification adjustments | (3) | (170) | (1) |
| Before tax effects | 46,037 | (35,403) | (294) |
| Tax effects | 23 | (35) | (0) |
| Exchange differences on translation of foreign operations | ¥46,061 | ¥(35,439) | $(294) |
| Effective portion of the change in the fair value of cash flow hedges | | | |
| Amount arising during the year | ¥4,959 | ¥(1,034) | $(9) |
| Reclassification adjustments | (3,180) | (1,756) | (15) |
| Before tax effects | 1,779 | (2,790) | (23) |
| Tax effects | (743) | 840 | 7 |
| Effective portion of the change in the fair value of cash flow hedges | ¥1,036 | ¥(1,950) | $(16) |
| Net change in financial assets measured at fair value through other comprehensive income | | | |
| Amount arising during the year | ¥97,550 | ¥4,089 | $34 |
| Before tax effects | 97,550 | 4,089 | 34 |
| Tax effects | (30,845) | (734) | (6) |
| Net change in financial assets measured at fair value through other comprehensive income | ¥66,704 | ¥3,354 | $28 |
| Remeasurements of defined benefit plans | | | |
| Amount arising during the year | ¥12,630 | ¥4,069 | $34 |
| Before tax effects | 12,630 | 4,069 | 34 |
| Tax effects | (5,088) | (1,220) | (10) |
| Remeasurements of defined benefit plans | ¥7,542 | ¥2,849 | $24 |
| Share of other comprehensive income of investments accounted for using the equity method | | | |
| Amount arising during the year | ¥373 | ¥(178) | $(1) |
| Share of other comprehensive income of investments accounted for using the equity method | ¥373 | ¥(178) | $(1) |

## 31. EARNINGS PER SHARE

(1) Basic earnings per share and diluted earnings per share

| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | (U.S. Dollars) FY2015 (Nine months ended December 31, 2015) |
|---|---|---|---|
| Basic earnings per share (Yen) | ¥276.89 | ¥254.05 | $2.11 |
| Diluted earnings per share (Yen) | ¥276.84 | ¥254.03 | $2.11 |

(2) Basis of calculating basic earnings per share and diluted earnings per share

| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | (Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015) |
|---|---|---|---|
| Profit for the year used for calculation of basic earnings per share and diluted earnings per share | | | |
| Profit for the year attributable to owners of the parent (Millions of Yen) | ¥79,846 | ¥72,653 | $602 |
| Amounts not attributable to ordinary equity holders of the parent (Millions of Yen) | – | – | – |
| Profit for the year used for calculation of basic earnings per share (Millions of Yen) | 79,846 | 72,653 | 602 |
| Adjustment | | | |
| Share-based payment held by associates (Millions of Yen) | (14) | (5) | (0) |
| Profit for the year used for calculation of diluted earnings per share (Millions of Yen) | ¥79,832 | ¥72,647 | $602 |
| Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share and diluted earnings per share | | | |
| Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share (Thousands of shares) | 288,364 | 285,984 | |
| Effect of dilutive potential ordinary shares (Thousands of shares) | – | – | |
| The weighted average number of ordinary shares outstanding used for the calculation of diluted earnings per share (Thousands of shares) | 288,364 | 285,984 | |

## 32. FINANCIAL INSTRUMENTS

(1) Capital management

The Group's basic policy for capital management aims to enhance capital efficiency by the long-term improvement of its value through business growth, while maintaining a sound financial structure.

Indicators for monitoring the capital management include total equity attributable to owners of the parent and Underlying ROE (ratio of Underlying profit for the year to total equity attributable to owners of the parent).

The balances as of March 31, 2015 and December 31, 2015 are as follows:

| | (Millions of Yen) | | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Total equity attributable to owners of the parent | ¥1,080,364 | ¥1,068,216 | $8,857 |
| Underlying ROE (%) | 9.4 | 10.6 | |

(Note 1) For management purposes, the Company had traditionally used total equity (attributable to owners of the parent) and ROE (ratio of profit for the year to total equity attributable to owners of the parent). In order to manage capital efficiency on the basis of constant results adjusted for temporary factors, the Company uses the underlying ROE instead of ROE beginning from the current fiscal year. ROE for the fiscal year ended March 31, 2015 (financial reporting basis) and for the fiscal year ended December 31, 2015 (determined based on the results for the period from January 1, 2015 to December 31, 2015) are 8.1% and 7.7% respectively.

(Note 2) The underlying profit for the year (attributable to owners of the parent), the numerator of underlying ROE, is a KPI used to measure recurring profit attributable to owners of the parent which is calculated as profit for the year (attributable to owners of the parent) adjusted for adjustment items related to operating profit, revaluation of earnout liabilities / M&A related put-option liabilities, related tax effects, profit or loss attributable to non-controlling interests, and other one-off items. The underlying ROE for the fiscal year ended March 31, 2015 is based on the financial data for the period from April 1, 2014 to March 31, 2015 while the underlying ROE for the fiscal year ended December 31, 2015 is determined based on the results for the period from January 1, 2015 to December 31, 2015. Reconciliation from profit for the year (attributable to owners of the parent) to underlying profit for the year (attributable to owners of the parent) is stated below.

| | (Millions of Yen) | | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (Year ended March 31, 2015) | FY2015 (From Jaunary 1,2015 to December 31, 2015) | FY2015 (From Jaunary 1,2015 to December 31, 2015) |
| Profit for the year (attributable to owners of the parent) | ¥79,846 | ¥83,090 | $689 |
| (Adjustment items) | | | |
| Adjustment items related to operating profit | (367) | 32,226 | 267 |
| Revaluation of earnout liabilities / M&A related put-option liabilities | 2,682 | 3,198 | 27 |
| Tax expenses related to the above items and effects from tax regulation changes | 11,097 | (5,167) | (43) |
| Others | (383) | 40 | 0 |
| Underlying profit for the year (attributable to owners of parent) | ¥92,875 | ¥113,388 | $940 |

(Note 3) Total equity attributable to owners of the parent as of December 31, 2015 was used as the denominator to calculate the underlying ROE for the fiscal year ended December 31, 2015 (determined based on the results for the period from January 1, 2015 to December 31, 2015). For underlying ROE (or ROE) for the fiscal year ended March 31, 2015 and prior years, total equity attributable to owners of the parent as of March 31 of each year was used.

(2) Basic policy on risk management associated with financial instruments

The Group is exposed to financial risks in the process of its business activities; and it manages risks based on a specific policy in order to avoid or reduce these risks.

Derivative transactions for speculative purposes or short-term trading purposes are prohibited and limited to transactions based on the actual demands.

(3) Credit risk

A. Credit risk management

Trade receivables, such as notes and accounts receivable, are exposed to customer credit risk. The Group aims to reduce these risks based on credit management rules and guidelines.

The Company conducts review of new counterparties and credit management based on credit management rules and guidelines. With respect to trade receivables, based on accounting rules and guidelines, the relevant controlling departments in each business unit, together with the accounting department, manage due dates and outstanding balances for each counterparty and regularly monitor the status of major counterparties to detect and reduce doubtful receivables due to deteriorating financial conditions or other reasons in a timely manner.

Consolidated subsidiaries perform credit management and receivables management and have management systems in place that require reporting and approval for certain significant transaction and events.

The Group does not have excess concentration of credit risk in specific counterparties.

B. Maximum exposure to credit risk

With the exception of guarantee obligations, maximum exposure to the Group's credit risk is represented by the carrying amounts of financial assets in the Consolidated Statement of Financial Position.

Maximum exposure to credit risk associated with guarantee obligations amounted to ¥1,761 million and ¥1,745 million ($14million) as of March 31, 2015 and December 31, 2015, respectively.

C. Financial assets that are past due

The analysis of the age of trade and other receivables that are past due but not impaired as of March 31, 2015 and December 31, 2015 is as follows:

| | (Millions of Yen) | | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Within 30 days | ¥102,218 | ¥116,612 | $967 |
| Over 30 days, within 60 days | 38,029 | 40,285 | 334 |
| Over 60 days, within 90 days | 18,994 | 31,371 | 260 |
| Over 90 days | 18,951 | 18,421 | 153 |
| Total | ¥178,194 | ¥206,690 | $1,714 |

D. Schedule of allowance for doubtful accounts

The schedule of allowance for doubtful account for each fiscal year is as follows:

| | (Millions of Yen) | | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Balance at the beginning of the year | ¥18,992 | ¥20,073 | $166 |
| Addition | 3,596 | 6,247 | 52 |
| Decrease (intended use) | (2,978) | (489) | (4) |
| Decrease (reversal) | (707) | (2,761) | (23) |
| Other | 1,169 | (1,476) | (12) |
| Balance at the end of the year | ¥20,073 | ¥21,593 | $179 |

(4) Liquidity risk

A. Liquidity risk management

The Company manages liquidity risk by having the treasury division establish and update a finance plan based on information collected from each section and also by maintaining liquidity based on cash flow status.

The Group raises working capital through internal funds, commercial paper and short-term borrowings.

The Group has established credit facilities (commitment lines) to ensure liquidity.

B. Financial liability balance (including derivative financial instruments) by maturity

The financial liability balance (including derivative financial instruments) by maturity as of March 31, 2015 and December 31, 2015 is as follows:

FY2014: As of March 31, 2015

(Millions of Yen)

| | Carrying amount | Contractual cash flow | Due within 1 year | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | ¥1,231,220 | ¥1,231,220 | ¥1,231,220 | ¥– | ¥– | ¥– | ¥– | ¥– |
| Contingent consideration on acquisition and others | 64,790 | 64,790 | 28,058 | 15,669 | 10,816 | 6,850 | 3,207 | 189 |
| Bonds and borrowings | 409,618 | 428,100 | 79,538 | 40,533 | 11,577 | 53,063 | 63,209 | 180,178 |
| Subtotal | 1,705,629 | 1,724,111 | 1,338,816 | 56,203 | 22,393 | 59,913 | 66,416 | 180,367 |
| Derivative liabilities | 27,848 | 27,848 | 3,214 | 3,065 | 2,476 | 4,582 | 4,252 | 10,258 |
| Total | ¥1,733,477 | ¥1,751,959 | ¥1,342,030 | ¥59,268 | ¥24,869 | ¥64,496 | ¥70,669 | ¥190,626 |

FY2015: As of December 31, 2015

(Millions of Yen)

| | Carrying amount | Contractual cash flow | Due within 1 year | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | ¥1,207,347 | ¥1,207,347 | ¥1,207,347 | ¥– | ¥– | ¥– | ¥– | ¥– |
| Contingent consideration on acquisition and others | 59,226 | 59,226 | 26,205 | 9,743 | 8,459 | 7,121 | 3,708 | 3,987 |
| Bonds and borrowings | 353,783 | 366,499 | 70,352 | 5,341 | 53,268 | 60,202 | 81,958 | 95,375 |
| Subtotal | 1,620,357 | 1,633,073 | 1,303,905 | 15,084 | 61,728 | 67,323 | 85,667 | 99,363 |
| Derivative liabilities | 34,971 | 34,971 | 4,935 | 3,345 | 5,322 | 4,196 | 4,558 | 12,612 |
| Total | ¥1,655,328 | ¥1,668,044 | ¥1,308,841 | ¥18,429 | ¥67,051 | ¥71,520 | ¥90,225 | ¥111,976 |

FY2015: As of December 31, 2015

(Millions of U.S. Dollars)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | $10,010 | $10,010 | $10,010 | $– | $– | $– | $– | $– |
| | 491 | 491 | 217 | 81 | 70 | 59 | 31 | 33 |
| | 2,933 | 3,039 | 583 | 44 | 442 | 499 | 680 | 791 |
| | 13,435 | 13,540 | 10,811 | 125 | 512 | 558 | 710 | 824 |
| | 290 | 290 | 41 | 28 | 44 | 35 | 38 | 105 |
| | $13,725 | $13,830 | $10,852 | $153 | $556 | $593 | $748 | $928 |

C. Undrawn committed facilities

Undrawn committed facilities amounted to ¥310,423 million and ¥291,313 million ($2,415 million) as of March 31, 2015 and December 31, 2015, respectively.

The undrawn committed facilities include commitment lines of credit, overdraft lines of credit and commercial paper facilities.

(5) Foreign currency risk

A. Foreign currency risk management

Monetary receivables and payables denominated in foreign currencies are exposed to foreign exchange fluctuations risks. The Company uses forward foreign exchange contracts to hedge its foreign exchange fluctuation risks identified for each currency in each month.

In addition, forward foreign exchange contracts and others are used to hedge foreign currency transactions that exceed a specified amount in accordance with accounting rules and guidelines.

Some of the consolidated subsidiaries use forward foreign exchange contracts to hedge significant foreign exchange fluctuation risks.

B. Foreign currency derivatives to which hedge accounting is applied

The details of foreign currency derivatives to which hedge accounting is applied as of March 31, 2015 and December 31, 2015 are as follows:

| | | | | | (Millions of Yen) | | | | (Millions of U.S. Dollars) |
|---|---|---|---|---|---|---|---|---|---|
| | FY2014 (As of March 31, 2015) | | | FY2015 (As of December 31, 2015) | | | FY2015 (As of December 31, 2015) | | |
| | Contract amount | Over 1 year | Fair value | Contract amount | Over 1 year | Fair value | Contract amount | Over 1 year | Fair value |
| Foreign exchange contracts | ¥43,077 | ¥27,558 | ¥19,196 | ¥68,548 | ¥51,893 | ¥17,423 | $568 | $430 | $144 |
| Option contracts | 2,371 | – | 112 | – | – | – | – | – | – |

The foreign exchange contracts above are designated as cash flow hedges.

The amounts either included in or deducted from the initial cost of a non-financial asset or non-financial liability as a result of execution of a highly probable forecasted transaction in which an acquisition or incurrence of such non-financial asset or liability is designated as a hedged item are ¥2,928 million (deduction) and ¥1,986 million ($16 million) (deduction) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively.

C. Foreign currency sensitivity analysis

With respect to financial instruments held by the Group, in cases where the functional currency (Yen) increases by 1% in value against the US Dollar or Euro assuming all other variables remain unchanged, the effect on profit before tax as of each fiscal year end is as follows:

The impact from the translation of functional currency-denominated financial assets as well as assets and liabilities of foreign operations into yen is not included.

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| US Dollars | ¥278 | ¥368 | $3 |
| Euros | (9) | (3) | (0) |

(6) Interest rate risk

A. Interest rate risk management

A portion of the Group's borrowings is issued with floating interest rates and is exposed to interest rate fluctuation risk. For interest rate fluctuation risks associated with borrowings, interest expenses are fixed using interest rate swap contracts.

B. Interest rate derivatives to which hedge accounting is applied

The details of interest rate derivatives to which hedge accounting is applied as of March 31, 2015 and December 31, 2015 are as follows:

| | | | | | (Millions of Yen) | | | | (Millions of U.S. Dollars) |
|---|---|---|---|---|---|---|---|---|---|
| | FY2014 (As of March 31, 2015) | | | FY2015 (As of December 31, 2015) | | | FY2015 (As of December 31, 2015) | | |
| | Contract amount | Over 1 year | Fair value | Contract amount | Over 1 year | Fair value | Contract amount | Over 1 year | Fair value |
| Interest rate swap contracts | ¥236,751 | ¥236,751 | ¥(1,840) | ¥230,246 | ¥230,246 | ¥1,536 | $1,909 | $1,909 | $13 |

The interest rate swap contracts above are designated as fair value hedges or cash flow hedges.

Gains or losses on hedging instruments designated as fair value hedges amounted to ¥272 million for the fiscal year ended March 31, 2015. With respect to the nine months ended December 31, 2015, it is not applicable.

The gains or losses associated with hedged items are approximately the same as the gains or losses associated with hedging instruments.

(7) The carrying amount and fair value of financial instruments

The breakdown of the carrying amount and fair value of financial instruments as of March 31, 2015 and December 31, 2015 is as follows:

The fair value of financial assets and financial liabilities measured at amortized cost approximates their carrying amount, except for bonds and long-term borrowings.

| | FY2014 (As of March 31, 2015) (Millions of Yen) | | FY2015 (As of December 31, 2015) (Millions of Yen) | | FY2015 (As of December 31, 2015) (Millions of U.S. Dollars) | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Bonds | ¥12,368 | ¥13,376 | ¥– | ¥– | $– | $– |
| Long-term borrowings | 358,035 | 362,682 | 321,592 | 326,130 | 2,666 | 2,704 |

(Note) Current portion that is scheduled for repayment and redemption within one year is included.

The fair values of bonds are determined by discounting the total of the principal and interest using an interest rate for which the remaining period to remaining until the maturity date and credit risks are taken into account.

The fair value of long-term borrowings is determined by discounting the total of the principal and interest by the interest rate assumed in a case where the same loan is newly made.

The fair value hierarchy of bonds and long-term borrowings is categorized within Level 3.

(8) Fair value hierarchy of financial instruments

Financial instruments measured at fair value on a recurring basis after initial recognition are categorized into the three levels of the fair value hierarchy according to observability and significance of input used in measurements.

The fair value hierarchy is defined as follows:

Level 1: Fair value measured at the quoted price in the active market

Level 2: Fair value that is measured using the observable price other than categorized in Level 1 directly or indirectly

Level 3: Fair value that is measured based on unobservable inputs

When multiple inputs are used to measure fair value, fair value levels are determined based on the lowest level input that is significant to the entire fair value measurement.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of each quarter.

There are no transfers between Level 1 and Level 2 for the year ended March 31, 2015 and for the nine months ended December 31, 2015.

FY2014: As of March 31, 2015

(Millions of Yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Derivative assets | ¥– | ¥21,515 | ¥– | ¥21,515 |
| Equity securities | 174,871 | – | 14,124 | 188,996 |
| Other | 500 | 2,608 | 4,153 | 7,262 |
| Total | ¥175,371 | ¥24,124 | ¥18,278 | ¥217,774 |
| Financial liabilities | | | | |
| Derivative liabilities | ¥– | ¥4,539 | ¥23,308 | ¥27,848 |
| Other | – | – | 64,790 | 64,790 |
| Total | ¥– | ¥4,539 | ¥88,099 | ¥92,638 |

FY2015: As of December 31, 2015

(Millions of Yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Derivative assets | ¥– | ¥22,519 | ¥– | ¥22,519 |
| Equity securities | 172,235 | – | 13,228 | 185,463 |
| Other | 513 | 2,507 | 6,756 | 9,777 |
| Total | ¥172,749 | ¥25,026 | ¥19,984 | ¥217,760 |
| Financial liabilities | | | | |
| Derivative liabilities | ¥– | ¥3,777 | ¥31,194 | ¥34,971 |
| Other | – | – | 59,226 | 59,226 |
| Total | ¥– | ¥3,777 | ¥90,421 | ¥94,198 |

FY2015: As of December 31, 2015

(Millions of U.S. Dollars)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Derivative assets | $– | $187 | $– | $187 |
| Equity securities | 1,428 | – | 110 | 1,538 |
| Other | 4 | 21 | 56 | 81 |
| Total | $1,432 | $207 | $166 | $1,805 |
| Financial liabilities | | | | |
| Derivative liabilities | $– | $31 | $259 | $290 |
| Other | – | – | 491 | 491 |
| Total | $– | $31 | $750 | $781 |

The fair values of interest rate swap contracts and foreign exchange contracts included in derivative assets and derivative liabilities are categorized within Level 2 as they are valuated using price estimates obtained from financial institutions or observable market data.

In addition, the fair values for some of the derivative financial instruments included in derivative liabilities are categorized within Level 3 as they are valuated based on the discounted cash flow method using unobservable inputs.

The fair values of stocks included in equity securities and other (financial assets) for which active markets exist are categorized within Level 1 as they are determined based on market prices.

For stocks in which active markets do not exist, the stocks whose fair values are measured using observable market data are categorized within Level 2, while stocks whose fair values are measured based mainly on market approaches using unobservable inputs are categorized within Level 3.

Significant unobservable inputs mainly include the price/net asset value multiples, and fair value increases (decreases) based on the increase (decrease) of the price/net asset value multiples.

The price/net asset value multiples used at March 31, 2015 and December 31, 2015, are 0.73 and 0.73, respectively.

The fair values of other (financial liabilities) are categorized within Level 3 as they are valuated based on the discounted cash flow method using unobservable inputs.

The fair values of assets and liabilities categorized within Level 3 are measured using asset and liability valuation methods determined by the department in charge in accordance with fair value measurement valuation policies and procedures. Fair value measurement results are approved by the appropriate personnel in charge.

The schedule of financial instruments categorized within Level 3 for each fiscal year is as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| Financial assets | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Balance at the beginning of the year | ¥44,020 | ¥18,278 | $152 |
| Other comprehensive income (Note 1) | 660 | (1,415) | (12) |
| Purchases | 4,865 | 3,908 | 32 |
| Sales or settlements | (2,192) | (4,253) | (35) |
| Transfers out of Level 3 (Note 2) | (29,313) | (354) | (3) |
| Other | 238 | 3,821 | 32 |
| Balance at the end of the year | ¥18,278 | ¥19,984 | $166 |

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| Financial liabilities | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Balance at the beginning of the year | ¥72,209 | ¥88,099 | $730 |
| Profit or loss (Note 3) | 2,986 | 1,849 | 15 |
| Purchases | 30,915 | 28,319 | 235 |
| Sales or settlements | (22,355) | (25,559) | (212) |
| Other | 4,342 | (2,287) | (19) |
| Balance at the end of the year | ¥88,099 | ¥90,421 | $750 |

(Note 1) "Other comprehensive income" is associated with financial assets measured at fair value through other comprehensive income and included in "Net change in financial assets measured at fair value through other comprehensive income."
(Note 2) "Transfers out of Level 3" recognized for the year ended March 31, 2015 and for the nine months ended December 31, 2015 are due to investees listed on exchanges.
(Note 3) "Profit or loss" is associated with financial liabilities at fair value through profit or loss and included in finance costs.
Profit or loss arising from financial instruments held at fiscal year end amounted to ¥2,986 million and ¥1,849 million ($15 million) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively.

## 33. RELATED PARTIES

(1) Remuneration for the Company's directors

Remuneration for the Company's directors for each fiscal year is as follows:

| | | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (Year ended March 31, 2015) | FY2015 (Nine months ended December 31, 2015) | FY2015 (Nine months ended December 31, 2015) |
| Remuneration and bonuses | ¥711 | ¥469 | $4 |

(2) Major subsidiaries

The Company's significant subsidiaries are as follows:

| Company name | Location | Ownership percentage of voting rights (%) |
|---|---|---|
| Dentsu East Japan Inc. | Tokyo, Japan | 100.0 |
| Dentsu West Japan Inc. | Osaka, Japan | 100.0 |
| Dentsu Kyushu Inc. | Fukuoka, Japan | 100.0 |
| Dentsu Hokkaido Inc. | Sapporo, Japan | 100.0 |
| Dentsu Meitetsu Communications Inc. | Nagoya, Japan | 50.0 |
| The Goal Inc. | Tokyo, Japan | 100.0 |
| Dentsu Ad-Gear Inc. | Tokyo, Japan | 66.7 |
| Dentsu Young & Rubicam Inc. | Tokyo, Japan | 51.0 |
| Cyber Communications Inc. | Tokyo, Japan | 100.0 |
| DA search & link Inc. | Tokyo, Japan | 55.0 |
| Carat Japan Inc. | Tokyo, Japan | 100.0 |
| Dentsu Tec Inc. | Tokyo, Japan | 100.0 |
| Information Services International-Dentsu, Ltd. | Tokyo, Japan | 61.8 |
| Dentsu Works Inc. | Tokyo, Japan | 100.0 |
| Dentsu Aegis Network Ltd. | London, the United Kingdom | 100.0 |
| Dentsu Aegis London Ltd. | London, the United Kingdom | 100.0 |
| Dentsu Aegis Network France SAS | Paris, France | 100.0 |
| Dentsu McGarry Bowen,LLC | New York, the United States | 100.0 |
| Aegis International Ltd. | London, the United Kingdom | 100.0 |
| Portman Square US Holdings Ltd. | London, the United Kingdom | 100.0 |
| Aegis Group Participations Ltd. | London, the United Kingdom | 100.0 |
| Aegis Toriton Ltd. | London, the United Kingdom | 100.0 |
| Dentsu Aegis Network Central Europe Holding GmbH | Wiesbaden, Federal Republic of Germany | 100.0 |
| Dentsu Aegis Network Central Europe GmbH | Wiesbaden, Federal Republic of Germany | 100.0 |
| Dentsu Aegis Network Australia Holdings Pty Ltd. | Sydney, Australia | 100.0 |
| Dentsu Aegis (Shanghai) Investment Co., Ltd. | Shanghai, China | 100.0 |
| Aegis Media Pacific Ltd. | London, the United Kingdom | 100.0 |
| 360i LLC | Atlanta, the United States | 100.0 |
| Beijing Dentsu Advertising Co., Ltd. | Beijing, China | 70.0 |

## 34. CONTINGENT LIABILITIES

The contingent liabilities as of March 31, 2015 and December 31, 2015 are as follows:

Guarantees of loans and other liabilities

| | (Millions of Yen) | | (Millions of U.S. Dollars) |
|---|---|---|---|
| | FY2014 (As of March 31, 2015) | FY2015 (As of December 31, 2015) | FY2015 (As of December 31, 2015) |
| Liabilities on guarantees resulting from a loan scheme for housing funds for employees | ¥657 | ¥492 | $4 |
| Liabilities for guarantees of bank loans and others | 1,104 | 1,252 | 10 |
| Total | ¥1,761 | ¥1,745 | $14 |

## 35. NON-CASH TRANSACTIONS

In the nine months ended December 31, 2015, the Company dissolved a retirement benefit trust for corporate pension fund plans and established a retirement benefit trust for retirement lump-sum payment plans. As a result, other non-current assets and liabilities for retirement benefits each decreased by ¥12,787 million ($106 million) each.

## 36. SUBSEQUENT EVENTS

Not applicable.

### 37. CONSOLIDATED STATEMENT OF INCOME (2015 JANUARY–DECEMBER)

Consolidated statement of income assuming that the fiscal year of the Group had been the twelve-month period from January 1, 2015 to December 31, 2015 is as follows:

| | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|
| | From January 1, 2015 to December 31, 2015 | From January 1, 2015 to December 31, 2015 |
| (Turnover (Note 1)) | ¥4,990,854 | $41,380 |
| Revenue | 818,566 | 6,787 |
| Cost | 56,570 | 469 |
| Gross profit | 761,996 | 6,318 |
| Selling, general and administrative expenses | 636,268 | 5,275 |
| Other income | 15,455 | 128 |
| Other expenses | 12,970 | 108 |
| Operating profit | 128,212 | 1,063 |
| Share of results of associates | 4,515 | 37 |
| Profit before interest and tax | 132,727 | 1,100 |
| Finance income | 6,125 | 51 |
| Finance costs | 12,114 | 100 |
| Profit before tax | 126,739 | 1,051 |
| Income tax expense | 37,637 | 312 |
| Profit for the year | ¥89,101 | $739 |
| | | |
| Profit attributable to: | | |
| Owners of the parent | ¥83,090 | $689 |
| Non-controlling interests | ¥6,011 | $50 |
| | | |
| Earnings per share | (Yen) | (U.S. Dollars) |
| Basic earnings per share | ¥289.95 | $2.40 |
| Diluted earnings per share | ¥289.92 | $2.40 |

| Reconciliation from operating profit to underlying operating profit | (Millions of Yen) | (Millions of U.S. Dollars) |
|---|---|---|
| | From January 1, 2015 to December 31, 2015 | From January 1, 2015 to December 31, 2015 |
| Operating profit | ¥128,212 | $1,063 |
| Amortization of intangible assets incurred in acquisitions | 22,798 | 189 |
| Other adjusting items (selling, general and administrative expenses) | 6,225 | 52 |
| Other adjusting items (other income) | (5,180) | (43) |
| Other adjusting items (other expenses) | 8,382 | 69 |
| Underlying operating profit | ¥160,438 | $1,330 |

(Note 1) Turnover represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover information is not required under IFRS; however, it is voluntarily disclosed in the Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.
(Note 2) For the definition of underlying operating profit, please refer to "3. SIGNIFICANT ACCOUNTING POLICIES (20) Underlying Operating Profit."

Deloitte.

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Dentsu Inc.:

We have audited the accompanying consolidated statement of financial position of Dentsu Inc. and its consolidated subsidiaries as of December 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the fiscal year from April 1, 2015 to December 31, 2015, and notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dentsu Inc. and its consolidated subsidiaries as of December 31, 2015, and the consolidated results of their operations and their cash flows for the fiscal year then ended in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

As discussed in "2. BASIS OF PREPARATION—(5) Change in Fiscal Year End," the Company has changed its fiscal year end from March 31 to December 31. Our opinion is not modified in respect of this matter.

**Convenience Translation**

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in "2. BASIS OF PREPARATION—(3) Functional Currency and Presentation Currency." Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

March 30, 2016

Member of
Deloitte Touche Tohmatsu Limited

# Corporate Data

# Subsidiaries and Affiliates

Dentsu conducts its business together with its subsidiaries and affiliates. As of December 31, 2015, the Dentsu Group includes 760 consolidated subsidiaries and 58 affiliated companies accounted for by the equity method.

## Consolidated Subsidiaries

### Dentsu East Japan Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in the Kanto and Tohoku regions as well as Shizuoka and Niigata prefectures

### Dentsu West Japan Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in the Chugoku region and Shikoku as well as Hyogo, Ishikawa, Fukui and Toyama prefectures

### Dentsu Kyushu Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in Kyushu

### Dentsu Hokkaido Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in Hokkaido

### Dentsu Meitetsu Communications Inc.*1
Geographic Area: Japan
Equity Held by Dentsu: 50.0%
Description of Business: Total advertising services, specializing in promotion and OOH

### The Goal Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Fashion and accessories industry advertising

### Dentsu Ad-Gear Inc.
Geographic Area: Japan
Equity Held by Dentsu: 66.7%
Description of Business: Advertising firm specializing in out-of-home media and store promotions

### Dentsu Young & Rubicam Inc.
Geographic Area: Japan
Equity Held by Dentsu: 51.0%
Description of Business: Advertising company established by Dentsu and Young & Rubicam

### Cyber Communications Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%
Description of Business: Internet-based advertising media rep

### DA search & link Inc.
Geographic Area: Japan
Equity Held by Dentsu: 55.0%
Equity Held Indirectly: 55.0%
Description of Business: Internet advertising

### Carat Japan Co., Ltd.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Media communication company

### Dentsu Tec Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Planning and production for sales promotions, events, commercials, print, etc.

### Information Services International-Dentsu, Ltd.*2 *3
Geographic Area: Japan
Equity Held by Dentsu: 61.9%
Equity Held Indirectly: 0.0%
Description of Business: Information systems building; software sales and support for various business areas

### Dentsu Works Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Environment-related consulting, building management, real estate services and business consulting services

### Dentsu Aegis Network Ltd.*1
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Description of Business: Headquarters of the Dentsu Group's global business, which oversees operations outside of Japan

### Dentsu Aegis London Ltd.
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

### Dentsu Aegis Network France SAS*1
Geographic Area: France
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

### Dentsu McGarry Bowen, LLC*1
Geographic Area: U.S.A.
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

### Aegis International Ltd.*1
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

### Portman Square US Holdings Ltd.*1
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Aegis Group Participations Ltd.*1
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Aegis Toriton Ltd.
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Dentsu Aegis Network Central Europe Holding GmbH
Geographic Area: Germany
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Dentsu Aegis Network Central Europe GmbH
Geographic Area: Germany
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Dentsu Aegis Network Australia Holdings Pty Ltd.*1
Geographic Area: Australia
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Dentsu Aegis (Shanghai) Investment Co., Ltd.
Geographic Area: China
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Aegis Media Pacific Ltd.
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

360i LLC*1
Geographic Area: U.S.A.
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Beijing Dentsu Advertising Co., Ltd.
Geographic Area: China
Equity Held by Dentsu: 70.0%

and 731 other companies

*1 Although Dentsu's ownership is 50% or less, the company is considered a subsidiary because Dentsu exerts effective control.
*2 It is a Company Which Submits Annual Securities Report.
*3 It is a Specified Subsidiary.

## Affiliated Companies Accounted for by the Equity Method

Video Research Ltd.
Geographic Area: Japan
Equity Held by Dentsu: 34.2%
Description of Business: TV audience rating surveys, radio audience rating surveys and other research

D2C Inc.
Geographic Area: Japan
Equity Held by Dentsu: 46.0%
Equity Held Indirectly: 10.0%
Description of Business: Advertising for i-mode and other mobile platforms

Kakaku.com, Inc.*2 *3
Geographic Area: Japan
Equity Held by Dentsu: 16.0%
Description of Business: An Internet media company that operates the customer procurement support site Kakaku.com, word of mouth restaurant and gourmet guide site Tabelog, and other sites

and 55 other companies

*1 It is a Specified Subsidiary.
*2 Although Dentsu's equity is less than 20%, because Dentsu can have significant impact on its business policy decisions, it is considered an affiliated company.
*3 It is a Company Which Submits Annual Securities Report.

# History

| | |
|---|---|
| 1901 | Hoshiro Mitsunaga establishes Japan Advertising Ltd. and Telegraphic Service Co. (currently known as Dentsu). |
| 1913 | Dentsu contributes to the establishment of The Japan Newspaper Publishers & Editors Association. |
| 1951 | Dentsu establishes the Radio Division at its Head Office and local offices. Commercial radio broadcasting begins in Japan. |
| 1953 | Dentsu establishes the Radio and Television Division at its Head Office and local offices. |
| | Commercial television broadcasting begins. |
| 1955 | The corporate name is changed to Dentsu Inc. |
| 1959 | Dentsu establishes the Marketing Department and promotes the introduction of marketing. |
| | Dentsu establishes its New York Office. |
| 1964 | Dentsu contributes to the support of the Tokyo Olympic Games. |
| 1970 | Dentsu contributes to the support of Osaka Expo '70. |
| 1974 | The US-based magazine Advertising Age ranks Dentsu the No. 1 advertising agency worldwide in terms of billings(calendar 1973). |
| 1980 | Dentsu establishes its Beijing Office in China ahead of all other overseas advertising agencies. |
| 1984 | Dentsu contributes to the support of the Los Angeles Olympic Games. |
| | Dentsu and US-based Young & Rubicam jointly establish DYR, an international service network. |
| 1989 | Dentsu's net sales exceed one trillion yen in the fiscal year ended March 31, 1989. |
| 1996 | Dentsu contributes to the establishment of cyber communications inc. (cci), Japan's first Internet advertising agency. |
| 1997 | The animated film Princess Mononoke—a co-production between Dentsu, Tokuma Shoten, and others—becomes a big hit. |
| 1998 | Dentsu contributes to the support of the Nagano Winter Olympic Games. |
| 2000 | Dentsu establishes the Bcom3 Group with the US-based firms the Leo Group and the MacManus Group. |
| 2001 | Dentsu lists its shares on the First Section of the Tokyo Stock. Exchange (TSE: 4324). Dentsu commemorates its 100th anniversary. |
| 2002 | Dentsu contributes to the support of the 2002 FIFA World Cup Korea/Japan™. |
| | The Bcom3 Group merges with the French company Publicis Groupe S.A. Dentsu acquires a 15% stake in the newly formed group. |
| | Dentsu acquires capital in Publicis Groupe. |
| 2004 | Dentsu implements a stock split (1:2). |
| 2007 | Dentsu's consolidated net sales reach two trillion yen in the fiscal year ended March 31, 2007. |
| 2008 | Dentsu Holdings USA, Inc. acquires mcgarrybowen, LLC of the United States. |
| | Dentsu repurchases shares of approximately 60 billion yen. |
| 2009 | Dentsu implements a stock split (1:100). |
| 2010 | Dentsu establishes Dentsu Digital Holdings. |
| 2012 | Dentsu terminates strategic alliance and other agreements with Publicis Groupe S.A. and sells to Publicis a block of the shares of Publicis held by Dentsu. |
| 2013 | Dentsu acquires Aegis Group plc and establishes a new global operating unit, Dentsu Aegis Network, in London. |
| | The Dentsu Group medium-term management plan "Dentsu 2017 and Beyond" was released. |
| | Dentsu raises funds through a public offering. |
| 2014 | Dentsu is appointed as marketing agency by the Tokyo Organising Committee of the Olympic and Paralympic Games. |
| 2015 | Dentsu repurchases shares worth approximately 20 billion yen. |
| | The Dentsu Group medium-term CSR strategy 2020 is released. |
| 2016 | Dentsu Digital Inc. is incorporated. |

# Board Members/Management

(As of March 30, 2016)

## Board Members

**Representative Director**

Tadashi Ishii

**Director**

Shoichi Nakamoto
Yoshio Takada
Tim Andree
Kunihiro Matsushima

**Director / Audit and Supervisory Committee Members**

Kenichi Kato
Atsuko Toyama (Outside Director)
Toshiaki Hasegawa (Outside Director)
Kentaro Koga (Outside Director)

## Executive Officers

**President & CEO**

Tadashi Ishii

**Senior Executive Vice President & CFO**

Shoichi Nakamoto

**Executive Vice President**

Yoshio Takada
Tim Andree

**Senior Vice Presidents**

Naoki Tani
Akira Tonouchi
Toshihiro Yamamoto
Kazufumi Hattori
Yasuo Motoi
Wataru Mochizuki
Jerry Buhlmann
Hiroaki Sano

**Executive Officers**

Kunihiro Matsushima
Tsuneo Ogasawara
Nobuyuki Tohya
Tsuyoshi Iwashita
Seiji Ito
Yuichi Ohkubo
Yoshiaki Suzuki
Keiichi Maeda
Kiyoshi Nakamura
Yoshiharu Sengoku
Takaki Hibino
Toshiya Ohyama
Norio Kamijo
Takashi Yagi
Masahiko Hibi
Motohiro Yamagishi
Yutaka Ishikawa
Misao Toyoda

## Information for Shareholders
(As of July 1, 2016)

Corporate Headquarters
1-8-1, Higashi-shimbashi, Minato-ku, Tokyo 105-7001, Japan
Phone: +81-3-6216-5111

Contact Info
Investor Relations Department,
Executive Office

Phone: +81-3-6216-8015
Email: irmail@dentsu.co.jp

Stock Exchange Listing
Tokyo Stock Exchange, First Section
Securities code: 4324

Capital
74,609.81 million yen

Total Number of Shares Issued
288,410,000

General Meeting of Shareholders
The Ordinary General Meeting of Shareholders is held in Tokyo in March each year.

Transfer Agent
The Mitsubishi UFJ Trust and Banking Corporation
7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081, Japan

Internet Address
http://www.dentsu.com

## Share Information
(As of December 31, 2015)

### Breakdown of Shareholders by Type

| | Number of Shareholders | Number of Shares Held | Percentage of Total Number of Shares Issued |
|---|---|---|---|
| Japanese financial institutions | 81 | 80,961,778 | 28.07 |
| Japanese securities firms | 32 | 6,497,854 | 2.25 |
| Other Japanese corporations | 569 | 77,571,265 | 26.90 |
| Japanese individuals and others (Including treasury stock) | 30,675 | 41,313,061 | 14.32 |
| Foreign institutions and individuals | 571 | 82,066,043 | 28.45 |
| Total | 31,928 | 288,410,000 | 100.00 |

### Major Shareholders

| Major Shareholders | Number of Shares Held | Percentage of Total Number of Shares Issued |
|---|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust accounts) | 26,082,800 | 9.15 |
| Kyodo News | 18,988,800 | 6.66 |
| Jiji Press, Ltd. | 17,228,680 | 6.04 |
| Japan Trustee Services Bank, Ltd. (Trust accounts) | 16,135,900 | 5.66 |
| State Street Bank and Trust Company 505001 | 10,407,314 | 3.65 |
| Group Employees' Stockholding Association | 6,186,552 | 2.17 |
| Mizuho Bank, Ltd. | 5,000,000 | 1.75 |
| Yoshida Hideo Memorial Foundation | 4,984,808 | 1.75 |
| Recruit Holdings Co., Ltd. | 4,929,900 | 1.73 |
| The Bank of New York Mellon SA/NV 10 | 4,167,103 | 1.46 |

* The number of shares held by each trust bank includes shares related to trust services.
* Shareholding ratio is calculated excluding treasury shares (3,270,939 shares).

# Fiscal Year 2015 under Review

## Investment Stock Held for Reasons Other Than Pure Investment

| Company | Number of Shares | Balance Sheet Amount (Millions of yen) | Purpose of Holding |
|---|---|---|---|
| Recruit Holdings Co., Ltd. | 30,000,000 | 106,800 | To maintain and strengthen business relationship |
| Digital Garage, Inc. | 3,300,000 | 7,167 | To maintain and strengthen business relationship |
| Tokyo Broadcasting System Holdings, Inc. | 2,560,000 | 4,940 | To maintain and strengthen business relationship |
| Asahi Group Holdings, Ltd. | 918,400 | 3,489 | To maintain and strengthen business relationship |
| TV Asahi Holdings Corporation | 1,434,000 | 3,011 | To maintain and strengthen business relationship |
| SKY Perfect JSAT Holdings, Inc. | 4,059,400 | 2,776 | To maintain and strengthen business relationship |
| Toho Co., Ltd. | 808,900 | 2,717 | To maintain and strengthen business relationship |
| Lion Corporation | 1,794,000 | 2,052 | To maintain and strengthen business relationship |
| Ezaki GlicoCo.,Ltd. | 250,325 | 1,639 | To maintain and strengthen business relationship |
| Toei Company, Ltd. | 1,300,000 | 1,543 | To maintain and strengthen business relationship |
| Yakult Honsha Co., Ltd. | 258,600 | 1,541 | To maintain and strengthen business relationship |
| euglena Co., Ltd. | 788,400 | 1,430 | To maintain and strengthen business relationship |
| Seibu Holdings Inc. | 544,000 | 1,349 | To maintain and strengthen business relationship |
| ROHTO Pharmaceutical Co.,Ltd. | 520,000 | 1,259 | To maintain and strengthen business relationship |
| MORINAGA & Co.,LTD. | 1,901,000 | 1,216 | To maintain and strengthen business relationship |
| Shochiku Co., Ltd. | 1,000,000 | 1,155 | To maintain and strengthen business relationship |
| Central Japan Railway Company | 50,000 | 1,080 | To maintain and strengthen business relationship |
| Meiji Holdings Co., Ltd. | 102,400 | 1,029 | To maintain and strengthen business relationship |
| PILOT CORPORATION | 200,000 | 999 | To maintain and strengthen business relationship |
| TV TOKYO Holdings Corporation | 390,000 | 891 | To maintain and strengthen business relationship |
| Ajinomoto Co., Inc. | 299,000 | 860 | To maintain and strengthen business relationship |
| Mitsubishi UFJ Financial Group, Inc. | 1,125,900 | 852 | To maintain and strengthen business relationship |

## Stocks Held in Trust or Other Legal Entity While Retaining Voting Rights or Voting Instruction Rights

| Company | Number of Shares | Balance Sheet Amount (Millions of yen) | Purpose of Holding |
|---|---|---|---|
| Tokyo Broadcasting System Holdings, Inc. | 9,310,500 | 17,969 | To instruct exercise of voting rights |
| Kao Corporation | 2,328,000 | 14,561 | To instruct exercise of voting rights |
| KDDI Corporation | 2,927,400 | 9,233 | To instruct exercise of voting rights |
| Fuji Media Holdings, Inc. | 4,650,000 | 6,658 | To instruct exercise of voting rights |
| WOWOW INC. | 1,400,800 | 4,279 | To instruct exercise of voting rights |
| TV Asahi Holdings Corporation | 1,271,000 | 2,669 | To instruct exercise of voting rights |
| Seven & i HoldingsCo., Ltd. | 324,000 | 1,798 | To instruct exercise of voting rights |
| Shiseido Co., Ltd. | 682,000 | 1,724 | To instruct exercise of voting rights |
| Yamato Holdings Co., Ltd. | 627,000 | 1,615 | To instruct exercise of voting rights |
| Daiichi Sankyo Co., Ltd. | 398,500 | 1,000 | To instruct exercise of voting rights |
| Mizuho Financial Group, Inc. | 3,914,000 | 953 | To instruct exercise of voting rights |

# Third-Party Evaluation and Share Price Changes

The Dentsu Group actively engages in environmental preservation and other corporate sustainability activities. Receiving high recognition for such activities, Dentsu received a score of 94C from the Carbon Disclosure Project (CDP)*1 in 2015.

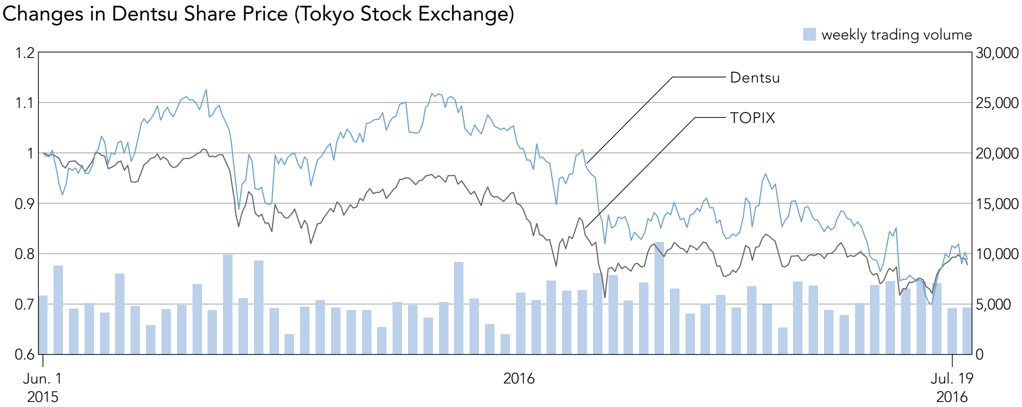
Moreover, in recent years, socially responsible investment,*2 which takes into account not only financial aspects such as corporate revenue and growth prospects, but also ethics, legal compliance, efforts to tackle environmental, and other issues has been gaining attention in investment trust management. Dentsu's CSR efforts received high recognition from SRI rating agencies as well, being included in the Morningstar Socially Responsible Investment Index*3 (MS-SRI) from January 2015 and the MSCI Global Sustainability Indexes*4 in June 2015.

*1 Non-profit organization that institutional investors are collaboratively working with on a project to request that companies disclose their strategies to combat climate change and specific information on emission amounts of greenhouse gases.
*2 Socially responsible investment is an investment method that aims for stable revenue by evaluating and selecting companies based on social, ethical, and environmental aspects, such as legal compliance, employment relations, human rights issues, consumer protection, and contribution to society and community, in addition to conventional investment criteria based on financial analysis.
*3 The Morningstar Socially Responsible Investment Index (MS-SRI) is the first socially responsible investment index in Japan. Morningstar Japan K.K. selects 150 companies in Japan by assessing their social responsibility and converts their stock prices into the index. https://www.morningstar.co.jp/sri/index.htm (Japanese only)
*4 An index developed by Morgan Stanley Capital International (MSCI) in the United States that selects companies that are particularly outstanding in environmental, social, and governance (ESG) assessments. As of June 30, 2015, 1,999 companies (of which 148 are Japanese companies) are included.

THE INCLUSION OF Dentsu Inc. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HERIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF Dentsu Inc. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

CDP DRIVING SUSTAINABLE ECONOMIES
MS-SRI Morningstar Socially Responsible Investment Index
MSCI 2016 Constituent MSCI Global Sustainability Indexes

Changes in Dentsu Share Price (Tokyo Stock Exchange)




Note: The Dentsu and TOPIX figures use 1 as the closing price data for June 1, 2015.

Design concept of this integrated report

## Setting the overall design theme on coexistence with digital, I expressed the imagery of the theme by incorporating the motif of color shades from nature and the environment.

Takahiro Kurashima was born in 1970.
While he engages in a wide variety of creative direction as an art director for various clients, Takahiro is continuously expanding his activity as an individual artist. His "Poemotion" project aims to present a pioneering perspective of graphic arts and was compiled into an art collection book and published in Switzerland. The book was chosen for the Most Beautiful Swiss Books 2011, and he published the third book in the series this year.

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