Notes to Consolidated Financial Statements

Dentsu Inc. and Consolidated Subsidiaries
Year ended March 31, 2015

1. REPORTING ENTITY

Dentsu Inc. (hereinafter referred to as the "Company") is a joint stock corporation under the Companies Act of Japan located in Japan.

The addresses of the Company's registered corporate headquarters and principal business offices are available on the Company's website (http://www.dentsu.co.jp/).

The details of businesses and principal business activities of the Company and its subsidiaries (hereinafter referred to as the "Group") are stated in "6. SEGMENT INFORMATION."

The consolidated financial statements for the year ended March 31, 2015 were approved by Tadashi Ishii, Representative Director and President & CEO, and Shoichi Nakamoto, Director and Senior Executive Vice President & CFO, on June 26, 2015.

2. BASIS OF PREPARATION

(1) Compliance with the International Financial Reporting Standards (hereinafter referred to as "IFRS") and its First-time Adoption

The Company's consolidated financial statements meet all requirements of Article 1-2 "Specified Company" stipulated in the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; (the "Ordinance on Consolidated Financial Statements")) and are prepared in accordance with IFRS under the provisions of Article 93 of the Ordinance on Consolidated Financial Statements.

The Group first adopted IFRS for the year ended March 31, 2015, and its date of transition to IFRS (hereinafter referred to as the "Date of Transition") was April 1, 2013. For the Date of Transition and comparative years, the impact of the transition to IFRS on the statements of financial position, income and cash flows are presented in "35. FIRST-TIME ADOPTION."

The Group's accounting policies are in compliance with IFRS effective March 31, 2015 with the exception of IFRS provisions that have not been early adopted and exemptions granted in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter referred to as "IFRS 1"). The exemptions adopted are presented in "3. SIGNIFICANT ACCOUNTING POLICIES."

(2) Basis of Measurement

The consolidated financial statements are prepared on the historical cost basis, except for financial instruments and others stated in "3. SIGNIFICANT ACCOUNTING POLICIES."

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. The units are in millions of yen, and figures less than one million yen are rounded down to the nearest million yen.

(4) Early Adoption of New Standards

The Group has early adopted IFRS 9 "Financial Instruments" (revised in October 2010).

(5) Reporting Period of Dentsu Aegis Network Ltd. and its Subsidiaries

The fiscal year end date of Dentsu Aegis Network Ltd. and its subsidiaries under control (hereinafter collectively referred to as "Dentsu Aegis Network"), which operate the Group's international advertising business, is December 31, hence the Group consolidates financial results of Dentsu Aegis Network for the period from January 1, 2014 to December 31, 2014 into the consolidated financial results for the year ended March 31, 2015.

Under the consolidation process of the Group, consolidation for Dentsu Aegis Network (sub-consolidation closing) is conducted first, and then the process of consolidation for the whole Group is performed.

Dentsu Aegis Network is a unified business operation unit that operates the Group's international advertising business, and manages budgets and actual results on a sub-consolidation basis; and as a unified financial reporting unit, takes a major role in ensuring the accuracy and quality of the Group's financial reporting.

Under such a consolidation process, in order to unify the financial reporting periods across the whole Group, while maintaining the same level of quality of the Group's consolidated financial reporting as well as satisfying the statutory schedule prescribed under the Companies Act of Japan, it is required to further shorten the current closing schedule across the Group.

To achieve this objective, the Company has reviewed and improved the closing processes and systems for the consolidation, and changed the structure across the Group, through measures such as accelerating the sub-consolidation process at Dentsu Aegis Network and changing its reporting process to the Company, restructuring the processes of consolidation and preparation of consolidated financial statements and notes, carrying out proper assignment of personnel resources and talent development, and reviewing the approval process for financial reporting. However, the management of the Company has concluded that it is difficult and impracticable to unify the reporting period this year.

Currently, under the unified accounting standards in line with IFRS, the entire Group strives to enhance and improve the efficiency of the closing and management systems, and as a result of the Group-wide effort, the Company and its subsidiaries with fiscal year ends other than December 31 will change and unify the fiscal year end to December 31 starting from the year 2015.

As a consequence, this accounting period difference will no longer exist.

While there is currently a three-month difference between the fiscal year end of the Dentsu Aegis Network and that of the Company, the impact from such mismatch of the reporting periods on the consolidated financial position and results of operations is limited.

With respect to significant transactions or events occurring during the time gap, the Group makes necessary adjustments and appropriate arrangements in order to assist the users of financial statements to properly understand and assess the consolidated financial position and results of operations of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of Consolidation

A. Subsidiaries

A subsidiary is an entity controlled by the Group. An entity is treated as a subsidiary if the Group is deemed, in principle, to have control over that entity when it holds a majority of the voting rights of that entity. An entity is treated as a subsidiary even if the Group holds less than a majority of the voting rights of the entity, where control is deemed to be achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. In cases where the accounting policies adopted by a subsidiary are different from those adopted by the Group, adjustments are made to the subsidiary's financial statements, as necessary, to conform with the accounting policies adopted by the Group.

The financial statements of subsidiaries with closing dates other than the Company's closing date are included in the consolidated financial statements since it is impractical to unify such subsidiaries' closing dates with the Company's closing date. The difference between the fiscal year end of the subsidiaries' financial statements and that of the Company's is not more than three months. When the fiscal year end of a subsidiary's financial statements used in the preparation of consolidated financial statements differs from that of the Company, adjustments are made for the significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

A change in the ownership interest in a subsidiary without a loss of control is accounted for as an equity transaction, and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, any resulting gain or loss is recognized in profit or loss.

B. Associates and Joint Ventures

An associate is an entity over which the Group has significant influence in respect to the financial and operating policies but does not have control. When the Group holds between 20% and 50% of the voting rights, the entity is, in principle, treated as an associate.

When the Group holds less than 20% of the voting rights of the entity but is determined to have significant influence over the entity, such as through delegation of officers, the entity is treated as an associate.

A joint venture is an entity in which two or more parties, including the Group, have contractually agreed to sharing of control of an arrangement and have rights to the net assets of the joint venture, and in which unanimous consent of the controlling parties is required to make decisions on relevant business activities.

The Group's investments in associates and joint ventures are accounted for using the equity method. The investments are measured as the carrying amount (including goodwill recognized upon acquisition) determined using the equity method less accumulated impairment losses.

The consolidated financial statements include the Group's share of changes in profit or loss and other comprehensive income of an associate and joint venture from the date of acquisition of significant influence or joint control until the date such influence or control is lost. In cases where the accounting policies adopted by an associate or joint venture are different from those adopted by the Group, adjustments are made to the associate or joint venture's financial statements, as necessary, to conform with the accounting policies adopted by the Group.

Investments in associates and joint ventures with closing dates other than the Company's closing date are included in the consolidated financial statements since it is impractical to unify such entities' closing dates with the Company's closing date. Adjustments are made for the significant transactions or events that occur between the fiscal year end of associates and joint ventures, and the fiscal year end of the Company.

If application of the equity method ceases as a result of the loss of significant influence on associates or joint ventures, gain or loss on the sales of shares is recognized in profit or loss, and the valuation difference arising from remeasurement of the residual shares at fair value is recognized in profit or loss in the same period the significant influence is lost.

C. Transactions Eliminated Under Consolidation

All intragroup balances, transactions, and unrealized gains resulting from intragroup transactions are eliminated on consolidation. Unrealized gains resulting from transactions with associates and joint ventures are subtracted from investments, with the Company's share in an investee company as its upper limit.

(2) Business Combinations

The Group has adopted the exemption in IFRS 1 and elected not to adopt IFRS 3 "Business Combinations" retrospectively to business combinations that occurred before the Date of Transition.

Goodwill arising from business combinations that occurred before the Date of Transition is recorded at its carrying amount under the previous accounting standards (Japanese Generally Accepted Accounting Principles, hereinafter referred to as "Japanese GAAP") as of the Date of Transition after performing an impairment test on the Date of Transition.

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured as the sum of the acquisition-date fair value of the assets transferred, the liabilities assumed and equity instruments issued by the Company in exchange for control over an acquiree and includes the contingent consideration when appropriate.

At the acquisition date, the identifiable assets and liabilities are recognized at their fair value, except that:

(a) Deferred tax assets or liabilities, and assets or liabilities which are related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standards (hereinafter referred to as "IAS") 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively.

(b) Assets or disposal groups that are classified as held-for-sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with the standard.

Any excess of the consideration of acquisition over the fair value of identifiable assets and liabilities is recognized as goodwill. If the consideration of acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is immediately recognized in profit.

If the initial accounting for a business combination is incomplete by the end of the fiscal year in which the combination occurs, provisional amounts of incomplete items are measured based on best estimates. Provisional amounts are adjusted retrospectively to reflect new information obtained during the measurement period, within one year from the date of acquisition, that, if known, would have affected the amounts recognized at that date.

The change in fair value of contingent consideration after the acquisition is adjusted to the acquisition-related costs in case the change occurs during the above measurement period, otherwise the change is recognized in profit or loss.

The Group elects to measure non-controlling interest at either fair value or based on the proportionate share in the recognized identifiable net asset amounts for each business combination transaction.

Acquisition-related costs incurred to effect a business combination are recognized as expenses when incurred, with the exception of costs related to the issuance of debt instruments and equity instruments.

(3) Foreign Currency Translation

A. Translation of Foreign Currency Transactions

Foreign currency transactions are translated into each functional currency of the group entity using the exchange rate at the date of the transaction.

At each fiscal year end, monetary assets and liabilities denominated in foreign currencies, and non-monetary assets and liabilities denominated in foreign currencies carried at fair value are translated into the functional currency at the closing rate, and the resulting translation differences are recognized in profit or loss.

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

B. Translation of Foreign Operations

For financial statements of foreign operations such as subsidiaries, assets and liabilities are translated into Japanese yen at the closing rate for a reporting period, and revenue and expenses are translated into Japanese yen using the average rate for the reporting period unless there are significant changes in the exchange rate. Resulting translation differences are recognized in other comprehensive income, and cumulative differences are recognized in other components of equity.

When a foreign operation of the Group is disposed of, cumulative translation differences relating to that foreign operation are transferred to profit or loss.

Exchange rates used in translation for the Group's subsidiaries, including Dentsu Aegis Network Ltd., which have a fiscal year end of December 31, are based on the fiscal year end of the subsidiaries.

The Group has adopted the exemption in IFRS 1 and transferred cumulative translation differences at the Date of Transition to retained earnings.

(4) Financial Instruments

A. Non-derivative Financial Assets

(a) Initial Recognition and Measurement

The Group initially recognizes trade and other receivables at the date of occurrence. All other financial assets are initially recognized at the date of transaction when the Group became the contracting party for the financial asset.

Non-derivative financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met at the time of initial recognition of financial assets. Otherwise, they are classified as financial assets measured at fair value.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value are classified as financial assets in which changes in fair value subsequent to initial recognition are recognized in profit or loss (hereinafter referred to as "financial assets measured at fair value through profit or loss") and financial assets in which changes in fair value subsequent to initial recognition are recognized in other comprehensive income (hereinafter referred to as "financial assets measured at fair value through other comprehensive income").

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

Equity financial assets not held-for-sale, in principle, are designated as financial assets measured at fair value through other comprehensive income at the time of initial recognition. The Group has adopted the exemption in IFRS 1 and, based on facts and circumstances existing at the Date of Transition, designated equity financial assets not held-for-sale as financial assets measured at fair value through other comprehensive income.

All financial assets are measured at fair value with the addition of transaction costs that are directly attributable to the financial assets, except for when they are classified as financial assets measured at fair value through profit or loss.

(b) Subsequent Measurement

After initial recognition, financial assets are measured based on the classification as follows:

(i) Financial Assets Measured at Amortized Cost

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

(ii) Financial Assets Measured at Fair Value through Profit or Loss

Subsequent to initial recognition, financial assets are remeasured at fair value at each fiscal year end. Changes in fair value and dividends are recognized in profit or loss.

(iii) Financial Assets Measured at Fair Value through Other Comprehensive Income

Changes in fair value subsequent to initial recognition are recognized in other comprehensive income, and are transferred to retained earnings if a financial asset is derecognized or the fair value declines significantly. Dividends derived from these financial assets are recognized in profit or loss.

(c) Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows expire, or when substantially all risks and rewards of ownership are transferred to another entity.

B. Impairment of Financial Assets Measured at Amortized Cost

The Group assesses whether objective evidence of impairment exists at each reporting date. Financial assets are determined to be impaired when there is objective evidence that loss events occurred subsequent to initial recognition of the financial assets and when negative effects on estimated future cash flows of the financial assets from those events can be reasonably estimated.

Objective evidence of impairment for a financial asset measured at amortized cost includes, but is not limited to; default or delinquency by the borrower, reductions of repayment amounts or extensions of repayment periods, significant financial difficulty of the borrower, and bankruptcy of the borrower.

The existence of objective evidence of impairment is assessed individually and collectively for financial assets measured at amortized cost.

Impairment losses for a financial asset measured at amortized cost are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the financial asset, and recognized as losses. If the amount of impairment losses decreases due to an event occurring after the impairment losses were recognized, the previously recognized impairment losses are reversed by the amount of the decrease through profit.

The impairment losses are recognized through an allowance for doubtful accounts, and the carrying amount of a receivable is directly reduced by an offset against the allowance for doubtful accounts when it is considered uncollectible.

C. Non-derivative Financial Liabilities

(a) Initial Recognition and Measurement

The Group initially recognizes debt securities on the date of issue. All other financial liabilities are initially recognized at the date of transaction when the Group became the contracting party for the financial liability.

Non-derivative financial liabilities are classified as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost at initial recognition.

All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at cost, net of transaction costs that are directly attributable to the financial liabilities.

(b) Subsequent Measurements
After initial recognition, financial liabilities are measured based on the classification as follows:
(i) Financial Liabilities Measured at Amortized Cost
Subsequent to initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest rate method.
(ii) Financial Liabilities Measured at Fair Value Through Profit or Loss
Subsequent to initial recognition, financial liabilities measured at fair value through profit or loss are remeasured at fair value at each fiscal year end and changes in fair value are recognized in profit or loss.

(c) Derecognition
A financial liability is derecognized when the obligation is fulfilled, discharged, or expired.

D. Derivative Financial Instruments and Hedge Accounting
The Group utilizes derivative financial instruments, such as foreign exchange contracts and interest rate swap contracts, to hedge its foreign currency risks and interest rate risks, respectively.

At the inception of the hedge, the Group designates and documents the relationship to which hedge accounting is adopted, as well as the objectives and strategies of risk management for undertaking the hedge. The documentation includes hedging relationships, the risk management objective, strategies for undertaking the hedge and an assessment of the hedging instrument's effectiveness.

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

Derivative financial instruments are initially recognized at fair value. In addition, derivatives are measured at fair value after initial recognition and changes in the fair value are accounted for as follows:
(a) Fair Value Hedge
Changes in the fair value of derivative financial instruments are recognized in profit or loss.

The change in the fair value of the hedged item attributable to the hedged risk is recorded as part of its carrying amount and recognized in profit or loss.

(b) Cash Flow Hedge
For the effective portion of gains or losses on hedging instruments, changes in the fair value are recognized in other comprehensive income. The amounts recognized in other comprehensive income are recognized in profit or loss when the cash flows from the hedged items affect profit or loss.

For the ineffective portion, changes in the fair value are recognized in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, when the hedge no longer meets the criteria for hedge accounting, or when the hedging designation is revoked.

(c) Hedge of Net Investment in Foreign Operations
Translation differences resulting from the hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while those for the ineffective portion are recognized in profit or loss.

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

(d) Derivative Financial Instruments not Designated as Hedges
Changes in the fair value of derivative financial instruments are recognized in profit or loss.

E. Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is recorded if there is a currently enforceable legal right to offset the recognized amounts, and if there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(5) Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(6) Inventories
Inventories are mainly comprised of broadcasting rights and contents related to sports and entertainment. The inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined mainly by the specific identification method.

(7) Property, Plant and Equipment (Excluding Leased Assets)
Property, plant and equipment is measured at acquisition cost using the cost model subsequent to initial recognition less accumulated depreciation and accumulated impairment losses. For a portion of property, plant and equipment, the Group has adopted the exemption in IFRS 1 and elected to use the fair value at the Date of Transition as the deemed cost.

The acquisition cost includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs.

Except for assets such as land that are not depreciated, property, plant and equipment are depreciated mainly using the straight-line method over their estimated useful lives.

The estimated useful lives of major property, plant and equipment items are as follows:

• Buildings and structures: 3 to 100 years

Depreciation methods, useful lives and residual values are reviewed at the end of each fiscal year and changes are made as necessary.

(8) Goodwill and Intangible Assets
A. Goodwill
Goodwill is not amortized and is measured at acquisition cost less accumulated impairment losses.

B. Intangible Assets (Excluding Leased Assets)
Intangible assets are measured at acquisition cost using the cost model subsequent to initial recognition less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are measured at acquisition cost for initial recognition, and the costs of intangible assets acquired in business combinations are recognized at fair value at the acquisition date.

The acquisition cost for internally generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets all of the capitalization criteria.

Except for intangible assets with indefinite useful lives, intangible assets are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives of major intangible asset items are as follows:

- Software: 3 to 5 years
- Customer relationships: Effective period (mainly 18 years)

Amortization methods and useful lives of intangible assets with finite useful lives are reviewed at the end of each fiscal year and changes are made as necessary.

(9) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership are transferred to the Group. All other leases are classified as operating leases.

A. Finance Leases

Leased assets and lease obligations are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Leased assets are depreciated using the straight-line method over the shorter of their estimated useful lives or lease terms. Total minimum lease payments are apportioned between the finance costs and the reduction of the outstanding liability, and the finance costs allocated to each reporting period are calculated using the effective interest rate method.

B. Operating Leases

Lease payments are recognized as expenses using the straight-line method over the lease terms.

(10) Investment Property

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is measured at acquisition cost using the cost model subsequent to initial recognition less accumulated depreciation and accumulated impairment losses. For a portion of investment property, the Group has adopted the exemption in IFRS 1 and elected to use the fair value at the Date of Transition as the deemed cost.

Except for assets that are not depreciated, such as land, investment property is depreciated mainly using the straight-line method over its estimated useful life. Estimated useful lives are between 6 and 50 years.

The depreciation methods, useful lives and residual values of investment property are reviewed at the end of each fiscal year and changes are made as necessary.

(11) Impairment of Non-financial Assets

Except for inventories and deferred tax assets, the Group assesses at the end of the fiscal year whether there is any indication that a non-financial asset may be impaired. If such an indication exists, an impairment test is performed based on the recoverable amount of the asset.

Goodwill and intangible assets with indefinite useful lives are not amortized. Impairment tests for such assets are performed once a year, irrespective of whether there is any indication that they may be impaired, or in cases where there is an indication of impairment. Refer to Note "13. GOODWILL AND INTANGIBLE ASSETS" for details of impairment testing of goodwill.

Except for assets that generally do not generate independent cash flows from other assets or asset groups, the recoverable amount of an asset or a cash-generating unit is determined individually by asset at the higher of its fair value less costs of disposal or its value in use.

Where the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the asset is written down to its recoverable amount and impairment losses are recognized.

An impairment loss recognized for goodwill is not reversed in a subsequent period. For assets excluding goodwill, an assessment is made at fiscal year end to determine whether there is any indication that previously recognized impairment losses may no longer exist or have decreased. If any such indication exists, the recoverable amount of the asset is estimated. In cases that the recoverable amount exceeds the carrying amount of the asset, a reversal of impairment losses is recognized. The amount of the reversal of the impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized.

Because goodwill that forms part of the carrying amount of an investment in entities accounted for using the equity method is not separately recognized, it is not tested for impairment separately. If there is any indication that an investment in entities accounted for using the equity method may be impaired, the entire carrying amount of the investment is tested as a single asset.

(12) Non-current Assets Held-for-Sale

A non-current asset or asset group whose carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use is classified as held-for-sale if the non-current asset or asset group is available for immediate sale in its present condition, Group management is committed to a sales plan and its sale is expected to be completed within one year.

The Group measures a non-current asset or asset group classified as held-for-sale at the lower of its carrying amount and fair value less costs to sell.

(13) Post-employment Benefits

The Group has set up defined benefit plans and defined contribution plans as employee retirement benefit plans.

For defined benefit plans, the Group recognizes the present value of defined benefit obligations less the fair value of any plan assets as liabilities or assets.

For defined benefit plans, the Group determines the present value of defined benefit obligations, related current service cost and past service cost using the projected unit credit method. The discount rate is determined based on high quality corporate bond yield rates at fiscal year end for the discount period which is set for the projected period until the expected date of benefit payments in each fiscal year.

Service costs and interest costs of defined benefit plans are recognized in profit or loss, and net interest is determined using the discount rate described above. Remeasurements of defined benefit plans are recognized in other comprehensive income in the period when they are incurred. Past service costs are recognized in profit or loss in the period incurred.

The cost for retirement benefits for defined contribution plans is recognized in profit or loss in the period in which the employees render the related services.

(14) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled and a reliable estimate can be made for the amount of the obligation.

Where the effect of the time value of money is material, provisions are measured based on the present value using a discount rate reflecting the risks specific to the liability.

(15) Revenue

Revenue consists primarily of commissions received for the placement of advertising into different media and consideration received from advertisers and others for providing services, such as assistance in the production of advertising, including creative and various content-related services.

Revenue from the production of advertising and other advertising related services is recorded based on the consideration paid as compensation for such service to the Group by advertisers and others less costs incurred. In some cases, revenue is also recorded based on a fixed fee or another compensation.

Revenue from commissions received from advertisers for the placement of advertising is generally recognized when the media is placed. Other revenue is generally recorded when the service is complete, an estimate of the amount of compensation can be reasonably determined and it is probable that the future economic benefits will flow to the Group.

Revenue and cost arising from transactions relating to services other than advertising services are presented on a gross basis.

Turnover represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover information is not required under IFRS.

(16) Finance Income and Finance Costs

Finance income mainly consists of interest and dividend income. Interest income is recognized as accrued using the effective interest rate method while dividend income is recognized when the shareholder's right to receive payment is established.

Finance costs mainly consist of interest expenses on borrowings and bonds. Interest expenses are recognized as incurred using the effective interest rate method.

(17) Income Taxes

Income taxes consist of current income taxes and deferred income taxes. Income taxes are recognized in profit or loss, except for taxes arising from items that are recognized in other comprehensive income or directly in equity and taxes arising from business combinations.

Current income taxes are measured at the amount which is expected to be paid to or refunded from the taxation authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of assets and liabilities in the Consolidated Statement of Financial Position and their tax basis amount. Deferred tax assets or liabilities are not recognized for differences arising from the initial recognition of assets or liabilities in transactions that are not business combinations and affect neither accounting profit or loss nor taxable profit or loss. Deferred tax liabilities are also not recognized for taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures. However, deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent the Group controls the timing of the reversal of the temporary difference and it is probable the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the fiscal year end.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which carryforwards of unused tax losses, tax credit carryforwards and deductible temporary differences can be utilized. Deferred tax assets are reassessed at the end of the fiscal year and reduced by the amount of any tax benefits that are not expected to be realized.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(18) Equity

A. Share Capital and Share Premium Account

Equity instruments issued by the Company are recorded in share capital and share premium account. Transaction costs directly attributable to the issuance of an equity instrument are deducted from equity.

B. Treasury Shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of treasury shares.

When treasury shares are sold, any difference between their carrying amount and consideration received is recognized in the share premium account.

(19) Earnings per Share

Basic earnings per share are calculated by dividing profit for the year attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the year, adjusted by the number of treasury shares. Diluted earnings per share are calculated by adjusting the effects of dilutive potential ordinary shares.

(20) Underlying Operating Profit

The underlying operating profit is calculated by eliminating from operating profit certain temporary adjusting items such as amortization of intangible assets incurred in acquisition, impairment losses, gain or loss on sale of property, plant and equipment, intangible assets and investment property and costs incurred due to acquisition for the purpose of measuring constant business performance.

The underlying operating profit is not defined under IFRS; however, it is voluntarily disclosed in the Consolidated Statement of Income and Note "6. SEGMENT INFORMATION" since management has concluded that the information is useful for users of the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets and liabilities. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of the fiscal year end date. However, given their nature, actual results may differ from those estimates and assumptions.

The estimates and underlying assumptions are continuously reviewed. The effects of a change in estimates are recognized in the period of the change and future periods.

Information relating to judgments carried out in the process for the application of accounting policies that have a material impact on the consolidated financial statements, is mainly as follows:

- Scope of subsidiaries, associates and joint ventures ("3. SIGNIFICANT ACCOUNTING POLICIES (1) Basis of Consolidation")
- Revenue recognition ("3. SIGNIFICANT ACCOUNTING POLICIES (15) Revenue")

Estimates and assumptions that may have a material effect on the amounts recognized in the consolidated financial statements are as follows:

- Impairment of property, plant and equipment, goodwill, intangible assets and investment properties ("12. PROPERTY, PLANT AND EQUIPMENT," "13. GOODWILL AND INTANGIBLE ASSETS," and "15. INVESTMENT PROPERTY")
- Valuation of financial instruments ("31. FINANCIAL INSTRUMENTS")
- Valuation of defined benefit obligations ("21. POST-EMPLOYMENT BENEFITS")
- Provisions ("20. PROVISIONS")
- Recoverability of deferred tax assets ("17. INCOME TAXES")

5. NEW ACCOUNTING STANDARDS NOT YET ADOPTED BY THE GROUP

By the date of approval of the consolidated financial statements, new accounting standards, amended standards and new interpretations that have been issued, but have not been subject to early adoption by the Group are as follows:

The implications from adoption of these standards and interpretations are assessed by the Group at the time of preparing the consolidated financial statements.

Standards	Name of standards	Mandatory adoption (From the year beginning)	To be adopted by the Group	Description of new standards and amendments
IAS 19	Employee Benefits	July 1, 2014	Fiscal year ending December 2015	Amendments for contributions from employees or third parties to defined benefit plans
IAS 1	Presentation of Financial Statements	January 1, 2016	Fiscal year ending December 2016	Clarifying the application of materiality in determining what information to disclose
IAS 16	Property, Plant and Equipment	January 1, 2016	Fiscal year ending December 2016	Clarifying acceptable methods of depreciation and amortization
IAS 38	Intangible Assets	January 1, 2016	Fiscal year ending December 2016	Clarifying acceptable methods of depreciation and amortization
IFRS 11	Joint Arrangements	January 1, 2016	Fiscal year ending December 2016	Clarifying accounting treatment for acquisitions of interests in joint operations
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	Fiscal year ending December 2017	Amendments for accounting treatment for recognizing revenue
IFRS 9	Financial Instruments	January 1, 2018	Fiscal year ending December 2018	Amendments for financial instrument classification and measurement, impairment requirements and hedge accounting

6. SEGMENT INFORMATION

(1) Description of reportable segments

The Group's reportable segments are those for which discrete financial information is available and the Board of Directors conducts regular reviews to make decisions about resources to be allocated and assess their performance.

The Group is mainly engaged in providing communications-related services focusing on advertising, and manages its Japan business and international business separately. Accordingly, the Group has two reportable segments: Japan business segment and international business segment.

(2) Information on reportable segments

Accounting methods for reportable segments are identical to those described in "3. SIGNIFICANT ACCOUNTING POLICIES."

Segment profit is based on operating profit net of "Amortization of intangible assets incurred in acquisitions" and "Other adjusting items."

Intersegment revenues are based on the prevailing market price.

Date of Transition: As of April 1, 2013

Millions of Yen

	Japan business	International business	Total	Reconciliations	Consolidated
Segment assets (Note 4)	1,027,124	1,240,282	2,267,407	(2,991)	2,264,415
(Other asset items)					
Investments accounted for using the equity method	43,146	7,926	51,072	—	51,072

FY2013: Year ended March 31, 2014

Millions of Yen

	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	1,764,018	2,426,584	4,190,603	(13,324)	4,177,278
Revenue (Note 2)	381,749	291,347	673,097	(13,324)	659,772
Gross profit (Note 3)	328,305	287,097	615,402	(748)	614,654
Segment profit (underlying operating profit) (Note 3)	77,573	48,011	125,585	8	125,593
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(15,666)
Other adjusting items (selling, general and administrative expenses) (Note 5)	—	—	—	—	(2,910)
Other adjusting items (other income) (Note 5)	—	—	—	—	3,992
Other adjusting items (other expenses) (Note 5)	—	—	—	—	(3,726)
Operating profit	—	—	—	—	107,283
Share of results of associates	—	—	—	—	4,745
Finance income	—	—	—	—	7,115
Finance costs	—	—	—	—	8,345
Profit before tax	—	—	—	—	110,797
(Other income and expense items)					
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	11,324	6,343	17,668	—	17,668
Segment assets (Note 4)	1,045,410	1,686,339	2,731,750	(45,816)	2,685,933
(Other asset items)					
Investments accounted for using the equity method	45,490	11,064	56,554	—	56,554
Capital expenditures	9,443	9,758	19,201	—	19,201

FY2014: Year ended March 31, 2015

Millions of Yen

	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	1,798,523	2,869,699	4,668,222	(25,832)	4,642,390
Revenue (Note 2)	397,637	356,821	754,459	(25,832)	728,626
Gross profit (Note 3)	333,995	343,232	677,228	(303)	676,925
Segment profit (underlying operating profit) (Note 3)	79,735	52,618	132,353	(416)	131,937
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	–	–	–	–	(19,784)
Other adjusting items (selling, general and administrative expenses) (Note 5)	–	–	–	–	(4,972)
Other adjusting items (other income) (Note 5)	–	–	–	–	33,275
Other adjusting items (other expenses) (Note 5)	–	–	–	–	(8,151)
Operating profit	–	–	–	–	132,305
Share of results of associates	–	–	–	–	7,178
Finance income	–	–	–	–	7,067
Finance costs	–	–	–	–	12,255
Profit before tax	–	–	–	–	134,295
(Other income and expense items)					
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	12,855	7,750	20,606	–	20,606
Segment assets (Note 4)	1,273,922	1,995,777	3,269,699	(110,164)	3,159,534
(Other asset items)					
Investments accounted for using the equity method	43,705	9,337	53,042	–	53,042
Capital expenditures	8,845	12,824	21,669	–	21,669

(Note 1) Turnover represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover information is not required under IFRS; however, it is voluntarily disclosed in the Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.
(Note 2) Reconciliations for revenue are due to eliminations of intersegment transactions (same amount as for turnover).
(Note 3) Reconciliations for gross profit and segment profit (underlying operating profit) are due to eliminations of intersegment transactions.
(Note 4) Reconciliations for segment assets are due to eliminations of intersegment transactions.
(Note 5) The breakdown of "Other adjusting items (selling, general and administrative expenses)," "Other adjusting items (other income)" and "Other adjusting items (other expenses)" is as follows:

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Other adjusting items (selling, general and administrative expenses)		
Early retirement benefits	1,908	3,947
Costs associated with merger and acquisitions	809	967
Other	193	56
Total	2,910	4,972
Other adjusting items (other income)		
Gain on sale of property, plant and equipment, intangible assets and investment property	1,963	32,194
Gain on sale of subsidiaries and associates shares	1,939	306
Other	90	775
Total	3,992	33,275
Other adjusting items (other expenses)		
Loss on sale of property, plant and equipment, intangible assets and investment property	182	4,261
Impairment losses (Note)	2,005	1,824
Other	1,537	2,065
Total	3,726	8,151

(Note) Impairment losses by segment are ¥1,830 million (Japan business) and ¥175 million (International business) for the year ended March 31, 2014 and ¥1,588 million (Japan business) and ¥235 million (International business) for the year ended March 31, 2015.

(3) Information about products and services

With regard to advertising services, the Group provides various advertising through media including newspapers, magazines, radio, television, internet, sales promotion, movies, outdoor events, public transportation, and others. The Group also provides clients with event marketing, creative services, marketing, public relations, contents services, and other services.

With regard to information services, the Group provides services such as information services and information-related products.

The Group also provides other services such as office rentals, building maintenance and fiduciary services of computation.

Revenues from external customers for each product and service are as follows:

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Advertising Services	596,519	**658,657**
Information Services	57,221	**63,498**
Other Services	6,030	**6,470**
Total	659,772	**728,626**

(4) Geographical information for non-current assets (property, plant and equipment, goodwill, intangible assets and investment property)

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Japan	245,597	243,042	**230,612**
Overseas (mainly the United Kingdom)	654,430	841,034	**941,895**
Total	900,028	1,084,076	**1,172,508**

Non-current assets are allocated according to the location of each group entity.

(5) Information about major customers

Information about major customers is omitted as the Group does not have a single external customer that contributes 10% or more to Group revenue in the Consolidated Statement of Income.

7. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents as of the Date of Transition, March 31, 2014 and 2015 is as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Cash and time deposits due within three months	234,475	253,354	**365,379**

Cash and cash equivalents are classified as financial assets measured at amortized cost.

8. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables as of the Date of Transition, March 31, 2014 and 2015 is as follows:

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
			Millions of Yen
Notes and accounts receivable—trade	816,251	1,033,955	**1,196,242**
Other	21,809	22,010	**29,210**
Allowance for doubtful accounts	(1,806)	(1,740)	**(1,262)**
Total	836,253	1,054,225	**1,224,190**

Trade and other receivables are presented net of allowance for doubtful accounts in the Consolidated Statement of Financial Position. Trade and other receivables are classified as financial assets measured at amortized cost.

9. INVENTORIES

The breakdown of inventories as of the Date of Transition, March 31, 2014 and 2015 is as follows:

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
			Millions of Yen
Work-in-process	12,483	13,395	**25,126**
Other	1,077	857	**856**
Total	13,561	14,253	**25,982**

10. OTHER FINANCIAL ASSETS

(1) The breakdown of other financial assets as of the Date of Transition, March 31, 2014 and 2015 is as follows:

			Millions of Yen
	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Derivative assets	16,850	14,875	**21,515**
Equity securities	90,265	83,754	**188,996**
Debt securities	752	705	**705**
Other	39,883	40,729	**44,720**
Allowance for doubtful accounts	(14,611)	(17,252)	**(18,811)**
Total	133,140	122,812	**237,126**
Current assets	18,412	15,571	**22,732**
Non-current assets	114,728	107,241	**214,393**
Total	133,140	122,812	**237,126**

Other financial assets are presented net of allowance for doubtful accounts in the Consolidated Statement of Financial Position.

Derivative assets are classified as financial assets measured at fair value through profit or loss excluding those accounted for under hedge accounting, equity securities are classified as financial assets measured at fair value through other comprehensive income, and debt securities are classified as financial assets measured at amortized cost. "Other" includes financial assets measured at fair value through profit or loss of ¥3,747 million, ¥3,626 million and ¥3,110 million as of the Date of Transition, March 31, 2014 and 2015, respectively.

(2) Names of major securities held as financial assets measured at fair value through other comprehensive income and their fair values as of the Date of Transition, March 31, 2014 and 2015 are as follows:

	Millions of Yen
Investees	Date of Transition (As of April 1, 2013)
Recruit Holdings Co., Ltd.	28,500
TOHO CO., LTD.	7,408
Digital Garage, Inc.	5,024
Bit-isle Inc.	4,394

	Millions of Yen
Investees	FY2013 (As of March 31, 2014)
Recruit Holdings Co., Ltd.	28,500
Digital Garage, Inc.	5,801

	Millions of Yen
Investees	FY2014 (As of March 31, 2015)
Recruit Holdings Co., Ltd.	**112,500**
Digital Garage, Inc.	**6,078**

Equity securities are designated as financial assets measured at fair value through other comprehensive income since they are held mainly for strengthening relationships with investees.

In order to pursue the efficiency of assets held and to use them effectively, sales of financial assets (derecognition) measured at fair value through other comprehensive income have been carried out.

The fair value at the date of sales and cumulative gain or loss that is recognized in equity as other comprehensive income for each fiscal year is as follows:

FY2013: Year ended March 31, 2014

Millions of Yen

Fair value	Cumulative gain or loss recognized in equity as other components of equity
10,833	5,116

FY2014: Year ended March 31, 2015

Millions of Yen

Fair value	Cumulative gain or loss recognized in equity as other components of equity
2,520	**766**

The cumulative gain or loss recognized in equity as other components of equity is transferred to retained earnings when an equity instrument is sold or the decline in its fair value compared to its cost is significant.

11. OTHER CURRENT ASSETS

Advanced payments included in other current assets which are expected to be recognized in profit or loss after more than 12 months as of the Date of Transition, March 31, 2014 and 2015 are as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Advanced payments which are expected to be recognized in profit and loss after more than 12 months	15,234	3,306	**10,674**

12. PROPERTY, PLANT AND EQUIPMENT

(1) Schedule of property, plant and equipment

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

FY2013: Year ended March 31, 2014

Millions of Yen

	Buildings and structures	Land	Other	Total
Balance at the beginning of the year	72,644	117,490	12,349	202,484
Additions	2,614	—	6,458	9,073
Acquisitions through business combinations	308	—	258	567
Sales or disposals	(341)	(155)	(233)	(730)
Depreciation	(6,088)	—	(4,702)	(10,791)
Impairment losses	(892)	(16)	(171)	(1,080)
Exchange differences on translation of foreign operations	1,903	117	1,307	3,328
Other	(408)	(165)	(377)	(951)
Balance at the end of the year	69,739	117,271	14,889	201,900

FY2014: Year ended March 31, 2015

Millions of Yen

	Buildings and structures	Land	Other	Total
Balance at the beginning of the year	69,739	117,271	14,889	201,900
Additions	6,417	—	6,857	13,275
Acquisitions through business combinations	510	—	352	862
Sales or disposals	(1,265)	(388)	(334)	(1,987)
Depreciation	(6,225)	—	(5,080)	(11,306)
Impairment losses	(263)	(791)	(20)	(1,075)
Exchange differences on translation of foreign operations	1,305	49	578	1,933
Other	(1,672)	(2,106)	(785)	(4,564)
Balance at the end of the year	68,546	114,034	16,456	199,037

The acquisition cost, accumulated depreciation and impairment losses, and carrying amount of property, plant and equipment as of the Date of Transition, March 31, 2014 and 2015 are as follows:

Millions of Yen

	Buildings and structures	Land	Other	Total
Date of Transition (As of April 1, 2013)				
Acquisition cost	146,555	117,493	43,164	307,212
Accumulated depreciation and impairment losses	73,910	2	30,814	104,728
Carrying amount	72,644	117,490	12,349	202,484
FY2013 (As of March 31, 2014)				
Acquisition cost	149,866	117,274	49,077	316,217
Accumulated depreciation and impairment losses	80,126	2	34,188	114,317
Carrying amount	69,739	117,271	14,889	201,900
FY2014 (As of March 31, 2015)				
Acquisition cost	140,097	114,828	52,378	307,304
Accumulated depreciation and impairment losses	71,550	794	35,922	108,267
Carrying amount	68,546	114,034	16,456	199,037

The carrying amount of property, plant and equipment above includes the carrying amount of the following leased assets:

Millions of Yen

Leased assets	Buildings and structures	Other	Total
Date of Transition (As of April 1, 2013)	—	2,472	2,472
FY2013 (As of March 31, 2014)	25	2,423	2,449
FY2014 (As of March 31, 2015)	**23**	**2,424**	**2,448**

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

(2) Impairment Losses

Property, plant and equipment is grouped by the smallest cash-generating unit that generates cash inflows that are largely independent according to each reportable segment.

The Group recognized impairment losses of ¥1,080 million and ¥1,075 million for the years ended March 31, 2014 and March 31, 2015, respectively, in the Consolidated Statement of Income as "Other expenses."

Impairment losses for the year ended March 31, 2014, represent the losses incurred to reduce the carrying amounts of buildings, structures, land and others to their recoverable amounts due to a decline in profitability or the assets becoming idle.

Impairment losses for the year ended March 31, 2015 represent the losses incurred to reduce the carrying amounts of buildings, structures, land and others to their recoverable amounts due to a decline in profitability.

13. GOODWILL AND INTANGIBLE ASSETS

(1) Schedule of goodwill and intangible assets

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

FY2013: Year ended March 31, 2014

Millions of Yen

	Goodwill	Customer relationships	Software	Other	Total
Balance at the beginning of the year	431,732	155,285	17,696	46,915	651,630
Additions	—	—	11,569	211	11,781
Acquisitions through business combinations	19,429	8,078	11	1,806	29,325
Sales or disposals	(13,220)	(5,886)	(635)	(727)	(20,469)
Amortization	—	(10,187)	(5,964)	(5,500)	(21,652)
Impairment losses	—	(123)	(284)	—	(407)
Exchange differences on translation of foreign operations	139,481	36,494	1,236	10,651	187,864
Other	(406)	(216)	(404)	(524)	(1,551)
Balance at the end of the year	577,015	183,446	23,226	52,833	836,521

FY2014: Year ended March 31, 2015

Millions of Yen

	Goodwill	Customer relationships	Software	Other	Total
Balance at the beginning of the year	577,015	183,446	23,226	52,833	836,521
Additions	—	—	9,704	847	10,552
Acquisitions through business combinations	31,100	13,853	144	1,740	46,839
Sales or disposals	—	—	(137)	(12)	(149)
Amortization	—	(14,228)	(8,220)	(5,566)	(28,015)
Impairment losses	—	—	(509)	(234)	(744)
Exchange differences on translation of foreign operations	48,769	13,516	250	3,776	66,314
Other	(320)	279	—	32	(7)
Balance at the end of the year	656,565	196,867	24,459	53,417	931,310

The acquisition cost, accumulated amortization and impairment losses, and carrying amount of goodwill and intangible assets as of the Date of Transition, March 31, 2014 and 2015 are as follows:

					Millions of Yen
	Goodwill	Customer relationships	Software	Other	Total
Date of Transition (As of April 1, 2013)					
Acquisition cost	431,732	157,418	94,847	53,386	737,385
Accumulated amortization and impairment losses	—	2,133	77,151	6,470	85,754
Carrying amount	431,732	155,285	17,696	46,915	651,630
FY2013 (As of March 31, 2014)					
Acquisition cost	577,015	197,930	102,224	64,495	941,665
Accumulated amortization and impairment losses	—	14,484	78,998	11,662	105,144
Carrying amount	577,015	183,446	23,226	52,833	836,521
FY2014 (As of March 31, 2015)					
Acquisition cost	656,565	227,439	107,630	72,170	1,063,805
Accumulated amortization and impairment losses	—	30,572	83,170	18,752	132,495
Carrying amount	656,565	196,867	24,459	53,417	931,310

The carrying amount of intangible assets above includes the carrying amount of the following leased assets:

	Millions of Yen
Leased assets	Software
Date of Transition (As of April 1, 2013)	800
FY2013 (As of March 31, 2014)	903
FY2014 (As of March 31, 2015)	562

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

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

(2) Significant goodwill and intangible assets

The significant portion of goodwill as of the Date of Transition, March 31, 2014 and March 31, 2015, arose from the international business segment which forms a cash generating unit, and amounted to ¥431,668 million, ¥576,977 million and ¥656,552 million as of the Date of Transition, March 31, 2014 and March 31, 2015, respectively.

Significant intangible assets other than goodwill as of the Date of Transition, March 31, 2014 and March 31, 2015, consist of customer relationships in the international business segment, which amounted to ¥155,285 million, ¥183,446 million and ¥196,867 million as of the Date of Transition, March 31, 2014 and March 31, 2015, respectively.

(3) Impairment testing of goodwill

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

The pre-tax discount rates used for determining value in use are 9.1% and 8.9% as of March 31, 2014 and March 31, 2015, respectively.

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

(4) Impairment losses

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

The Group recognized impairment losses of ¥407 million and ¥744 million for the years ended March 31, 2014 and March 31, 2015, respectively, in the Consolidated Statement of Income as "Other expenses."

Impairment losses for the year ended March 31, 2014, represent the losses incurred to reduce the carrying amounts of software and customer relationships to their recoverable amounts due to a decline in profitability.

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

14. LEASES

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

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

(1) Present value of finance lease obligations

The total of future minimum lease payments for leased assets recognized based on the finance lease contracts, their future financial costs and present value as of the Date of Transition, March 31, 2014 and 2015 are as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Not later than 1 year			
Total of future minimum lease payments	1,305	1,379	**1,263**
Future finance costs	31	30	**27**
Present value	1,273	1,348	**1,236**
Later than 1 year and not later than 5 years			
Total of future minimum lease payments	2,186	2,212	**2,030**
Future finance costs	29	28	**26**
Present value	2,156	2,183	**2,004**
Later than 5 years			
Total of future minimum lease payments	8	6	**5**
Future finance costs	0	0	**0**
Present value	7	5	**5**
Total			
Total of future minimum lease payments	3,500	3,597	**3,300**
Future finance costs	61	60	**54**
Present value	3,438	3,537	**3,245**

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

The total of future minimum lease payments under non-cancellable operating leases as of the Date of Transition, March 31, 2014 and 2015 are as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Not later than 1 year	12,580	14,983	**17,041**
Later than 1 year and not later than 5 years	34,001	39,229	**52,077**
Later than 5 years	29,439	29,127	**32,964**
Total	76,021	83,341	**102,083**

(3) Total of minimum lease payments

The total of minimum lease payments of operating lease contracts recognized as expenses for the years ended March 31, 2014 and March 31, 2015 are ¥20,729 million and ¥21,916 million, respectively.

15. INVESTMENT PROPERTY

(1) Schedule of investment property

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

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Balance at the beginning of the year	45,913	**45,655**
Additions	85	**24**
Transfers from property, plant and equipment	472	**3,769**
Depreciation	(802)	**(1,004)**
Sales or disposals	(11)	**(6,285)**
Other	(2)	**—**
Balance at the end of the year	45,655	**42,160**
Acquisition cost (balance at the beginning of the year)	57,638	**59,047**
Accumulated depreciation and impairment losses (balance at the beginning of the year)	11,724	**13,392**
Acquisition cost (balance at the end of the year)	59,047	**53,854**
Accumulated depreciation and impairment losses (balance at the end of the year)	13,392	**11,694**

(2) Fair value

The carrying amount and fair value of investment property as of the Date of Transition, March 31, 2014 and 2015 are as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)		FY2013 (As of March 31, 2014)		FY2014 (As of March 31, 2015)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Investment property (Level 3)	45,913	47,055	45,655	48,552	**42,160**	**47,715**

The fair value of investment property is mainly based on a real estate appraisal value. The valuation techniques are based on the discounted cash flow model and observable quoted prices for similar properties and others.

The investment property that is measured at fair value is categorized into the three levels of the fair value hierarchy according to observability and significance of the inputs used in the measurements.

The fair value hierarchy is defined as follows:

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

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

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

The fair value of investment property for each fiscal year end is categorized within Level 3 of the fair value hierarchy.

(3) Income and expenses from investment property

The rental income from investment property and direct operating expenses for each fiscal year are as follows:

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Rental income	2,903	**2,647**
Direct operating expenses	1,935	**2,516**

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The carrying amount of investments in associates and joint ventures as of the Date of Transition, March 31, 2014 and 2015 is as follows:

			Millions of Yen
	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Total of carrying amount	51,072	56,554	**53,042**

The financial information of associates and joint ventures for each fiscal year is as follows. The amounts below have taken into account the Group's ownership ratio.

		Millions of Yen
	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Profit for the year	4,745	**7,178**
Other comprehensive income	1,971	**373**
Comprehensive income for the year	6,716	**7,551**

The Group does not recognize the share of the cumulative amount of losses exceeding the carrying amounts incurred in certain investees accounted for using the equity method.

Unrecognized losses for each fiscal year and cumulative unrecognized losses for the investments are as follows:

		Millions of Yen
	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Unrecognized losses	—	**76**

			Millions of Yen
	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Cumulative unrecognized losses	107	123	**207**

17. INCOME TAXES

(1) Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by major causes of their occurrence as of the Date of Transition, March 31, 2014 and 2015 is as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Deferred tax assets			
Liability for retirement benefits	47,785	46,716	**33,830**
Accrued expenses	12,757	14,266	**12,704**
Carryforwards of tax losses	7,406	6,650	**6,603**
Other	16,945	11,360	**8,719**
Total of deferred tax assets	84,894	78,995	**61,858**
Deferred tax liabilities			
Gain on establishment of retirement benefit trust	(16,556)	(16,539)	**(14,701)**
Unrealized gain on securities	(8,599)	(8,672)	**(38,364)**
Valuation differences on intangible assets	(40,180)	(45,822)	**(55,269)**
Other	(11,830)	(14,885)	**(12,260)**
Total of deferred tax liabilities	(77,166)	(85,919)	**(120,596)**
Net deferred tax assets (liabilities)	7,728	(6,923)	**(58,737)**

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

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Net deferred tax assets		
Balance at the beginning of the year	7,728	**(6,923)**
Deferred income taxes	2,561	**(8,235)**
Deferred taxes related to components of other comprehensive income		
Exchange differences on translation of foreign operations	—	**23**
Effective portion of the change in the fair value of cash flow hedges	20	**(743)**
Net change in financial assets measured at fair value through other comprehensive income	(893)	**(30,845)**
Remeasurements of defined benefit plans	(1,795)	**(5,088)**
Changes in deferred tax assets (liabilities) arising from business combinations, and others	(14,544)	**(6,924)**
Balance at the end of the year	(6,923)	**(58,737)**

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

The breakdown of deductible temporary differences and carryforwards of tax losses as of the Date of Transition, March 31, 2014 and 2015, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Deductible temporary differences	10,247	13,920	**12,210**
Carryforwards of tax losses	53,188	62,045	**70,440**

The breakdown of carryforwards of tax losses by expiry date as of the Date of Transition, March 31, 2014 and 2015, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
			Millions of Yen
1st year	774	2,705	**53**
2nd year	5	233	**16,634**
3rd year	2	14,325	**558**
4th year	12,192	484	**564**
5th year	1,058	615	**1,131**
After the 5th year	1,965	7,129	**4,291**
No definite term for expiry	37,189	36,551	**47,206**
Total	53,188	62,045	**70,440**

The total amount of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, for which deferred tax liabilities are not recognized amounted to ¥92,665 million, ¥139,637 million and ¥140,079 million as of the Date of Transition (April 1, 2013), and for the years ended March 31, 2014 and March 31, 2015, respectively.

Deferred tax liabilities are not recognized for these differences since the Group is able to control the timing of the reversal of the temporary difference and it is probable the temporary difference will not reverse in the foreseeable future.

(2) Income tax expense

The breakdown of income tax expense for each fiscal year is as follows:

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
		Millions of Yen
Current income taxes	44,425	**41,414**
Deferred income taxes	(2,561)	**8,235**

Deferred income tax expense increased due to changes in the domestic tax rates by ¥695 million and ¥3,847 million for the years ended March 31, 2014 and 2015, respectively.

(3) Reconciliation of effective tax rate

The breakdown of major items that caused differences between the effective statutory tax rate and income tax rate following the adoption of deferred tax accounting for each fiscal year is as follows:

The Company is subject mainly to corporate tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes are 38.0% and 36.0% for the years ended March 31, 2014 and 2015, respectively. Special Corporation Tax for Reconstruction has been abolished in this fiscal year. Foreign subsidiaries are subject to income taxes at their locations.

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
		%
Effective statutory tax rate	38.0	**36.0**
(Reconciliation items)		
Permanently non-deductible items, including entertainment expenses	1.8	**2.9**
Permanently non-taxable items, including dividend income	(1.1)	**(1.0)**
Share of results of associates	(1.6)	**(1.9)**
Reduction of deferred tax assets at fiscal year end due to tax rate changes	0.6	**2.9**
Other	0.1	**(1.9)**
Income tax rate following the adoption of deferred tax accounting	37.8	**37.0**

18. TRADE AND OTHER PAYABLES

(1) The breakdown of trade and other payables as of the Date of Transition, March 31, 2014 and 2015 is as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Notes and accounts payable—trade	785,377	989,805	**1,161,112**
Other	55,417	57,991	**70,107**
Total	840,795	1,047,796	**1,231,220**

Trade and other payables are classified as financial liabilities measured at amortized cost.

(2) Assets pledged as collateral for liabilities

Assets pledged as collateral and corresponding liabilities as of the Date of Transition, March 31, 2014 and 2015 are as follows:

Millions of Yen

Assets pledged as collateral	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Other financial assets (current assets)	132	126	**72**
Other financial assets (non-current assets)	0	0	**—**
Total	132	126	**72**

Corresponding liabilities	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Notes and accounts payable	325	315	**634**

Other than the above corresponding liabilities, the assets are pledged as collateral for guarantee transactions that are released in the "Official Gazette" (*Kanpou*) and for opening checking accounts.

19. BONDS AND BORROWINGS (INCLUDING OTHER FINANCIAL LIABILITIES)

Breakdown of financial liabilities

The breakdown of bonds and borrowings (including other financial liabilities) as of the Date of Transition, March 31, 2014 and 2015 is as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)	Date of maturity
Derivative liabilities	3,242	12,244	**27,848**	—
Current portion of bonds (Note)	—	8,050	**4,413**	—
Bonds (Note)	96,420	10,536	**7,955**	—
Short-term borrowings	31,797	49,410	**39,214**	—
Current portion of long-term borrowings	27,300	5,106	**30,026**	—
Long-term borrowings	83,792	291,863	**328,009**	2016–2023
Other payables due to the purchase of Aegis Group plc shares	295,401	—	**—**	—
Other	94,550	88,669	**95,999**	—
Total	632,504	465,880	**533,466**	—
Current liabilities	400,259	100,714	**127,735**	
Non-current liabilities	232,245	365,166	**405,730**	
Total	632,504	465,880	**533,466**	

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss excluding those accounted for under hedge accounting.

Bonds and borrowings are classified as financial liabilities measured at amortized cost. The average interest rates of short-term borrowings and long-term borrowings (including current portion of long-term borrowings) for the year ended March 31, 2015 are 3.12% and 1.45%, respectively.

"Other" includes financial liabilities measured at fair value through profit or loss of ¥56,108 million, ¥63,619 million and ¥64,790 million as of the Date of Transition, March 31, 2014 and 2015, respectively.

There are no financial covenants on bonds and borrowings that have a significant effect on the Group's financial activities.

(Note) The summary of issuing term of each bond is as follows:

Millions of Yen

Company	Name of bond	Date of issuance	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)	Interest rate %	Collateral	Date of maturity
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series B	July 28, 2005	10,749 (USD 118 million)	3,687 (USD 35 million)	**4,413 (USD 35 million)**	5.50	Unsecured bonds	July 28, 2015 (Note 2)
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series C	July 28, 2005	5,921 (USD 65 million)	—	**—**	5.65	Unsecured bonds	July 28, 2017 (Note 3)
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series A	September 17, 2007	6,832 (USD 75 million)	8,050 (USD 75 million)	**—**	6.06	Unsecured bonds	September 17, 2014
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series B	September 17, 2007	4,554 (USD 50 million)	5,268 (USD 50 million)	**6,001 (USD 50 million)**	6.29	Unsecured bonds	September 17, 2017
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series A	December 17, 2009	5,484 (GBP 25 million)	—	**—**	6.39	Unsecured bonds	December 17, 2017 (Note 3)
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series B	December 17, 2009	1,639 (USD 18 million)	—	**—**	6.07	Unsecured bonds	December 17, 2017 (Note 3)
Dentsu Aegis Network Ltd.	Senior Unsecured Notes Series C	December 17, 2009	15,030 (USD 165 million)	1,580 (USD 15 million)	**1,953 (USD 15 million)**	6.50	Unsecured bonds	December 17, 2019 (Note 2)
Aegis Group Capital (Jersey) Ltd.	AEGIS GROUP CAPITAL (JERSEY) LIMITED 2.50 PER CENT GUARANTEED CONVERTIBLE BOND DUE 2015	April 20, 2010	46,207 (GBP 331 million)	—	**—**	2.50	Unsecured bonds	April 20, 2015 (Note 4)
Total	—	—	96,420 (USD 491 million and GBP 356 million)	18,587 (USD 175 million)	**12,368 (USD 100 million)**	—	—	—

(Note 1) Since bonds have been issued overseas, the amount denominated in foreign currency is noted within ( ) as of the Date of Transition, March 31, 2014 and 2015.
(Note 2) Due to changes of the controlling shareholder, on April 25, 2013, the Company called for early redemption of USD 233 million, which forms a part of the balance on the Date of Transition.
(Note 3) Due to changes of the controlling shareholder, the Company called for early redemption in the full amount on April 25, 2013.
(Note 4) Due to changes of the controlling shareholder, the Company purchased the full amount on April 17, 2013.

20. PROVISIONS

The breakdown and schedule of provisions for each fiscal year are as follows:

FY2013: Year ended March 31, 2014

Millions of Yen

	Provisions for asset retirement obligations	Provisions for loss on litigation	Provisions for loss from business restructuring	Other provisions	Total
Balance at the beginning of the year	905	2,577	2,270	294	6,047
Additional provisions in the year	25	—	—	108	134
Interest expense incurred over the discount period	14	—	—	—	14
Provisions used	(7)	(2,577)	(2,417)	(237)	(5,240)
Provisions reversed	(38)	—	(61)	—	(99)
Exchange differences on translation of foreign operations	—	—	208	—	208
Balance at the end of the year	900	—	—	165	1,065
Current liabilities	47	—	—	165	213
Non-current liabilities	852	—	—	—	852
Total	900	—	—	165	1,065

FY2014: Year ended March 31, 2015

Millions of Yen

	Provisions for asset retirement obligations	Provisions for loss on litigation	Provisions for loss from business restructuring	Other provisions	Total
Balance at the beginning of the year	900	—	—	165	1,065
Additional provisions in the year	255	—	—	3,768	4,024
Interest expense incurred over the discount period	15	—	—	—	15
Provisions used	(56)	—	—	(229)	(286)
Provisions reversed	(3)	—	—	(17)	(21)
Exchange differences on translation of foreign operations	—	—	—	38	38
Balance at the end of the year	1,110	—	—	3,725	4,836
Current liabilities	76	—	—	132	208
Non-current liabilities	1,034	—	—	3,593	4,627
Total	1,110	—	—	3,725	4,836

1. Provisions for asset retirement obligations

The probable amount to be paid in the future is recognized based on past performances in order to settle restoration obligations in lease contracts for offices that the Group uses.

These expenses are primarily expected to be paid after one year or more, subject to possible changes due to future events such as business plan changes.

2. Provisions for loss on litigation

Provisions are associated with litigation.

3. Provisions for loss from business restructuring

Provisions are for losses which are expected to arise due to restructuring of a portion of businesses mainly related to the international segment.

21. POST-EMPLOYMENT BENEFITS

The Group operates defined benefit plans that include corporate pension fund plans, tax-qualified pension plans, defined benefit corporate pension plans and retirement lump-sum payment plans.

The corporate pension fund plans, tax-qualified pension plans and defined benefit corporate pension plans are administrated by a pension fund that is legally separated from the Group in accordance with statutory requirements.

The Group, or the board of pension funds and asset managers, is required by law to act in the best interests of the plan participants, and is responsible for managing the plan assets in accordance with the designated policy.

The Group is obligated to pay contributions to the corporate pension fund, which grants pension benefits, in accordance with laws and regulations.

The Company voluntarily operates a retirement benefits trust for corporate pension fund plans and retirement lump-sum payment plans.

In addition, some domestic consolidated subsidiaries operate defined contribution pension plans while some overseas consolidated subsidiaries operate defined contribution retirement benefit plans.

The Company partially shifted its defined benefit corporate pension plan to a defined contribution pension plan on April 1, 2015.

(1) Schedule of defined benefit obligations and plan assets

The schedule of the defined benefit obligations and plan assets to the net defined benefit liabilities (assets) recognized in the Consolidated Statement of Financial Position as of the Date of Transition, March 31, 2014 and 2015 is as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Funded defined benefit obligations	149,759	155,438	**164,439**
Plan assets	(105,354)	(115,329)	**(149,463)**
Subtotal	44,404	40,108	**14,976**
Unfunded defined benefit obligations	12,375	13,077	**14,110**
Total	56,780	53,185	**29,086**
Balance recognized in the Consolidated Statement of Financial Position			
Liabilities for retirement benefits	57,169	53,185	**43,674**
Assets for retirement benefits	(389)	—	**(14,588)**
Net defined benefit liabilities (assets) recognized in the Consolidated Statement of Financial Position	56,780	53,185	**29,086**

(2) Schedule of defined benefit obligations

The schedule of defined benefit obligations for each fiscal year is as follows:

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015
Balance at the beginning of the year	162,134	**168,515**
Current service cost	8,585	**8,342**
Interest expense	2,013	**2,144**
Actuarial gains and losses (Note)	4,076	**6,972**
Benefits paid	(7,371)	**(8,235)**
Past service cost	—	**516**
Exchange differences on translation of foreign operations	521	**74**
Effects of business combinations and disposals	(1,071)	**17**
Other	(372)	**202**
Balance at the end of the year	168,515	**178,550**

(Note) Actuarial gains and losses arise mainly from changes in financial assumptions.

The weighted average duration of defined benefit obligations as of the Date of Transition, March 31, 2014 and 2015 is as follows:

Years

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Weighted average duration	12.5	12.4	**9.1**

(3) Schedule of plan assets

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

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Balance at the beginning of the year	105,354	**115,329**
Interest income	1,362	**1,562**
Return on plan assets (excluding amounts included in interest income)	8,761	**19,575**
Contributions by the employer	3,424	**6,891**
Contributions associated with the shift to defined contribution pension plan	—	**8,872**
Benefits paid	(3,133)	**(3,102)**
Exchange differences on translation of foreign operations	227	**111**
Effects of business combinations and disposals	(746)	**10**
Other	79	**213**
Balance at the end of the year	115,329	**149,463**

The Group plans to pay contributions of ¥606 million in the year ending December 31, 2015.

(4) Major breakdown of plan assets

The major breakdown of the total of plan assets as of the Date of Transition, March 31, 2014 and 2015 is as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)			FY2013 (As of March 31, 2014)			FY2014 (As of March 31, 2015)		
	Plan assets with quoted market price in an active market	Plan assets without quoted market price in an active market	Total	Plan assets with quoted market price in an active market	Plan assets without quoted market price in an active market	Total	Plan assets with quoted market price in an active market	Plan assets without quoted market price in an active market	Total
Equity instruments	58,442	5	58,448	65,965	7	65,972	**85,053**	**5**	**85,059**
Debt instruments	11,962	3,773	15,736	14,033	2,968	17,001	**16,770**	**2,928**	**19,699**
General account of life insurance companies	—	19,804	19,804	—	20,073	20,073	**—**	**20,481**	**20,481**
Other	—	11,365	11,365	—	12,282	12,282	**—**	**24,224**	**24,224**
Total	70,405	34,949	105,354	79,999	35,330	115,329	**101,824**	**47,639**	**149,463**

(Note) Plan assets above include retirement benefit trusts established for corporate pension fund plans and retirement lump-sum payment plans of ¥50,448 million, ¥56,102 million and ¥71,328 million, as of the Date of Transition, March 31, 2014 and March 31, 2015, respectively. Also, most of the equity and debt instruments are issued in Japan.

The objectives of plan asset investments are to reduce long-term contribution obligations and improve benefits within a tolerable risk while securing sufficient assets to grant benefits. To achieve these objectives, medium- to long-term future estimates of fund finance are taken into account, and the effect of uncertainty in the plan asset management on plan assets financing (such as the possibility of fund shortages) and tolerable levels of uncertainty in the rates of return on plan assets are adequately reviewed.

In addition, asset investments are managed to achieve these objectives by establishing a policy for future optimal asset composition ratios (hereinafter referred to as "policy asset allocation"), selecting an asset manager and monitoring asset allocation, after setting forecasts of expected rates of returns on appropriate assets for investment.

The policy asset allocation is verified annually and reviewed as necessary if any changes are made to the terms and conditions set at the time of the policy's establishment.

(5) Actuarial assumptions

The major items of actuarial assumptions as of the Date of Transition, March 31, 2014 and 2015 are as follows:

%

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Discount rate	1.3	1.4	**1.1**

(Note) The sensitivities of the defined benefit obligations due to changes in major assumptions as of each fiscal year are as follows. Each of these analyses assumes that other variables remain fixed; however, they do not always change independently.
Negative figures indicate a decrease in defined benefit obligations, while positive figures indicate an increase.

Millions of Yen

	Change in assumptions	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Discount rate	Increase by 0.5%	(9,013)	**(9,652)**
	Decrease by 0.5%	9,930	**10,663**

(6) Defined contribution plans

Expenses recognized due to contributions to defined contribution plans by consolidated subsidiaries amounted to ¥3,581 million and ¥4,263 million for the years ended March 31, 2014 and 2015, respectively.

22. EQUITY AND OTHER EQUITY ITEMS

(1) Share capital

A. Authorized shares

The number of authorized shares as of the Date of Transition, March 31, 2014 and 2015 is 1,100,000,000 ordinary shares.

B. Fully paid issued shares

The changes in the number of issued shares as of each fiscal year are as follows:

	Number of ordinary issued shares (Shares)
Date of Transition (As of April 1, 2013)	278,184,000
Increase (decrease)	10,226,000
FY2013 (As of March 31, 2014)	288,410,000
Increase (decrease)	**—**
FY2014 (As of March 31, 2015)	**288,410,000**

The increase in issued shares for the year ended March 31, 2014 is due to the newly issued 8,000,000 shares through a public offering and the third party allotment of 2,226,000 shares through over-allotments.

All the shares issued by the Company are non-par value ordinary shares that have no restriction on any content of rights.

(2) Treasury shares

The number of treasury shares as of the Date of Transition and the end of each fiscal year is as follows:

	Number of shares (Shares)
Date of Transition (As of April 1, 2013)	29,035,042
FY2013 (As of March 31, 2014)	42,703
FY2014 (As of March 31, 2015)	**48,602**

(3) Reserves

A. Share premium account

Under the Companies Act of Japan, at least 50% of the proceeds upon issuance of equity instruments shall be credited to share capital, while the remainder of the proceeds shall be credited to capital reserves included in share premium account.

B. Retained earnings

The Companies Act provides that 10% of the dividends of retained earnings shall be appropriated as capital reserves or as retained earnings reserves until their aggregate amount equals 25% of share capital.

23. DIVIDENDS

(1) Dividends paid

FY2013: Year ended March 31, 2014

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders Meeting (June 27, 2013)	Ordinary shares	3,986	16.00	March 31, 2013	June 28, 2013
Board of Directors (November 13, 2013)	Ordinary shares	4,613	16.00	September 30, 2013	December 5, 2013

FY2014: Year ended March 31, 2015

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders Meeting (June 27, 2014)	Ordinary shares	4,902	17.00	March 31, 2014	June 30, 2014
Board of Directors (November 12, 2014)	Ordinary shares	5,767	20.00	September 30, 2014	December 5, 2014

(2) Dividends for which the basis date falls before fiscal year end, while the effective date falls in the following fiscal year

FY2013: Year ended March 31, 2014

Resolution	Class of shares	Dividends resource	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders Meeting (June 27, 2014)	Ordinary shares	Retained earnings	4,902	17.00	March 31, 2014	June 30, 2014

FY2014: Year ended March 31, 2015

Resolution	Class of shares	Dividends resource	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders Meeting (June 26, 2015)	Ordinary shares	Retained earnings	10,092	35.00	March 31, 2015	June 29, 2015

24. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses for each fiscal year is as follows:

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Staff costs	344,839	385,258
Depreciation and amortization	30,447	36,249
Other	135,999	150,575
Total	511,287	572,084

"Other" includes research and development costs of ¥1,073 million and ¥938 million for the years ended March 31, 2014 and 2015, respectively.

25. STAFF COSTS

The breakdown of staff costs for each fiscal year is as follows:

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Salaries, bonuses and allowances	303,216	**336,331**
Welfare expenses	46,007	**50,952**
Post-employment benefits costs	12,682	**13,653**
Other	1,980	**3,947**
Total	363,886	**404,884**

Staff costs are recorded in "Cost," "Selling, general and administrative expenses" and "Finance costs" in the Consolidated Statement of Income.

26. OTHER INCOME

The breakdown of other income for each fiscal year is as follows:

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Profit distributions	4,585	**4,612**
Foreign exchange gains	811	**225**
Gain on sale of property, plant and equipment, intangible assets and investment property	1,963	**32,194**
Gain on sale of subsidiaries and associates shares	1,939	**306**
Other	2,075	**1,763**
Total	11,375	**39,102**

27. OTHER EXPENSES

The breakdown of other expenses for each fiscal year is as follows:

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Amortization of long-term prepaid expenses	2,594	**2,603**
Loss on sale of property, plant and equipment, intangible assets and investment property	182	**4,261**
Impairment losses	2,005	**1,824**
Other	2,675	**2,948**
Total	7,459	**11,638**

28. FINANCE INCOME AND FINANCE COSTS

(1) The breakdown of finance income for each fiscal year is as follows:

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Interest income		
Financial assets measured at amortized cost	1,618	**1,980**
Financial instruments measured at fair value through profit or loss	7	**19**
Dividend income		
Financial assets measured at fair value through other comprehensive income	3,043	**2,276**
Changes in fair value of contingent consideration	—	**1,071**
Foreign exchange gains (Note 1)	458	**1,119**
Other (Note 2)	1,988	**600**
Total	7,115	**7,067**

(Note 1) Valuation gain on foreign currency derivatives is included in the foreign exchange gains.
(Note 2) "Other" includes finance income arising from financial instruments measured at fair value through profit or loss of ¥696 million and ¥5 million for the years ended March 31, 2014 and 2015, respectively.

The breakdown of dividend income is as follows:

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Financial assets derecognized during the fiscal year	1,534	**785**
Financial assets held at the end of the fiscal year	1,509	**1,490**

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

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Interest expense		
Financial liabilities measured at amortized cost	6,690	**7,112**
Other	686	**564**
Valuation loss on derivatives (stock purchase-related)	—	**4,057**
Other (Note)	969	**520**
Total	8,345	**12,255**

(Note) "Other" includes finance costs arising from financial instruments measured at fair value through profit or loss of ¥727 million and ¥305 million for the years ended March 31, 2014 and 2015, respectively.

29. OTHER COMPREHENSIVE INCOME

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

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Exchange differences on translation of foreign operations		
Amount arising during the year	161,063	**46,040**
Reclassification adjustments	42	**(3)**
Before tax effects	161,106	**46,037**
Tax effects	—	**23**
Exchange differences on translation of foreign operations	161,106	**46,061**
Effective portion of the change in the fair value of cash flow hedges		
Amount arising during the year	4,084	**4,959**
Reclassification adjustments	(1,131)	**(3,180)**
Before tax effects	2,953	**1,779**
Tax effects	20	**(743)**
Effective portion of the change in the fair value of cash flow hedges	2,973	**1,036**
Net change in financial assets measured at fair value through other comprehensive income		
Amount arising during the year	567	**97,550**
Before tax effects	567	**97,550**
Tax effects	(893)	**(30,845)**
Net change in financial assets measured at fair value through other comprehensive income	(326)	**66,704**
Remeasurements of defined benefit plans		
Amount arising during the year	4,712	**12,630**
Before tax effects	4,712	**12,630**
Tax effects	(1,795)	**(5,088)**
Remeasurements of defined benefit plans	2,916	**7,542**
Share of other comprehensive income of investments accounted for using the equity method		
Amount arising during the year	1,971	**373**
Share of other comprehensive income of investments accounted for using the equity method	1,971	**373**

30. EARNINGS PER SHARE

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

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Basic earnings per share (Yen)	241.49	**276.89**
Diluted earnings per share (Yen)	241.43	**276.84**

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

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Profit for the year used for calculation of basic earnings per share and diluted earnings per share		
Profit for the year attributable to owners of the parent (Millions of Yen)	66,507	**79,846**
Amounts not attributable to ordinary equity holders of the parent (Millions of Yen)	—	**—**
Profit for the year used for calculation of basic earnings per share (Millions of Yen)	66,507	**79,846**
Adjustment		
Share-based payment held by associates (Millions of Yen)	(17)	**(14)**
Profit for the year used for calculation of diluted earnings per share (Millions of Yen)	66,490	**79,832**
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share and diluted earnings per share		
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share (Thousands of shares)	275,405	**288,364**
Effect of dilutive potential ordinary shares (Thousands of shares)	—	**—**
The weighted average number of ordinary shares outstanding used for the calculation of diluted earnings per share (Thousands of shares)	275,405	**288,364**

31. FINANCIAL INSTRUMENTS

(1) Capital management

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

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

The balances as of the Date of Transition, March 31, 2014 and 2015 are as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Total equity attributable to owners of the parent	562,562	901,012	**1,080,364**
ROE (%)	—	9.1	**8.1**

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

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

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

(3) Credit risk

A. Credit risk management

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

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

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

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

B. Maximum exposure to credit risk

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

Maximum exposure to credit risk associated with guarantee obligations amounted to ¥1,855 million, ¥1,671 million and ¥1,761 million as of the Date of Transition, and March 31, 2014 and 2015, respectively.

C. Financial assets that are past due

The analysis of the age of trade and other receivables that are past due but not impaired as of the Date of Transition, March 31, 2014 and 2015 is as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
Within 30 days	63,043	80,049	**102,218**
Over 30 days, within 60 days	16,042	22,596	**38,029**
Over 60 days, within 90 days	5,594	7,685	**18,994**
Over 90 days	11,173	13,285	**18,951**
Total	95,853	123,617	**178,194**

D. Schedule of allowance for doubtful accounts

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

Millions of Yen

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
Balance at the beginning of the year	16,418	**18,992**
Addition	1,578	**3,596**
Decrease (intended use)	(2,134)	**(2,978)**
Decrease (reversal)	(1,538)	**(707)**
Other	4,669	**1,169**
Balance at the end of the year	18,992	**20,073**

(4) Liquidity risk

A. Liquidity risk management

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

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

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

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

The financial liability balance (including derivative financial instruments) by maturity as of the Date of Transition, March 31, 2014 and 2015 is as follows:

Date of Transition: As of April 1, 2013

Millions of Yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	840,795	840,795	840,795	—	—	—	—	—
Other payables due to the purchase of Aegis Group plc shares	295,401	295,401	295,401	—	—	—	—	—
Contingent consideration on acquisition and others	56,108	56,108	14,779	13,272	10,377	9,068	8,504	105
Bonds and borrowings	239,310	256,325	147,583	23,356	26,574	4,588	8,285	45,937
Subtotal	1,431,616	1,448,631	1,298,560	36,629	36,952	13,657	16,789	46,043
Derivative liabilities	3,242	3,242	644	44	1,308	828	59	357
Total	1,434,858	1,451,873	1,299,204	36,673	38,260	14,485	16,848	46,400

FY2013: As of March 31, 2014

Millions of Yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	1,047,796	1,047,796	1,047,796	—	—	—	—	—
Contingent consideration on acquisition and others	63,619	63,619	20,803	17,016	11,653	8,987	5,138	20
Bonds and borrowings	364,966	381,411	67,073	46,877	35,118	9,765	43,608	178,967
Subtotal	1,476,382	1,492,827	1,135,673	63,894	46,772	18,752	48,746	178,987
Derivative liabilities	12,244	12,244	527	694	1,773	759	4,758	3,731
Total	1,488,626	1,505,072	1,136,200	64,589	48,545	19,512	53,504	182,719

FY2014: As of March 31, 2015

Millions of Yen

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

C. Undrawn committed facilities

Undrawn committed facilities amounted to ¥584,857 million, ¥290,462 million and ¥310,423 million as of the Date of Transition, March 31, 2014 and 2015, respectively.

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

(5) Foreign currency risk

A. Foreign currency risk management

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

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

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

B. Foreign currency derivatives to which hedge accounting is applied

The details of foreign currency derivatives to which hedge accounting is applied as of the Date of Transition, March 31, 2014 and 2015 are as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)			FY2013 (As of March 31, 2014)			FY2014 (As of March 31, 2015)		
	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
Foreign exchange contracts	93,261	39,414	13,106	40,115	31,072	12,805	**43,077**	**27,558**	**19,196**
Option contracts	2,125	—	135	3,428	—	16	**2,371**	**—**	**112**
Swap contracts	4,329	4,329	456	—	—	—	**—**	**—**	**—**

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

The amounts either included in or deducted from the initial cost of a non-financial asset or non-financial liability as a result of execution of a highly probable forecasted transaction in which an acquisition or incurrence of such non-financial asset or liability is designated as a hedged item are ¥1,132 million (deduction) and ¥2,928 million (deduction) for the years ended March 31, 2014 and March 31, 2015, respectively.

C. Foreign currency sensitivity analysis

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

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

Millions of Yen

	FY2013 (As of March 31, 2014)	FY2014 (As of March 31, 2015)
US Dollars	92	**278**
Euros	185	**(9)**

(6) Interest rate risk

A. Interest rate risk management

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

B. Interest rate derivatives to which hedge accounting is applied

The details of interest rate derivatives to which hedge accounting is applied as of the Date of Transition, March 31, 2014 and 2015 are as follows:

Millions of Yen

	Date of Transition (As of April 1, 2013)			FY2013 (As of March 31, 2014)			FY2014 (As of March 31, 2015)		
	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
Interest rate swap contracts	15,750	—	(76)	175,892	175,892	(1,954)	**236,751**	**236,751**	**(1,840)**

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

The gains or losses on hedging instruments designated as fair value hedges amounted to ¥128 million and ¥272 million for the years ended March 31, 2014 and March 31, 2015, respectively. The gains or losses associated with hedged items are approximately the same as the gains or losses associated with hedging instruments.

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

The breakdown of the carrying amount and fair value of financial instruments as of the Date of Transition, March 31, 2014 and 2015 is as follows:

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

	Date of Transition (As of April 1, 2013)		FY2013 (As of March 31, 2014)		FY2014 (As of March 31, 2015)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	96,420	96,420	18,587	19,989	**12,368**	**13,376**
Long-term borrowings	111,092	114,299	296,969	300,229	**358,035**	**362,682**

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

The fair value of bonds as of the Date of Transition was based on the repurchase price and redemption amounts since repurchases and redemptions were scheduled, and the fair values as of March 31, 2014 and 2015 are determined by discounting the total of the principal and interest using an interest rate for which the period remaining until the maturity date and credit risks are taken into account.

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

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

(8) Fair value hierarchy of financial instruments

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

The fair value hierarchy is defined as follows:

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

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

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

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

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

There are no transfers between Level 1 and Level 2 for the years ended March 31, 2014 and March 31, 2015.

Date of Transition: As of April 1, 2013

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	16,850	—	16,850
Equity securities	45,607	—	44,658	90,265
Other	517	2,892	1,686	5,096
Total	46,124	19,743	46,345	112,213
Financial liabilities				
Derivative liabilities	—	350	2,892	3,242
Other	—	—	56,108	56,108
Total	—	350	59,000	59,351

FY2013: As of March 31, 2014

Millions of Yen

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	14,875	—	14,875
Equity securities	41,783	—	41,970	83,754
Other	512	3,114	2,049	5,675
Total	42,295	17,989	44,020	104,306
Financial liabilities				
Derivative liabilities	—	3,653	8,590	12,244
Other	—	—	63,619	63,619
Total	—	3,653	72,209	75,863

FY2014: As of March 31, 2015

Millions of Yen

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

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

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

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

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

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

The price/net asset value multiples used at the Date of Transition, March 31, 2014 and 2015, are 0.55 to 1.45, 0.55 and 0.73, respectively.

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

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

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

Financial assets	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
	Millions of Yen	
Balance at the beginning of the year	46,345	**44,020**
Other comprehensive income (Note 1)	(3,112)	**660**
Purchases	2,088	**4,865**
Sales or settlements	(2,445)	**(2,192)**
Transfers out of Level 3 (Note 2)	(27)	**(29,313)**
Other	1,172	**238**
Balance at the end of the year	44,020	**18,278**

Financial liabilities	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
	Millions of Yen	
Balance at the beginning of the year	59,000	**72,209**
Profit or loss (Note 3)	713	**2,986**
Purchases	18,764	**30,915**
Sales or settlements	(18,829)	**(22,355)**
Other	12,559	**4,342**
Balance at the end of the year	72,209	**88,099**

(Note 1) "Other comprehensive income" is associated with financial assets measured at fair value through other comprehensive income and included in "Net change in financial assets measured at fair value through other comprehensive income."

(Note 2) "Transfers out of Level 3" recognized for the years ended March 31, 2014 and 2015 are due to investees listed on exchanges.

(Note 3) "Profit or loss" is associated with financial liabilities at fair value through profit or loss and included in finance costs. Profit or loss arising from financial instruments held at fiscal year end amounted to ¥713 million and ¥2,986 million for the years ended March 31, 2014 and 2015, respectively.

32. RELATED PARTIES

(1) Remuneration for the Company's directors

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

	FY2013 (Year ended March 31, 2014)	FY2014 (Year ended March 31, 2015)
		Millions of Yen
Remuneration and bonuses	724	711

(2) Major subsidiaries

The Company's significant subsidiaries are as follows:

Company name	Location	Ownership percentage of voting rights (%)
Dentsu East Japan Inc.	Tokyo, Japan	100.0
Dentsu West Japan Inc.	Osaka, Japan	100.0
Dentsu Kyushu Inc.	Fukuoka, Japan	100.0
Dentsu Hokkaido Inc.	Sapporo, Japan	100.0
Dentsu Meitetsu Communications Inc.	Nagoya, Japan	50.0
Dentsu Ad-Gear Inc.	Tokyo, Japan	66.7
Dentsu Young & Rubicam Inc.	Tokyo, Japan	51.0
Cyber Communications Inc.	Tokyo, Japan	100.0
DA search & link Inc.	Tokyo, Japan	55.0
Dentsu Tec Inc.	Tokyo, Japan	100.0
Dentsu Casting and Entertainment Inc.	Tokyo, Japan	100.0
Information Services International-Dentsu, Ltd.	Tokyo, Japan	61.9
Dentsu Works Inc.	Tokyo, Japan	100.0
Dentsu Aegis Network Ltd.	London, the United Kingdom	100.0
Dentsu Aegis UK Ltd.	London, the United Kingdom	100.0
Dentsu Aegis Network France SAS	Paris, France	100.0
Dentsu McGarry Bowen, LLC	New York, the United States	100.0
Carat USA, Inc.	New York, the United States	100.0
360i LLC	Atlanta, the United States	100.0
Beijing Dentsu Advertising Co., Ltd.	Beijing, China	70.0
Mitchell Communication Group Ltd.	Melbourne, Australia	100.0

33. CONTINGENT LIABILITIES

The contingent liabilities as of the Date of Transition, March 31, 2014 and 2015 are as follows:

Date of Transition: As of April 1, 2013

(1) Guarantees of loans and other liabilities

	Millions of Yen
	Amount
Liabilities on guarantees resulting from a loan scheme for housing funds for employees	1,188
Liabilities for guarantees of bank loans and others	666
Total	1,855

(2) Lawsuits

Lawsuits in connection with a business partnership with the objective of operating a live music club were filed against the Company by the following 3 companies who are claiming a payment of outsourcing and lease fees they paid to fictitious orders made by a former employee of the Company who falsely used the name of the Company or said partnership.

With respect to one of the lawsuits in which Planning and Publicity Cooperative is the plaintiff, it is currently pending before the District Court (court of first instance). However, the Company estimated the amount deemed necessary based on such factors as the status of the progress of the lawsuit, and has posted this amount as provisions for loss on litigation (provisions under current liabilities).

Except for the lawsuit mentioned above, the Company's appeal is currently pending before the court. Although there is a possibility that the Company may incur damages based on the results of the lawsuits, it is not possible to make a reasonable estimate of these damages at this point in time.

Plaintiff	Defendant	Lawsuit amount (Millions of Yen)	Status
Planning and Publicity Cooperative	Shibuya Entertainment Review 21 Joint Partnership, and its 3 partners including Dentsu Inc.	4,553	Lawsuit pertaining to outsourcing fees; although this lawsuit is currently pending before the District Court (court of first instance), the Company estimated the amount deemed necessary based on such factors as the status of the progress of the lawsuit, and has posted ¥2,577 million as provisions for loss on litigation (provisions under current liabilities).
Mode2 inc.	Dentsu Inc.	197	Lawsuit pertaining to outsourcing fees; this lawsuit is currently pending before the District Court (court of first instance).
1 leasing company	Dentsu Inc.	93	Lawsuit pertaining to lease payments; this lawsuit is currently pending before the District Court (court of first instance).
Total		4,843	

FY2013: As of March 31, 2014

(1) Guarantees of loans and other liabilities

	Millions of Yen
	Amount
Liabilities on guarantees resulting from a loan scheme for housing funds for employees	864
Liabilities for guarantees of bank loans and others	807
Total	1,671

(2) Lawsuits

Lawsuits in connection with a business partnership with the objective of operating a live music club were filed against the Company by the companies who are claiming a payment of outsourcing and lease payments they paid to fictitious orders made by a former employee of the Company who falsely used the name of the Company or said partnership.

With respect to the lawsuits, the Company has reached a conciliatory agreement with the plaintiffs. Accordingly, the relevant contingent liabilities have been extinguished.

FY2014: As of March 31, 2015

(1) Guarantees of loans and other liabilities

	Millions of Yen
	Amount
Liabilities on guarantees resulting from a loan scheme for housing funds for employees	**657**
Liabilities for guarantees of bank loans and others	**1,104**
Total	**1,761**

34. SUBSEQUENT EVENTS

Purchase of treasury shares

The Company resolved at a meeting of its Board of Directors held on May 14, 2015 to authorize a share repurchase pursuant to the Company's Articles of Incorporation in accordance with Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Act.

(1) Reason for share repurchase

To deliver shareholder value and to further improve capital efficiency, and at the same time to implement a flexible capital policy in response to changes in the business climate

(2) Details of matters related to the share repurchase

A. Class of shares to be repurchased	Ordinary shares of the Company
B. Total number of shares to be repurchased	4,000,000 shares (maximum)
C. Total repurchase cost	20 billion yen (maximum)
D. Repurchase period	From May 18 to July 31, 2015
E. Method of repurchase	Open market purchase on the Tokyo Stock Exchange

35. FIRST-TIME ADOPTION

The Group first adopted IFRS for the year ended March 31, 2015. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are those for the year ended March 31, 2014. The Date of Transition is April 1, 2013.

IFRS 1, in principle, requires first-time adopters to apply IFRS retrospectively. However, as exceptions, the retrospective application of some aspects of IFRS is prohibited, and they shall be applied prospectively from the Date of Transition to IFRS.

In accordance with the exceptions for those aspects of IFRS applicable to the Group, the Group prospectively applies "Estimate," "Derecognition of financial assets and financial liabilities," "Hedge accounting," "Non-controlling interests" and "Measurement of financial assets."

Reconciliations that are required to be disclosed under the first-time adoption of IFRS are as follows:

Items that do not influence retained earnings and comprehensive income are included in "Reclassification" of the reconciliation, and items that influence retained earnings and comprehensive income are included in "Differences in recognition and measurement."

Reconciliation of equity as of April 1, 2013 (the Date of Transition)

Millions of Yen

Accounts under Japanese GAAP	Japanese GAAP	Notes	Reclassification (Note)	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets							Assets
Current assets							Current assets
Cash and deposits	208,356		(777)	26,896	234,475	2. (2) (xii)	Cash and cash equivalents
Notes and accounts receivable—trade	816,251		20,002	—	836,253		Trade and other receivables
Inventories	13,561		—	—	13,561		Inventories
Marketable securities	116		18,295	—	18,412		Other financial assets
Deferred tax assets	9,280	1.	(9,280)				
Other	76,266		(39,327)	1,591	38,530		Other current assets
Allowance for doubtful accounts	(1,806)		1,806				
Total current assets	1,122,025		(9,280)	28,488	1,141,233		Total current assets
Non-current assets							
Property, plant and equipment							Non-current assets
Buildings and structures, net	77,313		130,019	(4,849)	202,484	2. (2) (i), (ii), (iii), (x)	Property, plant and equipment
Land	160,820		(160,820)				
Other, net	12,419		(12,419)				
Intangible assets							
Goodwill	438,968	1.	—	(7,235)	431,732	2. (2) (iv)	Goodwill
Software	17,696		202,201	—	219,898		Intangible assets
Other	202,201	1.	(202,201)				
			43,219	2,693	45,913	2. (2) (i), (ii), (iii), (x)	Investment property
Investments and other assets							
			50,414	658	51,072		Investments accounted for using the equity method
Investment securities	135,138		(24,238)	3,829	114,728		Other financial assets
Long-term loans receivable	917		(917)				
Other	54,364		(39,869)	(7,513)	6,981	2. (2) (vii)	Other non-current assets
Deferred tax assets	28,654	1.	9,280	12,436	50,371	2. (2) (i), (v), (vi), (vii)	Deferred tax assets
Allowance for doubtful accounts	(14,611)		14,611				
Total non-current assets	1,113,883		9,280	19	1,123,182		Total non-current assets
Total assets	2,235,908		—	28,507	2,264,415		Total assets

Millions of Yen

Accounts under Japanese GAAP	Japanese GAAP	Notes	Reclassification (Note)	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
							Liabilities and equity
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable—trade	785,377		53,295	2,122	840,795		Trade and other payables
Short-term borrowings	21,268		25,869	11,959	59,097	2. (2) (xii)	Bonds and borrowings
Current portion of long-term borrowings	25,869		(25,869)				
Lease obligations	1,273		335,730	4,157	341,161	2. (2) (viii)	Other financial liabilities
Other payables	331,486		(331,486)				
Income tax payables	21,175		—	—	21,175		Income tax payables
Deferred tax liabilities	87		(87)				
Provision for directors' bonuses	399		(399)				
Provision for loss on order received	294		4,857	—	5,151		Provisions
Provision for loss on litigation	2,577		(2,577)				
Provision for loss from business restructuring	2,270		(2,270)				
Asset retirement obligations	9		(9)				
Other	122,840	1.	(57,139)	7,804	73,504	2. (2) (vi)	Other current liabilities
Total current liabilities	1,314,930		(87)	26,043	1,340,886		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds	93,931		71,344	14,937	180,212	2. (2) (xii)	Bonds and borrowings
Long-term borrowings	71,344		(71,344)				
Lease obligations	2,164		45,857	4,009	52,032	2. (2) (viii)	Other financial liabilities
Provision for retirement benefits	42,316		—	14,853	57,169	2. (2) (vii)	Liability for retirement benefits
Provision for directors' retirement benefits	378		(378)				
Asset retirement obligations	896		—	—	896		Provisions
Other	49,815		(45,479)	—	4,335		Other non-current liabilities
Deferred tax liabilities	42,455	1.	9,126	(8,939)	42,642	2. (2) (x)	Deferred tax liabilities
Deferred tax liabilities on land revaluation difference	9,038		(9,038)				
Total non-current liabilities	312,340		87	24,860	337,289		Total non-current liabilities
Total liabilities	1,627,270		—	50,904	1,678,175		Total liabilities
Net assets							Equity
Common stock	58,967		—	—	58,967		Share capital
Capital surplus	60,899		—	—	60,899		Share premium account
Treasury stock	(65,077)		—	—	(65,077)		Treasury shares
Accumulated other comprehensive income	14,076		—	(8,266)	5,810	2. (2) (v), (vii), (ix), (x), (xi)	Other components of equity
Retained earnings	515,630		—	(13,667)	501,963	2. (2) (xiii)	Retained earnings
					562,562		Total equity attributable to owners of the parent
Minority interests	24,141		—	(463)	23,677		Non-controlling interests
Total net assets	608,637		—	(22,397)	586,240		Total equity
Total liabilities and net assets	2,235,908		—	28,507	2,264,415		Total liabilities and equity

(Note) Refer to Notes on Reconciliations 2. (1).

Reconciliation of equity as of March 31, 2014 (FY2013)

Millions of Yen

Accounts under Japanese GAAP	Japanese GAAP	Reclassification (Note)	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	228,129	(1,001)	26,226	253,354	2. (2) (xii)	Cash and cash equivalents
Notes and accounts receivable—trade	1,033,955	20,269	—	1,054,225		Trade and other receivables
Inventories	14,253	—	—	14,253		Inventories
Marketable securities	512	15,059	—	15,571		Other financial assets
Deferred tax assets	9,247	(9,247)				
Other	84,028	(36,068)	1,582	49,542		Other current assets
Allowance for doubtful accounts	(1,740)	1,740				
Total current assets	1,368,385	(9,247)	27,808	1,386,946		Total current assets
Non-current assets						
Property, plant and equipment						Non-current assets
Buildings and structures, net	75,162	131,276	(4,539)	201,900	2. (2) (i), (ii), (iii), (x)	Property, plant and equipment
Land	159,272	(159,272)				
Other, net	14,885	(14,885)				
Intangible assets						
Goodwill	558,834	—	18,181	577,015	2. (2) (iv)	Goodwill
Software	23,226	236,279	0	259,506		Intangible assets
Customer relationships	183,446	(183,446)				
Other	52,833	(52,833)				
		42,881	2,773	45,655	2. (2) (i), (ii), (iii), (x)	Investment property
Investment and other assets						
		54,956	1,597	56,554		Investments accounted for using the equity method
Investment securities	133,981	(30,503)	3,762	107,241		Other financial assets
Long-term loans receivable	412	(412)				
Asset for retirement benefits	5,841	(5,841)			2. (2) (vii)	
Other	49,132	(35,451)	(5,841)	7,839		Other non-current assets
Deferred tax assets	30,157	9,247	3,870	43,274	2. (2) (i), (v), (vi), (vii)	Deferred tax assets
Allowance for doubtful accounts	(17,252)	17,252				
Total non-current assets	1,269,933	9,247	19,805	1,298,986		Total non-current assets
Total assets	2,638,319	—	47,613	2,685,933		Total assets

Millions of Yen

Accounts under Japanese GAAP	Japanese GAAP	Reclassification (Note)	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable—trade	989,805	55,881	2,109	1,047,796		Trade and other payables
Short-term borrowings	30,328	13,156	19,081	62,566	2. (2) (xii)	Bonds and borrowings
Current portion of long-term bonds	8,050	(8,050)				
Current portion of long-term borrowings	5,106	(5,106)				
Lease obligations	1,348	34,204	2,594	38,147	2. (2) (viii)	Other financial liabilities
Income tax payables	28,571	—	—	28,571		Income tax payables
Deferred tax liabilities	122	(122)				
Provision for directors' bonuses	501	(501)				
Provision for loss on order received	165	47	—	213		Provisions
Asset retirement obligations	47	(47)				
Other	189,216	(89,584)	7,549	107,181	2. (2) (vi)	Other current liabilities
Total current liabilities	1,253,263	(122)	31,335	1,284,477		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds	10,536	284,943	6,919	302,399	2. (2) (xii)	Bonds and borrowings
Long-term borrowings	284,943	(284,943)				
Lease obligations	2,189	56,828	3,748	62,766	2. (2) (viii)	Other financial liabilities
Liability for retirement benefits	56,301	—	(3,115)	53,185	2. (2) (vii)	Liability for retirement benefits
Provision for directors' retirement benefits	272	(272)				
Asset retirement obligations	852	—	—	852		Provisions
Other	62,886	(56,555)	—	6,330		Other non-current liabilities
Deferred tax liabilities	50,076	8,624	(8,501)	50,198	2. (2) (x)	Deferred tax liabilities
Deferred tax liabilities on land revaluation difference	8,501	(8,501)				
Total non-current liabilities	476,560	122	(948)	475,734		Total non-current liabilities
Total liabilities	1,729,824	—	30,387	1,760,211		Total liabilities
Net assets						Equity
Common stock	74,609	—	—	74,609		Share capital
Capital surplus	100,106	—	(200)	99,906		Share premium account
Treasury stock	(104)	—	—	(104)		Treasury shares
Accumulated other comprehensive income	167,289	—	5,421	172,711	2. (2) (v), (vii), (ix), (x), (xi)	Other components of equity
Retained earnings	541,216	—	12,673	553,889	2. (2) (xiii)	Retained earnings
				901,012		Total equity attributable to owners of the parent
Minority interests	25,377	—	(667)	24,709		Non-controlling interests
Total net assets	908,495	—	17,226	925,722		Total equity
Total liabilities and net assets	2,638,319	—	47,613	2,685,933		Total liabilities and equity

(Note) Refer to Notes on Reconciliations 2. (1).

Reconciliation of profit or loss and comprehensive income for the year ended March 31, 2014 (FY2013)

Items related to the Consolidated Statement of Income

Millions of Yen

Accounts under Japanese GAAP	Japanese GAAP	Reclassification (Note)	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Net sales	2,309,359	(1,649,587)	—	659,772		Revenue
Cost of sales	1,715,287	(1,670,315)	145	45,117	2. (2) (ii), (iii)	Cost
Gross profit	594,072	20,728	(145)	614,654		Gross profit
Selling, general and administrative expenses	522,581	15,859	(27,153)	511,287	2. (2) (ii), (iii), (iv), (vi), (vii)	Selling, general and administrative expenses
	—	10,461	913	11,375	2. (2) (ii), (iv)	Other income
	—	8,429	(970)	7,459	2. (2) (ii)	Other expenses
Operating income	71,490	6,899	28,892	107,283		Operating profit
Non-operating income	22,593	(22,593)				
Non-operating expenses	11,545	(11,545)				
Extraordinary income	7,795	(7,795)				
Extraordinary loss	9,161	(9,161)				
	—	3,764	980	4,745	2. (2) (iv)	Share of results of associates
				112,028		Profit before interest and tax
	—	11,817	(4,701)	7,115	2. (2) (xi)	Finance income
	—	12,799	(4,454)	8,345	2. (2) (vii), (viii), (xi)	Finance costs
Income before income taxes and minority interests	81,172	—	29,625	110,797		Profit before tax
Income taxes—current	43,395	(3,653)	2,122	41,864		Income tax expense
Income taxes—deferred	(3,653)	3,653				
Net income before minority interests	41,430	—	27,503	68,933		Profit for the year
	—	38,800	27,706	66,507		Profit for the year attributable to owners of the parent
Minority interests in net income	2,629	—	(203)	2,426		Profit for the year attributable to non-controlling interests
Net income	38,800	(38,800)				

Items related to the Consolidated Statement of Comprehensive Income

Millions of Yen

Accounts under Japanese GAAP	Japanese GAAP	Reclassification (Note)	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Net income before minority interests	41,430	—	27,503	68,933		Profit for the year
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gain (loss) on available-for-sale securities	(445)	—	118	(326)	2. (2) (xi)	Net change in financial assets measured at fair value through other comprehensive income
	—	—	2,916	2,916	2. (2) (vii)	Remeasurements of defined benefit plans
	—	930	(11)	918		Share of other comprehensive income of investments accounted for using the equity method
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	158,056	—	3,049	161,106	2. (2) (ix)	Exchange differences on translation of foreign operations
Deferred gain (loss) on derivatives under hedge accounting	3,682	—	(708)	2,973		Effective portion of the change in the fair value of cash flow hedges
Share of other comprehensive income in associates	1,970	(930)	12	1,053		Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	163,263	—	5,377	168,641		Other comprehensive income, net of tax
Comprehensive income	204,694	—	32,880	237,575		Comprehensive income for the year

(Note) Refer to Notes on Reconciliations 2. (1).

Notes on Reconciliations

1. Revising the purchase price allocation

The Japanese GAAP amounts in the reconciliations above are based on the Consolidated Balance Sheet (Japanese GAAP) as of March 31, 2013. However, the allocation of the purchase price for Dentsu Aegis Network Ltd. associated with business combinations in the Consolidated Balance Sheet was not complete, as provisional accounting was used based on available and reasonable information at the time of preparing the Consolidated Financial Statements.

Under Japanese GAAP, as the purchase price allocation was completed in the following fiscal year, the results are now reflected in the Japanese GAAP amounts in the reconciliations above.

As a result, deferred tax assets in current assets decreased by ¥577 million, goodwill decreased by ¥137,041 million, deferred tax assets in investments and other assets decreased by ¥707 million, and other in current liabilities decreased by ¥2,624 million, while other in intangible assets increased by ¥168,666 million and deferred tax liabilities in non-current liabilities increased by ¥32,963 million under Japanese GAAP in the reconciliations above compared with the Consolidated Balance Sheet as of March 31, 2013.

2. Reconciliation of differences between Japanese GAAP and IFRS

The details of the reconciliation of differences between Japanese GAAP and IFRS in the reconciliation tables above are mainly as follows:

(1) Reclassification

The major reclassifications are as follows:

- All deferred tax assets and deferred tax liabilities are reclassified to non-current assets and non-current liabilities.
- All non-current assets falling within the definition of investment property under IFRS are reclassified to investment property.
- Based on IFRS presentation requirements, financial assets and financial liabilities are presented separately.
- Revenue from transactions related to advertising services is presented on a net basis, while revenue and costs related to business transactions other than advertising services are presented on a gross basis.

(2) Differences in recognition and measurement

(i) Deemed cost

For some items of property, plant and equipment and investment property, the Group has elected to use their fair value as of the Date of Transition as deemed cost for such items in accordance with IFRS 1.

The fair value as of the Date of Transition of items of property, plant and equipment and investment property for which deemed costs are used and the carrying amount under Japanese GAAP amounts to ¥135,508 million and ¥124,228 million, respectively.

The fair value is measured based on either independent third party appraisals or prevailing market price, whichever is considered to be appropriate by the management, and the resulting measurement is categorized within Level 3.

(ii) Depreciation

Under Japanese GAAP, the Group mainly adopted the declining-balance method as the depreciation method for property, plant and equipment (excluding lease assets). Under IFRS, the Group adopts the straight-line method.

(iii) Purchase taxes on property, plant and equipment and investment property

Under Japanese GAAP, the Group recognized purchase taxes on property, plant and equipment as expenses in the year in which they are incurred. Under IFRS, such purchase taxes are included in the acquisition cost.

(iv) Goodwill

Under Japanese GAAP, the Group determined whether an asset may be impaired only when there was an indication of impairment. Under IFRS, the Group performs impairment tests annually.

Impairment losses of ¥7,235 million were recognized for goodwill as of the Date of Transition due to the differences between Japanese GAAP and IFRS. The goodwill belongs to Japan business.

Under Japanese GAAP, goodwill was systematically amortized over the periods in which economic benefits from goodwill were reasonably expected to be realized. Under IFRS, since goodwill is no longer amortized on and after the Date of Transition, adjustments are made to retained earnings.

(v) Deferred tax assets

Under Japanese GAAP, the Group recognized deferred tax assets based on company classification stipulated in the "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Report No. 66, the audit committee of the Japanese Institute of Certified Public Accountants). Under IFRS, deferred tax assets are recognized to the extent that management determines it is probable that taxable profits will be available for tax losses and deductible temporary differences to be utilized.

(vi) Unused paid vacations

Under Japanese GAAP, the Group was not required to account for unused paid vacations. Under IFRS, they are recognized as liabilities.

(vii) Retirement benefit obligations associated with defined benefit plans

Under Japanese GAAP, actuarial gains and losses were allocated using the straight-line method over a certain number of years, within the average remaining service period of employees at the time of occurrence, and recognized as expense starting from the following year onward, while past service costs were expensed using the straight-line method over a certain number of years within the average remaining service period of employees at the time of occurrence. Under IFRS, actuarial gains and losses are recognized in other comprehensive income at the time of occurrence and past service costs are recognized in profit or loss at the time of occurrence.

Under Japanese GAAP, the application of "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26; May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Guidance No. 25; issued on May 17, 2012) from the year ended March 31, 2014 resulted in recognition of liabilities for retirement benefits at the amount of retirement benefit obligations less plan assets. Unrealized actuarial gains and losses and unrealized past service costs are recognized as liabilities for retirement benefits.

Under IFRS, retirement benefit obligations are recomputed in accordance with IFRS, and adjustments are made to retained earnings for differences arising from the periodic allocation method of the retirement benefit obligations.

(viii) Contingent consideration associated with business combinations

Under Japanese GAAP, the Company did not recognize contingent consideration until criteria, such as certainty of issue or delivery of such contingent consideration after a business combination, were met. Under IFRS, contingent consideration is recognized as a liability.

(ix) Exchange differences on translation of foreign operations

The Group has elected to apply the exemption in IFRS 1 and transferred the entire balance of cumulative translation differences associated with overseas subsidiaries at the Date of Transition to retained earnings.

(x) Land revaluation differences

Under Japanese GAAP, the Group revaluated land in business in accordance with the Act on Revaluation of Land (Act No. 34 of March 31, 1998). Under IFRS, the revaluations have been reversed.

(xi) Equity instruments

Under Japanese GAAP, the Group recognized gains and losses on sales of equity instruments and impairment losses in profit or loss. Under IFRS, with regard to financial assets measured at fair value through other comprehensive income, changes in fair value are recognized in other comprehensive income and reclassified to retained earnings if the financial assets are derecognized or the fair value declines significantly.

(xii) Subsidiaries with closing dates other than the Company's closing date

When the fiscal year end of a subsidiary's financial statements used in the preparation of consolidated financial statements differs from that of the Company, adjustments are made for the significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

(xiii) Retained earnings

		Millions of Yen
	Date of Transition (As of April 1, 2013)	FY2013 (As of March 31, 2014)
Deemed cost	(6,704)	(6,704)
Depreciation	5,257	4,597
Purchase taxes on property, plant and equipment and investment property	2,056	2,011
Goodwill	(7,235)	20,027
Deferred tax assets	4,369	2,897
Unused paid vacations	(4,718)	(4,560)
Retirement benefit obligations associated with defined benefit plans	3,120	4,434
Contingent consideration associated with business combinations	(8,091)	(9,111)
Exchange differences on translation of foreign operations	(1,775)	(1,775)
Other	56	856
Total adjustment to retained earnings	(13,667)	12,673

(3) Reconciliation of cash flow

The Consolidated Statement of Cash Flows disclosed in accordance with Japanese GAAP is not materially different from the Consolidated Statement of Cash Flows disclosed in accordance with IFRS.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Dentsu Inc.:

We have audited the accompanying consolidated statement of financial position of Dentsu Inc. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dentsu Inc. and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC

June 26, 2015

Member of
Deloitte Touche Tohmatsu Limited