Dentsu Integrated Report 2016

▶Key Figures ▶Key Strategies ▶Features

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

The Dentsu Group is a marketing communications enterprise. Its business involves determining the essence of a client's issues and designs, before proposing and implementing an integrated communications plan that realizes true solutions.

With the acquisition of Aegis in March 2013 and establishment of Dentsu Aegis Network (DAN), the Group has become a truly global network, with around 47,000 professionals in more than 140 countries (as of the end of December 2015). The Group 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 Group provides a diverse range of services. With the communications domain at its core, it is engaged in a wide range of business activities, from corporate management and operating solutions to the implementation of marketing and communications strategies.

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

Dentsu Group Corporate Philosophy

Statement

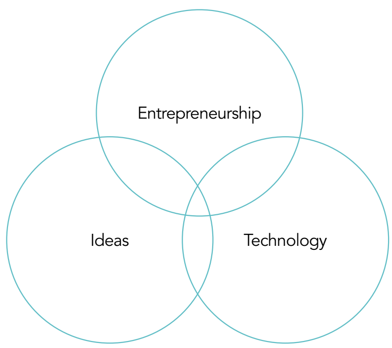
Ideas that reach beyond the imaginable.
Technology that crosses the bounds of possibilities.
Entrepreneurship that surpasses the expected.
Three sources of strength, driving our innovation,
bringing positive change to people and society.

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: Medium-term Management Plan's Major Achievements, Strategy

Behind the Figures

Strategic Themes
1. Diversifying the portfolio on a global basis

- Steady performance of our core Japan business
- Continuous growth in our international business
- Management able to lead the growth of our international business
- Increasing new business to leverage our Group synergies

2. Evolving and expanding in the digital domain

Through acquisitions, we accelerate the enhancement of our capability and service quality in new and developing areas, including brand commerce, content marketing, experiential marketing, data analytics, and customer relationship management (CRM).

3. Re-engineering business processes and improving profitability

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

4. Reinforcing the business platform in the core Japanese market

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

Strengthening Corporate Social Responsibility globally

The Group formulated the Dentsu Group Medium-Term CSR Strategy 2020 in December 2015. This strategy involves setting targets for 2020 in the four key areas of environment, community, supply chain, as well as responsible marketing and sustainable consumption.

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

In an environment in which marketing convergence is progressing, the Group will enjoy more opportunities for growth. And, as marketing convergence develops, greater value will attach to its integrated abilities, which 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 technological developments.

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 helps improve the corporate value of all our clients, beyond national and regional borders.

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 the 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 profits by proactive investment in the growing business domain, while maintaining and improving profitability.

Shoichi Nakamoto
Director and
Senior Executive Vice President,
CFO P.008

We aim to create new values for Japan, from where we will disseminate them.

Yoshio Takada
Director and
Executive Vice President P.018

We will improve environmental, social, and governmental values in conjunction with our business activities, in the pursuit of a better society.

Kunihiro Matsushima
Chair of the CSR Committee,
Director P.045

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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
September 2016
(Next edition scheduled for publication in June 2017)

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Forward-Looking Statements

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.

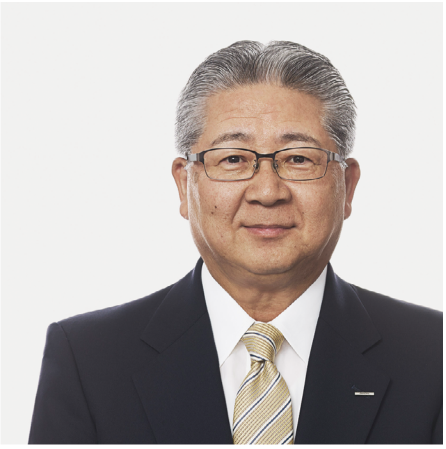
By incorporating the various environmental changes progressing on a global scale as the driving force for our evolution and growth, we can deliver the Dentsu Group's unique solutions in combination with our creative capability—a capability that has been heightened to date—and a variety of imagination, 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 favorable in CY2015. The group posted a gross profit of ¥761.9 billion (a year-on-year increase of ¥8.51 billion) and, factoring in the effect of acquisitions and exchange rates, the organic gross profit growth rate was 7.0%. The underlying operating profit increased to ¥160.4 billion (up 20.3% year on year), and the underlying operating margin rose 1.4 percentage points year on year to 21.1%.

The Group's Japan business remained brisk, with the gross profit marking a year-on-year increase of 4.3% (including a 3.9% rise in organic growth), reflecting the contribution of sponsorship sales associated with the Tokyo 2020 Olympic and Paralympic Games.

Meanwhile, international business continued to show high growth, with 20.6% year-on-year growth in gross profit (including organic growth of 9.4%) reflecting the effects 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, as well as the Asia Pacific region, excluding Japan.

With regard to the consolidated performance outlook for fiscal 2016, we forecast a gross profit of ¥768.7 billion (up 0.9% year on year) and ¥104.5 billion in underlying operating profit (down 7.8% year on year).

Capital Management Strategy and Return to Shareholders

In order for the Group's corporate value to improve sustainably and continue to meet shareholder expectations, despite intensifying competition worldwide, it is extremely important that the Group develop and reinforce its business foundations. This will enable it to enhance its integrated and professional capabilities, as well as promote the acquisition and creation of new growth opportunities.

In recognition of the above, our top priority is to continue investing in growth domains in the pursuit of sustainable profit growth. Further, we plan to steadily enhance capital efficiency in order to provide our shareholders with a comprehensive return. This we will achieve by combining long-term improvement in shareholder value through business growth, together with ongoing and stable dividend payments, and flexible share repurchases.

For the fiscal 2015 dividend, we decided to pay out ¥75 per share, with an interim dividend of ¥35, and a year-end dividend of ¥40. The decision was made after careful consideration of the current fiscal year's operating results; the medium- and long-term performance forecast; and our financial status, bearing in mind future investment plans and our financial soundness.

Your continued understanding and support for the Dentsu Group's management is highly appreciated.

Road to Value Creation
- Review of CY2015 and the medium-term management plan

Changes in the business environment, driven by globalization and digitalization, are forcing big changes in the advertising industry and its business model. These circumstances and the acquisition of Aegis Group plc (currently Dentsu Aegis Network Ltd.) in March 2013 have enabled the Dentsu Group to evolve into a truly global network. We thus took the opportunity to formulate a medium-term management plan, Dentsu 2017 and Beyond, that is to run from FY2013 to FY2017.

In recent years, given the numerous technological advances and changing consumer behavior, it has become difficult for many companies to achieve satisfactory results from marketing activities in the absence of coordinated initiatives. Our medium-term management plan is designed to evolve into a world-class global network, contributing to raising corporate value for all clients. Accordingly, we see the promotion of our plan as leading to value creation.

The following summarizes the medium-term management plan's progress and achievements by fiscal 2015 year-end, which marked the plan's halfway point. We also consider the Group's future outlook.

Progress, Achievements, Future Outlook
Part 1: Evolving into a global network

Steady performance of core Japan business

The gross profit resulting from our CY2015 business in the Japan market was brisk at ¥348.2 billion (up 4.3% year on year, with organic growth up 3.9% year on year). Since the establishment of Dentsu Aegis Network (DAN), the expansion of Japanese companies' operations abroad and the entry of foreign companies into the Japanese market have enabled us to expand our business both at home and abroad. We will continue to work aggressively to acquire new accounts in all markets, and to enhance our competitiveness as a 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 our international business

During CY2015, our gross profit of ¥157.1 billion (a year-on-year increase of 15.4%, including a 12.2% hike in organic growth) that resulted from overseas business significantly outperformed market growth, underpinned by the strong business momentum in Europe, the Middle East, and Africa. Meanwhile, in the Asia Pacific region, excluding Japan, we recorded a profit of ¥117.5 billion (a 23.5% year-on-year surge that included an 11.4% rise in organic growth).

In the Americas, the organic growth rate rose 4.9% year on year, slightly less than the market growth rate. This was the result of, among other things, the renewal of large-account contracts. However, there was a 24.6% year-on-year rise in the gross profit to ¥139.3 billion, reflecting the significant contribution of M&As.

The Group's strong momentum is supported by our smooth integration of the former Aegis Group, as well as the progress of Dentsu Group-wide collaboration. The leadership team of the former Aegis entity remains in the integrated network, where it is helping to drive our growth and support the enlarged Group's momentum. (Please refer to comments by the general manager of international business on pages 23–26.)

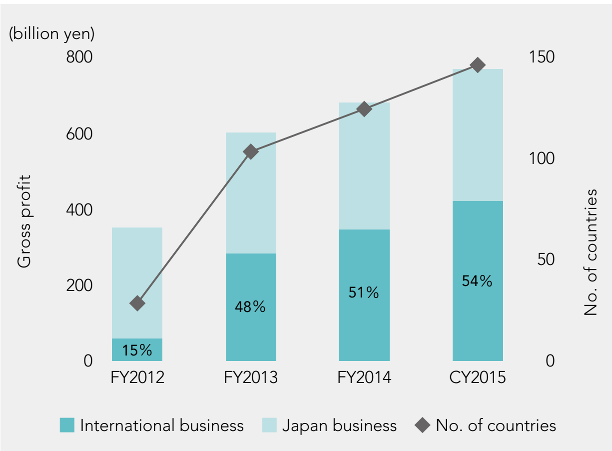
Enhanced competitiveness of our global network

With the acquisition of Aegis, the consolidated gross profit of the Dentsu Group almost doubled from the figure recorded in FY2013. With the continued momentum and our Group's steadily expanding gross profit, international business accounted for 54% in CY2015, the global network having some 47,000 professionals in more than 140 countries.

We continue to improve our operating model One P&L, which has been applied in all our businesses outside of Japan, 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 intend to continue promoting personnel exchanges between our Japan and international businesses, mainly in the growing digital field, as well as to use 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, Achievements, Future Outlook
Part 2: Continuation of industry-leading organic growth

We continue to achieve steady organic growth in many areas, while the organic growth of the entire Group still outperforms that of our competitors.

As well as the solid acquisition of new contracts, many major clients continue to award us contracts without requiring us to go through the contract bidding process. The resulting business expansion, which contributes to our organic growth, shows that clients appreciate 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 our Japan and international businesses achieved double-digit growth in gross profit for FY2015, with year-on-year increases of 22.2% and 24.8%, respectively.

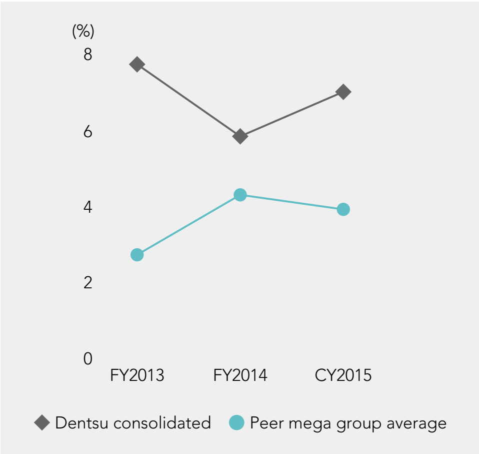
Progress, Achievements, Future Outlook
Part 3: Maintaining and improving high operating margin

The Dentsu Group's operating margin has outperformed that of its competitors, as the Group has continued to boost its Japan business and improve its international business margins.

Particularly in FY2015, the consolidated margin improved significantly because our international business started to see the effects of its first-phase business platform development, to which our Group companies in Japan made a significant contribution. We will continue to restructure our value chain, including our Group companies.

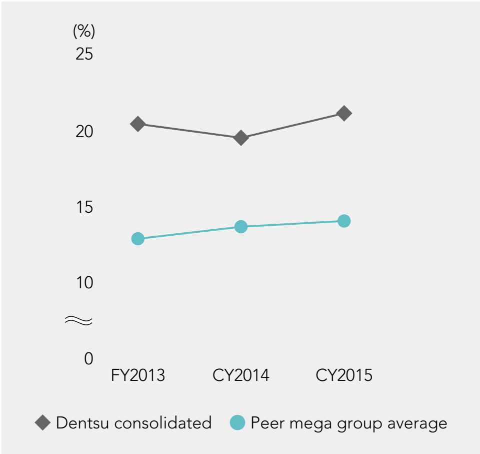
In FY2016, we will keep investing in improving our medium-term competitiveness, and further strengthening the level of our business platform across the Group. Through ongoing initiatives, we aim to maintain a consolidated operating margin of 20% or higher, which is one of the current medium-term management plan's key performance indicators.

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, Achievements, Future Outlook
Part 4: Measures to attain sustainable growth

M&As to set up businesses abroad

M&As are important means of establishing foundations for sustainable growth. Between our acquisition of Aegis in March 2013 and the end of 2015, we conducted 76 M&A transactions, for a total value of some £760 million. By the end of FY2015, our M&A activities had contributed some £90 million to the Group's profits, while M&As accounted for 43% of our total business 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 continues

Since FY2015, we have expanded our acquisition targets in the digital domain to include not only digital media, but also new areas of business. Thus, we have acquired companies in rapidly growing domains such as content marketing, experiential marketing, e-commerce solutions, mobile business, CRM, and data analytics. (Our M&A strategy and three case examples are described on pages 29–30.) We believe that these rapidly growing business areas will become extremely important in Japan.

To better cope with changes in consumer behavior and accommodate the progress being made in the area of marketing convergence, one of the main growth strategies that we plan to develop is the enhancement of our capabilities overall through M&A transactions.

Japan market growth opportunities through accelerated digitalization

We are working to derive growth opportunities in Japan from marketing convergence, based on our strong competitiveness in the traditional domains of media content, creative work, and marketing. (For more information on our competitiveness in the Japan market, please refer to pages 17 and 18.)

Our clients have urged us to broaden and merge these core competences with new capabilities such as CRM, e-commerce, system solutions, and data analytics. In response to these demands, in January 2016 we formed a new organization by integrating and restructuring our professional services in the digital marketing domain, before spinning off the organization and setting up a new company, Dentsu Digital Inc. (For more information, please refer to pages 19–20). Through this company, we aim to gain further growth opportunities in the Japanese market by providing one-stop service in all areas of digital marketing.

Seeking growth opportunities through the revitalization of Japan

In association with the Tokyo 2020 Olympic and Paralympic Games, there will be numerous world sports events held in Japan before 2020 and beyond. Moreover, action plans—including the Vision of the Future Society Brought by Accelerated Advancement of Intelligence in ICT, as well as Infrastructure Improvement in Metropolitan Tokyo—have been gaining momentum in the lead-up to 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 development of innovation in Japan and, ultimately, the revitalization of the Japan brand.

Toward 2017

As a result of the above-mentioned initiatives, we have made good progress in the medium-term management plan as we move toward achieving our 2017 key performance indicator goals.

Centered on 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. In addition, we plan to improve our integrated problem-solving and revenue creation abilities, in order to become a partner that supports its clients' successes in diverse ways.

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

	FY2012 (Actual)	CY2015 (pro forma) (Actual)	FY2017 (Target)
Gross Profit Organic Growth Rate		7.0%	3-5%
Gross Profit International Business Ratio	43%	54.3%	55% or higher
Gross Profit Digital Domain*1 Ratio	24%	34%	35% or higher
Underlying Operating Profit 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 Capability Group's Create to values

OUTPUT

Value creation

The Dentsu Group's Capability to Create Values

The Dentsu Group's Value Creating Process

Dentsu's strengths

The success of clients' businesses

INPUT

Source of value creation

Contribution to an affluent life through communication

Business model

Global network

Social issues and business challenges

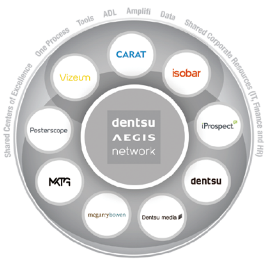
Realization of a sustainable society

Good Innovation.

Enhancing our value-creating ability

One P&L

Capabilities by business domain



Personnel development

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

Business domain

Integrated communication design

▶ **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 a variety of solutions geared to the success of our clients' business. However, we are responsible for the success of not only their business, but also of the social development and innovation of society as a whole.

Under the medium-term management plan Dentsu 2017 and Beyond, and by strengthening its competitiveness in the digital domain, the Group has taken on challenges that go beyond the requirements of the traditional business framework. The Group is also honing its integrated problem-solving and revenue-generating capabilities, with a view to creating new social value.

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 in the supply chain. By improving our environmental, social, and governance value in conjunction with our business activities, we are pursuing the realization of a better society.

Value Creation: A Solid Business Foundation in Japan

Competitiveness in the Japanese Market

The Dentsu Group's leading position in Japan derives from success in combining our creative and execution capabilities with the creation of innovative solutions. The global platform has further strengthened the business foundation of the Group by capturing the untapped needs of major Japanese companies. These not only are Dentsu Inc.'s principal clients, but they are looking to expand abroad. Further, the Group is deriving business acumen by fulfilling the requirements of major global companies, those principal DAN clients that are seeking to enter the Japanese market.

In addition to taking advantage of the impetus and activity related to sports events taking place around Japan, we continue to seek growth opportunities in our Japan business by contributing to the revitalization of the nation.

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

<table>
<tr><th colspan="2"></th><th>2016</th><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021 and Beyond</th></tr>
<tr><td colspan="2" rowspan="3">Movements and actions related to TOKYO 2020 and digital society</td><td colspan="6">Sophistication of various services toward 2020 brought by accelerated advancement of intelligence in ICT in future society</td></tr>
<tr><td colspan="6">Social infrastructure improvement toward the Tokyo 2020 Olympic and Paralympic Games</td></tr>
<tr><td colspan="6">Expansion of content distribution on the Internet (sports and entertainment, etc.)</td></tr>
<tr><td rowspan="8">World Sports Events</td><td>Olympic and Paralympic Games</td><td>Rio (Summer)</td><td>Host for 2024 will be chosen</td><td>Pyeonchang (Winter)</td><td>Host for 2026 will be chosen</td><td>Tokyo (Summer)</td><td>Beijing (Winter 2022)</td></tr>
<tr><td>Asian Games</td><td></td><td>Sapporo (Winter)</td><td>Jakarta (Summer)</td><td></td><td></td><td>Hangzhou (Summer 2022)</td></tr>
<tr><td>FIFA World Cup™</td><td></td><td></td><td>Russia</td><td>France (Women's)</td><td></td><td>Qatar (2022)</td></tr>
<tr><td>FIFA Club World Cup</td><td>Japan</td><td>UAE</td><td>UAE</td><td></td><td></td><td></td></tr>
<tr><td>World Championships in Athletics</td><td></td><td>London</td><td></td><td>Doha</td><td></td><td>Oregon (2021)</td></tr>
<tr><td>World Aquatics Championships</td><td></td><td>Budapest</td><td></td><td>Gwangju</td><td></td><td>Fukuoka (2021)</td></tr>
<tr><td>FIVB Volleyball World Championship</td><td></td><td></td><td>Japan (Women's)</td><td></td><td></td><td></td></tr>
<tr><td>Rugby World Cup</td><td></td><td></td><td></td><td>Japan</td><td></td><td></td></tr>
<tr><td colspan="2">Other major events inside and outside Japan</td><td>G7 Ise-Shima Summit</td><td>EXPO Astana 2017 (Kazakhstan)</td><td>Commencement of practical broadcasting for 4K/8K ultra-high-definition televisions</td><td></td><td>EXPO 2020 Dubai</td><td>World Masters Games Kansai (2021)</td></tr>
</table>

In Japan, the Dentsu Group seeks not only to increase clients' corporate value, but to disseminate it from Japan around the world.

Yoshio Takada
Director and Executive Vice President

The Dentsu Group has an extraordinary business model; it is neither a brand agency nor a media agency. We deliver solutions to the myriad challenges clients face—a business model so distinctive that it might be called "Dentsu business."

Through this model, we have fostered trusting relationships with more than 6,000 clients in Japan, built a solid business foundation, and made the Japanese market into a very competitive stage.

By making full use of ideas and digital technology, the Group recently gained the ability to deliver solutions with greater value. The following are just a few examples.

- Deeper digital connections between clients and consumers who enjoy the clients' content, as well as new experiences and content
- The provision of optimal content and advertisements for consumers by leveraging technologies, such as artificial intelligence
- Digital connections between clients and individuals, before the latter set off on a trip to Japan

In 2014, Dentsu was designated the exclusive marketing agency for the Tokyo Organising Committee of the Olympic and Paralympic Games (Tokyo 2020). In connection with the Games, numerous nationwide initiatives—including those related to sports, culture, urban development and technology—are planned to 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 continue to address social challenges in Japan, thereby further enhancing the underpinnings of our business and increasing our competitiveness.

We aim to extend to the Group's global offices the solutions we hone in Japan through our business in connection with the 2020 Games. In this way, we will further increase our corporate value, while at the same time disseminating Japan's new value around the world.

Boosting Value in our Japan Business: Digital

Evolution of Digital Marketing in Japan

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 Group continues to work to improve its capabilities and quality of service as the roles of agencies continue to expand, encompassing the following functions.

- Programmatic trading in the media buying domain
- Provision of digital solutions, including creative and content-related services
- Data analysis for business decisions and consumer engagement strategies

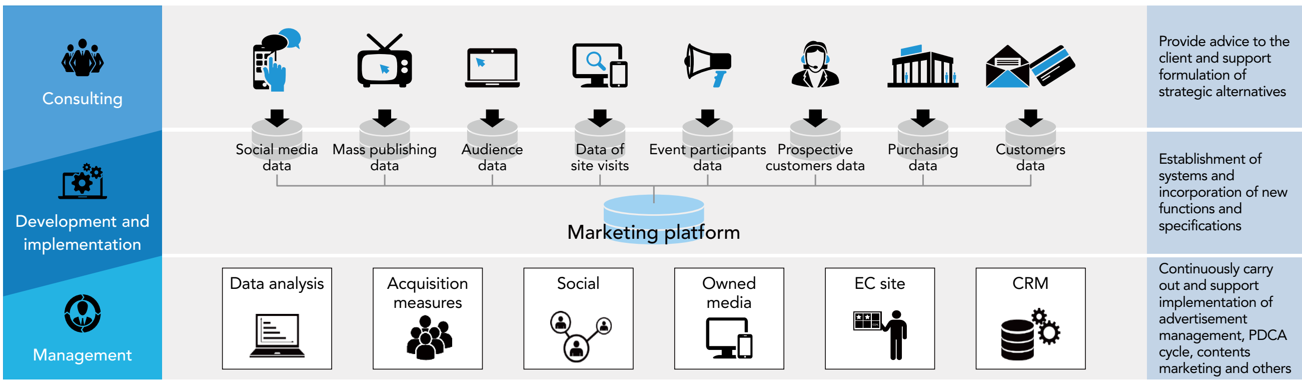
Meanwhile, the integration of these functions is growing in importance. While advances in digitalization and the evolution of various technologies are transforming patterns of consumer behavior, the execution of integrated digital marketing—which organically links each marketing process and individual step that, until now, functioned separately—is becoming the most crucial issue for corporate marketing. Thus, marketing services agencies such as the Dentsu Group are expected to provide integrated and specialized support services.

Responding to the changing environment, Dentsu restructured its digital-related functions and, in January 2016, established the Digital Marketing Center. 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. specialized in advertisement planning in the digital domain and business model support services; Nextage Dentsu Inc. mainly provided digital performance marketing services, such as performance-based advertising, to expand the business of its clients.

Dentsu Digital, in collaboration with other Group companies, will focus on accelerating the capture of demand for digital marketing in both the existing and expanding advertising markets.

Specifically, Dentsu Digital provides a wide range of services, including consulting, to improve clients' returns on investment. It utilizes digital marketing and integrated services that cover all facets of business, from development to operation, in the fields of customer relationship management (CRM), owned media management, and e-commerce support. For major clients, we take advantage of the Group's overall strength as we deliver consistent services, ranging from strategic planning to implementation.

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 environmental 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.

Meanwhile, the Internet's mainly performance-based advertising has developed into media that now is second only to television. At the same time, there has been a major expansion in digital market-related spending outside the traditional advertising market—such as on business and IT consulting, Big Data analytics, as well as on support for marketing automation and e-commerce.

Given the circumstances, Dentsu Inc. established Dentsu Digital Inc., a digital company that provides one-stop digital marketing solutions.

Dentsu Digital Inc. provides such functions as consulting, development and implementation of marketing initiatives, and operational and execution support for client companies pursuing digital transformation. It also develops integrated customer journey solutions—discovery of potential customers, customer acquisition, customer relationship management—and build platforms to support them.

Further, Dentsu Inc. strives 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 acquires and develops digital marketing professionals with the right experience and skills. By closely coordinating the experience 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

Boosting Value in our Japan Business: Sports Marketing

Creating Impetus in Japanese Society

Our many years of experience and achievements in the area of sports marketing are significant factors in the Group's value creation. We believe this accomplishment is underpinned by our highly esteemed, distinctive approach as an advertising agency that creates major impetus, centered on excitement inspired by sports. We will continue to strengthen our activities and increase our 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 clients' business success and further the development of sports through sports-related solutions

Kiyoshi Nakamura

Executive Officer

The Group is involved in a wide variety of sports events, from world-headlining events such as the Olympic Games, FIFA World Cup™, and 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-related 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 those of the Japanese Olympic Committee (JOC), with which we enjoy a long relationship. With regard to football, we acquired not only the sponsorship package for Japan's national team, but also exclusive rights to sell the broadcasting and marketing rights for J. League professional football games.

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

As the Tokyo 2020 Olympic and Paralympic Games' exclusive marketing agent, Dentsu Inc. has taken on the major responsibility of contributing to the success of the Games. It is providing support in various areas, including the formulation of a marketing plan and conducting sponsorship sales.

We will make every effort to create a legacy, so that the benefits of the Games live on after 2020, and strive to improve the significance of sports in this country. For the Dentsu Group, the Paralympic Games are just the start of concerted efforts to contribute to the development of sports involving challenged players.

The Rugby World Cup will be held in Japan in 2019, and the World Swimming Championships will be held in Fukuoka, Japan, in 2021.

The Group has a record of managing numerous international sports events, as well as 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.

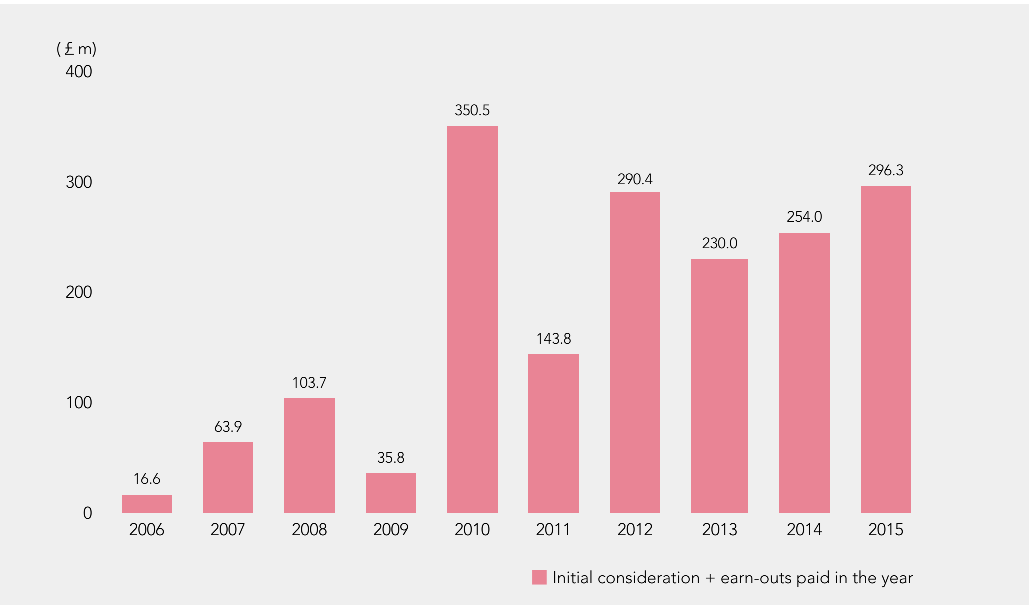
All three teams are supported by central (London) and regional M&A teams. M&A teams manage a pipeline of 50–60 active deals, and we have a monthly review by an M&A Committee, chaired by Jerry Buhlmann, CEO, Dentsu Aegis Network. The teams are supported by well-established M&A policies, practices, and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

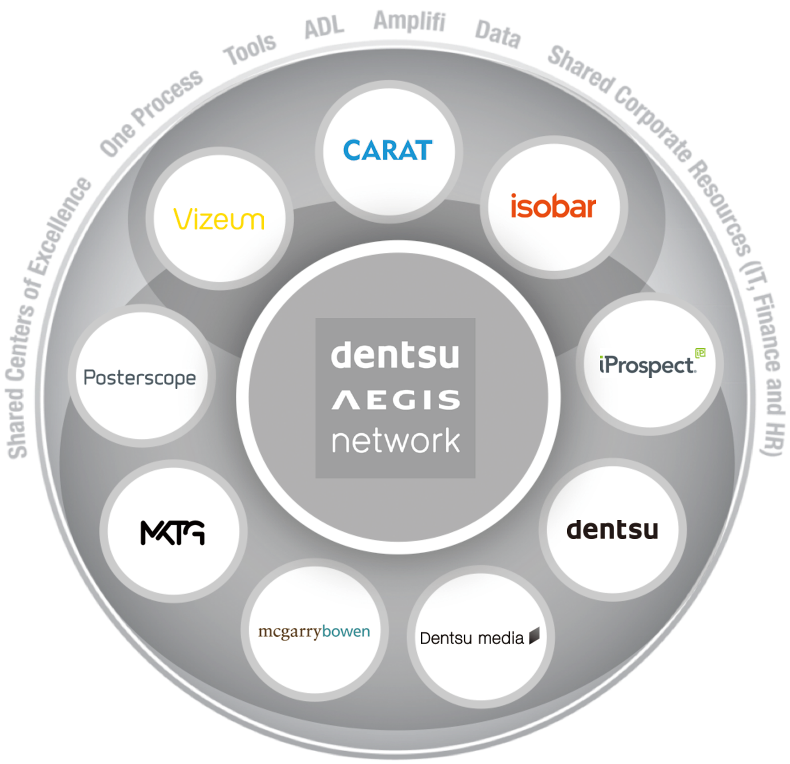
Boosting International Value: Network Brand

Dentsu Group Brands That Enhance Our Capability

The 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 (outside of Japan), 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.

Key elements of this infrastructure are our nine global networks and six specialist/multimarket agency brands, which deliver our integrated, specialist approach, supported by local agency brands in certain countries.

Group companies collaborate seamlessly to achieve shared business goals, while our top-class professionals from various fields are incentivized to collaborate across agencies and countries, thus providing integrated, 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

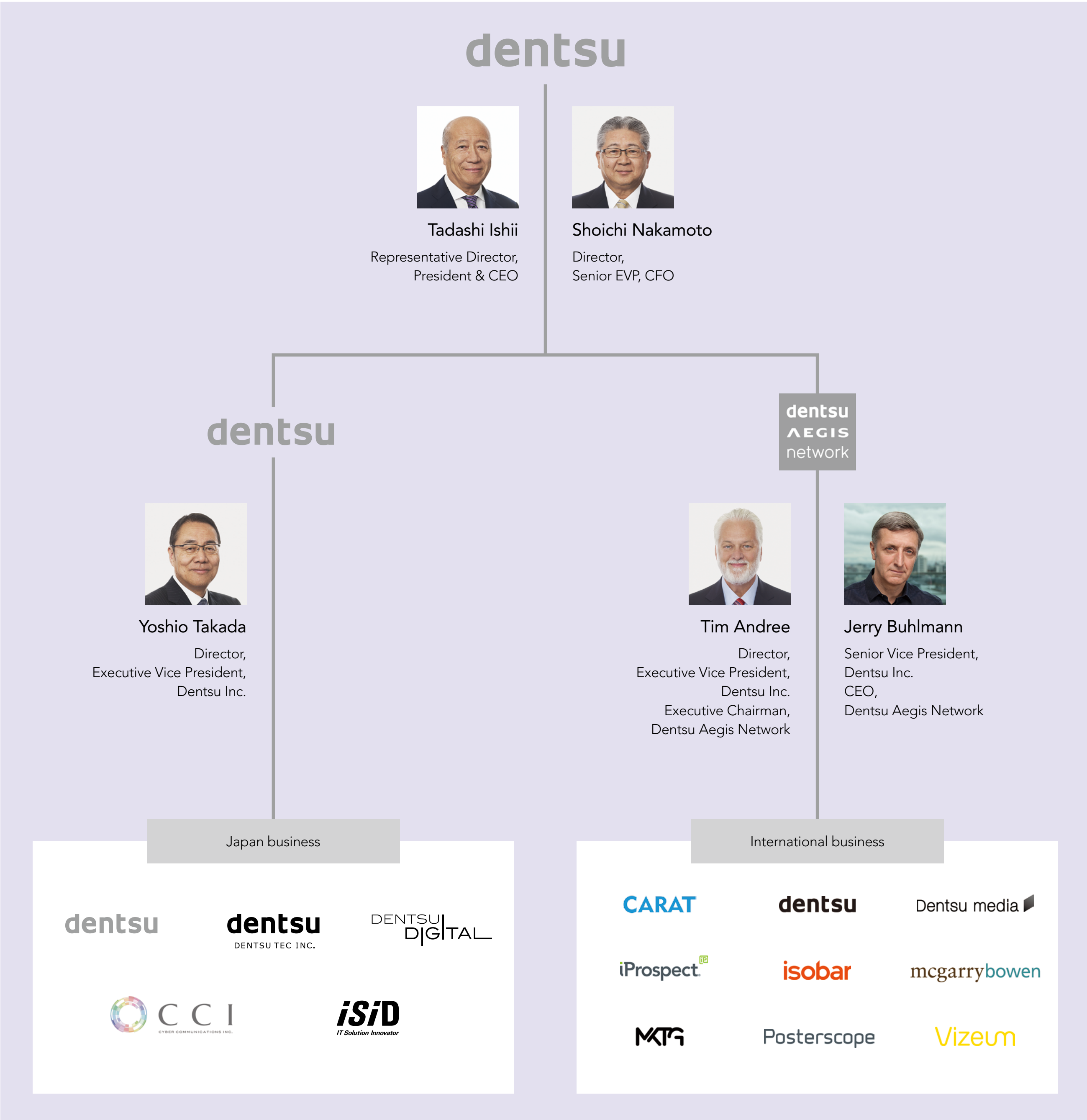
Championing the fusion of search marketing and social marketing, 360i has earned top marks in the industry as a next-generation digital agency.

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. (hereinafter the Company), 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. It thus achieves an expeditious, effective business execution system, and enhances the supervisory function of directors through the board.

As of March 30, 2016, the board comprises nine directors (of which three are independent, outside directors), four of whom (three being outside directors) are Audit and Supervisory Committee members. Among the factors considered in nominating members of the Board of Directors are diversity in experience, insight, ability, and gender.

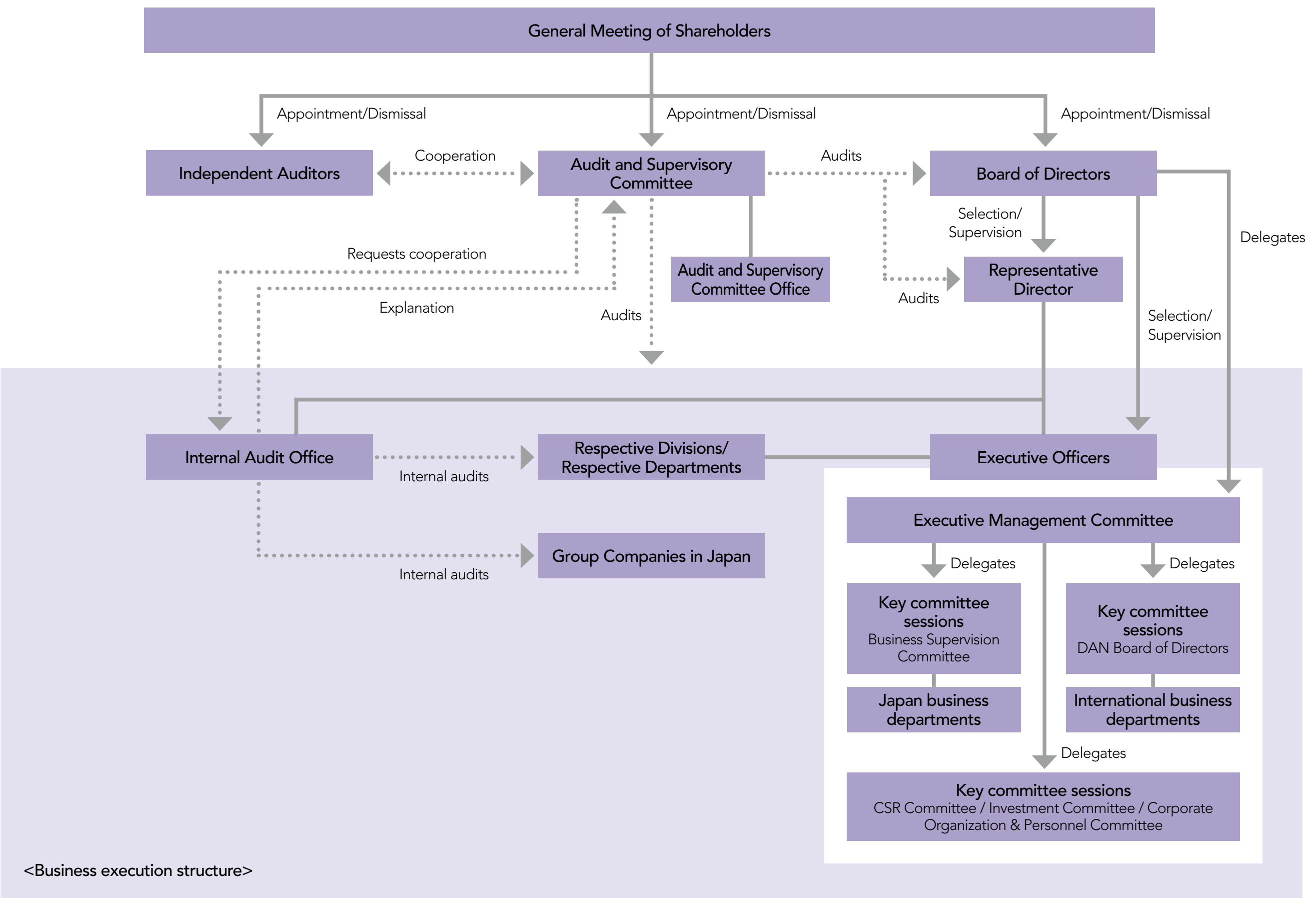
Further, Dentsu has introduced a Director and Executive Officer System to clarify roles and responsibilities, and to reinforce the effectiveness of its management and operations systems.

Under the Board of Directors, we set up an Executive Management Committee, comprising the representative director, executive officers, and executive directors. This committee makes decisions on important matters relating to management, and conducts preliminary deliberations on board resolutions.

The Supervisory Committee and the Executive Management Committee together ensure the proper functioning of our business, making the principal operational decisions and so being responsible for earnings.

The Company has divided its business into the Japan and international business areas, under the auspices of its Business Supervision Committee and the Dentsu Aegis Network Board of Directors, respectively. The committee oversees revenue-related matters, while the board exercises overall authority.

Corporate Governance Structure



Change of Governance Structure

Dentsu Inc. changed from being a company with an Audit & Supervisory Board to being one with an Audit and Supervisory Committee at the end of the Ordinary General Meeting of Shareholders in March 2016.

Even though Dentsu had been well organized under its previous configuration, with an Audit & Supervisory Board, the change in corporate governance structure was in response to the implementation of the Corporate Governance Code by the Tokyo Stock Exchange on June 1, 2015. It was also decided that we would voluntarily change the composition of the Board of Directors—so that at least one-third of the members would be independent, outside directors to enhance our auditing and monitoring functions—and set up an Audit and Supervisory Committee.

The main role of the Board of Directors from then on would be the supervision of business execution, to enable expeditious decision-making and effective business execution by individuals in an executive position. With this change, the Dentsu Group aims to improve the soundness and transparency of management and the speed of decision-making in order to further increase corporate value.

Voice

Toshiaki Hasegawa, Lawyer

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

Implementation of New Corporate Governance Structure

In 2016, the corporate community in Japan has seen a continuation of the corporate governance reforms that started in the previous year. The degree to which the revised Companies Act and the Corporate Governance Code—implemented in May and June of 2015, respectively—have had an effect on the conduct of business here is currently being put to the test.

Meanwhile, besides the governance reform, Dentsu has implemented innovative changes. It has changed its closing date for accounting from the end of March to the end of December, adopted International Financial Reporting Standards, and changed its governance structure to reflect the amendment to the Companies Act. The changes have been made to strengthen the internal controls and governance of the entire Group.

For my part, I resigned from the office of auditor and was appointed an outside director and a member of the Audit and Supervisory Committee at the Ordinary General Meeting of Shareholders on March 30, 2016. Some people may view this merely as a change in job title, with the degree of responsibility remaining much the same. However, from the perspective of governance enhancement, significant progress has been made.

Since a member of the Audit and Supervisory Committee is also a director, I will participate in, and exercise voting rights for, resolutions at Board of Directors' meetings. While articulating my position on the pros and cons of management decisions, I am also responsible for the legality of Board of Directors' activities. Although establishing the auditing committee complies with global standards, the management and supervisory system of a company with an Audit & Supervisory Board was so unusual in Japan, that people outside the country found it confusing.

I believe that, through the above drastic reforms, the Dentsu Group has created a governance structure suitable for a truly global company.

Response to Implementation of the Corporate Governance Code

Policy Formulation

In response to the implementation of the Corporate Governance Code, the Company formulated a new Corporate Governance Policy to put into practice effective corporate governance and fulfill its responsibilities to its stakeholders (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

Appointment of Senior Management; Nomination of Director Candidates

When nominating directors who are not already members of the Audit and Supervisory Committee, the representative director—the individual in a Japanese company who has the company seal and represents it in transactions—will submit the proposed names and, to ensure transparency, explain to the independent outside director members of the Audit and Supervisory Committee the reasons for, and suitability of, nominees. Directors shall be nominated by the Board of Directors, which will take into consideration the opinions of outside directors.

When nominating directors who are members of the Audit and Supervisory Committee, the representative director will submit a list of proposed names and, after they have been approved by the Audit and Supervisory Committee, the Board of Directors shall decide the new board members.

For the policies and procedures involved in 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 ensure transparency of the Group's corporate governance structure, in November 2015, the Company formulated its Standards for the Independence of Outside Directors, as stated in part below.

The Company deems that any directors who fall into any of the following categories do not meet the standards required of 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 fallen under items 2 through 6 in the past.
9. Close relatives.

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

Self-evaluation of board's efficacy, summary of results

Since becoming a company with an Audit and Supervisory Committee in FY2016, each year directors will be required to conduct self-evaluations regarding the effectiveness and aptness of the Board of Directors' monitoring of the Company's management, and of their performance of their own duties as directors. Based on the results of the self-evaluations, the Board of Directors will analyze and evaluate the overall effectiveness of the board, before making public an overview.

Training Directors and Executive Officers

Through ongoing training, opportunities will be made available for directors and executive officers to gain the knowledge necessary to properly carry out their work and responsibilities.

Currently, when directors (excluding outside directors) and executive officers assume their roles, the Company provides them with lectures, given by in-house and outside experts, with respect to the Company's strategies in areas including management, business, finance, laws, and regulations. This enables them to acquire and update the knowledge they require to fulfill their responsibilities. They also have opportunities to find, through discussions, issues to be addressed by the Company and their solutions. Moreover, after becoming directors or auditors, they have opportunities to hold monthly study seminars to obtain the latest information regarding best practices for megatrend issues, with emphasis on the positioning of the environmental, social, and governmental criteria in the Corporate Governance Code.

When new outside directors assume their offices, they are provided with an explanation of the business, organizational structure, and other related Company matters. Then, periodically, they are updated regarding issues currently being addressed by the Company.

Remuneration

Policies, procedures for senior management; directors' remuneration

Directors who are not members of the Audit and Supervisory Committee have a performance-linked framework for remuneration. It is designed to ensure that the medium-term management plan goals are achieved, the focus is on the mid- to long-term profit of shareholders, and the motivation to maximize the corporate value of the Company remains high.

The index used to evaluate business performance is the Company's consolidated operating profit, while the total amount of bonuses varies according to the degree to which budgetary goals have been achieved. Performance-linked bonuses, meanwhile, account for 40% of the Company's total remuneration.

The total amount of fixed monthly salaries and performance-linked bonuses is 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 (as well as of each executive officer) is determined by a resolution of the Board of Directors within the above limit of remuneration, and must be approved at the same General Meeting of Shareholders. In order to ensure transparency, the suggested remuneration is explained to committee members, and the final decision is made by shareholders after they have taken into consideration the opinions of the Audit and Supervisory Committee members.

Remuneration for directors who are members of the Audit and Supervisory Committee consists solely of a fixed monthly salary. The gross amount is within the remuneration limit approved at the Ordinary General Meeting of Shareholders.

The amount of remuneration for each director who is a member of the Audit and Supervisory Committee is determined through consultations conducted by the committee directors. The amount is within the above remuneration limit, as approved at the same Ordinary 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 (10 million yen) (2 persons)	75 million yen: 5 persons (21 million yen) (3 persons)	349 million yen: 17 persons (31 million yen) (5 persons)
Bonuses	195 million yen: 9 persons (- yen) (- persons)	- yen: - persons (- yen) (- persons)	195 million yen: 9 persons (- yen) (- persons)
Total	469 million yen: 12 persons (10 million yen) (2 persons)	75 million yen: 5 persons (21 million yen) (3 persons)	544 million yen: 17 persons (31 million yen) (5 persons)

1. The annual remuneration 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 per year (of which up to ¥18 million per year is earmarked for outside directors).
2. The annual remuneration 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 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 show the amount approved at the meeting of the Ordinary Board of Directors held in February 2016. It is 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 now has an Audit and Supervisory Committee. At the same meeting, shareholders approved a maximum annual remuneration for those directors who are not members of the Audit and Supervisory Committee of ¥1.2 billion, and a maximum annual remuneration for those directors who are members of the Audit and Supervisory Committee of ¥150 million. Shareholders also agreed that no bonus is to be paid to outside directors.

Communication with Shareholders and Investors

The Company is working to enhance its mid- to long-term corporate value by disclosing to shareholders and investors such information as management strategies, financial figures, and non-financial particulars. Disclosures are timely, and the Company engages in an ongoing, constructive dialogue with shareholders and investors through its IR activities.

In addition to holding earnings-related presentations twice a year, we aim to achieve wide-ranging, two-way communication with shareholders and investors through individual briefings for institutional investors and analysts held in Japan and other countries.

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

The Company employs a capital policy aimed at improving its intrinsic corporate value. As a top priority for capital allocation, it pursues sustainable profit growth with aggressive M&As in growth areas across all markets. Further, through a combination of continued dividend stability and agile treasury stock acquisition, the Company aims to consistently improve shareholder returns, raise capital efficiency, and improve return on equity over the medium term.

Ordinary General Meeting of Shareholders

At the Company's Ordinary General Meeting of Shareholders, we make every effort to ensure the smooth exercise of shareholders' voting rights. This is done by such measures as the prompt delivery of notices of the Meetings and the introduction of Internet voting. The 166th Meeting, held on June 26, 2015, was attended by 307 shareholders.

Earnings Presentations

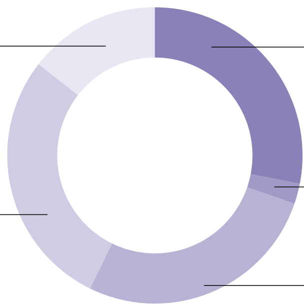
The Company places importance on its relationships with analysts and investors. We hold earnings presentations twice a year to explain our financial situation, provide a general overview, and explain management policies. The documents used at earnings presentations are posted on the Company's website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

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

Shareholder Composition

As of the end of December 2015, there were 31,928 Dentsu shareholders.

Ownership and Distribution of Shares



Dentsu Group Internal Controls

We believe that the Dentsu Group Internal Control System encourages compliance among directors, executive officers, and employees, while at the same time 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 is the foundation on which the internal control system rests.

Based on the code, 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, allowing problems to be discovered and improvements to be developed.

A similar internal control structure is being applied in Group companies, to maintain and improve the corporate value of the entire Group.

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

Risk Management

To ensure the comprehensive management of the entire Group's risks, the members of the CSR Committee (chaired by the director and an executive officer) are drawn from the Group. The CSR Committee monitors the Group's risk management efforts and manages the plan-do-check-act (PDCA) cycle. This ensures that policies and the risk management process are developed, implemented, monitored, and improved in the interests of enabling enhancement to be continuous.

Dentsu sets up rules for the management of risk, in order to maintain and improve a structure that prevents the occurrence of risks and precludes the spread of damage or loss, while minimizing the impact of risk progression should risks materialize.

The Company prioritizes key risks and formulates concrete measures that can be employed should a response be required.

A department is assigned to be responsible for each key risk. These departments develop and implement the requisite measures to reduce risks; compile mid-term progress reports, year-end self-assessments, and guidelines for the succeeding year; and report to the CSR Committee.

Key risks and potential risks, thought likely to eventuate over the medium to long term, are reported by the CSR Committee to the Executive Management Committee. After confirming the status of any risk—whether it can be avoided, reduced, transferred, or retained—the CSR Committee develops and reviews response measures.

To prioritize key risks, the Dentsu Group conducts quantitative and qualitative analyses using a risk map. This data visualization tool takes into consideration the frequency and impact of each risk, and uses correlation analysis to 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 •Developing the management plans for the taskforce •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 •Fostering global human resources •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 •Promoting the planning and taking of annual paid leave •Implementing the "work style innovation."

Information Security

Development of a Management System

The Company set up the Dentsu Group Basic Policy for Information Security and a very strict information security management system to protect the Group's important data, as well as personal and other information received from clients.

The Company has compiled information management and other rules. Company officers and employees are made aware of these and are expected to comply with them. The Company also provides training for new graduate employees and briefings for employees, distributing videos and pamphlets to raise awareness. Given the importance of managers in information management, the Company has also started a new manager training course to educate managers about their roles and responsibilities.

For information management security, in March 2003 the Dentsu Head Office in Tokyo was awarded BS 7799-Part 2:2002 certification, the predecessor of ISO/IEC 27001:2005. This was extended to the entire Company in April 2005, when the Kansai and Chubu offices received the same certification.

In 2015, Dentsu went on to implement ISO/IEC27001:2013 and JIS Q 27001:2014, 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.

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.

Information Security Management System

Dentsu Group Basic Policy

Group member companies address information security in all business areas, by putting in place policies and procedures to systematically manage sensitive data. They recognize the role of information security management in protecting important information.

1. Compliance with Laws
   Based on requests from our stakeholders, including clients and business partners, we properly address information security management to ensure compliance with relevant laws and regulations. In particular, personal information is 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 share such business information only among employees and Group companies with appropriate clearances. In selecting our subcontractors, we take into consideration how they are addressing information security.

3. Maintaining and Improving Achievement Levels
   We intend to maintain our current security level and improve it through our PDCA cycle activities. We educate all of our employees, from executives down, regarding information security, so that they can acquire the appropriate knowledge and develop the necessary judgment.

4. Adaptation to Environmental Change
   We will continue to update our information security management system and concomitant rules even as we take a flexible approach to environmental changes in our Group's business areas, the information assets handled by our Group, and developments in the area of information and communication technology (ICT).

Compliance Promotion

System Management

To ensure that internationally accepted standards are adopted in their global business, the Company formulated the Dentsu Group Code of Conduct, based on the *OECD Guidelines for Multinational Enterprises*, published by the Organization for Economic Cooperation and Development.

According to Dentsu's compliance system, directors and executive officers who discover violations of prevailing laws or who encounter other serious compliance-related issues are required immediately to report their findings to the Board of Directors or the Executive Management Committee. The Audit and Supervisory Committee also must be advised of the circumstances without delay.

If the Audit and Supervisory Committee gives an opinion on the Company's compliance system, or requires that steps be taken to improve the system, directors and executive officers must respond at once and make the recommended changes.

The compliance department develops rules and manuals to maintain and improve the compliance system as it applies to employees. It conducts training programs, led by the CSR Committee, designed to ensure compliance awareness among employees.

A Compliance Line was set up as the designated contact point for the receipt of reports on in-house legal violations. The line has an in-house and an external contact point, calls to the latter being 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 FY2015, Dentsu Inc. and Dentsu Group employees submitted 15 reports and proposals (FY2014: 10; FY2013: 13; FY2012: 21). All were dealt with by the Company.

Among the activities held by the Dentsu Head Office in its attempt to prevent illicit behavior and raise the level of employee awareness was the showing of an educational video. In addition, to promote understanding of the importance of compliance issues, a compliance website was set up on the Company intranet, and the Compliance Digest booklet was distributed to all Group companies. Each year, compliance training sessions for new and mid-career hires are held at the Company and Group companies.

Compliance Digest booklet

Rejection of Antisocial Forces

The Company and all Group enterprises set up a Basic Policy on the Rejection of Organized Crime Groups and Other Antisocial Forces, thereby articulating their determination to take a firm stand against antisocial forces, as groups and individuals seeking economic profit through violence are known in Japan. Business partners have been asked 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

Bid to End Bribery by Group Companies Abroad

DAN provides compliance training on the intranet for Group companies outside of Japan, the participation rate of which is up to 90%. As a follow-up, each company also holds its own training sessions and strives to raise employee awareness regarding bribery.

Speak Up! Policy

The risk of fraud and other wrongdoing is a threat to the Group's profitability and reputation. DAN thus established an internal reporting program, called Speak Up!, for reporting any incident of concern or that raises suspicions of wrongdoing in the workplace. Employees can make a report to line managers, HR staff or senior managers, or they can follow internal grievance procedures. Appropriate legal and/ or disciplinary action will be taken against perpetrators of fraud and other wrongdoing.

DAN also employs Safecall Limited, an independent specialist that employees can contact anonymously on the phone, by email and through a website, 24 hours a day, 365 days a year, and in a number of languages.

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

Code of Conduct Philosophy

The Dentsu Group Code of Conduct, the Group's CSR philosophy, is based on Dentsu's seven key areas of CSR activity: 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 states what all Group managers and employees must do to fulfill their respective responsibilities to society.

The short publication, "Guidance on the Dentsu Group Code of Conduct," provides specific and detailed actions that management and employees can take to gain a deeper understanding of the seven key areas and voluntarily abide by the requirements.

The Group has stated that it shall comply with the laws and regulations of each market in which it does business, while respecting social norms that reflect a region's diversity. The publication serves as the Group-wide code of conduct.

Dentsu Group Code of Conduct

All the following points regarding the code and governance may be found at http://www.dentsu.com/csr/overview/codeofconduct.html.

- 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 a civilized working environment.
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.

Promotion of CSR

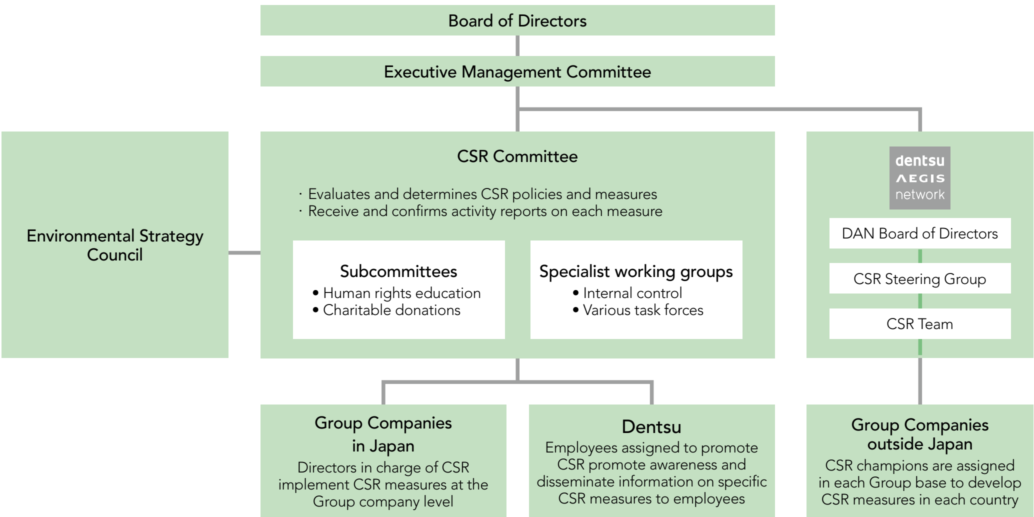
Dentsu has established three principal committees under its Executive Management Committee and Business Supervision Committee, which are responsible for all major management decisions. One of the committees established under the Executive Management Committee is the CSR Committee, comprising five board 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 also serves as 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 ensure greater Company-wide awareness concerning the environment.

For Group companies outside of Japan, a CSR action plan was developed at the DAN Board of Directors meeting. The progress of the plan is reported to and shared with the Executive Management and the CSR Committees.

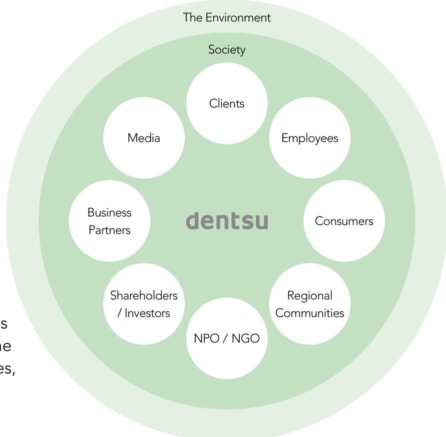
We have also designated CSR promotion committee members in all Company departments to promote awareness, disseminate information on specific CSR measures, and ensure company-wide efforts. At Group companies outside of Japan, we have appointed CSR Champions, who promote CSR activities. Through such efforts,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

Dentsu Group CSR Promotion System



Major Stakeholders

The Company pursues CSR activities and addresses social issues, while maintaining interactive communication with its stakeholders. The Group stresses day-to-day dialogues with stakeholders, strives to ensure the proper disclosure of information, and integrates into its activities the expectations and demands of stakeholders.



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 participates in international initiatives in order to contribute to global social development, and strives to address activities with a focus on environmental, social and governance (ESG) issues and to promote information sharing.

The Company joined the United Nations Global Compact in December 2009 and upholds its 10 principles on human rights, labor, the environment, and anti-corruption. It submits a CSR report every year to the UN Global Compact, and compiles an annual stand-alone activities report ("Communication on Progress: COP") aimed at the realization of the 10 principles.

Dentsu also has become a member of CSR Asia, the largest CSR-related think tank in the Asia–Pacific region, which focuses on deliberation of ESG issues in Asia and the strengthening of alliances with companies in Asia.

Network Japan
WE SUPPORT

Common Ground Initiative

The Dentsu Group has agreed to participate in a major global initiative with the world's other five major 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) that 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 and beyond business competition. As a first step, the top management teams of each group gathered at a session of the 63rd Cannes Lions International Festival of Creativity. There, we shared awareness of the issues and agreed to work to address 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 to achieve the SDGs and to resolve global issues.

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

Dentsu Group Medium-Term CSR Strategy 2020

Dentsu has formulated a five-year Dentsu Group Medium-Term CSR Strategy 2020, setting targets to be achieved by 2020. According to the Dentsu Group Code of Conduct, based on the medium-term CSR strategy—stipulating the four key areas and common goal—the Group will continue contributing to the realization of a sustainable society by steadily promoting CSR activities worldwide.

CSR Planning: Realizing a Sustainable Society

Nations around the world face a number of social issues, including those that are environment-related, such as global warming, as well as human rights violations that are found in some countries and regions. Many of the issues are the result of corporate activities, since the increased social expectations and demands are causing companies to focus on a variety of activities to fulfill their responsibilities. The advertising industry being no exception, 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 far greater than we had anticipated. That said, we have a significant impact on consumer behavior as it relates to the buying of such goods as daily consumer items, and extends to once-in-a-lifetime major purchases. While being aware of the magnitude of the impact that advertising has on consumption, we also should remain aware of our responsibilities in terms of the fairness of the content and of goods and services that consumers purchase. When it comes to environmental and social impact, we believe advertising companies should bear in mind both direct and indirect impact.

Based on the above considerations, we developed a plan that defines the common goal of the Dentsu Group. The plan—involving the collection of data regarding the Group's resources and knowledge in Japan and overseas— will be steadily executed with a view to realizing a sustainable society, and promoting the integration of business activities and sustainability approaches.

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 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
Ensuring a Safe and Civilized Working Environment
Contributing to the Community
Fair Business Practices (disclosed exclusively on the website)
Addressing Consumer Issues (disclosed exclusively on the website)

Respect for Human Rights

<Social Issues>

• Human rights violations in communication activities

<The Dentsu Group's Approach>

The Group aspires to enrich the human rights-related aspects of its advertising and business communication activities. To this end, it regularly conducts Group-wide employee training programs designed to provide employees with a sound understanding of human rights, which they can then apply to their work.

We at Dentsu also consider the prevention of harassment and protection of employees' human rights to be important themes in ensuring that employees are able to showcase their individual capabilities.

Human Rights Policy and Systems

The Group is well aware of the impact that communication activities have on society, and carries out human rights awareness promotion activities as part of its Group's Basic Policy on Human Rights Awareness program. As a global company, Dentsu supports the international norms on human rights, including the Universal Declaration of Human Rights and International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

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

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 starting point of communication.

Human Rights Promotion System

A Dentsu Group human rights education conference is held twice a year for those in charge of human rights education at the Company, and for human rights education managers at Group companies. In addition to fundamental human rights issues, other topical themes are also covered.

Human Rights Awareness

To increase human rights awareness, the Group runs human rights awareness training programs based on both employee hierarchy and occupational field.

There are also various opportunities to raise awareness of human rights. Textbooks with information on human rights and explanations of their connection to advertising 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. Further, a newsletter dealing with timely human rights-related topics is distributed within the Group twice a month.

In the area of advertising and human rights, the Group has a permanent consulting contact, to ensure that expressions communicated to the world are appropriate, and to respond to Group-wide inquiries.

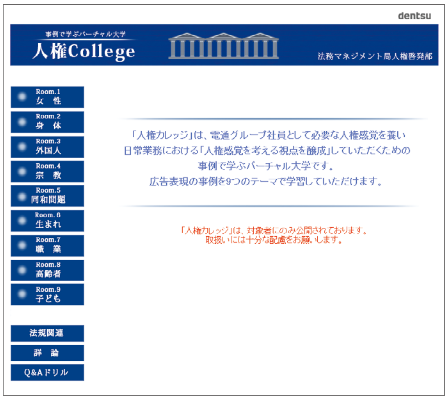
Internal Reporting to Protect Human Rights

We established a contact desk that responds to inquiries from Group employees and allows the identification of possible human rights-related risks associated with the right of expression in advertising. During fiscal 2015, the desk received 63 inquiries. These were handled individually, in a bid both to prevent any recurrence of the issues and to increase human rights awareness.

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 services. The section coordinates with harassment contacts at each Group company, in a bid to prevent harassment across the Group.

To ensure that employee education prevents both power and sexual harassment at Dentsu offices, we have issued an educational book entitled *STOP! HARASSMENT*. We also hold training sessions tailored to target audiences, including new employees and new managers, and post messages on bulletin boards calling attention to the Company's anti-harassment policy.

In fiscal 2015, there were 49 consultations at the Harassment Counseling Section (FY2014: 53 consultations, FY2013: 50 consultations, FY2012: 47 consultations). These were individually handled so that improvements might be made to the working environment.



Site screen of the Human Rights College

Ensuring a Safe, Civilized Work Environment

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

<The Dentsu Group’s Approach>
It is essential that we maximize and harness all our employees’ capabilities if we are to realize a sustainable society. Since we consider people to be our greatest asset, we believe it to be vital that there be an environment in which employees can maintain high morale and motivation, while doing their work enthusiastically. To this end, Dentsu implements measures guaranteeing that capabilities are developed, a work–life balance is achieved, and health- and safety-related structures are in place.

Development of Human Resources

Recognizing that human resources are its greatest asset, the Group provides employees with appropriate capability-developing opportunities and supports employee self-development, in line with each individual’s career and the organization’s goals.

Human Resources Development Policy

1. New employees undergo training to acquire “mind/action” and “knowledge/skills” capabilities.
2. Staff members are encouraged to develop solution-related expertise, so that they become able to play a central role in their work sections.
3. Leadership and managerial skills training is geared to more senior employees.

Besides training programs and in response to changes in the area of advertising and communications, the Group conducts human resource development programs, including those to develop digital, foreign-language, and cross-cultural communication ability. Thus, for instance, we have the New School personnel development program for high-level directors, which was launched in 2011. Through a repeated cycle of assignments and feedback, the program, taught by top-level in-house lecturers, ensures that a leadership model is passed down.

Moreover, because accurate and sophisticated leadership is required in new areas other than advertising, some sessions are taught by non-Company people who are active in fields such as art, technology, and digital curation.

We also have the Dentsu Management Institute (DMI), geared to strengthening the Group’s management capabilities and developing human resources that can provide advanced solutions for management issues and the business challenges of various stakeholders, including clients and media.

Diversity Promotion

Promoting Female Participation

Dentsu helps develop and support the careers of female employees. To maximize the Company's strength, we formulated an action plan to run from January 1, 2015 until December 31, 2019. Through the plan, Dentsu is striving to expand its existing female-friendly work environments so that female participation in the workplace might increase.

Summary of the Action Plan

Goals

1. Increase the ratio of women among new graduate recruits (permanent employees) to at least 35%.
2. Increase the ratio of women among managers to at least 10% by 2020.

Specific efforts

1. Adopt measures to recruit and select female employees.
2. Enhance management skills of managers.
3. Foster career awareness among female employees.
4. Dispel uncertainty over work–family balance (raising children, providing care) by revising current systems and support measures.
5. Redesign work style to encourage greater output, reduce 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 in which temporary leaves of absence will not jeopardize employees' careers. In addition, at an early stage of their careers, women are given ample opportunities to think about their careers at, for example, lunch meetings with senior female employees. This gives them the chance to hear about the experiences of others, and to attend career seminars held by lecturers invited from outside the Company.

In March 2016, Dentsu approved a Declaration on Action put forward by a group of male leaders, who will be instrumental in creating "A Society in Which Women Shine."* This is to be supported by the Gender Equality Bureau of the Cabinet Office. We will promote cross-industry efforts to enable women to shine.

*The declaration was approved by a group of the Company's male leaders, and is 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

Employing People 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 that was designated as a special-purpose subsidiary in November of that year. The employment rate of people with disabilities at three Group companies (Dentsu, Dentsu Works, and Dentsu Solari) is 2.04% (as of June 2016). The Company also employs people with disabilities in account management, as well as in creative and other areas. Along with Dentsu Solari, we are trying to expand their employment opportunities.

Work-friendly Environment

Promoting 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 program, therefore, is to generate synergy between the two.

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

A Human Relations Management Department was set up to respond to employee concerns and build employee opinions into the system.

Labor Management

The Group emphasizes the development of good labor–management relations, while striving to maintain and improve a relationship of trust between employees and management by creating regular opportunities for conversations between management and the union. As of January 1, 2016, the number of labor union members was 3,435.

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

<The Dentsu Group's Approach>
The Company considers regional communities to be important stakeholders. It contributes to resolving issues and promoting development of regional communities through its business operations, and conducts numerous activities designed to contribute to society. We believe that, as a leader in the sphere of communications, it is our role to build relationships of trust with regional communities.

Group Community Activities

As part of its basic policy of "using the power of communication to benefit society," Dentsu's social contribution activities enable people and activities to tackle social issues, leveraging the experience and professional skills that employees have acquired at the Company.

The Company'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 both local and global.

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. Over three years, Dentsu developed program materials together with Tokyo Gakugei University. In the 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 field of education, 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 the revitalization of regional communities. Thus, 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 "The 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*

Communications skills are fundamental and essential in order to lead NPOs, increase the number of supporters and collaborators, and engage members in activities. Since 2004 and in cooperation with the Japan NPO Center, the Company has been advancing its *Keys to Communicating* program in such a way as best utilizes each organization's respective specialties. This is helping to improve the communications skills of NPO staff, while Dentsu employees and NPO members 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, and the new publication contains additional materials, including practical tips.

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

Michinoku Fukkou Jigyou Partners

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

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

* ETIC. is an NPO that trains young people to become next-generation, entrepreneurial leaders. It has produced many operational NPOs that will lead future generations. www.etic.or.jp

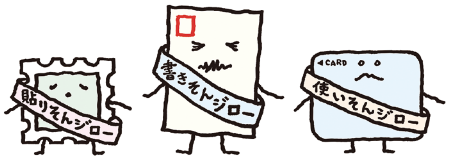
Meeting of the Business Brush-up Program

Tackling International Educational Issues

For 12 years, the Company has been supporting the Kakisonji-hagaki Project, part of UNESCO's World Terakoya Movement. This is a communications-related effort to increase the venues where literacy drives are conducted globally, and is sponsored by the National Federation of UNESCO Associations in Japan. We collect *kakisonji-hagaki* (prepaid postcards that, for some reason, cannot be used), unused stamps, and pre-paid cards to raise funds for the Terakoya Movement.* Following our extension of support for a special website through enhanced communication activities, there was a dramatic 229% year-on-year increase in the number of postcards we collected. This provided a learning opportunity for 80,000 people during the project's run.

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

* The collection period ran from November 1, 2015 until May 30, 2016.



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

Japanese NPOs, NGOs Tackling Global Food Issues

World Food Day is celebrated in October. Organized by 11 NPOs and NGOs, as well as UN agencies, it brings to mind the need to resolve food issues around the globe. Dentsu supports the program's communication activities.

To promote industry–academia collaboration and prompt people to consider the significance of eating, Dentsu together with 11 organizations, the Kanto Gakuin University College of Nutrition, and several artists together produced the song *Gohan Han Han*, which can be found on the Internet. We also experimented with using the program for children. We found that their habits changed favorably and that after singing the song, their pickiness regarding their food declined 13 percentage points. The song enabled us to provide an opportunity for children to consider the significance of eating and the reason it is not good to leave food on one's plate. Since they will be forging the future, initiatives such as these should help increase the number of food-conscious people.

The song, "*Gohan Han Han*," that encourages people to consider the significance of eating ➡ http://www.worldfoodday-japan.net/nokomono.php

Note: The World Food Day organizers: the Africa Japan Forum, WE21 Japan, Oxfam Japan, the 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, the 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 Report

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 the Dentsu Head Office building would release 21% less CO_2 than its average emission for FY2003–2004, and that 90% of its waste would be recycled by fiscal 2015. In fact, in FY2015, the head office released 28.5% less CO_2, while the waste recycling rate was 89.4%. We still play a leading role in the industry and continue to practice our environmental approach.

Raising Awareness

Environmental education

Dentsu provides employees with a broad range of environmental knowledge so that they might play a leading role in addressing environmental issues. As an example, Dentsu encourages its employees to take the Certification Test for Environmental Specialists, 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.

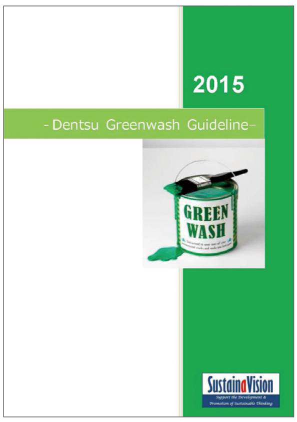
These employees also contribute to the promotion of the Dentsu Group Eco Program by acting as inspectors when internal environmental audits are required, and as judges of environmental slogans. In fiscal 2015, the certification was awarded to 89 employees.

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

Curbing Global Warming

Governance and Climate Change

The CSR Committee takes a lead in determining Company policies and key items related to global climate. These are discussed by the Group's Environmental Strategy Council and CSR Committee, before being reported to the Executive Management Committee.

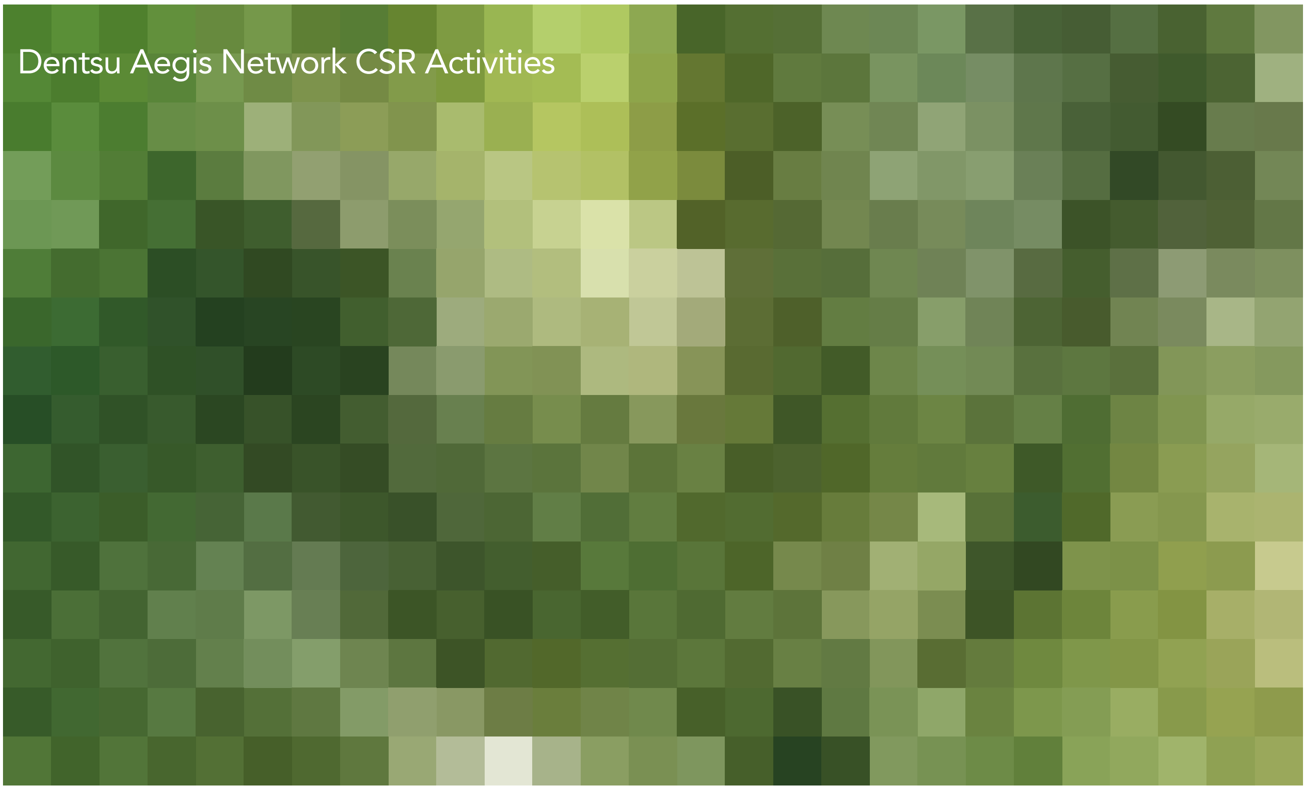
Strategy and action plan

Based on the Group's environmental policy, the CSR Committee conducts performance evaluations on sustainability, and provides feedback to the business units through the CSR Promotion Committee. During the process, the risks and opportunities are discussed from medium- and long-term perspectives. This is imperative, given that environmental protection one of the key targets of the Group's Medium-Term CSR Strategy 2020.

Risks and opportunities

With the recent expansion of our international business involving M&As and other means, our global environmental burden may increase. Recognizing the issue as a long-term emerging risk, in collaboration with DAN we are working on ways to reduce this burden.

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.

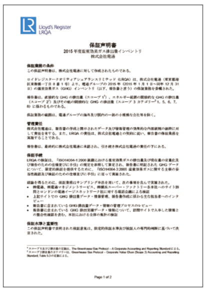
* Based on the calculation standards of WRI (World Resources Institute) GHG Protocol

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 253,193.97m^2 **Waste and water per floor space unit** 252,512.90m^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)]

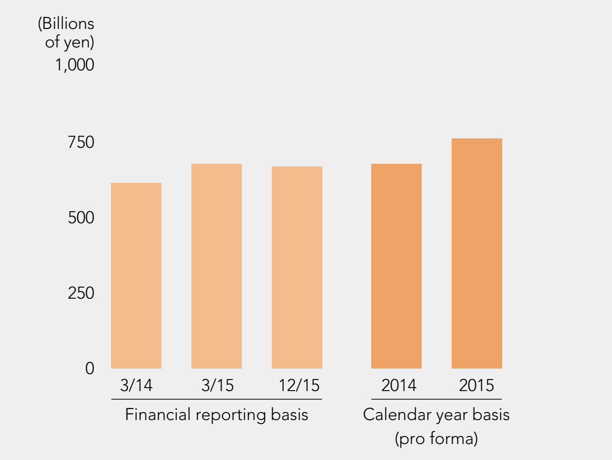
Financial reporting basis
2015/3: Japan business Apr.-Mar. (twelve months) + International business Jan.-Dec. (twelve months)
2015/12: Japan business Apr.-Dec. (nine months) + International business Jan.-Dec. (twelve months)

	2014				2015			
	Jan.-Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec	Jan.-Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec
Japan business		2015/3				2015/12		
International business								

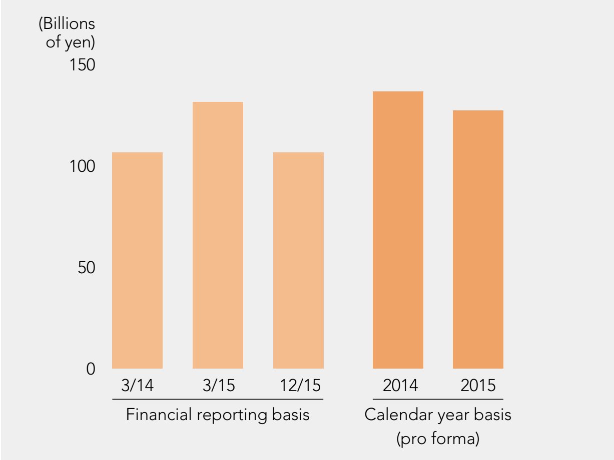
Calendar year basis (pro forma)
2014: Japan business Jan.-Dec. (twelve months) + International business Jan.-Dec. (twelve months)
2015: Japan business Jan.-Dec. (twelve months) + International business Jan.-Dec. (twelve months)

	2014				2015			
	Jan.-Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec	Jan.-Mar.	Apr.–Jun.	Jul.–Sep.	Oct.–Dec
Japan business		2014				2015		
International business								

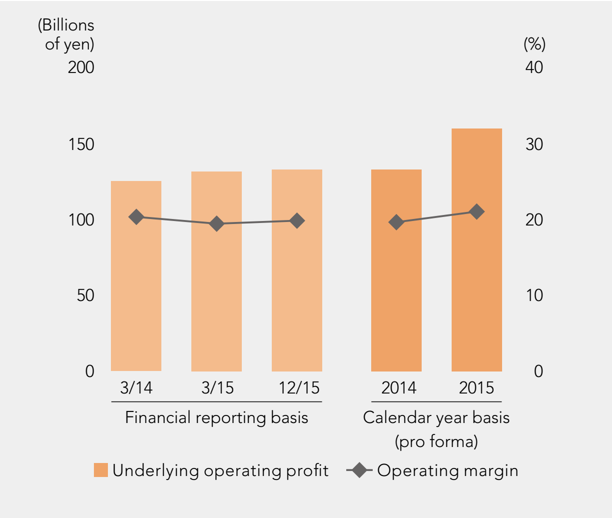
Gross profit



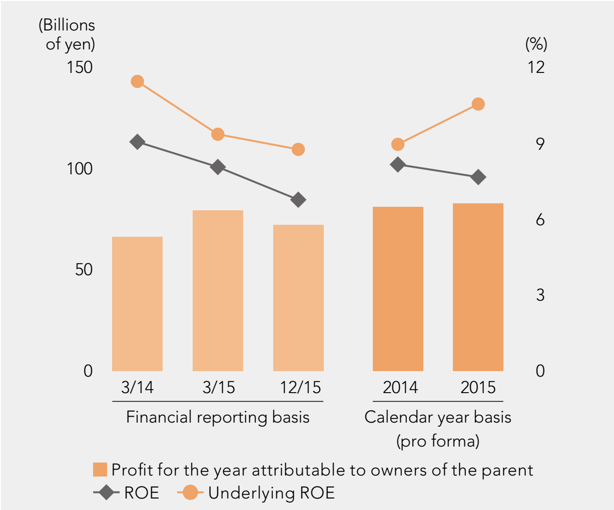
Operating profit



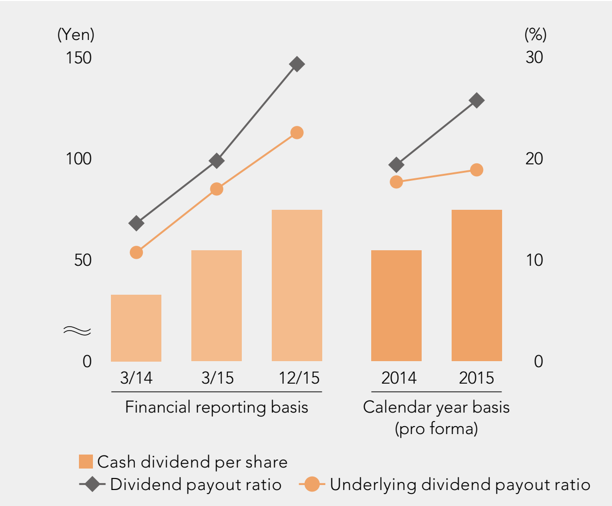
Underlying operating profit / Operating margin



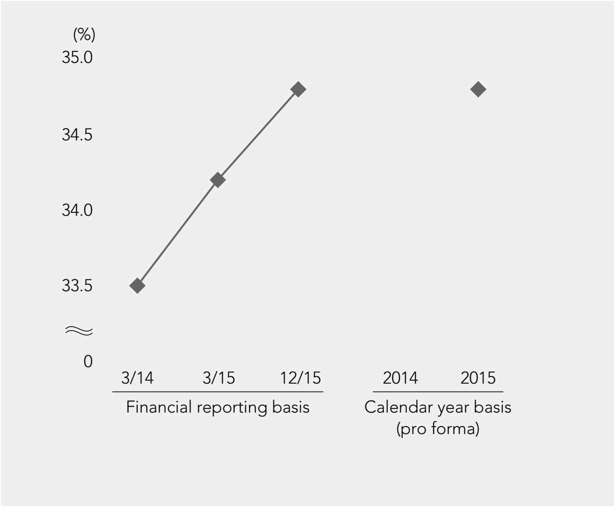
Profit for the year attributable to owners of the parent / Return on equity (ROE)



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) (Millions of Yen)	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)	FY2015 (Nine months ended December 31, 2015) (Millions of Yen)	FY2015 (Nine months ended December 31, 2015) (Millions of U.S. Dollars)
(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)	FY2015 (Nine months ended December 31, 2015) (Millions of Yen)	FY2015 (Nine months ended December 31, 2015) (Millions of U.S. Dollars)
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	Share capital	Share premium account	Treasury shares	Share options	Total equity attributable to owners of the parent — Other components of equity — 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	Share capital	Share premium account	Treasury shares	Share options	Total equity attributable to owners of the parent — Other components of equity — 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)

		Total equity attributable to owners of the parent					
		Other components of equity					
	Notes	Remeasurements of defined benefit plans	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)

		Total equity attributable to owners of the parent					
		Other components of equity					
	Notes	Remeasurements of defined benefit plans	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) (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)
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)	(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)
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:

	(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)
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 relationships	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 relationships	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:

	(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	¥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:

	(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)	
	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:

	(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)
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:

	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)
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:

	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)
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:

	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)
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:

		(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)
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:

		(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)
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:

	FY2014 (As of March 31, 2015)	FY2015 (As of December 31, 2015) (Years)
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:

	(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)		
	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.

		(Millions of Yen)		(Millions of U.S. Dollars)
	Change in assumptions	FY2014 (As of March 31, 2015)	FY2015 (As of December 31, 2015)	FY2015 (As of December 31, 2015)
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:

		(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)
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:

		(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 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:

		(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)
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:

		(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)
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:

		(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)
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:

		(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)
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.

			(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)	
	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:

Financial assets	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	¥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

Financial liabilities	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	¥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."

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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%

Affiliated Companies Accounted for by the Equity Method

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.

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

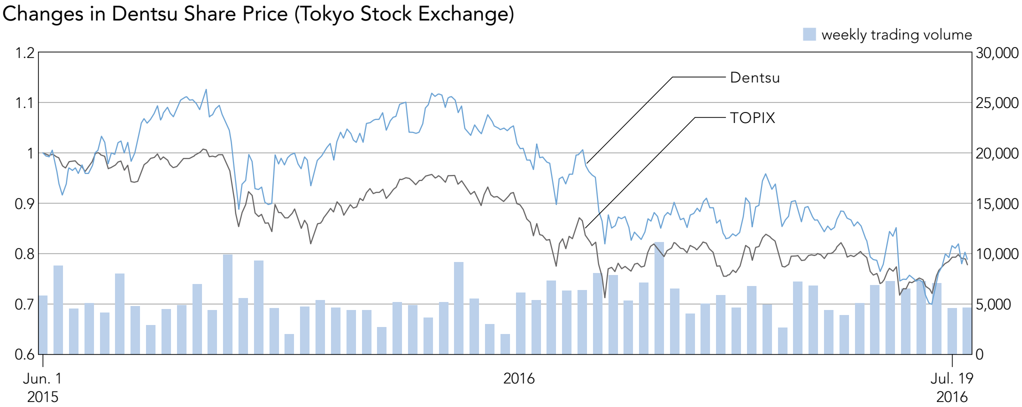
The Dentsu Group actively engages in environmental preservation and other corporate sustainability activities. Receiving high recognition for such activities, Dentsu received a score of 94C from the Carbon Disclosure Project (CDP)*1 in 2015.

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.

CDP
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.

dentsu