Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	927 445 875
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	DENTSU NORGE AS
Forretningsadresse:	Kristian Augusts gate 23 0164 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Fredrik Taranger
Dato for fastsettelse av årsregnskapet:	29.04.2024

Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 12.08.2025

Resultatregnskap

Beløp i: NOK	Note	2023	2022
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1	3 001 787 000	3 405 987 000
Sum inntekter		**3 001 787 000**	**3 405 987 000**
Kostnader			
Varekostnad		2 674 133 000	3 041 793 000
Lønnskostnad	2, 3	223 117 000	207 794 000
Avskrivning av driftsmidler og immaterielle eiendeler	4	13 224 000	11 627 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	4, 6	447 000	
Annen driftskostnad	2	88 080 000	74 936 000
Sum kostnader		**2 999 001 000**	**3 336 149 000**
Driftsresultat		**2 786 000**	**69 839 000**
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	5		
Annen renteinntekt	5	13 196 000	9 450 000
Annen finansinntekt	5	43 847 000	1 828 000
Sum finansinntekter		**57 043 000**	**11 278 000**
Nedskrivning av finansielle eiendeler	5		
Annen rentekostnad	5	8 952 000	9 833 000
Annen finanskostnad	5	5 940 000	5 455 000
Sum finanskostnader		**14 892 000**	**15 288 000**
Netto finans		**42 151 000**	**-4 011 000**
Ordinært resultat før skattekostnad		**44 937 000**	**65 828 000**
Skattekostnad på resultat	7	10 120 000	15 227 000
Ordinært resultat etter skattekostnad		**34 818 000**	**50 601 000**
Årsresultat	8	**34 818 000**	**50 601 000**
Årsresultat etter minoritetsinteresser		**34 818 000**	**50 601 000**

Resultatregnskap

Beløp i: NOK	Note	2023	2022
Totalresultat		**34 818 000**	**50 601 000**
Overføringer og disponeringer			
Ordinært utbytte	8	24 600 000	707 000
Avsatt til annen egenkapital	8	10 218 000	49 893 000
Sum overføringer og disponeringer		**34 818 000**	**50 601 000**

Balanse

Beløp i: NOK	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter o.l.	4		
Utsatt skattefordel	7	1 587 000	1 282 000
Goodwill	6	63 648 000	64 095 000
Sum immaterielle eiendeler		**65 235 000**	**65 377 000**
Varige driftsmidler			
Tomter, bygninger o.a. fast eiendom	4	97 130 000	109 481 000
Maskiner og anlegg	4		
Skip og flytende installasjoner	4		
Driftsløsøre, inventar o.a. utstyr	4	1 250 000	1 295 000
Sum varige driftsmidler	4	**98 380 000**	**110 775 000**
Finansielle anleggsmidler			
Investering i datterselskap	9	33 902 000	707 000
Andre langsiktige fordringer	10	61 807 000	62 677 000
Sum finansielle anleggsmidler		**95 709 000**	**63 383 000**
Sum anleggsmidler		**259 324 000**	**239 536 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	11, 12	365 046 000	279 320 000
Andre kortsiktige fordringer	10, 12	200 694 000	171 898 000
Konsernfordringer	10, 12		
Sum fordringer	10	**565 739 000**	**451 218 000**
Investeringer			
Andre finansielle instrumenter		14 000	14 000
Sum investeringer		**14 000**	**14 000**
Bankinnskudd, kontanter og lignende			

Balanse

Beløp i: NOK	Note	2023	2022
Bankinnskudd, kontanter o.l.	13	111 496 000	353 014 000
Sum bankinnskudd, kontanter og lignende		**111 496 000**	**353 014 000**
Sum omløpsmidler		**677 250 000**	**804 246 000**
SUM EIENDELER		**936 573 000**	**1 043 782 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	14	7 600 000	7 600 000
Overkurs	8		
Annen innskutt egenkapital	8	936 000	936 000
Sum innskutt egenkapital		**8 536 000**	**8 536 000**
Opptjent egenkapital			
Annen egenkapital	8	120 918 000	110 701 000
Sum opptjent egenkapital		**120 918 000**	**110 701 000**
Sum egenkapital	8	**129 454 000**	**119 236 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	7		
Andre avsetninger for forpliktelser	10		
Annen langsiktig gjeld			
Konvertible lån	10		
Obligasjonslån	10		
Gjeld til kredittinstitusjoner	10		
Øvrig langsiktig gjeld	10	103 606 000	114 121 000
Sum annen langsiktig gjeld		**103 606 000**	**114 121 000**
Sum langsiktig gjeld		**103 606 000**	**114 121 000**
Kortsiktig gjeld			
Konvertible lån	10		

Balanse

Beløp i: NOK	Note	2023	2022
Sertifikatlån	10		
Gjeld til kredittinstitusjoner	10		
Leverandørgjeld	10, 12	459 834 000	619 289 000
Betalbar skatt	7, 10	10 424 000	15 370 000
Skyldig offentlige avgifter	10	47 597 000	48 228 000
Utbytte	10	24 600 000	707 000
Kortsiktig konserngjeld	10, 12	64 024 000	23 006 000
Annen kortsiktig gjeld	10, 12	97 035 000	103 825 000
Sum kortsiktig gjeld	10	**703 514 000**	**810 424 000**
Sum gjeld		**807 120 000**	**924 546 000**
SUM EGENKAPITAL OG GJELD		**936 573 000**	**1 043 782 000**

Årsregnskap 2023
Dentsu Norge AS

Styrets årsberetning
Resultatregnskap
Balanse
Kontantstrøm
Noter til regnskapet

Org.nr.: 927 445 875

RESULTATREGNSKAP

DENTSU NORGE AS

Beløp i 1000 kroner	Note	2023	2022
DRIFTSINNTEKTER OG DRIFTSKOSTNADER			
Salgsinntekt	1	3 001 787	3 405 987
Sum driftsinntekter		**3 001 787**	**3 405 987**
Varekostnad		2 674 133	3 041 793
Lønnskostnad	2, 3	223 117	207 794
Avskrivning av driftsmidler og immaterielle eiendeler	4	13 224	11 627
Nedskrivning av driftsmidler og immaterielle eiendeler	4, 6	447	0
Annen driftskostnad	2	88 080	74 936
Sum driftskostnader		**2 999 001**	**3 336 149**
Driftsresultat		**2 786**	**69 839**
FINANSINNTEKTER OG FINANSKOSTNADER			
Annen renteinntekt	5	13 196	9 450
Annen finansinntekt	5	43 847	1 828
Annen rentekostnad	5	8 952	9 833
Annen finanskostnad	5	5 940	5 455
Resultat av finansposter		**42 151**	**-4 011**
Resultat før skattekostnad		44 937	65 828
Skattekostnad på resultat	7	10 120	15 227
Årsresultat	**8**	**34 818**	**50 601**
Totalresultat		**34 818**	**50 601**
OVERFØRINGER			
Avsatt til utbytte	8	24 600	707
Avsatt til annen egenkapital	8	10 218	49 893
Sum overføringer		**34 818**	**50 601**

BALANSE

DENTSU NORGE AS

Beløp i 1000 kroner	Note	2023	2022
EIENDELER			
ANLEGGSMIDLER			
IMMATERIELLE EIENDELER			
Utsatt skattefordel	7	1 587	1 282
Goodwill	6	63 648	64 095
Sum immaterielle eiendeler		**65 235**	**65 377**
VARIGE DRIFTSMIDLER			
Tomter, bygninger o.a. fast eiendom	4	97 130	109 481
Driftsløsøre, inventar o.a. utstyr	4	1 250	1 295
Sum varige driftsmidler	**4**	**98 380**	**110 775**
FINANSIELLE ANLEGGSMIDLER			
Investeringer i datterselskap	9	33 902	707
Andre langsiktige fordringer	10	61 807	62 677
Sum finansielle anleggsmidler		**95 709**	**63 383**
Sum anleggsmidler		**259 324**	**239 536**
OMLØPSMIDLER			
FORDRINGER			
Kundefordringer	11, 12	365 046	279 320
Andre kortsiktige fordringer	10, 12	200 694	171 898
Sum fordringer	**10**	**565 739**	**451 218**
INVESTERINGER			
Andre finansielle instrumenter		14	14
Sum investeringer		**14**	**14**
Bankinnskudd, kontanter o.l.	13	111 496	353 014
Sum omløpsmidler		**677 250**	**804 246**
Sum eiendeler		**936 573**	**1 043 782**

BALANSE

DENTSU NORGE AS

Beløp i 1000 kroner	Note	2023	2022
EGENKAPITAL OG GJELD			
EGENKAPITAL			
INNSKUTT EGENKAPITAL			
Aksjekapital	14	7 600	7 600
Annen innskutt egenkapital	8	936	936
Sum innskutt egenkapital		**8 536**	**8 536**
OPPTJENT EGENKAPITAL			
Annen egenkapital	8	120 918	110 701
Sum opptjent egenkapital		**120 918**	**110 701**
Sum egenkapital	**8**	**129 454**	**119 236**
GJELD			
AVSETNING FOR FORPLIKTELSER			
Øvrig langsiktig gjeld	10	103 606	114 121
Sum annen langsiktig gjeld		**103 606**	**114 121**
KORTSIKTIG GJELD			
Leverandørgjeld	10, 12	459 834	619 289
Betalbar skatt	7, 10	10 424	15 370
Skyldig offentlige avgifter	10	47 597	48 228
Utbytte	10	24 600	707
Konserngjeld	10, 12	64 024	23 006
Annen kortsiktig gjeld	10, 12	97 035	103 825
Sum kortsiktig gjeld	**10**	**703 514**	**810 424**
Sum gjeld		**807 120**	**924 546**
Sum egenkapital og gjeld		**936 573**	**1 043 782**

Oslo, den, 29.04.2024
Styret i Dentsu Norge AS

Paal Ingvar Fure	Hege Ryen	Fredrik Taranger
styreleder/daglig leder	styremedlem	styremedlem

INDIREKTE KONTANTSTRØM

DENTSU NORGE AS

Beløp i 1000 kroner	2023	2022
KONTANTSTRØMMER FRA OPERASJONELLE AKTIVITETER		
Resultat før skattekostnad	44 937	65 828
Periodens betalte skatt	-15 370	-15 800
Ordinære avskrivninger	13 224	11 627
Nedskrivning anleggsmidler	447	0
Endring i kundefordringer	-85 726	109 592
Endring i leverandørgjeld	-159 455	-53 096
Endring i andre tidsavgrensningsposter	-42 062	-26 425
Netto kontantstrøm fra operasjonelle aktiviteter	**-244 004**	**91 726**
KONTANTSTRØMMER FRA INVESTERINGSAKTIVITETER		
Utbetalinger ved kjøp av varige driftsmidler	-258	-1 352
Tilført gjennom fusjoner	0	1 968
Utbetaling av Earn Out	0	-46 081
Utbetalinger ved kjøp av aksjer og andeler i andre foret	-33 195	0
Netto kontantstrøm fra investeringsaktiviteter	**-33 453**	**-45 465**
KONTANTSTRØMMER FRA FINANSIERINGSAKTIVITETER		
Netto endring konsernkontoordning	51 715	28 868
Innbetaling fra depositum medier	870	7 978
Leiebetalinger	-15 937	-15 922
Utbetalinger av utbytte	-707	-20 000
Utbetalinger av konsernbidrag	0	-778
Netto kontantstrøm fra finansieringsaktiviteter	**35 941**	**146**
Netto endring i kontanter og kontantekvivalenter	-241 516	46 407
Beh. av kont. og kontantekvivalenter ved per. begynnel	353 014	306 607
Beh. av kont. og kontantekvivalenter ved per. slutt	**111 498**	**353 014**

NOTER

DENTSU NORGE AS

REGNSKAPSPRINSIPPER
Dentsu Norge AS er et aksjeselskap registrert i Norge. Selskapets hovedkontor er lokalisert i Kristian August gate 23, Oslo

Årsregnskapet er satt opp i samsvar med regnskapslovens bestemmelser og god regnskapsskikk. Årsregnskapet er avlagt i henhold til regnskapsloven § 3-9 og Forskrift om forenklet IFRS fastsatt av Finansdepartementet 3.november 2014. Dette innebærer i hovedsak at innregning og måling følger internasjonale regnskapsstandarder (IFRS) og presentasjon og noteopplysninger er i henhold til norsk regnskapslov og god regnskapsskikk.

Forenklet IFRS
Selskapet har anvendt en forenkling fra innregnings- og vurderingsreglene i IFRS IAS 10 nr. 12 og 13 fravikes, slik at utbytte og konsernbidrag regnskapsføres i samsvar med regnskapsloven.

Salgsinntekter
Inntekter regnskapsførers når det er sannsynlig at transaksjoner vil generere fremtidige økonomiske fordeler som vil tilflyte selskapet og beløpets størrelse kan estimeres pålitelig. Inntektsføring skjer på tidspunkt da tjenesten ytes. Andelen av salgsinntekter som knytter seg til fremtidige serviceytelser balanseføres som uopptjent inntekt ved salget, og inntektsføres deretter i takt med levering av ytelsene. Salgsinntekter er presentert fratrukket merverdiavgift og rabatter.

Klassifisering og vurdering av balanseposter
Omløpsmidler og kortsiktig gjeld omfatter poster som forfaller til betaling innen ett år etter balansedagen, samt poster som knytter seg til varekretsløpet. Øvrige poster er klassifisert som anleggsmiddel/langsiktig gjeld.

Omløpsmidler vurderes til laveste av anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Anleggsmidler vurderes til anskaffelseskost, men nedskrives til virkelig verdi ved verdifall som ikke forventes å være forbigående. Anleggsmidler med begrenset økonomisk levetid avskrives planmessig. Langsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Datterselskap
Datterselskaper vurderes etter kostmetoden i selskapets regnskap. Investeringen er vurdert til anskaffelseskost for aksjene med mindre nedskrivning har vært nødvendig. Det er foretatt nedskrivning til virkelig verdi når verdifall skyldes årsaker som ikke kan antas å være forbigående og det må anses nødvendig etter god regnskapsskikk. Nedskrivninger er reversert når grunnlaget for nedskrivning ikke lenger er til stede.

Utbytte, konsernbidrag og andre utdelinger fra datterselskap er inntektsført samme år som det er avsatt hos giver. Overstiger utbyttet/konsernbidraget andel av opptjent resultat etter anskaffelsestidspunktet, representerer den overskytende del tilbakebetaling av investert kapital, og utdelingene er fratrukket investeringens verdi i balansen.

Fordringer
Kundefordringer og andre fordringer er oppført i balansen til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av individuelle vurderinger av de enkelte fordringene.

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Valuta
Transaksjoner i utenlandsk valuta omregnes til kursen på transaksjonstidspunktet. Pengeposter i utenlandsk valuta er vurdert etter kursen ved regnskapsårets slutt. Valutakursendringer resultatføres løpende i regnskapsperioden under andre finansposter.

Varige driftsmidler
Varige driftsmidler balanseføres og avskrives over driftsmidlets forventede økonomiske levetid. Direkte vedlikehold av driftsmidler kostnadsføres løpende under driftskostnader, mens påkostninger eller forbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmidlet. Dersom gjenvinnbart beløp av driftsmiddelet er lavere enn balanseført verdi foretas nedskrivning til gjenvinnbart beløp. Gjenvinnbart beløp er det høyeste av netto salgsverdi og verdi i bruk. Verdi i bruk er nåverdien av de fremtidige kontantstrømmene som eiendelen vil generere.

Immaterielle eiendeler
Immaterielle eiendeler ervervet separat balanseføres til anskaffelseskost. Kostnaden ved immaterielle eiendeler ervervet ved oppkjøp balanseføres til virkelig verdi i balansen. Balanseførte immaterielle eiendeler regnskapføres til kost redusert for eventuelle av- og nedskrivninger. Internt genererte immaterielle eiendeler, med unntak av balanseførte utviklingskostnader, balanseføres ikke, men kostnadsføres løpende.

Økonomisk levetid er enten bestemt eller ubestemt. Immaterielle eiendeler med bestemt levetid avskrives over økonomisk levetid og testes for nedskrivning ved indikasjoner på dette. Avskrivningsmetode og avskrivningsperiode vurderes minst årlig. Endringer i avskrivningsmetode og eller avskrivningsperiode behandles som estimatendring.

Immaterielle eiendeler med ubestemt levetid testes for nedskrivning minst årlig, enten individuelt eller som en del av en kontantstrømsgenererende enhet. Immaterielle eiendeler med ubestemt levetid avskrives ikke. Levetiden vurderes årlig ift. om antakelsen om ubestemt levetid kan forsvares. Hvis ikke, behandles endringen til bestemt levetid prospektivt.

Leieavtaler
Selskapet implementerte IFRS 16 Leieavtaler med virkning fra 1.januar 2019. For måling av leieavtaler på overgangstidspunktet er overgangsmuligheten som innebærer at den leiede eiendelen vurderes til samme beløp som nåverdien av forpliktelsen, justert for forskuddsbetalinger eller påløpt leie, anvendt for alle avtaler. Implementeringen hadde dermed ingen effekt på selskapets egenkapital pr 1. januar 2019, siden eiendelen knyttet til bruksretten og leasing gjelden var innregnet med samme verdi.

Leieavtaler med en løpetid på mindre enn 12 måneder balanseføres ikke. Avtaler som omfatter eiendeler med lav verdi er utelatt fra regnskapsføring som leieavtaler. Dette gjelder i hovedsak IT-utstyr. Bruksrettseiendeler inngår i varige driftsmidler, se note 3. Leieforpliktelser inngår i gjeld, se note 5.

Pensjoner
Pensjonspremie til innskuddsbasert pensjonsordning kostnadsføres når den påløper. Innskuddene er innbetalt til pensjonsplanen for heltidsansatte, og utgjør 5,5% av lønn opp til 7,1G og 9% av lønn mellom 7,1G og 12G.

Skatter
Skattekostnad består av betalbar skatt og endring i utsatt skatt. Utsatt skatt/skattefordel er beregnet på alle forskjeller mellom regnskapsmessig og skattemessig verdi på eiendeler og gjeld. Utsatt skatt er beregnet med 22 % på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og

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DENTSU NORGE AS

skattemessige verdier, samt skattemessig underskudd til fremføring ved utgangen av regnskapsåret. Netto utsatt skattefordel balanseføres i den grad det er sannsynlig at denne kan bli nyttiggjort.
Betalbar skatt og utsatt skatt er regnskapsført direkte mot egenkapitalen i den grad skattepostene relaterer seg til egenkapitaltransaksjoner.

Bruk av estimater
Ved utarbeidelsen av årsregnskapet i henhold til IFRS har selskapets ledelse benyttet estimater basert på beste skjønn og forutsetninger som er vurdert å være realistiske. Det vil kunne oppstå situasjoner eller endringer i markedsforhold som kan medføre endrede estimater, og dermed påvirke selskapets eiendeler, gjeld, egenkapital og resultat.

Virksomhetssammenslutning og goodwill
Forskjellen mellom anskaffelseskost ved oppkjøp og virkelig verdi av netto identifiserbare eiendeler på oppkjøpstidspunktet klassifiseres som goodwill. Goodwill føres i balansen til anskaffelseskost, fratrukket eventuelle akkumulerte nedskrivninger. Goodwill avskrives ikke, men testes minst årlig for verdifall. Overtatte eiendeler og gjeld ved virksomhetssammenslutning balanseføres til virkelig verdi i åpningsbalansen i konsernet. Minoritetsandel beregnes basert på minoritetens andel av disse eiendelene og gjeld. Allokering av kost ved virksomhetsammenslutning endres dersom det fremkommer ny informasjon om virkelig verdi gjeldende per dato for overtakelse av kontroll. Allokeringen kan endres inntil avleggelse av årsregnskapet eller innen utløpet av en 12 måneders periode. Goodwill testes årlig for nedskrivning. I forbindelse med dette allokeres goodwill til kontantstrømsgenererende enheter eller grupper av kontantstrømsgenererende enheter som forventes å ha synergieffekter av virksomhetssammenslutningen. Overstigende av virkelig verdi av egenkapital og oppkjøpskost ved virksomhetsoverdragelser inntektsføres umiddelbart på oppkjøpstidspunktet.

Bankinnskudd og kontanter
Bankinnskudd, kontanter og lignende inkluderer kontanter, bankinnskudd og andre betalingsmidler med forfallsdato som er kortere enn tre måneder fra anskaffelse.

Kontantstrømoppstilling
Kontantstrømoppstillingen er utarbeidet etter den indirekte metode. Kontanter og kontantekvivalenter omfatter kontanter, bankinnskudd og andre kortsiktige, likvide plasseringer.

Hendelser etter balansedato
Selskapet er ikke kjent med vesentlige hendelser som har inntruffet etter balansedato som kan ha påvirkning på regnskapet.

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DENTSU NORGE AS

Note 1 Salgsinntekter

	2023	2022
Pr. Virksomhetsområde		
Sentralisert tjenesteyting	14 310	12 458
Driftsinntekter	2 987 477	3 393 529
Sum	**3 001 787**	**3 405 987**
Geografisk fordeling		
Norge	2 632 875	3 032 403
Utland	368 912	373 584
Sum	**3 001 787**	**3 405 987**

Note 2 Lønnskostnader og ytelser, godtgjørelser til daglig leder, styret og revisor

Lønnskostnader	**2023**	**2022**
Lønninger	173 820	167 350
Arbeidsgiveravgift	28 622	24 448
Pensjonskostnader	9 641	7 455
Andre ytelser	11 034	8 541
Sum	**223 117**	**207 794**

Selskapet har i 2023 sysselsatt 225 årsverk.

Pensjonsforpliktelser
Selskapet er pliktig til å ha tjenestepensjonsordning etter lov om obligatorisk tjenestepensjon.
Selskapets pensjonsordninger tilfredsstiller kravene i denne lov.

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Ytelser til ledende personer	**Daglig leder**
Lønn	3 822
Bonus	2 339
Pensjonskostnader	105
Annen godtgjørelse	868
Sum	**7 134**

Daglig leder har avtale om bonus.
Daglig leder har avtale om 12 mnd lønn ved terminering av ansettelsesforholdet.
Det er ikke gitt lån, styrehonorar eller sikkerhetsstillelser til daglig leder, styreformann, styremedlemmer eller andre nærstående parter.

Revisor
Kostnadsført revisjonshonorar eks.mva for 2023 utgjør TNOK 810.
I tillegg kommer honorar for andre tjenester med TNOK 0. eks mva

Note 3 Innskuddspensjon

Dentsu Norge AS har innskuddsplaner i samsvar med lokale lover. Innskuddene er innbetalt til pensjonsplanen for heltidsansatte, og utgjør 5,5 % av lønn opp til 7,1G og 9 % av lønn mellom 7,1G og 12G. Pr. 31.12.2023 var det 249 medlemmer i ordningen.

Kostnadsført innskudd utgjorde TNOK 9 641 og TNOK 7 455 i henholdsvis 2023 og 2022

Note 4 Anleggsmidler

	Bruksrett leieavtaler	**Maskiner og inventar**	**Sum varige driftsmidler**
Anskaffelseskost 01.01.2023	153 351	25 328	178 679
Tilgang kjøpte driftsmidler	570	259	829
Anskaffelseskost 31.12.2023	**153 921**	**25 587**	**179 508**
Akkumulerte avskrivinger	56 791	19 874	76 665
Akkumulerte avskrivninger ifbm fusjon	0	3 816	3 816
Akkumulerte nedskrivinger	0	647	647
Bokført verdi pr. 31.12.2023	**97 130**	**1 250**	**98 380**
Årets avskrivinger	12 920	304	13 224
Avskrivningstid	10 år	2-5 år	

Selskapet implementerte IFRS 16 Leieavtaler med virkning fra 1. januar 2019. Bruksrettseiendeler er innregnet i varige driftsmidler. Tilhørende leieforpliktelser inngår i gjeld, se note 10. Se for øvrig også note om Regnskapsprinsipper for effekt av implementeringen.

NOTER

DENTSU NORGE AS

Note 5 Poster som er slått sammen i regnskapet

Finansinntekter	**2023**	**2022**
Mottatt konsernbidrag fra datterselskap	-39 130	0
Renteinntekt	-13 196	-9 450
Annen finansinntekt	-8	-10
Agio	-4 709	-1 818
Sum finansinntekter	**-57 043**	**-11 278**

Finanskostnader	**2023**	**2022**
Annen finanskostnad	480	484
Rentekostnad	8 952	9 833
Endring avsetning earn-out	0	2 651
Disagio	5 459	2 320
Sum finanskostnader	**14 892**	**15 288**

Rentekostnader på tilsammen 2 740 kNOK lå i årsregnskapet 2022 presentert som Annen finanskostnad. Rentekostnadene har endret klassifisering til Annen rentekostnad i resultatregnskapet 2023. Dette er også gjort i sammenligningstallene både i resultatregnskap og denne noten.

NOTER

DENTSU NORGE AS

Note 6 Goodwill og immaterielle eiendeler

	Goodwill
Anskaffelseskost 01.01.2023	66 614
	0
Anskaffelseskost 31.12.2023	**66 614**
Akkumulerte avskrivninger	0
Akkumulerte nedskrivninger	2 966
	0
Bokført verdi pr. 31.12.2023	**63 648**
Årets nedskrivninger	447

Dentsu Norge AS (da Aegis Media Norge AS) kjøpte i 2013 Qualite Search Marketing AS som i løpet av 2013 fusjonerte med iProspect AS. Goodwill ble verdsatt til 16 065 TNOK på oppkjøpstidspunktet. iProspect AS ble i 2021 fusjonert med Dentsu Norge AS og eiendeler ble videreført med de verdiene de var balanseført til i konsernregnskapet til overtakende selskap (konsernkontinuitet).

Red Dentsu X AS fusjonerte i 2022 med Dentsu Norge AS og eiendeler ble videreført med de verdiene de var balanseført til i konsernregnskapet til overtakende selskap (konsernkontinuitet). Red Dentsu X AS hadde goodwill verdsatt til 46 949 TNOK på oppkjøpstidspunktet.

Dentsu Norge AS inngikk en avtale med AGL Norway AS om overføring av 14 ansatte med virkning fra 1.november 2022. Avtalen er med nærstående selskap og verdien av ytelsen utgjorde mer enn 2,5 % av balansesummen i selskapets sist godkjente årsregnskap. Avtalen ble derfor behandlet etter reglene i aksjeloven §3-8. Verdsettelsen er en kostnadsbasert metodikk. Metodikken utleder verdien av en eiendel basert på kostnadene for å reprodusere eller erstatte eiendelen. Verdien av de ansatte som ble overført er basert på informasjon om ansattebasen og forventede kostnader ved ansettelse, opplæring og sertifisering. Vederlaget ble satt til 3 600 TNOK og innregnet som goodwill fra avtaletidspunktet.

Årets nedskrivinger relaterer seg til goodwill fra virksomhetsoverdragelsen fra AGL Norway AS

NOTER

DENTSU NORGE AS

Årets skattekostnad	**2023**	**2022**
Resultatført skatt på ordinært resultat:		
Betalbar skatt	10 424	15 370
Endring i utsatt skattefordel	-305	-142
Skattekostnad ordinært resultat	**10 120**	**15 227**
Skattepliktig inntekt:		
Ordinært resultat før skatt	44 937	65 828
Permanente forskjeller	1 061	46 817
Endring i midlertidige forskjeller	1 385	-42 782
Skattepliktig inntekt	**47 383**	**69 863**
Betalbar skatt i balansen:		
Betalbar skatt på årets resultat	1 816	15 370
Betalbar skatt på mottatt konsernbidrag	8 609	0
Sum betalbar skatt i balansen	**10 424**	**15 370**
Beregning av effektiv skattesats		
Resultat før skatt	44 937	65 828
Beregnet skatt av resultat før skatt	9 886	14 482
Skatteeffekt av permanente forskjeller	233	10 300
Sum	**10 120**	**24 782**
Effektiv skattesats	22,5 %	37,6 %

Skatteeffekten av midlertidige forskjeller som har gitt opphav til utsatt skatt og utsatte skattefordeler, spesifisert på typer av midlertidige forskjeller

	2023	**2022**	**Endring**
Varige driftsmidler	59 883	59 307	-576
Fordringer	-127	0	127
Balanseførte leieavtaler	-6 475	-4 641	1 835
Sum	**53 281**	**54 666**	**1 385**
Inngår ikke i beregningen av utsatt skatt	-60 495	-60 495	0
	-7 214	**-5 829**	**1 385**
Utsatt skatt (22 %)	**-1 587**	**-1 282**	**305**

NOTER

DENTSU NORGE AS

Note 8 Egenkapital

	Aksjekapital	Annen Innskutt egenkapital	Annen egenkapital	Sum egenkapital
Pr 01.01.2023	**7 600**	**936**	**110 701**	**119 236**
Årets resultat			34 818	34 818
Utbytte			-24 600	-24 600
Pr 31.12.2023	**7 600**	**936**	**120 918**	**129 454**

Note 9 Aksjer i datterselskap

Selskap	Sted	Eierandel i %	Verdi i balansen
AGL Norway AS	Oslo	100%	707
Merkle Norge AS	Oslo	100%	33 195
Sum			**33 902**

NOTER

DENTSU NORGE AS

Note 10 Fordringer og gjeld

Fordringer med forfall senere enn ett år	2023	2022
*Depositum i media	61 726	62 677
Depositum husleie	82	0
Sum langsiktige fordringer	**61 807**	**62 677**

	2023	2022
Fordringer		
Andre kortsiktige fordringer		
Kundefordringer	343 028	278 462
Kundefordringer konsern	22 017	-202
Andre fordringer konsern	39 130	61
Fordring konsernkonto	142 493	153 563
Andre fordringer	19 070	19 334
Sum	**565 739**	**451 218**

Selskapet har ingen fordringer som forfaller senere enn fem år etter 31.12.2023

*Depositum i media er låste innskudd til medier som forventes å betales tilbake senere enn ett år etter balansedagen.

Gjeld

Øvrig langsiktig gjeld		
Leieforpliktelser (langsiktig)	103 606	114 121
Sum	**103 606**	**114 121**
Annen kortsiktig gjeld		
Konsernkonto	63 651	23 006
Leverandørgjeld	459 834	619 289
Betalbar skatt	10 424	15 370
Avsatt utbytte	24 600	707
Skyldige offentlige avgifter	47 597	48 228
Øvrig gjeld	97 035	103 825
Øvrig gjeld konsern	372	0
Sum	**703 514**	**810 424**

Selskapet har ingen langsiktig gjeld med forfall senere enn 5 år etter 31.12.2023.

Selskapet implementerte IFRS 16 Leieavtaler med virkning fra 1.januar 2019. Bruksrettseiendeler er innregnet i varige driftsmidler, se note 4. Tilhørende leieforpliktelser inngår i gjeld. Se for øvrig også note om Regnskapsprinsipper for effekt av implementeringen.

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Note 11 Kundefordringer - aldersoversikt

År	Sum	Ikke forfalt	<30 d	30-90 d	>90 d
2023	365 046	235 024	129 398	1 730	-1 107
2022	279 320	239 564	37 268	1 545	943

Avsetning tap på kundefordringer for 2023 er TNOK -127 (2022: TNOK 0). Tap på kundefordringer er klassifisert som andre driftskostnader i resultatregnskapet.

Note 12 Mellomværende med selskap i samme konsern m.v.

	Kundefordringer		Andre fordringer	
	2023	**2022**	**2023**	**2022**
AGL Norway AS	582	1 972	39 130	0
Dentsu Finland Oy	0	139	0	0
Dentsu UK Ltd	2 524	313	0	0
Merkle Norge AS	15 906	13 557	0	0
Merkle UK Three Ltd	0	213	0	0
Dentsu Sweden AB	661	2 426	0	0
Dentsu Danmark A/S	2 503	2 861	0	0
Dentsu France	0	620	0	0
Øvrige nærstående parter	0	1 840	0	0
Fordring konsernkonto*	0	0	142 493	153 563
Sum	**22 175**	**23 941**	**181 624**	**153 563**

	Leverandørgjeld		Annen kortsiktig gjeld	
	2023	**2022**	**2023**	**2022**
AGL Norway AS	8 659	15 208	0	0
Dentsu Lithuania UAB	199	36	0	0
Merkle Norge AS	0	2 728	0	0
Dentsu Netherlands B.V	379	0	0	0
Dentsu UK Ltd	7 817	8 430	0	0
Dentsu Finland Oy	201	146	0	0
Dentsu International Ltd	10 180	10 408	0	0
Dentsu Danmark A/S	475	98	0	0
Dentsu Sweden AB	2 131	1 162	24 600	707
Øvrige nærstående parter	105	2 576	0	0
Gjeld konsernkontoordning*	0	0	63 651	23 006
Sum	**30 147**	**40 792**	**88 251**	**23 713**

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Selskapet har transaksjoner med nærstående som gjelder vanlig drift, kjøp og salg av tjenester, samt i form av management fee og husleie.

*Deltakerne i konsernkontoordningen er ovenfor banken solidarisk ansvarlig som selvskyldnerkausjonister for rett oppfyllelse av alle forpliktelser som måtte oppstå som følge av ordningen.

	Type transaksjon	2023	2022
AGL Norway AS	Mottatt konsernbidrag	39 130	0
Merkle Norge AS	Salg sentralisert tjenesteyting	12 630	10 514
Merkle Norge AS	Salg ordinære tjenester	521	0
AGL Norway AS	Viderefakturering kostnader	6 548	1 968
AGL Norway AS	Salg sentralisert tjenesteyting	1 680	1 455
AGL Norway AS	Salg ordinære tjenester	997	0
Dentsu Danmark A/S	Salg ordinære tjenester	24 292	33 854
Dentsu Manchester Ltd	Salg ordinære tjenester	671	0
Dentsu Finland Oy	Salg ordinære tjenester	57	1 024
Dentsu Global	Salg ordinære tjenester	755	1 064
Dentsu UK	Salg ordinære tjenester	0	684
EMEA HQ	Salg ordinære tjenester	0	1 712
Amplifi Global Limited	Salg ordinære tjenester	0	569
Amplifi Investment Sweden AB	Salg ordinære tjenester	98	0
Dentsu Sweden AB	Salg ordinære tjenester	5 453	6 116
Dentsu France	Salg ordinære tjenester	2 134	1 489
Øvrige nærstående parter	Salg ordinære tjenester	0	241
Dentsu International Ltd	Kjøp sentralisert tjenesteyting	18 796	0
Dentsu International Ltd	Kjøp ordinære tjenester	0	1 584
iProspect GMBH	Kjøp ordinære tjenester	57	70
Dentsu Global	Kjøp ordinære tjenester	0	2 884
Dentsu Global	Kjøp sentralisert tjenesteyting	34 406	0
Amplifi Investment Sweden AB	Mediekjøp	3 125	5 324
Dentsu Netherlands B.V.	Mediekjøp	3 348	311
Dentsu Lithuania UAB	Kjøp ordinære tjenester	1 576	10
iProspect GMBH (Austria)	Kjøp ordinære tjenester	164	0
Dentsu Danmark A/S	Kjøp ordinære tjenester	1 057	1 114
Dentsu Danmark A/S	Mediekjøp	8 652	0
Inteligencia Ymedia S.A	Mediekjøp	0	2
Dentsu Finland OY	Kjøp ordinære tjenester	409	174
Dentsu Finland OY	Mediekjøp	5 072	0
Achtung B.V	Mediekjøp	446	0
iProspect Nederland B.V	Mediekjøp	18	0
iProspect Nederland B.V	Kjøp ordinære tjenester	116	30
Merkle Norge AS	Kjøp ordinære tjenester	4 098	13 484
Merkle Norge AS	Mediekjøp	2 386	0
AGL Norway AS	Mediekjøp	196 506	278 497
Merkle UK Analytics Services Ltd	Mediekjøp	775	0

NOTER

DENTSU NORGE AS

Dentsu Sweden AB	Kjøp ordinære tjenester	1 181	23 444
Dentsu Sweden AB	Mediekjøp	33 000	0
Paragon Digital Services Ltd	Kjøp ordinære tjenester	2 493	0
Øvrige nærstående parter	Kjøp ordinære tjenester	0	291

Note 13 Bankinnskudd

Innestående midler på skattetrekkskonto (bundne midler) er på TNOK 8 584.

Selskapet har etablert en konsernkontoordning som inkluderer datterselskapet AGL Norway AS, i tillegg til Dentsu Norge AS. Deltakerne i konsernkontoordningen er overfor banken solidarisk ansvarlig som selvskyldnerkausjonister for rett oppfyllelse av alle forpliktelser som måtte oppstå som følge av ordningen.

Toppkontoen er presentert netto i balansen til Dentsu Norge AS. AGL Norway AS presenterer kontoen som andre kortsiktige fordringer eller annen kortsiktig gjeld. Netto innestående midler på toppkontoen i konsernkontoordningen er på TNOK 90 249.

Note 14 Antall aksjer, aksjeeiere m.v

Aksjekapital	**Antall**	**Pålydende**	**Balanseført**
Ordinære aksjer	75 000	101,333	7 600

Alle aksjene gir samme rettigheter i selskapet

Dentsu Norge AS hadde én aksjonær pr. 31.12.2023.

Aksjonærer:	**Ordinære aksjer**	**Sum**	**Eierandel**	**Stemmeandel**
Dentsu Sweden AB	75 000	75 000	100%	100%

Konsernregnskap utarbeides av Dentsu Group Inc, lokalisert i Tokyo, Japan. Konsernets konsoliderte årsregnskap, hvor Dentsu Norge AS inngår, kan finnes på konsernets hjemmesider www.group.dentsu.com.

Note 15 Finansiell Markedsrisiko

For opplysninger om selskapets finansielle markedsrisiko henvises det til styrets årsberetning.

ÅRSBERETNING 2023

Dentsu Norge AS
Adresse: Kristian Augusts gate 23, 0164 OSLO
Org.nr: 927445875 MVA

VIRKSOMHETENS ART
Dentsu Norge AS er en fullservice byrågruppe innenfor kommunikasjon, teknologi og markedsføring som skal sikre sine kunder økt effekt av markedsaktiviteter gjennom innsikt, strategi, markeds-, kommunikasjons-, og medierådgivning, forhandlinger og formidling. Dentsu Norge har en sterk posisjon i det norske markedet gjennom sine brands Carat, iProspect, Red dentsu X og dentsu Creative, samt datterselskapet AGL Norway AS.

Carat, iProspect og Red dentsu X er mediebyråer med hovedvekt på annonseformidling og digital markedsføring. AGL Norway er Dentsu Norge sin enhet for automatiserte kjøp. Dentsu Creative er Dentsus avdeling innenfor kreativitet.

Dentsu Norge AS driver sin virksomhet i Oslo og Bergen, men har et internasjonalt nedslagsfelt gjennom det helglobale, digitale byrånettverket Dentsu som er notert på børs i Tokyo. Konsernet er nå til stede i 145 land, og har over 71 000 ansatte verden over.

FORTSATT DRIFT

Årsregnskapet er avlagt under forutsetning om fortsatt drift og styret bekrefter at grunnlaget for forutsetningen er til stede. Dette underbygges av konsernets finansielle stilling og selskapets resultat- og likviditetsprognoser for 2024 og fremover.

REDEGJØRELSE FOR ÅRSREGNSKAPET
Dentsu Norge er en av Norges ledende byrågrupperinger, noe som skyldes et fremtidsrettet tjenestespekter, med tanke på attraktive produkter innen blant annet innsikt, strategi og digitale tjenester, samt kompetente medarbeidere.

Dentsu Norge AS hadde i 2023 en omsetning på 3 001 787 TNOK mot 3 405 987 TNOK i 2022. Driftsresultatet ble TNOK 2 786 i 2023 mot TNOK 69 839 i 2022. Resultat før skatt endte på 44 937 TNOK mot 65 828 TNOK i fjor, ned 31,7%. Årsak til reduksjonen skyldes i all hovedsak økte lønnskostnader og økte andre driftskostnader. Finansinntektene har økt som følge av mottatt konsernbidrag fra et av datterselskapene. Årsresultatet ble 34 818 TNOK mot TNOK 50 601 i 2022.

Totalkapitalen var ved utgangen av året var 936 573 TNOK, sammenlignet med 1 043 782 TNOK året før. Egenkapitalen utgjorde TNOK 129 454 pr. 31. desember 2023 mot TNOK 119 236 i 2022. Dette tilsvarer en egenkapitalandel på 13,82%.

Kontantstrøm fra operasjonelle aktiviteter for 2023 var TNOK -244 004. Differanse mot resultat før skatt skyldes i all hovedsak endringer i kundefordringer, leverandørgjeld og andre tidsavgrensningsposter.

ÅRSBERETNING 2023

ØKONOMISKE RESULTATER (NOK 1000)

	2023	**2022**
Driftsresultat	2 786	69 839
Mottatt konsernbidrag	39 130	0
Mottatt utbytte	0	0
Resultat før skatt	44 937	65 828
Investeringer	33 902	573
Selskapets likviditetsbeholdning	111 496	353 014
Totalkapital	936 573	1 043 782
Egenkapitalandel	13,82%	11,42%

Etter styrets vurdering gir det fremlagte årsregnskapet et rettvisende bilde av driften i regnskapsåret og for dets finansielle stilling per 31. desember 2023.

REDEGJØRELSE FOR FORETAKETS UTSIKTER
Konkurransebildet fortsetter å endre seg. Bransjen er preget av et år med tøffe økonomiske rammebetingelser, og en del mindre aktører, spesielt innenfor de kreative tjenestene, har blitt avviklet. Konsolideringstrenden fortsetter, og lokale aktører finner sammen i forsøk på å skalere og utfordre de internasjonale etablerte aktørene. Dette gir seg også utslag i bransjeglidninger på kryss og tvers av historiske strukturer. Mediene har opplevd tilsvarende tøffe rammebetingelser med frafall av annonseinntekter i tråd med den generelle markedsutviklingen. Akkumulert for 2023 viste mediemarkedet isolert en nedgang på 4,8% fra 2022, i henhold til statistikk fra bransjeforeningen (Mediebyråforeningen). I 2023 har vårt hovedfokus ligget på å bistå våre oppdragsgivere, som har måttet navigere i et krevende og lite forutsigbart marked. Dentsu lanserte ved utgangen av 2022 sin nye «One dentsu operating model», som vi i løpet av 2023 har hatt fokus på å bringe til liv gjennom å tydeliggjøre vår tjenesteportefølje, og ytterligere forenkle og tilgjengeliggjøre vårt kvalitetsprodukt.

Dentsu Norge sin strategiske plattform er meget solid og oppleves som attraktiv av både oppdragsgivere, medarbeidere og i markedet, i et landskap i kontinuerlig og rask endring. De tekniske forutsetningene for kostnadseffektiv og kvalitetssikret produksjon er sikret gjennom investeringer i moderne datautstyr og skalerbare, fremtidsrettede løsninger. Selskapets finansielle og likviditetsmessige situasjon er fortsatt solid og vi har en god bredde i kundeporteføljen, bestående av sterke merkevarer og ambisiøse oppdragsgivere.

Vår prognose for mediemarkedet i Norge for 2024 viser en forventing om en relativt flat utvikling. Starten på året forventes å være tilsvarende krevende som andre halvdel av 2023, før vi igjen ser at aktivitetsnivået vil tilta. Dentsu Norge har over mange år bygget opp et solid økonomisk fundament, med en stabil og kompetent bemanning som har gjort at vi også kan stå støtt i krevende økonomiske tider, og fokusere uavbrutt på å være til stede for å støtte våre oppdragsgivere i realisasjonen av deres ambisjoner.

Til tross for at usikkerheten knyttet til makroøkonomiske forhold som inflasjon, kronekurs og rente vedvarer, i sameksistens med krigen i Ukraina, uroen på Gazastripen osv., så opplever vi at det er positive signaler og økt tro på at investeringsnivået sakte, men sikkert vil bevege seg i positiv retning i kommende måneder. Dentsu har et industrielt eierskap med lange, stolte tradisjoner, en langsiktig horisont og stor investeringsevne og vilje, som sikrer at vi holder oss aktuelle og setter oss i førersetet i forhold til fremtidsrettede tjenester som skal sikre høy konkurransekraft for våre klienter. Vi er privilegerte som har anledning til å bistå solide merkevarer på tvers av de fleste bransjer, og er slik sett ikke tydelig eksponert mot én sektor. Dentsu Norge er primært eksponert mot lokale kunder i det norske markedet, som per nå oppleves mindre volatilt enn den globale økonomien. Ledelsen monitorerer utviklingen tett, og vil fortløpende vurdere å innføre tilpasningsgrep dersom dette skulle vise seg nødvendig.

FINANSIELL RISIKO
Dentsu Norge AS er i liten grad eksponert for endringer i valutakurser, da den vesentlige delen av transaksjonene er i norske kroner. Som deltager i et globalt nettverk har selskapet likevel vesentlige transaksjoner med internasjonale kunder og leverandører i utenlandsk valuta, som gjør at man ved behov benytter sikringsinstrumenter på valuta ned på transaksjonsnivå for å sikre seg mot valutasvingninger. Disse sikringsavtalene gjøres på transaksjonsbasis og blir løpende avregnet ettersom salgstransaksjonen gjøres opp.

Selskapet har ingen rentebærende gjeld. Likviditeten anses tilfredsstillende og likviditetsrisikoen vurderes som lav.

KREDITTRISIKO
Dentsu Norge AS har som policy å kredittforsikre alle sine eksterne kundefordringer. Det er veldig lave bokførte tap på fordringer, både historisk sett og i løpet av siste regnskapsår. Basert på dette anses kredittrisikoen som lav.

MARKEDSRISIKO
Markedene selskapet opererer i er ikke nevneverdig utsatt for kortsiktige svingninger. Det solide økonomiske fundamentet, i kombinasjon med svært positive resultater på både medarbeiderundersøkelser og kundetilfredshetsundersøkelser tilsier at selskapet er godt posisjonert for fremtiden.

ARBEIDSMILJØ
Sykefraværet i Dentsu Norge AS var på 1699 sykedager i 2023. Det tilsvarer ca. 3,2 % av den totale arbeidstiden i bedriften. Det har ikke forekommet alvorlige arbeidsuhell eller ulykker i løpet av året.

Styret mener at arbeidsmiljøet i bedriften er godt, men vurderer løpende behovet for iverksettelse av tiltak for forbedringer.

ÅRSBERETNING 2023

LIKESTILLINGSREDEGJØRELSE

DEL 1: TILSTAND FOR KJØNNSLIKESTILLING

	Kjønnsfordeling på ulike stillingsnivåer/ grupper **		Lønnsforskjeller ** Kvinners andel av menns lønn oppgis i kroner eller prosent					
	Kvinner	Menn	Kontante ytelser					Naturalytelser
			Sum kontante ytelser	Avtalt lønn / fastlønn	Uregelmessige tillegg	Bonuser	Overtids-godtgjørelser	Sum skattepliktige naturalytelser
Total	133	92		81%		87%		
Ledere	17	15		93%		80%		
Directors Level 45	11	13		95%		82%		
Management Level 40	9	15		86%		80%		
Management Level 35	41	26		92%				
Professionals Level 30	40	21		101%				
Professional Level 25	17	7		95%				

Enkelte utsnitt/nivåer er fjernet grunnet utilstrekkelig antall i utvalget

Oversikt kjønnsbalanse**

Kjønns-balanse** Oppgis i antall		Midlertidig ansatte** Oppgis i antall eller prosentandel av alle ansatte		Foreldre-permisjon* Oppgis i gjennomsnitt antall uker		Faktisk deltid** Oppgis i antall eller prosentandel av alle ansatte		Ufrivillig deltid Oppgis i antall eller prosentandel av alle ansatte	
Kvinner	Menn	Kvinner	Menn	Kvinner	Menn	Kvinner	Menn	Kvinner	Menn
149	99	3	1	15	3	6	0	0	0

ÅRSBERETNING 2023

**Tallet viser et utsnitt av foreldrepermisjoner for 2023. Flere av disse foreldrepermisjonene strekker seg over flere år, noe som innebærer at gjennomsnitt antall uker foreldrepermisjon er høyere.*

DEL 2: VÅRT ARBEID FOR LIKESTILLING OG MOT DISKRIMINERING

I dentsu har vi nulltoleranse for alle former for krenkende atferd, mobbing, trakassering og diskriminering. Vi har rutiner og verktøy for å sikre at den som eventuelt melder ifra føler seg trygg på håndteringen. Alle ansatte som starter i dentsu signerer på vår Code of Conduct. Den beskriver hva vi kan forvente av hverandre, og hvordan vi forventes å oppføre oss ovenfor våre interessenter, inkludert kunder, andre forretningspartnere, aksjonærer og vårt samfunn.

Dentsu er en antirasistisk og anti-partisk organisasjon. Gjennom vårt engasjement for mangfold, likestilling og inkludering, oppsøker vi ulike perspektiver, forskjeller og bygger en inkluderende kultur der alle kan være sitt autentiske jeg på jobb. Vi er forpliktet til langsiktig bærekraftig endring i samfunnet og innenfor vår virksomhet, for å sikre en kultur for rettferdighet, og likhet for alle.

Vi tolererer ingen form for gjengjeldelse mot de som har uttalt seg i god tro. Vi har en konsekvent prosess for å undersøke hendelser eller bekymringer, som sikrer at all relevant informasjon er hensiktsmessig vurdert. Brudd på standardene beskrevet i vår Code of Conduct kan føre til disiplinære tiltak.

Prinsipper, prosedyrer og standarder for likestilling og mot diskriminering
Vårt likestillingsarbeid er forankret i våre globale prinsipper for mangfold og inkludering
Vi har varslingsrutiner tilgjengeliggjort for alle ansatte på vårt lokale intranett
Prinsipper for likestilling og ikke-diskriminering er for øvrig nedsatt i vår «Code of Conduct» policy

Slik jobber vi for å sikre likestilling og ikke-diskriminering i praksis

- Det ble i 2020 nedsatt en gruppe som blant annet jobber med likestilling, mangfold og inkludering. I denne gruppen er ansatte involvert. I denne gruppen jobbes det med prinsipper og prosedyrer for å fremme likestilling og ikke diskriminering.
- Under likestillingsarbeidet jobbes det med prosesser som f.eks. hvordan likestilling og ikke-diskriminering ivaretas i prosesser for blant annet rekruttering, forfremmelser og lønnsjustering.
- Det ble i 2023 gjennomført en undersøkelse for å kartlegge mangfold & inkludering
- Det ble gjennomført to «round table» diskusjoner med kvinner i dentsu med fokus på likestilling og mangfold og kvinner i lederroller.
- HR og verneombud møtes jevnlig og ved behov. Her kan eventuelle bekymringer eller henvendelser knyttet til arbeidsmiljø løftes.
- Det jobbes kontinuerlig med en kjønnsbalanse i lederstillinger
- Vi utbetaler ordinær lønn under foreldrepermisjon etter 100 % regelen, evt. utbetales 80 % av ordinær lønn etter 80 % regelen.
- I 2022 ble det innført full feriepengeopptjening under foreldrepermisjon.
- Vi har et samarbeid med en tredjepartsleverandør «Speak Up» hvor ansatte kan varsle anonymt
- Det har blitt iverksatt et eksternt program for å støtte kvinnelige entreprenører og start-ups i Norge (Female Foundry). Programmet har gått gjennom hele 2023.
- Retningslinjer for hjemmekontor har blitt tydeliggjort med både policy og avtale for hjemmekontor og det er åpnet for muligheten til å jobbe inntil 3 dager pr uke fra hjemmekontor etter avtale med leder. Dette er et tiltak for å sikre bedre work life balance og fleksibilitet i hverdagen for dentsu sine ansatte.

ÅRSBERETNING 2023

- Forsikringstilbudet i eksisterende helseforsikring har i 2023 blitt forbedret til å også inkludere psykolog- og fysikalsk behandling
- I forbindelse med kvinnedagen 2023 ble det arrangert foredrag med fokus på mangfold og inkludering, paneldiskusjon med kvinner i lederroller på ulike nivåer og inspirasjonsforedrag med kvinnelige grundere. Hele virksomheter blir invitert til slike samlinger for å øke kunnskap og forståelse på tvers. Foredraget om mangfold og inkludering ble også holdt på townhall for at budskapet skulle nå ut enda bredere i organisasjonen

Slik jobber vi for å identifisere risiko for diskriminering og hindre for likestilling

- Det benyttes et rammeverk/verktøy der alle stillinger kartlegges og identifiseres ut fra ulike nivåer, dette blant annet for å kunne identifisere kjønnsbalanse i de ulike nivåene og eventuelle lønnsforskjeller mellom kvinner og menn. Dette rammeverket brukes aktivt i lønnskartlegging og skaper utgangspunkt for fokusområdet rundt lønnsjusteringsprosessen og bevisstgjøring rundt forskjeller. Det er videre utviklet et verktøy/dashboard for å enkelt kunne gjøre analyser for lønnskartlegging løpende gjennom året
- Våre kontorer er universelt utformet iht. gjeldende forskrifter
- Vår kantineleverandør serverer alternativer til kjøtt hver dag, har allergimerking av mat, og sørger for bærekraftig ressursbruk.
- Kommuniserer vår nulltoleranse for diskriminering og uønsket atferd

Vi oppdaget følgende risikoer for diskriminering og hindre for likestilling

- I intern undersøkelse om mangfold og inkludering fremkom det ønske om å sette opp opplæring for ansatte knyttet til mangfold og inkludering
- Vi har oppdaget at det er enkelte forskjeller mellom menn og kvinners lønn.

Vi fant følgende mulige årsaker til risikoer og hindre, og satte i gang følgende tiltak

- Vi har hatt fokus på å utarbeide gode analyser for å identifisere lønnsforskjeller mellom kvinner og menn gjennom bedre bruk av data og rammeverk som ble implementert i Q1 2021. Analysene viser at lønnsforskjeller mellom kvinner og menn i stor grad skyldes at det fortsatt er et flertall av menn i på de øverste nivåene i virksomheten og blant ledere på høyere nivåer
- Ved lønnsjusteringsprosessen i 2023 ble det bli benyttet analyseverktøy som medfører en økt objektivisme i prosessen for å redusere risiko for diskriminering.
- Det vil gjennomføres analyser som fører til en foreslått lønnsøkning som skal sikre at vi systematisk beveger oss i riktig retning for å tette eventuelle lønnsgap under lønnsjusteringsprosesser og ved rekrutteringsprosesser.
- Vi har gjort det lettere for de ansatte å ha hjemmekontor gjennom tydelige retningslinjer og klare rammer, og vi har kjernetid mellom 09:00 og 15:00
- Vi har et kontorbygg som er tilrettelagt for rullestolbrukere.
- Vi har tilrettelagt for en hen garderobe

Tiltak vi planlegger i året som kommer:

- Vi har som mål å gjennomgå våre rekrutteringsprosedyrer for å sikre at vi ivaretar våre mål om å opprettholde en kjønnsbalanse i ledende stillinger samt å bedre sikre mangfold. Dette innebærer blant annet:
  - en gjennomgang av innholdet i stillingsutlysninger med spesielt fokus på å opprettholde kvinnelige kandidater til lederstillinger, samt å øke det generelle mangfoldet i organisasjonen.
  - en gjennomgang av beslutningstakere/utvalgsgruppe i rekrutteringsprosesser for å sikre at vi har en diversifisert gruppe som tar den endelige beslutningen i rekrutteringsprosesser

ÅRSBERETNING 2023

- benytte analyser som er utarbeidet for å jobbe systematisk med å utjevne forskjeller i årets- og fremtidige lønnsjusteringsprosess(er)
- Sikre en inkludering av ansatte som er i foreldrepermisjon både under og etter tilbakekomst
- Fokus på holdninger, språkbruk og inkludering på arbeidsplassen

Resultater av arbeidet og forventninger til arbeidet framover
Resultatene fra interne undersøkelse viser tilfredshet blant ansatte når det gjelder inkludering og mangfold. Største andelen av respondentene utrykker at selskapet gjør tilstrekkelig tiltak for å ivareta dette. Videre har antall kvinner mellomleder posisjoner har økt de siste årene. Vi har år over år forbedret lønnsgap mellom kvinner og menn. Med fortsatt fokus og mål om forbedring av prosesser knyttet til likestilling og anti-diskriminering forventer vi å se en forbedring i kjønnsbalanse og forbedring i eventuelle forskjeller i lønn tilknyttet kjønn.

ÅPENHETSLOVEN
Dentsu Norge AS har utarbeidet aktsomhetsvurdering av sine leverandører ihht åpenhetsloven. Selskapet har utarbeidet en redegjørelse som tilfredsstiller kravene etter åpenhetsloven. Denne er offentligjort på selskapets hjemmeside, www.dentsu.com/no/no/apenhetsloven.

FORSKNINGS- OG UTVIKLINGSAKTIVITETER
Det har ikke forekommet forsknings-og utviklingsaktiviteter i 2023.

YTRE MILJØ
Selskapets virksomhet forurenser ikke det ytre miljø.

FORSIKRING FOR STYRETS MEDLEMMER OG DAGLIG LEDER
Styrets medlemmer og daglig leder er dekket av konsernets globale forsikringsordninger for deres mulige ansvar overfor foretaket og tredjepersoner. Forsikringsdekningen dekker tap påført styrets medlemmer og daglig leder som følge av sivilt krav eller straffesak mot dem. I tillegg til et eventuelt erstatningsbeløp til tredjepart, dekkes også kostnader til etterforskning og øvrige saksomkostninger av forsikringen.

RESULTATDISPONERING
Overskuddet i Dentsu Norge AS på 34 818 TNOK foreslås disponert som følger:

Avsatt til utbytte	24 600 TNOK
Avsatt til annen egenkapital	10 218 TNOK

Oslo, 29.04.2024
Styret for Dentsu Norge AS

Paal Ingvar Fure	Fredrik Taranger	Hege Ryen
Styreleder og daglig leder	Styremedlem	Styremedlem

KPMG AS
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Til generalforsamlingen i Dentsu Norge AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert årsregnskapet for Dentsu Norge AS som består av balanse per 31. desember 2023, resultatregnskap, utvidet resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav, og
- gir årsregnskapet et rettvisende bilde av selskapets finansielle stilling per 31. desember 2023, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3–9.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med kravene i relevante lover og forskrifter i Norge og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker ikke informasjonen i årsberetningen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

KPMG

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettvisende bilde i samsvar med forenklet anvendelse av internasjonale regnskapsstandarder etter regnskapsloven § 3–9. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet med mindre ledelsen enten har til hensikt å avvikle selskapet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

Som del av en revisjon i samsvar med ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.

- opparbeider vi oss en forståelse av intern kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på om ledelsens bruk av fortsatt drift-forutsetningen er hensiktsmessig, og, basert på innhentede revisjonsbevis, hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet frem til datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke kan fortsette driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

KPMG

Vi kommuniserer med styret blant annet om det planlagte innholdet i og tidspunkt for revisjonsarbeidet og eventuelle vesentlige funn i revisjonen, herunder vesentlige svakheter i intern kontroll som vi avdekker gjennom revisjonen.

Oslo

KPMG AS

Karianne Fønstelien Vintervoll
Statsautorisert revisor
(elektronisk signert)

PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Vintervoll, Karianne F
Statsautorisert revisor
På vegne av: KPMG
Serienummer: no_bankid:9578-5999-4-2179424
IP: 80.232.xxx.xxx
2024-05-03 07:44:52 UTC

bankID

Penneo Dokumentnøkkel: MXUD8-1FFXM-EEHEJ-8YWFA-0PAEA-E5MV0

Skatteetaten

Vår dato	Din/Deres dato	Saksbehandler
12.12.2023		Robin Ingebrigtsen
800 80 000 Skatteetaten.no	Din/Deres referanse	Telefon 99778267
Org.nr 974761076	Vår referanse 2020/5267300	Postadresse Postboks 9200 Grønland 0134 OSLO

DENTSU NORGE AS

Kristian Augusts gate 23
0164 OSLO
Norge

Fritak for konsernregnskapsplikt for Dentsu Norge AS, org.nr. 927 445 875

Vi viser til deres brev av 1. desember 2023 hvor dere søker om fritak fra plikten til å utarbeide konsernregnskap for Dentsu Norge AS, org.nr. 927 445 875.

Dentsu Norge AS er morselskap i et underkonsern hvor Dentsu Group Inc er det ultimate morselskapet og er hjemmehørende i Japan. Konsernregnskap utarbeides av Dentsu Group Inc på engelsk språk etter IFRS, hvor Dentsu Norge AS med datterselskaper er omfattet.

Skattekontoret finner med hjemmel i regnskapsloven av 17. juni 1998 nr. 56 § 3-7 fjerde ledd å kunne gi tillatelse til at det gjøres unntak for konsernregnskapsplikten for Dentsu Norge AS. Det forutsettes at Dentsu Group Inc utarbeider konsernregnskap som omfatter den regnskapspliktige og dennes datterselskaper. Det legges til grunn at dette konsernregnskapet er utarbeidet i samsvar med IFRS og at kravene i regnskapsloven § 3-7 med forskrifter for øvrig følges. Bestemmelsene i regnskapsloven kapittel 8 gjelder tilsvarende for dette konsernregnskapet.

Når det gjelder hvilket språk morselskapet skal utarbeide konsernregnskapet på, vises det til forskrift av 7. september 2006 nr. 1062 til utfylling og gjennomføring mv. av regnskapsloven. Det følger av § 3-7-1 at konsernregnskapet foruten norsk, kan være på svensk, dansk eller engelsk.

Kopi av dette brev må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet mv. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Magrit Kilen Stoebner
underdirektør
Innsats, storbedrift
Skatteetaten

Robin Ingebrigtsen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

Financial Report 2023

period covered: FY2021-2022

dentsu

Financial Report 2023

Any forward-looking statements in the following discussion and analysis are based on the judgment of management as of the date that Dentsu Group Inc. (hereinafter "the Company") filed its securities report for the fiscal year ended December 31, 2022 with regulatory authorities.

Management Policies, Management Environment, and Issues to be Addressed, etc.

(1) Changes in the business environment and growth opportunities

The business environment surrounding the Company and its subsidiaries (hereinafter "The Group") continues to evolve. With disruptive advances in technology, and the increasing digitalization of society, post-pandemic consumers' behavior and value perceptions are becoming more diverse, and personalized experiences are becoming ever more important.

Due to these changes, the needs of the Group's clients in Japan and internationally are expanding to include the entire customer experience design using data and technology, and the creation of ways to improve the value of the consumer experience. As client needs become increasingly complex, proposals are required that provide integrated solutions based on business strategy, digital transformation of marketing infrastructure, the transformation of existing businesses, and the creation of new businesses. Interest in social issues is also rising, and even greater emphasis is being placed on corporate initiatives in the ESG domain.

While these changes have also resulted in increasing competition with companies in industries such as consulting and IT systems, the Group's growth opportunities have also increased. Opportunities are not limited to the advertising domain, and are expanding to include providing solutions to address all aspects of clients' business and marketing challenges. We will focus on fostering and developing talent to capture these opportunities.

(2) Maximizing corporate value through the Group Management Team

In January this year, the Group transitioned to a global management structure with the Group Management Team, aiming to accelerate business transformation and achieve more diverse management team with a broad skill set amid the environmental changes described above. The dual business structures of Dentsu Japan Network (DJN) within Japan and Dentsu International (DI) were eliminated, with the Group now being managed across four regions (1. Japan, 2. Americas, 3. Europe, the Middle East and Africa (EMEA), and 4. Asia-Pacific excluding Japan (APAC)).

With this, the Group has established a shared vision "To be at the forefront of people-centered transformations that shape society." The Group will reposition its business at the convergence of marketing, technology and consulting, as "People-centered Transformation." As a corporate group of "B2B2S (Business to Business to Society)" that resolves social issues through client businesses, the Group will strive to maximize corporate value for all stakeholders.

(3) Continuing promotion of "Medium-Term Management Plan"

In February 2021, we established the "Medium-Term Management Plan: Sustainable Growth through Transformation" as a business transformation and growth strategy for the period to FY2024, to accurately grasp the business opportunities revealed by changes in the environment. FY2021 and FY2022, the first two years of the plan, have seen a strong performance, with record high net revenue, underlying operating profit, and annual dividend per share.

The key domains designated in the Medium-Term Management Plan and the targets, which were revised upwards in February 2022, are as follows.

(i) Transformation and Growth

In response to increasingly complex client issues, the Group has positioned "Integrated Growth Solutions," which realize integrated solutions by combining its unique and diverse capabilities, as the core of its strategy. In the "Customer Transformation & Technology" domain, we will establish a model for providing solutions using consumer intelligence through data and insight, and strengthen our capabilities in businesses that support client business transformation.

Throughout its history of development, the Group has consistently expanded its capabilities and diversified its sources of revenue. The "Marketing Communication" domain comprises creative, media, content, and other businesses, while the "Customer Transformation & Technology" domain includes businesses such as marketing technology, customer experience management, commerce, system integration, and transformation & growth strategy. The diversity of this service coverage represents the source of the Group's competitive advantage. This broad range of capabilities is supported by customer intelligence (data analytics and insight linked to an understanding of consumer behavior) based on our unique data platform. We have also established alliances with technology companies and platformers to provide support for the introduction of these corporate marketing technologies and expand our resources for the utilization of analytics tools, gaining a competitive position in the market in terms of scale and quality.

We will leverage these advantages to achieve organic growth through the development of new technologies and solutions, investment in innovation, and investment in human resources, including skills development and recruiting.

In 2022, we announced an M&A investment fund of ¥250 to 300 billion for FY2022 to FY2024. Through disciplined investment activities focused on the growing "Customer Transformation & Technology" domain, we will enhance our capabilities and expand our scale, aiming to achieve business transformation.

(ii) Operations and Margin

The Comprehensive review announced in 2020 continues to drive margin improvement. The review, across all regions, supported the focused strategy of integrated solutions, aimed at simplifying the business for both clients and operations, structurally lowering operating expenses, enhancing the efficiency of our balance sheet and maximizing long-term shareholder value.

In Japan, we restructured the business into four business domains: AX (Advertising Transformation), BX (Business Transformation), CX (Customer Experience Transformation), and DX (Digital Transformation). To enhance the value created in each of these four business domains, we have grouped each company in the Japan business according to specialization and the opportunity for synergy generation. The integration of Group companies and the establishment of virtual organizations will drive further synergies for the Group. In January 2022, we established Dentsu Corporate One Inc. in Japan to drive expertise and efficiency through the centralization of corporate functions.

In the international business, the Group simplified the structure, reducing the number of agency brands, from 160, into six global leadership brands. By transforming to a more integrated and efficient organizational structure, we can provide solutions that grow our clients' businesses.

We will continue to carry out necessary measures founded on the structural reforms and cost reductions implemented so far, such as the optimization of real estate. The opportunities to drive further improvements in profitability will come from further utilization of near and offshore centers, integrating corporate functions, and driving efficiencies through automation.

(iii) Capital Allocation and Shareholder Returns

We will continue to strive to maintain a robust balance sheet to enable our business transformation. We endeavor to sustainably increase shareholder value by appropriately managing financial leverage and implementing disciplined investment based on our capital allocation policy. We have committed to progressively increase the dividend payout ratio (underlying basic EPS basis) to 35% by FY2024.

(iv) Social Impact and ESG

We emphasize corporate social responsibility, and will engage in further promoting ESG management to enhance corporate value. We will implement our sustainability strategy and strengthen initiatives to support our talent with continual improvements in corporate culture. We have also made significant improvements in corporate governance.

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- Targets of the Medium-Term Management Plan (updated in May 2023)

  (i) Transformation and Growth
  - Organic growth vs. FY2021 through FY2024 CAGR 4-5%
  - Customer Transformation & Technology to reach 50% of Group net revenue over time

  (ii) Operations and Margin
  - 17.0-18.0% operating margin through FY2023 to reach 18.0% in FY2024

  (iii) Capital Allocation and Shareholder Returns
  - Upper limit of 1.5x for the net debt / underlying EBITDA (year-end); indicative medium-term range of 1.0 to 1.5x (after eliminating the impact of applying IFRS 16)
  - Progressive increase in dividend, reaching 35% payout ratio of underlying basic EPS by FY2024

  (iv) Social Impact and ESG
  - 46% absolute reduction in CO_2 and 100% renewable energy by FY2030 (in markets where available)
  - Improvement in employee engagement score
  - Diverse, equal and inclusive workforce; ratio of female leaders to reach 45% by FY2030

(4) Ensuring compliance

One employee of a Japanese subsidiary of the Company (who belonged to Dentsu Inc. in 2018 when the incident occurred), has been the subject of criminal charges by the Japan Fair Trade Commission on suspicion of violating the Antimonopoly Act. This is in connection to the bidding for test events for the Tokyo 2020 Olympic and Paralympic Games. The individual has been prosecuted by the Tokyo District Public Prosecutors Office. Dentsu Group Inc., which was Dentsu Inc. in 2018 when the incident occurred, has also been prosecuted in accordance with the Dual Criminal Liability Provision.

The Group takes this situation seriously and express our deepest apologies to our shareholders and other stakeholders for causing it.

A special committee staffed by three independent outside directors who are the members of the Audit and Supervisory Committee has been established, and under the leadership of this committee, the "Investigation and Review Committee by Outside Experts on the Current Case Related to the Tokyo 2020 Olympic and Paralympic Games" (the "Investigation and Review Committee") was established, composed of three outside experts. The Investigation and Review Committee has investigated this incident, discovered the causes, and made recommendations to the special committee on future measures. Based on such recommendations, the Group is formulating and implementing measures to prevent recurrence, and all executives and employees will work to regain trust by further ensuring compliance (for details, please click here).

Comprehensive Business Overview

In 2022, although the economy was on the way to recovery from the COVID-19 pandemic, the invasion of Ukraine by Russia changed the market landscape significantly. Supply chain disruptions, raw material shortages, rising inflationary pressures due to soaring energy prices, and the monetary tightening in the United States and Europe have intensified warnings of a slowdown in the economy. The Chinese economy, which had been robust, also became increasingly uncertain, as some cities were forced to lock down due to a sharp increase in COVID-19 cases.

In fiscal year 2022 (from January 1 to December 31, 2022), the Group recorded record results for net revenues, underlying operating profit, underlying basic EPS and dividend per share. The Group reported a 14.4% increase year on year for net revenue, and the net revenue organic growth rate (internal growth rate factoring out the effects of foreign exchange rates and acquisitions) was 3.2%. Underlying operating profit resulted in a 13.5% increase year on year, operating margin (underlying operating profit divided by net revenue) was 18.2% (18.3% for the previous fiscal year), and underlying net profit for the year attributable to owners of the parent resulted in a 19.1% increase year on year.

For financial accounting purposes, operating profit and net profit attributable to owners of the parent decreased 51.4% year on year and 44.8% year on year, respectively, due to factors such as the absence of the gain on sale of non-current assets recorded in the previous fiscal year, as well as the impairment loss recorded in the current fiscal year.

The underlying operating profit is calculated by eliminating M&A related items and one-off items from operating profit, and is used by management for the purpose of measuring constant business performance.

M&A related items: amortization of intangible assets incurred in acquisitions, acquisition costs, share-based compensation expense issued following the acquisition of 100% ownership of a subsidiary

One-off items: items such as restructuring cost, impairment loss and gain/loss on sale of non-current assets

Underlying net profit for the year attributable to owners of the parent is an indicator to measure recurring net profit attributable to owners of the parent which is calculated as net profit (attributable to owners of the parent) where adjustment items related to operating profit, change in fair value of contingent considerations (gain/loss on revaluation of earnout liabilities), revaluation of put option liabilities (gain/loss on revaluation of M&A related put-option liabilities), tax effects and potion attributable to non-controlling interests of these items and other one-off items are removed.

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Consolidated Financial Results

Consolidated financial results for the fiscal year ended December 31, 2022

(Millions of yen)

Item	FY2022 (Jan-Dec)	FY2021 (Jan-Dec)	Year-on-year change
Revenue	**1,243,883**	1,085,592	14.6%
Net revenue	**1,117,002**	976,577	14.4%
Underlying operating profit	**203,189**	179,028	13.5%
Operating margin	**18.2%**	18.3%	(10)bps
Underlying net profit for the year attributable to owners of the parent	**130,037**	109,203	19.1%
Operating profit	**117,617**	241,841	(51.4)%
Profit attributable to owners of the parent	**59,847**	108,389	(44.8)%

Summary of consolidated financial results for the fiscal year ended December 31, 2022

Net revenue increased by 14.4% year on year with an organic growth rate of 3.2% due to a strong performance by the media business outside Japan and structural growth in the Customer Transformation & Technology (CT&T) domain. Within Japan, the newly-acquired consolidated subsidiary SEPTENI HOLDINGS CO., LTD. also contributed to growth, which was further boosted by the effect of exchange rate movements. The operating margin was 18.2% and underlying profit measures increased, partly due to the success of structural reforms and appropriate cost control. We recorded our highest levels of net revenue and underlying operating profit since public listing for the second consecutive fiscal year, as well as our highest level of underlying net profit for the year attributable to owners of the parent since public listing for the current fiscal year.

We recorded positive organic growth for net revenue in all regions, with 0.4% in Japan, 6.1% in the Americas, 5.1% in EMEA, and 2.5% in APAC, with the highest growth in the Americas. Japan accounted for 39% of net revenue of the Group, down from 43% in the previous fiscal year, while the Americas accounted for 29%, up from 25% in the previous fiscal year.

In March 2022, the Group began reviewing its business in Russia to ensure compliance with Dentsu Group policies and applicable laws. In August 2022, a broad agreement was reached to sell the equity to our local partners who will operate independently going forward. As a result of negotiations, a resolution was passed at the meeting of the Board of Directors held on November 14, 2022 to conclude the sale agreement, which was subsequently signed. The conclusion of this sale agreement had a negative impact of approximately ¥24.6 billion on operating profit and approximately ¥25.1 billion on profit attributable to owners of the parent for the fiscal year ended December 31, 2022.

Net revenue in the CT&T domain, which is expected to drive growth in the future, increased by 17.5% year on year (constant-currency basis), and its contribution to overall net revenue also increased by 310 bps to 32.3%.

As in the previous fiscal year, we continued to focus on M&A activities in the CT&T domain in Japan and internationally, acquiring the digital transformation domain consulting company IGNITION POINT Inc. in Japan, the Salesforce consulting company Pexlify Limited in Ireland, the Salesforce product developer Extentia Information Technology in India, and Aware Services Pty Ltd in Australia, among others.

Segment Overview

Japan business (Dentsu Japan Network)

Despite exceptional prior year one-off comparables, the growth of the digital solutions area remained strong due to the demand for digital transformation of clients. The integrated solutions were strengthened by business transformation, and the acquisition of SEPTENI HOLDINGS CO., LTD. as a consolidated subsidiary, net revenue for the Japan business was ¥438,740 million (5.5% increase year on year), and the net revenue organic growth rate was 0.4%. Underlying operating profit was ¥105,665 million (10.8% increase year on year), and operating margin was 24.1% (22.9% for the previous fiscal year) due to operating leverage from higher revenues and the continued focus on costs.

Net revenue by company in the Japan business (IFRS basis)

(Millions of yen)

IFRS basis	FY2022 (Jan-Dec)	Year-on-year change	Organic growth rate
DENTSU INC.	**212,682**	(3.9)%	(3.9)%
Information Services International-Dentsu, Ltd. (ISID)	**46,787**	16.9%	16.9%
Dentsu Digital Inc.	**40,173**	13.5%	7.3%
SEPTENI HOLDINGS CO., LTD. (Note 1)	**24,697**	–	3.4%
CARTA HOLDINGS, INC.	**24,123**	1.2%	1.2%
DENTSU PROMOTION PLUS INC. (Note 2)	**15,258**	(14.0)%	(14.0)%
DENTSU LIVE INC.	**8,397**	(26.3)%	(26.3)%
Others, internal transactions, etc.	**66,623**	0.7%	–
Total: Japan business	**438,740**	5.5%	0.4%

(Notes) 1. SEPTENI HOLDINGS CO., LTD. became a consolidated subsidiary effective January 4, 2022.
2. The company name of Dentsu Tec Inc. was changed to DENTSU PROMOTION PLUS INC. effective April 1, 2022.

International business (Dentsu International)

By region, the net revenue organic growth rate for the international business was 5.1% in EMEA, 6.1% in the Americas, 2.5% in APAC, and was 5.1% overall. By major countries, the United Kingdom, France, the United States, Australia and others grew significantly, while results were conservative in China and Brazil.

Due to the impact of exchange fluctuations, net revenue from the international business was ¥678,872 million (21.0% increase year on year), and underlying operating profit was ¥106,335 million (19.5% increase year on year). The operating margin was 15.7% (15.9% for the previous fiscal year).

Organic growth rate by region in the international business (figures in parenthesis represent negative growth)

	FY2022 (Jan-Dec)	FY2022 Q4 (Oct – Dec)	FY2022 Q3 (Jul – Sep)	FY2022 Q2 (Apr – Jun)	FY2022 Q1 (Jan – Mar)
EMEA	**5.1%**	**4.4%**	**9.2%**	**4.9%**	**3.3%**
Americas	**6.1%**	**2.3%**	**0.7%**	**9.6%**	**13.4%**
APAC (excluding Japan)	**2.5%**	**2.1%**	**(1.1)%**	**4.5%**	**5.2%**
Total: international business	**5.1%**	**3.1%**	**3.4%**	**7.0%**	**8.4%**

Net revenue and organic growth rate by service line in the international business
for the fiscal year ended December 31, 2022

	Net revenue (proportion of total) (Millions of yen)	Organic growth rate
Media	329,122 (48%)	4.5%
Creative	114,597 (17%)	(0.7)%
CXM*	235,138 (35%)	9.1%

*Customer Experience Management

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Financial Position and Cash Flows

Financial position

Total assets at the end of the fiscal year under review increased by ¥20,890 million from the end of the previous fiscal year to ¥3,741,427 million, primarily due to increases in trade and other receivables and goodwill as a result of the impact of exchange rates and other factors, despite a decrease in cash and cash equivalents. Meanwhile, total liabilities decreased by ¥24,962 million to ¥2,786,099 million, primarily due to decreases in income tax payables, other current liabilities, and bonds and borrowings, despite an increase in trade and other payables. Total equity increased by ¥45,853 million to ¥955,327 million, primarily due to an increase in exchange differences on translation of foreign operations.

In the fiscal year under review, primarily, assets and liabilities associated with the Russia business in the International business segment have been classified as non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale. Please refer to "Consolidated Financial Statements and Notes to the Consolidated Financial Statements 13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE" for details.

In addition, the Company canceled treasury shares based on a resolution at the meeting of the Board of Directors held on November 14, 2022. Please refer to "Consolidated Financial Statements and Notes to the Consolidated Financial Statements 23. EQUITY AND OTHER EQUITY ITEMS" for details.

As stated under "Management Policies, Management Environment and Issues to be Addressed, etc.," maintaining a robust and flexible balance sheet is an important issue, and it is the Group's management policy to keep net debt / underlying EBITDA at no more than 1.5x (year-end) within an indicative medium-term range of 1.0 to 1.5x (after eliminating the impact of applying IFRS 16).

Cash flows

As of December 31, 2022, cash and cash equivalents (hereinafter "cash") amounted to ¥603,740 million compared to the ¥723,541 million posted at the end of the previous fiscal year. Cash at the end of the fiscal year under review decreased by ¥119,801 million from the end of the previous fiscal year, primarily due to cash used in financing activities.

Net cash flow from operating activities

Net cash provided by operating activities decreased by ¥58,819 million compared to the end of the previous fiscal year to ¥80,896 million, primarily due to a decrease in profit before tax and an increase in working capital.

Net cash flow from investing activities

Net cash used in investing activities increased by ¥286,573 million compared to the end of the previous fiscal year to ¥24,346 million. This was primarily due to the absence of proceeds from sale and leaseback transactions posted in the previous fiscal year. The proceeds from sale and leaseback posted in the previous fiscal year resulted from the sale of the real estate in Shiodome, Zone A, which includes the Dentsu Headquarters Building, and the commencement of the lease of the Dentsu Headquarters Building. The Group launched a comprehensive review of business operations and capital efficiency in August 2022, and implemented these transactions with the aim of improving capital efficiency, strengthening its financial condition, and securing funds to invest in growth. Please refer to "Notes to the Consolidated Financial Statements 16. LEASES (5) Sale and leaseback transaction" for details.

Net cash flow from financing activities

Net cash used in financing activities decreased by ¥43,996 million compared to the end of the previous fiscal year to ¥188,192 million. This was primarily due to a decrease in payment for acquisition of interest in subsidiaries from non-controlling interests. At the meeting of the Board of Directors held on February 14, 2022, the Board resolved to implement a repurchase of treasury shares of up to ¥40,000 million. Partly as a result of this, the Company paid ¥40,006 million for repurchase of treasury shares during the fiscal year ended December 31, 2022.

Analysis and discussion of operating results, etc. from the management perspective

The forward-looking statements contained herein are based on the judgment of the Group as of the day of filing of this annual securities report.

(1) Views, analysis and discussion of financial position and operating results

Please refer to "Comprehensive Business Overview" for the Company's views, analysis and discussion of financial position and operating results for the fiscal year ended December 31, 2022.

(2) Analysis and discussion of the status of cash flows and information regarding the sources of equity and the liquidity of funds

(i) Basic approach to capital policy and financial strategy

During the term of the Medium-Term Management Plan announced in February 2021, the Group will strive to contribute to solving a range of issues faced by society by positively addressing business opportunities triggered by societal changes. The Group has established financial policies to ensure financial soundness to further increase both corporate value and shareholder value.

Regarding financial soundness, we aim to maintain high credit ratings by keeping net debt at no more than 1.5x underlying EBITDA (year-end) within an indicative medium-term range of 1.0 to 1.5x (after eliminating the impact of applying IFRS 16). We also ensure ample liquidity on hand through internal reserves, loans from financial institutions, corporate bonds, commercial paper, receivables securitization, commitment lines, and other sources of funds. Moreover, in fiscal year 2022, we also maintained additional undrawn temporary loan commitments with financial institutions to prepare for unexpected circumstances such as a rapid change in the external environment. In this way, we are endeavoring to maintain a high level of resilience to dramatic changes in the business environment and other risks.

Regarding M&A activities, capital investment and other growth investments, we will promote investment aimed at facilitating growth across the whole Group, with due attention to management stability and financial soundness.

We aim to return profits to shareholders by appropriately distributing profits gained through these activities and improving intrinsic corporate value. Our dividend policy is to progressively raise the dividend payout ratio to 35% of underlying basic EPS by fiscal year 2024.

(ii) Main demands on funds

The main demands on the Group's working capital include the payment of media fees and production expenses for advertising work, as well as personnel expenses and other selling, general and administrative expenses.

During the term of the Medium-Term Management Plan announced in February 2021, we also anticipate demands on funds due to the development of new technologies and solutions, investment in innovation, and M&A and investment in the high-growth Customer Transformation & Technology domain.

(iii) Status of cash flows

Please refer to "Cash flows" for the status of cash flows for the fiscal year ended December 31, 2022.

(iv) Status of financing and liquidity

The Group procures funds based on the flexible selection of optimal methods of financing from a diverse range including internal reserves, loans from financial institutions, corporate bonds, commercial paper, receivables securitization, etc., based on a consideration of the market environment at the time and the annual amounts of long-term

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funds due for redemption. As a rule, long-term funds are procured centrally through the Company.

The Group has also established a syndicated commitment line of up to ¥50 billion for the Company and an undrawn commitment line for DI of up to 500 million pounds (approximately ¥80 billion) to ensure liquidity in times of emergency. Moreover, in order to prepare fully for any rapid changes in the external environment, we have also maintained additional temporary loan commitments with financial institutions.

In addition, from the perspectives of centralizing the procurement of funds within the Group, improving capital efficiency, and ensuring liquidity, we have introduced a cash management system where the Group borrows funds from subsidiaries with surplus cash and lends them to subsidiaries experiencing a demand for funds.

The Group recognizes the maintenance and enhancement of our ability to stably procure external funds as an important management issue, and we have obtained a long-term credit rating of "AA-" and a short-term credit rating of "a-1+" from the rating agency Rating and Investment Information, Inc. (R&I). Moreover, based on the broad, positive relationships we have built up over many years with major financial institutions in Japan and internationally, we consider that there should be no problem in maintaining and expanding the Group's businesses, securing the necessary working capital, and procuring the funds needed to invest in growth.

Business and Other Risks

The major risks associated with the execution of the Group strategies, business, and other activities that may affect the decisions of investors are set forth below. However, this does not represent a complete list of risks, and the Group may be affected in the future by risks that are not currently foreseen or regarded as significant. In addition to minimizing future uncertain factors that may impede the achievement of the Group's management targets, such as these, we are engaged in implementing various measures and mechanisms that will enable the Group to utilize such factors as opportunities.

The forward-looking statements contained herein are based on the judgment of the Group as of the day of filing of this annual securities report.

The Group's Risk Management Structure

The Group has established the Group Risk Committee to manage risks under the corporate governance system. Based on the Enterprise Risk Management (ERM) approach, the Group identifies and assesses material risks for the Group management, and in order to prevent the occurrence of risks and minimize the impact should they arise, the Group selects risk sponsors to whom it delegates the formulation and implementation of risk response plans, with the Group Executive Management Meeting regularly monitoring the responses. Moreover, from 2023, we have appointed a Chief Governance Officer, who is accountable for promoting the Group's strategic transformation in the corporate domain and strengthening corporate governance into the future.

(1) Risks associated with cyclical changes in the global economy and social changes for the post-pandemic era

The budgets of the Group's clients are often dependent on business conditions, therefore the Group's business results can be affected by cyclical changes in the economy. The macroeconomic slowdown in the wake of the global spread of COVID-19 abated somewhat from 2021 onward, but the situation remains unstable due to factors such as the emergence of geopolitical risks.

The impact of the COVID-19 pandemic has not been limited to the economy: it has accelerated changes in consumer perceptions and behavior patterns, through the digitalization of society. Companies, too, face the need to fundamentally transform their business activities in ways such as building D2C (Direct to Consumer) commerce channels and implementing digital transformation. In this context, the needs of the Group's clients are becoming increasingly advanced and complex, expanding beyond the conventional domains of advertising and communication to areas such as the design of customer experiences utilizing data and technology to create valuable personalized experiences. The Group's medium- and long-term business growth may be negatively affected if it is unable to respond appropriately to these needs.

(2) Risks associated with the development of new businesses from the medium- to long-term perspective

In February 2021, the Group announced the Medium-Term Management Plan designed to transform the Group's businesses to promptly respond to changes in the business environment as described above and accurately seize new business opportunities. The plan, targeting business transformation, was updated in February 2022. In addition to the integration and enhancement of expertise cultivated in the advertising marketing domain with data and technology, one of the core pillars of the plan is the execution of growth strategies to support clients' business transformation. This is defined as Customer Transformation & Technology. However, the Group's business results may be negatively affected if the development of these businesses does not lead to profitability in the medium and long term, for reasons such as a lack of innovation within the Group, a misreading of consumer trends, excessively optimistic business plans, a breakdown in negotiations with joint business partners, insufficient management of investment performance, or a lack of intelligence regarding changes in the business environment.

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(3) Risks related to securing human resources

The Group's capacity to grow and compete depends on securing and retaining outstanding human talent. For this reason, the Group may be unable to provide high-value-added services to clients and its business results may be negatively affected if it is unable to secure sufficient human resources due to a tight labor market or if it is unable to effectively establish its reputation or branding.

Employee engagement is vital for the Group to achieve the goals of its Medium-Term Management Plan. It risks a decline in employee loyalty and difficulty in attracting and retaining outstanding human resources if it is unable to implement an internal vision and values that include aspects such as diversity, equity & inclusion, or if it is unable to sustain employee motivation.

The Group perceives its business domain as "People-centered Transformation," and strives to nurture an inclusive corporate culture where all employees can make the most of their individuality, regardless of gender, nationality, age, sexual preference, disability, or years of service, and thoroughly establish a corporate climate where diversity drives competitive strength. A Group-wide engagement survey has been conducted since fiscal year 2021 to identify challenges in the organization and make improvements while listening to employees.

Since January 2023, the Group has transitioned to a global management structure through the Group Management Team, based on clearer requirements for the Group's senior management, to accelerate People-centered Transformation. The Group is also pursuing new succession planning for senior leadership roles, together with the establishment of training systems.

(4) Risks related to the business transformation

The Group continued to accelerate structural reforms to respond to rapid changes in the business and competitive environments. In the international business, the plan to integrate agency brands, from 160, into six global leadership brands in two years, is progressing smoothly. In the Japan business, the Group is pursuing the "business formation reform," "human resources formation reform," and "working environment development." These structural reforms are aimed at accelerating the introduction of new business models, facilitating the provision of better services to clients, enhancing employee satisfaction, expanding revenue, and improving operating margins. However, the Group's business results may be negatively affected if these structural reforms do not progress as anticipated. There is also a risk that weaknesses in internal controls and defects in management systems may emerge if internal systems are unable to keep pace with changes in the business environment or structural reforms.

(5) Risks associated with the competitive environment and structural changes

(i) Expanding competition with other industries

In recent years, in addition to other corporate groups in the same advertising industry and digital agency groups, the Group has been exposed to new competition with other industries such as consultants and technology companies. Client demands for more efficient, optimized advertising and marketing activity are becoming stronger, and the Group faces rising demand for marketing and communication customized to individual consumers. In this context, the Group increasingly competes with companies in the data analytics, customer experience, and consulting domains.

Looking ahead, part of the Group's revenue may be taken by competitors from other industries if the borders between the advertising marketing domain, and other domains become blurred and competition with other industries becomes more intense. Moreover, the Group may not be able to fully capture business in the combined domain of marketing, technology, and consulting if it is unable to effectively establish its reputation and branding as a leading player in this domain.

Perceiving these changes in the industry structure as business opportunities, the Group plans to integrate and enhance expertise cultivated in the advertising marketing domain with data and technology, providing clients with integrated solutions to grow their business.

(ii) Risk of loss of global clients

Many of the Group's clients engage in businesses on a global level. Clients often conduct bidding (global pitches) to select advertising companies either on a global level or regional level, for APAC, etc. The Group's revenue may decline if it is unable to retain existing clients and operating margin may deteriorate if it is forced to accept orders at lower margins than previously in order to win pitches.

The entire Group strives to ensure that it receives appropriate consideration for the value of the integrated solutions it provides to its clients.

(iii) Risks associated with structural changes in the media environment

The media environment that surrounds consumers is undergoing a significant shift to digital technology on a global level, against the backdrop of innovation. The Group perceives these structural changes in the media environment as business opportunities. However, if the Group is unable to swiftly respond to structural changes in the media environment, or if it is unable to adopt terms and forms of transaction that are appropriate in view of such changes, this may lead to issues such as the loss of revenue from media and damage to relationships with clients, which may negatively affect the Group's business results. Moreover, these structural changes in the media environment are progressing at differing speeds across each country and region, therefore the Group must plan appropriately responding flexibility in each market.

(iv) Risks related to the content business

The Group is engaged in the content business both in Japan and internationally, including investment in the production of movies and the purchase and sale of broadcasting rights for sporting events, etc. In many cases, payments in the content business must be made before income is received, and income and expenditure plans span several years. Moreover, large financial commitments are sometimes necessary to acquire sponsorship rights or broadcasting rights for large sporting events and the like.

The Group has been involved in the content business domain for many years and possesses the insight to formulate income and expenditure plans with a certain degree of accuracy. Moreover, many content business projects are managed as portfolios to diversify content business risks.

However, it is difficult to completely predict the response of consumers, which substantially affects income in the content business. The Group's business results may be negatively affected if projects do not progress in line with income and expenditure plans, or if sponsorship rights or broadcasting rights can only be sold for a lower amount than the Group paid to purchase them.

(6) Impairment risk of goodwill and intangible assets

The Group carries a large amount of goodwill and intangible assets associated with its acquisition of Aegis Group plc, a major UK-based advertising company, in March 2013 and the subsequent acquisition of several companies on a global level.

The Group manages these acquisitions through regular reviews of investment return and goodwill impairment tests to prevent any unexpected large-scale deterioration in investment performance. As a result of the goodwill impairment test conducted in fiscal year 2020, an impairment loss of ¥140.3 billion was recorded for goodwill in the international business upon consideration of the increased uncertainty of the business environment due to the prolonged COVID-19 pandemic. The Group's business results and financial position may be negatively affected if another large impairment loss is recorded as a result of future impairment tests.

(7) Risks related to information security and cyber security

In the course of its business operations, the Group frequently receives information on the products, services, and businesses of its clients that has not been publicly disclosed. The Group has obtained certification under the international standard for information security management systems and takes

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every reasonable precaution in managing information. However, in the unlikely event of an information leak or other such incident, the Group's credibility would be damaged and its business results may be negatively affected.

Moreover, it is possible that the Group's operations, regulations, finances, reputation, or clients may be seriously affected by threats to the confidentiality, integrity, and accessibility of important business systems and data caused by unforeseen external cyber attacks or actions by employees, suppliers, or others.

The Group has established a Group security function encompassing the security divisions from its Japan and international networks to ensure a decisive response to security risks. It continually assesses the status of developing threats and evaluates the effectiveness of risk management and control in line with the ERM approach.

(8) Sustainability-related risks

The Group has established "Social Impact and ESG" as one of the four pillars of its Medium-Term Management Plan. In January 2021, it established the 2030 Sustainability Strategy with the aim of creating truly sustainable value for all people in the future. It promotes measures aimed at achieving the environmental and social index targets set forth in the strategy, centered on the three priority areas: "sustainable world," "fair and open society," and "digital for good."

However, the Group's reputation and other attributes may be negatively affected if the achievement of these targets does not progress as planned due to factors such as the external social and economic environment.

From 2023, a Chief Sustainability Officer has been appointed for Dentsu Japan and the international markets to oversee the implementation of climate change risk response and other aspects of the strategy.

(9) Risks related to laws and regulations, litigation, etc.

(i) Risks related to violations of labor laws and regulations

The Group endeavors to establish a work environment that ensures the mental and physical well-being of all employees as one of its top management priorities. However, the Group's business results may be negatively affected if it cannot maintain this work environment, as a situation may arise where the motivation and performance of the Group's employees deteriorate, the Group fails to retain outstanding employees, and it becomes difficult to acquire diverse personnel. Despite steady improvements in the labor environment for employees in Japan due to the labor environment reforms that the Group, focused on its wholly-owned subsidiary Dentsu Inc., has engaged in since fiscal year 2017, the Group's reputation may be significantly damaged if any labor-management scandals reoccur.

(ii) Risks related to personal and other information (data governance)

In the course of its business operations, the Group sometimes receives personal information regarding the existing and potential customers of its clients. It also develops products and services utilizing personal data and provides these to its clients in the context of the rising demand for marketing and communication customized for each individual consumer from the client companies.

The Group complies with laws and regulations, both in Japan and internationally, including the Act on the Protection of Personal Information and the EU General Data Protection Regulation, and responds promptly to amendments to these laws and regulations. It has also established Group-wide Global Data Protection Guidelines, and does not, at present, anticipate that these laws, regulations, or rules will negatively affect the Group's business. However, the Group's credibility may be damaged and its business results may be negatively affected in the unlikely event of an incident such as a personal information leak. Moreover, the Group's businesses may be negatively affected if its utilization of personal data is constrained due to the amendment of laws, regulations, or rules, or from the standpoint of ethics, and it becomes unable to provide some products or services to its clients.

(iii) Risks related to litigation, etc.

The Group engages in businesses across a broad range of domains, both in Japan and internationally, which involve the risk of receiving claims and demands from government bodies, clients, media companies, partner companies, and others based on investigations, litigation, media audits, etc.

One employee of a Japanese subsidiary of the Company (who belonged to Dentsu Inc. in 2018 when the incident occurred), has been the subject of criminal charges by the Japan Fair Trade Commission on suspicion of violating the Antimonopoly Act in connection with the business of bidding, etc. for test events for the Tokyo 2020 Olympic and Paralympic Games, and has been prosecuted by the Tokyo District Public Prosecutors Office. Dentsu Group Inc., which was Dentsu Inc. in 2018 when the incident occurred, has also been prosecuted in accordance with Dual Criminal Liability Provision under the Antimonopoly Act. Please refer to "Management Policies, Management Environment and Issues to be Addressed, etc. (4) Ensuring compliance" and "Consolidated Financial Statements and Notes to the Consolidated Financial Statements 37. CONTINGENT LIABILITIES" for details.

(10) Risks related to disasters and accidents, and geopolitical risks

The business activities of the Group or its trading partners may be negatively impacted and the Group's business results may be negatively affected in the event of a natural disaster, a disruption in electrical power or other social infrastructure, a breakdown in communications or broadcasting, a disruption in the distribution of goods, a large-scale accident, plague, pandemic, war, terrorism, political unrest, social unrest or similar issue in a region where the Group carries out or develops its businesses.

The Group regularly reviews crisis management and business continuity plans (BCP) for the issues described above that are expected in each region and market.

Financial Report 2023

Consolidated Financial Statements

Consolidated Statement of Financial Position

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2022

ASSETS	Notes	(Millions of Yen) FY2021 (As of December 31, 2021)	(Millions of Yen) FY2022 (As of December 31, 2022)	(Millions of U.S. Dollars) FY2022 (As of December 31, 2022)
CURRENT ASSETS:				
Cash and cash equivalents	8, 35	¥723,541	**¥603,740**	**$4,550**
Trade and other receivables	2, 9, 25, 35	1,479,194	**1,531,957**	**11,545**
Inventories	10	20,661	**3,670**	**28**
Income tax receivables	2	20,825	**46,964**	**354**
Other financial assets	11, 19, 35	19,455	**18,731**	**141**
Other current assets	12	66,376	**55,226**	**416**
Subtotal		2,330,056	**2,260,291**	**17,033**
Non-current assets classified as held for sale	13	13,059	**57,205**	**431**
Total current assets		2,343,115	**2,317,496**	**17,464**
NON-CURRENT ASSETS:				
Property, plant and equipment	14, 16	173,681	**168,859**	**1,272**
Goodwill	7, 15	670,749	**749,755**	**5,650**
Intangible assets	7, 15, 16	187,999	**212,345**	**1,600**
Investments accounted for using the equity method	6, 17	56,423	**47,515**	**358**
Other financial assets	11, 25, 35	205,956	**168,386**	**1,269**
Other non-current assets	2,22	18,344	**20,241**	**153**
Deferred tax assets	18	64,266	**56,827**	**428**
Total non-current assets		1,377,421	**1,423,931**	**10,730**
TOTAL ASSETS	6	¥3,720,536	**¥3,741,427**	**$28,195**

Consolidated Statement of Financial Position

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2022

LIABILITIES AND EQUITY	Notes	(Millions of Yen) FY2021 (As of December 31, 2021)	(Millions of Yen) FY2022 (As of December 31, 2022)	(Millions of U.S. Dollars) FY2022 (As of December 31, 2022)
LIABILITIES:				
CURRENT LIABILITIES:				
Trade and other payables	19, 35	¥1,465,110	**¥1,532,591**	**$11,549**
Bonds and borrowings	20, 35	93,067	**95,790**	**722**
Other financial liabilities	16, 20, 35, 37	99,087	**92,237**	**695**
Income tax payables		60,960	**30,894**	**233**
Provisions	21	16,059	**12,700**	**96**
Other current liabilities	25	237,587	**215,740**	**1,626**
Subtotal		1,971,873	**1,979,955**	**14,921**
Liabilities directly associated with non-current assets classified as held for sale	13	–	**37,740**	**284**
Directly related liabilities		1,971,873	**2,017,696**	**15,205**
NON-CURRENT LIABILITIES:				
Bonds and borrowings	20, 35	486,122	**436,639**	**3,290**
Other financial liabilities	16, 20, 35	204,966	**222,811**	**1,679**
Liability for retirement benefits	22	30,201	**23,991**	**181**
Provisions	21	37,340	**21,887**	**165**
Other non-current liabilities	34	12,009	**7,333**	**55**
Deferred tax liabilities	18	68,547	**55,740**	**420**
Total non-current liabilities		839,188	**768,403**	**5,791**
Total liabilities		2,811,062	**2,786,099**	**20,995**
EQUITY:				
Share capital	23	74,609	**74,609**	**562**
Share premium account	23	77,864	**74,931**	**565**
Treasury shares	23	(64,603)	**(25,478)**	**(192)**
Other components of equity	13	81,423	**135,786**	**1,023**
Retained earnings	23	675,739	**620,418**	**4,675**
Total equity attributable to owners of the parent	35	845,034	**880,267**	**6,634**
Non-controlling interests	7, 23	64,440	**75,060**	**566**
Total equity		909,474	**955,327**	**7,199**
TOTAL LIABILITIES AND EQUITY		¥3,720,536	**¥3,741,427**	**$28,195**

Financial Report 2023

Consolidated Statement of Income

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2022

	Notes	(Millions of Yen) FY2021 (Year ended December 31, 2021)	(Millions of Yen) FY2022 (Year ended December 31, 2022)	(Millions of U.S. Dollars) FY2022 (Year ended December 31, 2022)
Revenue	6,25	¥1,085,592	**¥1,243,883**	**$9,374**
Cost of sales	14, 15, 16, 22, 27	(109,014)	**(126,881)**	**(956)**
Net revenue	6	976,577	**1,117,002**	**8,417**
Selling, general and administrative expenses	13,14,15	(833,333)	**(950,768)**	**(7,165)**
Restructuring cost	14,15,21,27	(19,516)	**(33,941)**	**(256)**
Gain on sale and retirement of non-current assets	16	118,960	**16,826**	**127**
Impairment loss	13,14,15	(1,353)	**(35,972)**	**(271)**
Other income	28	8,445	**11,184**	**84**
Other expenses	29	(7,938)	**(6,713)**	**(51)**
Operating profit	6	241,841	**117,617**	**886**
Share of profits of investments accounted for using the equity method	17	2,448	**3,418**	**26**
Impairment loss of investments accounted for using the equity method	17	–	**(5,950)**	**(45)**
Gain on sale of investments in associates	17	35	**600**	**5**
Revaluation gain on step acquisition	7,17	–	**5,467**	**41**
Profit before interest and tax		244,325	**121,153**	**913**
Finance income	30	4,749	**19,701**	**148**
Finance expenses	16, 22, 27, 30	(40,240)	**(39,947)**	**(301)**
Profit before tax		208,833	**100,908**	**760**
Income tax expenses	18	(93,979)	**(34,982)**	**(264)**
Profit for the year		¥114,853	**¥65,925**	**$497**
Profit attributable to:				
Owners of the parent		¥108,389	**¥59,847**	**$451**
Non-controlling interests		¥6,463	**¥6,077**	**$46**
Earnings per share		(Yen)	(Yen)	(U.S. Dollars)
Basic earnings per share	32	¥388.79	**¥223.33**	**$1.68**
Diluted earnings per share	32	¥387.11	**¥221.96**	**$1.67**

Reconciliation from operating profit to underlying operating profit	Notes	(Millions of Yen) FY2021 (Year ended December 31, 2021)	(Millions of Yen) FY2022 (Year ended December 31, 2022)	(Millions of U.S. Dollars) FY2022 (Year ended December 31, 2022)
Operating profit		¥241,841	**¥117,617**	**$886**
Amortization of intangible assets incurred in acquisitions		29,409	**28,721**	**216**
Selling, general and administrative expenses		5,621	**2,584**	**19**
Restructuring cost		19,516	**33,941**	**256**
Gain on sale and retirement of non-current assets		(118,960)	**(16,826)**	**(127)**
Impairment loss	13	1,353	**35,972**	**271**
Other income		(1,638)	**(584)**	**(4)**
Other expenses		1,884	**1,763**	**13**
Underlying operating profit (Note 1)	6	¥179,028	**¥203,189**	**$1,531**

(Note 1) For the definition of underlying operating profit, refer to "3. SIGNIFICANT ACCOUNTING POLICIES (20) Underlying Operating Profit."

Consolidated Statement of Comprehensive Income

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2022

	Notes	FY2021 (Year ended December 31, 2021) (Millions of Yen)	FY2022 (Year ended December 31, 2022) (Millions of Yen)	FY2022 (Year ended December 31, 2022) (Millions of U.S. Dollars)
PROFIT FOR THE YEAR		¥114,853	**¥65,925**	**$497**
OTHER COMPREHENSIVE INCOME				
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:				
Net change in financial assets measured at fair value through other comprehensive income	31, 35	(4,955)	**(40,703)**	**(307)**
Remeasurements of defined benefit plans	22, 31	(104)	**5,393**	**41**
Share of other comprehensive income of investments accounted for using the equity method	17, 31	6	**152**	**1**
ITEMS THAT ARE OR MAY BE RECLASSIFIED TO PROFIT OR LOSS:				
Exchange differences on translation of foreign operations	31	29,210	**39,694**	**299**
Effective portion of the change in the fair value of cash flow hedges	31	17,595	**26,329**	**198**
Share of other comprehensive income of investments accounted for using the equity method	17, 31	110	**33**	**0**
Other comprehensive income, net of tax		41,861	**30,897**	**233**
COMPREHENSIVE INCOME FOR THE YEAR		¥156,715	**¥96,823**	**$730**
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
Owners of the parent		¥151,766	**¥96,248**	**$725**
Non-controlling interests		¥4,948	**¥575**	**$4**

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Consolidated Statement of Changes in Equity

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2022

(Millions of Yen)

	Notes	Share capital	Share premium account	Treasury shares	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges	Net change in financial assets measured at fair value through other comprehensive income
		Total equity attributable to owners of the parent			Other components of equity		
As of January 1, 2021		¥74,609	¥75,596	¥(34,592)	¥3,588	¥(5,398)	¥44,026
Profit for the year							
Other comprehensive income	31				27,876	17,597	(1,991)
Comprehensive income for the year		–	–	–	27,876	17,597	(1,991)
Repurchase of treasury shares	23			(30,010)			
Dividends	24						
Transactions with non-controlling shareholders	23						
Transfer from other components of equity to retained earnings							(4,275)
Other			2,267				
Transactions with owners–total		–	2,267	(30,010)	–	–	(4,275)
As of December 31, 2021		**¥74,609**	**¥77,864**	**¥(64,603)**	**¥31,465**	**¥12,199**	**¥37,759**
Profit for the year							
Other comprehensive income	31				38,309	26,325	(33,627)
Comprehensive income for the year		–	–	–	38,309	26,325	(33,627)
Repurchase of treasury shares	23			(40,006)			
Disposal of treasury shares	23		(88)	149			
Cancellation of treasury stock	23		(5,646)	78,981			
Dividends	24						
Transactions with non-controlling shareholders	23						
Transfer from other components of equity to retained earnings							23,355
Other			2,803				
Transactions with owners–total		–	(2,932)	39,124	–	–	23,355
As of December 31, 2022		**¥74,609**	**¥74,931**	**¥(25,478)**	**¥69,774**	**¥38,524**	**¥27,487**

(Millions of U.S. Dollars)

	Notes	Share capital	Share premium account	Treasury shares	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges	Net change in financial assets measured at fair value through other comprehensive income
		Total equity attributable to owners of the parent			Other components of equity		
As of January 1, 2021		$562	$570	$(261)	$27	$(41)	$332
Profit for the year							
Other comprehensive income	31				210	133	(15)
Comprehensive income for the year		–	–	–	210	133	(15)
Repurchase of treasury shares	23			(226)			
Dividends	24						
Transactions with non-controlling shareholders	23						
Transfer from other components of equity to retained earnings							(32)
Other			17				
Transactions with owners–total		–	17	(226)	–	–	(32)
As of December 31, 2021		**$562**	**$587**	**$(487)**	**$237**	**$92**	**$285**
Profit for the year							
Other comprehensive income	31				289	198	(253)
Comprehensive income for the year		–	–	–	289	198	(253)
Repurchase of treasury shares	23			(301)			
Disposal of treasury shares	23		(1)	1			
Cancellation of treasury shares	23		(43)	595			
Dividends	24						
Transactions with non-controlling shareholders	23						
Transfer from other components of equity to retained earnings							176
Other			21				
Transactions with owners–total		–	(22)	295	–	–	176
As of December 31, 2022		**$562**	**565**	**$(192)**	**$526**	**$290**	**$207**

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent: Other components of equity: Remeasurements of defined benefit plans	Other components of equity: Total	Retained earnings	Total	Non-controlling interests	Total equity
As of January 1, 2021		–	¥42,216	¥582,991	¥740,821	¥63,483	¥804,305
Profit for the year			–	108,389	108,389	6,463	114,853
Other comprehensive income	31	(105)	43,376		43,376	(1,515)	41,861
Comprehensive income for the year		(105)	43,376	108,389	151,766	4,948	156,715
Repurchase of treasury shares	23		–		(30,010)		(30,010)
Dividends	24		–	(20,888)	(20,888)	(2,541)	(23,430)
Transactions with non-controlling shareholders	23		–	197	197	(1,383)	(1,186)
Transfer from other components of equity to retained earnings		105	(4,169)	4,169	–		–
Other			–	879	3,146	(65)	3,081
Transactions with owners–total		105	(4,169)	(15,642)	(47,554)	(3,390)	(51,545)
As of December 31, 2021		**–**	**¥81,423**	**¥675,739**	**¥845,034**	**¥64,440**	**¥909,474**
Profit for the year			**–**	**59,847**	**59,847**	**6,077**	**65,925**
Other comprehensive income	31	**5,392**	**36,400**		**36,400**	**(5,502)**	**30,897**
Comprehensive income for the year		**5,392**	**36,400**	**59,847**	**96,248**	**575**	**96,823**
Repurchase of treasury shares	23		**–**		**(40,006)**		**(40,006)**
Disposal of treasury shares	23		**–**		**61**		**61**
Cancellation of treasury stock	23		**–**	**(73,334)**	**–**		**–**
Dividends	24		**–**	**(37,035)**	**(37,035)**	**(3,763)**	**(40,799)**
Transactions with non-controlling shareholders	23		**–**	**13,897**	**13,897**	**14,885**	**28,782**
Transfer from other components of equity to retained earnings		**(5,392)**	**17,962**	**(17,962)**	**–**		**–**
Other			**–**	**(733)**	**2,069**	**(1,077)**	**992**
Transactions with owners–total		**(5,392)**	**17,962**	**(115,169)**	**(61,014)**	**10,044**	**(50,969)**
As of December 31, 2022		**–**	**¥135,786**	**¥620,418**	**¥880,267**	**¥75,060**	**¥955,327**

(Millions of U.S. Dollars)

	Notes	Total equity attributable to owners of the parent: Other components of equity: Remeasurements of defined benefit plans	Other components of equity: Total	Retained earnings	Total	Non-controlling interests	Total equity
As of January 1, 2021		–	$318	$4,393	$5,583	$478	$6,061
Profit for the year			**–**	**817**	**817**	**49**	**866**
Other comprehensive income	31	**(1)**	**327**		**327**	**(11)**	**315**
Comprehensive income for the year		**(1)**	**327**	**817**	**1,144**	**37**	**1,181**
Repurchase of treasury shares	23		**–**		**(226)**		**(226)**
Dividends	24		**–**	**(157)**	**(157)**	**(19)**	**(177)**
Transactions with non-controlling shareholders	23		**–**	**1**	**1**	**(10)**	**(9)**
Transfer from other components of equity to retained earnings		**1**	**(31)**	**31**	**–**		**–**
Other			**–**	**7**	**24**	**(0)**	**23**
Transactions with owners–total		**1**	**(31)**	**(118)**	**(358)**	**(26)**	**(388)**
As of December 31, 2021		**–**	**$614**	**$5,092**	**$6,368**	**$486**	**$6,854**
Profit for the year			**–**	**451**	**451**	**46**	**497**
Other comprehensive income	31	**41**	**274**		**274**	**(41)**	**233**
Comprehensive income for the year		**41**	**274**	**451**	**725**	**4**	**730**
Repurchase of treasury shares	23		**–**		**(301)**		**(301)**
Disposal of treasury shares	23		**–**		**0**		**0**
Cancellation of treasury shares	23		**–**	**(553)**	**–**		**–**
Dividends	24		**–**	**(279)**	**(279)**	**(28)**	**(307)**
Transactions with non-controlling shareholders	23		**–**	**105**	**105**	**112**	**217**
Transfer from other components of equity to retained earnings		**(41)**	**135**	**(135)**	**–**		**–**
Other			**–**	**(6)**	**16**	**(8)**	**7**
Transactions with owners–total		**(41)**	**135**	**(868)**	**(460)**	**76**	**(384)**
As of December 31, 2022		**–**	**$1,023**	**$4,675**	**$6,634**	**$566**	**$7,199**

Financial Report 2023

Consolidated Statement of Cash Flows

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2022

	Notes	FY2021 (Year ended December 31, 2021) (Millions of Yen)	FY2022 (Year ended December 31, 2022) (Millions of Yen)	FY2022 (Year ended December 31, 2022) (Millions of U.S. Dollars)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		¥208,833	**¥100,908**	**$760**
ADJUSTMENTS FOR:				
Depreciation and amortization	6,14,15, 16, 26	74,876	**74,170**	**559**
Impairment loss	13,14,15	1,353	**35,972**	**271**
Interest and dividend income	30	(3,151)	**(4,935)**	**(37)**
Interest expense	30	17,197	**22,203**	**167**
Share of profits of investments accounted for using the equity method		(2,448)	**(3,418)**	**(26)**
Impairment loss of investments accounted for using the equity method		–	**5,950**	**45**
Revaluation (gain) loss on contingent consideration and put option put option liabilities	30	20,293	**12,163**	**92**
Loss (gain) on sales and retirement of non-current assets		(118,960)	**(16,826)**	**(127)**
Revaluation (gain) loss on step acquisition	7	–	**(5,467)**	**(41)**
(Gain) loss on valuation of securities	2,30	(270)	**(11,413)**	**(86)**
Increase (decrease) in liability for retirement benefits		3,620	**306**	**2**
Increase (decrease) in provision of restructuring cost		(28,409)	**4,448**	**34**
Other – net	2	12,014	**1,173**	**9**
Cash flows from operating activities before adjusting changes in working capital and others		184,949	**215,234**	**1,622**
CHANGES IN WORKING CAPITAL:				
(Increase) decrease in trade and other receivables		(129,293)	**17,533**	**132**
(Increase) decrease in inventories		(779)	**16,975**	**128**
(Increase) decrease in other current assets		1,755	**14,893**	**112**
Increase (decrease) in trade and other payables		141,372	**(17,405)**	**(131)**
Increase (decrease) in other current liabilities		56,101	**(35,515)**	**(268)**
(Increase) decrease in working capital		69,155	**(3,518)**	**(27)**
Subtotal		254,104	**211,716**	**1,595**
Interest received		2,144	**2,210**	**17**
Dividends received		4,344	**3,246**	**24**
Interest paid	16	(17,064)	**(20,511)**	**(155)**
Income taxes paid		(103,813)	**(115,764)**	**(872)**
Net Cash flows from operating activities		139,715	**80,896**	**610**
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant and equipment, intangible assets and investment property	6	(21,036)	**(18,526)**	**(140)**
Proceeds from sale of property, plant and equipment, intangible assets and investment property		33,971	**13,941**	**105**
Proceeds from sale-and-leaseback	16	305,200	**–**	**–**
Net cash (paid) received on acquisition of subsidiaries	7	(47,415)	**(39,173)**	**(295)**
Net cash (paid) received on sale of subsidiaries		–	**(1,700)**	**(13)**
Net cash (paid) received on liquidation of subsidiaries		(2,256)	**–**	**–**
Payments for purchases of securities		(7,209)	**(10,477)**	**(79)**
Proceeds from sales of securities		5,342	**28,572**	**215**
Other – net		(4,368)	**3,017**	**23**
Net Cash flows from investing activities		262,226	**(24,346)**	**(183)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in short-term borrowings	20	(3,334)	**(5,832)**	**(44)**
Proceeds from long-term borrowings	20	2,998	**610**	**5**
Repayments of long-term borrowings	20	(37,368)	**(55,791)**	**(420)**
Repayments of lease obligations	16,20	(31,967)	**(35,748)**	**(269)**
Payments for acquisition of interest in subsidiaries from non-controlling shareholders	20	(107,000)	**(12,025)**	**(91)**
Payments for repurchase of treasury shares	23	(30,010)	**(40,006)**	**(301)**
Dividends paid	24	(20,888)	**(37,035)**	**(279)**
Dividends paid to non-controlling shareholders		(2,584)	**(4,106)**	**(31)**
Other – net		(2,031)	**1,744**	**13**
Net Cash flows from financing activities		(232,189)	**(188,192)**	**(1,418)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		23,095	**13,932**	**105**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		192,849	**(117,710)**	**(887)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	8	530,692	**723,541**	**5,452**
Net increase (decrease) in cash and cash equivalents related to transfer to assets classified as held for sale	13	–	**(2,091)**	**(16)**
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	8	¥723,541	**¥603,740**	**$4,550**

Notes to Consolidated Financial Statements

Dentsu Inc. and Consolidated Subsidiaries

1. REPORTING ENTITY

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

The address of the Company's registered corporate headquarter is available on the Company's website (https://www.group.dentsu.com/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 of the Group for the fiscal year ended December 31, 2022 have been approved by Hiroshi Igarashi, Representative Executive Officer, President & CEO, and Arinobu Soga, Representative Executive Officer, Executive Vice President & CGO, on May 15, 2023.

2. BASIS OF PREPARATION

(1) Compliance with the International Financial Reporting Standards (hereinafter referred to as "IFRS")

The Company's consolidated financial statements meet all of the requirements of Article 1-2 "Designated IFRS Specified Company" and are prepared in accordance with IFRS under the provisions of Article 93 of the Ordinance on Consolidated Financial Statements.

(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.

For the convenience of readers outside Japan, the accompanying Consolidated Financial Statements are also presented in United States dollars by translating Japanese yen amounts at the exchange rate of ¥132.70 to U.S.$1, the approximate rate of exchange at the end of December 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at the above or any other rate.

Amounts less than one million yen have been rounded down to the nearest million yen and those less than one million U.S. dollars have been rounded to the nearest million U.S. dollars in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

(4) Early adoption of New Standards

There are no early adoption of standards.

(5) Changes in Presentation

(Consolidated Statement of Financial Position)

"Investment property," which had been presented separately in non-current assets as of December 31, 2021, is presented under "Other non-current assets" in non-current assets as of December 31, 2022, due to a decrease in its quantitative materiality. To reflect this change in the presentation, the Consolidated Statement of Financial Position as of December 31, 2021 has been reclassified.

As a result, the ¥100 million presented under "Investment property" and the ¥18,243 million presented under "Other non-current assets" in non-current assets in the Consolidated Statement of Financial Position as of December 31, 2021 have been reclassified as ¥18,344 million under "Other non-current assets."

"Income tax receivables," which had been presented under "Trade and other receivables" as of December 31, 2021, are presented separately as of December 31, 2022, due to an increase in its quantitative materiality. To reflect this change in the presentation, the Consolidated Statement of Financial Position as of December 31, 2021 has been reclassified.

As a result, the ¥1,500,020 million presented under "Trade and other receivables" in current assets in the Consolidated Statement of Financial Position as of December 31, 2021 have been reclassified as ¥1,479,194 million under "Trade and other receivables" and ¥20,825 million under "Income tax receivables."

(Consolidated Statement of Income)

"Provision (reversal) of allowance for doubtful accounts," which had been presented separately in the year ended December 31, 2021, is presented under "Selling, general and administrative expenses" in the year ended December 31, 2022, due to a decrease in its quantitative materiality. To reflect this change in the presentation, the Consolidated Statement of Income for the year ended December 31, 2021 has been reclassified.

As a result, the ¥580 million presented under "Provision (reversal) of allowance for doubtful accounts" and the ¥(833,914) million presented under "Selling, general and administrative expenses" in the Consolidated Statement of Income for the year ended December 31, 2021, have been reclassified as ¥(833,333) million under "Selling, general and administrative expenses."

(Consolidated Statement of Cash Flows)

"(Gain) loss on valuation of securities," which had been presented under "Other-net" in "Cash flows from operating activities" in the year ended December 31, 2021, is presented separately in the year ended December 31, 2022, due to an increase in its quantitative materiality. To reflect this change in the presentation, the Consolidated Statement of Cash Flows for the year ended December 31, 2021 has been reclassified.

As a result, ¥11,743 million presented under "Other-net" in "Cash flows from operating activities" in the Consolidated Statement of Cash Flows for the year ended December 31, 2021 has been reclassified as ¥(270) million under "(Gain) loss on valuation of securities" and ¥12,014 million under "Other-net."

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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.

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 as equity attributable to 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.

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 deducted from investments, to the extent it does not exceed Company's share in an investee.

(2) Business Combinations

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 contingent consideration when appropriate.

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

(i) 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.

(ii) 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 such 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 reporting period 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 contingent consideration is recognized at fair value at the time of acquisition and the change in fair value after acquisition is reflected as an adjustment to the consideration transferred when the change qualifies as adjustment during the measurement period, otherwise the change is recognized in profit or loss.

The Group elects to measure non-controlling interests 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 achieve a business combination are recognized as expenses when incurred, with the exception of costs related to the issuance of debt instruments and equity instruments.

The Group continuously accounts for all business combinations under common control based on carrying amounts. A business combination under common control is a business combination in which all of the combining companies or businesses are ultimately controlled by the same company, both before and after the combination, and the control is not temporary.

(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 the end of each reporting period, 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 denominated in foreign currencies 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 using the closing rate of the reporting period, and revenue and expenses are translated into Japanese yen using the average rate of 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.

(4) Financial Instruments

A. Non-derivative Financial Assets

(i) Initial Recognition and Measurement

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

Trade and other receivables which do not include significant financial components are measured at transaction price upon initial recognition.

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, debt financial instruments that do not satisfy amortized cost criteria are classified as financial assets measured at fair value through profit or loss.

Equity financial instruments not held-for-sale, in principle, are designated as financial assets measured at fair value through other comprehensive income at the time of initial recognition.

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

(ii) Subsequent Measurement

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

(a) Financial Assets Measured at Amortized Cost

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

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

Subsequent to initial recognition, financial assets are remeasured at fair value at each reporting period end. Changes in fair value and income such as dividends are recognized in profit or loss.

(c) 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 declined significantly. Dividends derived from these financial assets are recognized in profit or loss.

(iii) 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

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

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Determination of Significant Increase in Credit Risk
At each reporting date, the Group compares the risk of financial asset defaults as of the reporting date and the initial recognition date to assess whether the credit risk associated with the financial asset has increased significantly since the initial recognition.

The Group assesses whether there has been a significant increase in credit risk based on changes in the risk of default since the initial recognition. In assessing whether there has been a change in the risk of default, the Group considers overdue information, as well as the following factors.

- Significant changes in external credit ratings of financial assets
- Downgrade of internal credit ratings
- Deterioration in borrowers' operating results

Expected Credit Loss Approach
Expected credit losses are the present value of the difference between the contractual cash flows to be received by the Group under the contracts and the cash flows expected to be received. If the credit risk associated with a financial asset has increased significantly since the initial recognition, the allowance for doubtful accounts related to the financial asset is measured at an amount equal to the expected credit loss for the entire period, and if it has not increased significantly, it is measured at an amount equal to the expected credit loss for the 12-month period.

Notwithstanding the foregoing, for trade receivables and contract assets that do not include significant financial components, the allowance for doubtful accounts is always measured at an amount equal to the expected credit losses for the entire period.

In measuring expected credit losses, the Group uses reasonable and corroborating information available at the reporting date that is relevant to historical events, current conditions and projections of future economic conditions. For individually significant financial assets, the Group evaluates expected credit losses individually, and for other financial assets, the Group establishes an allowance for doubtful accounts by grouping financial assets with similar credit risk characteristics based on location, number of days past due, security status, and external credit ratings.

Defaults are recognized when the obligor is unable to recover all or part of the financial assets or is determined to be extremely difficult to recover, such as when the obligor fails to make payments within 90 days after the due date.

In the event of default or significant financial difficulties of the issuer or the obligor, the Group determines that the credit impairment is deemed to exist.

Provisions for doubtful accounts related to financial assets are recognized in profit or loss. Reversal of the allowance for doubtful accounts is recognized in profit or loss.

Financial assets are written off directly when collection is not reasonably expected, such as the debtor's inability to execute the repayment plan agreed with the Group.

This typically applies when the Group determines that the borrower does not have an asset or revenue source that generates sufficient cash flow to repay the amount directly written off. The Group continues to enforce performance against directly written-off financial assets so that past due receivables can be collected.

C. Non-derivative Financial Liabilities (Including put option liabilities. Refer to "(2) Business combination" for contingent consideration.)
(i) Initial Recognition and Measurement
The Group initially recognizes debt securities on the date of issue. Contingent consideration arising from a business combination and put option liabilities to acquire interests from non-controlling interests are recognized on the date the Group acquires control of the acquired entity. All other financial liabilities are initially recognized on the transaction date when the Group becomes 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. In addition, put option liabilities are measured based on the present value of future redemption amount.

(ii) Subsequent Measurement
After initial recognition, financial liabilities are measured based on the classification as follows. However, put option liabilities are measured at the present value of the redemption amount, with changes recognized as profit or loss.
(a) 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.
(b) 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 reporting period end and changes in fair value are recognized in profit or loss.

(iii) 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 assessments of hedge effectiveness.

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

Derivative financial instruments are initially recognized at fair value. In addition, derivatives are measured at fair value after initial recognition and changes in fair value are accounted for as follows:

As for hedge accounting, the Group elected to apply IAS 39 in accordance with the transitional measure.

(i) Cash Flow Hedge
Regarding gains or losses on hedging instruments where hedges are effective, changes in fair value are recognized in other comprehensive income, and are reclassified from other comprehensive income to profit or loss when the cash flows from the hedged items affect profit or loss. If a hedged item results in the recognition of non-financial assets or non-financial liabilities, the amount recognized as other components of equity is treated as an adjustment to the initial carrying amount of the non-financial assets or non-financial liabilities through other comprehensive income.

Where hedges are ineffective, changes in fair value are recognized in profit or loss.

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

(ii) Hedge of Net Investment in Foreign Operations
Translation differences resulting from the hedges of net investment in foreign operations 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.

Cumulative gains or losses recognized in equity as other comprehensive income are reclassified to profit or loss upon disposal of foreign operations.

(iii) Derivative Financial Instruments not Designated as Hedges
Changes in 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 presented on a net basis if, and only 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 rights and contents related to sports and entertainment. 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 right-of-use asset)
Cost model is applied for subsequent measurement of property, plant and equipment, and is measured at acquisition cost less accumulated depreciation and accumulated impairment losses.

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 which 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: 0 to 100 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period 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 right-of-use asset)
Cost model is applied for subsequent measurement of intangible assets, and are measured at acquisition cost 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.

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: 2 to 5 years
- Customer relationships: Effective period (mainly 2 to 18 years)

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

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(9) Leases

A. Leases as a lessee

The Group determines upon inception of the contracts whether such contracts are leases or contain leases.

If the contracts transfer the right to control the use of the identified asset over a period of time in exchange for consideration, the contracts are leases or contain leases.

Right-of-use assets and a lease obligation are recognized at the beginning of the lease. Right-of-use assets are measured at cost the beginning of the lease. During the lease period, the cost model is applied and measured at cost less accumulated depreciation and accumulated impairment losses.

After initial recognition, right-of-use asset is depreciated on a straight-line basis from the beginning of the lease period to the useful life of the right-of-use asset or to the end of the lease period, whichever occurs first.

Lease obligations are measured at the present value of remaining lease payments of the beginning of the lease period.

During the lease period, the carrying amount of the lease obligation is adjusted to reflect the interest rate on the lease obligation and the lease payments made. If the lease obligations are revised or the lease terms are changed, lease obligations is remeasured and right-of-use assets are adjusted. For short-term leases and leases of low-value assets, IFRS 16 Paragraph 6 is applied, and lease payments are recognized as expenses over the lease period using the straight-line method.

B. Sale and Leaseback Transaction

The Group determines, based on IFRS 15, whether the transfer of an asset from the seller-lessee to the buyer-lessor is accounted for as a sale in a sale and leaseback transaction. When the transfer corresponds to a sale of an asset, the seller-lessee measures right-of-use asset arising from the leaseback by the proportion of the previous carrying amount of the asset relating to the right of use retained by the seller-lessee, and recognizes only the gain or loss of the portion that was not leased back. When the transfer does not correspond to a sale of an asset, the seller-lessee continues to recognize the transferred asset, and financial liabilities equal to the amount of the transfer proceeds are recognized, and the transfer is accounted for as a financial transaction.

(10) Impairment of Non-financial Assets

Except for inventories and deferred tax assets, the Group assesses at the end of the reporting period 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 is not amortized. Impairment tests for goodwill 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 "15. 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 reporting period 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.

(11) Non-current Assets Classified as 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.

(12) Employee Benefits

A. 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 corresponding discount period based on projected period until the expected benefit payment date.

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

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

B. Termination Benefits
The Group provides termination benefits if the Group terminates the employment of an employee before the normal retirement date along with restructuring, or if an employee of some domestic consolidated subsidiaries voluntarily retires in exchange for the benefits. If the Group has a detailed official plan for terminating an employee and there is no possibility for the plan to be cancelled, the termination benefit is recorded as an expense as of the time of the commitment of the termination of employment.

(13) 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.

Provision for restructuring is recognized when the Group has a detailed official plan for the restructuring and parties concerned who are expected to be affected are made to expect that restructuring will surely be implemented through the actual implementation or disclosure of the plan.

(14) Revenue
The Group recognizes revenue under the five-step approach described below.

Step 1: Identify contracts with customers
Step 2: Identify performance obligations in a contract
Step 3: Calculate the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies its performance obligations.

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

In the advertising business, the Group mainly provides services such as placement of advertising into various media, production of advertising including creative services, and various content-related services. With regards to placement of advertising into various media, revenue is recognized when the media is placed, mainly because control of the service is transferred to the customer when the advertisement is placed on the media and the performance obligations of the Group are satisfied.

Regarding advertisement production, the performance obligation is to provide a series of management operations from planning, production, filming, editing through to completion. The performance obligation of such management operations is considered to be satisfied evenly due to its nature, and the performance obligation makes progress according to the elapsed period of time. Hence, the revenue is recognized for a certain period of time on a pro-rata basis over the contract period during which the performance obligation is satisfied.

Regarding provision of services such as various content services, the primary services are the rights business such as marketing rights of sporting events. In the rights business such as marketing rights of sporting events, the performance obligation is to make the rights such as marketing rights available to the client. Among such transactions, regarding those relating to complex rights in which the client obtains multiple rights at multiple points of time, the rights will become available to the client for a certain period of time, and the performance obligation is considered to be satisfied evenly due to its nature. Hence, the performance obligation is primarily satisfied over time during the contract period, and the revenue is recognized on a pro-rata basis over the contract period during which the performance obligation is satisfied. Regarding transactions other than those mentioned above, the right to use the right is transferred to the client at one point of time when the right becomes available to the client, and the performance obligation of the Group is satisfied. Hence, the revenue is recognized at that point in time.

The Group determines that it primarily acts as an agent considering the primary responsibility for the performance of commitments, inventory risk, pricing discretion and other factors in the transaction.

Transactions related to the advertising business are principally recorded based on the net amount of consideration received from customers, less related costs, or a certain amount of fee received as a commission, for services provided by the Group. For certain transactions which the Group determined that it is acting as a principal, consideration received from customers and costs are presented on a gross basis.

In each transaction, a judgement as to whether the Group acts as an agent or a principal and a judgement about the timing of revenue recognition have an impact on the amount of revenue. Accordingly, such judgements are categorized as judgments made in the application of accounting policies that may have a significant impact on the consolidated financial statements in "4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS"

Consideration for transactions in the advertising business is received primarily within one year of satisfying performance obligations and does not include significant financing components.

In the information services business, the Group is mainly involved in sales of software products, development of systems, and outsourcing/operation/maintenance services.

Regarding sales of software products and products, revenue is recognized at the point of delivery to the customer because control of the product is transferred to the customer and the Group's performance obligations are satisfied. Regarding software development, the customer's asset will enhance as the development progresses, and the customer will gain control of the asset, and the Group's performance obligations are satisfied accordingly. Therefore, revenue is recognized based on the progress of development. Development progress is calculated based on the ratio of inputs used to satisfy performance obligations (costs incurred) to total expected inputs until such performance obligations are fully satisfied. As for the operation and maintenance services, performance obligations are satisfied as the contract period elapses, and revenue is recorded on a pro rata basis over the contract period in which the performance obligations are satisfied.

Revenues from the information service business are calculated by deducting discounts, etc., from the consideration in sales contracts. Considering the primary responsibility for fulfilling the commitments, inventory risk, pricing discretion and other factors, the Group is deemed to have a strong basis as a principal, therefore revenues and costs are recorded on a gross basis. Consideration for transactions in the information services business is received mainly within one year after fulfillment of the performance obligation and does not include any significant financing components.

Other businesses include office leasing, building services, and calculation services.

(15) Finance Income and Finance Expenses

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

(16) 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 reporting period.

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 reporting period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting period 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.

(17) 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.

C. Put options written over non-controlling interests

Non-controlling interests are recognized when the Group writes a put option over equity shares held by non-controlling shareholders of a subsidiary, and are not included in the calculation of goodwill.

In addition, the written put option is initially recognized at the present value of the redemption amount as other financial liabilities, and the same amount is deducted from retained earnings.

(18) 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 all potential ordinary shares with dilutive effect.

(19) Share-based Payments
The Company and certain subsidiaries grant equity-settled and cash-settled share-based payment plans.

For equity-settled share-based payments, services received and the corresponding increase in equity are measured at the fair value of the equity instruments at the date of grant and are recorded as an expense over the vesting period and recognized as an increase in equity.

For cash-settled share-based payments, services received and the liability incurred are measured at the fair value of the liability. The Group recognizes expense and liability, as the employees render services during the vesting period. The fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss.

(20) Underlying Operating Profit
The underlying operating profit is calculated by eliminating M&A related items and one-off items from operating profit, and is used by management for the purpose of measuring constant business performance.

M&A related items: amortization of intangible assets incurred in acquisitions, acquisition costs, share-based compensation expense issued following the acquisition of 100% ownership of a subsidiary

One-off items: items such as restructuring cost, impairment loss and gain/loss on sale of non-current assets

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 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the adoption 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 estimate and underlying assumptions are continuously reviewed. The effects of a change in estimate are recognized in the period of the change and future periods.

Information relating to judgments carried out in the process of 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")
- Judgements about the timing of revenue recognition, and judgements as to whether the Group acts as a principal or an agent in revenue recognition ("3. SIGNIFICANT ACCOUNTING POLICIES (14) Revenue")
- Allocation of goodwill to cash-generating unit groups ("15. GOODWILL AND INTANGIBLE ASSETS")
- Sale and leaseback transaction: determination on whether the transfer of an asset from the seller-lessee to the buyer-lessor is a sale or not ("3. SIGNIFICANT ACCOUNTING POLICIES (9) Leases B. Sale and Leaseback Transaction")

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 and intangible assets ("14. PROPERTY, PLANT AND EQUIPMENT," "15. GOODWILL AND INTANGIBLE ASSETS,")
- Right-of-use assets ("16. LEASES")
- Valuation of financial instruments (including contingent consideration and put option liabilities) ("35. FINANCIAL INSTRUMENTS")
- Valuation of defined benefit obligations ("22. POST-EMPLOYMENT BENEFITS")
- Provisions ("21. PROVISIONS")
- Recoverability of deferred tax assets ("18. INCOME TAXES")

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5. NEW ACCOUNTING STANDARDS NOT YET ADOPTED BY THE GROUP

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

The impact of applying the new IFRS standards on the Group is currently being assessed and cannot be estimated at this time.

Standards	Name of standards	Mandatory adoption (From the year beginning)	To be adopted by the Group	Description of new standards and amendments
IAS 1	Presentation of Financial Statements	January 1, 2024	Fiscal year ending December 31, 2024	The amendment clarifies how to classify debt and other liabilities as current or non-current.
IAS 1 IAS 8	Presentation of Financial Statements Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2023	Fiscal year ending December 31, 2023	The amendments improve accounting policy disclosures and clarify distinction between accounting policies and accounting estimates.
IAS 12	Income Taxes	January 1, 2023	Fiscal year ending December 31, 2023	The amendment clarifies how to account for deferred tax related to assets and liabilities arising from a single transaction.
IFRS 16	Leases	January 1, 2024	Fiscal year ending December 31, 2024	The amendment adds a requirement to explain how to account for a sale and leaseback transaction after the transaction.

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 communication-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, adjusted by "Adjusting items" such as "Amortization of intangible assets incurred in acquisitions".

Intersegment revenues are based on the prevailing market price.

FY2021: Year ended December 31, 2021

(Millions of Yen)

	Japan business	International business	Total	Eliminations/ Central	Consolidated
Revenue (Note 1)	¥501,933	¥598,629	¥1,100,562	¥(14,970)	¥1,085,592
Net revenue (Note 2)	415,915	560,978	976,893	(316)	976,577
Segment profit (underlying operating profit) (Note 3)	95,361	88,975	184,337	(5,309)	179,028
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	–	–	–	–	(29,409)
Selling, general and administrative expenses (Note 8)	–	–	–	–	(5,621)
Restructuring cost (Note 5)	–	–	–	–	(19,516)
Gain on sale and retirement of non-current assets (Note 6)	–	–	–	–	118,960
Impairment loss (Note 7)	–	–	–	–	(1,353)
Other income	–	–	–	–	1,638
Other expenses	–	–	–	–	(1,884)
Operating income	–	–	–	–	241,841
Share of profits of investments accounted for using the equity method	–	–	–	–	2,448
Gain on sale of investments in associates	–	–	–	–	35
Finance income	–	–	–	–	4,749
Finance expenses	–	–	–	–	(40,240)
Profit before tax	–	–	–	–	208,833
Segment assets (Note 4)	1,239,808	2,275,179	3,514,987	205,549	3,720,536
(Other items)					
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	18,452	27,015	45,467	–	45,467
Investments accounted for using the equity method	55,915	507	56,423	–	56,423
Capital expenditures	8,381	12,655	21,036	–	21,036
Increase in right-of-use assets	¥56,410	¥13,366	¥69,776	–	¥69,776

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FY2022: Year ended December 31, 2022

(Millions of Yen)

	Japan business	International business	Total	Eliminations/ Central	Consolidated
Revenue (Note 1)	¥530,133	¥714,948	¥1,245,082	¥(1,198)	¥1,243,883
Net revenue (Note 2)	438,740	678,872	1,117,613	(611)	1,117,002
Segment profit (underlying operating profit) (Note 3)	105,665	106,335	212,001	(8,811)	203,189
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	–	–	–	–	(28,721)
Selling, general and administrative expenses (Note 8)	–	–	–	–	(2,584)
Restructuring cost (Note 5)	–	–	–	–	(33,941)
Gain on sale and retirement of non-current assets (Note 6)	–	–	–	–	16,826
Impairment loss (Note 7)	–	–	–	–	(35,972)
Other income	–	–	–	–	584
Other expenses	–	–	–	–	(1,763)
Operating income	–	–	–	–	117,617
Share of profits of investments accounted for using the equity method	–	–	–	–	3,418
Impairment loss of investments accounted for using the equity method	–	–	–	–	(5,950)
Gain on sale of investments in associates	–	–	–	–	600
Revaluation gain on step acquisition	–	–	–	–	5,467
Finance income	–	–	–	–	19,701
Finance expenses	–	–	–	–	(39,947)
Profit before tax	–	–	–	–	100,908
Segment assets (Note 4)	1,231,654	2,450,975	3,682,629	58,797	3,741,427
(Other items)					
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	23,831	21,617	45,448	–	45,448
Investments accounted for using the equity method	47,302	212	47,515	–	47,515
Capital expenditures	11,386	7,140	18,526	–	18,526
Increase in right-of-use assets	¥8,283	¥51,285	¥59,569	–	¥59,569

FY2022: Year ended December 31, 2022

(Millions of U.S. Dollars)

	Japan business	International business	Total	Eliminations/ Central	Consolidated
Revenue (Note 1)	**$3,995**	**$5,388**	**$9,383**	**$(9)**	**$9,374**
Net revenue (Note 2)	**$3,306**	**$5,116**	**$8,422**	**$(5)**	**$8,417**
Segment profit (underlying operating profit) (Note 3)	**$796**	**$801**	**$1,598**	**$(66)**	**$1,531**
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	–	–	–	–	**(216)**
Selling, general and administrative expenses (Note 8)	–	–	–	–	**(19)**
Restructuring cost (Note 5)	–	–	–	–	**(256)**
Gain on sale and retirement of non-current assets (Note 6)	–	–	–	–	**127**
Impairment loss (Note 7)	–	–	–	–	**(271)**
Other income	–	–	–	–	**4**
Other expenses	–	–	–	–	**(13)**
Operating income	–	–	–	–	**886**
Share of profits of investments accounted for using the equity method	–	–	–	–	**26**
Impairment loss of investments accounted for using the equity method	–	–	–	–	**(45)**
Gain on sale of investments in associates	–	–	–	–	**5**
Revaluation gain on step acquisition	–	–	–	–	**41**
Finance income	–	–	–	–	**148**
Finance expenses	–	–	–	–	**(301)**
Profit before tax	–	–	–	–	**760**
Segment assets (Note 4)	**9,281**	**18,470**	**27,752**	**443**	**28,195**
(Other items)					
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	**180**	**163**	**342**	–	**342**
Investments accounted for using the equity method	**356**	**2**	**358**	–	**358**
Capital expenditures	**86**	**54**	**140**	–	**140**
Increase in right-of-use assets	**$62**	**$386**	**$449**	–	**$449**

(Note 1) Eliminations/Central for revenue are due to eliminations of intersegment transactions.
(Note 2) Eliminations/Central for net revenue are due to eliminations of intersegment transactions.
(Note 3) Eliminations/Central for segment profit (underlying operating profit) are due to central costs attributable to the holding company and eliminations of intersegment transactions. Central costs attributable to the holding company include personnel expenses at the holding company.
(Note 4) Eliminations/Central for segment assets are due to central assets attributable to the holding company and eliminations of intersegment transactions. Central assets attributable to the holding company are the Company's cash (cash and deposits) and loans, etc. to Group companies.
(Note 5) Restructuring cost by each segment is ¥12,765 million (Japan business) and ¥6,750 million (International business) for the year ended December 31, 2021 and ¥6,870 million ($52 million) (Japan business) and ¥27,070million ($204 million) (International business) for the year ended December 31, 2022. An impairment loss of ¥482million (International business) for the year ended December 31, 2021 and ¥922 million ($7 million) (Japan business) and ¥7,395 million ($56 million) (International business) for the year ended December 31, 2022 are included in the restructuring cost.
(Note 6) The gain on sale and retirement of non-current assets for the year ended December 31, 2021 and 2022 are attributable to the Japan business.
(Note 7) The breakdown of impairment loss by segment was ¥1,353 million for the year ended December 31, 2021. ¥1,155 million ($9 million) (Japan business) and ¥34,817 ($262 million) (International business) for the year ended December 31, 2022.
(Note 8) The breakdown of selling, general and administrative expenses is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Selling, general and administrative expenses			
Costs associated with merger and acquisitions	¥787	**¥980**	**$7**
Share-based payment expenses (Note 1)	1,540	**64**	**0**
Other	3,293	**1,538**	**12**
Total	¥5,621	**¥2,584**	**$19**

(Note 1) Share-based payment expenses included in "Selling, general and administrative expenses" were incurred from a stock compensation plan using the Company's shares that was developed when Merkle Group Inc. (hereinafter referred to as "Merkle") became a wholly owned subsidiary.

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(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, out-of-home, 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 information services, sales of information-related products and other services.

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)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Advertising services	¥992,856	**¥1,135,685**	**$8,558**
Information services	89,528	**106,884**	**805**
Other services	3,207	**1,312**	**10**
Total	¥1,085,592	**¥1,243,883**	**$9,374**

(4) Regional information

A. Revenue from external customers

Revenue attributable to the United States within the overseas is ¥233,642 million for the year ended December 31, 2021 and ¥294,930 million ($2,223 million) for the year ended December 31, 2022. In general, the amount is based on the customer's location.

B. Non-current assets (property, plant and equipment, goodwill, intangible assets and investment property)

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Japan	¥124,762	**¥171,106**	**$1,289**
International (mainly the United Kingdom and the United States)	907,768	**959,925**	**7,234**
Total	¥1,032,530	**¥1,131,031**	**$8,523**

(Note 1) Non-current assets are allocated according to the location of each group entity.

(Note 2) Within the international, goodwill and intangible assets not tied to a specific country amounted to ¥666,032 million and ¥160,125 million, respectively, as of December 31, 2021, and ¥726,467 million ($5,475 million) and ¥143,945 million ($1,085 million), respectively, as of December 31, 2022.

(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. BUSINESS COMBINATIONS

FY2021: Year ended December 31, 2021

Acquisition of LiveArea

(1) Details of business combination

A. Name of the acquiree

LiveArea (a division of PFSweb, Inc.)

B. Description of acquired business

U.S. advertising agency

C. Main reason for business combination

LiveArea is a global customer experience management ("CXM") and commerce agency based out of the United States. The main reason for the business combination is to expand the scale of the CXM and commerce businesses and to strengthen service functions in the B2C field of Merkle Group Inc. ("Merkle"), headquartered in Maryland, United States. Merkle, one of the six leadership brands that the Group is developing overseas, is a technology-enabled, data-driven marketing company.

D. Date of the business combination

August 27, 2021

E. Ratio of acquired equity interest with voting rights

100%

F. Legal form of the business combination

Acquisition of shares in exchange for cash

(2) The period of performance of the acquired business included in the Consolidated Statement of Income
Performance from August 27, 2021 to December 31, 2021 are included.

(3) Acquisition costs of the acquired business and breakdown thereof
Acquisition cost of the acquired business: ¥27,435 million
Breakdown of acquisition costs
Consideration (cash) for shares: ¥27,435 million

(4) Amount and presentation of acquisition-related expenses
The acquisition-related expenses pertaining to said business combination were ¥513 million and included under "Selling, general and administrative expenses" in the Consolidated Statement of Income.

(5) Fair value of assets and liabilities on the date of business combination, considration paid and goodwill

	(Millions of Yen)
Current assets (Note 1)	**¥3,263**
Non-current assets	**10,832**
Total assets	**14,095**
Current liabilities	**1,797**
Non-current liabilities	**423**
Total liabilities	**2,220**
Fair value of identifiable net assets	**11,874**
Total consideration	**27,435**
Goodwill (Note 2)	**¥15,560**

(Note 1) Cash and cash equivalents of ¥589 million are included. The fair value of acquired trade and other receivables is ¥2,674 million, the total amount of the contractual outstanding balance is ¥2,738 million, and the amount that is not expected to be recovered is ¥75 million.
(Note 2) Goodwill reflects the expected future excess earning power. The total amount of goodwill that is expected to be deductible for tax purposes is ¥15,560 million.

(6) Allocated amount, breakdown, and the amortization period of intangible assets other than goodwill

(Millions of Yen)

Asset classes	Amount	Amortization period(year)
Customer relationships	¥10,161	5
Others	21	1-10
Total	¥10,182	

(7) Impact of business combination on cash flows
Payment of acquisition costs: ¥(27,435) million
Cash and cash equivalents received on the date of business combination: ¥589 million
Payment for acquisition of shares: ¥(26,845) million

(8) Revenue and profit of the acquired business
The post-acquisition revenue and loss before tax of LiveArea, the acquiree, included in the Consolidated Statement of Income were ¥3,897 million and ¥438 million, respectively.

(Pro forma information)
Assuming that the business combinations were executed at the beginning of the previous fiscal year, revenue and loss of the consolidated statement of income for the year ended December 31, 2021 would be ¥1,095,665 million and ¥207,892 million, respectively.

This pro forma information is unaudited. Furthermore, such information does not necessarily indicate possible future events, nor reflect the operating results of the Group should the actual equity investment had occurred as of the beginning of the year ended December 31, 2021.

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FY2022: Year ended December 31, 2022

Acquisition of Septeni Holdings Co., Ltd.

(1) Details of business combination

A. Name of the acquiree

Septeni Holdings Co., Ltd. (hereinafter, "Septeni HD")

B. Description of acquired business

Digital marketing business, media platform business

C. Main reason for business combination

On October 28, 2018, the Group announced that Septeni HD would become an equity-method associate through a capital and business alliance. In the subsequent period, through deep alliances and collaborations, the Septeni Group and companies within Dentsu Japan Network (hereinafter, "DJN"), such as Dentsu Digital Inc. (hereinafter, "Dentsu Digital") and Dentsu Inc., which are two of the core companies within the Dentsu Group's business in Japan, have produced consistent results through their business alliance, including in terms of development of services and acquisition of new customers. Now, by welcoming the Septeni Group into the Dentsu Group, both groups are able to further expand synergy, leading to an increased presence in the digital marketing sector and accelerating the evolution of DJN into an Integrated Growth Partner (IGP) that is committed to the sustainable growth of clients and society.

D. Date of the business combination

January 4, 2022

E. Ratio of acquired equity interest with voting rights

Ratio of voting rights held prior to the business combination	20.98%
Ratio of voting rights additionally acquired on the date of the business combination	31.03%
Ratio of voting rights following acquisition	52.01%

F. Legal form of the business combination

The legal form is as follows: a share exchange whereby Dentsu Direct Inc. (hereinafter, "Dentsu Direct"), a consolidated subsidiary of the Group, becomes a wholly-owned subsidiary of Septeni HD (share exchange of 3,900 shares of Dentsu Direct common stock and 12,768,600 shares of Septeni HD common stock); a subscription for new shares issued by Septeni HD through third-party allocation (total 70,118,794 shares of Septeni HD common stock, amount paid per share: ¥465 ($4), total amount paid: ¥32,605 million ($246 million)); and the transfer of a portion of shares of Dentsu Digital common stock to Septeni HD (3,675 shares of Dentsu Digital common stock, voting rights of Dentsu Digital shares: 25.0%, total amount received as consideration for the transfer: ¥31,250 million ($235 million)).

(2) The period of performance of the acquired business included in the Consolidated Statement of Income

Results from January 4, 2022 to December 31, 2022 are included.

(3) Breakdown of acquired businesses by acquisition cost and type of consideration

	(Millions of Yen)	(Millions of U.S. Dollars)
Fair value of the equity interest in Septeni HD immediately prior to the acquisition date (Note 1)	**¥13,097**	**$99**
Fair value of the common stock of Dentsu Direct and Dentsu Digital (Note 2)	**18,016**	**136**
Cash and cash equivalents (Note 3)	**1,355**	**10**
Total acquisition cost	**¥32,469**	**$245**

(Note 1) As a result of remeasuring the equity interest in Septeni HD held immediately prior to the acquisition date, "revaluation gain on step acquisition" of ¥5,388 million ($41 million) was recognized.

(Note 2) Calculated based on the fair value of the equity interest in Septeni HD that was additionally acquired.

(Note 3) Net expenditure of the difference between the amount paid of ¥32,605 million ($246 million) for the subscription to the new share issuance by Septeni HD through third-party allocation and the amount received of ¥31,250 million ($235 million) due to the transfer of a portion of shares of Dentsu Digital common stock to Septeni HD.

(4) Amount and presentation of acquisition-related expenses

The acquisition-related expenses pertaining to said business combination were ¥143 miillion ($1 million) and included under "Selling, general and administrative expenses" in the Consolidated Statement of Income.

(5) Fair value of assets and liabilities on the date of business combination, considration paid and goodwill

	(Millions of Yen)	(Millions of U.S. Dollars)
Current assets (Note 1)	**¥34,829**	**$262**
Non-current assets	**36,363**	**274**
Total assets	**71,193**	**536**
Current liabilities	**20,585**	**155**
Non-current liabilities	**11,727**	**88**
Total liabilities	**32,312**	**243**
Fair value of identifiable net assets	**38,880**	**293**
Total consideration	**32,469**	**245**
Non-controlling interest (Note 2)	**18,668**	**141**
Goodwill (Note 3)	**¥12,258**	**$92**

(Note 1) The fair value of acquired trade and other receivables is ¥16,856 million ($127 million), the amount receivable under contracts is ¥16,879 million ($127 million), and the amount that is not expected to be recovered is ¥23 million ($0 million).

(Note 2) Non-controlling interests are measured by multiplying the fair value of the identifiable net assets of the acquiree as of the date when control was gained by the equity interest after the business combination, after deducting the portion separately attributable to non-controlling shareholders.

(Note 3) Goodwill reflects expected future excess earning power. No amount is deductible for tax purposes.

(6) Allocated amount, breakdown, and the amortization period of intangible assets other than goodwill

	(Millions of Yen)		(Millions of U.S. Dollars)
Asset classes	Amount	Amortization period (year)	Amount
Customer relationships	¥28,153	13	$212

(7) Impact of business combination on cash flows

	(Millions of Yen)	(Millions of U.S. Dollars)
Payment of acquisition costs in cash and cash equivalents	**¥(1,355)**	**$(10)**
Cash and cash equivalents accepted on the date of the business combination	**18,744**	**141**
Proceeds from share acquisition	**¥17,389**	**$131**

(8) Revenue and profit of the acquired business

The post-acquisition revenue and profit for the year of Septeni HD, the acquiree, included in the Consolidated Statement of Income were ¥23,806 million ($179 million) and ¥3,039 million ($23 million), respectively.

Other business combinations

The Group acquired the following companies in the fiscal year ended December 31, 2022.

Name of acquiree	Place of incorporation
Pexlify Limited	Ireland
Extentia Information Technology	India
Aware Services Pty Ltd	Australia
IGNITION POINT Inc.	Japan
Dentsu Digital Anchor Inc. (formerly Dig into Inc.)	Japan

The Group conducted business combinations for the purposes of strengthening its operations, expanding its market share primarily in the fast-growing areas, and increasing its capacity in the fields of media and digital businesses.

During the year ended December 31, 2022, the Group acquired shares of multiple companies, but none of such acquisitions, expect for the Septeni HD one, have a significant impact on the consolidated financial statements. Individual descriptions of the following amounts have been therefore omitted.

The acquisition cost of the acquired businesses was ¥31,868 million ($240 million). The acquisition cost consists of cash of ¥27,913 million ($210 million), shares of ¥85 million ($1 million) and contingent consideration of ¥3,870 million ($29 million).

Shares of ¥85 million($1 million) were measured at the acquisition-date fair value of equity ownership in Dentsu Digital Anchor Inc.

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Revaluation gain on step acquisition of ¥79 million($1 million) was recognized in the Consolidated Statement of Income. This is because the Group remeasured the previously held equity interest in Dentsu Digital Anchor Inc. at the acquisition-date fair value.

Contingent consideration is calculated according to the operating results of acquired companies. For details of contingent consideration, please see "20. BONDS, BORROWINGS, AND OTHER FINANCIAL LIABILITIES." The acquisition-related expenses were ¥955 million($7 million).

The fair value of assets and liabilities, consideration paid, non-controlling interests and goodwill as of the business combination dates are as follows.

	(Millions of Yen)	(Millions of U.S. Dollars)
Total assets	**¥17,831**	**$134**
Total liabilities	**6,226**	**46.9**
Fair value of identifiable net assets	**11,605**	**87.5**
Total consideration	**31,868**	**240.2**
Non-controlling interests (Note 1)	**2,420**	**18.2**
Goodwill (Note 2)	**¥22,683**	**$171**

(Note 1) Non-controlling interests were measured by multiplying the shareholding ratio after the business combination by the fair values of identifiable net assets of the acquiree at the date of acquisition of control, excluding the portion individually attributable to non-controlling shareholders.
(Note 2) Goodwill reflects the expected future excess earning power. The total amount of goodwill that is expected to be deductible for tax purposes is ¥15,841 million ($119 million).

The amounts presented above are fair values based on the best estimate at this time. They are therefore subject to revisions for a year from the date on which the Group obtained control of said companies, if additional information is obtained and evaluated about facts and circumstances that existed as of the date on which the Group obtained control. The amount allocated to intangible assets (customer-related) separately from goodwill is ¥10,810 million ($81 million).

The post-acquisition revenue and loss for the year of the acquirees, included in the Consolidated Statement of Income were ¥8,784 million ($66 million) and ¥58 million ($0 million), respectively.

(Pro forma information)
Assuming that the business combinations were executed at the beginning of the year ended December 31, 2022, revenue and profit for the year of the Consolidated Statement of Income for the year ended December 31, 2022 would be ¥1,251,717 million ($9,433 million) and ¥66,371 million ($500 million), respectively.

This pro forma information is unaudited. Furthermore, such information does not necessarily indicate possible future events, nor reflect the operating results of the Group should the actual equity investment had occurred as of the beginning of the year ended December 31, 2022.

8. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Cash and time deposits due within three months	¥723,541	**¥603,740**	**$4,550**

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

The above amounts have been offset and eliminated from the amounts deposited in a cash pool account (the previous fiscal year: ¥- million, the current fiscal year: ¥39,105 million ($295 million)), which were accounted for as loans from Dentsu Group Inc. to Dentsu International Limited.

9. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Notes and accounts receivable–trade	¥1,471,586	**¥1,497,687**	**$11,286**
Other	15,515	**39,620**	**299**
Allowance for doubtful accounts	(7,907)	**(5,350)**	**(40)**
Total	¥1,479,194	**¥1,531,957**	**$11,545**

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.

10. INVENTORIES

The breakdown of inventories is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Work-in-process	¥18,661	**¥247**	**$2**
Other	1,999	**3,423**	**26**
Total	¥20,661	**¥3,670**	**$28**
Of the above, inventories scheduled to be sold for more than 12 months	¥4,015	**–**	**–**

The amount of inventories recognized as expense by sales was ¥60,918 million and ¥70,236 million ($529 million) for the years ended December 31, 2021 and 2022, respectively. In addition, the amount of write-down of inventories recognized as expense was ¥5,459 million and ¥1,149 million ($9 million) for the years ended December 31, 2021 and 2022, respectively. There was no reversal of write-down of inventories for the years ended December 31, 2021 and 2022.

11. OTHER FINANCIAL ASSETS

(1) The breakdown of other financial assets is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Derivative assets	¥9,608	**¥26,679**	**$201**
Equity securities	145,237	**93,580**	**705**
Debt securities	4,997	**642**	**5**
Other	76,523	**76,253**	**575**
Allowance for doubtful accounts	(10,954)	**(10,037)**	**(76)**
Total	¥225,412	**¥187,118**	**$1,410**
Current assets	19,455	**18,731**	**141**
Non-current assets	205,956	**168,386**	**1,269**
Total	¥225,412	**¥187,118**	**$1,410**

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

In addition, derivative assets include those which hedge accounting is applied.

Derivative assets are classified as financial assets measured at fair value through profit or loss, equity securities are classified as financial assets measured at fair value through other comprehensive income. Debt securities and the "Other", ¥9,206 million and ¥16,906 million ($127 million), respectively as of December 31, 2021 and 2022 are classified as financial assets measured at fair value through profit or loss, ¥23,760 million and ¥18,405 million ($139 million), respectively as of December 31, 2021 and 2022 are classified as financial assets measured at fair value through other comprehensive income, remainder is classified as financial assets measured at amortized cost.

(2) Major securities held as financial assets measured at fair value through other comprehensive income and their respective fair values are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Marketable stocks (Note 1)	¥85,811	**¥53,973**	**$407**
Non-marketable stocks (Note 2)	83,186	**58,011**	**437**
Total	¥168,998	**¥111,985**	**$844**

(Note 1) Major securities in each fiscal year are as follows.

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Investees	FY2021 (As of December 31, 2021) (Millions of Yen)	FY2022 (As of December 31, 2022) (Millions of Yen)	FY2022 (As of December 31, 2022) (Millions of U.S. Dollars)
Recruit Holdings Co., Ltd.	¥24,750	**¥14,828**	**$112**
Digital Garage, Inc.	16,153	**10,742**	**81**
TBS HOLDINGS, INC.	4,272	**3,921**	**$30**
TOHO CO., LTD.	3,983	**–**	**–**
Total	¥49,158	**¥29,491**	**$222**

(Note 2) Major securities are the one relating to sporting digital contents distribution business, the one relating to ballpark operation business, and the one relating to Internet browsers. The fair values of them as of December 31, 2021 and 2022 are ¥37,035 million and ¥6,512 million ($49 million), ¥3,448 million and ¥4,248 million ($32 million), and ¥- million and ¥8,895 million ($67 million), respectively.

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 enhance the efficiency of assets held and to use them effectively, sales (derecognition) of financial assets measured at fair value through other comprehensive income are being carried out.

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

FY2021: Year ended December 31, 2021

(Millions of Yen)

Fair value	Cumulative gain or loss recognized in equity as other components of equity
¥4,364	¥167

FY2022: Year ended December 31, 2022

(Millions of Yen)

Fair value	Cumulative gain or loss recognized in equity as other components of equity
¥25,710	**¥18,127**

FY2022: Year ended December 31, 2022

(Millions of U.S. Dollars)

Fair value	Cumulative gain or loss recognized in equity as other components of equity
$194	**$137**

The cumulative gain or loss recognized in equity as other components of equity are transferred to retained earnings when an equity instrument is sold or its fair value declined significantly. The cumulative gain or loss (after tax) transferred to retained earnings was ¥4,275 million and ¥(23,355) million ($(176) million) for the years ended December 31, 2021 and 2022, respectively.

12. OTHER CURRENT ASSETS

Advance payments included in other current assets which are expected to be recognized in profit or loss after more than 12 months are as follows:

	FY2021 (As of December 31, 2021) (Millions of Yen)	FY2022 (As of December 31, 2022) (Millions of Yen)	FY2022 (As of December 31, 2022) (Millions of U.S. Dollars)
Advance payments which are expected to be recognized in profit and loss after more than 12 months	¥5,130	**–**	**–**

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The breakdown of non-current assets classified as held for sale as of December 31, 2021 and 2022 is as follows.

Components of non-current assets classified as held for sale

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Non-current assets classified as held for sale			
Cash and cash equivalents	–	**¥886**	**$7**
Trade receivables and other receivables	–	**38,165**	**288**
Inventories	–	**7**	**0**
Income tax receivables	–	**2**	**0**
Other financial assets (current)	–	**1,281**	**10**
Other current assets	–	**1,458**	**11**
Property, plant and equipment	2,050	**16**	**0**
Investments accounted for using the equity method	–	**2,383**	**18**
Other financial assets (non-current)	11,008	**13,003**	**98**
Total	¥13,059	**¥57,204**	**$431**
Liabilities directly associated with non-current assets classified as held for sale			
Trade and other payables	–	**¥27,666**	**$208**
Bonds and Borrowings (current)	–	**4,730**	**36**
Other financial liabilities (current)	–	**796**	**6**
Other current liabilities	–	**1,142**	**9**
Other financial liabilities (non-current)	–	**3,185**	**24**
Other non-current liabilities	–	**128**	**1**
Deferred tax liabilities	–	**90**	**1**
Total	–	**¥37,740**	**$284**

Non-current assets classified as held for sale as of December 31, 2021 consist of shares held by the Group in the Japan business, and property, plant and equipment such as land, buildings, structures, etc. held by the Group and its consolidated subsidiaries.

Non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale as of December 31, 2022 consist mainly of assets and liabilities associated with the Russia business in the International business segment. In addition to the above, non-current assets classified as held for sale as of December 31, 2022 include shares, etc. held by the Group in the Japan business.

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Details of the Russia business and other assets as of December 31, 2022 are as follows.

(Millions of Yen)

	Russia business	Other	Total
Non-current assets classified as held for sale			
Cash and cash equivalents	¥886	–	**¥886**
Trade receivables and other receivables	38,165	–	**38,165**
Inventories	7	–	**7**
Income tax receivables	2	–	**2**
Other financial assets (current)	1,187	**93**	**1,281**
Other current assets	1,458	–	**1,458**
Property, plant and equipment	16	–	**16**
Investments accounted for using the equity method	–	**2,383**	**2,383**
Other financial assets (non-current)	–	**13,003**	**13,003**
Total	¥41,724	**¥15,480**	**¥57,204**
Liabilities directly associated with non-current assets classified as held for sale			
Trade and other payables	¥27,666	–	**¥27,666**
Bonds and borrowings (current)	4,730	–	**4,730**
Other financial liabilities (current)	796	–	**796**
Other current liabilities	1,142	–	**1,142**
Other financial liabilities (non-current)	3,185	–	**3,185**
Other non-current liabilities	128	–	**128**
Deferred tax liabilities	90	–	**90**
Total	¥37,740	–	**¥37,740**

(Millions of U.S. Dollars)

	Russia business	Other	Total
Non-current assets classified as held for sale			
Cash and cash equivalents	$7	–	**$7**
Trade receivables and other receivables	288	–	**288**
Inventories	0	–	**0**
Income tax receivables	0	–	**0**
Other financial assets (current)	9	**1**	**10**
Other current assets	11	–	**11**
Property, plant and equipment	0	–	**0**
Investments accounted for using the equity method	–	**18**	**18**
Other financial assets (non-current)	–	**98**	**98**
Total	$314	**$117**	**$431**
Liabilities directly associated with non-current assets classified as held for sale			
Trade and other payables	$208	–	**$208**
Bonds and borrowings (current)	36	–	**36**
Other financial liabilities (current)	6	–	**6**
Other current liabilities	9	–	**9**
Other financial liabilities (non-current)	24	–	**24**
Other non-current liabilities	1	–	**1**
Deferred tax liabilities	1	–	**1**
Total	$284	–	**$284**

In March 2022, the Group began reviewing its business in Russia to ensure compliance with Dentsu Group policies and applicable laws. In August 2022, a broad agreement was reached to sell the equity to our local partners who will operate independently going forward. As a result of negotiations, a resolution was passed at the meeting of the Board of Directors held on November 14, 2022 to conclude the sale agreement, which was subsequently signed.

In view of this situation, in the year ended December 31, 2022, the Group has classified assets and liabilities related to the Russia business as held for sale, and recorded an impairment loss of ¥23,372 million ($176 million). In addition, "Other components of equity" in the Consolidated

Statement of Financial Position as of December 31,2022 year include ¥(15,051) million ($(113) million) of accumulated other comprehensive income (primarily, exchange differences on translation of foreign operations) associated with the Russia business, which was classified as held for sale.

14. PROPERTY, PLANT AND EQUIPMENT

The schedule of the carrying amount during the period is as follows (excluding right-of-use assets):

FY2021: Year ended December 31, 2021

(Millions of Yen)

	Buildings and structures	Land	Other	Total
Balance at the beginning of the year	¥62,147	¥111,565	¥13,362	¥187,075
Aquisision due to purchases	4,504	–	4,736	9,240
Acquisitions through business combinations	0	–	147	147
Sales or disposals (Note 1)	(40,416)	(105,099)	(2,969)	(148,485)
Reclassification to non-current assets classified as held for sale	(1,621)	(424)	(5)	(2,050)
Depreciation	(5,605)	–	(4,871)	(10,477)
Impairment losses (Note 3)	(245)	–	(26)	(272)
Exchange differences on translation of foreign operations	1,073	67	829	1,971
Other	(263)	–	(214)	(478)
Balance at the end of the year	¥19,572	¥6,109	¥10,988	¥36,670

FY2022: Year ended December 31, 2022

(Millions of Yen)

	Buildings and structures	Land	Other	Total
Balance at the beginning of the year	**¥19,572**	**¥6,109**	**¥10,988**	**¥36,670**
Aquisision due to purchases	**2,151**	**0**	**4,620**	**6,772**
Acquisitions through business combinations	**201**	**–**	**325**	**527**
Sales or disposals	**(4,130)**	**(3,588)**	**(1,233)**	**(8,952)**
Reclassification to non-current assets classified as held for sale (Note 2)	**–**	**–**	**(61)**	**(61)**
Depreciation	**(4,599)**	**–**	**(4,687)**	**(9,286)**
Impairment losses (Note 3)	**(15)**	**–**	**(715)**	**(731)**
Exchange differences on translation of foreign operations	**1,286**	**20**	**864**	**2,171**
Other	**(74)**	**18**	**(475)**	**(531)**
Balance at the end of the year	**¥14,392**	**¥2,560**	**¥9,625**	**¥26,577**

FY2022: Year ended December 31, 2022

(Millions of U.S. Dollars)

	Buildings and structures	Land	Other	Total
Balance at the beginning of the year	**$147**	**$46**	**$83**	**$276**
Aquisision due to purchases	**16**	**–**	**35**	**51**
Acquisitions through business combinations	**2**	**–**	**2**	**4**
Sales or disposals	**(31)**	**(27)**	**(9)**	**(67)**
Reclassification to non-current assets classified as held for sale (Note 2)	**–**	**–**	**(0)**	**(0)**
Depreciation	**(35)**	**–**	**(35)**	**(70)**
Impairment losses (Note3)	**(0)**	**–**	**(5)**	**(6)**
Exchange differences on translation of foreign operations	**10**	**0**	**7**	**16**
Other	**(1)**	**0**	**(4)**	**(4)**
Balance at the end of the year	**$108**	**$19**	**$73**	**$200**

(Note 1) This is mainly attributable to the transfer of the real estate in Shiodome, Zone A, which includes the Dentsu Headquarters Building during the year ended December 31, 2021. For details, please refer to "16. LEASES (5) Sale and leaseback transaction."
(Note 2) For details, please refer to "13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE."
(Note 3) Impairment loss is recorded in the Consolidated Statement of Income as "Impairment loss" and "Restructuring cost."

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The acquisition cost, accumulated depreciation and impairment losses, and carrying amount of property, plant and equipment (excluding right-of-use assets) are as follows:

(Millions of Yen)

	Buildings and structures	Land	Other	Total
FY2021 (As of December 31, 2021)				
Acquisition cost	¥59,819	¥6,114	¥54,038	¥119,972
Accumulated depreciation and impairment losses	40,247	4	43,050	83,302
Carrying amount	¥19,572	¥6,109	¥10,988	¥36,670
FY2022 (As of December 31, 2022)				
Acquisition cost	**¥56,456**	**¥2,565**	**¥56,637**	**¥115,659**
Accumulated depreciation and impairment losses	**42,063**	**4**	**47,012**	**89,081**
Carrying amount	**¥14,392**	**¥2,560**	**¥9,625**	**¥26,577**

(Millions of U.S. Dollars)

	Buildings and structures	Land	Other	Total
FY2022 (As of December 31, 2022)				
Acquisition cost	**$425**	**$19**	**$427**	**$872**
Accumulated depreciation and impairment losses	**317**	**0**	**354**	**671**
Carrying amount	**$108**	**$19**	**$73**	**$200**

There is no property, plant and equipment whose title is restricted or pledged as security for liabilities.

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

Property, plant and equipment consist of proprietary assets right-of-use assets.

The carrying amount of the assets are as follows.

(Millions of Yen)

	Total
FY2021 (As of December 31, 2021)	
Property, plant and equipment owned by the Group	¥36,670
Right-of-use assets	137,010
Carrying amount	¥173,681
	Total
FY2022 (As of December 31, 2022)	
Property, plant and equipment owned by the Group	**¥26,577**
Right-of-use assets	**142,280**
Carrying amount	**¥168,859**

(Millions of U.S. Dollars)

	Total
FY2022 (As of December 31, 2022)	
Property, plant and equipment owned by the Group	**$200**
Right-of-use assets	**$1,072**
Carrying amount	**$1,272**

For details of right-of-use assets, please refer to "16. LEASE."

15. GOODWILL AND INTANGIBLE ASSETS

(1) Schedule of goodwill and intangible assets

The schedule of the carrying amount during the period is as follows (excluding right-of-use assets):

FY2021: Year ended December 31, 2021

(Millions of Yen)

	Goodwill	Customer relationships	Software	Other	Total
Balance at the beginning of the year	¥593,369	¥117,647	¥24,217	¥48,270	¥783,504
Aquisision due to purchases	–	–	7,231	76	7,307
Acquisitions through business combinations (Note 1)	14,985	8,816	11	730	24,543
Sales or disposals	(266)	–	(718)	(105)	(1,090)
Amortization	–	(21,201)	(6,946)	(8,673)	(36,821)
Impairment losses (Note 3)	(193)	–	(946)	(2)	(1,142)
Exchange differences on translation of foreign operations	63,077	12,521	1,411	4,667	81,677
Other	(222)	(60)	151	76	(54)
Balance at the end of the year	¥670,749	¥117,722	¥24,412	¥45,040	¥857,924

FY2022: Year ended December 31, 2022

(Millions of Yen)

	Goodwill	Customer relationships	Software	Other	Total
Balance at the beginning of the year	¥670,749	¥117,722	¥24,412	¥45,040	¥857,924
Aquisision due to purchases	–	–	9,920	8,109	18,030
Acquisitions through business combinations (Note 1)	34,941	38,963	154	1,188	75,247
Sales or disposals	(518)	–	(393)	(34)	(947)
Reclassification to non-current assets classified as held for sale (Note 2)	(9,751)	(4,572)	(3)	(539)	(14,867)
Amortization	–	(21,846)	(7,586)	(7,367)	(36,800)
Impairment losses (Note 3)	(9,929)	(2,057)	(267)	(837)	(13,092)
Exchange differences on translation of foreign operations	64,321	7,728	331	3,513	75,895
Other	(56)	(316)	(77)	61	(388)
Balance at the end of the year	¥749,755	¥135,622	¥26,490	¥49,134	¥961,002

FY2022: Year ended December 31, 2022

(Millions of U.S. Dollars)

	Goodwill	Customer relationships	Software	Other	Total
Balance at the beginning of the year	$5,055	$887	$184	339	$6,465
Aquisision due to purchases	–	–	75	61	136
Acquisitions through business combinations (Note 1)	263	294	1	9	567
Sales or disposals	(4)	–	(3)	(0)	(7)
Reclassification to non-current assets classified as held for sale (Note 2)	(73)	(34)	(0)	(4)	(112)
Amortization	–	(165)	(57)	(56)	(277)
Impairment losses (Note 3)	(75)	(16)	(2)	(6)	(99)
Exchange differences on translation of foreign operations	485	58	2	26	572
Other	(0)	(2)	(1)	0	(3)
Balance at the end of the year	$5,650	1,022	200	370	7,242

(Note 1) Acquisitions through business combinations include measurement period adjustments that have not been applied retrospectively due to immateriality.
(Note 2) For details, please refer to "13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE."
(Note 3) Impairment losses are recorded in the Consolidated Statement of Income as "Impairment loss" and "Restructuring cost."

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The acquisition cost, accumulated amortization and impairment losses, and carrying amount of goodwill and intangible assets (excluding right-of-use assets) are as follows:

(Millions of Yen)

	Goodwill	Customer relationships	Software	Other	Total
FY2021 (As of December 31, 2021)					
Acquisition cost	¥884,304	¥296,468	¥126,408	¥130,716	¥1,437,897
Accumulated amortization and impairment losses	213,554	178,746	101,995	85,675	579,972
Carrying amount	¥670,749	¥117,722	¥24,412	¥45,040	¥857,924
FY2022 (As of December 31, 2022)					
Acquisition cost	**¥982,992**	**¥351,485**	**¥128,385**	**¥150,006**	**¥1,612,869**
Accumulated amortization and impairment losses	**233,236**	**215,863**	**101,895**	**100,871**	**651,867**
Carrying amount	**¥749,755**	**¥135,622**	**¥26,490**	**¥49,134**	**¥961,002**

(Millions of U.S. Dollars)

	Goodwill	Customer relationships	Software	Other	Total
FY2022 (As of December 31, 2022)					
Acquisition cost	**$7,408**	**$2,649**	**$967**	**$1,130**	**$12,154**
Accumulated amortization and impairment losses	**1,758**	**1,627**	**768**	**760**	**4,912**
Carrying amount	**$5,650**	**$1,022**	**$200**	**$370**	**$7,242**

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 of sales" and "Selling, general and administrative expenses."

Intangible assets consist of proprietary assets that do not meet the definition of investment property, and right-of-use assets.

The carrying amount of goodwill and intangible assets are as follows.

(Millions of Yen)

	Total
FY2021 (As of December 31, 2021)	
Goodwill and intangible assets owned by the Group	¥857,924
right-of-use assets	824
Carrying amount	¥858,749
FY2022 (As of December 31, 2022)	
Goodwill and intangible assets owned by the Group	**¥961,002**
right-of-use assets	**1,097**
Carrying amount	**¥962,100**

(Millions of U.S. Dollars)

	Total
FY2022 (As of December 31, 2022)	
Goodwill and intangible assets owned by the Group	**$7,242**
right-of-use assets	**8**
Carrying amount	**$7,250**

For details of right-of-use assets, please refer to "16. LEASE."

(2) Significant goodwill and intangible assets

Significant goodwill as of December 31, 2022 was ¥192,121 million ($1,448 million) in the EMEA, ¥482,887 million ($3,639 million) in the Americas, and ¥51,460 million ($388 million) in the APAC in the International business segment. Significant goodwill as of December 31, 2021 was ¥181,000 million in the EMEA, ¥433,039 million in the Americas, and ¥51,993 million in the APAC in the International business segment.

Significant intangible assets other than goodwill consist of customer relationships in the international business segment, which amounted to ¥48,130 million ($363 million) in the EMEA, ¥42,076 million ($317million) in the Americas and ¥14,310 million ($108 million) in the APAC as of December 31, 2022. Customer relationships in the international business segment as of December 31, 2021 amounted to ¥57,442 million in the EMEA, ¥45,337million in the Americas and ¥14,942 million in the APAC. Among them, the customer relationships recognized when the Company acquired Dentsu Aegis Network Ltd. (currently "Dentsu International Limited") in March 2013 was ¥79,766 million and ¥69,330 million ($522 million) as of December 31, 2021 and 2022, respectively, of which the remaining amortization period as of December 31, 2022 is 8 years.

(3) Impairment testing of goodwill

A. Results of impairment test of goodwill

Based on the latest business plan compiled using the most recent results, the Group conducted an impairment test of goodwill related to the International business segment during the year ended December 31, 2022. As a result, the Group recognized impairment loss on goodwill of ¥9,262 million ($70 million) in the cash-generating unit group to which the goodwill of operations in the APAC had been allocated. The recoverable amount in the said cash-generating unit group is ¥61,994 million ($467 million) for the year ended December 31, 2022.

In the year ended December 31, 2021, as a result of goodwill impairment tests for international business segments based on the latest business plan based on the latest business results based on the most recent results, no impairment losses were recognized in the international business segments as a whole and in each fund generation unit group.

B. Overview of impairment test of goodwill

In the International business segment, goodwill is allocated to three cash-generating unit groups, EMEA, Americas, and APAC, and impairment tests are conducted for each of these cash-generating unit groups, and impairment losses are also confirmed for the International business segment, as a whole, including unallocated corporate assets and central costs. The recoverable value is calculated using the value in use based on the budget for the following fiscal year approved by the management and the forecast for the additional four subseqeunt fiscal years. The key assumptions and inputs used to calculate the value in use are as follows:

- Operating margin: Estimated to be approximately the same level as the actuals (19.8% ~ 22.3%) for each region excluding the impact of the Russia business for the year ended December 31, 2022.
- Estimate of net working capital: The Company estimates the long-term expected net working capital based on the average of the past two years and the budget for the following financial year.
- Medium-term growth rates for net revenue: The medium-term growth rate for net revenue in cash flows for the four-year period from the following fiscal year has been set at 3.0% ~ 9.3% (year ended December 31, 2021: 3.0%), based on the medium-term management plan and in light of the actual results of the current fiscal year and budgets for the following fiscal year.
- Perpetual growth rates: The perpetual growth rates set for cash flows for a period exceeding five years ranges from 1.5% to 2.0% (year ended December 31, 2021: 1.5% ~ 2.0%) for the entire International business segment.
- Discount rates: The pre-tax discount rates adopted to calculate the value in use for each group of cash-generating units and central costs included in the International business segment as a whole ranges from 10.2% to 16.1% (year ended December 31, 2021: 8.8% ~ 11.3%).
- Allocating central costs: In the impairment test of goodwill for each cash-generating unit group, central costs of the International business segment are allocated to each cash-generating unit group based on a rational and consistent calculation.

C. Sensitivity analysis

(APAC)

The following is a sensitivity analysis for impairment losses to be recognized in association with the cash-generating unit group to which the goodwill of APAC had been allocated, in addition to the impairment loss on goodwill of ¥9,262 million ($70 million) recognized in the year ended December 31, 2022, in the case of changes in the key assumptions. The analysis is based on an assumption that all the other variables are held constant.

(Millions of Yen)

	Pre-tax discount rate 100 bps increase	Net revenue 100 bps decline in medium-term growth rate	Perpetual growth rate 100bps down	Operating margin 100bps down
Additional perceived impairment losses	¥2,798	¥2,230	¥3,221	¥8,608

(Millions of U.S. Dollars)

	Pre-tax discount rate 100 bps increase	Net revenue 100 bps decline in medium-term growth rate	Perpetual growth rate 100bps down	Operating margin 100bps down
Additional perceived impairment losses	$21	$17	$24	$65

(EMEA, Americas and the International business segment as a whole)

The recoverable amount of the cash-generating unit groups to which the goodwill of operations in the EMEA and Americas had been allocated, and the recoverable amount of the International business segment as a whole, are well above their respective carrying amounts. It is therefore projected that the recoverable amount of the said cash-generating unit groups is unlikely to fall below their carrying amounts, even if the key assumptions are changed within a reasonable extent.

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16. LEASES

(1) Lease costs and cash flows

Lease costs and cash flows are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Depreciation expenses by type of right-of-use asset			
Buildings and structures	¥26,809	**¥27,431**	**$207**
Software	244	**224**	**2**
Others	361	**428**	**3**
Total depreciation expenses	¥27,414	**¥28,084**	**$212**
Impairment losses on right-of-use assets (Note)	–	**7,284**	**55**
Interest expense on lease obligations	3,463	**4,760**	**36**
Expenses for short-term leases and leases of low-value assets	5,472	**6,435**	**48**
Total cash outflows related to leases	¥40,902	**¥46,944**	**$354**

(Note) Impairment losses are recorded in the Consolidated Statement of Income as "Restructuring cost."

(2) Right-of-use assets included in the carrying amount of fixed assets

The carrying amount and increase of right-of-use assets included in the carrying amount of fixed assets are as follows:

				(Millions of Yen)
	Buildings and structures	Others (property, plant and equipment)	Software	Total
As of December 31, 2021	¥133,645	¥3,365	¥824	¥137,836
As of December 31, 2022	**¥139,052**	**¥3,228**	**¥1,097**	**¥143,379**

				(Millions of U.S. Dollars)
	Buildings and structures	Others (property, plant and equipment)	Software	Total
As of December 31, 2022	**$1,048**	**$24**	**$8**	**$1,080**

The increase in right-of-use assets for the year ended December 31, 2021 and the year ended December 31, 2022 was ¥69,776 million and ¥59,569 million ($449 million) , respectively.

The increase in right-of-use assets shown above for the year ended December 31, 2022 includes a right-of-use asset of ¥48,465 million ($365 million) related to the lease contract of the office building in New York, the U.S., entered by the Group as a lessee in November 2019, which is slated for future subleasing. The carrying amount of the right-of-use asset as of December 31, 2022 is ¥24,688 million ($186 million) from which accumulated impairment losses that were recorded as a provision related to onerous real estate lease contract as of December 31, 2021, is deducted.

The Group is optimizing real estate as part of its restructuring, and is projecting the use of subleasing for some real estate lease agreements. The estimated recoverable amount in the valuation of cash-generating units, including the right-of-use assets related to such lease contracts, is expected to be less than the carrying amount even if future subleasing income is taken into account, despite projecting the use of subleasing in the future. Accordingly, pursuant to IAS 36 Impairment of Assets, the right-of-use assets have been recorded at the recoverable amount in the Consolidated Statement of Financial Position, and the reduction in the carrying amount has been recognized as an impairment loss in the Consolidated Statement of Income. The recoverable amount is calculated on the assumptions of the basic sublease fee, the expected rate of increase in lease payments over the lease period, the lease incentive, and void periods including the commencement date of subleasing. In the case where it becomes necessary to revise assumptions for reasons such as changes in the market conditions and the occurrence of unpredictable events, an additional impaierment loss or reversal of an impairment on the right-of-use assets may occur in the following fiscal year. If the total income expected from subleasing decreases by 10%, an impairment loss on right-of-use assets of ¥2,400 million ($18 million) will be incurred. Also, if the commencement date of subleasing is delayed by three months, an impairment loss on right-of-use assets of ¥688 million ($5 million) will be incurred.

(3) Lease obligation

The maturity analysis of the lease obligation is described in "35. FINANCIAL INSTRUMENTS (4) Liquidity risk"

(4) Nature of leasing activity

The Group leases buildings primarily as offices. The lease period for the building is between 1 and 20 years, in some cases, the lessee has the option to extend the term of the lease for one year or the same period as the original contract.

In the Japan business in particular, many lease contracts for buildings allow the lessee to repeatedly exercise the extension option, and the option to terminate the contract early if the written notice is given to the other party six months in advance. However, only lease payments for the period for which it is reasonably certain that the option will be exercised are included in the measurement of the lease obligation. These option are used as needed by the leasing entity to utilize the building for its business.

(5) Sale and leaseback transaction

In the year ended December 31, 2021, the Company sold the real estate in Shiodome, Zone A, which includes the Dentsu Headquarters Building, and began the lease of the Dentsu Headquarters Building.

In August 2020, the Group launched a comprehensive review of business operations and capital efficiency and carried out the transaction with the aim of improving capital efficiency, strengthening the company's financial position, and securing growth investment funds.

The main details with regard to the sold and leased assets are as follows:

Asset details and location	Gain on sale	Carrying amount	Current situation
• Location: 1-8-1 Higashi-shimbashi, Minato-ku, Tokyo • Land: 17,244 m2 • Site area: 17,244 m2 • Height: 213.3 m • No. of floors: 48 floors above ground, 5 floors below ground • (additional one building)	¥89,186 million	¥177,137 million	Used as an office/ commercial/cultural facility

1. The fixed term building lease agreement for the building covers the office sections, Dentsu Hall, studios, etc. used by the Company and Group companies except for commercial facilities.
2. The term of the lease is 11 years from the date the sale was executed and has no options for extensions or cancellations.
3. Due to an arrangement with the purchaser, the Company refrains from disclosing the sale price and lease fee; however, the price is an appropriate one that reflects the market price arrived at by competitive bidding.
4. The gain on sale is recorded in the Consolidated Statement of Income as "Gain on sale and retirement of non-current assets."
5. Carrying amount of ¥177,137 million is broken down as ¥141,390 million for property, plant and equipment and ¥35,747 million for investment property.

The total lease payment under the lease agreement is ¥90,596 million and there is no option to repurchase the leased portions.

As a result of the transaction, ¥52,802 million and ¥88,633 million were recorded for right-of-use assets and for lease obligations, respectively, in the year ended December 31, 2021. For details on the impact on cash flows, please refer to "Proceeds from sale and leaseback" under "Cash flows from investing activities" in the Consolidated Statement of Cash Flows.

We have not conducted any significant sales and leaseback transactions during the year ended December 31, 2022.

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17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The financial information of associates and joint ventures is as follows. These amounts take into account the Group's ownership ratio.

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Profit for the year	¥2,448	**¥3,418**	**$26**
Other comprehensive income	116	**185**	**1**
Comprehensive income for the year	¥2,564	**¥3,603**	**$27**

In addition to the above gain on sale of investments in associates of ¥35 million was recognized for the year ended December 31, 2021.

Impairment loss of investments accounted for using the equity method of ¥5,950 million ($45 million), gain on sale of investments in associates of ¥600 million ($5 million) and revaluation gain on step acquisition of ¥5,467 million ($41 million) were recognized for the year ended December 31, 2022.

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)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Unrecognized losses	¥251	**¥176**	**$1**

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Cumulative unrecognized losses	¥437	**¥406**	**$3**

18. 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 is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Deferred tax assets			
Liability for retirement benefits	¥29,929	**¥27,095**	**$204**
Accrued expenses	14,230	**12,307**	**93**
Carryforwards of tax losses	6,036	**5,970**	**45**
Other	37,269	**51,493**	**388**
Total deferred tax assets	¥87,465	**¥96,867**	**$730**
Deferred tax liabilities			
Gain on establishment of retirement benefit trust	¥(10,974)	**¥(10,131)**	**$(76)**
Unrealized gain on securities	(25,195)	**(17,474)**	**(132)**
Valuation differences on intangible assets	(51,902)	**(53,034)**	**(400)**
Other	(3,673)	**(14,636)**	**(110)**
Total deferred tax liabilities	¥(91,746)	**¥(95,780)**	**$(722)**
Net deferred tax assets (liabilities)	¥(4,281)	**¥1,087**	**$8**

Changes in net deferred tax assets (liabilities) are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	¥(377)	**¥(4,281)**	**$(32)**
Deferred income taxes	1,202	**13,472**	**102**
Deferred taxes related to components of other comprehensive income			
Effective portion of the change in the fair value of cash flow hedges	(3,260)	**(7,003)**	**(53)**
Net change in financial assets measured at fair value through other comprehensive income	(2,591)	**4,636**	**35**
Remeasurements of defined benefit plans	508	**(1,591)**	**(12)**
Changes in deferred tax assets (liabilities) arising from business combinations, and others	(106)	**(4,146)**	**(31)**
Balance at the end of the year	¥(4,281)	**¥1,087**	**$8**

The Group and some subsidiaries in Japan applied for approval of Japanese Group Relief System in the year ended December 31, 2022, and it is expected that Japanese Group Relief System will be applied from the next fiscal year. Accordingly, effective from the fiscal year ended December 31, 2022, the Group has adopted tax effect accounting that assumes the application of Japanese Group Relief System.

As a result, in the year ended December 31, 2022, "Deferred tax assets" increased by ¥10,913 million ($82 million), "Income tax expense" decreased by ¥9,627 million ($73 million), and "Other comprehensive income" increased by ¥1,286 million ($10 million).

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, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Deductible temporary differences	¥91,064	**¥100,127**	**$755**
Carryforwards of tax losses	139,063	**152,021**	**1,146**

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The breakdown of carryforwards of tax losses by expiry date as of December 31, 2021 and 2022, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Within 1 year	¥1,630	**¥1,794**	**$14**
Within 2 years	324	**412**	**3**
Within 3 years	1,423	**3,945**	**30**
Within 4 years	1,328	**1,844**	**14**
Within 5 years	3,052	**6,609**	**50**
Over 5 years	24,552	**27,196**	**205**
Indefinite periods	106,751	**110,218**	**831**
Total	¥139,063	**¥152,021**	**$1,146**

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 ¥157,929 million and ¥190,205 million ($1,433 million) as of December 31, 2021 and 2022, 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 is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Current income taxes	¥95,182	**¥48,455**	**$365**
Deferred income taxes	(1,202)	**(13,472)**	**(102)**

(3) Reconciliation of effective tax rate

The breakdown of major items that caused differences between the effective statutory tax rate and income tax rate after applying tax effect accounting is as follows:

The Company is mainly subject to corporate tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes are 31.0% for the years ended December 31, 2021 and 2022. Foreign subsidiaries are subject to income taxes at their respective locations.

		(%)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)
Effective statutory tax rate	31.0	**31.0**
(Reconciliation)		
Non-deductible items, such as entertainment expenses	0.2	**1.2**
Non-taxable items, such as dividend income	(0.1)	**(0.5)**
Changes in contingent consideration	0.6	**4.4**
Changes in put option liabilities	0.0	**(0.7)**
Share of profits of investments accounted for using the equity method	(0.4)	**(1.1)**
Investments accounted for using the equity method	–	**1.8**
Revaluation gain or loss on step acquisition	–	**(1.7)**
Reduction of deferred tax assets (liabilities) at fiscal year end due to tax rate changes	1.0	**(0.1)**
Changes in unrecognized deferred tax assets	17.1	**(5.6)**
Impairment of goodwill	0.0	**6.0**
Difference in tax rates of foreign subsidiaries	(5.1)	**(3.2)**
Other	0.7	**3.2**
Income tax rate after applying of tax effect accounting	45.0	**34.7**

19. TRADE AND OTHER PAYABLES

(1) The breakdown of trade and other payables is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Notes and accounts payable-trade	¥1,397,281	¥1,470,374	$11,080
Other	67,829	62,216	469
Total	¥1,465,110	¥1,532,591	$11,549

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 are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
Assets pledged as collateral	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Other financial assets (current assets)	¥54	**¥870**	**$7**

Corresponding liabilities	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Notes and accounts payable	–	**¥5,441**	**$41**

In addition to the above, other financial assets (current assets) of ¥8 million ($0 million) are pledged as collateral for guarantee transactions related to the "Official Gazette" (Kanpou), sales etc. B24:F140 and 2022, respectively.

20. BONDS, BORROWINGS, AND OTHER FINANCIAL LIABILITIES

(1) Breakdown of financial liabilities

The breakdown of bonds, borrowings, and other financial liabilities are as follows:

		(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	Date of maturity redemption	FY2022 (As of December 31, 2022)
Derivative liabilities	¥15,178	**¥5,828**	–	**$44**
Put option liabilities	34,029	**21,493**	–	**162**
Current portion of bonds (Note)	–	**34,983**	–	**264**
Bonds	199,569	**164,676**	2025〜2030	**1,241**
Short-term borrowings	40,007	**28,754**	–	**217**
Current portion of long-term borrowings	53,060	**32,052**	–	**242**
Short-term lease obligations	33,928	**33,482**	–	**252**
Long-term borrowings	286,553	**271,963**	2024〜2030	**2,049**
Long-term lease obligations	158,154	**190,678**	2024〜2038	**1,437**
Other (Contingent consideration, etc.)	62,764	**63,566**	–	**479**
Total	¥883,244	**¥847,479**	–	**$6,386**
Current liabilities	¥192,155	**¥188,028**		**$1,417**
Non-current liabilities	691,089	**659,451**		**4,969**
Total	¥883,244	**¥847,479**		**$6,386**

Derivative liabilities include those to which hedge accounting is applied.

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

Borrowings are classified as financial liabilities measured at amortized cost. The average interest rates of short-term borrowings and long-term borrowings (including the current portion of long-term borrowings) for year ended December 31, 2022 are 6.74% and 2.37%, respectively.

Conditional consideration is calculated based on the performance of the acquired company and may range from a minimum of zero to a maximum of ¥220,523 million and from a minimum of zero to a maximum of ¥122,844 million ($926 million) in the year ended December 31, 2021 and 2022, respectively.

"Other (contingent consideration, etc)" includes financial liabilities measured at fair value through profit or loss of ¥49,446million and ¥38,425 million ($290 million) as of December 31, 2021 and 2022, respectively. Remaining amounts are classified as financial liabilities measured at amortized cost.

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Financial covenants are attached to certain borrowings as of December 31, 2021 and 2022. The Group has complied with these covenants. The Group monitors these covenants to maintain the required level.

(Note) A summary of the terms of the bonds issued is as follows:

			(Millions of yen)		(Millions of U.S. Dollars)			
Company name	Bonds	Date of issue	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)	Interest rate (%)	Collateral	Date of redemption
Dentsu Group Inc.	First unsecured bond	October 25, 2018	¥34,964	**¥34,983**	**$264**	**0.110**	**N/A**	**October 25, 2023**
Dentsu Group Inc.	Second unsecured bond	October 25, 2018	19,961	**19,972**	**151**	**0.240**	**N/A**	**October 24, 2025**
Dentsu Group Inc.	Third unsecured bond	October 25, 2018	24,937	**24,946**	**188**	**0.424**	**N/A**	**October 25, 2028**
Dentsu Group Inc.	Fourth unsecured bond	July 8, 2020	49,906	**49,933**	**376**	**0.220**	**N/A**	**July 8, 2025**
Dentsu Group Inc.	Fifth unsecured bond	July 8, 2020	9,973	**9,978**	**75**	**0.320**	**N/A**	**July 8, 2027**
Dentsu Group Inc.	Sixth unsecured bond	July 8, 2020	59,828	**59,848**	**451**	**0.490**	**N/A**	**July 8, 2030**
Total	–	–	¥199,569	**¥199,660**	**$1,505**	**–**	**–**	**–**

(2) Changes in liabilities arising from financing activities

FY2021: Year ended December 31, 2021

(Millions of Yen)

	Balance at the beginning of the year	Changes from cash flows from financing activities	Non-cash changes				Balance at the end of the year
			Newly recognized	Changes from remeasurements	Increase due to business combination	Exchange differences and others	
Short-term borrowings	¥39,692	¥(3,334)	–	–	–	¥3,649	¥40,007
Long-term borrowings (Note 1)	345,636	(34,370)	–	–	–	28,347	339,613
Lease obligations (Note 1, 4)	109,539	(31,967)	105,613	–	–	8,898	192,082
Put option liabilities (Note 1, 2, 3)	33,963	(2,944)	–	(158)	–	3,168	34,029
Bonds	199,478	–	–	–	–	90	199,569
Total	¥728,310	¥(72,617)	¥105,613	¥(158)	–	¥44,154	¥805,302

(Note 1) The above includes current liabilities due within one year.
(Note 2) Changes from remeasurements includes interest expense from the passage of time.
(Note 3) In addition to the above fluctuations due to cash flows from financing activities, there was a payment of ¥89,536 million for the Markle's put option liabilities transferred to other current liabilities.
(Note 4) ¥88,633 million of ¥105,613 million in "Newly recognized" was due to the transfer of the real estate in Shiodome, Zone A, which includes the Dentsu Headquarters Building. For details, please refer to "16. LEASES (5) Sale and leaseback transaction."

FY2022: Year ended December 31, 2022

(Millions of Yen)

	Balance at the beginning of the year	Changes from cash flows from financing activities	Non-cash changes				Balance at the end of the year
			Newly recognized	Changes from remeasurements	Increase due to business combination	Exchange differences and others	
Short-term borrowings	**¥40,007**	**¥(5,832)**	**–**	**–**	**–**	**¥(5,420)**	**¥28,754**
Long-term borrowings (Note 1)	**339,613**	**(55,181)**	**–**	**–**	**2,804**	**16,780**	**304,016**
Lease obligations (Note 1, 3)	**192,082**	**(35,748)**	**57,849**	**–**	**1,720**	**8,259**	**224,161**
Put option liabilities (Note 1, 2)	**34,029**	**(6,317)**	**6,324**	**(2,223)**	**–**	**(10,319)**	**21,493**
Bonds (Note 1)	**199,569**	**–**	**–**	**–**	**–**	**90**	**199,660**
Total	**¥805,302**	**¥(103,080)**	**¥64,173**	**¥(2,223)**	**4,524**	**¥9,389**	**¥778,084**

FY2022: Year ended December 31, 2022

(Millions of U.S. Dollars)

	Balance at the beginning of the year	Changes from cash flows from financing activities	Non-cash changes				Balance at the end of the year
			Newly recognized	Changes from remeasurements	Increase due to business combination	Exchange differences and others	
Short-term borrowings	**$302**	**$(44)**	**–**	**–**	**–**	**$(41)**	**$217**
Long-term borrowings (Note 1)	**2,559**	**(416)**	**–**	**–**	**21**	**126**	**2,291**
Lease obligations (Note 1, 3)	**1,447**	**(269)**	**436**	**–**	**13**	**62**	**1,689**
Put option liabilities (Note 1, 2)	**256**	**(48)**	**48**	**(17)**	**–**	**(78)**	**162**
Bonds (Note 1)	**1,504**	**–**	**–**	**–**	**–**	**1**	**1,505**
Total	**$6,069**	**$(777)**	**$484**	**$(17)**	**34**	**$71**	**$5,863**

(Note 1) The above includes current liabilities due within one year.
(Note 2) Changes from remeasurements includes interest expense from the passage of time.
(Note 3) ¥48,465 million ($365 million) of ¥57,849 million($436 million) in Newly recognized was due to an increase in right-of-use assets related to the lease agreement of an office building in New York, the U.S. For details, please refer to "16. LEASES (2) Right-of-use assets included in the carrying amount of fixed assets."

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21. PROVISIONS

The breakdown and schedule of provisions are as follows:

FY2022: Year ended December 31, 2022

(Millions of Yen)

	Provisions for asset retirement obligations	Provisions for loss on order received	Provision for restructuring	Other provisions	Total
Balance at the beginning of the year	¥4,160	¥789	¥40,944	¥7,504	¥53,399
Additional provisions in the year	50	848	12,321	2,490	15,711
Interest expense incurred over the discount period	6	–	–	–	6
Provisions used	(675)	(303)	(10,251)	(1,112)	(12,342)
Provisions released	(384)	–	(2,093)	(1,180)	(3,657)
Exchange differences on translation of foreign operations	(108)	–	3,554	507	3,952
Other	67	–	(22,650)	100	(22,482)
Balance at the end of the year	¥3,116	¥1,334	¥21,825	¥8,310	¥34,587
Current liabilities	¥353	¥1,334	¥5,573	¥5,438	¥12,700
Non-current liabilities	2,763	–	16,251	2,872	21,887
Total	¥3,116	¥1,334	¥21,825	¥8,310	¥34,587

FY2022: Year ended December 31, 2022

(Millions of U.S. Dollars)

	Provisions for asset retirement obligations	Provisions for loss on order received	Provision for restructuring	Other provisions	Total
Balance at the beginning of the year	$31	$6	309	$57	$402
Additional provisions in the year	0	6	93	19	118
Interest expense incurred over the discount period	0	–	–	–	0
Provisions used	(5)	(2)	(77)	(8)	(93)
Provisions released	(3)	–	(16)	(9)	(28)
Exchange differences on translation of foreign operations	(1)	–	27	4	30
Other	1	–	(171)	1	(169)
Balance at the end of the year	$23	$10	$164	$63	$261
Current liabilities	$3	$10	$42	$41	$96
Non-current liabilities	21	–	122	22	165
Total	$23	$10	$164	$63	$261

(1) Provisions for asset retirement obligations

The probable amount to be paid in the future, taking past results in consideration is recognized 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, however may change due to future events such as changes in business plan.

(2) Provisions for loss on order received

If losses are expected to be incurred in subsequent years from the performance of contracts related to orders received from customers and such losses can be reasonably estimated, loss provisions are recognized at the amounts expected to be incurred in subsequent years.

(3) Provision for restructuring

The provision for restructuring for the Japan business is ¥10,585 million ($80 million) as of December 31, 2022. It primarily consists of the provision for unavoidable costs to fulfill the obligations of an outsourcing agreement with retired employees who became sole proprietors through the early retirement program.

The Company's subsidiary, Dentsu Inc., implemented an early retirement program connected to the provision of new career options to the retiring employees in the year ended December 31, 2020. Employees retiring through this program became sole proprietors and entered into an outsourcing agreement for up to 10 years with the Company's subsidiary, New Horizon Collective G.K. In connection with the early retirement program, the Company recorded provision for restructuring for unavoidable costs to fulfill obligations under the above outsourcing agreement expected to be incurred in the future (over a period of 8 years as of December 31, 2022).

The provision for restructuring for the International business is ¥11,240 million ($85 million) as of December 31, 2022. It primarily consists of the provisions for workforce reduction expenses, property optimization expenses, and expenses arising from other related initiatives.

For the onerous real estate lease contract that had been entered into by the Group as a lessee but had not yet commenced, losses were still expected even if the future sublease income from the relevant real estate was taken into account. Therefore, based on IAS 37, the Group recorded the current obligations under the contract as a provision for the onerous real estate lease contract in the year ended December 31, 2021.

In the year ended December 31, 2022, the real estate lease agreement commenced, which had been signed by the Group as a lessee. As a result of offsetting with right-of-use assets, the provision related to onerous real estate lease contract decreased by ¥23,480 million ($177 million). The said amount is included in "Other" in the above table. For details, please see "16. Leases (2) Right-of-use assets included in the carrying amount of non-current assets."

22. POST-EMPLOYMENT BENEFITS

The Group operates defined benefit corporate pension plans and retirement lump-sum payment plans as defined benefit plans.

The Group and asset managers are 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.

Certain domestic consolidated subsidiaries voluntarily operate a retirement benefits trust for defined benefit corporate pension plans and retirement lump-sum payment plans.

In addition, the Company and certain domestic consolidated subsidiaries operate defined contribution pension plans while certain overseas consolidated subsidiaries operate defined contribution retirement benefit plans.

(1) Reconciliation of defined benefit obligations and plan assets

The reconciliation of the defined benefit obligations and plan assets to the net defined benefit liabilities (assets) recognized in the Consolidated Statement of Financial Position is as follows:

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Funded defined benefit obligations	¥105,649	**¥94,363**	**$711**
Plan assets	(94,613)	**(89,242)**	**(673)**
Subtotal	¥11,035	**¥5,120**	**$39**
Unfunded defined benefit obligations	11,375	**11,441**	**86**
Total	¥22,411	**¥16,562**	**$125**
Balance recognized in the Consolidated Statement of Financial Position			
Liabilities for retirement benefits	¥30,201	**¥23,991**	**$181**
Assets for retirement benefits (Note 1)	(7,789)	**(7,429)**	**(56)**
Net defined benefit liabilities (assets) recognized in the Consolidated Statement of Financial Position	¥22,411	**¥16,562**	**$125**

(Note 1) Assets for retirement benefits are recorded in the Consolidated Statement of Financial Position as "Other non-current assets."

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(2) Schedule of defined benefit obligations

The schedule of defined benefit obligations is as follows:

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Balance at the beginning of the year	¥131,905	**¥117,025**	**$882**
Current service cost (Note 1)	6,767	**7,170**	**54**
Interest expense (Note 1)	510	**486**	**4**
Actuarial gains and losses (Note 2)	(4,104)	**(6,942)**	**(52)**
Benefits paid	(17,245)	**(12,143)**	**(92)**
Past service cost	–	**(204)**	**(2)**
Exchange differences on translation of foreign operations	1,559	**315**	**2**
Impact of business combination and disposal	(2,367)	**76**	**1**
Others	–	**20**	**0**
Balance at the end of the year	¥117,025	**¥105,805**	**$797**

(Note 1) Current service cost is recorded in the Consolidated Statement of Income as "Cost of sales" and "Selling, general and administrative expenses." Interest expenses, net of interest income, are recorded as "Finance expenses."

(Note 2) Actuarial gains and losses arise from changes in financial assumptions, etc.

The weighted average duration of defined benefit obligations as of December 31, 2021 and 2022 is as follows:

		(Years)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
Weighted average duration	9.2	**9.8**

(3) Schedule of plan assets

The schedule of plan assets is as follows:

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Balance at the beginning of the year	¥105,328	**¥94,613**	**$713**
Interest income	411	**379**	**3**
Return on plan assets (excluding amounts included in interest income)	(4,717)	**42**	**0**
Contributions by the employer	1,414	**839**	**6**
Benefits paid	(8,723)	**(6,815)**	**(51)**
Exchange differences on translation of foreign operations	899	**182**	**1**
Balance at the end of the year	¥94,613	**¥89,242**	**$673**

The Group plans to pay contributions of ¥126 million ($1 million) in the year ending December 31, 2023.

(4) Major breakdown of plan assets

The major breakdown of the total of plan assets is as follows:

	FY2021 (As of December 31, 2021)			FY2022 (As of December 31, 2022) (Millions of Yen)			FY2022 (As of December 31, 2022) (Millions of U.S. Dollars)		
	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	¥52,016	–	¥52,016	**¥43,961**	**–**	**¥43,961**	**$331**	**–**	**$331**
Debt instruments	3,691	88	3,780	**2,799**	**39**	**2,838**	**21**	**0**	**21**
General account of life insurance companies	–	2,224	2,224	**–**	**3,116**	**3,116**	**–**	**23**	**23**
Other	–	36,592	36,592	**–**	**39,327**	**39,327**	**–**	**296**	**296**
Total	¥55,707	¥38,906	¥94,613	**¥46,760**	**¥42,482**	**¥89,242**	**$352**	**$320**	**$673**

(Note) Plan assets above include retirement benefit trusts established for defined benefit corporate pension plans and retirement lump-sum payment plans of ¥59,032 million and ¥55,386 million ($417 million), as of December 31, 2021 and 2022, respectively.
As of December 31, 2021 and 2022, equity instruments are mainly those issued in Japan and debt instruments are mainly those issued in overseas.

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 pension 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.

To achieve these goals, 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.

In addition, risk corresponding contributions have been made to prepare for future financial deterioration from the year ended December 31, 2020.

(5) Actuarial assumptions

The major items of actuarial assumptions are as follows:

(%)	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)
Discount rate	0.4	**1.2**

(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.

	Change in assumptions	FY2021 (As of December 31, 2021) (Millions of Yen)	FY2022 (As of December 31, 2022) (Millions of Yen)	FY2022 (As of December 31, 2022) (Millions of U.S. Dollars)
Discount rate	Increase by 0.5%	¥(4,828)	**¥(4,288)**	**$(32)**
	Decrease by 0.5%	¥5,220	**¥4,641**	**$35**

(6) Defined contribution plans

Expenses recognized due to contributions to defined contribution plans by the Company and consolidated subsidiaries amounted to ¥11,519 million and ¥13,498 million ($102 million) for the years ended December 31, 2021 and 2022, respectively.

Such amounts are recorded in the Consolidated Statement of Income as "Cost of sales" and "Selling, general and administrative expenses."

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23. EQUITY AND OTHER EQUITY ITEMS

(1) Share capital

A. Authorized shares

The number of authorized shares as of December 31, 2021 and 2022 is 1,100,000,000 ordinary shares.

B. Fully paid and issued shares

The number of issued shares is as follows:

	Number of ordinary issued shares (Shares)
FY2020 (As of December 31, 2020)	288,410,000
Increase (decrease)	–
FY2021 (As of December 31, 2021)	**288,410,000**

	Number of ordinary issued shares (Shares)
FY2021 (As of December 31, 2021)	288,410,000
Increase (decrease) (Note2)	**(18,244,646)**
FY2022 (As of December 31, 2022)	**270,165,354**

(Note 1) All the shares issued by the Company are non-par value ordinary shares that have no restriction on any content of rights.
(Note 2) The change in the number of issued shares in the fiscal year under ended December 31, 2022 is a decrease of 18,244,646 shares due to cancellation of treasury shares.

(2) Treasury shares

A. Number of treasury shares is as follows:

	Number of shares (Shares)
FY2021 (As of December 31, 2021)	14,773,421
Increase (decrease) (Note 1)	**(8,983,142)**
FY2022 (As of December 31, 2022)	**5,790,279**

(Note 1) The increase and decrease during the year ended December 31, 2022 consisted of 8,989,700 shares acquired by resolution of the Board of Directors, 308,400 shares acquired free of charge from retired employees of Markle based on transfer-restricted stock-based compensation agreement, 1,504 shares increased due to repurchase of shares less than one unit, 15,800 shares decreased due to the sale of shares by a trust under the performance-linked stock compensation plan, 22,300 shares decreased due to the grant of shares by the trust under the performance-linked stock compensation plan, and 18,244,646 shares decreased due to cancellation of treasury shares.
(Note 2) The above includes 1,041,900 shares of the Company held by Trust E in relation to the performance-linked stock compensation plan as of December 31, 2022.

B. Repurchase of treasury shares

FY2021: Year ended December 31, 2021

The Company executed the repurchase of treasury shares as follows for the year ended December 31, 2021, based on the resolution by the Board of Directors on February 15, 2021, in accordance with article 156 of the Companies Act applied with article 165, paragraph 3 of the Companies Act, and the articles of incorporation of the Company.

(i) Type of shares repurchased: Ordinary shares of the Company
(ii) Total number of repurchased shares: 7,498,700 shares
(iii) Total amount of repurchased shares: ¥29,999 million
(iv) Repurchase period: From July 1, 2021 to December 6, 2021
(v) Repurchase method: Market purchase at Tokyo Stock Exchange

FY2022: Year ended December 31, 2022

The Company executed the repurchase of treasury shares as follows for the year ended December 31, 2022, based on the resolution by the Board of Directors on February 14, 2022, in accordance with article 156 of the Companies Act applied with article 165, paragraph 3 of the Companies Act, and the articles of incorporation of the Company.

(i) Type of shares repurchased: Ordinary shares of the Company
(ii) Total number of repurchased shares: 8,989,700 shares
(iii) Total amount of repurchased shares: ¥39,999 million ($301 million)
(iv) Repurchase period: From March 1, 2022 to September 1, 2022
(v) Repurchase method: Market purchase at Tokyo Stock Exchange

C. Cancellation of treasury shares

FY2022: Year ended December 31, 2022

The Company executed the cancellation of treasury shares as follows for the year ended December 31, 2022, based on the resolution by the Board of Directors on November 14, 2022, In accordance with the provisions of Article 178 of the Companies Act, resolve to cancel the treasury stock owned by the Company.

(i) Cancellation date: November 30,2022
(ii) Class and number of shares cancelled: 18,244,646 ordinary shares
(iii) Cancellation price: ¥4,329 per share
(iv) Total amount of cancellation price: ¥78,981million ($595 million)

(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 of Japan provides that 10% of the dividends paid shall be appropriated as capital reserves or as retained earnings reserves included in the retainded earnings until their aggregate amount equals 25% of share capital.

(4) Transactions with non-controlling shareholders

FY2021 Year ended December 31, 2021

The Group entered into a contract with non-controlling shareholders, mainly those of a newly acquired company, to purchase their shares under certain condition in the future. The Group recognized financial liabilities at the present value of redemption amount based on the contract, and reduced retained earnings by the same amount upon execution of the contract.

FY2022: Year ended December 31, 2022

As stated in "7. BUSINESS COMBINATIONS" on January 4, 2022, the Group acquired additional shares in Septeni HD, which had been an equity-method associate of the Group, and made it into a consolidated subsidiary. As a result, non-controlling interests increased by ¥18,668 million ($141 million). In addition, as a portion of the consideration for the acquisition of additional shares in Septeni HD, the Group partially transferred shares from Dentsu Digital Inc., a consolidated subsidiary of the Group, to Septeni HD. A difference between the share transfer price and the carrying amount, as well as an amount net of taxes pertaining thereto, have been recognized as a change in retained earnings. As a result, the amount of retained earnings increased by ¥8,655 million ($65 million).

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24. DIVIDENDS

(1) Dividends paid

FY2021: Year ended December 31, 2021

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 15, 2021)	Ordinary shares	¥6,690	¥23.75	December 31, 2020	March 5, 2021
Board of Directors (August 11, 2021)	Ordinary shares	¥14,226	¥50.50	June 30, 2021	September 9, 2021

(Note) The total amount of dividends based on a resolution of the Board of Directors held on February 15, 2021 includes a dividend of ¥9 million ($0 million) for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.
The total amount of dividends based on a resolution of the Board of Directors held on August 11, 2021 includes a dividend of ¥19 million ($0 million) for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

FY2022: Year ended December 31, 2022

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 14, 2022)	**Ordinary shares**	**¥18,359**	**¥67.00**	**December 31, 2021**	**March 16, 2022**
Board of Directors (August 12, 2022)	**Ordinary shares**	**¥18,726**	**¥70.25**	**June 30, 2022**	**September 9, 2022**

FY2022: Year ended December 31, 2022

Resolution	Class of shares	Total dividends (Millions of U.S. Dollars)	Dividends per share (U.S. Dollars)	Basis date	Effective date
Board of Directors (February 14, 2022)	**Ordinary shares**	**$138**	**$0.50**	**December 31, 2021**	**March 16, 2022**
Board of Directors (August 12, 2022)	**Ordinary shares**	**$141**	**$0.53**	**June 30, 2022**	**September 9, 2022**

(Note) The total amount of dividends based on a resolution of the Board of Directors held on February 14, 2022 includes a dividend of ¥25 million ($0 million) for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.
The total amount of dividends based on a resolution of the Board of Directors held on August 12, 2022 includes a dividend of ¥24 million ($0 million) for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

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

FY2021: Year ended December 31, 2021

Resolution	Class of shares	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 14, 2022)	Ordinary shares	Retained earnings	¥18,359	¥67.00	December 31, 2021	March 16, 2022

(Note) The total amount of dividends includes a dividend of ¥25 million for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

FY2022: Year ended December 31, 2022

Resolution	Class of shares	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 14, 2023)	**Ordinary shares**	**Retained earnings**	**¥22,471**	**¥85.00**	**December 31, 2022**	**March 16, 2023**

FY2022: Year ended December 31, 2022

Resolution	Class of shares	Source of dividends	Total dividends (Millions of U.S. Dollars)	Dividends per share (U.S. Dollars)	Basis date	Effective date
Board of Directors (February 14, 2023)	**Ordinary shares**	**Retained earnings**	**$169**	**$1**	**December 31, 2022**	**March 16, 2023**

(Note) The total amount of dividends does not include a dividend of ¥88 million ($1 million) for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

25. Revenue

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

Please refer to "3. SIGNIFICANT ACCOUNTING POLICIES (14) Revenues" for details.

(1) Disaggregation of revenue

The disaggregation of revenue recognized from contracts with customers is as follows:

FY2021: Year ended December 31, 2021

(Millions of Yen)

	Reporting segment			Intercompany transaction adjustments	Total
	Japan Business	International Business	Subtotal		
Major services					
Advertising business	¥409,136	¥598,629	¥1,007,765	–	–
Information service business	88,955	–	88,955	–	–
Other business	3,841	–	3,841	–	–
Total	501,933	598,629	1,100,562	(14,970)	1,085,592
Breakdown by regions					
Japan	501,933	–	501,933	–	–
EMEA (Europe, Middle East and Africa)	–	240,780	240,780	–	–
Americas (Americas)	–	257,837	257,837	–	–
APAC (Asia Pacific)	–	100,011	100,011	–	–
Total	¥501,933	¥598,629	¥1,100,562	¥(14,970)	¥1,085,592

FY2022: Year ended December 31, 2022

(Millions of Yen)

	Reporting segment			Intercompany transaction adjustments	Total
	Japan Business	International Business	Subtotal		
Major services					
Advertising business	**¥421,126**	**¥714,948**	**¥1,136,075**	**–**	**–**
Information service business	**106,954**	**–**	**106,954**	**–**	**–**
Other business	**2,052**	**–**	**2,052**	**–**	**–**
Total	**530,133**	**714,948**	**1,245,082**	**(1,198)**	**1,243,883**
Breakdown by regions					
Japan	**530,133**	**–**	**530,133**	**–**	**–**
EMEA (Europe, Middle East and Africa)	**–**	**275,411**	**275,411**	**–**	**–**
Americas (Americas)	**–**	**324,013**	**324,013**	**–**	**–**
APAC (Asia Pacific)	**–**	**115,523**	**115,523**	**–**	**–**
Total	**¥530,133**	**¥714,948**	**¥1,245,082**	**¥(1,198)**	**¥1,243,883**

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FY2022: Year ended December 31, 2022

(Millions of U.S. Dollars)

	Reporting segment			Intercompany transaction adjustments	Total
	Japan Business	International Business	Subtotal		
Major services					
Advertising business	**$3,174**	**$5,388**	**$8,561**	**–**	**–**
Information service business	**806**	**–**	**806**	**–**	**–**
Other business	**15**	**–**	**15**	**–**	**–**
Total	**3,995**	**5,388**	**9,383**	**(9)**	**9,374**
Breakdown by regions					
Japan	**3,995**	**–**	**3,995**	**–**	**–**
EMEA (Europe, Middle East and Africa)	**–**	**2,075**	**2,075**	**–**	**–**
Americas (Americas)	**–**	**2,442**	**2,442**	**–**	**–**
APAC (Asia Pacific)	**–**	**871**	**871**	**–**	**–**
Total	**$3,995**	**$5,388**	**$9,383**	**$(9)**	**$9,374**

(2) Contract balance

The balances of receivables and contractual liabilities arising from signings with customers are as follows:

	(Millions of Yen)				(Millions of U.S. Dollars)	
	FY2021 (As of December 31, 2021)		FY2022 (As of December 31, 2022)		FY2022 (As of December 31, 2022)	
	Balance at the beginning of the year	Balance at the end of the year	Balance at the beginning of the year	Balance at the end of the year	Balance at the beginning of the year	Balance at the end of the year
Receivables arising from contracts with customers	¥1,242,600	¥1,474,909	**¥1,474,909**	**¥1,506,360**	**$11,115**	**$11,352**
Notes and accounts receivable-trade	1,231,181	1,464,874	**1,464,874**	**1,497,687**	**11,039**	**11,286**
Others	11,418	10,034	**10,034**	**8,673**	**76**	**65**
Contract assets	17,550	6,712	**6,712**	**16,758**	**$51**	**$126**
Contract liabilities	¥69,623	¥82,465	**¥82,465**	**¥72,099**	**$621**	**$543**

Notes and accounts receivable-trade are included in trade and other receivables, others are included in other financial assets in non-current assets, contract assets are included in trade and other receivables and contract liabilities are included in other current liabilities, in the Consolidated Statements of Financial Position.

The amount of revenue recognized in the years ended December 31, 2021 and 2022 that was included in contract liabilities at the beginning of the period was ¥64,066 million and ¥80,999 million ($610million), respectively. In addition, the amount of revenue recognized during the years ended December 31, 2021 and 2022 from performance obligations satisfied (or partially satisfied) in prior periods is immaterial. There were no material changes in the balance of contract liabilities during the years ended December 31, 2021 and 2022.

Contract assets are recognized as rights to consideration recorded through the recognition of revenue based on the progress towards completion in service contracts, mainly for advertisement production and system development. They are reclassified as receivables when rights to consideration become unconditional. Contract liabilities primarily relate to advances received from customers in the advertising business. Contract liabilities are transferred to revenue according to the satisfaction of performance obligations.

(3) Calculation of the transaction price allocated to the remaining performance obligations

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Within 1 year	¥6,847	**¥4,060**	**$31**
Over 1 year and below 2 years	2,214	**3,545**	**27**
Over 2 years and below 3 years	2,111	**2,964**	**22**
Over 3 years	6,494	**6,154**	**46**
Total	¥17,668	**¥16,724**	**$126**

The only performance obligations in the Group that are not part of contracts with an original expected term of one year or less are related to the rights business, and in such cases, IFRS 15 121(a) is applied and the amount represents transaction prices allocated to the remaining performance obligations (related to the rights business) expected to exceed one year on individual contract basis. In addition, there is no consideration from contracts with customers that is not included in the transaction price.

(4) Assets recognized from costs to obtain or fulfill contracts with customers

The Group has no assets recognized from costs incurred to obtain or fulfill contracts with customers.

26. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Employee benefit expense	¥579,504	**¥663,854**	**$5,003**
Depreciation and amortization	71,669	**71,019**	**535**
Other	182,159	**215,894**	**1,627**
Total	¥833,333	**¥950,768**	**$7,165**

"Other" includes research and development expenses of ¥1,735 million and ¥1,741 million ($13 million) for the years ended December 31, 2021 and 2022, respectively.

27. EMPLOYEE BENEFIT EXPENSE

The breakdown of employee benefit expense for each fiscal year is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Salaries, bonuses and allowances	¥517,057	**¥596,788**	**$4,497**
Welfare expenses	73,034	**86,069**	**649**
Post-employment benefits costs	18,385	**20,571**	**155**
Termination benefits associated with restructuring	14,699	**6,497**	**49**
Stock-based compensation expenses (excluding those attributable to the acquiree)	3,623	**2,649**	**20**
Others	–	**41**	**0**
Total	¥626,799	**¥712,616**	**$5,370**

Employee benefit expense are recorded in the Consolidated Statement of Income as "Cost of sales," "Selling, general and administrative expenses," and " Restructuring cost" and "Finance expenses."

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28. OTHER INCOME

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Foreign exchange gains	¥681	**¥2,967**	**$22**
Profit distributions	3,694	**6,801**	**51**
Rent income	1,631	**12**	**0**
Other	2,437	**1,402**	**11**
Total	¥8,445	**¥11,184**	**$84**

29. OTHER EXPENSES

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Amortization of long-term prepaid expenses	¥3,781	**¥3,891**	**$29**
Other	4,156	**2,821**	**21**
Total	¥7,938	**¥6,713**	**$51**

30. FINANCE INCOME AND FINANCE EXPENSES

(1) Breakdown of finance income

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Interest income			
Financial assets measured at amortized cost	¥1,876	**¥3,656**	**$28**
Dividend income			
Financial assets measured at fair value through other comprehensive income	1,275	**1,279**	**10**
Gain on valuation of securities			
Financial assets measured at fair value through profit or loss	270	**11,413**	**86**
Revaluation of put option liabilities	158	**2,223**	**17**
Dividend income and asset management gains from insurance	417	**404**	**3**
Foreign exchange gains (Note 1)	151	**299**	**2**
Other	600	**424**	**3**
Total	¥4,749	**¥19,701**	**$148**

(Note 1) Foreign exchange gains include valuation gain on currency derivatives.

The breakdown of dividend income is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Financial assets derecognized during the fiscal year	¥2	**¥136**	**$1**
Financial assets held at the end of the fiscal year	1,272	**1,143**	**9**
Total	¥1,275	**¥1,279**	**$10**

(2) Breakdown of finance expenses

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Interest expense			
Financial liabilities measured at amortized cost	¥17,287	**¥17,329**	**$131**
Other	103	**4,873**	**37**
Changes in fair value of contingent consideration	20,451	**14,386**	**108**
Other (Note 1)	2,398	**3,356**	**25**
Total	¥40,240	**¥39,947**	**$301**

(Note 1) "Other" includes finance expenses arising from financial instruments measured at fair value through profit or loss of ¥2,336 million and ¥11 million ($0 million) for the years ended December 31, 2021 and 2022, respectively.

31. OTHER COMPREHENSIVE INCOME

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Exchange differences on translation of foreign operations			
Amount arising during the year	¥29,210	**¥39,694**	**$299**
Reclassification adjustments	–	**–**	**–**
Pre-tax effects	29,210	**39,694**	**299**
Tax effects	–	**–**	**–**
Exchange differences on translation of foreign operations	¥29,210	**¥39,694**	**$299**
Effective portion of the change in the fair value of cash flow hedges			
Amount arising during the year	¥5,836	**¥37,042**	**$279**
Reclassification adjustments	15,019	**(3,709)**	**(28)**
Pre-tax effects	20,856	**33,332**	**251**
Tax effects	(3,260)	**(7,003)**	**(53)**
Effective portion of the change in the fair value of cash flow hedges	¥17,595	**¥26,329**	**$198**
Net change in financial assets measured at fair value through other comprehensive income			
Amount arising during the year	¥(2,364)	**¥(45,340)**	**$(342)**
Pre-tax effects	(2,364)	**(45,340)**	**(342)**
Tax effects	(2,591)	**4,636**	**35**
Net change in financial assets measured at fair value through other comprehensive income	¥(4,955)	**¥(40,703)**	**$(307)**
Remeasurements of defined benefit plans			
Amount arising during the year	¥(613)	**¥6,984**	**$53**
Pre-tax effects	(613)	**6,984**	**53**
Tax effects	508	**(1,591)**	**(12)**
Remeasurements of defined benefit plans	¥(104)	**¥5,393**	**$41**
Share of other comprehensive income of investments accounted for using the equity method			
Amount arising during the year	¥116	**¥185**	**$1**
Share of other comprehensive income of investments accounted for using the equity method	¥116	**¥185**	**$1**

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32. EARNINGS PER SHARE

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

	(Yen)		(U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Basic earnings per share	¥388.79	**¥223.33**	**$1.68**
Diluted earnings per share	¥387.11	**¥221.96**	**$1.67**

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
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	¥108,389	**¥59,847**	**$451**
Amounts not attributable to ordinary equity holders of the parent	–	**–**	**–**
Profit for the year used for calculation of basic earnings per share	108,389	**59,847**	**451**
Adjustment			
Share options issued by subsidiaries and associates	(11)	**(1)**	**(0)**
Profit for the year used for calculation of diluted earnings per share	¥108,378	**¥59,846**	**$451**
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)	278,786	**267,974**	
Effect of dilutive potential ordinary shares (Thousands of shares) : performance-linked stock compensation plan	1,183	**1,652**	
Weighted average number of ordinary shares outstanding used for the calculation of diluted earnings per share (Thousands of shares)	279,969	**269,627**	

33. Significant non-cash transactions

During the year ended December 31, 2021, the Group sold the real estate in Shiodome, Zone A, which includes the Dentsu Headquarters Building, and began the lease of the Dentsu Headquarters Building. For details, please refer to "16. LEASES (5) Sale and leaseback transaction."

During the year ended December 31, 2022, the Group commenced the lease of an office building in New York, the U.S. For details, please see "16. LEASES (2) Right-of-use assets included in the carrying amount of fixed assets."

34. SHARE-BASED PAYMENTS

(1) Performance-linked stock compensation plan of the Company, Dentsu Inc.and Dentsu Corporate One Inc.

The Group, Dentsu Inc.and Dentsu corporate one Inc. have introduced a performance-linked stock compensation plan (hereinafter referred to as the "Plan") for executive officers (including directors and executive officers; the same applies hereinafter).

The Plan provides executive officers with a number of points calculated in accordance with the formula specified in the officers' share benefit rules established by Board of Directors of the Group, Dentsu Inc.and Dentsu corporate one Inc. in consideration of the execution of duties in each fiscal year in office. The number will be determined according to the following indicators during the three consecutive fiscal years starting from the fiscal year to which the units were awarded.

Before the fiscal year ended December 31, 2020, the simple three-year average of the Group's consolidated net revenue organic growth rate was used as an indicator for calculating performance-linked stock compensation.

For 2021 and 2022 grants, the Group uses a combination of the total shareholder return (TSR) and the consolidated adjusted operating income of the Group as indicators for calculation, as follows.

The details of the indicators for 2021 and 2022 grants are as follows.

Performance Indicator	Benchmark Indicator	Composition (*1)
Total shareholder return (TSR)	Tokyo Stock Price Index (TOPIX)	30%
	Average total shareholder return (TSR) among peer group (*2)	20%
Consolidated underlying operating profit of the Group	Compound annual growth rate (CAGR)	50%

*1 The ratios represent the percentage constituting performance-linked stock compensation (medium- to long-term bonus) on the assumption that each performance indicator is identical to their benchmark indicators.

*2 Six companies comprising WPP plc, Omnicom Group Inc., Publicis Groupe S.A., Interpublic Group of Companies Inc., Accenture plc, and Hakuhodo DY Holdings Inc. were selected as peer competitors of the Group.

The Company's shares will be paid out for the number of shares calculated based on 50% of the vested units, and cash equivalent for the market value of the number of shares calculated based on the remaining 50% of the vested units, using the closing price per share on the Tokyo Stock Exchange on the day of the calculation (or the closing price on the day immediately before if there are no closing price). The former is accounted for as an equity-settled share-based payment, and the latter is accounted for as an cash-settled share-based payment.

Executive officers receive benefits of the Company's shares, etc., in principle, after three consecutive fiscal years has elapsed.

Regarding this Plan, the costs recognized for the equity-settled share-based payment plan and cash-settled share-based payment plan were ¥257 million and ¥1,092 million for the year ended December 31, 2021, and ¥439 million ($3 million) and ¥562 million ($4 million) for the year ended December 31, 2022, respectively.

Regarding the cash-settled share-based payment plan, The liability balance as of December 31, 2021 was ¥1,092 million. The liability balance as of December 31, 2022 was ¥1,556 million ($12 million).

An overview of the equity-settled share-based payment plan is as follows:

	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	**184,956**	**303,974**
Granted	**119,018**	**92,249**
Exercise	–	**69,875**
Forfeitured	–	–
Balance at the end of the year	**303,974**	**326,348**
Exercisable at the end of the year	–	–

(Note) 1. There is no exercise price in this Plan.

2. The weighted-average remaining term of this plan is 1.3 years and 1.1 years for the years ended December 31, 2021 and 2022, respectively.

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The fair value for units granted during the years ended December 31, 2021 and 2022 is ¥2,167 and ¥4,769 ($36) per unit, respectively. The fair value is measured by calculating the market value of the Company's shares using the valuation method and key inputs, as described below, and adjusting this based on the performance indicators during the business performance evaluation period.

	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model
Key inputs and assumptions:		
Measurement date share price	¥3,065	¥4,910 ($37)
Expected volatility (Note)	40.2%	42.0%
Option life	3.2 years	3.2 years
Dividend yield	2.4%	2.6%
Risk-free interest rate	(0.1)%	(0.0)%

(Note) Volatility of the stock price is calculated based on the past performance of the share price depending on the period until maturity.

An overview of the cash-settled stock compensation plan is as follows:

	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)
Balance at the beginning of the year	184,956	303,974
Granted	119,018	92,249
Exercise	–	69,875
Forfeitured	–	–
Balance at the end of the year	303,974	326,348
Exercisable at the end of the year	–	–

(Note) 1. There is no exercise price in this plan.
2. The weighted-average remaining term of this plan is 1.3 years and 1.1 years for the years ended December 31, 2021 and 2022, respectively.

The fair value for units granted during the year ended December 31, 2021 and 2022 is ¥5,303 and ¥3,793 ($29) per unit, respectively.

The fair value for unit is determined by calculating the market value of the Company's shares based on the following evaluation method and key inputs, and adjusting this based on the indicators during the performance evaluation period.

	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model
Key inputs and assumptions:		
Measurement date share price	¥4,100	¥4,145 ($31)
Expected volatility (Note)	45.9%	29.2%
Option life	2.2 years	2.2 years
Dividend yield	2.8%	3.4%
Risk-free interest rate	(0.1)%	(0.0)%

(Note) Volatility of the stock price is calculated based on the performance of the share price for the most recent period depending on the period to maturity.

(2) Performance-linked stock compensation Plan for senior executives of Dentsu International Limited

The Company introduced a performance-linked stock compensation plan (the "Plan") for senior executives of Dentsu International Limited (DI) in the year ended December 31, 2021.

Under the Plan, senior executives of DI are granted a number of units calculated in accordance with the calculation formula prescribed by the Company as compensation for the performance of their duties during each fiscal year while in office. The number of units is finalized depending on total shareholder return (TSR) and consolidated underlying operating profit of the Group during a business performance evaluation period, which is three consecutive fiscal years, the first fiscal year of which is the fiscal year in which the units are granted.

Performance Indicator	Benchmark Indicator	Composition (*1)
Total shareholder return (TSR)	Tokyo Stock Price Index (TOPIX)	30%
	Average total shareholder return (TSR) among peer group (*2)	20%
Consolidated underlying operating profit of the Group	Compound annual growth rate (CAGR)	50%

*1 The ratios represent the percentage constituting performance-linked stock compensation (medium- to long-term bonus) on the assumption that each performance indicator is identical to their benchmark indicators.
*2 Six companies comprising WPP plc, Omnicom Group Inc., Publicis Groupe S.A., Interpublic Group of Companies Inc., Accenture plc, and Hakuhodo DY Holdings Inc. were selected as peer competitors of the Group.

The Plan is an equity-settled share-based payment plan under which a number of common shares of the Company calculated primarily based on the number of finalized units are granted. In principle, senior executives of DI are granted common shares of the Company after a lapse of three consecutive fiscal years, the first fiscal year of which is the fiscal year in which the units are granted. With respect to the equity settlement stock compensation plan of the Plan, expenses recognized in the year ended December 31, 2021 were ¥682 million and expenses recognized in the year ended December 31, 2022 were ¥1,486 million ($11 million).

An overview of the equity-settled share-based payment plan is as follows:

	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	–	**1,140,314**
Granted	1,265,835	**1,078,859**
Forfeitured	125,521	**339,316**
Balance at the end of the year	1,140,314	**1,879,857**
Exercisable at the end of the year	–	**262,961**

(Note) 1. There is no exercise price in this Plan.
2. The grant date is March 25, 2022 for units granted in the year ended December 31, 2021 and March 25, 2022 for units granted in the year ended December 31, 2022.
3. The weighted average remaining maturity of the system is 2.2 years and 1.6 years as of December 31, 2021 and 2022, respectively.

The fair value of units is ¥2,099 per unit granted in the the year ended December 31, 2021 and ¥3,492 ($26) yen per unit granted in the year ended December 31, 2022. The fair value of a unit is measured by calculating the market value of the Company's shares based on the following valuation techniques and basic figures, and adjusting it according to the indicators of the performance evaluation period.

	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model
Key inputs and assumptions:		
Measurement date share price	¥3,535	**¥4,910 ($37)**
Expected volatility (Note)	41.2%	**42.0%**
Option life	3.2 years	**3.2 years**
Dividend yield	2.0%	**2.6%**
Risk-free interest rate	(0.1)%	(0.0)%

(Note) Volatility of the stock price is calculated based on the performance of the share price for the most recent period depending on the period to maturity.

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(3) Restricted stock compensation plan for the key members of Merkle's management team

Starting from the year ended December 31, 2020, for the purpose of retaining the key members of Merkle's management team, the Company adopts an equity-settled restricted stock compensation plan, under which the Company's shares are to be granted to 25 key members of Merkle's management team. Under this plan, a contractual transfer restriction (the transfer restriction period shall be, in principle, the period until December 31, 2023) was set on the Company's shares subject to the grant, and if certain events occurred including the resignation of the key members of Merkle's management team from the management positions during the transfer restriction period without a justifiable reason, the Company will acquire the shares granted without consideration.

During the year ended December 31, 2021 and 2022, ¥1,540 million and ¥64 million ($0 million) was recognized as expenses related to this plan.

The following table provides a summary of the Restricted stock compensation plan.

	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)
	Number of rights	Number of rights
Balance at the beginning of the year	2,581,200	2,304,100
Granted	–	–
Forfeitured	277,100	295,125
Balance at the end of the year	2,304,100	2,008,975
Exercisable at the end of the year	435,000	870,000

(Note) 1. The grant date is April 17, 2020.
2. The fair value on the date of grant was determined using the share price of ¥2,072 ($16) on the date of grant.

35. 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.

The balance of total equity attributable to owners of the parent and underlying ROE (ratio of underlying profit for the year to total equity attributable to owners of the parent) that are Indicators for the capital management include are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Total equity attributable to owners of the parent	¥845,034	**¥880,267**	**$6,634**
Underlying ROE (%)	13.8	**15.1**	

(Note) The underlying profit for the year (attributable to owners of the parent), the numerator of underlying ROE, is a KPI used to measure recurring profit attributable to owners of the parent which is calculated as profit for the year (attributable to owners of the parent) adjusted for adjustment items related to operating profit, revaluation of contingent consideration and put option liabilities, related tax effects, profit or loss attributable to non-controlling interests, and other one-off items. Reconciliation from profit for the year (attributable to owners of the parent) to underlying profit for the year (attributable to owners of the parent) is stated below.

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Profit for the year (attributable to owners of the parent)	¥108,389	**¥59,847**	**$451**
(Adjustment items)			
Adjustment items related to operating profit	(62,813)	**85,572**	**645**
Revaluation of contingent consideration and put option liabilities	20,293	**12,163**	**92**
Revaluation gain on step acquisition	-	**(5,467)**	**(41)**
Others	(35)	**551**	**4**
Tax expenses related to the above items	43,957	**(19,926)**	**(150)**
Profit attributable to non-controlling interest related to the above items	(588)	**(2,702)**	**(20)**
Underlying profit for the year (attributable to owners of parent)	¥109,203	**¥130,037**	**$980**

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

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

Derivative transactions are conducted within the purpose of avoiding or reducing the above risks according to internal management policy.

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(3) Credit risk

A. Credit risk management

Financial assets measured at amortized cost, including trade receivables, such as notes and accounts receivable, are exposed to customers' credit risk. The Group aims to reduce these risks based on credit management rules and guidelines.

The Group conducts review of new counterparties and credit management based on credit management rules and guidelines. 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 as follows.

Maximum exposure to credit risk associated with guarantee obligations is the balance of the contingent liabilities described in "37. CONTINGENT LIABILITIES."

C. Analysis of trade receivables by due date

(Millions of Yen)

	FY2021 (As of December 31, 2021)				
	Financial assets whose allowance for doubtful accounts is measured at an amount equal to the 12-month expected credit loss	Financial assets whose allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses			Total
		Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	
None in arrears	¥51,183	–	–	¥1,340,888	¥1,392,072
Within 30 days	–	–	–	88,075	88,075
Over 30 days, within 90 days	–	–	–	35,366	35,366
Over 90 days	–	–	2,849	17,289	20,138
Total	¥51,183	–	¥2,849	¥1,481,621	¥1,535,654

(Millions of Yen)

	FY2022 (As of December 31, 2022)				
	Financial assets whose allowance for doubtful accounts is measured at an amount equal to the 12-month expected credit loss	Financial assets whose allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses			Total
		Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	
None in arrears	**¥57,603**	**–**	**–**	**¥1,380,279**	**¥1,437,883**
Within 30 days	**–**	**–**	**–**	**72,432**	**72,432**
Over 30 days, within 90 days	**–**	**–**	**–**	**37,204**	**37,204**
Over 90 days	**–**	**–**	**2,489**	**28,881**	**31,370**
Total	**¥57,603**	**–**	**¥2,489**	**¥1,518,798**	**¥1,578,891**

(Millions of U.S. Dollars)

	FY2022 (As of December 31, 2022)				
	Financial assets whose allowance for doubtful accounts is measured at an amount equal to the 12-month expected credit loss	Financial assets whose allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses			Total
		Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	
None in arrears	**$434**	**–**	**–**	**$10,401**	**$10,836**
Within 30 days	**–**	**–**	**–**	**546**	**546**
Over 60 days, within 90 days	**–**	**–**	**–**	**280**	**280**
Over 90 days	**–**	**–**	**19**	**218**	**236**
Total	**$434**	**–**	**$19**	**$11,445**	**$11,898**

D. Analysis of changes in allowance for doubtful accounts

The Group establishes an allowance for doubtful accounts based on a review of the collectability of trade and other receivables considering the credit standing of the counterparties. Changes in the allowance for doubtful accounts are as follows:

(Millions of Yen)

	FY2021 (Year ended December 31, 2021)				
		Lifetime expected credit losses			
	12-month expected credit losses	Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	Total
Balance at the beginning of the year	¥456	–	¥697	¥16,936	¥18,090
Addition	13	–	2,479	123	2,615
Decrease (intended use)	(4)	–	(196)	(2,168)	(2,370)
Decrease (reversal)	(183)	–	(178)	(502)	(864)
Other	(46)	–	47	1,388	1,389
Balance at the end of the year	¥235	–	¥2,849	¥15,777	¥18,861

(Millions of Yen)

	FY2022 (Year ended December 31, 2022)				
		Lifetime expected credit losses			
	12-month expected credit losses	Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	Total
Balance at the beginning of the year	**¥235**	**–**	**¥2,849**	**¥15,777**	**¥18,861**
Addition	**195**	**–**	**538**	**1,665**	**2,400**
Decrease (intended use)	**(19)**	**–**	**(37)**	**(3,107)**	**(3,164)**
Decrease (reversal)	**(7)**	**–**	**(849)**	**(110)**	**(967)**
Other	**64**	**–**	**(12)**	**(1,794)**	**(1,742)**
Balance at the end of the year	**¥467**	**–**	**¥2,489**	**¥12,430**	**¥15,387**

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(Millions of U.S. Dollars)

	FY2022 (Year ended December 31, 2022)				
		Lifetime expected credit losses			
	12-month expected credit losses	Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	Total
Balance at the beginning of the year	**$2**	**–**	**$21**	**$119**	**$142**
Addition	**1**	**–**	**4**	**13**	**18**
Decrease (intended use)	**(0)**	**–**	**(0)**	**(23)**	**(24)**
Decrease (reversal)	**(0)**	**–**	**(6)**	**(1)**	**(7)**
Other	**0**	**–**	**(0)**	**(14)**	**(13)**
Balance at the end of the year	**$4**	**–**	**$19**	**$94**	**$116**

The following table shows the contractual outstanding balance of financial assets that were directly amortized by the Group but subject to enforcement activities:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Contractual outstanding balance	¥760	**¥354**	**$3**

(4) Liquidity risk

A. Liquidity risk management

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

The Group raises working capital from internal reserves, loans from financial institutions, corporate bonds, commercial paper, receivables securitization, etc. Since the receivables securitization transaction is a non-recourse agreement, securitized receivables were derecognized.

In order to take all possible measures to cope with rapid changes in the external environment, we continue to temporarily establish additional bank credit lines with financial institutions.

B. Balance of financial liability (including derivative financial instruments) by maturity

Balance of financial liability (including derivative financial instruments) by maturity as of December 31, 2021 and 2022 is as follows:

FY2021: As of December 31, 2021

(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	¥1,465,110	¥1,465,110	¥1,465,110	–	–	–	–	–
Contingent consideration on acquisition and others	49,446	49,446	36,536	9,310	3,600	–	–	–
Put option liabilities	34,029	34,029	19,719	3,355	5,999	1,325	17	3,611
Borrowings	379,620	393,767	98,939	34,715	145,009	39,705	75,393	2
Bonds	199,569	204,075	628	35,622	590	70,536	432	96,266
Lease obligations	192,082	204,878	36,562	29,837	24,710	21,854	19,944	71,968
Subtotal	2,319,859	2,351,307	1,657,497	112,840	179,909	133,421	95,788	171,849
Derivative liabilities	15,178	15,178	363	1,527	715	8,293	558	3,719
Total	¥2,335,038	¥2,366,485	¥1,657,860	¥114,368	¥180,625	¥141,715	¥96,347	¥175,568

FY2022: As of December 31, 2022

(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	¥1,532,591	¥1,532,591	¥1,532,591	–	–	–	–	–
Contingent consideration on acquisition and others	38,425	38,425	32,113	6,311	–	–	–	–
Put option liabilities	21,493	21,493	13,707	2,789	564	1,097	–	3,333
Borrowings	332,770	356,251	73,303	150,889	51,920	80,137	–	–
Bonds	199,660	203,446	35,622	590	70,536	432	10,418	85,847
Lease obligations	224,161	263,368	39,358	33,359	28,555	25,849	24,079	112,167
Subtotal	2,349,101	2,415,577	1,726,696	193,940	151,577	107,516	34,497	201,349
Derivative liabilities	5,828	5,828	2,057	83	3,188	21	478	–
Total	¥2,354,930	¥2,421,405	¥1,728,753	¥194,023	¥154,765	¥107,537	¥34,975	¥201,349

FY2022: As of December 31, 2022

(Millions of U.S. Dollars)

	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	$11,549	$11,549	$11,549	–	–	–	–	–
Contingent consideration on acquisition and others	290	290	242	48	–	–	–	–
Put option liabilities	162	162	103	21	4	8	–	25
Borrowings	2,508	2,685	552	1,137	391	604	–	–
Bonds	1,505	1,533	268	4	532	3	79	647
Lease obligations	1,689	1,985	297	251	215	195	181	845
Subtotal	17,702	18,203	13,012	1,461	1,142	810	260	1,517
Derivative liabilities	44	44	16	1	24	0	4	–
Total	$17,746	$18,247	$13,028	$1,462	$1,166	$810	$264	$1,517

C. Undrawn committed facilities

Undrawn committed facilities amounted to ¥584,598 million and ¥603,453 million ($4,547 million) as of December 31, 2021 and 2022, 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 Group uses forward foreign exchange contracts to hedge its foreign exchange fluctuation risks identified by each currency and by each month.

In addition, with respect to those that are important among transactions denominated in foreign currencies exceeding certain amounts and foreign exchange fluctuation risks, forward foreign exchange contracts and borrowings and others are used to hedge them in accordance with internal management rules.

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B. Foreign currency sensitivity analysis

With respect to financial instruments held by the Group, in cases where the functional currency (Yen) increases by 10% in value against the U.S. Dollar or Euro assuming all other variables remain unchanged, the effect on profit after tax as of December 31, 2021 and 2022 is as follows:

The impact from the translation of financial instruments denominated in its functional currencies, as well as assets and liabilities of foreign operations into yen is not included.

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
U.S. Dollars	¥(423)	**¥(229)**	**$(2)**
Euros	(167)	**(40)**	**(0)**

(6) Interest rate risk

A. Interest rate risk management

For certain portion of the Group's borrowings, interest expenses are fixed using derivatives transactions (interest rate swap contracts, etc.) to avoid or reduce interest rate fluctuation risks.

B. Interest rate sensitivity analysis

Regarding the financial instruments held by the Group, the table below presents the effect of 300bps increase in interest rates on profit after tax in the Consolidated Statement of Income. The analysis includes the financial instruments (borrowings) that is subject to exchange rate fluctuation and assumes that all other factors, including exchange rate, are unchanged.

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Profit after tax	¥(744)	**¥(523)**	**$(4)**

C. Interbank Offered Rate (IBOR) reform

The Group's hedging transactions are impacted by the London Interbank Offered Rate (LIBOR), which is currently undergoing the IBOR reform. GBP LIBOR and JPY LIBOR ceased on December 31, 2021. The Group continues hedge accounting by amending the contract terms of hedged items and hedging instruments that had referenced them and starting to reference SONIA (Sterling Overnight Index Average) instead. While USD LIBOR is undergoing reform, the Group continues to have exposures of interest rate benchmark hedges that reference USD LIBOR.

The nominal transaction value of hedging instruments referencing USD LIBOR that will mature after the end of 2022 is ¥39,675 million ($299 million) as of December 31, 2022. These hedging instruments are designated as a means to hedge specific cash flows of borrowings arranged at variable rates indexed to LIBOR.

The Group will continue to apply the amended IAS 39 until the uncertainties associated with the IBOR reform cease. The Group assumes that such uncertainties will remain until alternative benchmark rates are determined and cash flows based on such alternative benchmark rates and related spread adjustments are fixed.

For hedging instruments and hedged items referencing USD LIBOR, the Group will take actions to ensure a smooth transition to possible alternative benchmark rates such as Secured Overnight Financing Rate (SOFR).

(7) Hedge accounting

The notional amounts and average prices of major hedging instruments were as follows:

		FY2021 (As of December 31, 2021)				
		Content	Notional Amount and Average Price	Within one year	Over one year Within five years	Over five years
Cash flow hedge	Interest rate risk	Interest rate swap	Notional Amount (Millions of Yen)	30,000	–	–
			Average fixed rate	0.86%	–	–
			Notional Amount (Millions of U.S. Dollars)	200	300	–
			Average fixed rate	2.14%	2.60%	–
			Notional Amount (Millions of sterling pound)	–	650	–
			Average fixed rate	–	1.68%	–
	Foreign exchange risk	Foreign exchange contracts (buy)	Notional Amount (Millions of U.S. Dollars)	126	326	186
			Average exchange rate (Yen/USD)	87.58	101.08	95.40
			Notional Amount (Millions of sterling pound)	1	–	–
			Average exchange rate (Yen/GBP)	136.58	–	–
			Notional Amount (Millions of EUR)	5	5	4
			Average exchange rate (Yen/EUR)	131.67	115.94	114.26
		Cross currency swaps (Note)	Notional Amount (Millions of Yen)	–	117,189	88,517
			Average exchange rate (Yen/GBP)	–	142.57	129.38

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		FY2022 (As of December 31, 2022)				
		Content	Notional Amount and Average Price	Within one year	Over one year Within five years	Over five years
Cash flow hedge	Interest rate risk	Interest rate swap	Notional Amount (Millions of Yen)	2,000	–	–
			Average fixed rate	0.83%	–	–
			Notional Amount (Millions of U.S. Dollars)	–	300	–
			Average fixed rate	–	2.60%	–
			Notional Amount (Millions of sterling pound)	–	650	–
			Average fixed rate	–	1.68%	–
	Foreign exchange risk	Foreign exchange contracts (buy)	Notional Amount (Millions of U.S. Dollars)	120	335	86
			Average exchange rate (Yen/USD)	106.93	99.06	96.20
			Notional Amount (Millions of sterling pound)	2	8	–
			Average exchange rate (Yen/GBP)	156.87	148.24	–
			Notional Amount (Millions of EUR)	1	4	7
			Average exchange rate (Yen/EUR)	116.23	115.49	126.62
		Foreign exchange contracts (sale)	Notional Amount (Millions of U.S. Dollars)	–	31	–
			Average exchange rate (Yen/USD)	–	120.65	–
		Cross currency swaps (Note)	Notional Amount (Millions of Yen)	44,044	96,153	88,341
			Average exchange rate (Yen/GBP)	151.71	142.96	130.20

Note: Cash flow hedges are applied to foreign currency items between consolidated companies while offsetting hedged items under the Consolidated Statement of Financial Position.

The carrying amounts of the hedging instruments of the Company and certain consolidated subsidiaries are as follows. The amount of ineffectiveness of hedges recognized in profit or loss is not material for the years ended December 31, 2021 and 2022.

(Millions of yen)

	FY2021 (As of December 31, 2021)		FY2022 (As of December 31, 2022)		Item in the Consolidated Statements of Financial Position
	Carrying Amount		Carrying Amount		
	Assets	Liabilities	Assets	Liabilities	
Cash flow hedge					
Interest rate risk	¥947	¥(1,779)	**¥12,256**	**¥(1)**	**(Note)**
Foreign exchange risk	8,175	(13,176)	**13,699**	**(5,404)**	**(Note)**
Total-cash flow hedges	9,122	(14,955)	**25,955**	**(5,405)**	
Total financial instruments for which hedge accounting is applied	¥9,122	¥(14,955)	**¥25,955**	**¥(5,405)**	

(Millions of U.S. Dollars)

	FY2022 (As of December 31, 2022)		Item in the Consolidated Statements of Financial Position
	Carrying Amount		
	Assets	Liabilities	
Cash flow hedge			
Interest rate risk	**$92**	**$(0)**	**(Note)**
Foreign exchange risk	**103**	**(41)**	**(Note)**
Total-cash flow hedges	**196**	**(41)**	
Total financial instruments for which hedge accounting is applied	**$196**	**$(41)**	

(Note) Included in "Other financial assets (current)," "Other financial assets (non-current)," "Other financial liabilities (current)" and "Other financial liabilities (non-current)."

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The amount of cash flow hedges of the Company and certain consolidated subsidiaries recorded in other comprehensive income (before tax effect) in the Consolidated Statements of Comprehensive Income for the year is as follows:

(Millions of Yen)

	FY2021: Year ended December 31, 2021			
	Amount incurred	Reclassification adjustments from other comprehensive income to non-financial assets and others (Note)	Reclassification adjustments from other comprehensive income to net income	Item in the Consolidated Statement of Income
Cash flow hedge				
Interest rate risk	¥13,257	–	¥261	Finance expenses
Foreign exchange risk	(7,421)	(2,750)	17,509	Finance income
Total-cash flow hedges	¥5,836	¥(2,750)	¥17,770	

(Millions of Yen)

	FY2022: Year ended December 31, 2022			
	Amount incurred	Reclassification adjustments from other comprehensive income to non-financial assets and others (Note)	Reclassification adjustments from other comprehensive income to net income	Item in the Consolidated Statement of Income
Cash flow hedge				
Interest rate risk	**¥14,739**	**–**	**¥114**	**Finance expenses**
Foreign exchange risk	**22,302**	**(5,367)**	**1,543**	**Finance income**
Total-cash flow hedges	**¥37,042**	**¥(5,367)**	**¥1,658**	

(Millions of U.S. Dollars)

	FY2022: Year ended December 31, 2022			
	Amount incurred	Reclassification adjustments from other comprehensive income to non-financial assets and others (Note)	Reclassification adjustments from other comprehensive income to net income	Item in the Consolidated Statement of Income
Cash flow hedge				
Interest rate risk	**$111**	**–**	**$1**	**Finance expenses**
Foreign exchange risk	**168**	**(40)**	**12**	**Finance income**
Total-cash flow hedges	**$279**	**$(40)**	**$12**	

(Note) As stated in "3. SIGNIFICANT ACCOUNTING POLICIES," if a hedged item results in the recognition of non-financial assets or non-financial liabilities, the amounts recognized as other components of equity will be reclassified through other comprehensive income to the initial carrying amount of the non-financial assets or non-financial liabilities, in accordance with IAS 39.

The components of changes in the amounts recorded in other components of equity in the Consolidated Statements of Financial Position for cash flow hedges during the year are as follows:

(Millions of Yen)

	FY2021: Year ended December 31, 2021	
	Cash flow hedge	
	Interest rate risk	Foreign exchange risk
Balance at the beginning of the year	¥(8,270)	¥2,871
Arising during the year	11,786	(7,084)
Reclassification adjustments to net income	261	14,532
Reclassification adjustments for non-financial assets and others	–	(1,897)
Balance at the end of the year	¥3,777	¥8,421

(Millions of Yen)

	FY2022: Year ended December 31, 2022	
	Cash flow hedge	
	Interest rate risk	Foreign exchange risk
Balance at the beginning of the year	**¥3,777**	**¥8,421**
Arising during the year	**12,216**	**16,526**
Reclassification adjustments to net income	**84**	**1,202**
Reclassification adjustments for non-financial assets and others	**–**	**(3,703)**
Balance at the end of the year	**¥16,078**	**¥22,446**

(Millions of U.S. Dollars)

	FY2022: Year ended December 31, 2022	
	Cash flow hedge	
	Interest rate risk	Foreign exchange risk
Balance at the beginning of the year	**$28**	**$63**
Arising during the year	**92**	**125**
Reclassification adjustments to net income	**1**	**9**
Reclassification adjustments for non-financial assets and others	**–**	**(28)**
Balance at the end of the year	**$121**	**$169**

(8) The carrying amount and for value of financial instruments.

The breakdown of the carrying amount and fair value of financial instruments as of December 31, 2021 and 2022 is as follows:

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

	(Millions of Yen)				(Millions of U.S. Dollars)	
	FY2021 (As of December 31, 2021)		FY2022 (As of December 31, 2022)		FY2022 (As of December 31, 2022)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	¥339,613	¥340,578	**¥304,016**	**¥299,380**	**$2,291**	**$2,256**
Bonds	¥199,569	¥201,018	**¥199,660**	**¥197,535**	**$1,505**	**$1,489**

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

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 long-term borrowings is categorized as Level 3.

The fair value of bonds is determined based on quoted market prices. The fair value hierarchy is categorized as Level 2.

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(9) 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 were no transfers between Level 1 and Level 2 for the years ended December 31, 2021 and 2022. The followings table includes put option liabilities.

FY2021: As of December 31, 2021

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	–	¥9,608	–	¥9,608
Equity securities	85,811	–	59,425	145,237
Other	1,863	3,092	28,011	32,967
Total	¥87,674	¥12,700	¥87,437	¥187,812
Financial liabilities				
Derivative liabilities	–	¥15,178	–	¥15,178
Put option liabilities	–	–	34,029	34,029
Other (mainly contingent consideration)	–	–	49,446	49,446
Total	–	¥15,178	¥83,475	¥98,653

FY2022: As of December 31, 2022

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	**–**	**¥26,679**	**–**	**¥26,679**
Equity securities	**53,973**	**–**	**39,606**	**93,580**
Other	**488**	**3,395**	**31,427**	**35,311**
Total	**¥54,462**	**¥30,074**	**¥71,034**	**¥155,571**
Financial liabilities				
Derivative liabilities	**–**	**¥5,828**	**–**	**¥5,828**
Put option liabilities	**–**	**–**	**21,493**	**21,493**
Other (mainly contingent consideration)	**–**	**–**	**38,425**	**38,425**
Total	**–**	**¥5,828**	**¥59,918**	**¥65,746**

FY2022: As of December 31, 2022

(Millions of U.S. Dollars)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	–	$201	–	201
Equity securities	407	–	298	705
Other	4	26	237	266
Total	$410	$227	$535	$1,172
Financial liabilities				
Derivative liabilities	–	$44	–	$44
Put option liabilities	–	–	162	162
Other (mainly contingent consideration)	–	–	290	290
Total	–	$44	$452	$495

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.

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 whose fair value is measured using observable market data are categorized within Level 2, while stocks measured based mainly on two income approaches (one using the DCF method by which the perpetual value is calculated using the exit multiple method and the other using the perpetual value is calculated using the perpetual growth rate method) and the market approach (the comparable companies analysis) using unobservable inputs are categorized within Level 3.

In the income approach (the DCF method by which the perpetual value is calculated using the exit multiple method), significant unobservable inputs are mainly the level of future revenue and exit multiple (enterprise value/revenue), and discount rate. The fair value increases (decreases) as the level of future revenue increases (decreases); the fair value increases (decreases) as the exit multiple increases (decreases); the fair value decreases (increases) as the discount rate increases (decreases). The exit multiples (enterprise value/revenue) and discount rates used for the years ended December 31, 2021 and December 31, 2022 were 4.6 and 30%, and 2.6 and 30%, respectively.

In the income approach (DCF method by which the perpetual value is calculated using the perpetual growth rate method), significant unobservable inputs are mainly the discount rate. The fair value decreases (increases) as the discount rate increases (decreases). The discount rates used for the fiscal years ended December 31, 2021 and December 31, 2022 were 6.9% and 6.7%, respectively.

Significant unobservable inputs in the market approach (comparable company method or comparable transaction method) mainly include valuation multiples such as enterprise value/revenue, enterprise value/operating profit. The fair value increases (decreases) as the valuation multiples increase (decrease). Enterprise value/operating profit multiples ranging from 16.36 ~ 24.72 and 9.01 were used as valuation multiples in the year ended December 31, 2021 and 2022, respectively.

The fair values, etc. and others of put option liabilities and other (financial liabilities) are categorized within Level 3 as they are valuated based on the discounted cash flow method using unobservable inputs. Significant unobservable inputs are level of future profitability and discount rate. The fair values, etc. increases (decreases) as level of profitability increases (decreases).

If the profit level improves or deteriorates by 100 bps, the fair values, etc, will increase by ¥730 million or decrease by ¥963 million as of December 31, 2021, increase by ¥111 million ($1 million) or decrease by ¥126 million ($1 million) as of December 31, 2022, respectively. If the discount rate increases or decreases by 100 bps, the fair values, etc, will decrease by ¥522 million or increase by ¥543 million as of December 31, 2021, decrease by ¥281 million ($2 million) or increase by ¥294 million ($2 million) as of December 31, 2022, respectively.

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.

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The schedule of financial instruments categorized within Level 3 is as follows:

Financial assets	FY2021 (Year ended December 31, 2021) (Millions of Yen)	FY2022 (Year ended December 31, 2022) (Millions of Yen)	FY2022 (Year ended December 31, 2022) (Millions of U.S. Dollars)
Balance at the beginning of the year	¥98,861	**¥87,437**	**$659**
Other comprehensive income (Note 1)	(10,994)	**(35,228)**	**(265)**
Profit or loss (Note 2)	–	**10,897**	**82**
Purchases or acquisition	3,452	**10,438**	**79**
Sales or settlements	(1,127)	**(1,422)**	**(11)**
Other	(2,755)	**(1,088)**	**(8)**
Balance at the end of the year	¥87,437	**¥71,034**	**$535**

Financial liabilities	FY2021 (Year ended December 31, 2021) (Millions of Yen)	FY2022 (Year ended December 31, 2022) (Millions of Yen)	FY2022 (Year ended December 31, 2022) (Millions of U.S. Dollars)
Balance at the beginning of the year	¥76,221	**¥83,475**	**$629**
Profit or loss (Note 2)	20,293	**12,163**	**92**
Purchases	625	**6,253**	**47**
Sales or settlements	(22,499)	**(43,001)**	**(324)**
Other	8,834	**1,027**	**8**
Balance at the end of the year	¥83,475	**¥59,918**	**$452**

(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) "Profit or loss" is associated with financial assets and financial liabilities at fair value through profit or loss and included in finance income or expenses. Profit or loss arising from financial instruments held at fiscal year end amounted to finance income of ¥158 million and finance expenses of ¥20,451 million for the years ended December 31, 2021 and finance income of ¥13,120 million($99 million) and finance expenses of ¥14,386 million ($108 million) for the years ended December 31, 2022.

(10) Offsetting of financial assets and liabilities

The amount of financial assets and liabilities as of December 31, 2021 and 2022, that are against the same counterparty and that are offset in accordance with the criteria for offset, are as follows.

	FY2021 (As of December 31, 2021) (Millions of Yen)	FY2022 (As of December 31, 2022) (Millions of Yen)	FY2022 (As of December 31, 2022) (Millions of U.S. Dollars)
	Cash and cash equivalents	Cash and cash equivalents	Cash and cash equivalents
Total recognized financial assets	¥117,340	**¥146,871**	**$1,107**
The amount of financial assets and liabilities offset in accordance with the criteria	(74,535)	**(127,761)**	**(963)**
Net amount recorded in Consolidated Statement of Financial Position	¥42,805	**¥19,110**	**$144**

	FY2021 (As of December 31, 2021) (Millions of Yen)	FY2022 (As of December 31, 2022) (Millions of Yen)	FY2022 (As of December 31, 2022) (Millions of U.S. Dollars)
	Borrowings (current)	Borrowings (current)	Borrowings (current)
Total recognized financial liabilities	¥74,535	**¥127,761**	**$963**
The amount of financial assets and liabilities offset in accordance with the criteria	(74,535)	**(127,761)**	**(963)**
Net amount recorded in Consolidated Statement of Financial Position	–	**–**	**–**

The amount of financial assets and liabilities that are under enforceable master netting agreements or similar contracts, but are not offset as they do not meet certain or all criteria of offsetting is not material.

36. RELATED PARTIES

(1) Transactions with related parties

The Company and its consolidated subsidiaries purchase advertising-related services from associates and also provide advertising placement and advertising-related services to them. Arm's length prices are applied in transactions with associates.

The balance of receivables and payables to associates as of December 31, 2021 and 2022 are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Receivables	¥22,328	**¥23,062**	**$174**
Payables	¥10,241	**¥8,351**	**$63**

Transactions with associates for the year ended December 31, 2021 and 2022 are as follows:

Turnover and Cost of sales are shown in gross amount.

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Turnover	¥82,412	**¥92,233**	**$695**
Cost of sales	¥37,712	**¥30,989**	**$234**
Selling, general and administrative expenses	¥5,349	**¥4,179**	**$31**

(2) Remuneration for the Group's directors

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (Year ended December 31, 2021)	FY2022 (Year ended December 31, 2022)	FY2022 (Year ended December 31, 2022)
Remuneration and bonuses	¥4,021	**¥2,081**	**$16**
Stock compensation	517	**862**	**6**
Total	¥4,538	**¥2,943**	**$22**

(3) Subsidiaries and associates

The main subsidiaries of the Group are described in "Subsidiaries."

Compared to as of December 31 2022, the number of consolidated subsidiaries and equity method associates decreased by 26 and 3, respectively.

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37. CONTINGENT LIABILITIES

The contingent liabilities as of December 31, 2021 and 2022 are as follows:

Guarantees of loans and other liabilities

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2021 (As of December 31, 2021)	FY2022 (As of December 31, 2022)	FY2022 (As of December 31, 2022)
Liabilities on guarantees resulting from a loan scheme for housing funds for employees	¥26	**¥10**	**$0**
Liabilities for guarantees of bank loans and others	1,016	**6,843**	**52**
Total	¥1,042	**¥6,854**	**$52**

The business that the Group companies execute over a wide range of areas may be subject to claims, etc. based on investigations, lawsuits, media audits, etc. from government agencies, clients, media companies, partner companies, etc., in both Japan and overseas. As a result of our verification, including consultations with experts and others, we believe that even if obligations arise due to such claims, it would not have a significant impact on the financial position or operating results of the Group.

Contingent liabilities, etc. in India

During the year ended December 31, 2021, the Group investigated certain matters related to transactions entered into by one of the Group's Indian subsidiaries in detail with the assistance of external legal and professional advisors, and reported the results to the appropriate regulatory authorities in India.

Related to the matters reported, the Group has received claims totaling INR5,599 million from parties seeking payment for goods and services which those parties allege had been provided to the subsidiary in question.

Based on legal advice received to date, the Group has rejected these claims. The Group contests the substance of the underlying transactions and is of the view that no bona fide goods or services were actually provided. Consequently, the Group has not recorded a liability in association with these claims. While the Group continues to investigate the matters with the support of its external legal and professional advisors, it is vigorously defending its position with respect to the claims and continues to support the authorities with their enquiries.

The outcome of the legal proceedings and any action by the regulators remains uncertain.

Contingent liabilities, etc. relating to contingent consideration arising from the acquisition of a consolidated subsidiary

In the fiscal year ended December 31, 2022, in relation to the contingent consideration arising from the acquisition of a consolidated subsidiary during the previous fiscal years, which was conducted as part of efforts to expand its international business, the Group has been requested by the seller of the acquired company to pay $99 million (¥13,200 million), in addition to the contingent consideration recorded by the Group in the consolidated statement of financial position. The claim is based on the seller's assertion that the Group acted in a manner that had a negative impact on the performance on which the contingent consideration was calculated.

The Group's position is that actions were permitted under the purchase agreement and it is contesting sellers' claim. Under the purchase agreement the parties must attempt in good faith to resolve the amounts in dispute, however the sellers have indicated that they intend to seek arbitration if a negotiated solution is not reached.

The contingent consideration arising from the acquisition of the acquired company were recorded as "Other financial liabilities" (Current liabilities) in the Consolidated Statement of Financial Position. In the fiscal year ended December 31, 2022, no material adjustment to the calculation of contingent consideration has been made and no further amounts have been provided for in respect of the claim. This will be reassessed at future reporting dates based on the latest status of the dispute.

Contingent liabilities, etc. relating to an alleged violation of the Antimonopoly Act

Some of the contracts entered into by the Group include covenants that allow counterparties to exercise the right to claim at a higher price in the case of violation of certain laws and regulations by the Group.

The Group had a criminal complaint filed against it by the Japan Fair Trade Commission and was indicted by the Tokyo District Public Prosecutors Office for an alleged violation of the Antimonopoly Act in connection to the bidding for the test events of the Tokyo 2020 Olympic and Paralympic Games on February 28, 2023. The Group contests at this time the infringement of such covenants in a series of events, however, if the conviction of the Group or administrative dispositions by the Japan Fair Trade Commission became final and binding in the future, courts of jurisdiction may admit the exercise of the said right by the counterparties.

The payment liabilities under the said covenants may potentially increase by ¥14,672 million($111 million) at a maximum.

38. SIGNIFICANT SUBSEQUENT EVENTS

(Acquisition of Tag in the UK)

On March 8, 2023, the Group has entered into a definitive agreement with Advent International, a private equity investor holding shares in Tag Worldwide Holdings Ltd., the global omnichannel digital marketing production powerhouse (Head Office: London, UK; CEO: David Kassler; hereinafter, "Tag"). Under the agreement, the Group will acquire 100% shares in Tag. The transaction is anticipated to close in 2023 subject to receiving required approvals under the Antimonopoly Act by the regulatory autholity and satisfying closing conditions.

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Subsidiaries
As of December 31, 2022, the Dentsu Group includes 881 consolidated subsidiaries.

Consolidated subsidiaries
Dentsu Inc.[1]
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 100.0%

Dentsu East Japan Inc.
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 100.0%

Dentsu West Japan Inc.
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 100.0%

Dentsu Kyushu Inc.
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 100.0%

Dentsu Runway Inc.
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 100.0%

Dentsu Digital Inc.[1, 3]
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 100.0% (25.0%)

Dentsu Live Inc.
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 100.0%

Dentsu Promotion Plus Inc.
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 100.0%

CARTA HOLDINGS, INC.[2]
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 53.4%

SEPTENI HOLDINGS CO., LTD.[1, 2]
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 52.0%

Information Services International-Dentsu, Ltd.[1, 2, 3,]
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 61.8% (0.0%)

Dentsu Corporate One Inc.[1]
Geographic Area: Japan
Equity Held by Dentsu Group Inc.: 100.0%

Dentsu International Limited[1]
Geographic Area: United Kingdom
Equity Held by Dentsu Group Inc.: 100.0%

Dentsu International Holdings Limited[1, 3]
Geographic Area: United Kingdom
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Portman Square US Holdings Ltd.[1, 3]
Geographic Area: United Kingdom
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu International Group Participations Limited[1, 3]
Geographic Area: United Kingdom
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu International Triton Limited[3]
Geographic Area: United Kingdom
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu International GPS Holdings Limited [1, 3]
Geographic Area: United Kingdom
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu International Finance Ltd. [3]
Geographic Area: United Kingdom
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu International Regents Place Finance Limited [3]
Geographic Area: United Kingdom
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu International Treasury Limited[3]
Geographic Area: United Kingdom
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu Aegis Network Central Europe Holding GmbH[3]
Geographic Area: Germany
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu Aegis Network Central Europe GmbH[3]
Geographic Area: Germany
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu France SAS[1, 3]
Geographic Area: France
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Aegis France SAS[1, 3]
Geographic Area: France
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Aegis International Holding Company B.V.[1, 3]
Geographic Area: Netherlands
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Group Carat (Nederland) B.V.[1, 3]
Geographic Area: Netherlands
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu Media, S.L.[1, 3]
Geographic Area: Spain
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu McGarry Bowen, LLC[1, 3]
Geographic Area: USA
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

The 360i Network, LLC [1, 3]
Geographic Area: USA
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu US, Inc.[1, 3]
Geographic Area: USA
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Merkle Group Inc. [3]
Geographic Area: USA
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Isobar US, LLC[1, 3]
Geographic Area: USA
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu International Americas, LLC[1, 3]
Geographic Area: USA
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Agenciaclick - Midia Interativa S.A.[1,3]
Geographic Area: Brazil
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu (Shanghai) Investment Co., Ltd.[1, 3]
Geographic Area: China
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Beijing Dentsu Advertising Co., Ltd.
Geographic Area: China
Equity Held by Dentsu Group Inc.: 100.0%

Dentsu Asia Pacific Holdings Pte. Ltd.[1, 3]
Geographic Area: Singapore
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu Aegis Network India Private Limited [1, 3]
Geographic Area: India
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu Australia Holdings Pty Ltd.[1, 3]
Geographic Area: Australia
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu International Australia Pty Ltd.[1, 3]
Geographic Area: Australia
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

Dentsu Corporate Services Ltd. [1, 3]
Geographic Area: Australia
Equity Held by Dentsu Group Inc.: 100.0% (100.0%)

and 839 other companies

1. Specified subsidiary
2. Company that submits an annual securities report
3. In Equity held by Dentsu, the figure in parentheses indicates the ratio of equity held indirectly.

KPMG

Independent auditor's report

To the Board of Directors of Dentsu Group Inc.:

Opinion

We have audited the accompanying consolidated financial statements of Dentsu Group Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (hereinafter referred to as "IFRS").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the Company's estimate of the recoverable amount used in the valuation of goodwill for the international business

The key audit matter	How the matter was addressed in our audit
As described in Note 15. "GOODWILL AND INTANGIBLE ASSETS" to the consolidated financial statements, Dentsu Group Inc. (hereinafter, the "Company") recognized goodwill of ¥749,755 million	The primary procedures we performed to assess the reasonableness of the Company's estimate of the recoverable amount used in the valuation of goodwill allocated to the International business are set forth below. The audit procedures included those performed by the component auditor of Dentsu International

(20% of total assets) in the consolidated statement of financial position for the current fiscal year. Included therein were goodwill of ¥192,121 million in the EMEA, ¥482,887 million in the Americas, and ¥51,460 million in the APAC within the International business segment. As the Company has adopted International Financial Reporting Standards (IFRSs), impairment tests for goodwill are performed at least annually and whenever there is an impairment indicator. The recoverable amount in the impairment test for goodwill is determined at the higher of either the fair value less costs of disposal or the value in use of an asset or a cash-generating unit. When the carrying amount exceeds the recoverable amount, an impairment loss is recognized. In addition to the impairment test for each group of cash-generating units to which goodwill has been allocated, the International business segment, as a whole, including unallocated corporate assets and central costs, is also tested for impairment. As described in Note 15. "GOODWILL AND INTANGIBLE ASSETS" to the consolidated financial statements, the Company recognized an impairment loss on goodwill of ¥9,262 million for the group of cash-generating units to which the APAC goodwill was allocated as a result of the impairment test for goodwill related to the International business segment. The Company calculated the recoverable amount in the impairment test for the group of cash-generating units to which the APAC goodwill was allocated using the value in use based on the budget for the following fiscal year approved by management and the forecast for the additional four subsequent fiscal years. Key assumptions adopted by management as the basis for calculating the value in use included operating margin, net working capital, medium-term growth rates for net revenue, perpetual growth rates, discount rates, and the allocation ratios of central	Limited, a consolidated subsidiary that oversees the International business. We instructed the component auditor to perform audit procedures and evaluated their reports to conclude on whether sufficient and appropriate audit evidence was obtained. ● We assessed the appropriateness of key assumptions adopted by management in calculating the value in use by inquiring of management and personnel responsible for the business plans regarding the basis on which those key assumptions were developed. ● We assessed whether the recoverable amount of each group of cash-generating units to which the goodwill was allocated exceeded its carrying amount sufficiently. When such excess amount was not sufficient for the group of cash-generating units to which the APAC goodwill was allocated, we performed the following procedures: ・assessed the accuracy of the estimates underlying the key assumptions by comparing the past estimates with actual results, and obtained an understanding of the effect each assumption had on the impairment test by performing a sensitivity analysis; ・evaluated operating margins in the past business plans by analyzing the causes of any variances with actual results, and confirmed that the identified causes of the variances were appropriately considered and incorporated into the assumptions through discussions with management and personnel responsible for the business plans; ・assessed the appropriateness of the net working capital assumptions by comparing them with the historical monthly trends; ・assessed the reasonableness of the medium-term growth rates for net revenue by discussing with management and personnel responsible for the business plans and performing trend analysis of historical business results; ・assessed the appropriateness of the perpetual growth rate assumptions by tracing them to data published by external organizations; ・assessed the appropriateness of the discount rate assumptions with the assistance of a valuation specialist within our network firms by comparing them with the discount rates that the valuation specialist independently estimated based on external information; and ・assessed the appropriateness of the assumptions for the allocation ratios of central costs for each group of

costs. While these assumptions were developed using management's best estimate and judgment made based on the historical business results and the business plans approved by management, they were inherently uncertain as they may be affected by changes in business strategies and market conditions. Accordingly, management's estimate and judgment thereon had a significant effect on the estimate of the value in use. In addition, selecting appropriate input data for estimating the discount rates required a high degree of expertise in valuation. We, therefore, determined that our assessment of the reasonableness of the Company's estimate of the recoverable amount used in the valuation of goodwill allocated to the international business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	cash-generating units by inspecting a breakdown of central costs and analyzing the relationship between each cost element and the generation of cash inflows at the level of the group of cash-generating units.

Reasonableness of the Company's estimate of the recoverable amount used in the valuation of a cash-generating unit including the right-of-use asset related to the lease contract for the office building

The key audit matter	How the matter was addressed in our audit
As described in Note 16. "LEASES" to the consolidated financial statements, the Company recognized right-of-use assets of ¥143,379 million (3.8% of total assets) in the consolidated statement of financial position for the current fiscal year. Included therein was the right-of-use asset of ¥24,688 million related to the lease contract for the office building in New York, U.S., entered into by the Group as a lessee in November 2019, which was subject to real estate optimization as part of its restructuring. While the recoverable amount used in the valuation of a cash-generating unit including the right-of-use asset was estimated using future subleases, it was expected to be less than the carrying amount even if future sublease income was taken into account. Therefore, the Company reduced the carrying amount of the right-of-use asset to its	The primary procedures we performed to assess the reasonableness of the Company's estimate of the recoverable amount used in the valuation of the cash-generating unit including the right-of-use asset related to the lease agreements for the office building included the following: ● For the reasonableness of the Company's estimate of the recoverable amount for the cash-generating unit including the right-of-use asset, we instructed the component auditor of Dentsu International Limited, a consolidated subsidiary, to perform audit procedures and evaluated their reports to conclude on whether sufficient and appropriate audit evidence was obtained from the following audit procedures, among others: ・assessed whether key assumptions adopted by management for calculating the recoverable amount were appropriate by inquiring of management and the expert used by management about the basis on which those assumptions were developed; and

recoverable amount in the consolidated statement of financial position, and the resulting decrease in the carrying amount was recognized as an impairment loss in the consolidated statement of income. Key assumptions adopted by management for measuring the recoverable amount used in the valuation of the cash-generating unit including the right-of-use asset included the basic sublease fee, expected rate of increase in lease payments over the lease period, lease incentive, and void periods. As these assumptions are developed taking into account uncertainty at the balance sheet date, they may be affected by changes in market conditions and the occurrence of unpredictable events. Accordingly, management's estimate and judgment thereon had a significant effect on the accounting estimates. We, therefore, determined that our assessment of the reasonableness of the Company's estimate of the recoverable amount for the right-of-use asset related to the lease agreements for the office building was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	・compared the consistency of key assumptions related to the basic sublease fee, expected rate of increase in lease payments over the lease term, lease incentive, and void periods with available information published by external research organizations or market data obtained with the assistance of a real estate valuation specialist within our network firms.

Other Information

The other information comprises the information included in the Financial Report but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS.

The audit and supervisory committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and supervisory committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and supervisory committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and supervisory committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note "2. BASIS OF PREPARATION (3) Functional Currency and Presentation Currency" to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hideaki Koyama

Designated Engagement Partner

Certified Public Accountant

Kentaro Maruta

Designated Engagement Partner

Certified Public Accountant

Shuji Ezawa

Designated Engagement Partner

Certified Public Accountant

Financial Report 2023

KPMG AZSA LLC

Tokyo Office, Japan

May 15, 2023

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.