Dentsu Annual Report 2014

dentsu

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

Contents

Today's Dentsu at a Glance

About the Dentsu Group

No. 1[1] sales in Japan
and **+80%** larger than the No. 2 player

[1] Sources: *Current Situation of Japanese Advertising Agencies, Advertising and Economy* (Advertising and Economy Research Institute) and *Advertising Expenditures in Japan* (Dentsu)

No. 1 brand agency globally[2]
No. 5 ad agency group[2]
4th largest media agency group[3]

[2] Source: *Advertising Age*, April 28, 2014 edition
[3] Source: *RECMA Overall Activity Billings 2013*

11,000+ clients globally, served by about **40,000** professionals who continue to hone intelligence and creativity

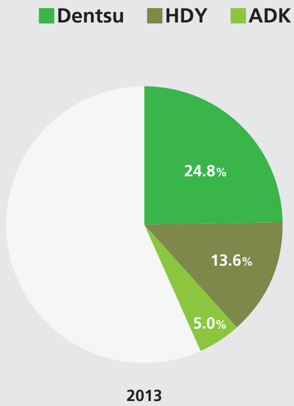
Gross profit
overseas ratio
48%

Gross profit
digital domain ratio
28%

(Digital domain ratio of Dentsu Aegis Network accounts for 41%)

About the Dentsu Group

Dentsu's Share of the Japanese Advertising Market

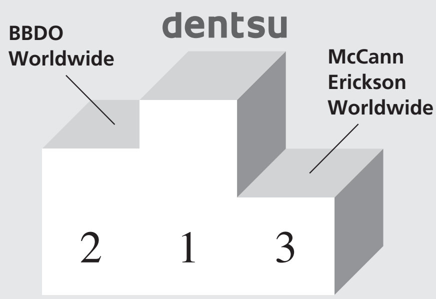


Notes: (1) HDY is the total of non-consolidated net sales by Hakuhodo, Daiko Advertising and Yomiuri Advertising in calendar 2013.
(2) Percentages roughly reflect the ratio of net sales to spending shown in *Advertising Expenditures in Japan*.

Sources: *Current Situation of Japanese Advertising Agencies, Advertising and Economy* (Advertising and Economy Research Institute) and *Advertising Expenditures in Japan* (Dentsu)

No. 1 Brand Agency Globally

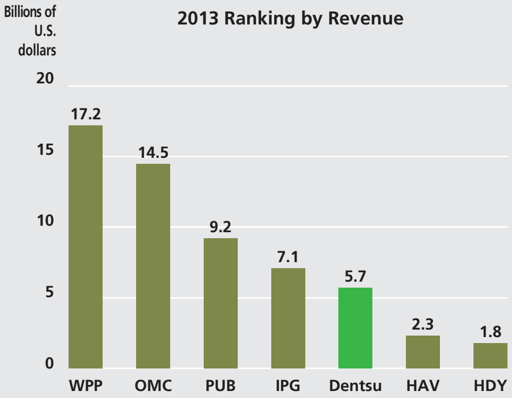
2013 Ranking by Revenue



Source: *Advertising Age*, April 28, 2014 edition

No. 5 Ad Agency Group

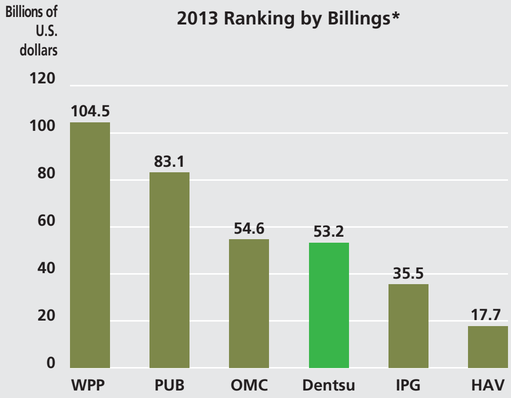
2013 Ranking by Revenue



Source: *Advertising Age*, April 28, 2014 edition

4th Largest Media Agency Group

2013 Ranking by Billings*



* Media billings of WPP, Publicis, Omnicom, Interpublic Group and Havas are based on overall activity billings in *RECMA Overall Activity Rankings 2013*.
The Dentsu Group's media billings are a simple sum of Dentsu Aegis Network's media billings and Dentsu's non-consolidated media billings. Dentsu Aegis Network's media billings are based on overall activity billings in *RECMA Overall Activity Rankings 2013*.
Dentsu's U.S. dollar-denominated non-consolidated media billings are converted from yen to U.S. dollars using the average exchange rate for 2013 (calendar year).

Brands

Global Network Brands

Carat
U.K.-based Carat is the world's largest media communications company, with a presence in 110 countries. The company creates better business value for clients by maximizing media value.

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

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

iProspect
U.K.-based iProspect is a digital performance marketing agency with a presence in more than 40 countries. The company supports clients in maximizing online marketing ROI.

Isobar
U.K.-based Isobar is a digital agency with a presence in more than 30 countries. The company established the world's largest global digital network by bringing together digital technologies from all over the world. Clients enjoy full support through Isobar's outstanding digital marketing capabilities.

Global Network Brands

mcgarrybowen

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

Posterscope

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

Vizeum

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

Specialist/Multimarket Brands

360i

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

Specialist/Multimarket Brands

Amnet
With a presence in 24 countries, Amnet—the Aegis trading desk—organically links all kinds of data to ensure more timely, perfectly targeted online advertising.

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

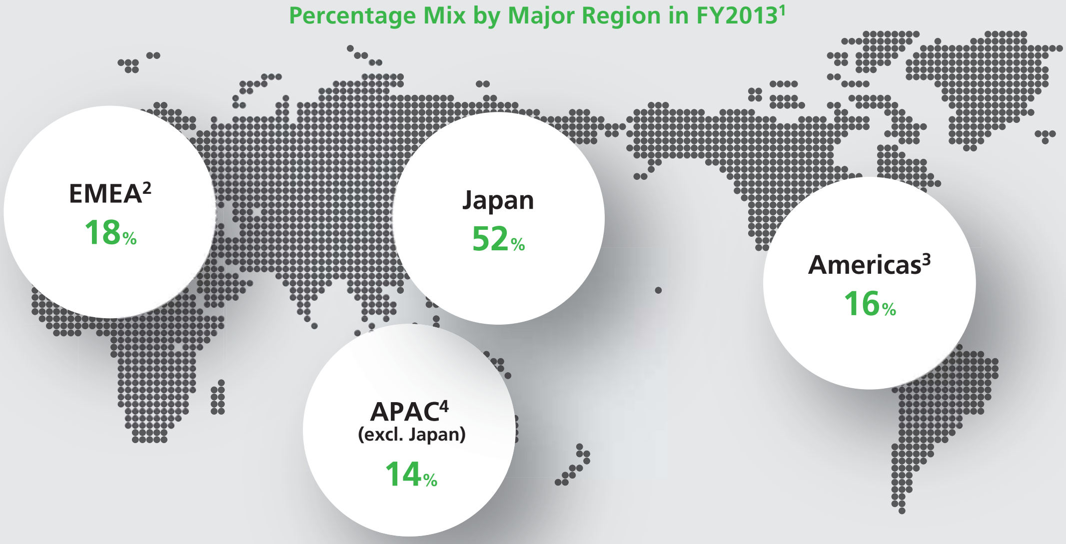
Data2Decisions
This consulting company draws on all types of marketing data and analyzes what has worked and what has not to maximize clients' ROI.

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

psLIVE
psLIVE is a communications agency with strengths in services that create engaging experiences for consumers by organically connecting the digital world to events in the physical world. The company seeks to redefine and invigorate brands.

Percentage Mix by Major Region

Percentage Mix by Major Region in FY2013[1]



[1] Based on gross profit
[2] Europe, Africa and Middle East
[3] North, Central and South America
[4] Asia Pacific

Overview of Medium-term Management Plan

Key Performance Indicators	FY2017 Targets	FY2013 Results
Gross profit organic growth rate[1]	3%–5% (CAGR[2] FY2012–FY2017)	7.7%
Gross profit overseas ratio	55% or higher	48%
Gross profit digital domain[3] ratio	35% or higher	28%
Operating margin before amortization of goodwill[4]	20% or higher	19.2%

[1] Organic growth rate: Internal growth rate factoring out acquisitions and the effect of exchange rates
[2] Compound average growth rate

[3] Digital domain includes Internet-related marketing services and entrusted development and sales of information technology systems

[4] Calculated by dividing adjusted operating income by gross profit
Adjusted operating income is operating income before amortization of goodwill and M&A related intangible assets

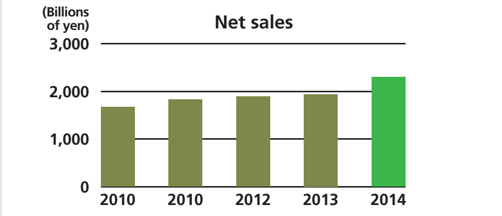
Operating Highlights (Consolidated)

FY2013 (Fiscal Year Ended March 31, 2014) Results

(Years ended March 31)

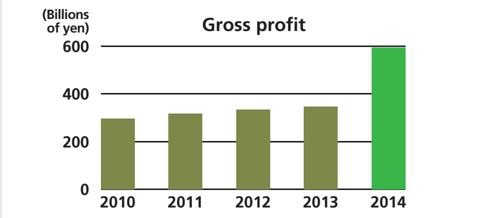
Net sales

¥2,309.3 billion



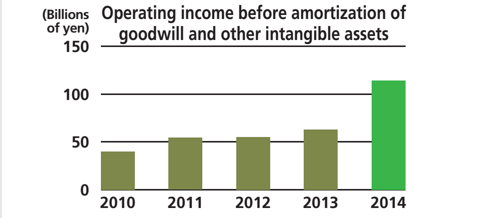
Gross profit

¥594.0 billion



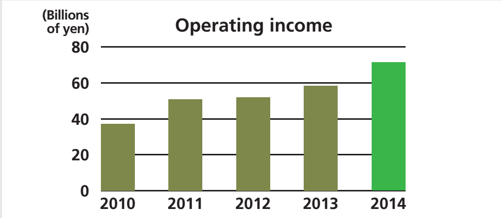
Operating income before amortization of goodwill and other intangible assets

¥114.1 billion



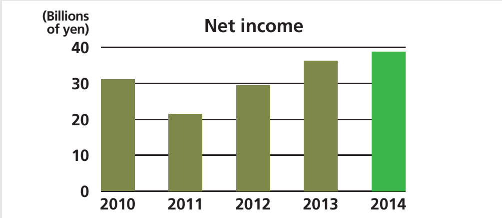
Operating income

¥71.4 billion



Net income

¥38.8 billion



To Our Shareholders

Tadashi Ishii
Representative Director
President & CEO

Looking Back on Fiscal 2013

Firstly, I would like to take this opportunity to express, on behalf of the Dentsu Group, my sincere appreciation to you for your invaluable support and understanding of our efforts.

The economic tone in Japan during the fiscal year ended March 31, 2014 (hereinafter "fiscal 2013" or "the fiscal year under review") was one of gradual recovery, supported by an improved performance in the corporate sector—especially among exporters—and renewed capital investment, against a backdrop of monetary easing and the government's economic policy. In this environment, the calendar year-based *Advertising Expenditures in Japan* for 2013, as compiled by Dentsu, revealed an increase in spending for the second straight year, up 1.4% over 2012, to 5,976.2 billion yen. The spending trend was particularly noticeable in the second half of fiscal 2013, buoyed by the effect of economic recovery as well as a rush of buying activity ahead of the April 2014 increase in the consumption tax.

Overseas, however, even positive developments could not dispel a lingering sense of uncertainty regarding the global economy. The U.S. economy stayed on its gradual recovery course, and the economic downturn in Europe showed signs of finally bottoming out. These bright spots, however, were dimmed by a slight concern over slowdowns in emerging economies, particularly China, where growth has remained consistently strong in recent years. But the growth rate for worldwide advertising expenditures, as compiled by Carat, a subsidiary of the Dentsu Group, in September 2014 for the 2013 calendar year showed an increase of 3.6% over the previous year. By region, Latin America grew 9.7% (an all-time high); Asia Pacific, 5.1%; Central and Eastern Europe, 5.0%; and North America, 4.2%. Western Europe, however, was still seen to be in decline, at 1.4%.

In anticipation of growth in worldwide advertising expenditures, Dentsu acquired the U.K.-listed, global media and digital communications agency, Aegis Group plc, marking a new step by the Group toward becoming a truly global player. Post-acquisition integration is nearly complete and has already enabled us to capture several new client accounts.

In Japan, with clients needing us more than ever, our emphasis was on resourceful use of digital technology and Big Data as well as efforts to provide integrated solutions. These responses to market needs combined with a rush in demand ahead of the consumption tax increase to push business results beyond the original performance forecast for the fiscal year under review. Of note, on a non-consolidated basis, net income reached all-time highs.

Consolidated billings (net sales) for fiscal 2013 climbed 19.0% year on year, to 2,309,359 million yen; gross profit jumped 71.1%, to 594,072 million yen; operating income before amortization of goodwill and other intangible assets soared 81.7%, to 114,186 million yen; operating income rose 22.3%, to 71,490 million yen; and net income increased 6.8%, to 38,800 million yen.

Progress on Current Medium-term Management Plan "Dentsu 2017 and Beyond"

In a business environment where globalization and marketing convergence[1] continue to remain key industry growth drivers, the Dentsu Group aims to develop as a truly global agency network that contributes to the business success of its clients on a global basis and, ultimately, maximizes their corporate value through approaches that transcend the boundaries of the typical advertising business available historically.

The acquisition of Aegis, completed in March 2013, marked a new stage in the Group's journey toward its stated destination—to become a truly global agency network—and "Dentsu 2017 and Beyond" provides the roadmap there. This medium-term management plan, launched in fiscal 2013, highlights four strategic themes—1) Diversifying the portfolio on a global basis, 2) Evolution and expansion of the digital domain, 3) Re-engineering business processes and improving profitability, and 4) Further reinforcing the business platform in the core Japanese market. These strategies are being implemented to match the business environment that prevails in each geographic region. I believe that "Dentsu 2017 and Beyond" is off to a terrific start, substantiated by solid progress toward our stated targets. As the numbers below demonstrate, fiscal 2013—the first year of the five-year plan—delivered year-on-year improvement on a consolidated basis.

Our organic growth rate in fiscal 2013 exceeded the range projected for the period under "Dentsu 2017 and Beyond," largely due to the significant contribution from operations in Japan, where we continued to outperform the market. The growth rate for overseas operations also improved favorably, helped by exchange rates. And the digital domain comprised a larger percentage of overall growth, while the operating margin steadily improved. These achievements indicate to me that the first year of our medium-term management plan got off to a great start.

Fiscal 2013 was also the last year of the previous medium-term management plan, which was launched in 2009. Even if the impact from the Aegis acquisition is disregarded, we were close to reaching the numbers—consolidated operating income of 70 billion yen, operating margin of 20% or higher, and ROE of 8%—set under "Dentsu Innovation 2013." We will maintain our strong management effort, as we go forward toward the new medium-term management plan, with the same energy that enabled us to achieve the targets under the previous medium-term plan.

KPIs for new medium-term management plan

	FY2012 (Actual)	FY2013 (Actual)	FY2017 Target
Gross profit organic growth rate[2]	—	7.7%	3%–5% (CAGR[4])
Gross profit overseas business ratio	43%	48%	55% or higher
Gross profit digital domain ratio	24%	28%	35% or higher
Operating margin before amortization of goodwill[3]	17%	19.2%	20% or higher

Note: The consolidated fiscal year of the Dentsu Group commences on April 1 and ends in March of the following year. For example, fiscal 2013 commenced on April 1, 2013 and ended on March 31, 2014.

[1] New marketing paradigm reflecting spread of digital media and social media in recent years as well as changing consumer behavior patterns and progress in all kinds of technologies

[2] Organic growth rate represents the constant currency year-on-year growth after adjusting for the effect of business acquired or disposed of since the beginning of the previus year

[3] Operating income before amortization of goodwill and other intangible assets ÷ gross profit × 100
Operating income before amortization of goodwill and other intangible assets: Operating income + amortization of goodwill + amortization of other intangible assets (excl. depreciation of software)

[4] Compound average growth rate

Four Strategic Themes of "Dentsu 2017 and Beyond"

Fiscal 2014 is already the second year of the current medium-term management plan, and I would like to update you on the implementation status of the strategies that lie behind the numerical targets set under the five-year plan as well as our direction going forward in the context of the four strategic themes.

1. Diversifying the portfolio on a global basis

First off, diversifying the portfolio on a global basis is an issue of paramount importance. In March 2013, the former Aegis Group and the former Dentsu Network were integrated into Dentsu Aegis Network, established to manage our international operations outside of Japan. This new structure will sustain the growth momentum built by the two networks, while leveraging greater synergy from each.

The capture of new accounts and Dentsu Aegis Network's commendable growth rate since the acquisition of Aegis, which greatly exceeds that of its competitors, illustrate a smooth integration process. The high organic gross profit growth of Dentsu Aegis Network is also due to the unique "One P&L" operating model, which is highly valued by our clients and is clearly functioning as intended. In addition, in March 2014, Carat—a core agency brand under the Dentsu Aegis Network umbrella—was ranked as the No. 1 Global Media Network by RECMA, a leading research company evaluating the media agency industry. Supported by the unique "One P&L" operating model and approach, Dentsu Aegis Network will continue to be able to deliver a high performance level in fiscal 2014 onward.

Gross profit

Overseas business ratio

FY2012 (Actual) **43**%

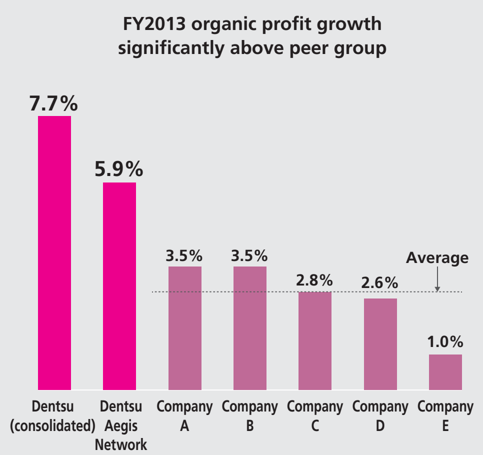
▼

FY2013 (Actual) **48**%

▼

FY2017 **55**% or higher

Diversifying the portfolio on a global basis



2. Evolution and expansion of the digital domain

Advances in digital technology in various domains are bringing about huge changes in the way clients of the Dentsu Group execute business processes. Aggressive and seamless use of digital technology, which seemingly evolves on a daily basis, is a crucial factor in business success. Given these conditions, it is our goal to provide leading-edge solutions that support our clients' business success more directly. The digital domain is therefore a growth driver for the Group.

360i, Isobar and iProspect—all under the Dentsu Aegis Network umbrella—have established high profiles, their status further secured by awards from industry media. These brands, boasting top-class competitiveness on a global level, are drivers of growth in the Group's digital domain. Of course, the digital business will remain a priority pursuit in Japan, as well, with solid prospects fueled by double-digit growth in digital business gross profit in fiscal 2013.

Acquisitions in the digital domain represent a powerful tool for reinforcing capabilities, and we will continue to resourcefully utilize such business-building opportunities. At the same time, we will execute whatever investment in digital is deemed necessary, promote knowledge-sharing within the Group, and integrate R&D functions, as such pursuits will enrich the content of digital services on a global basis.

Gross profit

Digital domain ratio

FY2012 (Actual) **24**%

▼

FY2013 (Actual) **28**%

▼

FY2017 **35**% or higher

3. Re-engineering business processes and improving profitability

To facilitate proactive investment and business development on a global basis and thereby ensure sustainable growth, we need a revenue base that generates stable cash flow. Efforts to improve profitability in core businesses are vital and represent an issue that requires ongoing attention. Therefore, we are tackling cost control, streamlining the functions of Group companies, including Dentsu Inc., in each service domain and implementing the necessary realignment, and also promoting restructuring of the value chain to maximize profits. In addition, we are reviewing assets in possession from a profitability perspective, with a view to boosting asset efficiency.

In fiscal 2013, business in Japan showed a huge improvement in profitability. Going forward, we aim to raise profitability still higher through sustained cost control in addition to continued efforts to reduce costs on a consolidated basis and elevate operating efficiency along with a concerted effort to expand highly profitable fee businesses. Meanwhile, Dentsu Aegis Network will be working on its functional management platforms, systems and processes, with a focus on IT, finance and human resources, to prepare for the future. This should support a higher operating margin at Dentsu Aegis Network.

Operating margin before amortization of goodwill

FY2012 (Actual) **17**%

▼

FY2013 (Actual) **19.2**%

▼

FY2017 **20**% or higher

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

With the acquisition of Aegis, the Dentsu Group has become a truly global agency network. But our core competence has not changed: Our solid business base in Japan remains our greatest strength. We will achieve sustainable growth by honing a sharper competitive edge in this market, improving profitability and reinforcing the business platform still further.

Currently, the size of the advertising market in Japan has slipped to 90% of its 2007 peak, but the Group's Japan business over the past few years has consistently and quite soundly outperformed the market. Fiscal 2013 was no different, with gross profit reaching an all-time high.

Together with media companies, our Group has stepped up efforts to restructure media values. These efforts have resulted in the solid underlying strength of the mass media business, which fortunately, is contrary to what we had expected several years ago. On the other hand, the non-mass media domain, including digital and promotion, has improved its ability to respond to clients' issues by developing and improving technologies and methods. This domain has grown into a crucial revenue base. We will continue to evolve toward the profit structure of an integrated solution model, where the two wheels of mass and non-mass domains rotate to generate revenue.

Gross profit
Organic growth rate

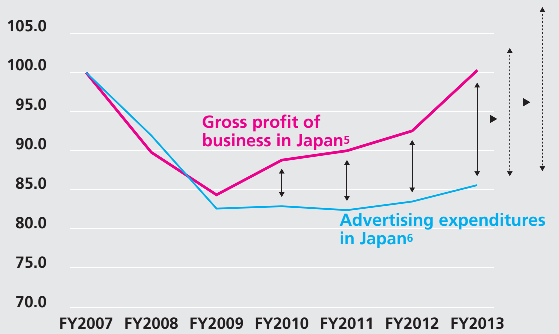
FY2013 consolidated **7.7%**
(Japan business) **(9.2%)**

▼

FY2012–FY2017 consolidated **3%–5%**

Further reinforcing the business platform in the core Japanese market

The Dentsu Group's business in Japan vs. Advertising expenditures in Japan
(Changes from FY2007 = 100)



[5] Dentsu's non-consolidated gross profit plus gross profit of subsidiaries in Japan
[6] Source: *Advertising Expenditures in Japan*, modified on a fiscal year basis (Dentsu)

Performance Forecast for Fiscal 2014

As announced in May 2014, the consolidated performance outlook for fiscal 2014, ending March 31, 2015, calls for billings (net sales) of 2,371.2 billion yen, up 2.7% year on year; gross profit of 623.0 billion yen, up 4.9%; operating income before amortization of goodwill and other intangible assets of 115.5 billion yen, up 1.2%; and operating income of 72.5 billion yen, up 1.4%. Net income is expected to settle at 31.1 billion yen, down 19.8%.

Market Outlook

The global ad market is expected to grow 5.0% year on year, to 554.2 billion dollars in 2014 (January to December). Many regions are seeing an upward trend in advertising activity, buoyed by several major events, including the Sochi 2014 Olympic and Paralympic Games; the 2014 FIFA World Cup™ in Brazil; and midterm elections in the United States. The spotlight, however, is on Latin America, where tremendous growth is projected, as well as the Asia Pacific, where demand continues to steadily expand. Even in Western Europe, the forecast is brighter, with a prediction of 2.7% growth. Sluggish conditions had persisted in that region in 2012 and 2013—only the United Kingdom showed positive growth—and while challenges linger in some parts of Europe, the overall perspective points to recovery. Stable growth is also seen for the U.S. market. In Japan, concerns remain over the short-term impact that the higher consumption tax will have on spending. But the prediction for year-on-year ad market growth is 2.0% in 2014 and 2015, supported by an economy in recovery mode and Tokyo's selection as host city for the 2020 Olympic and Paralympic Games. This would mark the fourth consecutive year of year-on-year growth.

Let me touch on strategies for each region.

In the United States, the world's largest ad market, there is still sufficient room for the Dentsu Group to capture a larger market share. But business expansion is directly linked to the size of the client base, particularly the U.S. blue-chip global advertisers, so we will focus on building market share through developing stronger alliances between our existing networks to reach more companies.

Asia and emerging nations will continue to present high growth opportunities, and we are ready to capitalize on evolving demand. However, some countries and regions require us to enhance our business platform, and to achieve this, we will pursue an aggressive M&A policy to secure business scale and leading positions in these markets.

In the mature markets of Japan and Western Europe, the Group has already established a solid business platform. Therefore, our objective will be to sustain and reinforce the existing business platform, and toward this end we will strive to raise profitability while creating and securing new growth opportunities that transcend conventional advertising business.

Our aim, as a management team, is to achieve results that exceed market growth, wherever in the world that market is. We will continue to provide our clients with the best services, becoming a key partner in their on-going success and development.

Last but certainly not least, let me address what will be a key factor in the success of "Dentsu 2017 and Beyond"—the Tokyo 2020 Olympic and Paralympic Games. As announced in April 2014, the Tokyo Organising Committee of the Olympic and Paralympic Games named Dentsu as its marketing agency. We acknowledge that this appointment comes with considerable obligation and responsibility, and we will do our utmost as marketing agency to ensure the success of these major events. The Tokyo 2020 Olympic and Paralympic Games carry great significance. Naturally, they make the year 2020 special. But they also provide an opportunity to create a new future for Japan beyond 2020. We want to be an integral part of this process, and guided by the corporate philosophy "Good Innovation.," we will draw on the composite strengths of the Group to contribute to growth and innovation throughout Japan.

As a global network promoting the "Good Innovation." ideal, we will continue to bring creativity and change to society, and we will strive to boost our value as a group that clients consistently view as the best partner for their needs regardless of where in the world they are. These efforts will underpin growth into the future.

On behalf of the Dentsu Group, I am very grateful for the continued support and guidance of shareholders.

September 2014

T. Ishii

Tadashi Ishii
Representative Director
President & CEO

Dentsu Group Strengths

One P&L

The Dentsu Group has a unique operating model designed for marketing convergence and globalization, the major driving forces of the advertising world. This operating model is enabled by a one-P&L-per-country structure, unique in the industry, which empowers our local teams to offer specialist and integrated services to clients at a local level, supported by a regional and global infrastructure. A key element of this infrastructure is our eight global network and six specialist/multimarket agency brands, which deliver our integrated and specialist approach, supported by local agency brands in certain countries. Underlying this structure is a comprehensive organizational blueprint, which delivers opportunities to enhance efficiency. Our operating model drives a culture of collaboration and delivery among our people, supported by a consistent vision and set of values, which ensures they deliver their best work for our clients. So, in the context of marketing convergence and globalization, our unique operating model truly differentiates Dentsu from the other global agency groups.

Capabilities Creative

The Dentsu Group delivers optimum solutions, including television commercials, in various domains, such as advertising, entertainment content, public relations and product design, by masterfully aligning ideas, media and people unrestricted by conventional formats and digital/traditional borders.

The Group's high creative capability is substantiated in the number of globally authoritative advertising awards.

In addition to the international advertising awards noted below, the Group was singled out for recognition at the 2014 Asia Pacific Advertising Festival, capturing "Network of the Year," "Advertising Agency of the Year" and "Interactive Agency of the Year"—a triple-crown achievement—while at the 2014 D&AD Awards, the Group shone as the "Most Awarded Digital Agency." At the Cannes Lions International Festival of Creativity, the Group accrued the third-highest number of points in the "Asia Pacific Regional Network of the Year" category, and on its own, Dentsu was named runner-up in the "Agency of the Year" category.

Key International Ad Award Wins

	Grand Prix	Gold	Silver	Bronze
March 2014 **Asia Pacific Advertising Festival (ADFEST)**[1]	×5	×6	×16	×19
May 2014 **The One Show**[2]		×4	×5	×6
May 2014 **D&AD Awards**[3]	×1	×3		
June 2014 **Cannes Lions International Festival of Creativity**[4]	×1	×11	×9	×12
June 2014 **Cannes Lions Health Festival**[5]	×1	×2		

[1] The largest ad festival in the Asia Pacific region, ADFEST was established in 1998 with the support of the Asian Federation of Advertising Associations (AFAA). It is one of the most prestigious advertising festivals in the world.

[2] The One Show is an esteemed advertising award sponsored by The One Club, a U.S. non-profit organization formed to discover and foster talent in young creators.

[3] D&AD, a non-profit organization headquartered in the United Kingdom, was founded in 1962 under the name British Design & Art Direction. The annual D&AD Awards are recognized worldwide as the most difficult to earn in the field of design and advertising due to a particularly rigorous screening process.

[4] The Cannes Lions International Festival of Creativity got its start as a cinema screen advertising contest within the Cannes International Film Festival but became a separate event in 1954. It has gained particularly high recognition among numerous international advertising awards for its scale, the composition of its judging panel, and the high level of the award-winning works.

[5] In 2014 at the inaugural Cannes Lions Health Festival, a new show preceding the main Cannes Lions International Festival of Creativity, "Mother Book," one of the pieces of work that Dentsu produced, won the first-ever Health and Wellness Grand Prix.

Capabilities Creative

Column: Dentsu Creativity

Yuya Furukawa
Head of Communication Design Center,
Executive Creative Director,
Dentsu Inc.

The advertising industry, itself, stands at a historic crossroads—a point of coexisting crisis and opportunity. What you can be sure of is the only agencies likely to survive in the 21st century are those that have over the last few years discovered new domains and successfully orchestrated structural changes. I believe the key to success is creativity.

Dentsu's creative strengths are, simply, "height" and "pervasive presence." The issues that agencies must resolve are becoming increasingly sophisticated and diversified, and in this environment, the creative domain is expanding as well. The Cannes Lions International Festival of Creativity—the world's most influential advertising event—had 17 categories as of 2014. Whatever the category, from film to cyber, promotions, outdoor, design, PR, innovation, branded content and entertainment, and all the way to product design, Dentsu has the expertise to address any and all needs. Moreover, we have the high-level direction capabilities to integrate all these areas of expertise into the most ideal and most powerful solutions. If Dentsu, as an agency for tomorrow, prioritizes the use and integration of all these diverse components, we will gain a huge advantage.

In 2014, Dentsu was named runner-up in the Agency of the Year category at the Cannes Lions International Festival of Creativity. That is the best any Japanese ad agency has ever done. "Sound of Honda / Ayrton Senna 1989," which captured the coveted Titanium Grand Prix, took Senna's driving data and converted it into something emotional through the power of creativity. Dentsu complemented this coup with honors in a wide range of categories, including the first ever Health and Wellness Grand Prix for "Mother Book." This recognition serves to validate the pervasive presence Dentsu has built across multiple domains and the height to which its innovation and creativity reach.

Of the 26 people who have received a "Creator of the Year" award from the Japan Advertising Agencies Association, which recognizes outstanding performances by creatives in Japan, 24 were Dentsu professionals. Looking at other results, such as recognition from the All Japan Radio & Television Commercial Confederation (ACC) for television and radio advertising, Dentsu demonstrates overwhelming strength in domestic mass media domains, including television.

The role that agencies have to fulfill going forward is evolving beyond simple solutions to client issues through advertising. Agencies need to be able to pinpoint all the issues that clients face in their operations at home and abroad and address them through approaches that utilize advertising as well as those that do not. The world faces a mountain of issues, so diverse in scope and bigger than anything ever seen before. Japan, in particular, is said to be showing the impact of social issues ahead of other advanced countries. I see this as an opportunity. If we can harness the power of ideas and use it to create

Capabilities Creative

solutions to prevailing issues, we will be able to bring some happiness to people around the world.

Dentsu will strive to establish itself as the world's foremost solution company. Our job is to make the world a better place through the power of creativity.

Yuya Furukawa
Head of Communication Design Center,
Executive Creative Director,
Dentsu Inc.

1980	Joined Dentsu Inc., assigned to Creative Division
1987	Won first-ever Cannes Gold Lion
1998	Won Dentsu Award for TV Advertising
2003	Won Grand prix at ADFEST
2005	Won the Japan Advertising Agencies Association's Creative Person of the Year Award Served as Film category jury member at the Cannes Lions International Festival of Creativity
2011	Won Grand Prix at the ACC Commercial FESTIVAL
2013	Appointed Head of Communication Design Center and Executive Creative Director of Dentsu Inc. Served as Titanium and Integrated category jury member at the Cannes Lions International Festival of Creativity
2014	Served as Film category jury member at the Cannes Lions International Festival of Creativity

Today, as a foremost expert of integrated direction who solves issues using various methods, he leads advertising and other various kinds of projects and also is responsible for enhancing the level of the solution fields overall.

Capabilities Digital

In the era of marketing convergence[1], with digital technologies changing the way in which advertisers need to market their products to consumers, our clients are looking to agencies to help them innovate across multiple channels and platforms. With this in mind, the Dentsu Group has scale and depth in digital and we will continue to build our digital capabilities and increase our focus on innovation through making bolt-on acquisitions in the future. This will ensure our clients are able to continue to be innovative, in areas like programmatic buying, which is becoming part of every digital channel—across display, video, mobile and social. Across our digital agencies, both Isobar and 360i won a number of "Digital Agency of the Year" awards in 2013, across various regions, and iProspect achieved several "Performance Agency of the Year" awards, highlighting the quality of work our digital agencies deliver for clients.

[1] New marketing paradigm reflecting spread of digital media and social media in recent years as well as changing consumer behavior patterns and progress in all kinds of technologies

Achievements of Key Dentsu Digital Brands

"Digital Network of the Year" for two consecutive years (2011–2012)[2]

isobar

Third largest U.S. search-marketing agency (2013)[3]

360i

Fourth largest U.S. search-marketing agency (2013)[3]

iProspect

[2] Source: *Campaign Asia-Pacific*
[3] Source: *Advertising Age*, April 28, 2014 edition

Column: Delivering Ideas Without Limits

Jean Lin
Global CEO, Isobar

Our vision at Isobar is to deliver "Ideas Without Limits" for our clients, by blending the creative thinking of our people with the expertise we have developed in building technology. We are a global full-service digital marketing agency known for creatively tackling the largest, most complex problems in the digital space across multiple channels.

Our performance in 2013 provided our network with a strong foundation from which to build Isobar's "Ideas Without Limits" vision. Last year, we won over 280 client assignments, over 170 awards, including 18 "Agency of the Year" awards, and we were selected as *Campaign*'s "Most Awarded Digital Agency Network" in the Asia Pacific region in 2013 and 2012.

"Borderless Thinking" requires global coverage and continuous innovation

By ensuring we are focused on delivering "Ideas Without Limits" for our clients, we aim to create a truly global full-service brand commerce agency, supporting our clients to become more effective in commerce-building brands by putting the last mile first.

This ambition is based on borderless thinking, requiring global coverage, capabilities and presence. To this end, Isobar now has over 3,000 people in 40 countries around the world, with over half of our people based in BRIC economies—closely matching our clients' development and investment agendas.

Our ambition is also built on a relentless focus on innovation, ensuring Isobar can deliver borderless thinking, built on evolving technology, and can design scalable business solutions that are personal, adaptive and valuable.

Depth in digital capabilities is our key differentiator

To achieve our ambition, we are building a consistent global network, where our Isobar agencies in all major markets have strength in depth to deliver the following services to our clients:

- Strategies: We devise digital strategies that transform business processes and reinvent industries
- Campaigns: We create, distribute, measure and optimize digitally centered programs and campaigns
- Experiences: We design user-centric experiences that tell brand stories throughout the customer journey on multiple screens
- Platforms: We build highly scalable and flexible technology solutions that are business critical
- Products: We invent new revenue streams for clients by designing digitally enabled products and services

We believe that it is this depth in digital capabilities that will truly differentiate the Isobar offering from our competitors, enabling us to support our clients innovatively in engaging with consumers and managing transactions in an increasingly complex marketing environment. Therefore, while "digital" as a proposition will still enable business transformation, it will no longer be a key differentiator for agencies—"depth in digital" will be the key driver for Isobar for the years ahead.

Jean Lin
Global CEO, Isobar

1999	Founder and CEO of wwwins Consulting
2004	Appointed Regional Director of Isobar, following acquisition of wwwins Consulting by Aegis Group plc
2009	Appointed Global Chief Strategy Officer of Isobar
2010	Appointed CEO, Asia Pacific of Isobar
2014	Appointed Global CEO of Isobar

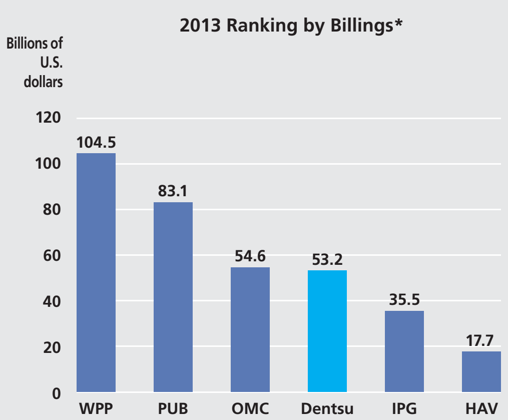
Ms. Lin, a driving force in Isobar's development and expansion, began her career at Ogilvy & Mather in Taiwan.

Capabilities Media

The Dentsu Group is now a leading global player in the media business and will continue to build its position as a global media agency, while continuing to drive its market-leading position in Japan.

The Group's media agency networks include Dentsu in Japan, and Carat, Vizeum and Dentsu Media, overseas, each with competitive products and services for clients. Of note, Carat is the largest media brand within the Dentsu Group and was ranked the No. 1 Global Media Network in terms of billings growth (19.3%) in 2013 in 62 countries, compared with all other agencies, according to RECMA research for 2013, published in June 2014. Our unique eco-system planning framework, embedded in our media agencies, helps our clients navigate across an increasingly complex media environment, where an interconnection of media touch-points is as important as a single channel's effect in driving our clients' business. So through our eco-system planning framework, we measure consumer actions across the eco-system, evaluate synergies and opportunities and, based on this analysis, advise our clients on how to maximize their media investments. This planning framework is underpinned by our unique insight tool, CCS (Consumer Connection System), which allows our clients to develop their marketing strategies around consumer behavior.

4th Largest Media Agency Group



* Media billings of WPP, Publicis, Omnicom, Interpublic Group and Havas are based on overall activity billings in *RECMA Overall Activity Rankings 2013*.
The Dentsu Group's media billings are a simple sum of Dentsu Aegis Network's media billings and Dentsu's non-consolidated media billings.
Dentsu Aegis Network's media billings are based on overall activity billings in *RECMA Overall Activity Rankings 2013*.
Dentsu's U.S. dollar-denominated non-consolidated media billings are converted from yen to U.S. dollars using the average exchange rate for 2013 (calendar year).

Capabilities Media

Column: Redefining the Role of a Media Agency, Globally and Locally

Matthew Hook
Managing Director, Carat UK

Our global vision

Carat's global vision is "Redefining Media" through transformative work that creates tangible business value for our clients. This vision inspires us to become more than just a traditional media planning and buying agency—by "Redefining Media" for our clients, we are able to position ourselves as their essential business partners.

Supporting our clients in a complex environment

Our clients operate in the context of globalization and marketing convergence. As a result of the emergence of these trends, our clients need a comprehensive understanding of the drivers of consumer behavior in different countries and regions, to help them judge where future growth will come from, and ultimately where their priorities should be, in terms of investment and resource.

As our clients' business partner, Carat has a unique perspective on all communication channels and platforms across the marketing eco-system. This is based on our cutting-edge insight into consumer behavior and is supported by our unique operating model "One P&L," which enables us to provide our clients with specialist guidance in areas like social media and search optimization.

Consequently, by "Redefining Media" for our clients, we can advise them on their marketing budgets across a broad and complex marketing eco-system.

Localizing our global vision

To bring our global vision to life in Carat UK, we have focused on three key pillars:

1. People: We have created a culture to attract, retain and develop the best talent in the marketplace, as illustrated by our nomination as "One of the 100 Best Companies to Work for" by the *Sunday Times*, a well-known U.K. newspaper publication. This enables us to fulfill the most valuable role that an agency plays in the modern media landscape—delivering genuinely holistic thinking, with a positive and collaborative outlook that encourages clients to explore the emerging landscape with confidence. In the context of globalization, the rich talent of the U.K. market increasingly plays a prominent strategic role for Carat's global clients.

2. Value: We have a market-leading product which is genuinely delivering business value for our clients. Our product is supported by innovative insight and planning tools, many of which have been cascaded across Carat's global network. In 2013, Carat UK won 54 awards for our work, a signal of the quality of our product, and ultimately the value we deliver for our clients.

3. Growth: Carat UK has cemented its place as the No. 2 in the market in terms of pure scale, and we have a clear plan to become No. 1 over the next

Capabilities Media

three years. However, the key to growth in the modern landscape is diversification—by continuing to innovate and differentiate our product, utilizing the specialization of the other Dentsu Aegis Network agencies, we continue to drive both our reputation and our business success.

Matthew Hook
Managing Director, Carat UK

2002 Joined Vizeum UK
2010 Appointed Partner of Jumptank US
2012 Appointed Chief Strategy Officer of Carat UK
2014 Appointed Managing Director of Carat UK

Mr. Hook is responsible for running Carat UK, focusing on its people and culture, delivery for clients and the growth and diversification of the business.

Capabilities Sports

Dentsu has built long-term relationships with sports organizations in Japan and globally, and is involved in a wide variety of sports events, from world-headlining events, like the Olympic Games and FIFA World Cup™, to national events, like the Tokyo Marathon.

We maintain close ties with international sports governing bodies, including the International Olympic Committee (IOC), Fédération Internationale de Football Association (FIFA), International Association of Athletics Federations (IAAF), Fédération Internationale de Natation (FINA) and Major League Baseball (MLB). These relationships have given us access to an assortment of rights, such as broadcasting rights and marketing rights, for exclusive sale to our clients. We have already accumulated more than 10 years' experience as the exclusive global rights agent for the IAAF and FINA to provide support and services to sponsors. Furthermore, in recent years, our sports business has continued to expand on a global level, mainly through our successful efforts to secure broadcasting rights from the IOC to sell to our clients in some parts of Asia and Central Asia, and through event production for the FIFA Club World Cup in the Middle East and Africa.

In Japan, we are involved in the development and sale of sponsorship programs for many sports organizations, including the Japanese Olympic Committee, with which we have enjoyed a long relationship. Following the official decision to award the 2020 Olympic and Paralympic Games to Tokyo, we were selected by the Tokyo Organising Committee of the Olympic and Paralympic Games (Tokyo 2020) to be its exclusive marketing agent. Dentsu is already involved in marketing activities with other federations in Japan, including the Japan Football Association—the governing body responsible for Japan's national team. Through this relationship, we have access to exclusive marketing and sponsorship rights for the Japan Professional Football League, known commonly as J. League, from 2014. So, in the future, our support for football in Japan will be all-encompassing.

Dentsu continues to deepen its business relationships with sports associations and federations in Japan and globally, drawing on these relationships and their associated rights acquisition, to present clients, as well as sports organizations, with ways to communicate with their markets through unique and powerful content.

Capabilities Sports

Column: Looking Toward the Opening of the Tokyo 2020 Olympic and Paralympic Games

Kiyoshi Nakamura
Executive Officer,
Dentsu Inc.

Dentsu Inc., designated by Tokyo 2020 to be its exclusive marketing agent, has taken on a major responsibility as a partner in marketing who will over the next six years support the committee in such areas as formulating a marketing plan and conducting sponsor follow-up.

At the same time, to turn this huge sports event—this golden opportunity for Japan to build for the future—into something that makes the sports world, as a whole, and even more so society, overall, a better place, we must draw on the combined expertise of the Dentsu Group to define the legacy, the lasting benefits of the Games, which continues after 2020. We have the very capabilities necessary to create a movement of exponential dimensions fueled by the excitement of sports. A pertinent theme of the Tokyo 2020 Olympic and Paralympic Games is, of course, to spur recovery from the 2011 earthquake and tsunami, but the Games will also challenge us to tackle various issues with creativity and to strive to realize our dreams.

The Paralympics at the 2012 London Games have been called an outstanding success. For the Dentsu Group, the Paralympics are just the start of concerted efforts to contribute to the development of sports in various areas.

The Rugby World Cup is also coming up in 2019, and pre-Olympic events and many other international tournaments will likely be held in Japan leading up to 2020. The Dentsu Group has a record of managing numerous international sports events as well as the associated know-how. Bringing together the abundant experience we have accumulated thus far in areas ranging from marketing to event management, PR and more, we will support sports organizations and sponsor companies in order to ensure the success not only of the Tokyo 2020 Olympic and Paralympic Games, but the other events as well.

Kiyoshi Nakamura
Executive Officer,
Dentsu Inc.

1982 Joined Dentsu Inc., assigned to the International Advertising Division at Tokyo headquarters
1990 Transferred to Dentsu Europe
2009 Appointed Director, Sports Business Division of Dentsu Inc.
2013 Appointed Executive Officer of Dentsu Inc.

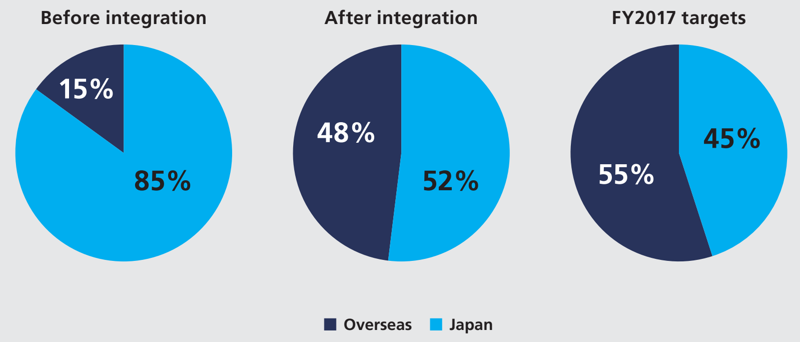
In name and deed, as the No. 1 sports agency in the world, we seek global development of the Dentsu Group, using sports content as the key to unlock dreams and excitement.

True Global Expansion Including Japan Driving Geographical Expansion

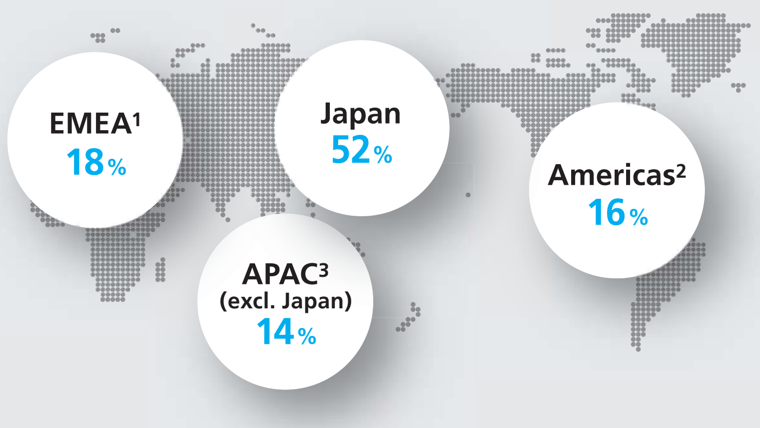
The new Dentsu Group, invigorated by the integration of Aegis Group plc has become a global communications group operating in 124 countries and territories—with more than 300 offices worldwide.

Through the acquisition and integration of Aegis and the subsequent establishment of Dentsu Aegis Network, the overseas contribution to the Dentsu Group's gross profit leaped to 48%, from 15%, and its business structure is much more regionally diverse. The largest market is still Japan, representing 52% of gross profit, and it is positioned as the business platform at the Group's core. The remaining 48% comes from outside Japan, with EMEA[1] accounting for 18%, the Americas[2] 16%, and APAC[3] (excluding Japan) 14%.

Changes in Overseas Ratio[4]



FY2013 Percentage Mix by Major Region[4]

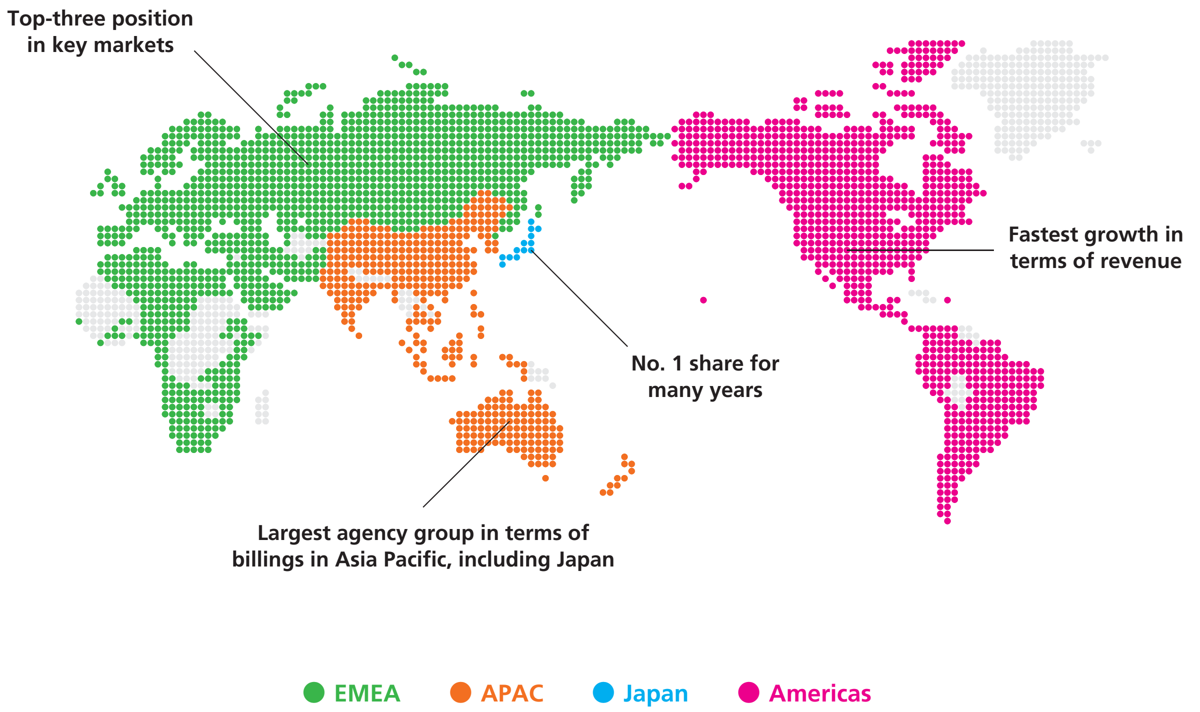


[1] Europe, Africa and Middle East [2] North, Central and South America [3] Asia Pacific [4] Based on gross profit

True Global Expansion Including Japan　Driving Geographical Expansion

New Global Network Business Base

**Global communications group with
more than 300 offices in 124 countries and territories**



Albania, Algeria, Angola, Armenia, Austria, Azerbaijan, Bahrain, Belarus, Belgium, Bosnia and Herzegovina, Botswana, Burkina Faso, Bulgaria, Cameroon, Croatia, Chad, Cyprus, Czech Republic, Denmark, Ethiopia, Egypt, Estonia, Finland, France, Gabon, Georgia, Germany, Ghana, Greece, Hungary, Iceland, Iran, Iraq, Ireland, Israel, Italy, Ivory Coast, Jordan, Kazakhstan, Kenya, Kosovo, Kuwait, Latvia, Lebanon, Lesotho, Liberia, Lithuania, Luxembourg, Libya, Macedonia, Malta, Moldova, Mongolia, Montenegro, Morocco, Mozambique, Namibia, Netherlands, Niger, Nigeria, Norway, Oman, Pakistan, Poland, Portugal, Qatar, Romania, Russia, Saudi Arabia, Senegal, Serbia, Slovakia, Slovenia, South Africa, Spain, Swaziland, Sweden, Switzerland, Tanzania, Tunisia, Turkey, United Arab Emirates, Uganda, United Kingdom, Ukraine, Uzbekistan, Zambia, Australia, Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam, Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Uruguay, United States, Venezuela

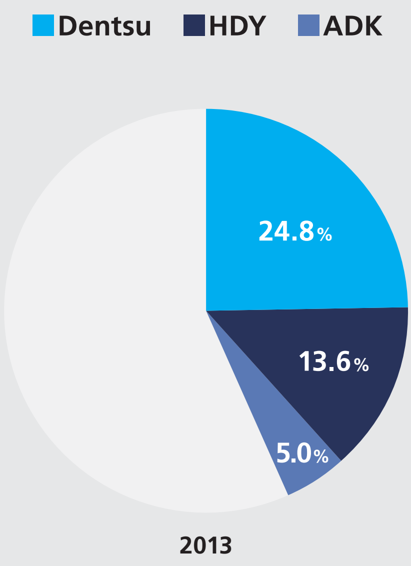
True Global Expansion Including Japan   Market Leader in Japan

The Dentsu Group is the market leader in Japan. Its non-consolidated net sales account for around one-quarter of the domestic advertising market, and Dentsu maintains the biggest share in all mass media domains.

The Group's leading position in Japan derives from its success in combining superior creative services and planning capabilities with unparalleled domestic media-buying power. In addition, strengths in innovation and adaptability have fueled steady global expansion and wider development of digital services businesses on a groupwide basis.

The Group continues to capture significant upside potential from the acquisition of Aegis, and the subsequent establishment of Dentsu Aegis Network as a fully integrated, global platform underpins the Group's ability to respond to the needs of major Japanese companies—Dentsu's principal clients—in their overseas pursuits as well as the needs of major global companies—Dentsu Aegis Network's principal clients—in the development of their businesses in Japan.

Dentsu's Share of the Japanese Advertising Market



Notes: (1) HDY is the total of non-consolidated net sales by Hakuhodo, Daiko Advertising and Yomiuri Advertising in calendar 2013.
(2) Percentages roughly reflect the ratio of net sales to spending shown in *Advertising Expenditures in Japan*.
Sources: *Current Situation of Japanese Advertising Agencies, Advertising and Economy* (Advertising and Economy Research Institute) and *Advertising Expenditures in Japan* (Dentsu)

True Global Expansion Including Japan

Column: The Outlook for Global Advertising

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

Globalization and marketing convergence remain the predominant themes in global advertising, and they continue to drive trends in advertising expenditure across geographies and media channels.

Globalization

Globalization is being driven by a number of factors, in particular the need by businesses to access consumer demand in developing economies, by businesses scaling to mitigate the cost of complexity and by increased outsourcing of resources to high skill and low cost markets. This is supported by an increasingly benign cross border trading environment.

In advertising, these forces of globalization are even stronger, as marketers of global businesses require a rapid exchange of good innovation and ideas, consistent processes delivered globally and more effective structures for accessing talent and shared knowledge. In this environment, advertisers therefore need to evaluate different markets and regions to judge where future growth will come from, which will enable them to prioritize their resources accordingly.

Marketing convergence

Marketing convergence, the coming together of a range of platforms and channels particularly in digital, has swept away geographic and technological borders. People and technology are seamlessly blending together, allowing an unlimited access to information, data and connections.

Furthermore, the emergence of scaled infrastructure media owners, particularly in the United States and China, is driving social media, mobile, video and e-commerce on a convergent basis and at speed. These media owners base their business models on driving vertically integrated revenue streams through which their products can offer life management for consumers. As a result, all consumers' communication, entertainment, friends, photos and transactions are now all on one platform, as they become increasingly comfortable engaging with brands in these channels.

Global adspend forecasts

Consequently, marketing convergence in particular will continue to be a major driving force for the global advertising industry in the future. Digital advertising spend is expected to grow at three times total advertising spend this year, driven by an increasing penetration of broadband and high speed mobile, by growing consumer trust in online transactions and by continued growth in mobile devices, particularly smartphones. As evidence of this, advertising spend in both social media and mobile is expected to grow by 50% this year.

As a consequence of these dynamics, global advertising revenue is expected to accelerate by 5.0%

True Global Expansion Including Japan

in 2014 to U.S.$554.2 billion, according to Carat's global advertising expenditure forecasts, which take into account 59 countries around the world. This is a notable increase in pace from the 3.6% growth seen in 2013.

Adspend forecasts by region

In Western Europe, Carat predicts a return to positive territory in 2014, with a predicted 2.7% growth. There is continued momentum in the U.K., with 7.5% growth predicted, while Germany and Spain are expected to recover from negative growth in 2013 to grow modestly in 2014. In Central and Eastern Europe, advertising spending is expected to grow by 3.5%, supported by strong growth in Russia of 3.9%.

Growth in the United States advertising market is forecast to increase in 2014 with an acceleration in growth of 4.9% boosted by the continued double digit growth in digital media spend. Latin America continues to show the highest growth in advertising expenditures globally, driven by 9.4% growth in Brazil.

Growth in Asia Pacific is forecast to increase by 5.4% in 2014 and the region continues to be driven by China, where growth is expected to be 7.6%. In Japan, the effect of Abenomics and the selection of Tokyo to host the 2020 Olympic and Paralympic Games should boost ad spending in this country, up an expected 2.0% in 2014 and 1.7% in 2015. Japan is likely to show a year-on-year increase for the fourth consecutive year.

Over the long term, the focus of attention is likely to be on the United States and China, the first and second largest economies in the world. China still has massive potential and is a more mature economy than 10 years ago, with long-term sustainable growth a certainty. The United States, as a low cost deregulated free market economy, remains an attractive place to do business for many businesses.

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

1989 Founder of BBJ
1999 Appointed MD of Carat International, following acquisition of BBJ by Aegis Group plc
2003 Appointed CEO of Aegis Media EMEA
2008 Appointed CEO of Aegis Media
2010 Appointed CEO of Aegis Group plc
2013 Appointed CEO of Dentsu Aegis Network and Executive Officer of Dentsu Inc., following acquisition of Aegis Group plc by Dentsu Inc.

Mr. Buhlmann has over 25 years' experience in media and advertising and worked at Young and Rubicam and WCRS in the early years of his career.

Current Status

CFO Message

Shoichi Nakamoto
Director
Senior Executive Vice President & CFO

Consolidated Results

Net sales from groupwide operations in fiscal 2013 increased 19.0% over the previous fiscal year, to 2,309.3 billion yen.

Gross profit, benefiting from the increase in net sales, significantly increased 71.7%, to 594.0 billion yen. The organic growth rate was 7.7%. Looking at gross profit by segment, the Advertising segment posted an increase of 76.6%, to 571.3 billion yen, buoyed by the inclusion of revenue from Aegis Group plc ("Aegis") in fiscal 2013 after it joined the Group in the previous fiscal year. The Information Services segment saw growth of 4.0%, to 22.8 billion yen, primarily due to favorable demand for the financial solutions of Information Services International-Dentsu, Ltd. The Other Business segment showed a 5.4% decrease, to 3.5 billion yen.

Selling, general and administrative expenses significantly increased, by 81.8%, to 522.5 billion yen, owing to the addition of Aegis to the Dentsu Group as well as an increase in amortization of goodwill and other intangible assets.

Operating income climbed 22.3%, to 71.4 billion yen, as the increase in gross profit exceeded that of selling, general and administrative expenses, and net income rose 6.8%, to 38.8 billion yen.

Consolidated Financial Highlights

Millions of yen	FY2012	FY2013	Year on year
Net sales	1,941,223	2,309,359	+19.0%
Gross profit	345,940	594,072	+71.7%
Advertising	323,596	571,315	+76.6%
Information Services	21,980	22,855	+4.0%
Other Business	3,711	3,512	-5.4%
Gross profit margin	17.8%	25.7%	+7.9ppt
Operating income	58,466	71,490	+22.3%
Net income	36,336	38,800	+6.8%
EBITDA	74,734	130,818	+75.0%
Operating income before amortization of goodwill and other intangible assets[1]	62,841	114,186	+81.7%
Operating margin[2]	18.2%	19.2%	+1.1ppt
Net income per share (before amortization of goodwill and other intangible assets)	163.4yen	295.9yen	+81.1%

[1] Operating income + amortization of goodwill + amortization of other intangible assets (excl. depreciation of software)

[2] Operating income before amortization of goodwill and other intangible assets ÷ gross profit x 100

Geographic Breakdown

By region, gross profit from operations in Japan rose 8.9% over the previous fiscal year, to 311.4 billion yen, and operating income before amortization of goodwill and other intangible assets jumped 33.4%, to 72.4 billion yen. Gross profit from operations in Europe, the Middle East and Africa (EMEA) surged exponentially—3036.0%—to 108.6 billion yen, while operations in the Americas delivered a 176.8% increase in gross profit, to 93.6 billion yen, and the Asia Pacific (APAC), excluding Japan, achieved 256.0% growth, to 80.7 billion yen. Gross profit for Dentsu Aegis Network came to 282.8 billion yen overall, climbing 372.0% year on year, and operating income before amortization of goodwill and other intangible assets soared 397.3%, to 41.3 billion yen.

The organic growth rate trended low, at 2.3%, in EMEA, where the macro environment was extremely challenging during the first and second quarters. In the Americas and APAC, however, rates were 7.8% and 8.9%, respectively, leading to an overall rate of 5.9% for the Dentsu Aegis Network. Combined with an organic growth rate of 9.2% for Japan, the consolidated growth rate was 7.7% for the year for the Dentsu Group.

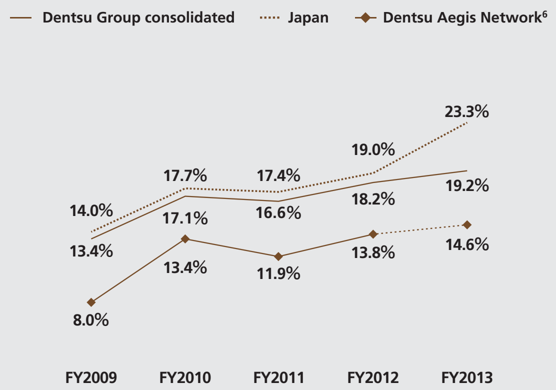
The operating margin before amortization of goodwill and other intangible assets (adjusted operating margin) reached a very high level in Japan—23.3%. Dentsu Aegis Network's adjusted operating margin also showed good results, moving from around 13% into the 14% range. In total, the Dentsu Group's consolidated adjusted operating margin settled at 19.2%.

Geographic Breakdown

Millions of yen	Gross profit			Operating income before amortization of goodwill and other intangible assets		
	FY2012	FY2013	Year on year	FY2012	FY2013	Year on year
Japan	285,991	311,416	+8.9%	54,292	72,409	+33.4%
EMEA[3]	3,465	108,683	+3036.0%	–	–	–
Americas[4]	33,826	93,623	+176.8%	–	–	–
APAC[5]	22,670	80,719	+256.0%	–	–	–
Dentsu Aegis Network total	59,921	282,857	+372.0%	8,324	41,393	+397.3%
Dentsu Group consolidated total	345,940	594,072	+71.7%	62,841	114,186	+81.7%

[3] Europe, Africa and Middle East
[4] North, Central and South America
[5] Asia Pacific

Operating Margin Before Amortization of Goodwill and Other Intangible Assets



[6] From fiscal 2013, the former Aegis was consolidated

Proforma Supplementary Information

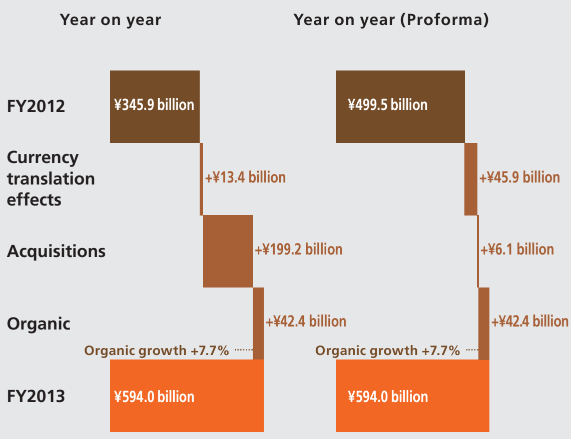
Fiscal 2013 consolidated results are considerably different from a year ago, as they include full-year contribution from Aegis following its acquisition and integration into the Dentsu Group. Compared with proforma data calculated on the assumption that Aegis had been acquired and consolidated in the previous fiscal year, net sales were 9.9% higher year on year and gross profit was 18.9% higher. Operating income was 36.6% higher and net income was 58.7% higher, indicating that we would have been able to achieve a high growth rate even on a proforma basis[7].

[7] Assuming Aegis was acquired on January 1, 2012, Aegis's results for 2012 (January to December) were consolidated in the Dentsu Group's fiscal 2012 results under Japanese GAAP, after the deduction of acquisition-related costs and adjustment by amortization of goodwill and M&A-related intangible assets in an amount equivalent to the fiscal year under review. The exchange rate for the previous fiscal year has been used in the calculation. (Unaudited)

Consolidated Financial Highlights (vs. Proforma)

Millions of yen	FY2012 Proforma	FY2013	vs. Proforma
Net sales	2,102,122	2,309,359	+9.9%
Gross profit	499,505	594,072	+18.9%
Gross profit margin	23.8%	25.7%	+2.0ppt
Operating income	52,318	71,490	+36.6%
Net income	24,445	38,800	+58.7%
EBITDA	101,014	130,818	+29.5%
Operating income before amortization of goodwill and other intangible assets[8]	85,846	114,186	+33.0%
Operating margin[9]	17.2%	19.2%	+2.0ppt
Net income per share (before amortization of goodwill and other intangible assets)	232.7yen	295.9yen	+27.2%

Gross Profit Growth



[8] Operating income + amortization of goodwill + amortization of other intangible assets (excl. depreciation of software)

[9] Operating income before amortization of goodwill and other intangible assets ÷ gross profit x 100

Financial Position

The consolidated balance sheet for fiscal 2013, ended March 31, 2014, reflects a huge impact from the acquisition of Aegis.

Current assets settled at 1,368.3 billion yen, up 21.9%, with trade receivables, including Aegis's notes receivable–trade, comprising nearly the entire amount. Total fixed assets amounted to 1,269.9 billion yen, up 17.3%, largely due to the effect of exchange rate fluctuations (weaker yen). The effect of exchange rate fluctuations is presented in the line item "foreign currency translation adjustments" in the equity section of the consolidated balance sheet.

Current liabilities reached 1,253.2 billion yen, down 4.9%, as the payables for the Aegis acquisition, which were booked at the end of the previous fiscal year, was paid in April 2013 against the addition of Aegis's operating debts. Long-term liabilities jumped 70.6%, to 476.5 billion yen, mainly due to a significant increase in debts to cover the Aegis acquisition.

Total shareholders' equity came to 715.8 billion yen, up 25.5%, primarily because of a capital increase.

In the end, total assets were considerably higher than a year earlier—up 19.6%—to 2,638.3 billion yen, largely reflecting exchange rate fluctuations and the consolidation of Aegis.

Interest-bearing debt stood at 342.5 billion yen at March 31, 2014, but with 228.6 billion yen from cash and deposits and marketable securities, net interest-bearing debt was 113.8 billion yen. Applying fiscal 2013 EBITDA of 130.8 billion yen, the net interest-bearing debt/EBITDA ratio was 0.87; and applying equity of 908.4 billion yen, as of March 31, 2014, the net debt/equity ratio was 0.13.

Consolidated Balance Sheet (Summary)

Millions of yen	End-March 2013	End-March 2014	Year on year
Current assets	1,122,602	1,368,385	+21.9%
Fixed assets	1,082,966	1,269,933	+17.3%
Total assets	2,205,569	2,638,319	+19.6%
Current liabilities	1,317,554	1,253,263	-4.9%
Long-term liabilities	279,377	476,560	+70.6%
Total liabilities	1,596,931	1,729,824	+8.3%
Shareholders' equity	570,419	715,828	+25.5%
Accumulated other comprehensive income	14,076	167,289	+1088.4%
Minority interests	24,141	25,377	+5.1%
Total shareholders' equity	608,637	908,495	+49.3%
Total liabilities and equity	2,205,569	2,638,319	+19.6%

Net Debt

Millions of yen	End-March 2013	End-March 2014	Year-on-year difference
Debt	215,852	342,502	+126,650
Cash and deposits, and marketable securities	208,473	228,641	+20,168
Net debt	7,379	113,861	+106,481
EBITDA	74,734	130,818	+56,084
Net debt/EBITDA	0.10times	0.87times	+0.77times
Net debt/equity ratio	0.01times	0.13times	+0.12times

Cash Flows

In fiscal 2013, net cash provided by operating activities amounted to 97.5 billion yen. Vigorous investing activities, particularly the Aegis acquisition, led to a high level of net cash used in investing activities—318.0 billion yen. Net cash provided by financing activities rose 231.8 billion yen, to 226.5 billion yen, primarily due to proceeds from long-term debt, disposal of treasury shares and issuance of common shares.

Dividends

Dividends were raised 1 yen compared with the previous fiscal year, for an annual dividend of 33 yen per share. The payout ratio improved to 23.4%.

Operating Highlights (Consolidated)

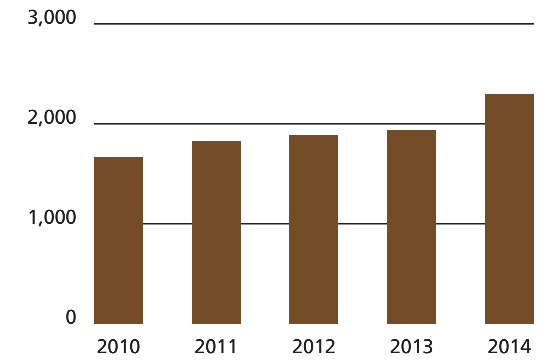
Dentsu Inc. and Consolidated Subsidiaries
Years ended March 31

					Millions of yen except per share data	Thousands of U.S. dollars [1] except per share data
	2010	2011	2012	2013	2014	2014
For the year:						
Net sales	¥1,678,618	¥1,833,449	¥1,893,055	¥1,941,223	¥2,309,359	$22,438,395
Cost of sales	1,382,127	1,515,753	1,560,248	1,595,282	1,715,287	16,666,221
Gross profit	296,490	317,696	332,807	345,940	594,072	5,772,174
Selling, general and administrative expenses	259,166	266,758	280,829	287,474	522,581	5,077,548
Operating income before amortization of goodwill and other intangible assets	39,826	54,390	55,369	62,841	114,186	1,109,469
Operating income	37,323	50,937	51,977	58,466	71,490	694,625
Income before income taxes and minority interests	40,048	35,379	58,459	63,310	81,172	788,694
Net income	31,130	21,635	29,573	36,336	38,800	376,998
Net cash provided by operating activities	74,989	72,914	26,397	83,295	97,540	947,735
Net cash provided by (used in) investing activities	(9,251)	(1,825)	45,941	(51,236)	(318,087)	(3,090,625)
Net cash provided by (used in) financing activities	(31,282)	(29,339)	(27,331)	(5,349)	226,526	2,200,998
Cash and cash equivalents, end of year	92,854	131,662	175,956	207,578	227,128	2,206,845
At year-end:						
Total assets	¥1,118,236	¥1,133,300	¥1,201,894	¥2,205,569	¥2,638,319	$25,634,665
Total shareholders' equity	484,250	492,933	536,290	584,495	883,118	8,580,626
Per share data (yen/dollar):						
Net income						
Basic	¥ 125.03	¥ 86.84	¥ 118.69	¥ 145.84	¥ 140.89	$ 1.37
Diluted	122.84	83.28	114.81	145.68	140.82	1.37
Cash dividends	27	29.5	31	32	33	0.32
Ratios (%):						
Operating margin[2]	13.4	17.1	16.6	18.2	19.2	—
Return on equity (ROE)[3]	6.6	4.4	5.7	6.5	5.3	—
Return on assets (ROA)[4]	3.4	4.5	4.5	3.4	3.0	—
Equity ratio[5]	43.3	43.5	44.6	26.5	33.5	—
Dividend payout ratio[6]	21.6	34.0	26.1	21.9	23.4	—

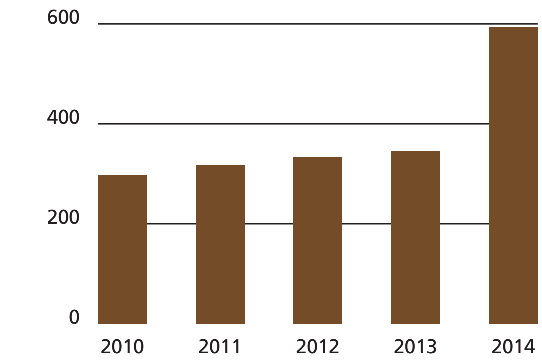
Notes: (1) U.S. dollar amounts have been translated from yen at the rate of ¥102.92 = US$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2014.
(2) Operating margin = operating income before amortization of goodwill and other intangible assets ÷ gross profit × 100
(3) ROE = net income ÷ average total shareholders' equity based on total shareholders' equity at the beginning and end of the fiscal year × 100
(4) ROA = operating income ÷ average total assets based on total assets at the beginning and end of the fiscal year × 100
(5) Equity ratio = total shareholders' equity ÷ total assets × 100
(6) Dividend payout ratio = cash dividend per share ÷ net income per share × 100

(Years ended March 31)

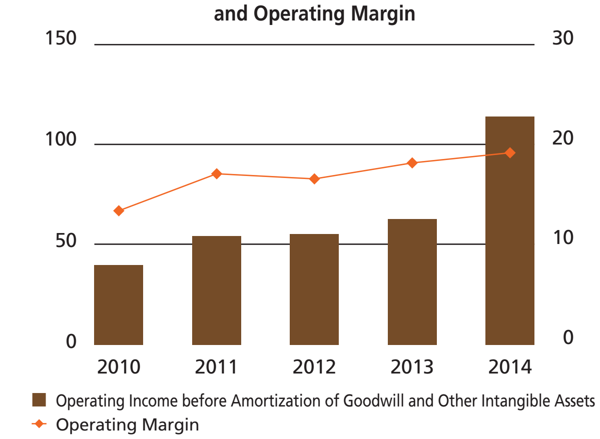
Net Sales



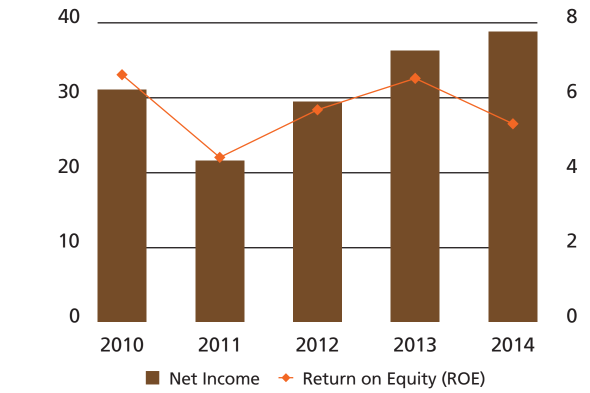
Gross Profit



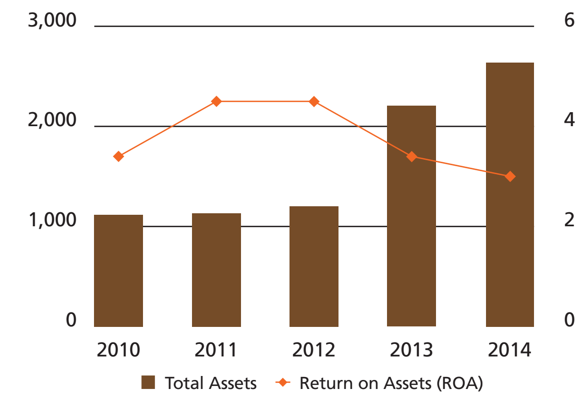
Operating Income before Amortization of Goodwill and Other Intangible Assets and Operating Margin



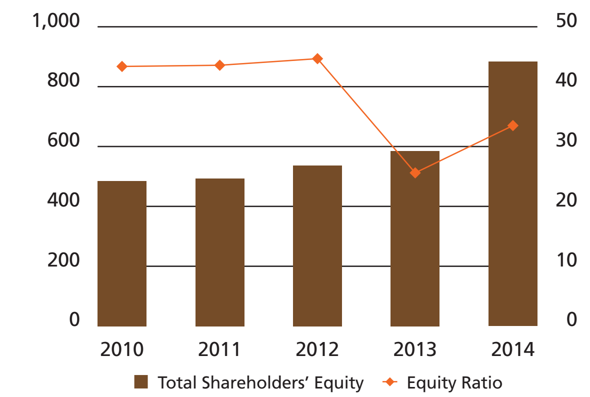
Net Income and Return on Equity (ROE)



Total Assets and Return on Assets (ROA)



Total Shareholders' Equity and Equity Ratio



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

Dentsu Inc. and Consolidated Subsidiaries
As of June 27, 2014

Any forward-looking statements in the following discussion and analysis are based on the judgment of management as of the date that Dentsu Inc. (hereinafter "Dentsu" or "the Company") filed its securities report for the fiscal year ended March 31, 2014 with regulatory authorities.

Significant Accounting Policies and Estimates

The Group's consolidated financial statements are prepared on the basis of Japanese GAAP.

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

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

Revenue Recognition

Consolidated revenue consists primarily of commissions received from media companies for the placement of advertising into different media formats and payments received from advertisers and other clients for providing services, such as assistance in the production of advertising, including creative, and various content-related services. Revenues from payments received from advertisers for the placement of advertising are generally recognized when the media placement appears. Other revenue is generally recognized when the service is complete, an estimate of the value can be reasonably determined and the potential for economic benefit is high.

Dentsu Group companies receive commissions from media companies for the sale of media time and/or space to advertisers. In Japan, advertising companies generally purchase media time and/or space from media companies at the request of advertisers and resell the purchased time and/or space to the advertisers at the same prices as those charged by the media companies. The commissions received for the placement of advertising are typically a percentage of the price advertisers pay for the media time and/or space. This percentage is generally negotiated between the relevant Group company and media company. In practice, however, prevailing industry custom dictates that the commission portion be netted against payment due to the media company with the balance paid to that company.

Revenue from the production of advertising and other advertising services consists of payments made by advertisers and other clients to the relevant Group company as compensation for such services. Payments for these services are generally negotiated as a markup on the prices charged to the Group companies for services provided by third parties and/or Dentsu subsidiaries. In some cases, the Group companies may also agree to a fixed fee or other compensation arrangements.

Allowance for Doubtful Accounts

An amount is recorded as allowance for doubtful accounts, based on estimated losses that might occur if expected amounts from clients become uncollectible. If the financial position of advertisers or other clients deteriorates and their ability to pay decreases, this allowance may have to be raised.

Impairment Losses on Investments

To ensure continuous growth into the future, the Group pursues investments in new businesses and overseas businesses, and undertakes investment opportunities with partners. These investments include shares in publicly listed companies, the prices of which may fluctuate widely, as well as shares in unlisted companies with difficult-to-determine share values. In the event that a decline in the value of an investment is determined to be other than temporary, an impairment loss is recorded on that investment. If market conditions worsen or the performance of an investment target deteriorates, an unrecoverable investment or losses not reflected in current book values may arise, requiring the Group to record valuation losses.

Deferred Tax Assets

The Group records consolidated deferred tax assets based on future taxable income and ongoing tax planning that emphasizes cautious and highly implementable approaches. However, if management decides that some or all of these deferred tax assets are unrecoverable, such assets may have to be recorded as expenses for the period in which such decision is made.

Net Defined Benefit Liability

Retirement benefit costs and obligations are recorded on the basis of pension actuarial calculations. These calculations are dependent upon such factors as the discount rate, future compensation levels, employee turnover, mortality rates based on recent statistical values, and long-term expected rates of investment return on pension plan assets. If the actual values of these factors vary from their forecast values, or if the assumptions that underlie these values change, the Company may be impacted by the recognition of such costs or by the recording of such liabilities, on a consolidated basis.

Operating Results for the Fiscal Year under Review

Net Sales and Gross Profit

Consolidated net sales for the fiscal year under review reached 2,309.3 billion yen (up 19.0% from the previous fiscal year).

Of this amount, the Advertising segment contributed 2,246.5 billion yen (up 19.6%), largely due to the inclusion of revenues from Aegis, which Dentsu acquired in the previous fiscal year, in the Company's accounts starting in the fiscal year under review.

Sales in the Information Services segment amounted to 74.8 billion yen (up 5.3%). This segment involves the operations of Information Services International-Dentsu, Ltd., which is engaged primarily in the provision of IT solutions, such as information system configuration. During the fiscal year under review, despite slight declines in revenues of enterprise solutions and communication IT, large sales growth from financial solutions resulted in overall sales growth for the segment.

The Other Business segment posted sales of 15.8 billion yen (down 4.1%). This decrease in sales reflects such factors as the Company's withdrawal from the human resources placement business.

As a result, the Group posted consolidated gross profit of 594.0 billion yen (up 71.7%) for the fiscal year under review. Both the consolidated net sales and gross profit figures exceeded those of the previous fiscal year.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative (SG&A) expenses for the fiscal year under review came to 522.5 billion yen (up 81.8% from the previous fiscal year).

There was an overall increase in expenses from the previous fiscal year, due to the incorporation of Aegis, as well as an increase in amortization of goodwill and other intangible assets. Salaries and allowances accounted for 46.0% (up 0.1 percentage point) of gross profit.

Operating Income, Non-Operating Income & Expenses and Net Income

As the increased amount of gross profit was greater than that of SG&A expenses for the fiscal year under review, operating income came to 71.4 billion yen (up 22.3% from the previous fiscal year).

Non-operating income amounted to 22.5 billion yen (up 125.6%), reflecting increases in purchase discounts, profit distributions, and equity in the earnings of affiliated companies. Non-operating expenses came to 11.5 billion yen (up 22.1%), due to such increases as interest expense, which led to a non-operating balance of 11.0 billion yen (up 1870.6%), and income before income taxes and minority interests amounted to 81.1 billion yen (up 28.2%).

Net income, from which income taxes–current, income taxes–deferred, and minority interests in net income were deducted from the above, reached 38.8 billion yen (up 6.8%).

Factors Affecting Operating Results

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

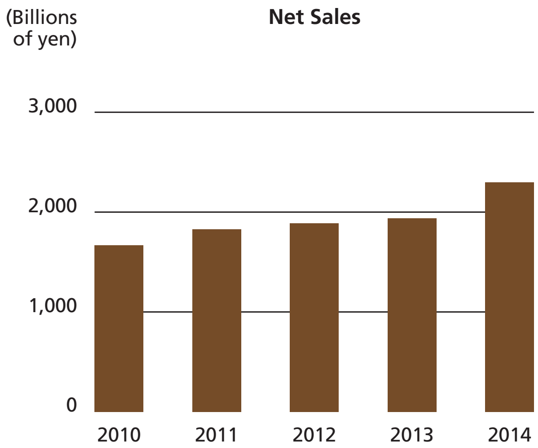
The main factors affecting revenue from advertising in these traditional mass media formats are described below:

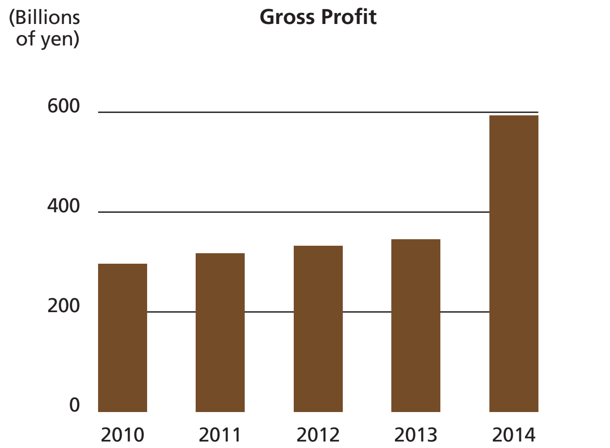
- Overall advertising expenditures, which fluctuate with changing industry conditions such as general economic conditions, technological innovations, deregulation and heightened competition;
- The Group’s competitive position vis-à-vis other advertising companies;
- Rates charged by media companies for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

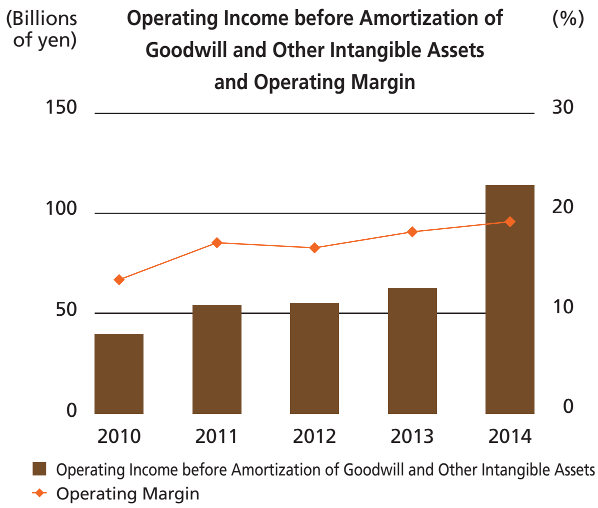
With increasing popularity in recent years, the Internet is firmly in second place, behind television, as the medium garnering the most contact time in homes across Japan. As the media environment evolves, the needs of advertisers become increasingly sophisticated. Advertisers are particularly interested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

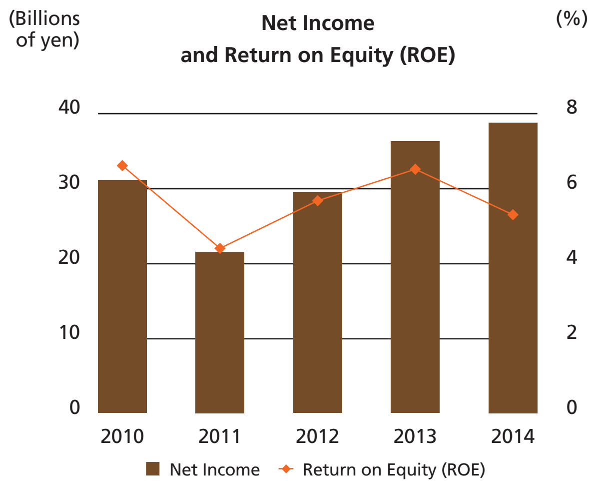
Recent trends indicate heightened appreciation for integrated services that cover a broad spectrum of media domains as well as tools that verify cost efficiency and advertising effectiveness. The Group believes this will result

(Years ended March 31)









in an increase in the number of transactions between advertisers and full-service advertising companies.

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

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

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

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

In March 2013, Dentsu acquired the shares of Aegis of the United Kingdom, making Aegis a consolidated subsidiary. As the acquisition of the shares was deemed to have taken place on January 1, 2013, and Aegis's settlement date is December 31, Aegis's results have been reflected in Dentsu's consolidated statement of income since the first quarter of the fiscal year under review.

Current Status of Management Strategies and Outlook

The global economy is in a state of flux, with the characteristics of each region influencing the others. Even now, the U.S. economy continues to grow steadily, while Asia and emerging markets continue with relatively high growth. Meanwhile, the Japanese and European economies have reached a stage of maturity, and have reached sizes that make them key economic regions. The Dentsu Group completed the acquisition of Aegis in March 2013. Through this acquisition, the Group is building a truly global network, and it has become vital that it pursues strategies tailored to the business environments of each region worldwide. In a time of increasing marketing convergence, innovation in the digital domain is expected to become an even more essential element for the success of clients' businesses.

Under these circumstances, the Dentsu Group's goal is to be an agency network that goes beyond the framework of conventional advertising business, to continually contribute to the success of clients' businesses, and maximize their corporate value on a global scale.

Based on this core policy, the Group formulated a new medium-term management plan, Dentsu 2017 and Beyond, which commenced in the fiscal year ended March 31, 2014.

The new medium-term management plan includes the following numerical targets for the fiscal year ending March 31, 2018:

- Organic growth rate of gross profit: 3%–5% (compound average growth rate)
- Overseas ratio of gross profit: 55% or higher
- Digital domain ratio of gross profit: 35% or higher
- Operating margin before amortization of goodwill and other intangible assets: 20% or higher

The Group has formulated the following strategies to achieve these numerical targets:

(1) Create a global network to support the businesses of our clients worldwide

We will use the client base built by the Company and Aegis as a stepping stone to roll out the Group's strengths in the digital domain and its sports content business on a global scale. At the same time, we will also use M&A to develop a competitive global network worldwide.

We will act to achieve this goal in each of our major markets. In North America, where the economy is showing steady growth, we will win new global clients and increase client account sizes by strengthening our partnerships with existing high-growth networks, and enhancing our service lineup. In the rapidly growing emerging markets, we will actively leverage M&A and business investments to build a foundation for offering top-class solutions in each of these markets. In the Japanese and Western European markets, where we have solid business platforms, the Group will pursue the benefits of scale. It will create and offer new value, rather than remain mired in conventional advertising businesses.

(2) Enhance competitiveness in the digital domain forming the core of our solutions

Marketing convergence is transforming our clients' business processes, and has made digital solutions a key factor for business success. We will respond to this trend by offering leading-edge solutions that more directly support the success of our clients' businesses. At the same time, we will do what is needed to make this happen, including making investments, sharing knowledge within the Group, and integrating our R&D capabilities.

(3) Reform business processes and increase profitability

The Group's goal is to achieve sustainable growth by actively investing and developing businesses worldwide.

Achieving this requires a revenue platform that can generate a steady cash flow, and we are committed to improving the profitability of our core businesses. We see this as an ongoing task. We will work to control costs on a global basis. We will inventory our capabilities—including those of the Company—in each area of service, and reorganize when necessary. We will also restructure our value chain to maximize profits.

We will also optimize our asset holdings for profitability, and improve our asset efficiency.

(4) Reinforce the business platform in the Japanese market, which forms the largest share of the Group's business

Although the Group attained a full-scale global network through the acquisition of Aegis, its greatest strength remains the solid business platform in Japan. In Japan, the Group will further reinforce its competitiveness and improve profitability in order to achieve sustainable growth.

Japan is the region where Dentsu has the most resources for supporting every facet of its clients' businesses, and where it has the strongest relations with its clients. We are committed to becoming the Group's role model for next-generation business by expanding our service domain in Japan.

(5) CSR initiatives

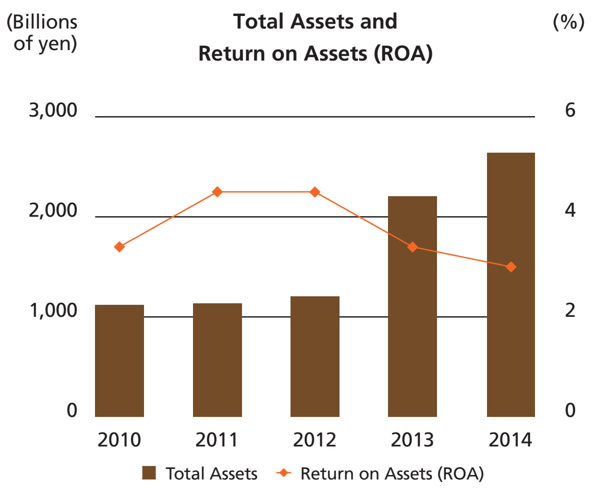
The Group has formulated the Dentsu Group Code of Conduct as the Dentsu Group's basic principles for CSR in order to handle its global expansion. The new Dentsu Group Code of Conduct is based on the ISO 26000 international standard for social responsibility (SR), and defines a framework of seven core subjects: corporate governance, respect for human rights, ensuring a safe and civilized working environment, environmental protection, fair business practices, addressing consumer issues, and contributing to the community. Our CSR activities are based on this framework.

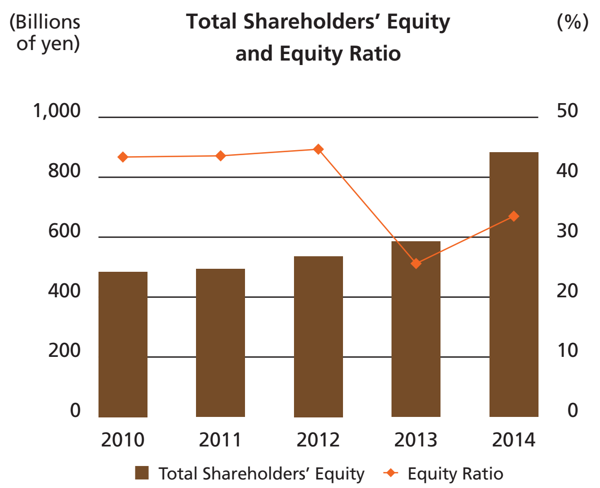
Firstly, we continued to support recovery from the Great

East Japan Earthquake in fiscal 2013 by supporting the Tohoku Rokkon (Six-Soul) Festival, and participating in the Michinoku Fukkou Jigyou Partners (consortium of major companies for recovery). In the field of human rights, we are committed to raising awareness of human rights through such efforts as continuing our call for "human rights slogans." Human rights are especially important to the Group, because awareness of human rights is essential for communication, and communication is the core of our business. In the field of environmental protection, in 2008 we were certified as an "Eco First Company," and we continue a wide range of environmental efforts aimed at achieving a sustainable society. In areas relating to business, we are committed to helping to resolve the food-related challenges facing Japan. One example is our ongoing "Food Action Nippon" campaign, which aims to improve Japan's food self-sufficiency rate.

We will continue our active commitment to CSR both in Japan and around the world, in order to help solve the challenges facing society as a leading global group in communication services. We will do this by working more closely with Dentsu Aegis Network Ltd., which carries out a wide range of CSR activities worldwide, one example of which is the "30 Days of Green" environmental effort. For more information about Dentsu's CSR activities, see the Dentsu CSR Report (http://www.dentsu.com/csr/index.html).

(Years ended March 31)





Analysis of Capital Resources and Cash Liquidity

Assets, Liabilities and Net Assets

Total assets as of March 31, 2014 increased 432.7 billion yen from March 31, 2013, due to an increase in notes and accounts receivable–trade. Meanwhile, total liabilities increased 132.8 billion yen, due to increases in notes and accounts payable–trade and long-term debt. Total net assets increased 299.8 billion yen, due to such factors as an increase in foreign currency translation adjustments and posting of net income.

Cash Flows

As of March 31, 2014, cash and cash equivalents (hereinafter "cash") increased to 227.1 billion yen from the 207.5 billion yen posted at the end of the previous fiscal year. As net cash provided by operating activities and net cash provided by financing activities exceeded net cash used in investing activities, cash at the end of the fiscal year under review increased by 19.5 billion yen from the previous fiscal year.

Net cash provided by operating activities amounted to 97.5 billion yen, compared with 83.2 billion yen in the previous fiscal year. Net cash provided by operating activities increased 14.2 billion yen from the previous fiscal year, due mainly to increases in income before income taxes and minority interests, depreciation and amortization, and amortization of goodwill.

Net cash used in investing activities amounted to 318.0 billion yen, compared with 51.2 billion yen in the previous fiscal year. Net cash used in investing activities increased 266.8 billion yen from the previous fiscal year, due mainly to an increase in payments for the purchase of investment in consolidated subsidiaries.

Net cash provided by financing activities amounted to 226.5 billion yen, a reversal from the 5.3 billion yen in net cash used in financing activities in the previous fiscal year. Net cash provided by financing activities increased 231.8 billion yen from the previous fiscal year, due mainly to proceeds from long-term debt, proceeds from disposal of treasury stock, and proceeds from issuance of common stock.

Capital Requirements

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

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

Financial Policy

The Group's primary source of funds is cash generated from internal reserves, short-term borrowings and the issuance of commercial paper. In the past, the Group has generally had positive working capital (current assets minus current liabilities) on a consolidated basis. In the previous fiscal year, the Group recorded 295.4 billion yen in accrued accounts payable related to the acquisition of Aegis. As a result, current liabilities exceeded current assets by 194.9 billion yen. However, in the fiscal year under review, current assets exceeded current liabilities by 115.1 billion yen.

To ensure short-term liquidity, Dentsu established a bank credit line for up to 50 billion yen via a syndication arrangement. In addition, to improve cash efficiency within the Group, a cash management system (CMS) was introduced so that Dentsu could borrow cash from domestic consolidated subsidiaries. A Group-wide finance system is now in place that enables nearly all domestic consolidated subsidiaries that require funding to borrow funds acquired for this purpose from other domestic consolidated subsidiaries with excess cash. Also, a global CMS has been introduced at Dentsu Aegis Network, through which overseas cash is consolidated in London.

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

Management Issues and Future Policies

See Current Status of Management Strategies and Outlook.

Operating and Other Risks

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

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

Overall Industry-related Risk

Risk related to fluctuations in the economic and business environments

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

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

In April 2014, Japan's consumption tax rate was raised from 5% to 8%. In October 2015, the tax rate is scheduled to be further increased to 10%. Such a tax increase may adversely affect the Japanese economy in general, and in particular by reducing consumer spending, which could in turn reduce the demand for the Group's services and adversely affect its results of operations.

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

With the acquisition of the major British advertising agency Aegis in March 2013, the proportion of the Group's gross profit accounted for by its operations outside of Japan increased significantly from approximately 18% in fiscal 2012 to approximately 48% in fiscal 2013. As a result, downturns in the economies and business environments of the principal markets in which the Group operates outside of Japan could have an increased adverse impact on its overall results of operations. In particular, with the acquisition of Aegis, the Group has increased its exposure to the European Union, which is currently experiencing a sluggish economic environment as well as an ongoing sovereign debt crisis affecting several European countries.

Risk related to technological innovation and structural changes in the media

Developments in technology and new media advertising markets are having an increasing impact on the Dentsu Group's business. According to *2013 Advertising Expenditures in Japan* (issued by Dentsu), Internet advertising expenditures have continued to grow since the first survey in 1996 and have reached a level surpassing the amounts allocated to newspaper, magazine or radio advertising, which are three of the four traditional mass media (newspapers, magazines, radio and television).

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

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

Risk related to shortfalls in financial targets and other goals

Pursuant to the Dentsu Group's new medium-term management plan—Dentsu 2017 and Beyond—the Group has set financial targets and other goals to be achieved by the fiscal year ending March 31, 2018. For example, the Group intends to continue to increase the proportion of its revenue from business outside of Japan by enhancing and extending its new global network formed with the acquisition of Aegis. However, the Group's ability to achieve its financial targets and other goals is based on a number of underlying assumptions, including assumptions regarding factors beyond its control such as growth in advertising expenditures globally, foreign currency exchange rates and interest rates, as well as general economic growth rates of countries in which the Group operates. If any of these assumptions proves to be inaccurate, the Group may be unable to achieve its financial targets and other goals. In addition, there is no assurance that management will be able to successfully implement the medium-term management plan.

Risk related to common business practices

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

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

Competition-related Risk

Risk related to competition among advertising agencies

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

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

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

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

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

Risk Related to Advertisers and Media Companies

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

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

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

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

Risk Related to Efforts to Reinforce Domestic Service Capabilities

Risk related to the development of information technology processes and databases

The Dentsu Group is currently involved in research and development on information technology processes and databases that verify the effectiveness of clients' advertising activities and marketing budgets. Through these efforts, management seeks to bring latent demand to the surface and expand its share of the Japanese advertising market. However, it is unclear if or when the results of these efforts will be marketable and put to practical use. Moreover, even if the Group is able to develop marketable services from its R&D activities, these services may not produce the results the Group expects, especially if the needs of clients have changed significantly or technological challenges preclude widespread use of the services.

Risk related to investments in media and Internet advertising businesses

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

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

Risk related to expansion of the promotion business

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

Risk Related to Content Business

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

Risk Related to Global Businesses

Risk related to the acquisition of Aegis

On March 26, 2013, the Dentsu Group completed the acquisition of Aegis for approximately £3,164 million. The acquisition of Aegis, which has a leading position in Europe and a strong position in other global markets, is an integral part of the Group's strategy to grow beyond the Japanese market. However, there can be no assurance that the Group will be able to recoup this substantial investment through successfully integrating Aegis's business. Specifically, the anticipated benefits and synergies resulting from the acquisition are subject to, among other things, the following uncertainties:

- The Group may face significant challenges in combining Aegis's infrastructure, management and information technology systems with Dentsu's.
- Management's focus on the integration could result in distraction from other operating objectives.
- There may be difficulties in conforming standards, controls, procedures and accounting and other policies, as well as business cultures and compensation structures.
- The Group may not be able to retain key clients of Aegis.
- The Group may not be able to retain key personnel at Aegis.
- The Group may not be able to successfully leverage Aegis's networks in Europe, the United States and emerging markets to increase its share of the global advertising market.

The Group continues to pursue strategic business acquisitions globally as a part of its ongoing growth strategy. However, if it is not able to achieve the anticipated benefits of these acquisitions in full or in a timely manner, the Group could be required to recognize impairment losses; it may not be able to recoup its investment; and its business, financial position and results of operations could be materially and adversely affected.

The Group's consolidated interest-bearing debt increased substantially in connection with the acquisition of Aegis because the Group incurred significant loans to finance the acquisition. Servicing and repaying the debt may limit the Group's ability to finance on acceptable terms new transactions that would otherwise advance its corporate strategy.

Additional risks related to overseas business development

With the acquisition of Aegis, the Dentsu Group's global operations have expanded to over 100 countries. The Group's global operations are subject to a number of risks, including but not limited to the following:

- difficulties in monitoring and coordinating operations in such a large number and wide range of jurisdictions;
- heightened exposure to any downturn affecting the global economy;
- risks related to foreign laws, regulations and policies, including capital and exchange controls;
- differences in, or conflicts among, the taxation regimes in the different jurisdictions in which the Group operates;
- changes with respect to taxation, including impositions or increases of withholding and other taxes on remittances and other payments by the Group's overseas subsidiaries;
- fluctuations in foreign currency exchange rates;
- varying standards and practices in the legal, regulatory and business cultures in which the Group operates, including potential inability to enforce contracts or intellectual property rights and restrictions on employment matters;
- trade restrictions and changes in tariff;
- risks related to political instability and uncertain business environments;
- changes in the political or economic relationship between Japan and the other countries and regions in which the Group operates;
- acts of terrorism, war, epidemics and other sources of social disruption; and
- difficulties associated with managing local personnel and preventing misconduct by local third-party alliance partners.

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

Risk related to impairment losses on goodwill and other intangible assets

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

Risk Related to Maintaining and Developing Human Resources

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

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

Risk Related to Reliance on Information Technology Systems

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

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

Risk Related to Legal or Regulatory Changes

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

Risk of Litigation

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

Consolidated Financial Statements Consolidated Balance Sheet

Dentsu Inc. and Consolidated Subsidiaries
March 31, 2014

ASSETS	Millions of Yen 2013	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2014
CURRENT ASSETS:			
Cash and cash equivalents (Notes 9 and 21)	¥ 207,578	**¥ 227,128**	**$ 2,206,845**
Time deposits over three months (Note 21)	777	**1,001**	**9,726**
Receivables (Note 21):			
Trade notes (Note 13)	19,604	**26,682**	**259,256**
Trade accounts	796,646	**1,007,273**	**9,786,952**
Other	21,965	**22,136**	**215,084**
Marketable securities (Notes 5 and 21)	116	**512**	**4,974**
Inventories (Note 6)	13,561	**14,253**	**138,487**
Deferred tax assets (Note 18)	9,857	**9,247**	**89,850**
Other current assets	54,300	**61,891**	**601,357**
Allowance for doubtful accounts	(1,806)	**(1,740)**	**(16,908)**
Total current assets	1,122,602	**1,368,385**	**13,295,626**
PROPERTY, PLANT AND EQUIPMENT (Notes 7 and 8):			
Land	160,820	**159,272**	**1,547,537**
Buildings and structures	170,486	**174,248**	**1,693,048**
Other	42,900	**48,684**	**473,031**
Total	374,207	**382,205**	**3,713,616**
Accumulated depreciation	(123,653)	**(132,884)**	**(1,291,146)**
Net property, plant and equipment	250,553	**249,320**	**2,422,469**
INVESTMENTS AND OTHER ASSETS (Notes 3 and 8):			
Investment securities (Notes 5 and 21)	85,534	**79,073**	**768,302**
Investments in unconsolidated subsidiaries and affiliated companies	53,983	**59,055**	**573,804**
Goodwill (Note 4)	576,009	**558,834**	**5,429,790**
Customer relationships (Note 4)	24,295	**183,446**	**1,782,415**
Intangible assets—Other (Note 4)	26,936	**76,059**	**739,018**
Deferred tax assets (Note 18)	29,362	**30,157**	**293,014**
Other assets	50,902	**51,238**	**497,852**
Allowance for doubtful accounts	(14,611)	**(17,252)**	**(167,630)**
Total investments and other assets	832,412	**1,020,613**	**9,916,568**
TOTAL	¥2,205,569	**¥2,638,319**	**$25,634,665**

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements Consolidated Balance Sheet

LIABILITIES AND EQUITY	Millions of Yen 2013	Millions of Yen 2014	Thousands of U.S. Dollars (Note 1) 2014
CURRENT LIABILITIES:			
Short-term borrowings (Notes 9 and 21)	¥ 21,268	**¥ 30,328**	**$ 294,679**
Current portion of bonds (Notes 10 and 21)	—	**8,050**	**78,224**
Current portion of long-term debt (Notes 9, 20 and 21)	27,143	**6,454**	**62,710**
Payables (Note 21):			
Trade notes (Note 13)	8,211	**8,810**	**85,603**
Trade accounts (Note 9)	777,166	**980,994**	**9,531,624**
Other	331,486	**42,132**	**409,373**
Income taxes payable	21,175	**28,571**	**277,606**
Accrued expenses	67,781	**67,909**	**659,830**
Asset retirement obligations (Note 12)	9	**47**	**462**
Other current liabilities	63,311	**79,963**	**776,952**
Total current liabilities	1,317,554	**1,253,263**	**12,177,068**
LONG-TERM LIABILITIES (Note 3):			
Bonds (Notes 10 and 21)	93,931	**10,536**	**102,378**
Long-term debt (Notes 9, 20 and 21)	73,508	**287,132**	**2,789,861**
Liability for retirement benefits (Note 11)	42,695	**56,574**	**549,690**
Deferred tax liabilities (Notes 4 and 18)	9,492	**50,076**	**486,554**
Deferred tax liabilities on land revaluation difference (Notes 2.l and 18)	9,038	**8,501**	**82,603**
Asset retirement obligations (Note 12)	896	**852**	**8,282**
Other long-term liabilities	49,815	**62,886**	**611,026**
Total long-term liabilities	279,377	**476,560**	**4,630,397**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 20, 23 and 24)			
EQUITY (Notes 14 and 27):			
Common stock—authorized, 1,100,000,000 shares;			
issued, 278,184,000 shares in 2013 and 288,410,000 shares in 2014	58,967	**74,609**	**724,930**
Capital surplus	60,899	**100,106**	**972,664**
Retained earnings	515,630	**541,216**	**5,258,611**
Treasury stock—at cost, 29,035,042 shares in 2013 and 42,703 shares in 2014	(65,077)	**(104)**	**(1,015)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	13,609	**14,635**	**142,204**
Deferred gain on derivatives under hedge accounting	8,173	**11,883**	**115,465**
Land revaluation difference (Note 2.l)	(5,931)	**(6,885)**	**(66,905)**
Foreign currency translation adjustments	(1,775)	**155,934**	**1,515,103**
Defined retirement benefit plans	—	**(8,277)**	**(80,431)**
Total	584,495	**883,118**	**8,580,626**
Minority interests	24,141	**25,377**	**246,572**
Total equity	608,637	**908,495**	**8,827,199**
TOTAL	¥2,205,569	**¥2,638,319**	**$25,634,665**

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements Consolidated Statement of Income

Dentsu Inc. and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
NET SALES	¥1,941,223	**¥2,309,359**	**$22,438,395**
COST OF SALES	1,595,282	**1,715,287**	**16,666,221**
Gross profit	345,940	**594,072**	**5,772,174**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 19)	287,474	**522,581**	**5,077,548**
Operating income	58,466	**71,490**	**694,625**
OTHER INCOME (EXPENSES) (Note 3):			
Interest and dividend income	2,141	**4,668**	**45,362**
Purchase discounts	696	**4,365**	**42,417**
Interest expense	(1,462)	**(6,652)**	**(64,633)**
Foreign exchange gain (loss)—net	(4,201)	**1,269**	**12,338**
Profit distributions	2,826	**4,585**	**44,556**
Equity in earnings of affiliated companies	2,202	**3,764**	**36,574**
Gain on sales of investment securities	13,270	**6,739**	**65,480**
Other—net (Notes 8, 11 and 16)	(10,628)	**(9,059)**	**(88,027)**
Other income (expenses)—net	4,844	**9,681**	**94,068**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	63,310	**81,172**	**788,694**
INCOME TAXES (Note 18):			
Current	25,967	**43,395**	**421,639**
Deferred	(1,405)	**(3,653)**	**(35,495)**
Total income taxes	24,561	**39,741**	**386,143**
NET INCOME BEFORE MINORITY INTERESTS	38,748	**41,430**	**402,550**
MINORITY INTERESTS IN NET INCOME	2,412	**2,629**	**25,551**
NET INCOME	¥ 36,336	**¥ 38,800**	**$ 376,998**

	Yen		U.S. Dollars
	2013	2014	2014
PER SHARE OF COMMON STOCK (Notes 2.u and 26):			
Basic net income	¥ 145.84	**¥ 140.89**	**$ 1.37**
Diluted net income	145.68	**140.82**	**1.37**
Cash dividends applicable to the year	32.00	**33.00**	**0.32**

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements Consolidated Statement of Comprehensive Income

Dentsu Inc. and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
NET INCOME BEFORE MINORITY INTERESTS	¥38,748	**¥ 41,430**	**$ 402,550**
OTHER COMPREHENSIVE INCOME (Note 25):			
Unrealized gain (loss) on available-for-sale securities	1,800	**(445)**	**(4,326)**
Deferred gain on derivatives under hedge accounting	8,652	**3,682**	**35,776**
Foreign currency translation adjustments	9,804	**158,056**	**1,535,720**
Share of other comprehensive income in associates	599	**1,970**	**19,148**
Total other comprehensive income	20,856	**163,263**	**1,586,318**
COMPREHENSIVE INCOME	¥59,605	**¥204,694**	**$1,988,869**
COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥56,051	**¥201,246**	**$1,955,366**
Minority interests	3,554	**3,448**	**33,502**

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements Consolidated Statement of Changes in Equity

Dentsu Inc. and Consolidated Subsidiaries
Year ended March 31, 2014

Millions of Yen

	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income: Unrealized Gain on Available-for-sale Securities	Accumulated Other Comprehensive Income: Deferred Gain (Loss) on Derivatives under Hedge Accounting	Accumulated Other Comprehensive Income: Land Revaluation Difference	Accumulated Other Comprehensive Income: Foreign Currency Translation Adjustments	Accumulated Other Comprehensive Income: Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	249,151,904	¥58,967	¥60,899	¥487,133	¥(65,070)	¥12,135	¥ (453)	¥(5,931)	¥(11,389)	–	¥536,290	¥20,598	¥556,889
Net income	–	–	–	36,336	–	–	–	–	–	–	36,336	–	36,336
Cash dividends, ¥32.00 per share	–	–	–	(7,972)	–	–	–	–	–	–	(7,972)	–	(7,972)
Change in scope of consolidation	–	–	–	160	–	–	–	–	–	–	160	–	160
Change in scope of equity method	–	–	–	(26)	–	–	–	–	–	–	(26)	–	(26)
Repurchase of treasury stock	(2,950)	–	–	–	(7)	–	–	–	–	–	(7)	–	(7)
Disposal of treasury stock	4	–	(0)	–	0	–	–	–	–	–	0	–	0
Transfer to retained earnings from other capital surplus	–	–	0	(0)	–	–	–	–	–	–	–	–	–
Other changes in the year	–	–	–	–	–	1,474	8,627	–	9,613	–	19,715	3,542	23,257
BALANCE, MARCH 31, 2013	249,148,958	¥58,967	¥60,899	¥515,630	¥(65,077)	¥13,609	¥8,173	¥(5,931)	¥ (1,775)	–	¥584,495	¥24,141	¥608,637
Net income	**–**	**–**	**–**	**38,800**	**–**	**–**	**–**	**–**	**–**	**–**	**38,800**	**–**	**38,800**
Cash dividends, ¥32.00 per share	**–**	**–**	**–**	**(8,600)**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,600)**	**–**	**(8,600)**
Issuance of new shares	**10,226,000**	**15,642**	**15,642**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31,285**	**–**	**31,285**
Reversal of revaluation reserve for land	**–**	**–**	**–**	**954**	**–**	**–**	**–**	**–**	**–**	**–**	**954**	**–**	**954**
Repurchase of treasury stock	**(7,892)**	**–**	**–**	**–**	**(29)**	**–**	**–**	**–**	**–**	**–**	**(29)**	**–**	**(29)**
Disposal of treasury stock	**29,000,231**	**–**	**23,564**	**–**	**65,002**	**–**	**–**	**–**	**–**	**–**	**88,567**	**–**	**88,567**
Transaction with minority shareholders	**–**	**–**	**–**	**(5,569)**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,569)**	**–**	**(5,569)**
Other changes in the year	**–**	**–**	**–**	**–**	**–**	**1,025**	**3,709**	**(954)**	**157,709**	**(8,277)**	**153,213**	**1,235**	**154,449**
BALANCE, MARCH 31, 2014	**288,367,297**	**¥74,609**	**¥100,106**	**¥541,216**	**¥(104)**	**¥14,635**	**¥11,883**	**¥(6,885)**	**¥ 155,934**	**¥(8,277)**	**¥883,118**	**¥25,377**	**¥908,495**

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income: Unrealized Gain on Available-for-sale Securities	Accumulated Other Comprehensive Income: Deferred Gain (Loss) on Derivatives under Hedge Accounting	Accumulated Other Comprehensive Income: Land Revaluation Difference	Accumulated Other Comprehensive Income: Foreign Currency Translation Adjustments	Accumulated Other Comprehensive Income: Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$572,941	$591,714	$5,010,014	$(632,312)	$132,237	$ 79,418	$(57,634)	$ (17,251)	**–**	$5,679,128	$234,564	$5,913,693
Net income	**–**	**–**	**376,998**	**–**	**–**	**–**	**–**	**–**	**–**	**376,998**	**–**	**376,998**
Cash dividends, $0.31 per share	**–**	**–**	**(83,563)**	**–**	**–**	**–**	**–**	**–**	**–**	**(83,563)**	**–**	**(83,563)**
Issuance of new shares	**151,989**	**151,989**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**303,978**	**–**	**303,978**
Reversal of revaluation reserve for land	**–**	**–**	**9,271**	**–**	**–**	**–**	**–**	**–**	**–**	**9,271**	**–**	**9,271**
Repurchase of treasury stock	**–**	**–**	**–**	**(287)**	**–**	**–**	**–**	**–**	**–**	**(287)**	**–**	**(287)**
Disposal of treasury stock	**–**	**228,961**	**–**	**631,584**	**–**	**–**	**–**	**–**	**–**	**860,546**	**–**	**860,546**
Transaction with minority shareholders	**–**	**–**	**(54,110)**	**–**	**–**	**–**	**–**	**–**	**–**	**(54,110)**	**–**	**(54,110)**
Other changes in the year	**–**	**–**	**–**	**–**	**9,966**	**36,046**	**(9,271)**	**1,532,354**	**(80,431)**	**1,488,665**	**12,007**	**1,500,673**
BALANCE, MARCH 31, 2014	**$724,930**	**$972,664**	**$5,258,611**	**$ (1,015)**	**$142,204**	**$115,465**	**$(66,905)**	**$1,515,103**	**$(80,431)**	**$8,580,626**	**$246,572**	**$8,827,199**

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements Consolidated Statement of Cash Flows

Dentsu Inc. and Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 63,310	¥ 81,172	$ 788,694
Adjustments for:			
Income taxes—paid	(19,969)	(37,948)	(368,722)
Depreciation and amortization	12,928	32,298	313,823
Impairment loss	665	2,403	23,355
Amortization of goodwill—net	5,625	27,029	262,625
Foreign exchange loss—net	4,247	857	8,331
Equity in earnings of affiliated companies	(2,202)	(3,764)	(36,574)
(Increase) decrease in notes and accounts receivable—trade	22,985	(101,318)	(984,443)
(Increase) decrease in inventories	(1,346)	738	7,179
Increase (decrease) in notes and accounts payable—trade	(3,787)	79,419	771,666
Increase (decrease) in allowance for doubtful accounts	(879)	(424)	(4,126)
Increase (decrease) in liability for retirement benefits	3,577	3,591	34,900
(Increase) decrease in other current assets	(5,364)	4,277	41,558
Increase (decrease) in other current liabilities	12,670	9,576	93,043
Other—net	(9,166)	(368)	(3,576)
Total adjustments	19,985	16,368	159,041
Net cash provided by operating activities	83,295	97,540	947,735
INVESTING ACTIVITIES (Note 3):			
Payments for purchases of property, plant and equipment	(3,834)	(7,743)	(75,236)
Proceeds from sales of property, plant and equipment	568	2,492	24,215
Payments for purchases of investment securities	(27,577)	(3,788)	(36,807)
Proceeds from sales of investment securities	26,007	12,038	116,972
Payments for purchases of software	(7,293)	(11,170)	(108,540)
Payments for loans	(145)	(98)	(958)
Proceeds from collection of loans	227	634	6,160
Payments for the purchases of consolidated subsidiaries	(13,457)	(314,321)	(3,054,041)
Payments for the purchase of investments in subsidiaries resulting in change in scope of consolidation	(16,034)	(7,407)	(71,968)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	3	16,487	160,194
Payments for purchases of long-term prepaid expenses	(3,237)	(4,501)	(43,737)
Other—net	(6,464)	(707)	(6,877)
Net cash used in investing activities	(51,236)	(318,087)	(3,090,625)
FINANCING ACTIVITIES (Note 3):			
Increase (decrease) in short-term borrowings—net	(960)	4,769	46,342
Proceeds from long-term debt	30,000	224,001	2,176,465
Repayments of long-term debt	(25,901)	(33,506)	(325,559)
Redemption of bonds	—	(77,688)	(754,840)
Proceeds from issuance of common shares	—	31,285	303,978
Payments for repurchase of treasury stock	(7)	(29)	(287)
Proceeds from disposal of treasury shares	2	88,723	862,061
Dividends paid to shareholders	(7,972)	(8,600)	(83,563)
Dividends paid to minority shareholders	(540)	(2,195)	(21,332)
Other—net	29	(233)	(2,266)
Net cash provided by (used in) financing activities	(5,349)	226,526	2,200,998
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	3,905	13,569	131,844
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,616	19,549	189,952
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	175,956	207,578	2,016,893
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	1,006	—	—
CASH AND CASH EQUIVALENTS, END OF YEAR	¥207,578	¥227,128	$2,206,845

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Dentsu Inc. and Consolidated Subsidiaries
Year ended March 31, 2014

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Japanese yen figures less than a million yen are rounded down to the nearest million yen and U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Dentsu Inc. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.92 to $1, the rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements at March 31, 2014, include the accounts of the Company and its 657 (656 in 2013) significant subsidiaries (collectively, the "Group").

Investments in 59 (56 in 2013) affiliated companies are accounted for by the equity method.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The excesses of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition are amortized over an estimated effective period, from 5 to 20 years, or if immaterial, are charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America ("U.S. GAAP") tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: a) amortization of goodwill; b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; c) expensing capitalized development costs of research and development (R&D); d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and e) exclusion of minority interests from net income, if contained in net income.

c. Unification of Accounting Policies Applied to Foreign Affiliated Companies for the Equity Method — In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the affiliate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign affiliated companies in accordance with either International Financial Reporting Standards or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and 5) exclusion of minority interests from net income, if contained in net income.

d. Business Combinations — In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. (2) In-process R&D costs acquired in a business combination are capitalized as an intangible asset. (3) The acquirer recognizes the bargain purchase gain in profit immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

e. Cash Equivalents — Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

f. Inventories — Inventories are stated at cost, substantially determined by the specific identification method or net selling value.

g. Marketable and Investment Securities — Marketable and investment securities are classified and accounted for, depending on management's intent, as either (1) held-to-maturity debt securities, for which management has the positive intent and ability to hold to maturity, are reported at amortized cost, or (2) available-for-sale securities, which are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined mainly by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

h. Allowance for Doubtful Accounts — The allowance for doubtful accounts is stated in amounts considered to be appropriate based on past credit loss experience and an evaluation of potential losses in the receivables outstanding.

i. Property, Plant and Equipment — Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, and most property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 3 to 100 years for buildings and structures, and from 2 to 20 years for furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

j. Long-Lived Assets — The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. Intangible Assets — Intangible assets are carried at cost less accumulated amortization, which is calculated by the straight-line method.

Software for sale to the market is amortized in proportion to the actual sales of the software during the current year to the estimated total sales over the estimated salable years of the software, or at the amount to be amortized by the straight-line method over the estimated salable years, not exceeding 3 years.

Software for internal use is amortized by the straight-line method over the estimated useful lives, principally over 5 years.

l. Land Revaluation — Under the "Law of Land Revaluation," the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information at March 31, 2001. The resulting increase in land revaluation difference represents unrealized appreciation of land and is stated, net of applicable taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account and related deferred tax liabilities.

m. Retirement and Pension Plans — The Company and certain consolidated subsidiaries have defined benefit pension plans for employees. Some consolidated subsidiaries have defined contribution pension plans.

The Group accounts for the liability for employees' retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. Certain subsidiaries applied the simplified method for accounting for defined retirement benefit plans, which is allowed for a specified small-sized entity under Japanese GAAP.

Retirement benefits for directors and Audit & Supervisory Board members are provided at the amount which would be required if all directors and Audit & Supervisory Board members retired at the consolidated balance sheet date.

(Accounting change)

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 2.v).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of the fiscal year beginning on or after April 1, 2013, and for (c) above are effective for the beginning of the fiscal year beginning on or after April 1, 2014, or for the beginning of the fiscal year beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of the fiscal year beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, asset for employees' retirement benefits of ¥5,841 million ($56,754 thousand), which is included in "Other assets" among the INVESTMENTS AND OTHER ASSETS, and liability for employees' retirement benefits of ¥56,301 million ($547,040 thousand), which is included in "Liability for retirement benefits" among the LONG-TERM LIABILITIES, were recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥8,277 million ($80,431 thousand).

n. Asset Retirement Obligations — In March 2008, the ASBJ published ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

o. Stock Options — ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

p. Leases — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee to be measured at the amount of obligations under finance leases less interest expense at the transition date and recorded as acquisition cost of lease assets.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the amount of obligations under finance leases less interest expense at the transition date.

All other leases are accounted for as operating leases.

q. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

r. Foreign Currency Transactions — All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

s. Foreign Currency Financial Statements — The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

t. Derivatives and Hedging Activities — The Group uses derivative financial instruments, such as foreign exchange forward contracts, currency option contracts and interest rate swaps, to manage its exposures to fluctuations in foreign currency exchange risks and interest rate risk. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives (except for those described below as (2)) are recognized as either assets or liabilities and measured at fair value, with gains and losses recognized in the consolidated statement of income, and (2) if derivatives qualify for hedge accounting, because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts and currency option contracts utilized by the Company and certain consolidated subsidiaries are measured at market value at the consolidated balance sheet date, and the unrealized gains or losses are deferred until the underlying transactions or settlements are completed.

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.

u. Per Share Information — Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

v. New Accounting Pronouncements

Accounting Standard for Retirement Benefits — On May 17, 2012, the ASBJ issued a revised accounting standard and a guidance for retirement benefits, ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits."

The revised accounting standard made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for the above amendments are effective for the beginning of the fiscal year beginning on or after April 1, 2014, or for the beginning of the fiscal year beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of the fiscal year beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the above amendments of the revised standard from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

Accounting Standards for Business Combinations and Consolidated Financial Statements — On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on

Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

Presentation of the consolidated statement of income

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income " under the revised accounting standard, and "net income " under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest, " "acquisition-related costs " and "presentation changes in the consolidated financial statements" are effective for the beginning of the fiscal year beginning on or after April 1, 2015. Earlier application is permitted from the beginning of the fiscal year beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest " and "acquisition-related costs, " accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest " and "acquisition-related costs " which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest " and "acquisition-related costs " shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination " are effective for a business combination which will occur on or after the beginning of the fiscal year beginning on or after April 1, 2015. Earlier application is permitted for a business combination which will occur on or after the beginning of the fiscal year beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the fiscal year beginning on April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. CHANGES IN PRESENTATION

Consolidated Balance Sheet

"Customer relationships" which was included in "Intangible assets" among the INVESTMENTS AND OTHER ASSETS section in the fiscal year ended March 31, 2013, has been disclosed separately because its materiality of amount has increased.

The amount of "Customer relationships" which was disclosed as "Intangible assets" in the fiscal year ended March 31, 2013, was ¥24,295 million.

"Long-term payables" which was disclosed separately among the LONG-TERM LIABILITIES section in the fiscal year ended March 31, 2013, has been included in "Other long-term liabilities" because its materiality of amount has decreased.

The amount of "Long-term payables" which was disclosed separately in the fiscal year ended March 31, 2013, was ¥41,750 million.

Consolidated Statement of Income

"Purchase discounts" which was included in "Other" among the OTHER INCOME (EXPENSES) section in the fiscal year ended March 31, 2013, has been disclosed separately because its materiality of amount has increased.

The amount of "Purchase discounts" which was disclosed as "Other" in the fiscal year ended March 31, 2013, was ¥696 million.

Consolidated Statement of Cash Flows

"Payments for currency option contracts" which was disclosed separately among the INVESTING ACTIVITIES section in the fiscal year ended March 31, 2013, has been included in "Other—net" because its materiality of amount has decreased.

The amount of "Payments for currency option contracts" which was disclosed separately in the fiscal year ended March 31, 2013, was ¥5,243 million.

"Payments for sales of investments in subsidiaries resulting in change in scope of consolidation" which was disclosed separately among the INVESTING ACTIVITIES section in the fiscal year ended March 31, 2013, has been included in "Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation" as a result of the review of the presentation.

The amount of "Payments for sales of investments in subsidiaries resulting in change in scope of consolidation" which was disclosed separately in the fiscal year ended March 31, 2013, was ¥24 million, while "Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation" was ¥28 million, resulting in a net amount of ¥3 million.

"Proceeds from disposal of treasury shares" which was included in "Other—net" among the FINANCING ACTIVITIES section in the fiscal year ended March 31, 2013, has been disclosed separately because its materiality of amount has increased.

The amount of "Proceeds from disposal of treasury shares" which was disclosed as "Other—net" in the fiscal year ended March 31, 2013, was ¥2 million.

4. BUSINESS COMBINATIONS

a. Details and amounts of significant adjustments to the initial allocation of acquisition cost

At March 31, 2013, the purchase price allocation of Dentsu Aegis Network Ltd. was not finalized because recognition and fair value measurement of acquired assets and assumed liabilities were not completed, and the Company provisionally accounted for the business combination on the basis of the information which was available and reasonable on the date of preparing the consolidated financial statements.

Revised amount of goodwill after adjustments of purchase price allocation is as follows:

	Adjustment in goodwill	
Adjusted account	Millions of Yen	Thousands of U.S. Dollars
Goodwill (before adjustments)	**519,076**	**5,043,494**
Customer relationships	**(130,995)**	**(1,272,790)**
Intangible assets—Other	**(37,670)**	**(366,016)**
Deferred tax liabilities	**32,963**	**320,283**
Other	**(1,338)**	**(13,008)**
Total adjustments	**(137,041)**	**(1,331,532)**
Goodwill (after adjustments)	**382,035**	**3,711,962**

b. Amount of goodwill generated, its method of amortization and amortization period

(1) Amount of goodwill

¥382,035 million (GBP2,949 million) ($3,711,962 thousand)

(2) Reason generated

As the acquisition cost exceeded the net amount of assets acquired and liabilities assumed, the excess amount was regarded as goodwill.

(3) Method of amortization and amortization period

Goodwill is amortized using the straight-line method over 20 years.

5. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2013 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
Current:			
Equity securities	—	**—**	**—**
Debt securities	—	**—**	**—**
Other	¥ 116	**¥ 512**	**$ 4,974**
Total	¥ 116	**¥ 512**	**$ 4,974**
Non-current:			
Equity securities	¥83,856	**¥78,367**	**$761,442**
Debt securities	752	**705**	**6,850**
Other	925	**1**	**10**
Total	¥85,534	**¥79,073**	**$768,302**

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2013 and 2014, were as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥25,167	¥20,812	¥(373)	¥45,607
Debt securities	45	7	—	52
Other	500	17	—	517
Held-to-maturity	700	—	(28)	671

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥21,107**	**¥20,757**	**¥(112)**	**¥41,752**
Debt securities	**5**	**0**	**—**	**5**
Other	**500**	**12**	**—**	**512**
Held-to-maturity	**700**	**—**	**(16)**	**683**

	Thousands of U.S. Dollars			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$205,086**	**$201,686**	**$(1,096)**	**$405,676**
Debt securities	**48**	**0**	**—**	**49**
Other	**4,858**	**116**	**—**	**4,974**
Held-to-maturity	**6,801**	**—**	**(159)**	**6,642**

The information of available-for-sale securities which were sold during the years ended March 31, 2013 and 2014, was as follows:

	Millions of Yen		
March 31, 2013	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥23,977	¥13,270	¥(23)
Debt securities	—	—	—
Other	—	—	—
Total	¥23,977	¥13,270	¥(23)

	Millions of Yen		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥10,782**	**¥4,692**	**¥(16)**
Debt securities	**—**	**—**	**—**
Other	**—**	**—**	**—**
Total	**¥10,782**	**¥4,692**	**¥(16)**

	Thousands of U.S. Dollars		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**$104,769**	**$45,594**	**$(165)**
Debt securities	**—**	**—**	**—**
Other	**—**	**—**	**—**
Total	**$104,769**	**$45,594**	**$(165)**

The impairment losses on available-for-sale equity securities for the years ended March 31, 2013 and 2014, were ¥276 million and ¥300 million ($2,920 thousand), respectively.

6. INVENTORIES

Inventories at March 31, 2013 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
Merchandise and finished goods	¥ 49	**¥ 53**	**$ 516**
Works	926	**713**	**6,928**
Work-in-process	12,483	**13,396**	**130,165**
Raw materials and supplies	102	**90**	**877**
Total	¥13,561	**¥14,253**	**$138,487**

7. INVESTMENT PROPERTY

The Group holds some rental properties such as office buildings and land in Tokyo and other areas. The net of rental income and operating expenses for those rental properties for the years ended March 31, 2013 and 2014, was ¥809 million and ¥927 million ($9,012 thousand), respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows.

Millions of Yen			
Carrying Amount			Fair Value
March 31, 2012	Decrease	March 31, 2013	March 31, 2013
¥52,888	¥(871)	¥52,017	¥58,703

Millions of Yen			
Carrying Amount			Fair Value
March 31, 2013	Decrease	**March 31, 2014**	**March 31, 2014**
¥52,017	¥(374)	**¥51,642**	**¥60,262**

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
March 31, 2013	Decrease	**March 31, 2014**	**March 31, 2014**
$505,418	$(3,640)	**$501,777**	**$585,531**

Notes: 1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation.
2) Fair value of properties is mainly measured in evaluations of real estate appraisal value.
3) Real property partially used as rental properties is included.

8. LONG-LIVED ASSETS

At March 31, 2013, the Group reviewed its long-lived assets for impairment, and as a result, recognized an impairment loss of ¥665 million as Other—net among the OTHER INCOME (EXPENSES) section. The recoverable amount of long-term prepaid expenses was measured at its value in use, and the discount rates used for computation of present value of future cash flows were 0.65% and 1.77%. Others were considered to have no recoverable value.

At March 31, 2014, the Group reviewed its long-lived assets for impairment, and as a result, recognized an impairment loss of ¥2,403 million ($23,355 thousand) as Other—net among the OTHER INCOME (EXPENSES) section. The recoverable amount of long-term prepaid expenses was measured at its value in use, and the discount rates used for computation of present value of future cash flows were 1.44% and 2.95%. The recoverable amount of unutilized assets was measured at net realizable value which was calculated based on the real-estate appraisals. Others were considered to have no recoverable value.

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2013 and 2014, consisted of loans from banks and other financial institutions of ¥21,268 million and ¥30,328 million ($294,679 thousand), respectively.

The weighted-average interest rates applicable to the borrowings at March 31, 2013 and 2014, were 5.62% and 5.20%, respectively.

Long-term debt at March 31, 2013 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
Loans from banks and other financial institutions, maturing in installments through 2023 bearing weighted-average interest of 1.90% (2013) and 0.91% (2014)			
Collateralized	—	**—**	**—**
Unsecured	¥ 97,214	**¥290,049**	**$2,818,203**
Lease obligations	3,438	**3,537**	**34,368**
Total	¥100,652	**293,586**	**2,852,571**
Less current portion	(27,143)	**(6,454)**	**(62,710)**
Long-term debt, less current portion	¥ 73,508	**¥ 287,132**	**$2,789,861**

Annual maturities of long-term debt, excluding finance leases (see Note 20) at March 31, 2014, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 5,106	$ 49,611
2016	33,241	322,986
2017	33,488	325,379
2018	2,713	26,362
2019	43,879	426,347
2020 and thereafter	171,620	1,667,516
Total	¥290,049	$2,818,203

The carrying amounts of assets pledged as collateral for trade accounts payable of ¥315 million ($3,061 thousand) at March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	**¥116**	**$1,127**
Total	**¥116**	**$1,127**

As is customary in Japan, both short-term and long-term bank loans are made under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request of the bank, and that the bank shall have the right to offset cash deposits against obligations that have become due or, in the event of default, against all obligations due to the bank. At March 31, 2014 , the Group is not in default of its obligations and none of the cash deposits with banks were offset against any recorded obligations.

10. BONDS

Bonds at March 31, 2014, consisted of the following:

Issuer	Bond name	Issue date	Interest rate (%)	Security	Maturity date	Millions of Yen 2013	Millions of Yen 2014	Thousands of U.S. Dollars 2014
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series B	July 28, 2005	5.50	Unsecured	July 28, 2015	¥10,216	**¥ 3,687**	**$ 35,832**
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series C	July 28, 2005	5.65	Unsecured	July 28, 2017	5,627	**—**	**—**
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series A	September 17, 2007	6.06	Unsecured	September 17, 2014	6,493	**8,050**	**78,224**
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series B	September 17, 2007	6.29	Unsecured	September 17, 2017	4,329	**5,268**	**51,189**
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series A	December 17, 2009	6.39	Unsecured	December 17, 2017	5,212	**—**	**—**
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series B	December 17, 2009	6.07	Unsecured	December 17, 2017	1,558	**—**	**—**
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series C	December 17, 2009	6.50	Unsecured	December 17, 2019	14,285	**1,580**	**15,356**
Aegis Group Capital (Jersey) Ltd.	AEGIS GROUP CAPITAL (JERSEY) LIMITED 2.50 PER CENT. GUARANTEED CONVERTIBLE BOND DUE 2015	April 20, 2010	2.50	Unsecured	April 20, 2015	46,207	**—**	**—**
Total	—	—	—	—	—	93,931	**18,587**	**180,602**
Less current portion	—	—	—	—	—	—	**(8,050)**	**(78,224)**
Bonds, less current portion	—	—	—	—	—	¥93,931	**¥10,536**	**$102,378**

Notes: 1) Dentsu Aegis Network Ltd. conducted early redemptions of $233 million in total of its Senior Unsecured Notes Series B whose maturity date was July 28, 2015, and Senior Unsecured Notes Series C whose maturity date was December 17, 2019, on April 25, 2013, due to the change in controlling shareholders.
2) Dentsu Aegis Network Ltd. conducted early redemptions of the entire amount of its Senior Unsecured Notes Series C whose maturity date was July 28, 2017, and Senior Unsecured Notes Series A and B whose maturity date was December 17, 2017, on April 25, 2013, due to the change in controlling shareholders.
3) The all convertible bond shown above was redeemed by the Company on April 17, 2013, due to the change in controlling shareholders.

The repayment schedule of bonds at March 31, 2014, was as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 8,050	$ 78,224
2016	3,687	35,832
2017	—	—
2018	5,268	51,189
2019	—	—
2020 and thereafter	1,580	15,356
Total	¥18,587	$180,602

11. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have defined benefit pension plans. Some consolidated subsidiaries have defined contribution pension plans.

Certain subsidiaries applied the simplified method for accounting for defined retirement benefit plans, which is allowed for a specified small-sized entity under Japanese GAAP.

The Company and certain consolidated subsidiaries have offered an early retirement program to their employees. The program provides additional benefit payments for employees who elect early retirement benefit before the mandatory retirement age of 60. Related expenses for the years ended March 31, 2013 and 2014, which are recognized when the employees accept the offer and the amount can be reasonably estimated, were ¥1,777 million and ¥1,908 million ($18,545 thousand), respectively, which were included in Other—net among the OTHER INCOME (EXPENSES) in the consolidated statement of income.

The liability for retirement benefits at March 31, 2013 and 2014, for directors and Audit & Supervisory Board members was ¥378 million and ¥272 million ($2,649 thousand), respectively, which was included in Liability for retirement benefits among the LONG-TERM LIABILITIES in the consolidated balance sheet. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders.

Year Ended March 31, 2013

The liability for retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥159,755
Fair value of plan assets	(105,354)
Unrecognized prior service cost	8,191
Unrecognized actuarial loss	(28,178)
Net liability	34,413
Prepaid pension cost	7,902
The liability for employees' retirement benefits	¥ 42,316

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen
Service cost	¥ 7,408
Interest cost	3,019
Expected return on plan assets	(1,205)
Recognized actuarial loss	3,709
Amortization of prior service benefits	(1,019)
Contributions for defined contribution pension plans	869
Net periodic benefit costs	12,781
Expenses for early retirement program	1,777
Total	¥14,559

Assumptions used for the year ended March 31, 2013, were set forth as follows:

Discount rate	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.5%
Amortization period of prior service cost	Mainly 17 years
Recognition period of actuarial gain/loss	Mainly 17 years

Year Ended March 31, 2014

a. Defined benefit pension plans (excluding plans for which the simplified method is applied)

1. The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	**¥155,219**	**$1,508,158**
Current service cost	**7,171**	**69,681**
Interest cost	**3,100**	**30,126**
Actuarial losses	**3,761**	**36,548**
Benefits paid	**(7,124)**	**(69,227)**
Others	**146**	**1,424**
Balance at end of year	**¥162,275**	**$1,576,711**

2. The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	**¥103,552**	**$1,006,141**
Expected return on plan assets	**1,324**	**12,866**
Actuarial losses	**8,777**	**85,288**
Contributions from the employer	**3,318**	**32,245**
Benefits paid	**(3,089)**	**(30,016)**
Others	**306**	**2,978**
Balance at end of year	**¥114,190**	**$1,109,503**

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the year ended March 31, 2014, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥149,830	$1,455,793
Plan assets	(114,190)	(1,109,503)
	35,640	346,289
Unfunded defined benefit obligation	12,444	120,917
Net liability arising from defined benefit obligation	¥ 48,085	$ 467,207

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥53,926	$523,962
Asset for retirement benefits	5,841	56,754
Net liability arising from defined benefit obligation	¥48,085	$467,207

4. The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 7,171	$ 69,681
Interest cost	3,100	30,126
Expected return on plan assets	(1,324)	(12,866)
Recognized actuarial losses	3,014	29,289
Amortization of prior service cost	(988)	(9,604)
Others	1,908	18,545
Net periodic benefit costs	¥12,882	$125,172

5. Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ (7,164)	$(69,608)
Unrecognized actuarial losses	20,068	194,987
Total	¥12,904	$125,379

6. Plan assets

(1) Components of plan assets

Plan assets consisted of the following:

Debt investments (Japan)	**10%**
Equity investments (Japan)	**49%**
Debt investments (except for Japan)	**5%**
Equity investments (except for Japan)	**9%**
Investment in general accounts managed by life insurance companies	**17%**
Others	**10%**
Total	**100%**

Note: The total includes 49% of a retirement benefit trust to cover defined benefit pension plans and retirement lump-sum plans.

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

7. Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate (weighted average)	**2.0%**
Expected rate of return on plan assets (weighted average)	**2.5%**

b. Defined benefit pension plans for which the simplified method is applied

1. The changes in liability for retirement benefits for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	**¥2,733**	**$26,558**
Net periodic benefit costs	**314**	**3,050**
Benefits paid	**(203)**	**(1,975)**
Contributions from the employer	**(105)**	**(1,025)**
Others	**(363)**	**(3,530)**
Balance at end of year	**¥2,375**	**$23,078**

2. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the year ended March 31, 2014, was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	**¥1,868**	**$18,155**
Plan assets	**(1,139)**	**(11,073)**
	728	**7,081**
Unfunded defined benefit obligation	**1,646**	**15,996**
Net liability arising from defined benefit obligation	**¥2,375**	**$23,078**

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	**¥2,375**	**$23,078**
Net liability arising from defined benefit obligation	**¥2,375**	**$23,078**

3. Net periodic benefit costs

	Millions of Yen	Thousands of U.S. Dollars
Net periodic benefit costs calculated by the simplified method	**¥314**	**$3,050**

c. Defined contribution pension plans

Contribution to defined contribution pension plans and employees' pension funds for the year ended March 31, 2014, was ¥3,607 million ($35,052 thousand).

12. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2013 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Balance at beginning of year	¥852	**¥905**	**$8,800**
Additional provisions associated with the acquisition of property, plant and equipment	53	**40**	**389**
Reduction associated with meeting asset retirement obligations	(0)	**(45)**	**(444)**
Balance at end of year	¥905	**¥900**	**$8,745**

13. NOTES MATURED ON THE CLOSING DATE

Notes matured on the closing date are settled on the closing date. Although the last day of the year ended March 31, 2013, was bank holidays, notes which matured on the closing date were treated as if they were settled on the date. Notes matured on the closing date for the year ended March 31, 2013, were as follows.

	Millions of Yen
	2013
Receivables—Trade notes	¥1,793
Payables—Trade notes	1,251

14. EQUITY

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at anytime during the fiscal year if the company has prescribed so in its articles of incorporation. The company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On July 29, 2013, the Company issued and publicly offered 8,000,000 shares at ¥3,059.4 per share, and disposed of 29,000,000 treasury stocks at ¥3,059.4 per share. The amounts of the issuance of shares and the disposal of treasury stocks were in total ¥24,475 million ($237,808 thousand) and ¥88,722 million ($862,054 thousand), respectively.

On August 27, 2013, the Company also issued 2,226,000 shares to a third party at ¥3,059.4 per share through over-allotment. The amount of the issuance of shares was in total ¥6,810 million ($66,170 thousand).

15. STOCK OPTIONS

There were no stock options for the years ended March 31, 2013 and 2014.

16. OTHER INCOME (EXPENSES)

Other—net for the years ended March 31, 2013 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Amortization of long-term prepaid expenses	¥ (2,048)	**¥(2,594)**	**$(25,210)**
Impairment loss on long-lived assets	(665)	**(2,403)**	**(23,355)**
Gain on sales of noncurrent assets	420	**931**	**9,049**
Loss on sales of noncurrent assets	(21)	**(182)**	**(1,777)**
Loss on valuation of investment securities	(1,120)	**(3,087)**	**(29,994)**
Expenses for early retirement program	(1,777)	**(1,908)**	**(18,545)**
Other	(5,415)	**185**	**1,805**
Other—net	¥(10,628)	**¥(9,059)**	**$(88,027)**

17. SUPPLEMENTAL CASH FLOW INFORMATION

Acquisition of Consolidated Subsidiaries

Acquisition cost and net payments for assets and liabilities of Dentsu Aegis Network Ltd., a newly consolidated subsidiary acquired through stock purchase, for the year ended March 31, 2013, were as follows:

	Millions of Yen
Current assets	¥424,795
Noncurrent assets	53,775
Goodwill	519,076
Current liabilities	(477,468)
Long-term liabilities	(154,460)
Minority interests	(598)
Acquisition cost of Dentsu Aegis Network Ltd.'s stocks	365,119
Cash and cash equivalents	(56,244)
Due to former Dentsu Aegis Network Ltd. shareholders	(295,401)
Net payments for the acquisition	¥ 13,474

Note: At March 31, 2013, the purchase price allocation of Dentsu Aegis Network Ltd. was not finalized, and the Company provisionally accounted for the business combination. The purchase price allocation has been finalized during the year ended March 31, 2014. Please see Note 4 for more details.

There was no significant acquisition of newly consolidated subsidiaries for the year ended March 31, 2014.

18. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38% for the years ended March 31, 2013 and 2014.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities at March 31, 2013 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
Deferred tax assets:			
Accrued pension and severance costs	¥ 40,361	**¥ 46,373**	**$ 450,574**
Accrued expenses	10,005	**11,549**	**112,220**
Write-down of marketable and investment securities	4,372	**3,297**	**32,041**
Tax loss carryforwards	10,761	**8,172**	**79,408**
Other	10,241	**13,858**	**134,648**
Less valuation allowance	(8,694)	**(14,792)**	**(143,731)**
Total	¥ 67,048	**¥ 68,458**	**$ 665,161**
Deferred tax liabilities:			
Gain on contribution of securities to the employee retirement benefit trust	¥(16,556)	**¥(16,539)**	**$ (160,701)**
Unrealized gain on available for sale securities	(6,023)	**(6,798)**	**(66,060)**
Valuation of intangible assets related to business combinations	(7,217)	**(45,822)**	**(445,228)**
Deferred gain on derivatives under hedge accounting	(4,973)	**(5,498)**	**(53,429)**
Other	(2,637)	**(4,592)**	**(44,622)**
Total	¥(37,408)	**¥(79,252)**	**$(770,042)**
Net deferred tax assets (liabilities)	¥ 29,639	**¥(10,794)**	**$(104,880)**

The tax effects of land revaluation at March 31, 2013 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2014	2014
Deferred tax assets on land revaluation	¥ 7,919	**¥ 7,919**	**$76,952**
Less valuation allowance	(7,919)	**(7,919)**	**(76,952)**
Total	—	**—**	**—**
Deferred tax liabilities on land revaluation	(9,038)	**(8,501)**	**(82,603)**
Net deferred tax liabilities on land revaluation difference	¥(9,038)	**¥(8,501)**	**$(82,603)**

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2014, was as follows:

	2014
Normal effective statutory tax rate	**38.0%**
Expenses not deductible for income tax purposes	**2.0**
Tax-exempt dividends received	**(1.6)**
Amortization of goodwill	**12.7**
Equity in earnings of affiliated companies	**(1.8)**
Effect of the tax rate reduction	**0.3**
Other—net	**(0.7)**
Actual effective tax rate	**49.0%**

For the year ended March 31, 2013, the difference between the normal effective statutory tax rate and the actual effective tax rate after the application of deferred tax accounting was less than 5% of the normal effective statutory tax rate. Accordingly, disclosure of the reconciliation has been omitted.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38% to 36%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥440 million ($4,275 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥695 million ($6,762 thousand).

19. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,747 million and ¥1,073 million ($10,432 thousand) for the years ended March 31, 2013 and 2014, respectively.

20. LEASES

The Group leases certain structures, computer equipment and other assets.

Obligations under finance leases and future minimum payments under noncancelable operating leases were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2014		2014	
	Finance leases	Operating leases	Finance leases	Operating leases	Finance leases	Operating leases
Due within one year	¥1,273	¥12,580	**¥1,348**	**¥14,983**	**$13,098**	**$145,588**
Due after one year	2,164	63,440	**2,189**	**68,357**	**21,269**	**664,179**
Total	¥3,438	¥76,021	**¥3,537**	**¥83,341**	**$34,368**	**$809,768**

21. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Group policy for financial instruments

The Group uses financial instruments, mainly short-term cash deposits, as fund management and bank loans as fund-raising. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in b. below.

b. Nature and extent of risks arising from financial instruments

The Group seeks to reduce risks related to trade notes and trade accounts receivables which are exposed to customer credit risk in accordance with internal credit management guidelines. Marketable and investment securities, such as held-to-maturity securities and equity instruments of customers, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Bank loans are used for operations (mainly short-term), capital investments, treasury stocks and new investments (mainly long-term). As some of these loans are at floating rates and exposed to interest rate risks, the Company enters into interest rate swaps to fix the cash outflow. Additionally, Dentsu Aegis Network Ltd. and its subsidiaries use interest rate swaps and cross currency interest rate swaps to hedge market risks resulting from fluctuations in interest rates and foreign currency exchange rates of receivables and payables.

Foreign currency receivables and payables are exposed to market risks resulting from fluctuations in foreign currency exchange rates, and the Group uses forward foreign currency contracts to hedge these risks in principle.

Derivatives mainly include forward foreign currency contracts and interest rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank loans. Please see Note 23 for more details about derivatives.

c. Risk management for financial instruments

Credit risk management

The Company manages its credit risk on the basis of internal credit management guidelines. Controlling balances and maturity dates of receivables of each client through cooperation between each administration and accounting departments in accordance with internal accounting guidelines, and monitoring the financial condition of main clients on a regular basis, the Group seeks to improve collectability of trade receivables affected by deterioration in financial conditions and to recognize such situations earlier. The consolidated subsidiaries also manage credit and debt collection, and apply a management system which requires them to report to and to obtain approval from the Company for certain important transactions and events.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. The Company enters into foreign currency forward contracts to hedge such foreign exchange risk.

Interest rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables.

Additionally, Dentsu Aegis Network Ltd. and its subsidiaries use interest rate swaps and cross currency interest rate swaps to hedge market risks resulting from fluctuations in interest rates and in foreign currency exchange rates of receivables and payables.

Marketable and investment securities are managed by monitoring market prices and the financial position of issuers on a regular basis and market prices of listed stocks are measured quarterly.

Derivative transactions are prohibited for the purpose of short-term trading and speculation. These transactions are conducted in specified ranges based upon actual demand. All derivative transactions are required to be approved by the manager in charge of the cash management department before and after the transactions. In addition, all derivative transactions are reported to and approved by the manager in charge of the accounting department on a regular basis. The Company uses hedging transactions to manage exposure to market risks from changes in foreign currency exchange rates and interest rates when the terms of the transactions exceed a certain period of time. These transactions are required to be approved by the director of accounting before and after the transactions. Such reporting and approval requirements to and by the manager of the accounting department are also facilitated in the management system of Dentsu Aegis Network Ltd.

Liquidity risk management

The Company manages its liquidity risk by ensuring adequate funding through planning and managing funding plans based on reports from each department.

d. Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. This fair value may sometimes change as the computation of the price includes variable factors and the Group adopts a different premise. Amounts of derivative contracts, which are noted in Note 23, do not indicate market risks.

(1) Fair value of financial instruments

Carrying amounts, fair values and unrealized gains (losses) at March 31, 2013 and 2014, were as follows.

Financial instruments whose quoted value is not available are not included in the following:

	Millions of yen		
March 31, 2013	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash, cash equivalents and time deposits over three months	¥ 208,356	¥ 208,356	–
Receivables–notes and accounts	816,251	816,251	–
Marketable and investment securities	76,510	77,405	¥ 894
Total	¥ 1,101,118	¥ 1,102,012	¥ 894
Short-term borrowings	¥ 21,268	¥ 21,268	–
Payables–notes and accounts	785,377	785,377	–
Bonds	93,931	93,931	–
Long-term debt (except for lease obligations)	97,214	100,421	¥(3,207)
Total	¥ 997,791	¥1,000,998	¥(3,207)
Derivatives	¥ 15,129	¥ 15,052	¥ (76)

	Millions of yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash, cash equivalents and time deposits over three months	**¥ 228,129**	**¥ 228,129**	**–**
Receivables–notes and accounts	**1,033,955**	**1,033,955**	**–**
Marketable and investment securities	**73,074**	**111,277**	**¥38,203**
Total	**¥1,335,159**	**¥1,373,362**	**¥38,203**
Short-term borrowings	**¥ 30,328**	**¥ 30,328**	**–**
Payables–notes and accounts	**989,805**	**989,805**	**–**
Bonds	**18,587**	**19,989**	**¥ (1,402)**
Long-term debt (except for lease obligations)	**290,049**	**293,085**	**(3,035)**
Total	**¥1,328,770**	**¥1,333,208**	**¥ (4,437)**
Derivatives	**¥ 6,379**	**¥ 5,198**	**¥ (1,181)**

	Thousands of U.S. Dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain (Loss)
Cash, cash equivalents and time deposits over three months	**$2,216,571**	**$ 2,216,571**	**–**
Receivables–notes and accounts	**10,046,208**	**10,046,208**	**–**
Marketable and investment securities	**710,010**	**1,081,204**	**$371,194**
Total	**$12,972,790**	**$13,343,984**	**$371,194**
Short-term borrowings	**$ 294,679**	**$ 294,679**	**–**
Payables–notes and accounts	**9,617,228**	**9,617,228**	**–**
Bonds	**180,602**	**194,225**	**$ (13,622)**
Long-term debt (except for lease obligations)	**2,818,203**	**2,847,701**	**(29,497)**
Total	**$12,910,714**	**$12,953,835**	**$ (43,120)**
Derivatives	**$ 61,984**	**$ 50,505**	**$ (11,478)**

Cash, cash equivalents and time deposits over three months, and receivables—notes and accounts

The carrying values of cash, cash equivalents and time deposits over three months, and receivables—notes and accounts approximate fair value because of their short maturities.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Securities whose quoted value is not available and whose fair value cannot be estimated are not included. Investments in subsidiaries and affiliates which have quoted prices are accounted for by the equity method. Fair value information for marketable and investment securities by classification is included in Note 5.

Payables and short-term borrowings

The carrying values of payables and short-term borrowings approximate fair value because of their short maturities.

Long-term debt (except for lease obligations)

Long-term debt (except for lease obligations) includes the current portion of long-term debt (except for lease obligations). The fair value of long-term debt (except for lease obligations) is determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Bonds

Bonds include the current portion of bonds.

In the fiscal year ended March 31, 2013, the bonds were scheduled to be purchased and redeemed by the Company, and their fair values were measured at their scheduled redemption amounts.

In the fiscal year ended March 31, 2014, the fair values of bonds are determined by discounting the total principal and interest over the remaining period by the interest rate that reflects credit risk.

Derivatives

Fair value information for derivatives is included in Note 23.

(2) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
Investments in equity instruments that do not have a quoted market price in an active market	¥38,249	**¥36,615**	**$355,765**
Investments in unconsolidated subsidiaries and affiliated companies	19,224	**23,064**	**224,099**
Investments in limited liability companies	405	**—**	**—**
Other	864	**1,739**	**16,904**

e. Maturity analysis for financial assets and securities with contractual maturities

March 31, 2013	Millions of Yen Due in one year or less	 Due after one year through five years	 Due after five years through ten years	 Due after ten years
Cash, cash equivalents and time deposits over three months	¥ 208,356	—	—	—
Receivables–notes and accounts	815,651	¥ 599	—	—
Marketable and investment securities				
Available-for-sale securities with contractual maturities				
Corporate bonds	47	5	—	—
Other	—	1,200	—	—
Total	¥1,024,055	¥1,804	—	—

March 31, 2014	Millions of Yen Due in one year or less	 Due after one year through five years	 Due after five years through ten years	 Due after ten years
Cash, cash equivalents and time deposits over three months	**¥ 228,129**	**—**	**—**	**—**
Receivables–notes and accounts	**1,033,640**	**¥ 315**	**—**	**—**
Marketable and investment securities				
Available-for-sale securities with contractual maturities				
Corporate bonds	**5**	**—**	**—**	**—**
Other	**500**	**700**	**—**	**—**
Total	**¥1,262,274**	**¥1,015**	**—**	**—**

March 31, 2014	Thousands of U.S. Dollars Due in one year or less	 Due after one year through five years	 Due after five years through ten years	 Due after ten years
Cash, cash equivalents and time deposits over three months	**$ 2,216,571**	**—**	**—**	**—**
Receivables–notes and accounts	**10,043,141**	**$3,066**	**—**	**—**
Marketable and investment securities				
Available-for-sale securities with contractual maturities				
Corporate bonds	**48**	**—**	**—**	**—**
Other	**4,858**	**6,801**	**—**	**—**
Total	**$12,264,619**	**$9,868**	**—**	**—**

Please see Note 9 for annual maturities of long-term debt, Note 10 for repayment schedule of bonds and Note 20 for obligations under finance leases.

22. RELATED PARTY DISCLOSURES

Transaction with related parties:

There were no significant transactions with related parties for the years ended March 31, 2013 and 2014.

Summary of financial data for principal affiliate:

There were no significant affiliates for the years ended March 31, 2013 and 2014.

23. DERIVATIVES

The Group enters into foreign currency forward contracts, currency option contracts and currency swap contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swaps to manage its interest rate exposures on certain liabilities.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with each company regulation which regulates the authorization.

Derivative transactions to which hedge accounting is not applied

	Millions of Yen			
March 31, 2013	Contract Amount	Contract Amount due after One Year	Fair Value	Gain (Loss)
Foreign currency forward contracts:				
Buying U.S.$	¥13,540	¥ 946	¥ 403	¥ 403
Buying EUR	16,413	—	(57)	(57)
Buying CAD	2,280	0	(16)	(16)
Buying AUD	2,713	—	(21)	(21)
Buying SGD	1,356	—	(11)	(11)
Buying Other	6,249	329	67	67
Selling U.S.$	393	—	(12)	(12)
Selling EUR	892	—	(24)	(24)
Selling HKD	1,753	—	(2)	(2)
Selling NZD	1,700	—	10	10
Selling ZAR	507	—	(2)	(2)
Selling Other	482	—	5	5
Currency option contracts:				
Buying call option U.S.$	¥ 245	—	¥ 29	¥ 29
(Option fee)	(7)			
Buying call option EUR	83	—	31	31
Selling put option U.S.$	231	—	7	7
(Option fee)	(7)			
Selling call option EUR	83	—	(25)	(25)
Interest rate swaps:				
(fixed rate receipt, floating rate payment)	¥15,844	¥15,844	¥ 2,498	¥ 2,498
Acquisition option derivatives:				
Acquisition of shares put option	—	—	¥(1,447)	¥(1,447)

	Millions of Yen			
March 31, 2014	Contract Amount	Contract Amount due after One Year	Fair Value	Gain (Loss)
Foreign currency forward contracts:				
Buying U.S.$	**¥3,888**	**¥413**	**¥ 305**	**¥ 305**
Buying EUR	**20**	**—**	**0**	**0**
Buying AUD	**7,046**	**—**	**(35)**	**(35)**
Buying NZD	**1,555**	**—**	**(5)**	**(5)**
Buying RUB	**1,894**	**—**	**2**	**2**
Buying Other	**4,376**	**113**	**(76)**	**(76)**
Selling U.S.$	**51**	**—**	**1**	**1**
Selling EUR	**83**	**—**	**0**	**0**
Selling HKD	**3,429**	**—**	**45**	**45**
Selling NZD	**2,216**	**—**	**38**	**38**
Selling RUB	**1,889**	**—**	**(2)**	**(2)**
Selling Other	**2,399**	**—**	**75**	**75**
Currency option contracts:				
Buying call option U.S.$	**¥ 204**	**—**	**(2)**	**(2)**
(Option fee)	**(6)**			
Buying call option EUR	**87**	**—**	**30**	**30**
Selling put option U.S.$	**191**	**—**	**6**	**6**
(Option fee)	**(6)**			
Selling call option EUR	**87**	**—**	**(30)**	**(30)**
Acquisition option derivatives:				
Acquisition of shares put option	**—**	**—**	**¥(6,022)**	**¥(6,022)**

	Thousands of U.S. Dollars			
March 31, 2014	Contract Amount	Contract Amount due after One Year	Fair Value	Gain (Loss)
Foreign currency forward contracts:				
Buying U.S.$	**$37,784**	**$4,019**	**$ 2,969**	**$ 2,969**
Buying EUR	**195**	**—**	**5**	**5**
Buying AUD	**68,468**	**—**	**(348)**	**(348)**
Buying NZD	**15,109**	**—**	**(50)**	**(50)**
Buying RUB	**18,408**	**—**	**29**	**29**
Buying Other	**42,524**	**1,102**	**(741)**	**(741)**
Selling U.S.$	**504**	**—**	**16**	**16**
Selling EUR	**809**	**—**	**0**	**0**
Selling HKD	**33,317**	**—**	**441**	**441**
Selling NZD	**21,535**	**—**	**371**	**371**
Selling RUB	**18,357**	**—**	**(20)**	**(20)**
Selling Other	**23,316**	**—**	**728**	**728**
Currency option contracts:				
Buying call option U.S.$	**$ 1,985**	**—**	**(26)**	**(26)**
(Option fee)	**(62)**			
Buying call option EUR	**852**	**—**	**297**	**297**
Selling put option U.S.$	**1,855**	**—**	**62**	**62**
(Option fee)	**(62)**			
Selling call option EUR	**852**	**—**	**(297)**	**(297)**
Acquisition option derivatives:				
Acquisition of shares put option	**—**	**—**	**$(58,514)**	**$(58,514)**

Derivative transactions to which hedge accounting is applied

	Millions of Yen			
March 31, 2013	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.$	Payables	¥49,123	¥39,414	¥8,959
Buying GBP		44,138	—	4,147
Currency option contracts:				
Buying call option U.S.$	Payables	¥ 1,091	—	¥ 115
(Option fee)		(26)		
Selling put option U.S.$	Payables	1,034	—	20
(Option fee)		(26)		
Currency swap contracts:				
U.S.$ receipt, EUR payment	Long-term debt	¥ 4,329	¥ 4,329	¥ 456
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt	¥15,750	—	¥ (76)

		Millions of Yen		
March 31, 2014	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.$	**Payables**	**¥ 40,115**	**¥31,072**	**¥12,805**
Currency option contracts:				
Buying call option U.S.$	**Payables**	**¥ 1,767**	**—**	**¥ (10)**
(Option fee)		**(48)**		
Selling put option U.S.$	**Payables**	**1,660**	**—**	**27**
(Option fee)		**(48)**		
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	**Long-term debt**	**¥90,000**	¥90,000	**¥ (1,181)**
(fixed rate payment, floating rate receipt)	**Long-term debt**	**84,312**	84,312	**(902)**
(floating rate payment, fixed rate receipt)	**Bonds**	**1,580**	1,580	**128**

		Thousands of U.S. Dollars		
March 31, 2014	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Foreign currency forward contracts:				
Buying U.S.$	**Payables**	**$389,777**	**$ 301,911**	**$124,417**
Currency option contracts:				
Buying call option U.S.$	**Payables**	**$ 17,174**	**—**	**$ (103)**
(Option fee)		**(470)**		
Selling put option U.S.$	**Payables**	**16,136**	**—**	**264**
(Option fee)		**(470)**		
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	**Long-term debt**	**$874,465**	**$ 874,465**	**$ (11,478)**
(fixed rate payment, floating rate receipt)	**Long-term debt**	**819,199**	**819,199**	**(8,769)**
(floating rate payment, fixed rate receipt)	**Bonds**	**15,359**	**15,359**	**1,252**

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Currency option contracts are zero cost options.

Interest rate swap transactions applied to bonds are accounted for by fair value hedge accounting. This applies to transactions by subsidiaries outside Japan which adopt International Financial Reporting Standards (IFRS).

24. CONTINGENT LIABILITIES

a. Contingent liabilities

At March 31, 2014, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of loans or other liabilities	**¥1,671**	**$16,244**

b. Lawsuits

The Company was sued for compensation related to a fictitious order in the Company name or a partnership name by a former employee of the Company that occurred in the Company's partnership business for operation of a live music club.

With respect to the lawsuit, the Company has reached a conciliatory agreement with the plaintiffs. Accordingly, the relevant contingent liabilities have been eliminated in the fiscal year ended March 31, 2014.

25. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2014**	**2014**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 17,087	**¥ 3,287**	**$ 31,946**
Reclassification adjustments to profit or loss	(12,882)	**(3,019)**	**(29,333)**
Amount before income tax effect	4,205	**268**	**2,612**
Income tax effect	(2,404)	**(714)**	**(6,939)**
Total	¥ 1,800	**¥ (445)**	**$ (4,326)**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year	¥40,203	**¥ 5,460**	**$ 53,058**
Reclassification adjustments to profit or loss	(26,247)	**(1,402)**	**(13,628)**
Amount before income tax effect	13,955	**4,058**	**39,429**
Income tax effect	(5,303)	**(376)**	**(3,653)**
Total	¥ 8,652	**¥ 3,682**	**$ 35,776**
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 9,637	**¥158,002**	**$1,535,199**
Reclassification adjustments to profit or loss	166	**53**	**520**
Amount before income tax effect	9,804	**158,056**	**1,535,720**
Income tax effect	—	**—**	**—**
Total	¥ 9,804	**¥158,056**	**$1,535,720**
Share of other comprehensive income in associates:			
Gains arising during the year	¥ 599	**¥ 1,970**	**$ 19,148**
Total	¥ 599	**¥ 1,970**	**$ 19,148**
Total other comprehensive income	¥20,856	**¥163,263**	**$1,586,318**

26. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2014, was as follows:

	Millions of Yen	Thousands of Shares	Yen
Year Ended March 31, 2013	Net Income	Weighted-average Shares	EPS
Basic EPS:			
Net income available to common shareholders	¥36,336	249,150	¥145.84
Effect of dilutive securities:			
Warrants of affiliated companies	40	–	
Diluted EPS: Net income for computation	¥36,296	249,150	¥145.68

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2014	Net Income	Weighted-average Shares	EPS	
Basic EPS:				
Net income available to common shareholders	**¥38,800**	**275,405**	**¥140.89**	**$1.37**
Effect of dilutive securities:				
Warrants of affiliated companies	**17**	**–**		
Diluted EPS: Net income for computation	**¥38,783**	**275,405**	**¥140.82**	**$1.37**

27. SUBSEQUENT EVENTS

Appropriations of retained earnings

The Board of Directors proposed the following appropriation of retained earnings at March 31, 2014, which is subject to approval at the Company's shareholders' meeting to be held on June 27, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥17.00 ($0.17) per share	**¥4,902**	**$47,631**

28. SEGMENT INFORMATION

An entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

a. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. Therefore, the Group consists of the advertising, information services and other business segments. The advertising segment provides clients with advertising strategy planning and related creative services, and with assistance in the placement of advertisements in various media, such as television, newspapers, magazines, radio, trains and buses, billboards and the Internet. The advertising segment also provides clients with sales promotion, event marketing, interactive communications, brand management, sports and entertainment marketing, public relations, direct marketing, market research and e-solution services. The information services segment provides clients with information services, such as information technology management. The other business segment provides clients with office rent, building maintenance, fiduciary services of computation, etc.

b. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

c. Information about sales, profit (loss), assets and other items

	Millions of Yen					
	2013					
	Reportable segments					
	Advertising	Information Services	Other Business	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	¥1,878,515	¥56,341	¥ 6,365	¥1,941,223	—	¥1,941,223
Intersegment sales or transfers	330	14,752	10,181	25,264	¥ (25,264)	—
Total	1,878,846	71,094	16,547	1,966,488	(25,264)	1,941,223
Gross profit	323,596	21,980	3,711	349,288	(3,347)	345,940
Segment profit	52,853	3,053	924	56,831	1,634	58,466
Segment assets	2,167,809	61,445	78,267	2,307,522	(101,953)	2,205,569
Other:						
Depreciation	9,957	3,008	562	13,528	(599)	12,928
Amortization of goodwill	2,694	645	—	3,340	—	3,340
Investments in affiliated companies	49,579	30	803	50,414	—	50,414
Increase in property, plant and equipment and intangible assets	49,083	2,847	661	52,592	(1,153)	51,438

	Millions of Yen					
	2014					
	Reportable segments					
	Advertising	Information Services	Other Business	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	**¥2,246,107**	**¥57,221**	**¥ 6,030**	**¥2,309,359**	**—**	**¥2,309,359**
Intersegment sales or transfers	**398**	**17,643**	**9,831**	**27,873**	**(27,873)**	**—**
Total	**2,246,505**	**74,865**	**15,862**	**2,337,233**	**(27,873)**	**2,309,359**
Gross profit	**571,315**	**22,855**	**3,512**	**597,683**	**(3,611)**	**594,072**
Segment profit	**65,788**	**4,017**	**792**	**70,597**	**893**	**71,490**
Segment assets	**2,609,910**	**61,587**	**87,228**	**2,758,727**	**(120,407)**	**2,638,319**
Other:						
Depreciation	**28,873**	**3,387**	**531**	**32,793**	**(494)**	**32,298**
Amortization of goodwill	**26,428**	**601**	**—**	**27,029**	**—**	**27,029**
Investments in affiliated companies	**54,093**	**18**	**844**	**54,956**	**—**	**54,956**
Increase in property, plant and equipment and intangible assets	**18,113**	**2,764**	**61**	**20,939**	**(1,737)**	**19,201**

	Thousands of U.S. Dollars					
	2014					
	Reportable segments					
	Advertising	Information Services	Other Business	Total	Reconciliations	Consolidated
Sales						
Sales to external customers	$21,823,816	$555,984	$ 58,594	$22,438,395	—	$22,438,395
Intersegment sales or transfers	3,868	171,433	95,529	270,831	(270,831)	—
Total	21,827,684	727,417	154,124	22,709,227	(270,831)	22,438,395
Gross profit	5,551,063	222,070	34,129	5,807,263	(35,089)	5,772,174
Segment profit	639,216	39,031	7,701	685,948	8,676	694,625
Segment assets	25,358,634	598,403	847,538	26,804,576	(1,169,911)	25,634,665
Other:						
Depreciation	280,546	32,912	5,167	318,626	(4,802)	313,823
Amortization of goodwill	256,785	5,840	—	262,625	—	262,625
Investments in affiliated companies	525,586	183	8,201	533,970	—	533,970
Increase in property, plant and equipment and intangible assets	175,992	26,861	595	203,449	(16,880)	186,569

Related Information

a. Information about products and services

Information about products and services is omitted as the same information is disclosed within "segment information."

b. Information about geographical areas

(1) Sales

Millions of Yen		
2013		
Japan	Others	Total
¥1,647,018	¥294,205	¥1,941,223

Millions of Yen		
2014		
Japan	Others	Total
¥1,739,776	¥569,583	¥2,309,359

Thousands of U.S. Dollars		
2014		
Japan	Others	Total
$16,904,161	$5,534,233	$22,438,395

Note: Sales are classified in countries or regions based on location of customers.
"Others" consists substantially of the United States of America, Europe and China.

(2) Property, plant and equipment

Information about property, plant and equipment is omitted as the balance in Japan has exceeded 90% or more of the total balance of property, plant and equipment of the consolidated balance sheet.

c. Information about major customers

Information about major customers is omitted as no customer accounts for more than 10% of the net sales in the consolidated statement of income.

Information about impairment losses of assets by reportable segments

	Millions of Yen				
	2013				
	Advertising	Information Services	Other Business	Elimination/ Corporate	Total
Impairment losses of assets	¥665	—	—	—	¥665

	Millions of Yen				
	2014				
	Advertising	Information Services	Other Business	Elimination/ Corporate	Total
Impairment losses of assets	**¥1,989**	**¥94**	**¥320**	**—**	**¥2,403**

	Thousands of U.S. Dollars				
	2014				
	Advertising	Information Services	Other Business	Elimination/ Corporate	Total
Impairment losses of assets	**$19,326**	**$915**	**$3,113**	**—**	**$23,355**

Information about amortization of goodwill and goodwill by reportable segments

	Millions of Yen				
	2013				
	Advertising	Information Services	Other Business	Elimination/ Corporate	Total
Amortization of goodwill	¥ 2,694	¥ 645	—	—	¥ 3,340
Goodwill at March 31, 2013	571,341	4,667	—	—	576,009

Note: For the year ended March 31, 2013, ¥519,076 million of goodwill in the advertising segment, which is related to the acquisition of Aegis Group plc, is a provisional amount because the purchase price allocation has not been finalized.

	Millions of Yen				
	2014				
	Advertising	Information Services	Other Business	Elimination/ Corporate	Total
Amortization of goodwill	**¥ 26,428**	**¥ 601**	**—**	**—**	**¥ 27,029**
Goodwill at March 31, 2014	**554,767**	**4,066**	**—**	**—**	**558,834**

	Thousands of U.S. Dollars				
	2014				
	Advertising	Information Services	Other Business	Elimination/ Corporate	Total
Amortization of goodwill	**$ 256,785**	**$ 5,840**	**—**	**—**	**$ 262,625**
Goodwill at March 31, 2014	**5,390,276**	**39,514**	**—**	**—**	**5,429,790**

Note: For the year ended March 31, 2014, goodwill in the advertising segment, which is related to the acquisition of Aegis Group plc, was adjusted because the purchase price allocation was finalized. Please see Note 4 for more details.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Dentsu Inc.:

We have audited the accompanying consolidated balance sheet of Dentsu Inc. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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 accounting principles generally accepted in Japan, 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 March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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 Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 27, 2014

Member of
Deloitte Touche Tohmatsu Limited

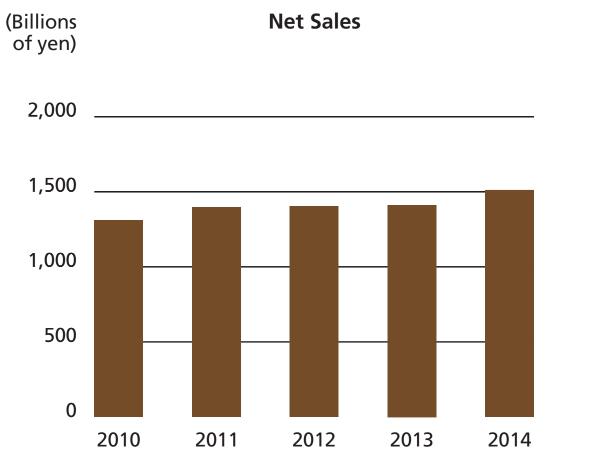
Non-Consolidated Financial Summary

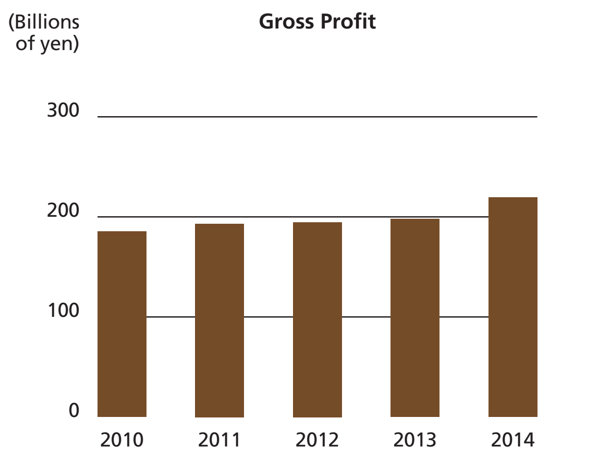
Dentsu Inc.
Years ended March 31

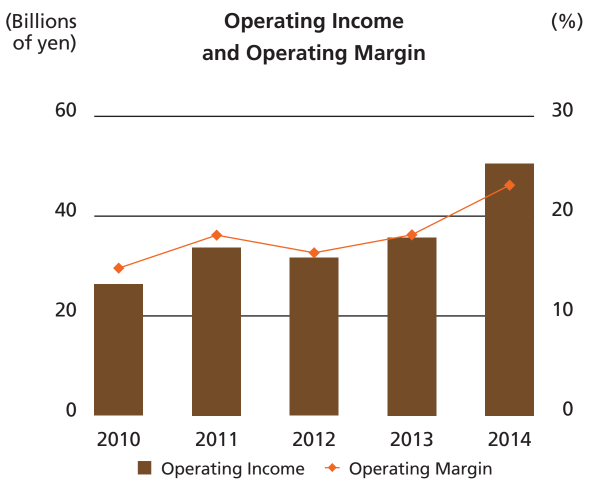
	Millions of yen except per share data					Thousands of U.S. dollars [1] except per share data
	2010	2011	2012	2013	2014	2014
For the year:						
Net sales	¥1,315,072	¥1,396,798	¥1,404,663	¥1,412,376	¥1,515,062	$14,720,782
Cost of sales	1,129,592	1,203,669	1,210,027	1,214,508	1,295,669	12,589,097
Gross profit	185,479	193,129	194,636	197,867	219,393	2,131,684
Selling, general and administrative expenses	159,165	159,329	162,942	162,101	168,813	1,640,242
Operating income	26,313	33,799	31,693	35,766	50,579	491,442
Income before income taxes	28,830	26,551	61,642	42,489	68,361	664,216
Net income	27,055	17,471	42,212	28,189	46,953	456,212
At year-end:						
Total assets	¥1,010,812	¥1,011,538	¥1,065,664	¥1,409,387	¥1,482,661	$14,405,956
Total shareholders' equity	406,410	415,206	463,098	492,505	651,629	6,331,418
Per share data (yen/dollar):						
Net income						
Basic	¥ 108.67	¥ 70.12	¥ 169.42	¥ 113.14	¥ 170.49	$ 1.66
Diluted[2]	—	—	—	—	—	—
Cash dividends	27	29.5	31	32	33	0.32
Ratios (%):						
Operating margin[3]	14.2	17.5	16.3	18.1	23.1	—
Return on equity (ROE)[4]	6.9	4.3	9.6	5.9	8.2	—
Return on assets (ROA)[5]	2.6	3.3	3.1	2.9	3.5	—
Equity ratio[6]	40.2	41.0	43.5	34.9	44.0	—
Dividend payout ratio[7]	24.8	42.1	18.3	28.3	19.4	—

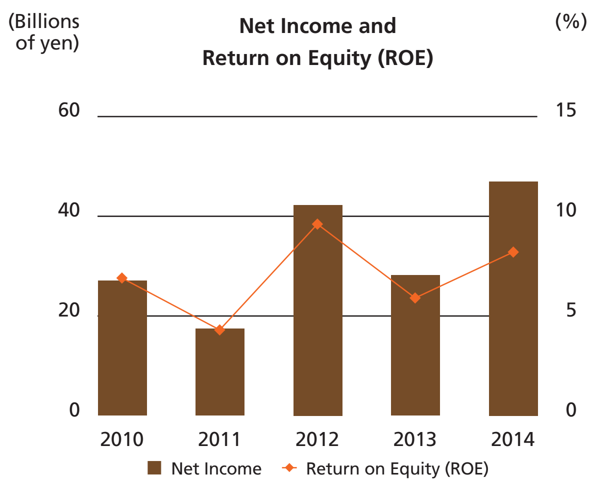
Notes: (1) U.S. dollar amounts have been translated from yen at the rate of ¥102.92 = US$1, the approximate exchange rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2014.
(2) Diluted net income per share for the fiscal year ended March 31, 2010 is not recorded because it was no less than basic net income per share for the same period. There was no diluted net income per share for the fiscal years ended March 31, 2011 through 2014.
(3) Operating margin = operating income ÷ gross profit × 100
(4) ROE = net income ÷ average total shareholders' equity based on total shareholders' equity at the beginning and end of the fiscal year × 100
(5) ROA = operating income ÷ average total assets based on total assets at the beginning and end of the fiscal year × 100
(6) Equity ratio = total shareholders' equity ÷ total assets × 100
(7) Dividend payout ratio = cash dividend per share ÷ net income per share × 100

(Years ended March 31)







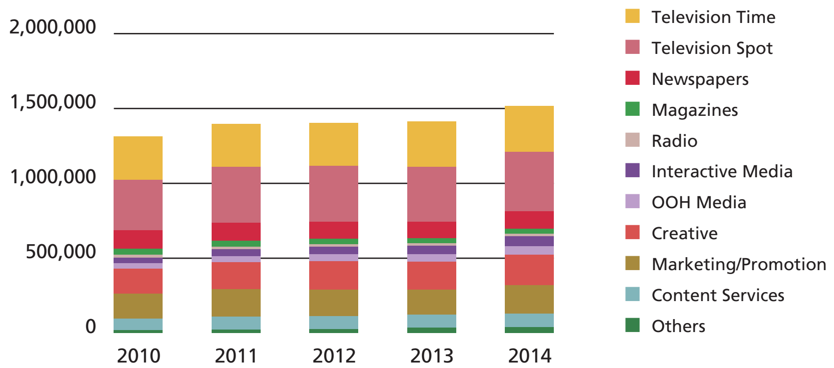


Sales (Non-Consolidated)

(Years ended March 31)

(Millions of yen)

Net Sales by Business Category (Non-Consolidated)

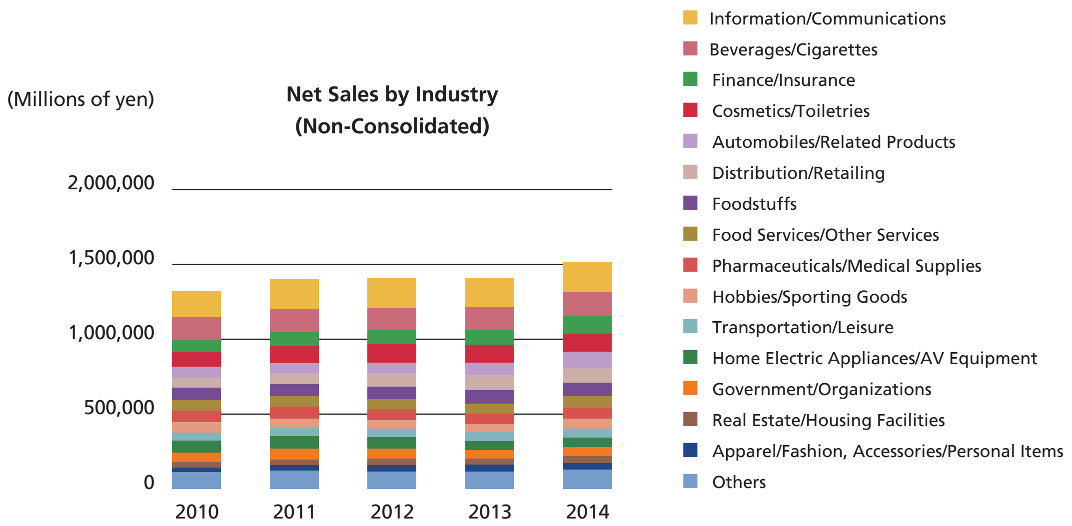


Net Sales by Business Category (Non-Consolidated)

Millions of yen

Years ended March 31	2010		2011		2012		2013		2014	
Television	¥ 626,274	47.6%	¥ 658,056	47.1%	¥ 658,179	46.9%	¥ 666,480	47.2%	¥ 700,039	46.2%
Time	289,464	22.0	285,668	20.5	286,724	20.4	302,164	21.4	304,266	20.1
Spot	336,810	25.6	372,387	26.7	371,454	26.4	364,315	25.8	395,773	26.1
Newspapers	122,264	9.3	119,643	8.6	115,502	8.2	110,553	7.8	116,870	7.7
Magazines	43,392	3.3	39,159	2.8	36,500	2.6	35,896	2.5	34,669	2.3
Radio	19,434	1.5	18,580	1.3	17,420	1.2	16,027	1.1	15,055	1.0
Interactive Media(1)	34,606	2.6	45,392	3.2	48,984	3.5	54,808	3.9	67,865	4.5
OOH Media(2)	39,233	3.0	43,911	3.1	48,396	3.4	49,780	3.5	54,597	3.6
Creative	164,973	12.5	178,959	12.8	187,981	13.4	187,804	13.3	203,845	13.5
Marketing/Promotion	167,209	12.7	181,381	13.0	179,120	12.8	166,068	11.8	190,668	12.6
Content Services(3)	75,492	5.7	89,721	6.4	83,904	6.0	89,358	6.3	90,480	6.0
Others	22,191	1.7	21,992	1.6	28,672	2.0	35,598	2.5	40,970	2.7
Total	¥1,315,072	100.0%	¥1,396,798	100.0%	¥1,404,663	100.0%	¥1,412,376	100.0%	¥1,515,062	100.0%

Notes: (1) Interactive Media refers to Internet and mobile-related media.
(2) OOH Media stands for out-of-home media and comprises transportation and outdoor billboard advertising.
(3) Content Services refers to rights sales, planning and production as well as other content-related services in the sports and entertainment fields.



Net Sales by Industry (Non-Consolidated)

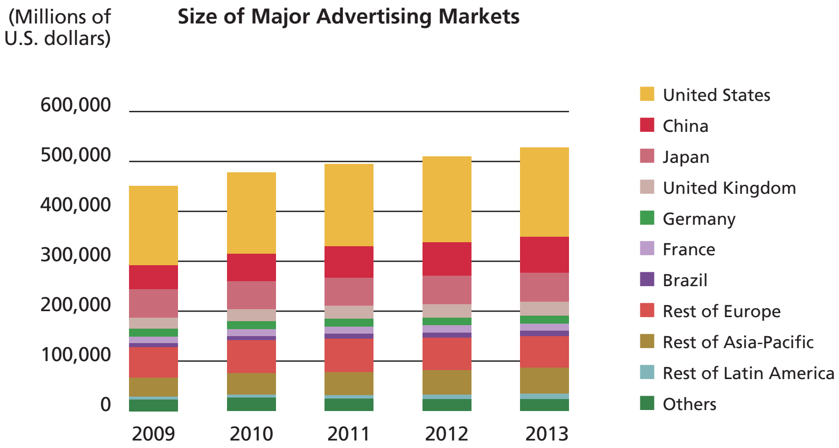
Millions of yen

Years ended March 31	2010		2011		2012		2013		2014	
Information/ Communications	¥ 165,615	12.6%	¥ 193,950	13.9%	¥ 189,528	13.5%	¥ 194,775	13.8%	¥ 200,334	13.2%
Beverages/Cigarettes	150,393	11.4	152,238	10.9	152,797	10.9	152,584	10.8	160,175	10.6
Finance/Insurance	83,532	6.4	95,724	6.9	95,123	6.8	99,624	7.1	119,865	7.9
Cosmetics/Toiletries	97,733	7.4	113,387	8.1	121,260	8.6	119,504	8.5	116,914	7.7
Automobiles/ Related Products	75,010	5.7	69,257	5.0	73,203	5.2	86,549	6.1	108,867	7.2
Distribution/Retailing	64,913	4.9	72,402	5.2	90,014	6.4	98,063	6.9	97,827	6.5
Foodstuffs	84,546	6.4	80,475	5.8	82,329	5.9	86,933	6.2	90,291	6.0
Food Services/ Other Services	73,006	5.6	72,132	5.2	69,507	4.9	70,826	5.0	80,476	5.3
Pharmaceuticals/ Medical Supplies	73,849	5.6	77,060	5.5	70,414	5.0	68,349	4.8	69,304	4.6
Hobbies/ Sporting Goods	69,179	5.3	60,659	4.3	56,987	4.1	55,559	3.9	65,234	4.3
Transportation/Leisure	55,657	4.2	56,775	4.1	58,064	4.1	60,178	4.3	65,110	4.3
Home Electric Appliances/ AV Equipment	78,268	6.0	83,288	6.0	74,329	5.3	59,536	4.2	60,155	4.0
Government/ Organizations	60,054	4.6	70,469	5.0	66,253	4.7	55,021	3.9	58,800	3.9
Real Estate/ Housing Facilities	35,898	2.7	37,375	2.7	43,448	3.1	41,431	2.9	46,690	3.1
Apparel/Fashion, Accessories/ Personal Items	31,304	2.4	38,289	2.7	42,583	3.0	44,574	3.2	43,098	2.8
Others	116,108	8.8	123,310	8.8	118,819	8.5	118,862	8.4	131,915	8.7
Total	¥1,315,072	100.0%	¥1,396,798	100.0%	¥1,404,663	100.0%	¥1,412,376	100.0%	¥1,515,062	100.0%

Notes: (1) The above ranking is based on data for the fiscal year ended March 31, 2014.
(2) Dentsu reviews the criteria for each industry category frequently for the purposes of its own accounts. Accordingly, these categories may differ qualitatively from those used in *Advertising Expenditures in Japan* for the respective years. Figures for previous years have been recalculated to reflect the current industry breakdown as of March 31, 2014.

Market Data

(Calendar year)

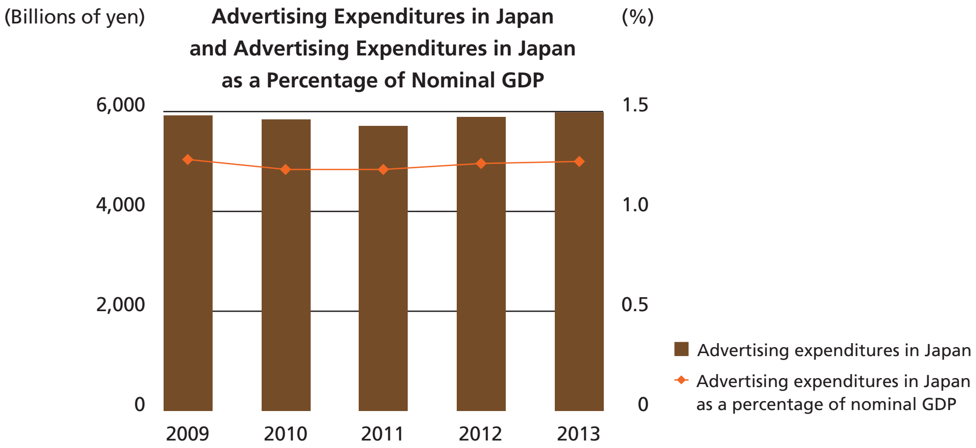


Size of Major Advertising Markets

Millions of U.S. dollars at current prices

Calendar year	2009		2010		2011		2012		2013	
United States	$158,782.0	35.2%	$162,905.0	34.1%	$164,901.0	33.3%	$171,432.0	33.6%	$178,824.4	33.9%
China	47,972.9	10.6	54,702.2	11.4	63,012.1	12.7	66,838.7	13.1	71,804.6	13.6
Japan	57,863.2	12.8	57,086.5	11.9	55,786.0	11.3	57,561.3	11.3	58,390.8	11.0
United Kingdom	21,589.2	4.8	23,385.2	4.9	25,189.2	5.1	26,193.9	5.1	27,552.1	5.2
Germany	16,083.4	3.6	16,310.0	3.4	16,386.9	3.3	16,422.8	3.2	16,205.4	3.1
France	12,924.2	2.9	13,694.5	2.9	14,506.5	2.9	14,055.6	2.8	13,676.7	2.6
Brazil	7,674.8	1.7	9,065.2	1.9	9,813.7	2.0	10,467.1	2.1	11,207.4	2.1
Rest of Europe	61,854.2	13.7	65,137.8	13.6	67,023.0	13.5	65,009.3	12.7	63,678.4	12.1
Rest of Asia-Pacific	38,117.4	8.4	43,116.2	9.0	46,325.4	9.4	48,800.5	9.6	51,773.6	9.8
Rest of Latin America	5,300.1	1.2	6,145.0	1.3	6,860.0	1.4	9,770.7	1.9	10,993.9	2.1
Others	23,053.9	5.1	26,813.4	5.6	24,993.4	5.1	23,373.2	4.6	23,947.4	4.5
Total	$451,215.2	100.0%	$478,360.9	100.0%	$494,797.3	100.0%	$509,925.1	100.0%	$528,054.7	100.0%

Note: These totals are for major mass media, including television, newspapers, magazines, radio, cinema, outdoor and Internet advertising.
Source: *Carat "GLOBAL ADVERTISING EXPENDITURE TRENDS SEPTEMBER 2014 REPORT"*



Advertising Expenditures in Japan and Advertising Expenditures in Japan as a Percentage of Nominal GDP

Billions of yen

Calendar year	2009	2010	2011	2012	2013
Advertising expenditures in Japan	¥ 5,922.2	¥ 5,842.7	¥ 5,709.6	¥ 5,891.3	¥ 5,976.2
Nominal GDP	471,138.7	482,384.4	471,310.8	473,777.1	478,447.7
Advertising expenditures in Japan as a percentage of nominal GDP	1.26%	1.21%	1.21%	1.24%	1.25%

Note: Advertising expenditures include expenditures on terrestrial television, newspapers, magazines and radio advertising, expenditures on marketing flyers inserted in newspapers, exhibitions and screen displays, direct mailings, outdoor advertisements, transit advertisements, advertisements in telephone directories, point-of-purchase (POP) advertisements, satellite media-related and Internet advertisements.

Source: Dentsu, *2013 Advertising Expenditures in Japan*

Advertising Expenditures in Japan by Medium

Billions of yen

Calendar year	2009		2010		2011		2012		2013	
Television	¥1,713.9	29.0%	¥1,732.1	29.6%	¥1,723.7	30.2%	¥1,775.7	30.2%	¥1,791.3	30.0%
Newspapers	673.9	11.4	639.6	11.0	599.0	10.5	624.2	10.6	617.0	10.3
Magazines	303.4	5.1	273.3	4.7	254.2	4.4	255.1	4.3	249.9	4.2
Radio	137.0	2.3	129.9	2.2	124.7	2.2	124.6	2.1	124.3	2.1
Satellite Media-Related	70.9	1.2	78.4	1.3	89.1	1.6	101.3	1.7	111.0	1.8
Internet	706.9	11.9	774.7	13.3	806.2	14.1	868.0	14.7	938.1	15.7
Promotional Media	2,316.2	39.1	2,214.7	37.9	2,112.7	37.0	2,142.4	36.4	2,144.6	35.9
Total	¥5,922.2	100.0%	¥5,842.7	100.0%	¥5,709.6	100.0%	¥5,891.3	100.0%	¥5,976.2	100.0%

Source: Dentsu, *2013 Advertising Expenditures in Japan*

Advertising Expenditures in the Four Traditional Mass Media in Japan by Industry

Billions of yen

Calendar year	2009		2010		2011		2012		2013	
Energy/Materials/Machinery	¥ 32.7	1.2%	¥ 34.2	1.2%	¥ 27.2	1.0%	¥ 26.2	1.0%	¥ 24.9	0.9%
Foodstuffs	288.5	10.2	288.0	10.4	266.1	9.9	283.2	10.2	272.0	9.8
Beverages/Cigarettes	227.0	8.0	217.8	7.9	196.2	7.3	209.8	7.6	206.8	7.4
Pharmaceuticals/ Medical Supplies	163.3	5.8	145.9	5.3	143.5	5.3	148.4	5.3	147.4	5.3
Cosmetics/Toiletries	275.9	9.7	287.9	10.4	276.8	10.2	287.8	10.4	279.8	10.1
Apparel/Fashion, Accessories/ Personal Items	93.1	3.3	101.2	3.7	108.1	4.0	116.4	4.2	117.3	4.2
Precision Instruments/ Office Supplies	30.7	1.1	29.4	1.1	26.3	1.0	28.8	1.0	28.3	1.0
Home Electric Appliances/ AV Equipment	70.5	2.5	73.3	2.6	54.4	2.0	54.1	2.0	55.3	2.0
Automobiles/Related Products	134.5	4.8	131.6	4.7	129.8	4.8	164.7	5.9	167.1	6.0
Household Products	58.9	2.1	65.0	2.3	64.2	2.4	64.9	2.3	68.5	2.5
Hobbies/Sporting Goods	142.0	5.0	123.1	4.4	110.6	4.1	108.5	3.9	102.2	3.7
Real Estate/Housing Facilities	112.6	4.0	102.9	3.7	104.4	3.9	108.6	3.9	115.0	4.1
Publications	94.5	3.3	92.6	3.3	89.4	3.3	92.1	3.3	89.8	3.2
Information/Communications	203.3	7.2	220.9	8.0	222.0	8.2	245.2	8.8	243.3	8.8
Distribution/Retailing	191.3	6.8	182.2	6.6	186.9	6.9	202.9	7.3	192.7	6.9
Finance/Insurance	151.4	5.3	153.8	5.5	141.2	5.2	144.9	5.2	167.6	6.0
Transportation/Leisure	233.5	8.2	211.1	7.6	195.2	7.2	211.2	7.6	209.7	7.6
Food Services/Other Services	134.8	4.8	138.6	5.0	123.5	4.6	128.9	4.6	142.2	5.1
Government/Organizations	47.6	1.7	40.8	1.5	108.7	4.0	33.2	1.2	31.4	1.1
Education/Medical Services/ Religion	85.4	3.0	81.7	2.9	75.7	2.8	78.2	2.8	80.6	2.9
Classified Ads/Others	55.8	2.0	51.8	1.9	50.5	1.9	40.5	1.5	39.6	1.4
Total	¥2,828.2	100.0%	¥2,774.9	100.0%	¥2,701.6	100.0%	¥2,779.6	100.0%	¥2,782.5	100.0%

Note: Expenditures include expenditures on terrestrial television, newspapers, magazines and radio advertising, including related creative production costs.
Source: Dentsu, *2013 Advertising Expenditures in Japan*

Coporate Data

Business Lineup Overview

Strategic Solutions

The Dentsu Group seeks to go beyond a conventional advertising company model by delivering diverse solutions and consulting expertise linked to corporate strategy-building, including corporate innovation, brand management, product development, corporate communications and the direct marketing business. From marketing consulting and distribution formats to promotional activities, the nature of business is undergoing major changes in the current media environment. Amid this transformation, the Group's response to client issues is strongly underpinned by creativity accumulated through a broad range of communication activities, allowing the Group to distinguish itself as a solutions partner.

The Group's strategic solutions activities include, among others:

- corporate innovation consulting;
- brand consulting;
- corporate identity and visual identity strategy planning and execution;
- marketing consulting;
- crisis communications; and
- direct marketing solutions.

Communication Design

In the current market, consumer contact points are diversifying and corporate messages are not reaching the intended recipients as easily as they once did. Consequently, communication design is taking on greater importance. The goal of communication design goes beyond general communication activities to the design of an optimum environment in which consumers can receive the advertisers' information.

To this end, marketers' efforts are directed toward accurately identifying consumer preferences and prevailing conditions and designing communication processes, opportunities and other measures in light of these preferences and conditions. The Dentsu Group enables the execution of communication activities that encompass various information channels in addition to conventional advertising. In shaping desirable communication environments, the Group considers measures such as strategic public relations, or PR, and word-of-mouth marketing, also called "buzz" marketing. It then implements media-neutral planning, often incorporating content-based communication including branded entertainment and branded utility. In addition, the Group extends its sphere of activity to corporate, business and product development, and designs and delivers solutions to the challenges clients face by utilizing all types of communication opportunities.

The Group's communication design activities include, among others:

- cross-media communications planning; and
- strategic PR design.

Creative Sphere

Oriented toward "innovative creativity," the Dentsu Group draws on a wealth of talent including art directors, copywriters, television commercial planners and communication strategists. By combining their expertise and diverse approaches unrestricted by convention, the Group delivers flexible and original creative solutions. Its high level of creativity is substantiated by tangible results. The "Creator of the Year" award, which was established by the Japan Advertising Agencies Association to recognize an outstanding creator from any of the association's member companies and is awarded annually, has been given to one of the Group's creators 23 out of the 25 times it has been presented. In addition, *The Gunn Report*, which tallies the winners' lists from all of the world's most important advertising awards, shows the Group among the top five most-awarded agencies for the past ten years.

Promotions

The essence of promotions is the ability to create mechanisms that will motivate people to act. As products and services become more diverse, it becomes more difficult to stimulate purchasing behavior based on product strength alone. At the same time, consumers are constantly exposed to a torrent of information, making it difficult for them to make optimum purchasing decisions.

The Dentsu Group possesses substantial organizational, content and network resources necessary for the planning and execution of a broad array of promotion strategies, and has a specific technical expertise for increasing the effectiveness of promotion strategies. The Group excels not only in the field of in-store communications but also in such areas as knowledge and tools for the digital sphere, and such disciplines as space branding.

The Group's promotion activities include:

- in-store and shopper marketing;
- digital promotions; and
- space branding.

Digital

Clients' marketing needs are becoming more sophisticated as digital technology evolves, and the Dentsu Group seeks to respond with integrated, high-level digital solutions. It established Dentsu Digital Holdings Inc., a business management company, and the Group's Digital Business Division, an internal division of Dentsu, in January 2010. These function as the core of the Group's digital business. Complementing our networking capabilities, this enhanced digital marketing framework facilitates one-stop access to digital solutions unique to us. The solutions combine the campaign planning, creative and mass media strengths that are essential to a comprehensive advertising company.

The Group's digital business activities include, among others:

- business and technology development;
- interactive media (Internet media, mobile media, search engine marketing and performance media);
- data management and marketing;
- digital campaign production; and
- digital authoring (website development, channel development and digital creative ideas).

Media Content

The Dentsu Group seeks to apply cutting-edge planning methodologies and a wealth of proven results to effective and client-centric media planning and media buying. The Group also develops original media plans and content assets. In addition, it lays the groundwork for utilizing effective content in advertising campaigns through such means as developing new businesses, investing in feature film production and acquiring broadcasting rights to major sports content by leveraging long-standing bonds of trust with media companies.

The Group's media content business activities include, among others:

- media planning;
- media buying;
- sports marketing;
- entertainment content marketing;
- new business development with media companies; and
- audience insight.

Social Solutions

To realize effective solutions to societal issues requires the active participation and cooperation of governmental agencies, private-sector organizations, non-profit organizations (NPOs) and ordinary citizens. Management believes that it is essential to work toward solutions that will help to realize a better society based on the acceptance and participation of all stakeholders. The Dentsu Group identifies social themes through future predictions focusing on changes in society, the environment and consumer lifestyles, and then visualizes complex, interrelated issues. Furthermore, specialist teams provide optimal solutions at the consulting, planning and execution phases for such projects as business scheme development, communications strategy planning and the development of programs to encourage social involvement.

The Group's social solutions activities include:

- environmental strategy;
- renewable energy and smart grid initiatives;
- food and agriculture business development;
- consulting and planning for corporate social responsibility and sustainability;
- sustainability marketing; and
- social design engine business, emphasizing the visualization of social themes; and a variety of other projects such as life innovation (focusing on health, medical treatment and nursing care), "bottom-of-the-pyramid" business and national tourism.

Corporate Social Responsibility

The Dentsu Group's CSR Initiatives

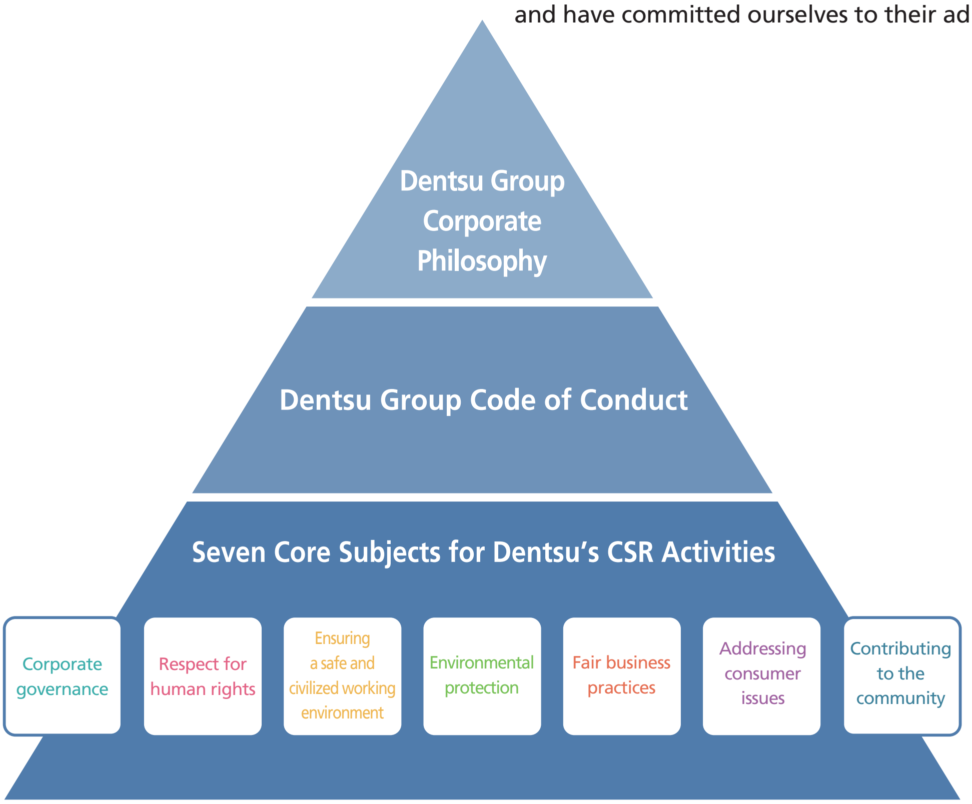
For detailed information on the Dentsu Group's corporate social responsibility (CSR) activities, including the Group's CSR Report 2014, please visit Dentsu's CSR website (**http://www.dentsu.com/csr/**).

Dentsu's Basic CSR Structure

In Dentsu's basic CSR structure, we have recently updated the Dentsu Group Code of Conduct under the Dentsu Group's corporate philosophy. We have also set out seven key areas for Dentsu's CSR activities on which our specific activities are based.

We took the occasion of the acquisition of the former Aegis Group plc of the UK to formulate an updated Dentsu Group Code of Conduct in April 2013 based on ISO 26000, the international standard for CSR. This was done in order to indicate the role of corporate governance in each country in which the Group operates, our efforts for human rights and the environment, and our policies for those as the Dentsu Group further expands globally.

As the basic philosophy for the Dentsu Group's CSR program, we have laid out actions that Dentsu Group managers and employees worldwide must undertake to fulfill their respective responsibilities to society and have committed ourselves to their adherence.



Dentsu Group Code of Conduct

◎ The Dentsu Group of companies, its officers and employees ("we" or "us") are committed to protecting the interests of our stakeholders by conducting business to the highest ethical standards. To achieve this commitment, we have established the Dentsu Group Code of Conduct ("Code of Conduct") to serve as our basic principles for conducting business in a socially responsible manner.

◎ We will comply with the Code of Conduct in all respects. Outside of the Dentsu Group, we will encourage compliance with the Code of Conduct by our business partners.

◎ We will comply with all national, local and international laws and regulations in all markets in which we conduct business.

◎ We will respect diversity and will not discriminate on any basis. We will also respect the diverse social and cultural standards of each region in which we conduct business.

1. Corporate governance

・We respect the interests of our stakeholders and will refrain from engaging in inappropriate activities or taking inappropriate risks that might harm these interests. Our officers will take responsibility for developing and maintaining appropriate corporate governance systems.

2. Respect for human rights

・We comply with internationally recognized principles of human rights. We respect the human rights of all people connected with our business activities and will not discriminate on any basis.

3. Ensuring a safe and civilized working environment

・We will ensure that our workplaces are safe and create a civilized working environment.

4. Environmental protection

・We aim to minimize the impact of our business on the environment and contribute to making society sustainable.

5. Fair business practices

・In carrying out our business we will compete fairly in all markets in which we operate. We will avoid or appropriately manage any conflicting interests. We will not knowingly take part in any form of corrupt business practice, including bribery and money laundering.

6. Addressing consumer issues

・We will strive to address consumer issues in all markets in which we operate, including by providing appropriate information to consumers and giving due attention to safety and security in all of our activities.

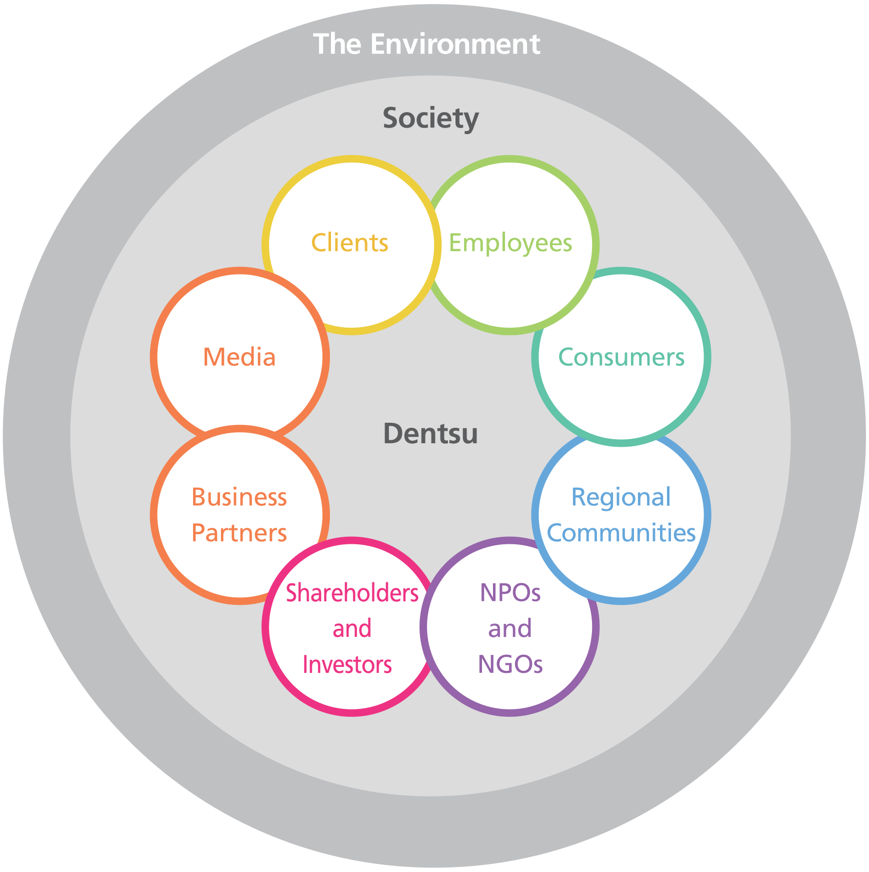
7. Contributing to the community

・We are committed to contributing to the development of all local and global communities in which we operate and to the resolution of social issues in each community.

Dentsu's Major Stakeholders

Dentsu pursues CSR activities while maintaining close communication with its stakeholders.

To achieve 'Good Innovation.' and address social issues, Dentsu undertakes a variety of activities aimed at fulfilling its responsibilities not only to Group employees, consumers, clients, shareholders and investors, but also to society as a whole and the Earth's environment.



Note: The Dentsu Group's list of stakeholders also includes governments, administrative agencies and various groups.

Corporate Governance

Status of Corporate Governance

1. Overview of Corporate Governance System

Under the corporate philosophy "Good Innovation.", the Dentsu Group seeks out issues facing its clients, and proposes and steadily implements appropriate solutions. The Group hopes that an accumulation of such efforts will not only help to energize the world and make it a better place but also lead to the creation of new social value as well as to the realization of a sustainable society.

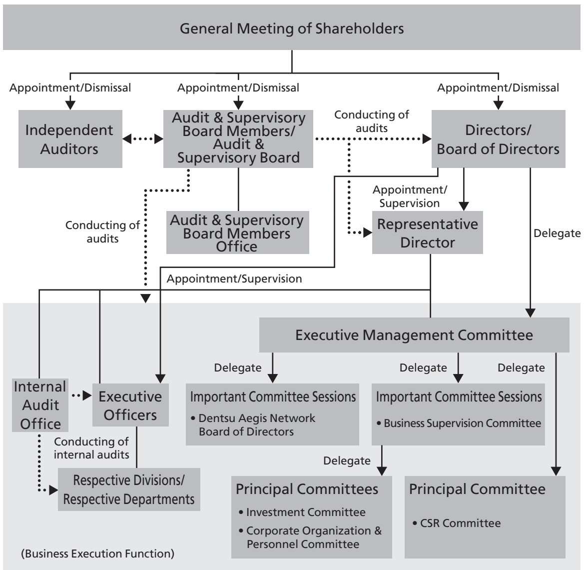
Dentsu Inc. (hereinafter "Dentsu" or "the Company") maintains an Audit & Supervisory Board System, and management believes that the current corporate governance framework is sufficient to ensure rapid decision-making and effective internal controls.

Dentsu's Articles of Incorporation set the term of office for Directors at one year or less and the number of Directors at 15 or fewer. As of June 27, 2013, the number of Directors on the Board of Directors was 12, two of whom were Outside Directors. Meanwhile, the maximum term of office for Audit & Supervisory Board Members is four years, in accordance with the Articles of Incorporation and prevailing laws and regulations, and the number of Audit & Supervisory Board Members is set at five or fewer. As of June 27, 2013, the number of members on the Audit & Supervisory Board was five, three of whom were Outside Audit & Supervisory Board Members.

In June 1999, Dentsu introduced an Executive Officer System to strengthen its business execution function. In April 2009, the Company introduced a Director and Executive Officer System, which retains the old Executive Officer System but clarifies the roles and responsibilities of Directors and Executive Officers more precisely.

At Dentsu, the Executive Management Committee tackles important business-oriented issues other than those addressed at Board of Directors' meetings and facilitates preliminary discussion of issues that will be brought to the Board of Directors for resolution. In April 2012, Dentsu divided its operations into two segments—one for domestic business and one for overseas business—and authority and revenue responsibility were delegated to each. The Company then created two principal executive-level discussion structures that address topics assigned by the Executive Management Committee for discussion and decision-making. These are the Business Supervision Committee, which is responsible for domestic business, and the Dentsu Aegis Network Board of Directors, which is responsible for overseas business. In addition, the Company has the CSR Committee, which undertakes preliminary discussions on specific matters assigned by the Executive Management Committee and makes decisions on the execution of day-to-day business, and the Investment Committee and the Corporate Organization & Personnel Committee, which do the same for matters indicated by the Business Supervision Committee. The Company will strive to further reinforce the business execution structure.

The Company's corporate governance structure is outlined in the chart below.



2. Status of Internal Control System

The Company approved a system for ensuring that the execution of Directors' duties conforms to laws and regulations and the Articles of Incorporation and for ensuring appropriate business operations, which is described in Article 362, Paragraph 4, Item 6 of the Companies Act, at the Board of Directors' meeting on March 30, 2006. Revisions to the system have been made as appropriate at subsequent Board of Directors' meetings.

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 comply with all laws, regulations and the Articles of Incorporation during the course of their duties and that business is conducted appropriately. The CSR Committee is charged with maintaining and further enhancing the Internal Control System.

1) Compliance System for Directors, Executive Officers and Employees

i. Directors and Executive Officers must perform their duties appropriately, in accordance with various rules and regulations, including the Rules for the Board of Directors and the Rules for the Executive Management Committee as well as the Rules for Directors and Audit & Supervisory Board Members and the Rules for Executive Officers.

ii. 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 report it without delay to the Board of Directors as well as the Executive Management Committee. Audit & Supervisory Board Members must also be immediately advised of the circumstances.

iii. The departments reporting to the CSR Committee create internal policies and manuals and conduct training to maintain and further enhance the compliance system for employees. The Internal Audit Office, which reports directly to the Representative Director, conducts internal audits.

iv. The Company has set up an internal hotline and has also established internal and external contact points for insider reporting to respond appropriately in the event a law is broken or some other internal compliance issue arises.

v. If Audit & Supervisory Board Members state opinions on the compliance system or require steps to improve the system, Directors and Executive Officers must respond without delay and make the recommended improvements.

vi. The Company has 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

i. To support the efficient execution of duties by Directors and Executive Officers, the Board of Directors and the Executive Management Committee, and the Business Supervision Committee, all principal committees and specialized committees hold meetings where important matters pertaining to management policy and strategy are determined in an appropriate and flexible manner.

ii. Items resolved at these meetings are conveyed through the corporate structure, with urgent items transmitted to all employees via the internal electronic bulletin board to expedite implementation.

iii. The launch of Dentsu Aegis Network Ltd., which controls Dentsu Group companies overseas, is the pillar of an evolving structure to facilitate efficient decision-making and execution of duties in the overseas business segment.

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 rules.

4) Risk Management System

i. To maintain and enhance the structure that prevents risks from occurring and minimizes damage caused in the event such risks become a reality, Dentsu has put Risk management rules in place and also prioritizes key risks and formulates concrete measures appropriate for such risks that can be put into effect should a response be required.

ii. Responsibility for monitoring the status of risk management efforts falls primarily on internal control divisions, under the CSR Committee. Efforts are directed toward self-inspection and approaches to maintain and further enhance the risk management system.

5) Internal Structure to Support Audit & Supervisory Board Members and Their Independent Status

The Company maintains an Audit & Supervisory Board Office, which consists of employees who assist Audit & Supervisory Board Members in their duties. This office reports directly to the Audit & Supervisory Board, thereby preserving its independence from Directors and Executive Officers.

6) System for Reporting to Audit & Supervisory Board Members and Improving Audit Effectiveness

i. Rules are in place to identify issues that Directors, Executive Officers and employees are required to report to Audit & Supervisory Board Members. Directors, Executive Officers and employees must swiftly inform Audit & Supervisory Board Members of any development that might impact the operations or the operating performance of the Company.

ii. In the event that Audit & Supervisory Board Members request information other than that indicated above, Directors, Executive Officers and employees are still required to respondwithout delay.

iii. To enhance audit effectiveness, the Internal Audit Office and the Independent Auditors closely collaborate to handle requests from the Audit & Supervisory Board Members.

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

i. The Dentsu Group Code of Conduct was drafted as the standard for acceptable corporate behavior and embraces the entire Group, including subsidiaries.

ii. While the Company stipulates internal control issues that subsidiaries, as members of the Group, must address, it allows each subsidiary to build, operate and improve on the basic framework to match respective business activities. This ensures that internal and external transactions retain their integrity.

8) System to Ensure Appropriateness of Financial Reporting

i. Through the CSR Committee, Dentsu continually supports and improves the system that ensures appropriateness in financial reporting by the Group.

ii. Subsidiaries and departments involved in business activities perform self-checks through the course of day-to-day operations to determine if existing internal controls are functioning properly.

iii. 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.

3. Status of Internal Audits, Audits by Audit & Supervisory Board Members and Independent Audits, and Their Connection to Internal Control Divisions

1) Structure, Staff and Procedures for Internal Audits

The Internal Audit Office, with a staff of 31, undertakes internal audits in accordance with an annual auditing plan and targets each division within the Company as well as affiliated companies in Japan and overseas. The Internal Audit Office, reporting to the Representative Director, monitors the establishment and application of internal controls from an individual perspective, and in the event of an insufficiency, will inform the internal control divisions and recommend improvements.

2) Structure, Staff and Procedures for Audits by Audit & Supervisory Board Members

i. In principle, the Audit & Supervisory Board meets once a month to establish auditing policies and to allocate responsibilities. During these monthly meetings, the five Audit & Supervisory Board Members, two of whom are full-time Audit & Supervisory Board Members from Dentsu and three of whom are Outside Audit & Supervisory Board Members, audit the execution of duties by Directors, based on an auditing plan, and focus primarily on the status of Group-wide internal controls, compliance and risk management systems.

ii. As part of their audits on the execution of duties by Directors, Audit & Supervisory Board Members supervise and verify the establishment and implementation of internal controls from an independent perspective and receive reports from the internal control divisions if the auditing process so requires.

iii. One of the Outside Audit & Supervisory Board Members, Kentaro Koga, has a doctorate in accounting and has been involved in accounting research and education as an associate professor at a graduate school for many years. He brings a great deal of expertise in finance and accounting to the Company.

iv. One of the full-time Audit & Supervisory Board Members serves as chairman of the Audit & Supervisory Board, and both full-time members attend important committee sessions and meetings of principal committees, including Board of Directors' meetings, and supervise the execution of business activities.

v. The Audit & Supervisory Board Office was established to assist Audit & Supervisory Board Members in their duties, and the Audit & Supervisory Board Staff Department has a staff of seven. In addition to this depertment, the Group Audit & Supervisory Board Members Department has been established separately, with a staff of 13, who, as Audit & Supervi- sory Board Members of affiliated companies, conduct operational audits and accounting audits.

3) Independent Audits

i. Dentsu has contracted the accounting firm Deloitte Touche Tohmatsu LLC to perform accounting audits of the Company's books. The Independent Auditors receive internal control reports from the Representative Director, execute internal control audits, supervise and verify the establishment of internal controls and implementation status thereof, and receive reports from the internal control divisions if the auditing process so requires. No special-interest relationships exist between Dentsu and the accounting firm nor between Dentsu and the managing partners at the accounting firm who undertake accounting audits of the Company.

ii. The four certified public accountants who performed accounting audits during the fiscal year under review were Hitoshi Matsumoto, Tsutomu Hirose, Tokio Suzuki and Hirotsugu Mizuno, with Deloitte Touche Tohmatsu LLC. In addition, 10 certified public accountants and 19 others were involved as assistants to the four main certified public accountants in the execution of these audits.

4. Cooperation on Internal Audits, Audits by Audit & Supervisory Board Members and Independent Audits

The auditing system at Dentsu involves three types of audits: audits by Audit & Supervisory Board Members; book audits, mainly accounting audits from the specialized perspective of Independent Auditors; and internal audits by the Internal Audit Office. Audits by Audit & Supervisory Board Members and audits by Independent Auditors are required by law. Internal audits, conducted at the discretion of the Representative Director, are voluntary audits principally intended to facilitate an independent evaluation of the Internal Control System as well as to prevent inappropriate behavior within the Company. Cooperation among the Internal Audit Office, Audit & Supervisory Board Members and Independent Auditors may require the Audit & Supervisory Board to request reports from the Independent Auditors and the Internal Audit Office on auditing methods and results of audits, as appropriate. In addition, it is mainly full-time Audit & Supervisory Board Members who meet with other auditors on a regular and individual basis to exchange information. The Internal Audit Office also exchanges information and reports, as appropriate, in response to requests from Audit & Supervisory Board Members or the Audit & Supervisory Board, and participates in a separate exchange of information with the Independent Auditors. The respective relationships between the internal control divisions and the Internal Audit Office, Audit & Supervisory Board Members and Independent Auditors are presented in Section 3 above.

5. Limited Liability Agreements with Outside Directors and Outside Audit & Supervisory Board Members

Dentsu enters into agreements with its Outside Directors and Outside Audit & Supervisory Board Members that limit their legal liability under Article 423, Paragraph 1 of the Companies Act. The liability amount pursuant to such agreements shall be limited to the minimum stated by laws and regulations or 10 million yen, whichever is higher.

6. Function of and Selection Criteria for Outside Directors and Outside Audit & Supervisory Board Members

Outside Directors are expected to perform management oversight and check functions, and each Outside Director is expected to contribute to enhanced corporate value at Dentsu by taking a bird's-eye view of the Company's business and offering advice, based on an understanding of the Company's business activities and experience in management positions. Since the business domains of the Company are extensive, the selection of Outside Directors gives priority to individuals who have a sophisticated understanding of the Company's activities in these domains. As a result, both Outside Directors are representatives at companies that are not only shareholders but are also business associates of Dentsu. Nevertheless, Dentsu carefully selects Outside Directors who present a thorough understanding of the Company's business activities, and management believes the appointed individuals are suitably fulfilling the function and role expected of them as Outside Directors of the Company. As appropriate, Outside Directors are provided with reports from the Internal Audit Office, Audit & Supervisory Board Members and Independent Auditors as well as from the internal control divisions to the Board of Directors, and pursue open lines of communication with all.

Outside Audit & Supervisory Board Members are expected to apply the wealth of experience they have accumulated in their respective fields of expertise to the function of supervising the Board of Directors and the execution of duties by the Directors on the Board. The Company's three Outside Audit & Supervisory Board Members—Atsuko Toyama, Toshiaki Hasegawa and Kentaro Koga—are designated Independent Auditors, according to the listing rules of the Tokyo Stock Exchange. In the selection of Outside Audit & Supervisory Board Members, Dentsu prioritizes individuals who will utilize experience in various fields to perform their supervisory duties and individuals who are knowledgeable about finance and accounting. Dentsu carefully selects Outside Audit & Supervisory Board Members who are impartial and present a thorough understanding of the Company's business activities, and management believes the appointed individuals are suitably fulfilling the function and role expected of them as Outside Audit & Supervisory Board Members of the Company. At meetings of the Audit & Supervisory Board, Outside Audit & Supervisory Board Members will request reports, as appropriate, on auditing methods and results of audits conducted by Audit & Supervisory Board Members, Independent Auditors and the Internal Audit Office. Outside Audit & Supervisory Board Members also exchange information separately, as necessary, and strive to ensure reciprocal communication with other Auditors. In addition, Outside Audit & Supervisory Board Members utilize their external perspective in supervising and verifying the establishment and implementation of internal controls. They also receive reports from the internal control divisions if the auditing process so requires.

Dentsu does not have any clear-cut standards or policies regarding impartiality in appointing Outside Directors and Outside Audit & Supervisory Board Members, but management appoints individuals under the guidance of such benchmarks as the listing rules of the Tokyo Stock Exchange.

7. Relationships with Outside Directors and Outside Audit & Supervisory Board Members

Dentsu's executive team includes Outside Directors and Outside Audit & Supervisory Board Members. As of June 27, 2014, two of the Company's 12 Directors and three of the Company's five Audit & Supervisory Board Members were appointed from outside the Company.

Any personal, capital or business relationships or other interests that may exist between the Company and these five individuals are described below.

1) Outside Director Yutaka Nishizawa is President of Jiji Press Ltd., a shareholder and business associate of the Company. Mr. Nishizawa is also Chairman of Central Research Services, Inc. and Chairman of Naigai Josei Chosakai, a foreign policy think tank, which are both business associates of the Company. Transactions between Dentsu and each of these three organizations comprise very small portions of the Company's aggregate net sales.

2) Outside Director Masaki Fukuyama is President of the nonprofit cooperative news service Kyodo News, a shareholder and business associate of the Company. Mr. Fukuyama is

also Representative Director and Deputy Chairman of that company's news agency, K.K. Kyodo News, which is also a business associate of the Company. Transactions between Dentsu and each of these two organizations comprise very small portions of the Company's aggregate net sales.

3) Outside Audit & Supervisory Board Member Atsuko Toyama is Chief Director of NPO National Council on Mt. Fuji World Heritage. Although Dentsu is a corporate supporter, the amount that the Company contributes is extremely small and does not affect Ms. Toyama's impartiality as an Outside Audit & Supervisory Board Member at Dentsu.

4) Outside Audit & Supervisory Board Member Toshiaki Hasegawa is an Outside Audit & Supervisory Board Member at Mizuho Bank, Ltd. and Mitsui Fudosan Co., Ltd. Although a business relationship exists between Dentsu and these companies, neither the nature of Mr. Hasegawa's concurrent roles nor the transactions between Dentsu and the companies hinder his ability to remain impartial.

5) Outside Audit & Supervisory Board Member Kentaro Koga is an Outside Audit & Supervisory Board Member at Resona Bank, Ltd. Although a business relationship exists between Dentsu and the bank, neither the nature of Mr. Koga's concurrent roles nor the transactions between Dentsu and the bank hinder his ability to remain impartial.

None of the Outside Directors or Outside Audit & Supervisory Board Members has been affiliated with Dentsu or the Dentsu Group.

8. Executive Remuneration

1) Total Remuneration by Position, Total Amount by Type of Remuneration, and Number of Executives Receiving Remuneration (Please refer to the table below.)

Category of Director/Auditor	Total Remuneration	Breakdown of Remuneration by Category	
		Fixed Monthly Remuneration (Number of Directors or Audit & Supervisory Board Members)	Bonuses (Number of Directors or Audit & Supervisory Board Members)
Directors (Excluding Outside Directors)	¥711 million	¥407 million (13)	¥303 million (11)
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	¥72 million	¥72 million (3)	—
Outside Directors	¥13 million	¥13 million (3)	—
Outside Audit & Supervisory Board Members	¥28 million	¥28 million (3)	—

Notes: 1. Remuneration for Directors was approved by shareholders at the General Meeting of Shareholders held on June 27, 2013. The resolution limits the amount to 1.2 billion yen per year, of which 18 million yen is applied to annual remuneration for Outside Directors.

2. Fixed monthly remuneration for Audit & Supervisory Board Members was approved by shareholders at the General Meeting of Shareholders held on June 27, 2013. The resolution limits the amount to 132 million yen per year.

3. The totals for fixed monthly remuneration include amounts for four Directors and one Audit & Supervisory Board Member, who retired at the conclusion of the General Meeting of Shareholders on June 27, 2013. Among those in the above table eligible to receive payment, one retired Director was simultaneously appointed as Audit & Supervisory Board Member, upon retirement from the office of Director at the conclusion of the General Meeting of Shareholders on June 27, 2013. Thus, the remuneration amounts regarding said person have been included under both Directors and Audit & Supervisory Board Members in the above table.
4. "Bonuses" in the above table shows the amount approved at the Board of Directors' meeting held in May 2014 within the amount approved as remuneration for Directors in Note 1 above. The Company does not pay bonuses to Outside Directors and Audit & Supervisory Board Members.

Breakdown of Total Consolidated Remuneration and Executives of Parent Company Receiving Remuneration

Name	Position	Company	Breakdown of Consolidated Remuneration				Total Consolidated Remuneration
			Basic Fixed Remuneration	Bonuses	Retirement Benefits	Stock Options	
Tadashi Ishii	Representative Director	Parent Company	¥92 million	¥53 million	—	—	¥145 million
Timothy Andree	Director	Parent Company	¥9 million	¥7 million	—	—	¥432 million
	President & CEO	Dentsu Holdings USA, Inc.	¥139 million	¥207 million	¥66 million	—	
	Executive Chairman	Dentsu Aegis Network Ltd.	¥1 million	—	—	—	

Notes: 1. Information is given exclusively for executives whose total consolidated remuneration exceeds 100 million yen.

2. The period used as the basis for the calculation of the amount of remuneration from Dentsu Holdings USA, Inc. and Dentsu Aegis Network Ltd. to Director Timothy Andree, irrespective of the fiscal years of the two companies, is the fiscal year of the Company, which is from April 1, 2013 to March 31, 2014.

3. The amount of remuneration from Dentsu Holdings USA, Inc. and Dentsu Aegis Network Ltd. to Director Timothy Andree, stated above, includes remuneration corresponding to the period from April 1, 2013 to June 26, 2013, which is prior to his appointment as a Director of the Company.

4. Bonuses paid from Dentsu Holdings USA, Inc. to Director Timothy Andree, stated above, include bonuses corresponding to the current fiscal year, which will be paid after the current fiscal year, and among such bonuses, the amount corresponding to the period from January 1, 2014 to March 31, 2014 is the estimated amount to be paid by Dentsu Holdings USA, Inc.

5. Retirement benefits paid from Dentsu Holdings USA, Inc. to Director Timothy Andree, stated above, represent the estimated amount to be

paid corresponding to the period from April 1, 2013 to March 31, 2014.

6. Payments in foreign currencies have been translated into Japanese yen using the average dollar/yen and pound/yen exchange rates for January to December 2013 of approximately US$1=¥97.6 and £1=¥152.7, respectively.

2) Summary of Policy on Determining Remuneration for Directors and Audit & Supervisory Board Members

To draw a suitable link between remuneration to Directors and further increases in corporate value and in consideration of Directors' accountability and connection to operating results, remuneration (including the Executive Officer portion of remuneration for Directors serving concurrently as Executive Officers) shall be divided into two components: monthly remuneration and a performance-linked bonus. If operating performance is as expected, the performance-linked bonus shall account for approximately one-third of overall remuneration (Note). The total of fixed monthly remuneration and performance-linked bonuses shall be within the limit for remuneration (1.2 billion yen per year, of which 18 million yen is applied to annual remuneration for Outside Directors) approved at the General Meeting of Shareholders held on June 27, 2013. Remuneration to Outside Directors, however, will consist solely of fixed monthly remuneration in exchange for the execution of their duties. Remuneration amounts for each Director, including Outside Directors, will be determined by resolution of the Board of Directors.

Remuneration to Audit & Supervisory Board Members will consist solely of fixed monthly remuneration in exchange for the nexecution of their duties. The gross amount of this monthly remuneration will be determined within the limits of the remuneration (132 million yen per year) approved by the General Meeting of Shareholders held on June 27, 2013. Remuneration to individual Audit & Supervisory Board Members will be determined after deliberation by the Audit & Supervisory Board Members.

Note: At the Board of Directors' meeting held on June 13, 2014, the executive remuneration system was partially amended in order to ensure its consistency with the Group's business structure and changes in the business environment, as well as to reinforce incentives toward the achievement of the medium-term management plan.

As a result of these amendments, the ratio of the monthly remuneration to performance-linked bonuses for the remuneration for Directors (including the Executive Officer portion of remuneration for Directors serving concurrently as Executive Officers) was changed so that if operating performance is as expected, the performance-linked bonus shall account for 40 percent of overall remuneration. Changes were also made to the index used to determine the performance-linked portion of the remuneration so that instead of using both consolidated gross profit and consolidated operating income, consolidated operating income alone shall be used. Furthermore, total bonuses shall reflect the degree to which the budget is achieved rather than comparisons with the reference year.

9. Agenda Items for the General Meeting of Shareholders that May be Resolved by the Board of Directors

The Company sets forth in its Articles of Incorporation provisions that allow the Board of Directors to approve the following items that would otherwise be put before the General Meeting of Shareholders for resolution.

1) Decisions on the Purchase of Treasury Stock

To ensure a flexible capital policy, Dentsu maintains a provision in its Articles of Incorporation, in accordance with Article 165, Paragraph 2 of the Companies Act, that allows the Board of Directors to approve the purchase of treasury stock from the market.

2) Interim Dividends

To promote the flexible return of profits to shareholders, Dentsu maintains a provision in its Articles of Incorporation, in accordance with Article 454, Paragraph 5 of the Companies Act, that allows the Board of Directors to grant interim dividends to registered shareholders, as of September 30 of each year.

3) Exemption from Liability

To enable Directors and Audit & Supervisory Board Members to satisfactorily fulfill the roles expected of them by the Company, Dentsu maintains a provision in its Articles of Incorporation that allows the Board of Directors to exempt Directors (including former Directors) and Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) from liability for damages, as set forth in Article 423, Paragraph 1 of the Companies Act, to the extent of the amount obtained by subtracting the minimum liability amount from the amount for which they are liable, provided that the requirements set by laws or regulations have been satisfied.

10. Approval Criteria for Election of Directors

In its Articles of Incorporation, the Company sets forth a provision whereby the appointment of a candidate to the Board of Directors must be approved by a majority vote of shareholders in attendance at a General Meeting of Shareholders and whose combined shareholdings represent more than one-third of total voting rights held by shareholders with the ability to exercise such rights. The Articles of Incorporation include a provision to preclude cumulative voting in obtaining approval for the appointment of Director candidates.

11. Approval Criteria for Special Resolutions at the General Meeting of Shareholders

Special resolutions described under Article 309, Paragraph 2 of the Companies Act that are put before the General Meeting of Shareholders must be passed with a number of votes corresponding to more than two-thirds of voting rights held by shareholders in attendance whose combined shareholdings represent no less than one-third of total voting rights held by shareholders with the power to exercise such rights. Management believes that this reduced quorum for special resolutions facilitates the efficient execution of the General Meeting of Shareholders.

12. Status of Equity Holdings

1) Investment Stock Held for Reasons Other than Pure Investment

Number of companies:	267
Aggregate balance sheet amount:	71,914 million yen

2) Holding Category, Company, Number of Shares, Balance Sheet Amounts and Purpose of Investment Shares Held for Reasons Other than Pure Investment

The following pages show the status of equity holdings for the previous fiscal year and the fiscal year under review.

Previous Fiscal Year
Investment Stock for Reasons Other Than Pure Investment Purposes

Company	Number of Shares	Balance Sheet Amount (Millions of Yen)	Purpose of Holding
Toho Co., Ltd.	3,779,900	7,408	To maintain and strengthen business relationship
Digital Garage, Inc.	16,500	5,024	To maintain and strengthen business relationship
TV Asahi Corporation	1,200,000	2,185	To maintain and strengthen business relationship
Asahi Group Holdings, Ltd.	918,400	2,065	To maintain and strengthen business relationship
SKY Perfect JSAT Holdings Inc.	40,594	1,796	To maintain and strengthen business relationship
Yakult Honsha Co., Ltd.	258,600	983	To maintain and strengthen business relationship
Shochiku Co., Ltd.	1,000,000	964	To maintain and strengthen business relationship
Lion Corporation	1,794,000	929	To maintain and strengthen business relationship
Toei Company, Ltd.	1,300,000	855	To maintain and strengthen business relationship
euglena Co., Ltd.	37,500	785	To maintain and strengthen business relationship
ROHTO Pharmaceutical Co., Ltd.	520,000	669	To maintain and strengthen business relationship
Mitsubishi UFJ Financial Group, Inc.	1,125,900	628	To maintain and strengthen business relationship
Fuji Media Holdings, Inc.	3,500	570	To maintain and strengthen business relationship
Hisamitsu Pharmaceutical Co., Inc.	100,949	518	To maintain and strengthen business relationship
Tsumura & Co.	146,827	510	To maintain and strengthen business relationship
Central Japan Railway Company	50,000	496	To maintain and strengthen business relationship
Ezaki Glico Co., Ltd.	495,961	483	To maintain and strengthen business relationship
Nomura Holdings, Inc.	827,300	477	To maintain and strengthen business relationship
Ajinomoto Co., Inc.	299,000	423	To maintain and strengthen business relationship
TV TOKYO Holdings Corporation	390,000	417	To maintain and strengthen business relationship

Stocks Held in Trust or Other Legal Entity While Retaining Voting Rights or Voting Instruction Rights

Company	Number of Shares	Balance Sheet Amount (Millions of Yen)	Purpose of Holding
Tokyo Broadcasting System Holdings, Inc.	9,310,500	13,118	To instruct exercise of voting rights
Fuji Media Holdings, Inc.	46,500	7,584	To instruct exercise of voting rights
Kao Corporation	2,328,000	7,170	To instruct exercise of voting rights
KDDI Corporation	975,800	3,776	To instruct exercise of voting rights
TV Asahi Corporation	1,271,000	2,314	To instruct exercise of voting rights
WOWOW INC.	7,004	1,732	To instruct exercise of voting rights
Yamato Holdings Co., Ltd.	627,000	1,090	To instruct exercise of voting rights
Seven & i Holdings Co., Ltd.	324,000	1,009	To instruct exercise of voting rights
Shiseido Co., Ltd.	682,000	905	To instruct exercise of voting rights
Mizuho Financial Group, Inc.	3,914,000	778	To instruct exercise of voting rights

Note: Investment stock for reasons other than pure investment purposes and stocks held in trust or other legal entity while retaining voting rights or voting instruction rights are not added together when selecting stocks with the largest amounts as recorded in the balance sheet.

Fiscal Year under Review
Investment Stock for Reasons Other Than Pure Investment Purposes

Company	Number of Shares	Balance Sheet Amount (Millions of Yen)	Purpose of Holding
Digital Garage, Inc.	3,300,000	5,801	To maintain and strengthen business relationship
Asahi Group Holdings, Ltd.	918,400	2,653	To maintain and strengthen business relationship
TV Asahi Corporation	1,200,000	2,244	To maintain and strengthen business relationship
SKY Perfect JSAT Holdings Inc.	4,059,400	2,240	To maintain and strengthen business relationship
Toho Co., Ltd.	808,900	1,673	To maintain and strengthen business relationship
Yakult Honsha Co., Ltd.	258,600	1,339	To maintain and strengthen business relationship
Lion Corporation	1,794,000	1,096	To maintain and strengthen business relationship
euglena Co., Ltd.	937,500	952	To maintain and strengthen business relationship
ROHTO Pharmaceutical Co., Ltd.	520,000	947	To maintain and strengthen business relationship
Shochiku Co., Ltd.	1,000,000	882	To maintain and strengthen business relationship
IG Port, Inc.	498,000	866	To maintain and strengthen business relationship
Toei Company, Ltd.	1,300,000	806	To maintain and strengthen business relationship
TV TOKYO Holdings Corporation	390,000	681	To maintain and strengthen business relationship
Ezaki Glico Co., Ltd.	498,389	681	To maintain and strengthen business relationship
Mitsubishi UFJ Financial Group, Inc.	1,125,900	638	To maintain and strengthen business relationship
Central Japan Railway Company	50,000	603	To maintain and strengthen business relationship
Nomura Holdings, Inc.	827,300	547	To maintain and strengthen business relationship
Toyo Suisan Kaisha, Ltd.	143,000	492	To maintain and strengthen business relationship
Hisamitsu Pharmaceutical Co., Inc.	102,769	479	To maintain and strengthen business relationship
Ajinomoto Co., Inc.	299,000	441	To maintain and strengthen business relationship

Stocks Held in Trust or Other Legal Entity While Retaining Voting Rights or Voting Instruction Rights

Company	Number of Shares	Balance Sheet Amount (Millions of Yen)	Purpose of Holding
Tokyo Broadcasting System Holdings, Inc.	9,310,500	11,107	To instruct exercise of voting rights
Fuji Media Holdings, Inc.	4,650,000	8,811	To instruct exercise of voting rights
Kao Corporation	2,328,000	8,513	To instruct exercise of voting rights
KDDI Corporation	975,800	5,831	To instruct exercise of voting rights
WOWOW INC.	700,400	2,577	To instruct exercise of voting rights
TV Asahi Corporation	1,271,000	2,376	To instruct exercise of voting rights
Yamato Holdings Co., Ltd.	627,000	1,394	To instruct exercise of voting rights
Seven & i Holdings Co., Ltd.	324,000	1,277	To instruct exercise of voting rights
Shiseido Co., Ltd.	682,000	1,238	To instruct exercise of voting rights
Mizuho Financial Group, Inc.	3,914,000	798	To instruct exercise of voting rights

Note: Investment stock for reasons other than pure investment purposes and stocks held in trust or other legal entity while retaining voting rights or voting instruction rights are not added together when selecting stocks with the largest amounts as recorded in the balance sheet.

3) Investment Stock Held for Pure Investment

No items to report

Remuneration Policy

1. Remuneration to Independent Auditors (Certified Public Accountants)

(Millions of Yen)

Category	Previous Fiscal Year		Fiscal Year under Review	
	Remuneration for Independent Auditing Services	Remuneration for Non-Auditing Services	Remuneration for Independent Auditing Services	Remuneration for Non-Auditing Services
Parent Company	180	15	250	20
Consolidated Subsidiaries	147	6	151	—
Total	328	22	401	20

2. Other Significant Details Regarding Remuneration

Previous fiscal year (April 1, 2012–March 31, 2013)
For the financial statements of overseas consolidated subsidiaries, remuneration of 43 million yen for services regarded as equivalent to independent auditing services was paid to accountants belonging to the same corporate network as the Company's independent auditing firm, Deloitte Touche Tohmatsu LLC.

Fiscal year under review (April 1, 2013–March 31, 2014)
For the financial statements of overseas consolidated subsidiaries, remuneration of 64 million yen for services regarded as equivalent to independent auditing services was paid to accountants belonging to the same corporate network as the Company's independent auditing firm, Deloitte Touche Tohmatsu LLC.

3. Details of Non-Auditing Services Provided to Dentsu Inc. by Independent Auditors

Previous fiscal year (April 1, 2012–March 31, 2013)
Dentsu paid for consultation services on the International Financial Reporting Standard (IFRS).

Fiscal year under review (April 1, 2013–March 31, 2014)
Dentsu paid for services relating to the preparation of a letter of comfort associated with the issuance of new shares and the disposal of treasury stock.

4. Policy for Determining Remuneration to Independent Auditors

Remuneration for audits performed by the Company's Independent Auditors is based on overall consideration of such factors as the content of the audits performed in previous fiscal years and the content of the auditing schedule presented by the Independent Auditors for the fiscal year under review.

Subsidiaries and Affiliates

(As of March 31, 2014)

Dentsu conducts its business together with its subsidiaries and affiliates. As of March 31, 2014, the Dentsu Group included 657 consolidated subsidiaries and 59 affiliated companies accounted for under the equity method.

Consolidated Subsidiaries

Dentsu East Japan Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in the Kanto and Tohoku regions as well as Shizuoka and Niigata prefectures

Dentsu West Japan Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in the Chugoku region and Shikoku as well as Hyogo, Ishikawa, Fukui and Toyama prefectures

Dentsu Kyushu Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in Kyushu

Dentsu Hokkaido Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in Hokkaido

Ad Dentsu Osaka Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in the Kansai region

Dentsu Meitetsu Communications Inc.[1]
Geographic Area: Japan
Equity Held by Dentsu: 50.0%
Description of Business: Total advertising services, specializing in promotion and OOH

Dentsu Ad-Gear Inc.
Geographic Area: Japan
Equity Held by Dentsu: 66.7%
Description of Business: Advertising firm specializing in out-of-home media and store promotions

Dentsu Young & Rubicam Inc.
Geographic Area: Japan
Equity Held by Dentsu: 51.0%
Description of Business: Advertising company established by Dentsu and Young & Rubicam

Cyber Communications Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%
Description of Business: Internet-based advertising media rep

DA search & link Inc.
Geographic Area: Japan
Equity Held by Dentsu: 55.0%
Equity Held Indirectly: 55.0%
Description of Business: Internet advertising

The Goal Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Fashion and accessories industry advertising

Dentsu Tec Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Planning and production for sales promotions, events, commercials, print, etc.

Dentsu Creative X Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: All areas of the creative content production business

Dentsu Customer Access Center Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%
Description of Business: Client services for promotions

Dentsu Public Relations Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Public relations planning and implementation

Dentsu Casting and Entertainment Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Casting services related to advertising

Dentsu Table Media Communications Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%
Description of Business: Company specializing in advertising inserts

Information Services International-Dentsu, Ltd.
Geographic Area: Japan
Equity Held by Dentsu: 61.9%
Equity Held Indirectly: 0.0%
Description of Business: Information systems building; software sales and support for various business areas

Dentsu Works Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Environment-related consulting, building management, real estate services and business consulting services

Dentsu Aegis Network Ltd.
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Description of Business: Headquarters of the Dentsu Group's global business, which oversees operations outside of Japan

Dentsu Holdings USA, Inc.
Geographic Area: U.S.A.
Equity Held by Dentsu: 100.0%
Description of Business: Holding company in the U.S.A.

Dentsu McGarry Bowen, LLC
Geographic Area: U.S.A.
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%
Description of Business: Agency built around serving its clients and developing "Big, Organizing Ideas" that drive results for icon brands. Awarded *Advertising Age*'s 2009 and 2011 Agency of the Year

Dentsu Innovation Interactive, LLC
Geographic Area: U.S.A.
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%
Description of Business: Technology-led innovation partner, which includes 360i, the leading-edge digital agency who wrote the book on search, social media, and now mobile

Dentsu Latin America Propaganda Ltda.
Geographic Area: Brazil
Equity Held by Dentsu: 100.0%
Description of Business: Undertakes activities deeply rooted in the region through its office in São Paulo. Is achieving sustained spectacular growth in the Latin American advertising market for which steady growth is foreseen

Dentsu-Smart LLC
Geographic Area: Russia
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%
Description of Business: Dentsu Network operating subsidiary in Russia and the Commonwealth of Independent States (CIS). Occupies a leading position in the Russian advertising world and is ranked in the top class as a media agency

Beijing Dentsu Advertising Co., Ltd.
Geographic Area: China
Equity Held by Dentsu: 70.0%
Description of Business: With more than 15 years of history and experience in China, where the market is dynamically changing amidst rapid economic development, it holds a top position in the Chinese advertising industry

&c. Inc.
Geographic Area: China
Equity Held by Dentsu: 100.0%
Description of Business: A top-class digital agency which plays a major role in the rapidly growing Chinese Internet market. Leveraging its expertise in the interactive domain, offers strategic planning as well as media buying and creative development services. Is working to develop new Chinese and multinational clients in addition to strengthening its Japanese client base

Media Palette (Taiwan) Inc.
Geographic Area: Taiwan
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 30.0%
Description of Business: An integrated media communications agency. Has garnered the industry's No. 1 position not only in media services, but also in the areas of branded entertainment and casting. Chosen as Taiwan's Media Agency of the Year in both 2007 and 2009

Dentsu (Thailand) Ltd.
Geographic Area: Thailand
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 98.4%
Description of Business: A full-service communications agency with rich experience in the long history of advertising in Thailand. Has continuously been ranked within the top 10 in the region, and has received various awards in the creative sphere

Dentsu Media (Thailand) Ltd.
Geographic Area: Thailand
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 51.0%
Description of Business: A Dentsu media agency. Proposes innovative solutions with advanced planning theories using an array of original strategic tools and unique content projects

Dentsu Media Korea Inc.
Geographic Area: Republic of Korea
Equity Held by Dentsu: 67.0%
Description of Business: A large-scale media agency that focuses on the local media business. Demonstrates a high standard of know-how on media planning and buying

and 626 other companies

[1] Although Dentsu's ownership is 50% or less, the company is considered a subsidiary because Dentsu exerts effective control.

Affiliated Companies Accounted for under the Equity Method

Beacon Communications K.K.
Geographic Area: Japan
Equity Held by Dentsu: 34.0%
Description of Business: Advertising firm established by Dentsu and the Publicis Groupe

Frontage Inc.
Geographic Area: Japan
Equity Held by Dentsu: 40.0%
Description of Business: Advertising firm that focuses on branding

Video Research Ltd.
Geographic Area: Japan
Equity Held by Dentsu: 34.2%
Description of Business: TV audience rating surveys, radio audience rating surveys and other research

Opt, Inc.[1]
Geographic Area: Japan
Equity Held by Dentsu: 16.6%
Equity Held Indirectly: 16.6%
Description of Business: e-Marketing business focusing on Internet advertising

D2C Inc.
Geographic Area: Japan
Equity Held by Dentsu: 46.0%
Equity Held Indirectly: 10.0%
Description of Business: Advertising for i-mode and other mobile platforms

Kakaku.com, Inc.[1]
Geographic Area: Japan
Equity Held by Dentsu: 15.6%
Description of Business: An Internet media company that operates the customer purchasing support site Kakaku.com, word-of-mouth restaurant and gourmet guide site Tabelog and other sites

DCTP Entwicklungsgesellschaft für TV-Programm mbH
Geographic Area: Germany
Equity Held by Dentsu: 37.5%
Description of Business: Development company for TV programs

Phoenix Holdings Inc.[2]
Geographic Area: Republic of Korea
Equity Held by Dentsu: 33.0%
Description of Business: A listed company that is top-ranked in the Korean advertising industry. Is attracting attention in Korea where in-house agencies are the norm.

and 51 other companies

[1] Although Dentsu's ownership is 50% or less, the company is considered a subsidiary because Dentsu exerts effective control.
[2] On December 31, 2013, Phoenix Communications Inc. changed its name to Phoenix Holdings Inc.

History

1901 Hoshiro Mitsunaga establishes Japan Advertising Ltd. and Telegraphic Service Co.

1906 Telegraphic Service Co. becomes Japan Telegraphic Communication Co., Ltd.

1907 Japan Advertising Ltd. merges with Japan Telegraphic Communication Co., Ltd. and starts to engage in communication and advertising operations.

1936 Japan Telegraphic Communication Co., Ltd. relinquishes its news services division to Domei News Agency, and relaunches itself as a specialized advertising agency.

1943 Dentsu acquires 16 companies in a move to augment its advertising agency business. Operational bases are established in Tokyo, Osaka, Nagoya and Kyushu.

1947 Hideo Yoshida becomes the fourth President. The Dentsu Advertising Awards are established.

1951 Dentsu establishes the Radio Division at its Head Office and local offices. Commercial radio broadcasting begins in Japan.

1953 Dentsu creates the Radio and Television Division at its Head Office and local offices. Commercial television broadcasting begins.

1955 Dentsu Advertising Ltd. becomes the new company name.

1961 Dentsu enters into an alliance agreement with Young & Rubicam.

1967 The Tsukiji Head Office Building is completed.

1974 *Advertising Age* ranks Dentsu No. 1 advertising agency worldwide in terms of (calendar 1973) billings.

1975 Information Services International-Dentsu, Ltd. is established.

1978 Dentsu Incorporated (Dentsu Inc.) becomes the new company name.

1981 The company formerly known as JIMA Dentsu Advertising, Ltd. and U.S. partner Young & Rubicam's Japanese affiliate establish Dentsu Young & Rubicam as a joint venture in Tokyo.

1984 Dentsu and U.S.-based Young & Rubicam jointly establish DYR, an international service network.

1989 Dentsu Inc.'s net sales exceed ¥1 trillion in the fiscal year ended March 31, 1989.

1993 Gohei Kogure becomes the first Chairman. Yutaka Narita becomes the ninth President.

1995 Dentsu Inc. establishes five domestic regional subsidiaries.

1996 The Japan–China Advertising Education Exchange Project commences. Dentsu Actis (Tokyo) and three other Group companies merge to form Dentsu Tec Inc. cyber communications inc. is established.

1997 Dentsu Tec Inc. lists its shares on the over-the-counter market (currently, JASDAQ).

2000 Dentsu Inc. makes an equity investment in the Bcom3 Group. cyber communications inc. lists its shares on the NASDAQ Japan market of the Osaka Securities Exchange. (In 2003, cyber communications inc. lists its shares on the MOTHERS section of the Tokyo Stock Exchange.) Information Services International-Dentsu, Ltd. lists its shares on the First Section of the Tokyo Stock Exchange.

2001 Dentsu Inc. lists its shares on the First Section of the Tokyo Stock Exchange (TSE: 4324). Dentsu commemorates its 100th anniversary.

2002 Yutaka Narita becomes the second Chairman. Tateo Mataki becomes the tenth President. The Bcom3 Group merges with Publicis Groupe S.A. Dentsu Inc. acquires a 15% stake in the newly formed group. Dentsu's new Shiodome Head Office Building opens in November.

2004 Dentsu Inc. implements a stock split (1:2).

2005 The Dentsu Group obtains BS7799 certification and Information Security Management Systems (ISMS) certification. All of Dentsu Inc.'s domestic branch offices receive ISO 14001:2004 certification.

2006 Dentsu Tec Inc. is converted to a wholly owned subsidiary, and its shares are delisted.

2007 Dentsu's consolidated net sales reach ¥2 trillion in the fiscal year ended March 31, 2007. Tateo Mataki becomes the third Chairman. Tatsuyoshi Takashima becomes the eleventh President.

2008 Dentsu Inc. obtains treasury stock of approximately ¥60 billion. Dentsu Holdings USA, Inc. acquires mcgarrybowen, LLC of the United States.

2009 With the conversion to electronic share certificates, Dentsu Inc. implements a stock split (1:100). cyber communications inc. is converted to a wholly owned subsidiary, and its shares are delisted.

2010 Dentsu forms a capital and business alliance with the Suntrend Group (currently, Brandmax Group) of China.

2011 Tatsuyoshi Takashima becomes the fourth Chairman. Tadashi Ishii becomes the twelfth President & CEO.

2012 Dentsu Inc. terminates strategic alliance and other agreements with Publicis Groupe S.A. and sells to Publicis a block of the shares of Publicis held by Dentsu.

2013 Dentsu Inc. acquires the outstanding shares of Aegis Group plc through a scheme of arrangement, an acquisition method under English law, and converts it to a wholly owned subsidiary. Aegis Group plc changes its name to Dentsu Aegis Network Ltd. and is currently a consolidated subsidiary of Dentsu.

Board Members, Audit & Supervisory Board Members and Executive Officers

(As of June 27, 2014)

Board Members

Representative Director
Tadashi Ishii

Directors
Shoichi Nakamoto
Yuzuru Kato
Timothy Andree
Akira Sugimoto
Kunihiro Matsushima
Yoshio Takada
Akira Tonouchi
Kazufumi Hattori
Toshihiro Yamamoto

Outside Directors
Yutaka Nishizawa
Masaki Fukuyama

Audit & Supervisory Board Members

Audit & Supervisory Board Members
Kaoru Shimura
Kenichi Kato

Outside Audit & Supervisory Board Members
Atsuko Toyama
Toshiaki Hasegawa
Kentaro Koga

Executive Officers

President & CEO
Tadashi Ishii*

Senior Executive Vice President & CFO
Shoichi Nakamoto*

Executive Vice Presidents
Yuzuru Kato*
Timothy Andree*

Senior Vice Presidents
Akira Sugimoto*
Kunihiro Matsushima*
Yoshio Takada*
Naoki Tani

Executive Officers
Kazumichi Iwagami
Akira Tonouchi*
Fumiharu Kobayashi
Toshihiro Yamamoto*
Tsuneo Ogasawara
Kazufumi Hattori*
Nobuyuki Tohya
Tsuyoshi Iwashita
Seiji Ito
Yasuo Motoi
Yuichi Ohkubo
Yoshiaki Suzuki
Wataru Mochizuki
Keiichi Maeda
Kiyoshi Nakamura
Jerry Buhlmann
Tatsuyuki Uchida
Hiroaki Sano
Yoshiharu Sengoku
Takaki Hibino
Toshiya Ohyama

* Simultaneously serving as Board member

Information for Shareholders

(As of August 1, 2014)

Corporate Headquarters
1-8-1, Higashi-shimbashi, Minato-ku, Tokyo 105-7001, Japan
Phone: +81-3-6216-5111

Investor Relations
Investor Relations Department,
Corporate Strategy Division
1-8-1, Higashi-shimbashi, Minato-ku, Tokyo 105-7001, Japan
Phone: +81-3-6216-8015
E-mail: irmail@dentsu.co.jp

Stock Exchange Listing
Tokyo Stock Exchange, First Section
Securities code: 4324

Total Number of Shares Issued
288,410,000

General Meeting of Shareholders
The ordinary general meeting of shareholders is held in Tokyo in June each year.

Transfer Agent
The Mitsubishi UFJ Trust and Banking Corporation
7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081, Japan

Internet Address
http://www.dentsu.com

Share Information

(As of March 31, 2014)

Breakdown of Shareholders by Type

	Number of Shareholders	Number of Shares Held	Percentage of Total Number of Shares Issued
Japanese financial institutions	70	74,129,460	25.70
Japanese securities firms	45	8,952,234	3.10
Other Japanese corporations (Including treasury stock)	678	79,556,166	27.58
Japanese individuals and others	39,516	45,208,486	15.68
Foreign institutions and individuals	486	80,563,654	27.93
Total	40,795	288,410,000	100.00

Major Shareholders

	Number of Shares Held	Percentage of Total Number of Shares Issued
The Master Trust Bank of Japan, Ltd. (Trust accounts)	25,304,800	8.77
Kyodo News	20,488,800	7.10
Jiji Press, Ltd.	17,228,680	5.97
Japan Trustee Services Bank, Ltd. (Trust accounts)	14,946,800	5.18
State Street Bank and Trust Company	12,127,036	4.20
Group Employees' Stockholding Association	6,886,046	2.39
Mizuho Bank, Ltd.	5,000,000	1.73
Yoshida Hideo Memorial Foundation	4,984,808	1.73
Recruit Holdings Co., Ltd.	4,929,900	1.71
Tokyo Broadcasting System Television, Inc.	4,000,000	1.39

Note: The shares held are calculated as a percentage of the total number of shares issued.