Items for Disclosure on the Internet Pursuant to Laws, Regulations, and the Articles of Incorporation Regarding the Notice of Convocation of the 171st Ordinary General Meeting of Shareholders

Dentsu Group Inc.

Pursuant to laws and regulations and Article 19 of the Company's Articles of Incorporation, the above items are provided to shareholders on the Company's website (https://www.group.dentsu.com/en/ir/stockandratings/shareholdersmeeting.html).

II Shares and Subscription Rights to Shares

1. Items Related to Shares

(1) Total number of authorized shares Common shares **1,100,000,000** shares

(2) Types of issued shares and total number of shares Common shares **288,410,000** shares
(Of which treasury shares **11,522,056** shares)

(3) Number of shareholders **40,830** persons

(4) Major Shareholders (Top 10)

Shareholder	No. of Shares Held	Percentage of Total Shares Issued
	(Shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust accounts)	**35,565,100**	**12.84**
Kyodo News Japan Trustee Services Bank, Ltd. (Trust accounts)	**18,988,800**	**6.86**
Japan Trustee Services Bank, Ltd. (Trust accounts)	**16,280,700**	**5.88**
Jiji Press, Ltd.	**16,178,680**	**5.84**
Japan Trustee Services Bank, Ltd. (Trust account 9)	**8,907,000**	**3.22**
Group Employees' Stockholding Association	**6,407,569**	**2.18**
Yoshida Hideo Memorial Foundation	**4,984,808**	**1.80**
Recruit Holdings Co., Ltd.	**4,929,900**	**1.78**
Northern Trust Co. (AVFC) SUB A/C AMERICAN CLIENTS	**4,408,818**	**1.59**
TBS Television	**4,000,000**	**1.44**

(Notes) 1. The number of shares held by each trust bank includes shares related to trust services.
2. The Company holds 11,522,056 treasury shares but is excluded from the major shareholders listed above.
3. The Percentage of Total Shares Issued is calculated excluding treasury shares.

2. Items Related to Subscription Rights to Shares, etc.

(1) Summary of contents of subscription rights to shares held by company executives, etc. as of the final day of the fiscal year under review that were issued as compensation for business execution

No items to report.

(2) Summary of contents of subscription rights to shares that were issued to employees, etc., during the fiscal year under review as compensation for business execution

No items to report.

(3) Other important items regarding subscription rights to shares

No items to report.

III 2. Situation of Important Con-current Posts

Name	Organization of Con-current Post	Position
Directors who are not members of the Audit and Supervisory Committee		
Toshihiro Yamamoto	Kyodo Television, Ltd.	Corporate Auditor
	Dentsu Aegis Network Ltd.	Non-executive Director
	Rakuten Data Marketing, Inc.	Outside Director
Nobuyuki Tohya	Dentsu Aegis Network Ltd.	Non-executive Director
Shun Sakurai	Dentsu Aegis Network Ltd.	Non-executive Director
Timothy Andree	Dentsu Aegis Network Ltd.	Executive Chairman
	Dentsu Holdings USA, LLC.	President & CEO
Arinobu Soga	Dentsu Aegis Network Ltd.	Non-executive Director
Hiroshi Igarashi	FRONTAGE INC.	Director
Nobuko Matsubara	Japan Institute of Women's Empowerment & Diversity Management	Honorary Chairwoman
Directors who are members of the Audit and Supervisory Committee		
Toshiaki Hasegawa	T. Hasegawa & Co. Law Offices	Lawyer
Kentaro Koga	Hitotsubashi University Business School School of Business Administration	Associate Professor
	Resona Bank, Ltd.りそな銀行監査役は退任されたので、この行削除	Outside Corporate Auditor
Etsuko Katsu	Meiji University School of Political Science and Economics	Professor
	Mitsui O.S.K. Lines, Ltd.	Director

(Notes)

1. Director who is not a member of the Audit and Supervisory Committee Shun Sakurai resigned outside director of Tokyu Fudosan Holdings on June 26, 2019.
2. Director who is a member of the Audit and Supervisory Committee Kentaro Koga resigned outside corporate auditor of Resona Bank on June 21, 2019.
3. Director who is not a member of the Audit and Supervisory Committee Hiroshi Igarashi resigned director of Dentsu Digital on December 23, 2019.
4. Directors who are not members of the Audit and Supervisory Committee Yoshio Takada, Nobuyuki Tohya and Hiroshi Igarashi assumed the office of representative directors of Dentsu Inc. on January 1, 2020.
5. There are no items to report for Director who is a member of the Audit and Supervisory Committee Yoshiharu Sengoku.

4 (1) Status of Major Activities in the Fiscal Year under Review

Category / Name	Status of Major Activities
Outside Director Toshiaki Hasegawa	Attended 14 of 16 meetings of the Board of Directors and 13 of 14 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks from an objective and professional perspective as an Outside Director, utilizing his rich experience as an international business lawyer.
Outside Director Kentaro Koga	Attended all 16 meetings of the Board of Directors and 13 of 14 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks from an objective and professional perspective as an Outside Director, mainly utilizing his rich experience as a university associate professor (accounting).
Outside Director Nobuko Matsubara	Attended 14 of 16 meetings of the Board of Directors held in the fiscal year under review. Made remarks from an objective and professional perspective as an Outside Director, utilizing her specialized expertise and rich experience concerning labor issues.
Outside Director Etsuko Katsu	After assumed office of Outside Director, attended all 12 meetings of the Board of Directors and all 10 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks from an objective and professional perspective as an Outside Director with her expertise and abundant knowledge on international finance, international economics and economic policy.

(2) Important Con-current Posts and Relationship with Dentsu

Category / Name	Organization of Con-current Post / Description	Relationship with Said Organization
Outside Director Toshiaki Hasegawa	T. Hasegawa & Co. Law Offices Lawyer	Dentsu does not have any special relationship with T. Hasegawa & Co. Law Offices.
Outside Director Kentaro Koga	Hitotsubashi University Business School Associate Professor, School of Business Administration	Dentsu has business relationship with Hitotsubashi University.
	Resona Bank, Ltd. Outside Corporate Auditor	Dentsu maintains a business relationship with Resona Bank, Ltd.
Outside Director Nobuko Matsubara	Japan Institute of Women's Empowerment & Diversity Management Honorary Chairman	Dentsu maintains a business relationship with the Japan Institute of Women's Empowerment & Diversity Management.
Outside Director Etsuko Katsu	Meiji University School of Political Science and Economics	Dentsu maintains a business relationship with Meiji University.
	Mitsui O.S.K. Lines, Ltd. Director	Dentsu maintains a business relationship with Mitsui O.S.K. Lines, Ltd.

IV Items Related to the Accounting Auditor

1. Name of the Accounting Auditor

KPMG AZSA LLC

2. Remuneration to the Accounting Auditor

(1) Fee for Accounting Auditor relating to this fiscal year 161 million yen

(Note 1) The total amount of fees to be paid to the Accounting Auditor is stated since fees in relation to audit attestation based on the Companies Act and those based on the Financial Instruments and Exchange Act are not clearly classified under the terms of the audit contract concluded between the Company and the Accounting Auditor.

(Note 2) The Audit and Supervisory Committee of the Company, in observance of the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association and in order to assess whether sufficient audit quality is assured, has checked the time required to audit each audit item and the audit fees as well as the audit plans and the results for previous fiscal years, and upon considering the appropriateness of the time required for audit and the audit fee quotations for the fiscal year under review, agrees to the fees of the Accounting Auditor under Article 399, Item 1 and Item 3 of the Companies Act.

(2) Amount of cash and other financial benefits to be paid by Dentsu and its subsidiaries

390 million yen

(Note) The Company paid the Accounting Auditor for services such as preparation of comfort letters associated with the issuance of corporate bonds, which are not included within the scope of work of Article 2, Paragraph 1 of the Certified Public Accountants Act.

3. Status of Audits of Subsidiaries by Entities Other than Dentsu's Accounting Auditor

Dentsu Aegis Network, which is an important Dentsu overseas subsidiary, and certain other overseas subsidiaries are audited (limited to provisions under foreign laws and regulations corresponding to the Companies Act or Financial Instruments and Exchange Act) by KPMG firms (those with certification corresponding to a certified public accountant or accounting auditor overseas), which belong to the same network as the Company's accounting auditor.

4. Policy on Dismissal or Non-reappointment of the Accounting Auditor

(1) The Audit and Supervisory Committee may dismiss the Accounting Auditor upon unanimous approval from all Audit and Supervisory Committee Members if it is determined that any of the reasons stipulated in Article 340, Paragraph 1 of the Companies Act applied and dismissal is appropriate.

(2) Considering factors such as the independence and business execution of the Accounting Auditor, the Audit and Supervisory Committee may submit a proposal to a General Meeting of Shareholders to elect, dismiss or refuse to reappoint the Accounting Auditor if it is found that there is a possibility of a significant threat to the auditing operations of the Company, such as difficulty by the Accounting Auditor to execute business appropriately, and in the event that it is determined that such action is required from the viewpoint of effectiveness and efficiency, etc., of audit implementation, as stipulated in Article 399-2, Paragraph 3 of the Companies Act.

V Company System and Policy

1. Basic Policy on Internal Control System

With regard to Article 399-13, Paragraph 1, Item 1 (c) of the Companies Act (or Article 362, Paragraph 4, Item 6 of the Companies Act during the period prior to the transition to a company with an audit and supervisory committee from a company with an audit and supervisory board on March 30, 2016) "The development of systems necessary to ensure that the execution of the duties by the directors complies with the laws and regulations and the articles of incorporation, and other systems prescribed by the applicable Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of a Stock Company and operations of group of enterprises consisting of said Stock Company and its Subsidiaries," the Board of Directors made a resolution at its meeting on March 30, 2006. Subsequent revisions to the Basic Policy on Internal Control System are made as necessary at the meetings of the Board of Directors. The Company's Basic Policy on Internal Control System is as follows.

Basic Policy on Internal Control System

The Internal Control System at Dentsu is designed to encourage compliance among Directors, Executive Officers, and employees while it supports continuous corporate development as the Company strives to meet its social responsibilities.

The Company has chosen the Dentsu Group Code of Conduct to define the parameters of acceptable behavior, which ensures that Directors, Executive Officers and employees of Dentsu and its subsidiaries comply with all laws, regulations, and the Articles of Incorporation during the course of their duties and that business is conducted appropriately. The Internal Control and Compliance Committee is charged with creating, operating, and improving the Internal Control System.

1. Compliance System for Directors, Executive Officers and Employees

(1) Directors and Executive Officers must perform their duties appropriately, in accordance with rules such as the Rules for the Board of Directors, Rules for Group Executive Management Committee, Rules for Directors, and the Rules for Executive Officers.

(2) If a Director or an Executive Officer discovers a violation of the prevailing laws or comes across any other serious compliance-related issue, it is imperative that he/she reports it without delay to the Board of Directors or the Group Executive Management Committee. Audit and Supervisory Committee Members must also be immediately advised of the circumstances.

(3) The departments reporting to the CSR Committee create internal policies and manuals and conduct training to improve and enhance the compliance system for employees. The Internal Audit Office, which reports directly to the President & CEO, conducts internal audits.

(4) The Company has set up an internal reporting and proposal system to respond appropriately in the event a law is broken or some other internal compliance issue arises.

(5) If Audit and Supervisory Committee Members state opinions on the Company's compliance system or require steps to improve the system, Directors and Executive Officers must respond without delay and make the recommended improvements.

(6) The Company has established a department to facilitate the termination of business relationships with organized crime groups and elements thereof – termed "antisocial forces" in Japan – when a link is discovered and to resolutely refuse any and all future transactions. This department functions as the liaison between the affected in-house division and the relevant authorities to expedite an appropriate course of action.

2. Systems to Ensure Efficient Execution of Duties by Directors and Executive Officers

(1) In addition to meetings of the Board of Directors, Dentsu holds meetings of the Group Executive Management Committee, Dentsu Domestic Board, DAN Board, and various committees. These meetings provide opportunities to discuss important matters pertaining to management policy and strategy, and to make executive decisions.

(2) Items resolved at such meetings are transmitted to all employees through the corporate structure for prompt reflection in the execution of duties. Urgent items are posted on the internal electronic bulletin board in the interest of rapid dissemination.

3. Storage and Management of Information Related to the Execution of Duties by Directors and Executive Officers

Information concerning the execution of duties by Directors and Executive Officers is stored and managed appropriately, in accordance with the Company's documentation management regulations and information management guidelines.

4. Risk Management System

(1) Dentsu establishes risk management regulations to maintain and improve a structure that precludes the spread of damage or loss and minimizes the impact of risk progression in the event risks become reality. The Company performs self-inspection with regard to the situation of risk management under the Internal Control and Compliance Committee, selects key risks to be prioritized, and implements risk management based on concrete response plans.

(2) The response policy for material risks in management and other material items concerning risk management are reported to the Board of Directors and the Audit and Supervisory Committee.

5. Internal Structure to Support Audit and Supervisory Committee Members and Their Independent Status, etc.

The Company maintains an Audit and Supervisory Committee Office, which consists of employees who assist Audit and Supervisory Committee Members in their duties. This office reports directly to the Audit and Supervisory Committee, thereby preserving its independence from Directors (excluding Directors who are Audit and Supervisory Committee Members) and Executive Officers, and ensuring effectiveness of orders from Audit and Supervisory Committee Members.

6. System for Reporting to Audit and Supervisory Committee Members and Improving Audit Effectiveness

(1) In addition to stipulating items that Directors (excluding Directors who are Audit and Supervisory Committee Members), Executive Officers, and employees (hereinafter "executives and employees") of Dentsu and its subsidiaries are required to report to Audit and Supervisory Committee Members of Dentsu, the system ensures that significant matters that have an impact on Dentsu's business operations or business results are reported by executives and employees to Audit and Supervisory Committee Members of Dentsu in a certain and prompt manner.

(2) In the event that Audit and Supervisory Committee Members of Dentsu request information other than those contained in the previous item, executives and employees of Dentsu and its subsidiaries are still required to respond without delay.

(3) It will be ensured that parties who report under the conditions of the previous items do not receive harmful treatment as a result of reporting.

(4) Pursuant to laws and regulations, a policy will be defined to account for expenses, etc., incurred during the course of execution of duties by Audit and Supervisory Committee Members, and this information will be disseminated to concerned parties.
(5) To enhance audit effectiveness, the Internal Audit Office and the Accounting Auditors collaborate.

7. Internal Control System for the Dentsu Group, Including Subsidiaries

Starting with the following items, matters that subsidiaries must establish and operate as members of the Dentsu Group will be defined, and the establishment, operation, and improvement of the Dentsu Group's Internal Control System will be promoted.

(1) The Dentsu Group Code of Conduct was drafted as the standard for acceptable corporate behavior and embraces the entire Group, including subsidiaries. Each subsidiary passes a resolution on the adoption of the Code.
(2) In addition to receiving periodic reports from subsidiaries concerning the business operations, business results, and other significant matters concerning subsidiaries, for certain matters that may have a significant effect on the business operation or business results of Dentsu, subsidiaries will request advance approval or report to Dentsu.
(3) Through Dentsu Aegis Network, which oversees each overseas subsidiary within the Dentsu Group, decision-making and business execution in overseas business operations will be made in an efficient manner.
(4) Subsidiaries will define standards pursuant to the Dentsu Group Code of Conduct, and by resolution of a meeting of the Board of Directors, etc., will ensure compliance and risk management as members of the Dentsu Group.

8. System to Ensure Appropriateness of Financial Reporting

(1) Through the Internal Control and Compliance Committee, Dentsu continually supports a system that ensures appropriateness in financial reporting by the Group.
(2) Subsidiaries and departments involved in business activities perform self-checks through the course of day-to-day operations to determine if internal controls are functioning properly.
(3) The Internal Audit Office monitors the Internal Control System from a perspective free of operational bias to assess the effectiveness of internal controls related to financial reporting.

2. Summary of Operational Status of Internal Control System

In adherence with the Basic Policy on Internal Control System stated in 1. above which has been resolved by the Board of Directors, the Company is promoting the development and operation of an Internal Control System upon establishing risk management regulations, document handling regulations, and other internal regulations, holding meetings of the Internal Control and Compliance Committee and other committees, and with the department in charge of internal control serving as the core.

The summary of operational status is as follows:

(1) The Company promotes risk management based on the "Risk Management Regulations," through the five steps of 1) identifying risks that impedes the Company's efforts to achieve its management targets or Internal Control targets, 2) evaluating identified risks, 3) specifying "highest order risk," which may have a significant impact on the Company, 4) formulating a plan to minimize such "highest order risk," and 5) reporting progress in dealing with such "highest order risk." Formulation and implementation of plans to deal with risks are led by each specialized department on a companywide level.
(2) Concerning establishment of Internal Control Systems across the group of enterprises, including

consolidated subsidiaries, applicable companies are identified in advance, rules that must be followed as a group of enterprises are formulated, and requests are made to each company to comply. The Company checks applicable companies in Japan and overseas at the end of each business year whether operations are performed in line with the aforementioned rules, and requires improvement in the case of issues.

(3) Regarding structures to ensure the appropriateness of financial reporting, in April 2018, in response to the "Internal Control Reporting System" stipulated in Article 24-4-4 of the Financial Instruments and Exchange Act, the Company formulated the "Basic Plan" which provides the companies and business processes applicable for evaluation and the evaluation system, etc., upon discussion with the Accounting Auditor. Following the Basic Plan, the departments executing the business applicable for evaluation and applicable companies confirm that internal control is implemented appropriately and functioning effectively in daily operations and such companies make reports on such confirmation to the Company.

Notes to Consolidated Financial Statements

1. Significant matters for preparing consolidated financial statements

(1) Basis of preparation of consolidated financial statements

The consolidated financial statements of Dentsu Inc. (hereinafter the "Company") are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") under the Paragraph 1 of Article 120 of the Ordinance on Company Accounting. Under the provisions of the second sentence of the same paragraph of the same Ordinance, some disclosure items required under IFRS are omitted.

(2) Scope of consolidation

Number of consolidated subsidiaries, including Dentsu Aegis Network Ltd., is 1,004.

(3) Scope of equity method

Number of associates, including Video Research Ltd., accounted for using the equity method is 96.

(4) Accounting policies

1) Basis and method of valuation for significant assets

i Non-derivative financial assets

a. Financial assets measured at amortized cost

Non-derivative financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met.

・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.

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

The Group recognizes allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost.

Determination of significant increase in credit risk

At the end of each fiscal year, the Group compares the risk of a default occurring on financial assets as of the end of the fiscal year with the risk of a default occurring at the date of initial recognition and assesses whether the credit risk on the financial assets has increased significantly after the initial recognition.

The Group determines whether the credit risk on the financial assets has increased significantly based on the changes in the risk of a default after the initial recognition. In assessing whether there is any change in the risk of default, the Group primarily takes into account the past due information, in addition to the following matters.

・Significant change in a credit risk rating of the financial assets by external rating agencies

・Downgrading of an internal credit risk rating

・Deterioration of the borrower's operating results

Expected credit loss approach

Expected credit losses are the present value of the difference between contractual cash flows the Group has a right to receive pursuant to a contract and the cash flows expected to be received by the Group. If the credit risk on financial assets has increased significantly after initial recognition, the Group measures the allowance for doubtful accounts for the financial assets at an amount equal to the lifetime expected credit losses. If the credit risk has not increased significantly, the Group measures the allowance for doubtful accounts for the financial assets at an amount equal to 12-month expected credit losses.

Notwithstanding the above, the Group measures the allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant finance component.

In measuring expected credit losses, the Company uses reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available at the reporting date. The expected credit losses of individually significant financial assets are assessed on an individual basis, and the expected credit losses of the remaining financial assets are assessed collectively in groups that share similar credit risk characteristics such as the geographical location, the number of days that the asset is past due, the status of the protection of the asset, the external credit ratings, and allowance for expected credit losses is recorded.

In a case when it is determined that it is impossible or extremely difficult to collect all or part of a financial asset, e.g. a case when the debtor does not make the payment within 90 days from the due date, the Company decides that the financial asset is in default.

When a financial asset is in default or when the issuer or the debtor of a financial asset is experiencing significant financial difficulty, the Company determines that the credit is impaired.

The provision of the allowance for doubtful accounts for financial assets is recognized in profit or loss. In the case of an occurrence of any event that reduces the allowance for doubtful accounts, the reversal of the allowance for doubtful accounts is recognized in profit or loss.

If the collection is not reasonably assured, such as when obligor cannot perform repayment plan that was agreed with the Group, financial assets are directly amortized.

b. Financial assets measured at fair value through profit or loss

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

Subsequent to initial recognition, financial assets measured at fair value through profit or loss are measured at fair value, and changes in fair value subsequent to initial recognition and revenue such as dividends are recognized in profit or loss.

c. Financial assets measured at fair value through other comprehensive income

Equity financial instruments 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.

Subsequent to initial recognition, financial assets measured at fair value through other comprehensive income are measured at fair value. 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 for the year.

ii 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 between hedging instruments and hedged items, 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 hedge effectiveness.

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

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.

With regard to the hedge accounting, IAS 39 continues to be applied in accordance with transitional provisions.

a. 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 hedging designation is revoked.

b. 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.

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

c. Derivative financial instruments not designated as hedges

Changes in the fair value of derivative financial instruments are recognized in profit or loss.

iii 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.

2) Depreciation method for significant depreciable assets

i Property, plant and equipment

Property, plant, and equipment is presented 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.

However, right-of-use assets are depreciated using the straight-line method over the shorter of their estimated useful lives or lease terms.

ii Intangible assets

Intangible assets are presented 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 their 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.

Intangible assets are amortized using the straight-line method over their estimated useful lives.

However, right-of-use assets are amortized using the straight-line method over the shorter of their estimated useful lives or lease terms.

iii Investment property

Investment property is presented 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.

3) Goodwill

Goodwill is presented at acquisition cost less accumulated impairment losses. Goodwill is not amortized.

Impairment tests for goodwill are performed once a year, irrespective of whether there is any indication that it may be impaired, and in cases where there is an indication of impairment.

4) Recognition of significant 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.

5) 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 difference between the present value of defined benefit obligations and the fair value of any plan assets as either liabilities or assets. For each of the 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. Discount rate is determined based on high quality corporate bonds yield rate at fiscal year-end for the discount period which is set for the projected period until the expected date of benefit payment 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, and are immediately transferred to retained earnings. 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.

6) Foreign currency translation

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 closing rate, and the resulting translation differences are recognized in profit or loss.

Non-monetary items measured at foreign currency-denominated costs are translated at exchange rate at the date of transaction.

For financial statements of foreign operations, assets and liabilities are translated into Japanese yen at 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.

7) Revenue

Revenues are recognized based on the following five-step approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize the revenue when a performance obligation is satisfied

The Group provides advertising, information services, and other businesses to clients.

In the advertising business, the Group primarily places advertisements to various media and provides services such as advertisement production and various content services including creative services. Concerning advertisement placement to various media, the performance obligation of the Group is satisfied primarily when the advertisement is placed to the media. Regarding provision of services such as advertisement production and various content services, the performance obligation of the Group is satisfied primarily when the product is delivered or the service is rendered. Each revenue is recognized at the point when the performance obligation is satisfied. In the rights business such as marketing rights of sporting events, the timing of revenue recognition depends on the content of the right granted to the client. When the right to use the right is transferred to the client at one point of time, the revenue is recognized at that point of time. When the right is available to the client for a certain period of time, the revenue is recognized over that period of time.

For a transaction associated with the advertising business, the Group records the revenue primarily at the price the client pays as the remuneration for the services rendered by the Group net of relevant cost, or at a certain remuneration price paid in the form of a commission. For some transactions in which the Group determines that it acted justifiably as a principal, the price the client paid and the cost are reported on a gross basis.
In the information services business, the Group mainly provides services including sale of software products, commissioned system development, outsourcing and operation and maintenance services. The revenue is recognized at the time the Group's performance obligations are satisfied: with respect to the sale of software products, it is recognized at the time of delivery to the clients; in regard to software developed by commission, it is recognized depending on the progress of the development; and in connection with the operation and maintenance services, it is recognized over the course of the contract period. For transactions related to the information services business, the gross amounts of the revenue and the cost are presented.
The turnover disclosed in the Consolidated Statement of Income is the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover is not required under IFRS.

8) Accounting method for consumption taxes
Consumption taxes are accounted for using tax-excluding method.

9) All figures are rounded down to the nearest million yen.

2. Change in accounting policies

(1) Adoption of IFRS 16 "Leases"

The Group has adopted IFRS 16 "Leases" from the fiscal year ended December 31, 2019.

In adopting IFRS 16, the Group has applied the modified retrospective approach of recognizing the cumulative effect of adopting the standard as an adjustment to the beginning balance of retained earnings at the date of initial application.

As a lessee, the Group had previously classified leases into operating leases and finance leases based on the assessment of whether the lessor substantially transferred the entire risks and rewards incidental to ownership of an underlying asset to the Group. Under IFRS 16, the Group recognizes a right-of-use asset and a lease obligation for most leases. However, the Group applies the recognition exemptions for short-term leases and leases of low-value assets.

As a result of the transition to IFRS 16, the Group has additionally recognized 128,246 million yen in right-of-use assets and 141,066 million yen in lease obligations and a decrease of 8,417 million yen in the opening balance of retained earnings (after taking into account tax effect).

Right-of-use assets are presented under "property, plant and equipment" or "intangible assets" and lease obligations are presented under "other financial liabilities" of current liabilities or "other financial liabilities" of non-current liabilities.

3. Change in presentation

(1) (Consolidated statement of income)

"Provision of allowance for doubtful accounts," which was included in "Selling, general and administrative expenses" and "Impairment loss," which was included in "Other expenses" in the fiscal year ended December 31, 2018, have been separately disclosed from the fiscal year ended December 31, 2019 due to an increase in its monetary significance.

4. Changes to accounting estimates

(1) Change to accounting estimates relating to financial liabilities

During the fiscal year ended December 31, 2019, changes were made to the estimates relating to the redemption period of put option liabilities related to certain consolidated subsidiaries. As a result, finance costs for the fiscal year ended December 31, 2019 have increased by 7,611 million yen.

5. Notes to consolidated statement of financial position

(1) Assets pledged as collateral

Other financial assets (current assets)	**54** million yen

Other than the above, other financial assets (current assets) of **8** million yen are pledged as collateral for guarantee transactions that are disclosed in the "Official Gazette" (Kanpou) and related to other operations.

(2) Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	**3,834** million yen
Other financial assets (non-current assets)	**19,085** million yen

(3) Accumulated depreciation and impairment losses of property, plant and equipment (except for right-of-use assets)	**129,251** million yen
(4) Accumulated depreciation and impairment losses of investment property	**9,444** million yen

(5) Contingent liabilities

Guarantees of loans and other liabilities	
Liabilities on guarantees resulting from a loan scheme for housing funds for employees	**89** million yen
Liabilities for guarantees of bank loans and others	**1,773** million yen
Total	**1,862** million yen

6. Notes to consolidated statement of changes in equity

(1) Business restructuring expenses

These are expenses that were incurred or will be incurred in connection with the business restructuring in the international business. The primary components of these expenses are workforce reduction expenses, property optimization expenses, and expenses arising from other related initiatives.

(2) Impairment losses

These primarily consist of the impairment loss on goodwill related to the APAC (Asia Pacific) region in the international business. As a result of an annual impairment test for goodwill related to the international business that were performed based on the latest business plan formulated on the basis of the most recent results, the Group recognized impairment loss on goodwill of 70,187 million yen in the APAC region. The Group had previously allocated goodwill related to the international business to the international business segment as a group of cash-generating units. However, a review was performed at the end of the fiscal year ended December 31, 2019 on groups of cash-generating units in keeping with the business environment in the APAC region, leading the Group to allocate goodwill to the APAC region as a separate group of cash-generating units.

7. Notes to consolidated statement of changes in equity

(1) Class and total number of issued shares as of December 31, 2019

Ordinary shares: **288,410,000** shares

(2) Cash dividends

1) Dividends paid

Resolution	Class of shares	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors (February 14, 2019)	Ordinary shares	**12,685**	**45.00**	December 31, 2018	March 7, 2019
Board of Directors (August 7, 2019)	Ordinary shares	**13,397**	**47.50**	June 30, 2019	September 6, 2019
Total		**26,082**			

(Note) The total dividends paid based on the resolution of the Board of Directors' meeting held on August 7, 2019 include the dividends of 7 milion yen paid out to the shares in the Company held by the trust account associated with the performance-based stock compensation plan.

2) Dividends for which the record date falls before fiscal year-end, while the effective date falls in the following fiscal year:

Dividends paid based on the resolution of the Board of Directors' meeting held on February 13, 2020

i	Total dividends	13,152 million yen
ii	Dividends per share	47.50 yen
iii	Record date	December 31, 2019
iv	Effective date	March 5, 2020

Retained earnings are reserved as a source of dividends.

8. Financial instruments

(1) Status of financial instruments

The Group limits the use of capital to short-term deposits and others, and raises working capital through borrowings from bank and other financial institution.

The Group aims to reduce customer credit risk associated with trade receivables, such as notes and accounts receivables, based on credit management rules and guidelines. Fair value for equity securities included in other financial assets or financial liabilities measured at fair value included in other financial liabilities are obtained and analyzed every quarter.

The use of the borrowings ranges from capital investment to investment and working capital. For interest rate fluctuation risks associated with a portion of long-term borrowings, interest expenses are fixed using interest rate swap contracts. In addition, derivative transactions are limited to those based on the actual demands in line with the internal management rules.

The use of the proceeds from issuance of corporate bonds includes investments, repayment of borrowings and working capital.

(2) Fair value of financial instruments

The carrying amount on the consolidated statement of financial position and the fair value as of December 31, 2019 are as follows. The following table excludes financial instruments measured at fair value and financial instruments whose fair value approximates their carrying amount on the consolidated statement of financial position, as well as lease obligations.

(Unit: Million yen)

	Carrying amount	Fair value
(Financial liabilities)		
Long-term borrowings	**483,197**	**484,374**
Corporate bonds	**79,785**	**80,147**

(Notes) The calculation method of fair value for financial instruments is as follows:

1. Long-term borrowings

   Current portion of long-term borrowings is included in the above. 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.

2. Corporate bonds

   Fair value of corporate bonds is based on the market price.

9. Investment property

(1) Status of investment property

The Company and its certain subsidiaries own some rental properties such as office buildings and commercial facilities in Tokyo Prefecture and other areas.

(2) Fair value of investment property

The carrying amount on the consolidated statement of financial position and the fair value as of December 31, 2019 are as follows:

(Unit: Million yen)

	Carrying amount	Fair value
Investment property	**36,835**	**51,981**

(Notes)

1. The carrying amount on the consolidated statement of financial position is the acquisition cost less accumulated depreciation and accumulated impairment losses, if any.
2. The fair value of investment property is mainly based on a valuation conducted by independent real estate appraisers. The valuation techniques are based on discounted cash flow model or observable quoted prices for similar properties and others.

10. Per share information

(1) Equity attributable to owners of the parent per share **3,523.11** yen

(2) Basic loss per share (attributable to owners of the parent) **(287.92)** yen

11. Significant subsequent events

(1) Company split associated with shifting to holding company structure

With the intention of shifting to a holding company structure, the Company resolved at the Board of Directors' meeting held on February 19, 2019 and at the General Meeting of Shareholders held on March 28, 2019 to execute an absorption-type split agreement, and the Company's business was succeeded by a successor company effective January 1, 2020.

As a result, effective January 1, 2020, the Company's trade name was changed to "DENTSU GROUP INC., and the Company became a holding company. Details are provided in "9. Significant subsequent events" in Notes to Nonconsolidated Financial Statements.

The effects of the absorption-type split on the Company's consolidated performance are very small.

Notes to Nonconsolidated Financial Statements

1. Summary of significant accounting policies

(1) Valuation basis and method for securities

1) Subsidiaries' and associates' shares

Stated at cost determined by the moving-average method

2) Other securities of subsidiaries and associates

Stated at cost determined by the moving-average method

Investments in investment business limited liability partnerships and similar associations (those deemed as securities under Paragraph 2 of Article 2 of the Financial Instruments and Exchange Act) are stated at net amount equivalent to the Company's equity on the basis of the most recent financial statements available as of the financial reporting date stipulated in respective partnership contracts.

3) Other securities

Available-for-sale securities with fair values

Stated at fair value as of the fiscal year-end date, based on quoted market prices (Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined by the moving-average method.)

Available-for-sale securities without fair values

Stated mainly at cost determined by the moving-average method

(2) Valuation basis and method for inventories

Inventories held for the purpose of ordinary sales

Works, work in process and supplies

Stated at cost determined by the specific identification method

(Amounts in the balance sheet were calculated by writing down the book value based on decreased profitability.)

(3) Valuation basis and method for derivative instruments

Stated at fair value

(4) Depreciation method for non-current assets

1) Property, plant and equipment

Depreciation of property, plant and equipment is calculated by the declining-balance method based on the fixed rates, while the straight-line method is applied to buildings (excluding building improvements) acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016.

The range of useful lives is principally as follows:

Buildings:	2-50 years
Structures:	5-50 years
Tools, furniture and fixtures:	2-20 years

However, finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessees are depreciated by the straight-line method, assuming the lease period as the useful life and residual value as zero.

2) **Intangible assets**

Amortization of intangible assets is calculated by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful lives (5 years).

Assets leased under finance leases other than those that are deemed to transfer the ownership of the leased assets to the lessees are amortized by the straight-line method, assuming the lease period as the useful life and residual value as zero.

3) **Long-term prepaid expenses**

Long-term prepaid expenses are equally amortized.

(5) Accounting policy for provisions

1) **Allowance for doubtful accounts**

To prepare for losses from bad debts such as operating receivables, the Company provides an allowance for doubtful accounts at an amount corresponding to possible losses from uncollectible trade receivables based on the actual rate of losses from bad debt for ordinary receivables, and on the estimated recoverability for specific doubtful receivables.

2) **Provision for directors' bonuses**

The Company makes a provision for directors' bonuses based on the estimated amount payable.

3) **Provision for retirement benefits**

The Company accounts for the liability for employees' retirement benefits based on the projected retirement benefit obligation and plan assets at the balance sheet date.

i. Service period attribution method for projected retirement benefits

In calculating retirement benefit obligations, expected benefit payments are assigned to the period up to the current fiscal year in accordance with the benefit formula method.

ii. Accounting for actuarial gain or loss and past service cost

The actuarial gain or loss is amortized by the straight-line method over a certain number of years (17 years) within the average remaining service years for employees at the time of recognition from the following fiscal year of recognition during each fiscal year.

Past service cost is amortized by the straight-line method over a certain number of years (17 years) within the average remaining service years for employees at the time of recognition.

The actuarial gain or loss related to a defined benefit pension plan for retired employees before transfer to a defined contribution pension plan is amortized over a certain number of years (7 years) by the straight-line method within the average remaining years of payment for eligible employees.

4) **Provision for share-based remuneration**

The Company accounts for the liability for the future benefits for officers, etc. based on the amount of benefits corresponding to the projected number of points granted to officers, etc. in accordance with the Officers Stock Benefit Regulations.

(6) Derivatives and hedging activities

1) **Hedge accounting methods**

The Company uses the deferred-hedge accounting method. The interest rate swaps which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

2) Hedging instruments and hedged items

i. Hedging instrument: Forward exchange contracts
Hedged item: Forecasted transactions denominated in a foreign currency

ii. Hedging instrument: Interest rate swaps
Hedged item: Interest on loans payable

3) Hedging policy

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange for transactions denominated in foreign currencies and interest rate fluctuations on loans payable. The Company does not enter into derivatives for trading or speculative purposes.

4) Method of evaluating hedge effectiveness

Concerning forward foreign exchange contracts, the Company evaluates hedge effectiveness by confirming that there is a high correlation between the exchange rate fluctuations of hedged items or cash flow fluctuations and exchange rate fluctuations of hedging instruments or cash flow fluctuations.

The evaluation of hedge effectiveness for interest rate swaps which qualify for hedge accounting and which meet specific matching criteria is omitted since the above exceptional treatment is adopted.

(7) Accounting method for consumption taxes

Consumption taxes are accounted for using tax-excluding method.

(8) Accounting for retirement benefits

The method of accounting for unrecognized actuarial losses and unrecognized past service costs relating to retirement benefits differs from the method used in the consolidated financial statements.

(9) All figures are rounded down to the nearest million yen.

2. Changes in presentation

(Nonconsolidated balance sheet)

(Changes associated with the adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company started adopting “Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018)” in the fiscal year ended December 31, 2019, and now has a system that presents deferred tax assets under “Investments and other assets” and deferred tax liabilities under “Non-current liabilities.”

(Nonconsolidated statement of income)

“Gain on sales of investment securities,” which was included in “Other” under “Extraordinary income” in the fiscal year ended December 31, 2018, has been separately disclosed from the fiscal year ended December 31, 2019 due to an increase in its monetary significance. In addition, “Loss on valuation of investment securities,” which was included in “Other” under “Extraordinary loss,” has been separately disclosed from the fiscal year ended December 13, 2019 due to an increase in its monetary significance.

3. For nonconsolidated balance sheets

(1) Assets pledged as collateral

Cash and deposits securing transactions	**3** million yen

(2) Accumulated depreciation of property, plant and equipment — **67,395** million yen

(3) Contingent liabilities

Guarantee obligations outstanding

Liability on guarantees resulting from a loan scheme for housing funds for employees	**89** million yen
Liabilities on guarantees of bank loans taken out by the following companies:	
Dentsu Aegis Network Ltd. and Aegis Group Holdings Ltd.	
(Line of credit for operating funds: GBP 500 million)	**71,740** million yen
Aegis Group Holdings Ltd.	
(Loan of USD 400 million to cover early redemption of US private placement bonds)	**43,824** million yen
Total of 11 companies including Dentsu East Japan Inc.	**1,978** million yen
Total	**117,631** million yen

(4) Monetary claims/obligations to associated companies

Short-term monetary claims	**44,586** million yen
Long-term monetary claims	**45,016** million yen
Short-term monetary obligations	**224,702** million yen
Long-term monetary obligations	**274** million yen

(5) The Company revalued the land used for its business in accordance with the "Law Concerning Revaluation of Land (Act No. 34; March 31, 1998)." The revaluation difference after deducting the related tax has been included in "Net assets" as "Revaluation reserve for land," and the related tax is included in "Liabilities" as "Deferred tax liabilities for land revaluation."

Revaluation method set forth in Paragraph 3 of Article 3 of said law

The value of land is determined using two methods. One is to compute the property value based on the assessed value of the property, which becomes the basis of calculation of the property tax amounts as stipulated in Article 16 of the Property Tax Act, computed by a method determined and announced by the Director-General of the National Tax Agency Japan, adjusted reasonably, as stipulated in Item 4 of Article 2 of the Ordinance for Enforcement of the Act on Revaluation of Land (Government ordinance No. 119; March 31, 1998). The other method is calculation by appraisal and evaluation by a real estate appraiser as stipulated in Item 5 of Article 2 of the Ordinance for Enforcement of the Act on Revaluation of Land.

Date of revaluation — **March 31, 2001**

Total fair values of revaluated properties as of the end of the fiscal year ended December 31, 2019 were not below the book value after the revaluation.

4. For nonconsolidated statement of income

Volume of transactions with associated companies

Sales	**109,206** million yen
Cost of sales	**359,589** million yen
Other operating transactions	**24,039** million yen
Other than operating transactions	**21,087** million yen

5. For nonconsolidated statement of changes in net assets

Classes and number of treasury shares at the end of the fiscal year ended December 31, 2019

Common stock	**11,672,056** shares

(Note) The number of treasury shares includes the number of the shares in the Company held by the trust account associated with the performance-based stock compensation plan.

6. Tax effect accounting

The main factors resulting in deferred tax assets are accrued expenses and provision for retirement benefits. The main factors resulting in deferred tax liabilities are valuation difference on available-for-sale securities and the gain on contribution of securities to the employee benefit trust.

7. Transactions with related parties

Subsidiaries and associates

Category	Name of company	Ratio of voting rights	Relationship with affiliated entity	Description of transactions	Transaction sum (mil. yen)	Item	Ending balance (mil. yen)
Subsidiary company	Dentsu Aegis Network Ltd.	Dentsu has voting rights Direct; **100%**	Entrusted management of overseas business operation and guarantee of bank line of credit Concurrently serving officers	Guarantee of bank line of credit[1]	**71,740**	-	-
Subsidiary company	Aegis Group Holdings Ltd.	Dentsu has voting rights Indirect; **100%**	Lending to cover early redemption of US private placement bonds which had been issued by Dentsu Aegis Network and guarantee of bank line of credit and bank loans	Loans receivable[2]	**44,000**	Long-term loans receivable	**44,000**
				Receipt of loans interest[2]	**176**	Other (Accrued income)	**33**
				Guarantee of bank line of credit[1]	**71,740**	-	-
				Guarantee of bank loans[3]	**43,824**	-	-
				Receipt of guarantor's fees[3]	**83**	Other (Accrued income)	**61**
Subsidiary company	Dentsu Management Services Inc.	Dentsu has voting rights Direct; **100%**	Lending operational fund to Dentsu Management Services Inc. for its factoring operations and receiving factoring services	Loans receivable[4]	-	Other (Short-term loans receivable)	**20,377**
				Receipt of loans interest[4]	**12**	Other (Accrued income)	**1**
				Factoring of accounts receivable[5]	**159,599**	Accounts payable-trade	**37,954**
Subsidiary company	Dentsu Tec Inc.	Dentsu has voting rights Direct; **100%**	Dentsu purchases ad planning and production services	Loans payable via cash management system[6]	**-**	Short-term loans payable	**20,209**
				Payment of loans interest[6]	**2**	Accrued expenses	**0**
Subsidiary company	Information Services International -Dentsu, Ltd.	Dentsu has voting rights Direct; **61.8%**	Dentsu outsources information processing services	Loans payable via cash management system[6]	**-**	Short-term loans payable	**33,666**
				Payment of loans interest[6]	**5**	Accrued expenses	**0**

Remarks

1. A guarantee was made for a bank line of credit (GBP 500 million, seven-year period) with Dentsu Aegis Network Ltd. and Aegis Group Holdings Ltd. as counterparties.
2. The interest rates for the loaned funds (JPY 44,000 million, five-year period, and bullet repayment upon maturity) are determined reasonably with reference to market interest rates. No collateral has been accepted.
3. The bank loans (USD 400 million, seven-year period) have been guaranteed, and a guarantor's fee of 0.2% per annum has been received.
4. Because the balance of the loaned funds fluctuates daily based on the basic contract, only the ending balance

is stated here. Interest rates are determined with reference to market interest rates.

5. Factoring transactions are settled through a factoring method based on a three-party basic contract between the Company, the Company's business partner and Dentsu Management Services Inc.; the terms of the transactions set out in the basic contract are determined with reference to the market conditions. The transaction sum and ending balance also include consumption tax.
6. Because the balance for the loans payable via cash management system fluctuates daily based on the basic contract, only the ending balance is stated here. Interest rates are determined with reference to market interest rates.

8. Per share information

(1) Net assets per share	**3,789.12 yen**
(2) Net income per share	**207.49 yen**

(Note) As the shares in the Company held by the trust account associated with the performance-based stock compensation plan are accounted for as treasury shares, 150,000 shares and 88,356 shares were deducted from the number of shares at the end of the fiscal year ended December 31, 2019 and the average number of shares during the fiscal year ended December 31, 2019, respectively, at the calculation of the per share information.

9. Significant subsequent events

(Company split associated with shifting to holding company structure)

With the intention of shifting to a holding company structure, the Company resolved at the Board of Directors' meeting held on February 19, 2019 and at the General Meeting of Shareholders held on March 28, 2019 to execute an absorption-type split agreement, and the Company's business was succeeded by a successor company effective January 1, 2020.

As a result, effective January 1, 2020, the Company's trade name was changed to "DENTSU GROUP INC., and the Company became a holding company.

(1) Outline of the transaction

1) Name or description of the business involved in the transaction

Advertising and advertising-related businesses

2) Date of the business combination

January 1, 2020

3) Legal form of the business combination

An absorption-type split in which the Company was the splitting company and the Company's wholly-owned subsidiary, DENTSU SUCCESSOR PREPARATORY CORPORATION INC., whose trade name changed to DENTSU INC. effective January 1, 2020, was the successor company.

4) Name of the company after the combination

Splitting company: DENTSU GROUP INC.

Successor company: DENTSU INC.

5) Other facts associated with the transaction outline

The business and the operating environment of the Company and its Group have been changing radically. In order to respond appropriately and promptly to this series of changes and to achieve the sustainable growth of the Group going forward, there is an urgent need to realize the acquisition and allocation of internal and external management resources on a timely basis from a Group-wide and global perspective, to further promote the management of richly diverse human resources and foster an open organizational culture, and to establish the most appropriate group governance structure.

In recognizing the above, the Company has shifted to a pure holding company structure in order to drive sustainable growth for the Dentsu Group as a whole, including promotion of business transformation in Japan, and maintenance and further development of the growth momentum of the overseas business headed by its headquarters, Dentsu Aegis Network Ltd.

(2) Outline of the accounting treatment

Based on the "Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013)" and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10; September 13, 2013)," the transaction was accounted for as a transaction under common control.

The estimated amounts of assets and liabitities involved in the split and succession are stated below:

Current assets	**440,500** million yen
Non-current assets	**47,400** million yen
Current liabilities	**397,100** million yen
Non-current liablilities	**21,900** million yen

10. Additional information

(Stock compensation plan for directors, etc.)

The Company has introduced a performance-based stock compensation plan that uses a scheme called a trust for stock compensation for officers with the objective of further clarifying the link between officers' compensation and business performance and corporate value and heightening the awareness of the officers who are supposed to contribute to sustainable growth of the Dentsu Group and the enhancement of the corporate value over the medium to long term.

The Company has adopted "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (PITF No. 30; revised on March 26, 2015)" for accounting treatment associated with this trust, and the shares in the Company remaining in the trust are included in treasury shares at the book value at the trust (excluding the amount of incidental expenses).

The book value and the number of these treasury shares are 654 million yen and 150,000 shares, respectively, at the end of the fiscal year ended December 31, 2019.