

Consolidated Financial Statements Consolidated Balance Sheet

Dentsu Inc. and Consolidated Subsidiaries
March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
ASSETS			
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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2014	2014
LIABILITIES AND EQUITY			
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.I 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.I)	(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					Total	Minority Interests	Total Equity
						Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
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					Total	Minority Interests	Total Equity
					Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
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.