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

Consolidated Statement of Changes in Equity

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

	Notes	Total equity attributable to owners of the parent					
		Other components of equity					
		Remeasurements of defined benefit plans	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 relationships	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 relationships	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 relationships	Software	Other	Total
Balance at the beginning of the year	$5,444	$1,632	$203	$443	$7,722
Additions	–	–	74	5	80
Acquisitions through business combinations	297	122	1	31	450
Sales or disposals	(16)	(3)	(4)	(0)	(24)
Amortization	–	(142)	(52)	(51)	(244)
Impairment losses	–	(17)	(1)	(2)	(21)
Exchange differences on translation of foreign operations	(257)	(84)	(5)	(19)	(364)
Other	(21)	–	(0)	(0)	(22)
Balance at the end of the year	$5,446	$1,508	$216	$406	$7,577

The acquisition cost, accumulated amortization and impairment losses, and carrying amount of goodwill and intangible assets as of March 31, 2015 and December 31, 2015 are as follows:

(Millions of Yen)

	Goodwill	Customer relation-ships	Software	Other	Total
FY2014 (As of March 31, 2015)					
Acquisition cost	¥656,565	¥227,439	¥107,630	¥72,170	¥1,063,805
Accumulated amortization and impairment losses	–	30,572	83,170	18,752	132,495
Carrying amount	656,565	196,867	24,459	53,417	931,310
FY2015 (As of December 31, 2015)					
Acquisition cost	¥656,862	¥229,645	¥104,424	¥73,070	¥1,064,002
Accumulated amortization and impairment losses	–	47,716	78,371	24,060	150,148
Carrying amount	656,862	181,929	26,052	49,009	913,853

(Millions of U.S. Dollars)

	Goodwill	Customer relation-ships	Software	Other	Total
FY2015 (As of December 31, 2015)					
Acquisition cost	$5,446	$1,904	$866	$606	$8,822
Accumulated amortization and impairment losses	–	396	650	199	1,245
Carrying amount	5,446	1,508	216	406	7,577

The carrying amount of intangible assets above includes the carrying amount of the following leased assets as of March 31, 2015 and December 31, 2015.

(Millions of Yen)

Leased assets	Software
FY2014 (As of March 31, 2015)	¥562
FY2015 (As of December 31, 2015)	421

(Millions of U.S. Dollars)

Leased assets	Software
FY2015 (As of December 31, 2015)	$3

There are no intangible assets whose title is restricted or pledged as security for liabilities.

Amortization is recorded in the Consolidated Statement of Income as "Cost" and "Selling, general and administrative expenses."

(2) Significant goodwill and intangible assets

The significant portion of goodwill as of March 31, 2015 and December 31, 2015, arose from the international business segment which forms a cash generating unit, and amounted to ¥656,552 million and ¥656,590 million ($5,444 million) as of March 31, 2015 and December 31, 2015, respectively.

Significant intangible assets other than goodwill as of March 31, 2015 and December 31, 2015, consist of customer relationships in the international business segment, which amounted to ¥196,867 million and ¥181,929 million ($1,508 million) as of March 31, 2015 and December 31, 2015, respectively.

(3) Impairment testing of goodwill

Recoverable amounts of the international business segment to which significant goodwill was allocated are determined by the value in use based on the financial budget for the next fiscal year approved by management and the management forecast for the subsequent four years. The continuing growth rate of 3.4%(3.2% as of March 31, 2015) is set for cash flows beyond the four-year period.

The pre-tax discount rates used for determining value in use are 8.9% and 8.1% as of March 31, 2015 and December 31, 2015, respectively.

For the goodwill above, the recoverable amount of the cash-generating unit sufficiently exceeds its carrying amount. Therefore, it is unlikely that the recoverable amount of the cash-generating unit will fall below the carrying amount even with reasonable changes in the key assumptions.

(4) Impairment losses

Intangible assets are grouped by the smallest cash-generating unit that generates cash inflows that are largely independent according to each reportable segment.

The Group recognized impairment losses of ¥744 million and ¥2,482 million ($21 million) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively, in the Consolidated Statement of Income as "Other expenses."

Impairment losses for the year ended March 31, 2015, represent the losses incurred to reduce the carrying amounts of software and other intangible assets to their recoverable amounts due to a decline in profitability.

Impairment losses for the nine months ended December 31, 2015, represent the losses incurred to reduce the carrying amounts of customer relationships, software and other intangible assets to their recoverable amounts due to a decline in profitability.

15. LEASES

The Group leases buildings, software and other assets as a lessee. The lease contracts include those with renewal options, while they do not include significant contracts with escalation clauses.

There are no restrictions on additional debt, further leasing and others imposed by the lease contracts.

(1) Present value of finance lease obligations

The total of future minimum lease payments for leased assets recognized based on the finance lease contracts, their future financial costs and present value as of March 31, 2015 and December 31, 2015 are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2014 (As of March 31, 2015)	FY2015 (As of December 31, 2015)	FY2015 (As of December 31, 2015)
Not later than 1 year			
Total of future minimum lease payments	¥1,263	¥1,138	$9
Future finance costs	27	22	0
Present value	¥1,236	¥1,116	$9
Later than 1 year and not later than 5 years			
Total of future minimum lease payments	¥2,030	¥1,595	$13
Future finance costs	26	18	0
Present value	¥2,004	¥1,576	$13
Later than 5 years			
Total of future minimum lease payments	¥5	¥6	$0
Future finance costs	0	0	0
Present value	¥5	¥6	$0
Total			
Total of future minimum lease payments	¥3,300	¥2,740	$23
Future finance costs	54	41	0
Present value	¥3,245	¥2,699	$22

(2) Future minimum lease payments under non-cancellable operating leases

The total of future minimum lease payments under non-cancellable operating leases as of March 31, 2015 and December 31, 2015 are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2014 (As of March 31, 2015)	FY2015 (As of December 31, 2015)	FY2015 (As of December 31, 2015)
Not later than 1 year	¥17,041	¥25,470	$211
Later than 1 year and not later than 5 years	52,077	59,637	494
Later than 5 years	32,964	43,985	365
Total	¥102,083	¥129,093	$1,070

(3) Total of minimum lease payments

The total of minimum lease payments of operating lease contracts for the year ended March 31, 2015 and for the nine months ended December 31, 2015 are ¥21,916 million and ¥24,404 million ($202 million), respectively.

16. INVESTMENT PROPERTY

(1) Schedule of investment property.

The schedule of the carrying amount of investment property at the beginning and end of each fiscal year is as follows:

	(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:

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2014 (As of March 31, 2015)	FY2015 (As of December 31, 2015)	FY2015 (As of December 31, 2015)
Deferred tax assets			
Liability for retirement benefits	¥33,830	¥33,481	$278
Accrued expenses	12,704	7,969	66
Carryforwards of tax losses	6,603	7,373	61
Other	8,719	6,441	53
Total of deferred tax assets	¥61,858	¥55,265	$458
Deferred tax liabilities			
Gain on establishment of retirement benefit trust	¥(14,701)	¥(14,701)	$(122)
Unrealized gain on securities	(38,364)	(36,879)	(306)
Valuation differences on intangible assets	(55,269)	(50,187)	(416)
Other	(12,260)	(7,614)	(63)
Total of deferred tax liabilities	¥(120,596)	¥(109,383)	$(907)
Net deferred tax assets (liabilities)	¥(58,737)	¥(54,118)	$(449)

Changes in net deferred tax assets (liabilities) for each fiscal year are as follows:

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2014 (Year ended March 31, 2015)	FY2015 (Nine months ended December 31, 2015)	FY2015 (Nine months ended December 31, 2015)
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	¥(6,923)	¥(58,737)	$(487)
Deferred income taxes	(8,235)	6,444	53
Deferred taxes related to components of other comprehensive income			
Exchange differences on translation of foreign operations	23	(35)	(0)
Effective portion of the change in the fair value of cash flow hedges	(743)	840	7
Net change in financial assets measured at fair value through other comprehensive income	(30,845)	(734)	(6)
Remeasurements of defined benefit plans	(5,088)	(1,220)	(10)
Changes in deferred tax assets (liabilities) arising from business combinations, and others	(6,924)	(675)	(6)
Balance at the end of the year	¥(58,737)	¥(54,118)	$(449)

Taxable temporary differences, future taxable income determinations and tax planning are taken into account when recognising deferred tax assets.

The breakdown of deductible temporary differences and carryforwards of tax losses as of March 31, 2015 and December 31, 2015, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2014 (As of March 31, 2015)	FY2015 (As of December 31, 2015)	FY2015 (As of December 31, 2015)
Deductible temporary differences	¥12,210	¥10,977	$91
Carryforwards of tax losses	70,440	60,604	502

The breakdown of carryforwards of tax losses by expiry date as of March 31, 2015 and December 31, 2015, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

		(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:

		(Years)
	FY2014 (As of March 31, 2015)	FY2015 (As of December 31, 2015)
Weighted average duration	9.1	9.7

(3) Schedule of plan assets

The schedule of plan assets for each fiscal year is as follows:

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2014 (Year ended March 31, 2015)	FY2015 (Nine months ended December 31, 2015)	FY2015 (Nine months ended December 31, 2015)
Balance at the beginning of the year	¥115,329	¥149,463	$1,239
Interest income	1,562	668	6
Return on plan assets (excluding amounts included in interest income)	19,575	4,219	35
Contributions by the employer	6,891	586	5
Contributions (refunds) associated with the shift to defined contribution pension plans	8,872	(3,211)	(27)
Benefits paid	(3,102)	(6,219)	(52)
Changes due to termination (curtailment or settlement) of a defined benefit plans	–	(38,316)	(318)
Exchange differences on translation of foreign operations	111	(67)	(1)
Effects of business combinations and disposals	10	–	–
Other	213	–	–
Balance at the end of the year	¥149,463	¥107,123	$888

The Group plans to pay contributions of ¥177 million ($1 million) in the year ending December 31, 2016.

(4) Major breakdown of plan assets

The major breakdown of the total of plan assets as of March 31, 2015 and December 31, 2015 is as follows:

	(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:

	FY2014 (Year ended March 31, 2015)	(Millions of Yen) FY2015 (Nine months ended December 31, 2015)	(Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015)
Interest income			
Financial assets measured at amortized cost	¥1,980	¥1,884	$16
Financial instruments measured at fair value through profit or loss	19	–	–
Dividend income			
Financial assets measured at fair value through other comprehensive income	2,276	2,251	19
Changes in fair value of contingent consideration	1,071	–	–
Dividend income and asset management gains from insurance	552	505	4
Foreign exchange gains (Note 1)	1,119	–	–
Other (Note 2)	48	284	2
Total	¥7,067	¥4,926	$41

(Note 1) Valuation gain on foreign currency derivatives is included in the foreign exchange gains.
(Note 2) "Other" includes finance income arising from financial instruments measured at fair value through profit or loss of ¥5 million and ¥29 million ($0 million) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively.

The breakdown of dividend income is as follows:

	FY2014 (Year ended March 31, 2015)	(Millions of Yen) FY2015 (Nine months ended December 31, 2015)	(Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015)
Financial assets derecognized during the fiscal year	¥785	¥2	$0
Financial assets held at the end of the fiscal year	1,490	2,248	19

(2) The breakdown of finance costs for each fiscal year is as follows:

	FY2014 (Year ended March 31, 2015)	(Millions of Yen) FY2015 (Nine months ended December 31, 2015)	(Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015)
Interest expense			
Financial liabilities measured at amortized cost	¥7,112	¥6,840	$57
Other	564	195	2
Changes in fair value of contingent consideration	–	1,662	14
Foreign exchange losses (Note 1)	–	66	1
Other (Note 2)	4,578	1,294	11
Total	¥12,255	¥10,059	$83

(Note 1) Valuation loss on foreign currency derivatives is included in the foreign exchange lossess.
(Note 2) "Other" includes finance costs arising from financial instruments measured at fair value through profit or loss of ¥305 million and ¥62 million ($1million) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively.

30. OTHER COMPREHENSIVE INCOME

Amount arising during the year, reclassification adjustments to profit or loss and income tax effects for each component of other comprehensive income for each fiscal year are as follows:

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2014 (Year ended March 31, 2015)	FY2015 (Nine months ended December 31, 2015)	FY2015 (Nine months ended December 31, 2015)
Exchange differences on translation of foreign operations			
Amount arising during the year	¥46,040	¥(35,232)	$(292)
Reclassification adjustments	(3)	(170)	(1)
Before tax effects	46,037	(35,403)	(294)
Tax effects	23	(35)	(0)
Exchange differences on translation of foreign operations	¥46,061	¥(35,439)	$(294)
Effective portion of the change in the fair value of cash flow hedges			
Amount arising during the year	¥4,959	¥(1,034)	$(9)
Reclassification adjustments	(3,180)	(1,756)	(15)
Before tax effects	1,779	(2,790)	(23)
Tax effects	(743)	840	7
Effective portion of the change in the fair value of cash flow hedges	¥1,036	¥(1,950)	$(16)
Net change in financial assets measured at fair value through other comprehensive income			
Amount arising during the year	¥97,550	¥4,089	$34
Before tax effects	97,550	4,089	34
Tax effects	(30,845)	(734)	(6)
Net change in financial assets measured at fair value through other comprehensive income	¥66,704	¥3,354	$28
Remeasurements of defined benefit plans			
Amount arising during the year	¥12,630	¥4,069	$34
Before tax effects	12,630	4,069	34
Tax effects	(5,088)	(1,220)	(10)
Remeasurements of defined benefit plans	¥7,542	¥2,849	$24
Share of other comprehensive income of investments accounted for using the equity method			
Amount arising during the year	¥373	¥(178)	$(1)
Share of other comprehensive income of investments accounted for using the equity method	¥373	¥(178)	$(1)

31. EARNINGS PER SHARE

(1) Basic earnings per share and diluted earnings per share

	FY2014 (Year ended March 31, 2015)	FY2015 (Nine months ended December 31, 2015)	(U.S. Dollars) FY2015 (Nine months ended December 31, 2015)
Basic earnings per share (Yen)	¥276.89	¥254.05	$2.11
Diluted earnings per share (Yen)	¥276.84	¥254.03	$2.11

(2) Basis of calculating basic earnings per share and diluted earnings per share

	FY2014 (Year ended March 31, 2015)	FY2015 (Nine months ended December 31, 2015)	(Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015)
Profit for the year used for calculation of basic earnings per share and diluted earnings per share			
Profit for the year attributable to owners of the parent (Millions of Yen)	¥79,846	¥72,653	$602
Amounts not attributable to ordinary equity holders of the parent (Millions of Yen)	–	–	–
Profit for the year used for calculation of basic earnings per share (Millions of Yen)	79,846	72,653	602
Adjustment			
Share-based payment held by associates (Millions of Yen)	(14)	(5)	(0)
Profit for the year used for calculation of diluted earnings per share (Millions of Yen)	¥79,832	¥72,647	$602
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share and diluted earnings per share			
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share (Thousands of shares)	288,364	285,984	
Effect of dilutive potential ordinary shares (Thousands of shares)	–	–	
The weighted average number of ordinary shares outstanding used for the calculation of diluted earnings per share (Thousands of shares)	288,364	285,984	

32. FINANCIAL INSTRUMENTS

(1) Capital management

The Group's basic policy for capital management aims to enhance capital efficiency by the long-term improvement of its value through business growth, while maintaining a sound financial structure.

Indicators for monitoring the capital management include total equity attributable to owners of the parent and Underlying ROE (ratio of Underlying profit for the year to total equity attributable to owners of the parent).

The balances as of March 31, 2015 and December 31, 2015 are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2014 (As of March 31, 2015)	FY2015 (As of December 31, 2015)	FY2015 (As of December 31, 2015)
Total equity attributable to owners of the parent	¥1,080,364	¥1,068,216	$8,857
Underlying ROE (%)	9.4	10.6	

(Note 1) For management purposes, the Company had traditionally used total equity (attributable to owners of the parent) and ROE (ratio of profit for the year to total equity attributable to owners of the parent). In order to manage capital efficiency on the basis of constant results adjusted for temporary factors, the Company uses the underlying ROE instead of ROE beginning from the current fiscal year. ROE for the fiscal year ended March 31, 2015 (financial reporting basis) and for the fiscal year ended December 31, 2015 (determined based on the results for the period from January 1, 2015 to December 31, 2015) are 8.1% and 7.7% respectively.

(Note 2) The underlying profit for the year (attributable to owners of the parent), the numerator of underlying ROE, is a KPI used to measure recurring profit attributable to owners of the parent which is calculated as profit for the year (attributable to owners of the parent) adjusted for adjustment items related to operating profit, revaluation of earnout liabilities / M&A related put-option liabilities, related tax effects, profit or loss attributable to non-controlling interests, and other one-off items. The underlying ROE for the fiscal year ended March 31, 2015 is based on the financial data for the period from April 1, 2014 to March 31, 2015 while the underlying ROE for the fiscal year ended December 31, 2015 is determined based on the results for the period from January 1, 2015 to December 31, 2015. Reconciliation from profit for the year (attributable to owners of the parent) to underlying profit for the year (attributable to owners of the parent) is stated below.

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2014 (Year ended March 31, 2015)	FY2015 (From Jaunary 1,2015 to December 31, 2015)	FY2015 (From Jaunary 1,2015 to December 31, 2015)
Profit for the year (attributable to owners of the parent)	¥79,846	¥83,090	$689
(Adjustment items)			
Adjustment items related to operating profit	(367)	32,226	267
Revaluation of earnout liabilities / M&A related put-option liabilities	2,682	3,198	27
Tax expenses related to the above items and effects from tax regulation changes	11,097	(5,167)	(43)
Others	(383)	40	0
Underlying profit for the year (attributable to owners of parent)	¥92,875	¥113,388	$940

(Note 3) Total equity attributable to owners of the parent as of December 31, 2015 was used as the denominator to calculate the underlying ROE for the fiscal year ended December 31, 2015 (determined based on the results for the period from January 1, 2015 to December 31, 2015). For underlying ROE (or ROE) for the fiscal year ended March 31, 2015 and prior years, total equity attributable to owners of the parent as of March 31 of each year was used.

(2) Basic policy on risk management associated with financial instruments

The Group is exposed to financial risks in the process of its business activities; and it manages risks based on a specific policy in order to avoid or reduce these risks.

Derivative transactions for speculative purposes or short-term trading purposes are prohibited and limited to transactions based on the actual demands.

(3) Credit risk

A. Credit risk management

Trade receivables, such as notes and accounts receivable, are exposed to customer credit risk. The Group aims to reduce these risks based on credit management rules and guidelines.

The Company conducts review of new counterparties and credit management based on credit management rules and guidelines. With respect to trade receivables, based on accounting rules and guidelines, the relevant controlling departments in each business unit, together with the accounting department, manage due dates and outstanding balances for each counterparty and regularly monitor the status of major counterparties to detect and reduce doubtful receivables due to deteriorating financial conditions or other reasons in a timely manner.

Consolidated subsidiaries perform credit management and receivables management and have management systems in place that require reporting and approval for certain significant transaction and events.

The Group does not have excess concentration of credit risk in specific counterparties.

B. Maximum exposure to credit risk

With the exception of guarantee obligations, maximum exposure to the Group's credit risk is represented by the carrying amounts of financial assets in the Consolidated Statement of Financial Position.

Maximum exposure to credit risk associated with guarantee obligations amounted to ¥1,761 million and ¥1,745 million ($14million) as of March 31, 2015 and December 31, 2015, respectively.

C. Financial assets that are past due

The analysis of the age of trade and other receivables that are past due but not impaired as of March 31, 2015 and December 31, 2015 is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2014 (As of March 31, 2015)	FY2015 (As of December 31, 2015)	FY2015 (As of December 31, 2015)
Within 30 days	¥102,218	¥116,612	$967
Over 30 days, within 60 days	38,029	40,285	334
Over 60 days, within 90 days	18,994	31,371	260
Over 90 days	18,951	18,421	153
Total	¥178,194	¥206,690	$1,714

D. Schedule of allowance for doubtful accounts

The schedule of allowance for doubtful account for each fiscal year is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2014 (Year ended March 31, 2015)	FY2015 (Nine months ended December 31, 2015)	FY2015 (Nine months ended December 31, 2015)
Balance at the beginning of the year	¥18,992	¥20,073	$166
Addition	3,596	6,247	52
Decrease (intended use)	(2,978)	(489)	(4)
Decrease (reversal)	(707)	(2,761)	(23)
Other	1,169	(1,476)	(12)
Balance at the end of the year	¥20,073	¥21,593	$179

(4) Liquidity risk

A. Liquidity risk management

The Company manages liquidity risk by having the treasury division establish and update a finance plan based on information collected from each section and also by maintaining liquidity based on cash flow status.

The Group raises working capital through internal funds, commercial paper and short-term borrowings.

The Group has established credit facilities (commitment lines) to ensure liquidity.

B. Financial liability balance (including derivative financial instruments) by maturity

The financial liability balance (including derivative financial instruments) by maturity as of March 31, 2015 and December 31, 2015 is as follows:

FY2014: As of March 31, 2015

(Millions of Yen)

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	¥1,231,220	¥1,231,220	¥1,231,220	¥–	¥–	¥–	¥–	¥–
Contingent consideration on acquisition and others	64,790	64,790	28,058	15,669	10,816	6,850	3,207	189
Bonds and borrowings	409,618	428,100	79,538	40,533	11,577	53,063	63,209	180,178
Subtotal	1,705,629	1,724,111	1,338,816	56,203	22,393	59,913	66,416	180,367
Derivative liabilities	27,848	27,848	3,214	3,065	2,476	4,582	4,252	10,258
Total	¥1,733,477	¥1,751,959	¥1,342,030	¥59,268	¥24,869	¥64,496	¥70,669	¥190,626

FY2015: As of December 31, 2015

(Millions of Yen)

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	¥1,207,347	¥1,207,347	¥1,207,347	¥–	¥–	¥–	¥–	¥–
Contingent consideration on acquisition and others	59,226	59,226	26,205	9,743	8,459	7,121	3,708	3,987
Bonds and borrowings	353,783	366,499	70,352	5,341	53,268	60,202	81,958	95,375
Subtotal	1,620,357	1,633,073	1,303,905	15,084	61,728	67,323	85,667	99,363
Derivative liabilities	34,971	34,971	4,935	3,345	5,322	4,196	4,558	12,612
Total	¥1,655,328	¥1,668,044	¥1,308,841	¥18,429	¥67,051	¥71,520	¥90,225	¥111,976

FY2015: As of December 31, 2015

(Millions of U.S. Dollars)

	$10,010	$10,010	$10,010	$–	$–	$–	$–	$–
	491	491	217	81	70	59	31	33
	2,933	3,039	583	44	442	499	680	791
	13,435	13,540	10,811	125	512	558	710	824
	290	290	41	28	44	35	38	105
	$13,725	$13,830	$10,852	$153	$556	$593	$748	$928

C. Undrawn committed facilities

Undrawn committed facilities amounted to ¥310,423 million and ¥291,313 million ($2,415 million) as of March 31, 2015 and December 31, 2015, respectively.

The undrawn committed facilities include commitment lines of credit, overdraft lines of credit and commercial paper facilities.

(5) Foreign currency risk

A. Foreign currency risk management

Monetary receivables and payables denominated in foreign currencies are exposed to foreign exchange fluctuations risks. The Company uses forward foreign exchange contracts to hedge its foreign exchange fluctuation risks identified for each currency in each month.

In addition, forward foreign exchange contracts and others are used to hedge foreign currency transactions that exceed a specified amount in accordance with accounting rules and guidelines.

Some of the consolidated subsidiaries use forward foreign exchange contracts to hedge significant foreign exchange fluctuation risks.

B. Foreign currency derivatives to which hedge accounting is applied

The details of foreign currency derivatives to which hedge accounting is applied as of March 31, 2015 and December 31, 2015 are as follows:

	(Millions of Yen)						(Millions of U.S. Dollars)		
	FY2014 (As of March 31, 2015)			FY2015 (As of December 31, 2015)			FY2015 (As of December 31, 2015)		
	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
Foreign exchange contracts	¥43,077	¥27,558	¥19,196	¥68,548	¥51,893	¥17,423	$568	$430	$144
Option contracts	2,371	–	112	–	–	–	–	–	–

The foreign exchange contracts above are designated as cash flow hedges.

The amounts either included in or deducted from the initial cost of a non-financial asset or non-financial liability as a result of execution of a highly probable forecasted transaction in which an acquisition or incurrence of such non-financial asset or liability is designated as a hedged item are ¥2,928 million (deduction) and ¥1,986 million ($16 million) (deduction) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively.

C. Foreign currency sensitivity analysis

With respect to financial instruments held by the Group, in cases where the functional currency (Yen) increases by 1% in value against the US Dollar or Euro assuming all other variables remain unchanged, the effect on profit before tax as of each fiscal year end is as follows:

The impact from the translation of functional currency-denominated financial assets as well as assets and liabilities of foreign operations into yen is not included.

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2014 (As of March 31, 2015)	FY2015 (As of December 31, 2015)	FY2015 (As of December 31, 2015)
US Dollars	¥278	¥368	$3
Euros	(9)	(3)	(0)

(6) Interest rate risk

A. Interest rate risk management

A portion of the Group's borrowings is issued with floating interest rates and is exposed to interest rate fluctuation risk. For interest rate fluctuation risks associated with borrowings, interest expenses are fixed using interest rate swap contracts.

B. Interest rate derivatives to which hedge accounting is applied

The details of interest rate derivatives to which hedge accounting is applied as of March 31, 2015 and December 31, 2015 are as follows:

	(Millions of Yen)						(Millions of U.S. Dollars)		
	FY2014 (As of March 31, 2015)			FY2015 (As of December 31, 2015)			FY2015 (As of December 31, 2015)		
	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
Interest rate swap contracts	¥236,751	¥236,751	¥(1,840)	¥230,246	¥230,246	¥1,536	$1,909	$1,909	$13

The interest rate swap contracts above are designated as fair value hedges or cash flow hedges.

Gains or losses on hedging instruments designated as fair value hedges amounted to ¥272 million for the fiscal year ended March 31, 2015. With respect to the nine months ended December 31, 2015, it is not applicable.

The gains or losses associated with hedged items are approximately the same as the gains or losses associated with hedging instruments.

(7) The carrying amount and fair value of financial instruments

The breakdown of the carrying amount and fair value of financial instruments as of March 31, 2015 and December 31, 2015 is as follows:

The fair value of financial assets and financial liabilities measured at amortized cost approximates their carrying amount, except for bonds and long-term borrowings.

	FY2014 (As of March 31, 2015)		FY2015 (As of December 31, 2015) (Millions of Yen)		FY2015 (As of December 31, 2015) (Millions of U.S. Dollars)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	¥12,368	¥13,376	¥–	¥–	$–	$–
Long-term borrowings	358,035	362,682	321,592	326,130	2,666	2,704

(Note) Current portion that is scheduled for repayment and redemption within one year is included.

The fair values of bonds are determined by discounting the total of the principal and interest using an interest rate for which the remaining period to remaining until the maturity date and credit risks are taken into account.

The fair value of long-term borrowings is determined by discounting the total of the principal and interest by the interest rate assumed in a case where the same loan is newly made.

The fair value hierarchy of bonds and long-term borrowings is categorized within Level 3.

(8) Fair value hierarchy of financial instruments

Financial instruments measured at fair value on a recurring basis after initial recognition are categorized into the three levels of the fair value hierarchy according to observability and significance of input used in measurements.

The fair value hierarchy is defined as follows:

Level 1: Fair value measured at the quoted price in the active market

Level 2: Fair value that is measured using the observable price other than categorized in Level 1 directly or indirectly

Level 3: Fair value that is measured based on unobservable inputs

When multiple inputs are used to measure fair value, fair value levels are determined based on the lowest level input that is significant to the entire fair value measurement.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of each quarter.

There are no transfers between Level 1 and Level 2 for the year ended March 31, 2015 and for the nine months ended December 31, 2015.

FY2014: As of March 31, 2015

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	¥–	¥21,515	¥–	¥21,515
Equity securities	174,871	–	14,124	188,996
Other	500	2,608	4,153	7,262
Total	¥175,371	¥24,124	¥18,278	¥217,774
Financial liabilities				
Derivative liabilities	¥–	¥4,539	¥23,308	¥27,848
Other	–	–	64,790	64,790
Total	¥–	¥4,539	¥88,099	¥92,638

FY2015: As of December 31, 2015

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	¥–	¥22,519	¥–	¥22,519
Equity securities	172,235	–	13,228	185,463
Other	513	2,507	6,756	9,777
Total	¥172,749	¥25,026	¥19,984	¥217,760
Financial liabilities				
Derivative liabilities	¥–	¥3,777	¥31,194	¥34,971
Other	–	–	59,226	59,226
Total	¥–	¥3,777	¥90,421	¥94,198

FY2015: As of December 31, 2015

(Millions of U.S. Dollars)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	$–	$187	$–	$187
Equity securities	1,428	–	110	1,538
Other	4	21	56	81
Total	$1,432	$207	$166	$1,805
Financial liabilities				
Derivative liabilities	$–	$31	$259	$290
Other	–	–	491	491
Total	$–	$31	$750	$781

The fair values of interest rate swap contracts and foreign exchange contracts included in derivative assets and derivative liabilities are categorized within Level 2 as they are valuated using price estimates obtained from financial institutions or observable market data.

In addition, the fair values for some of the derivative financial instruments included in derivative liabilities are categorized within Level 3 as they are valuated based on the discounted cash flow method using unobservable inputs.

The fair values of stocks included in equity securities and other (financial assets) for which active markets exist are categorized within Level 1 as they are determined based on market prices.

For stocks in which active markets do not exist, the stocks whose fair values are measured using observable market data are categorized within Level 2, while stocks whose fair values are measured based mainly on market approaches using unobservable inputs are categorized within Level 3.

Significant unobservable inputs mainly include the price/net asset value multiples, and fair value increases (decreases) based on the increase (decrease) of the price/net asset value multiples.

The price/net asset value multiples used at March 31, 2015 and December 31, 2015, are 0.73 and 0.73, respectively.

The fair values of other (financial liabilities) are categorized within Level 3 as they are valuated based on the discounted cash flow method using unobservable inputs.

The fair values of assets and liabilities categorized within Level 3 are measured using asset and liability valuation methods determined by the department in charge in accordance with fair value measurement valuation policies and procedures. Fair value measurement results are approved by the appropriate personnel in charge.

The schedule of financial instruments categorized within Level 3 for each fiscal year is as follows:

Financial assets	FY2014 (Year ended March 31, 2015)	(Millions of Yen) FY2015 (Nine months ended December 31, 2015)	(Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015)
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)	(Millions of Yen) FY2015 (Nine months ended December 31, 2015)	(Millions of U.S. Dollars) FY2015 (Nine months ended December 31, 2015)
Balance at the beginning of the year	¥72,209	¥88,099	$730
Profit or loss (Note 3)	2,986	1,849	15
Purchases	30,915	28,319	235
Sales or settlements	(22,355)	(25,559)	(212)
Other	4,342	(2,287)	(19)
Balance at the end of the year	¥88,099	¥90,421	$750

(Note 1) "Other comprehensive income" is associated with financial assets measured at fair value through other comprehensive income and included in "Net change in financial assets measured at fair value through other comprehensive income."
(Note 2) "Transfers out of Level 3" recognized for the year ended March 31, 2015 and for the nine months ended December 31, 2015 are due to investees listed on exchanges.
(Note 3) "Profit or loss" is associated with financial liabilities at fair value through profit or loss and included in finance costs.
Profit or loss arising from financial instruments held at fiscal year end amounted to ¥2,986 million and ¥1,849 million ($15 million) for the year ended March 31, 2015 and for the nine months ended December 31, 2015, respectively.

33. RELATED PARTIES

(1) Remuneration for the Company's directors

Remuneration for the Company's directors for each fiscal year is as follows:

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2014 (Year ended March 31, 2015)	FY2015 (Nine months ended December 31, 2015)	FY2015 (Nine months ended December 31, 2015)
Remuneration and bonuses	¥711	¥469	$4

(2) Major subsidiaries

The Company's significant subsidiaries are as follows:

Company name	Location	Ownership percentage of voting rights (%)
Dentsu East Japan Inc.	Tokyo, Japan	100.0
Dentsu West Japan Inc.	Osaka, Japan	100.0
Dentsu Kyushu Inc.	Fukuoka, Japan	100.0
Dentsu Hokkaido Inc.	Sapporo, Japan	100.0
Dentsu Meitetsu Communications Inc.	Nagoya, Japan	50.0
The Goal Inc.	Tokyo, Japan	100.0
Dentsu Ad-Gear Inc.	Tokyo, Japan	66.7
Dentsu Young & Rubicam Inc.	Tokyo, Japan	51.0
Cyber Communications Inc.	Tokyo, Japan	100.0
DA search & link Inc.	Tokyo, Japan	55.0
Carat Japan Inc.	Tokyo, Japan	100.0
Dentsu Tec Inc.	Tokyo, Japan	100.0
Information Services International-Dentsu, Ltd.	Tokyo, Japan	61.8
Dentsu Works Inc.	Tokyo, Japan	100.0
Dentsu Aegis Network Ltd.	London, the United Kingdom	100.0
Dentsu Aegis London Ltd.	London, the United Kingdom	100.0
Dentsu Aegis Network France SAS	Paris, France	100.0
Dentsu McGarry Bowen,LLC	New York, the United States	100.0
Aegis International Ltd.	London, the United Kingdom	100.0
Portman Square US Holdings Ltd.	London, the United Kingdom	100.0
Aegis Group Participations Ltd.	London, the United Kingdom	100.0
Aegis Toriton Ltd.	London, the United Kingdom	100.0
Dentsu Aegis Network Central Europe Holding GmbH	Wiesbaden, Federal Republic of Germany	100.0
Dentsu Aegis Network Central Europe GmbH	Wiesbaden, Federal Republic of Germany	100.0
Dentsu Aegis Network Australia Holdings Pty Ltd.	Sydney, Australia	100.0
Dentsu Aegis (Shanghai) Investment Co., Ltd.	Shanghai, China	100.0
Aegis Media Pacific Ltd.	London, the United Kingdom	100.0
360i LLC	Atlanta, the United States	100.0
Beijing Dentsu Advertising Co., Ltd.	Beijing, China	70.0

34. CONTINGENT LIABILITIES

The contingent liabilities as of March 31, 2015 and December 31, 2015 are as follows:

Guarantees of loans and other liabilities

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2014 (As of March 31, 2015)	FY2015 (As of December 31, 2015)	FY2015 (As of December 31, 2015)
Liabilities on guarantees resulting from a loan scheme for housing funds for employees	¥657	¥492	$4
Liabilities for guarantees of bank loans and others	1,104	1,252	10
Total	¥1,761	¥1,745	$14

35. NON-CASH TRANSACTIONS

In the nine months ended December 31, 2015, the Company dissolved a retirement benefit trust for corporate pension fund plans and established a retirement benefit trust for retirement lump-sum payment plans. As a result, other non-current assets and liabilities for retirement benefits each decreased by ¥12,787 million ($106 million) each.

36. SUBSEQUENT EVENTS

Not applicable.

37. CONSOLIDATED STATEMENT OF INCOME (2015 JANUARY–DECEMBER)

Consolidated statement of income assuming that the fiscal year of the Group had been the twelve-month period from January 1, 2015 to December 31, 2015 is as follows:

	(Millions of Yen) From January 1, 2015 to December 31, 2015	(Millions of U.S. Dollars) 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) From January 1, 2015 to December 31, 2015	(Millions of U.S. Dollars) 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