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		Thousands of U.S. Dollars
						2013	**2014**	**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.

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(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

March 31, 2013	Contract Amount (Millions of Yen)	Contract Amount due after One Year (Millions of Yen)	Fair Value (Millions of Yen)	Gain (Loss) (Millions of Yen)
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)

March 31, 2014	Contract Amount (Millions of Yen)	Contract Amount due after One Year (Millions of Yen)	Fair Value (Millions of Yen)	Gain (Loss) (Millions of Yen)
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)**

March 31, 2014	Thousands of U.S. Dollars 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

March 31, 2013	Millions of Yen 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)

March 31, 2014	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
	Millions of Yen			
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**

March 31, 2014	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
	Thousands of U.S. Dollars			
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