Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2024 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2024 - 31.12.2024

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:	Vy Ngoc Khanh Nguyen
Dato for fastsettelse av årsregnskapet:	27.06.2025

Grunnlag for avgivelse

År 2024: Årsregnskapet er elektronisk innlevert
År 2023: Tall er hentet fra elektronisk innlevert årsregnskap fra 2024

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	2024	2023
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	1	2 764 343 000	3 001 787 000
Sum inntekter		**2 764 343 000**	**3 001 787 000**
Kostnader			
Varekostnad		2 425 159 000	2 674 133 000
Lønnskostnad	2,3	233 181 000	223 117 000
Avskrivning av driftsmidler og immaterielle eiendeler	5, 6	10 445 000	13 224 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	5, 6	573 000	447 000
Annen driftskostnad	3	75 733 000	88 080 000
Sum kostnader		**2 745 091 000**	**2 999 001 000**
Driftsresultat		**19 252 000**	**2 786 000**
Finansinntekter og finanskostnader			
Annen renteinntekt		14 091 000	13 196 000
Annen finansinntekt		41 826 000	43 847 000
Sum finansinntekter		**55 917 000**	**57 043 000**
Annen rentekostnad		12 882 000	8 952 000
Annen finanskostnad		4 569 000	5 940 000
Sum finanskostnader		**17 451 000**	**14 892 000**
Netto finans		**38 466 000**	**42 151 000**
Resultat før skattekostnad		**57 718 000**	**44 937 000**
Skattekostnad på resultat	7	12 802 000	10 119 000
Årsresultat		**44 916 000**	**34 818 000**
Overføringer og disponeringer			
Ordinært utbytte	8	30 000 000	24 600 000
Avsatt til annen egenkapital	8	14 918 000	10 218 000
Sum overføringer og disponeringer		**44 918 000**	**34 818 000**

Balanse

Beløp i: NOK	Note	2024	2023
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	4,7	3 338 000	1 587 000
Goodwill	6	63 075 000	63 648 000
Sum immaterielle eiendeler		**66 413 000**	**65 235 000**
Varige driftsmidler			
Tomter, bygninger o.a. fast eiendom	5	86 973 000	97 130 000
Driftsløsøre, inventar o.a. utstyr	5	500 000	1 250 000
Sum varige driftsmidler		**87 473 000**	**98 380 000**
Finansielle anleggsmidler			
Investering i datterselskap	9	707 000	33 902 000
Andre langsiktige fordringer	10,11	6 771 000	61 807 000
Sum finansielle anleggsmidler		**7 478 000**	**95 709 000**
Sum anleggsmidler		**161 364 000**	**259 324 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	10,11	284 801 000	365 046 000
Andre kortsiktige fordringer	10,11, 12	66 805 000	200 694 000
Sum fordringer		**351 606 000**	**565 740 000**
Investeringer			
Andre finansielle instrumenter			14 000
Sum investeringer			**14 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.	12	370 725 000	111 496 000
Sum bankinnskudd, kontanter og lignende		**370 725 000**	**111 496 000**

Balanse

Beløp i: NOK	Note	2024	2023
Sum omløpsmidler		**722 331 000**	**677 250 000**
SUM EIENDELER		**883 695 000**	**936 574 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	8,13	7 600 000	7 600 000
Annen innskutt egenkapital	8	936 000	936 000
Sum innskutt egenkapital		**8 536 000**	**8 536 000**
Opptjent egenkapital			
Annen egenkapital	8	105 065 000	120 918 000
Sum opptjent egenkapital		**105 065 000**	**120 918 000**
Sum egenkapital		**113 601 000**	**129 454 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Øvrig langsiktig gjeld	5	101 185 000	103 606 000
Sum annen langsiktig gjeld		**101 185 000**	**103 606 000**
Sum langsiktig gjeld		**101 185 000**	**103 606 000**
Kortsiktig gjeld			
Leverandørgjeld	11	398 616 000	459 834 000
Betalbar skatt	7	14 527 000	10 424 000
Skyldig offentlige avgifter		54 074 000	47 597 000
Utbytte	8	30 000 000	24 600 000
Kortsiktig konserngjeld	10,11	108 164 000	64 024 000
Annen kortsiktig gjeld	10,11	63 530 000	97 035 000
Sum kortsiktig gjeld		**668 911 000**	**703 514 000**
Sum gjeld		**770 096 000**	**807 120 000**

Balanse

Beløp i: NOK	Note	2024	2023
SUM EGENKAPITAL OG GJELD		**883 697 000**	**936 574 000**

Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2024 - GENERELL INFORMASJON

Journalnummer:	2025 662762

Enheten

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Organisasjonsform:	Aksjeselskap
Foretaksnavn:	DENTSU NORGE AS
Forretningsadresse:	Kristian Augusts gate 23 0164 OSLO

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Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Vy Ngoc Khanh Nguyen
Dato for fastsettelse av årsregnskapet:	27.06.2025

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Brønnøysundregistrene, 11.08.2025

Brønnøysundregistrene
Postadresse: Postboks 900, 8910 Brønnøysund
Telefon: 75 00 75 00
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673

Organisasjonsnr: 927 445 875
DENTSU NORGE AS

RESULTATREGNSKAP

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Organisasjonsnr: 927 445 875
DENTSU NORGE AS

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Organisasjonsnr: 927 445 875
DENTSU NORGE AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note
0

Regnskapsprinsipper
Regnskapsprinsipper 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 regnskapsføres 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 anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet. Anleggsmidler vurderes til anskaffelseskost, men nedskrives til virkelig verdig 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 reservert 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. 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 driftsmidlers forventede økonomiske levetid. Direkte vedlikehold av driftsmidler kostnadsføres løpende under driftskostnader, mens påkostning eller forbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmidlet. Dersom gjenvinnbart beløp av driftsmiddelet er lavere enn balanseført verdi foretakets 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 regnskapsføres 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 økonomiske 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 implementerer 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. jan 2019, siden eiendelen knyttet til bruksretten og leasing gjelden var innregnet med samme verdi. Leieavtaler med løpetid 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 5. Leieforpliktelser inngår i gjeld, se note 10. 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 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 godwill Forskjellen mellom anskaffelseskost ved oppkjøp og virkelig verdi av netto identifiserbare eiendeler på oppkjøpstidspunktet klassifiseres som godwill. Goodwill føres i balansen til anskaffelseskost, fratrukket eventuelle akkumulerte avskrivninger. Godwill avskrives ikke, men testes minst årlig for verdifall. Overtatte eiendeler og gjeld ved virksomhetssamennslutning 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. Godwill 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. 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. 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.

Note
3

Antall årsverk i regnskapsåret
209.00

Note
3

Spesifisering av resultatregnskapet

Lønnkostnader

Lønn	Årets	Fjorårets
	183867000.00	173820000.00

Folketrygdavgift	Årets	Fjorårets
	28887000.00	28467000.00

Pensjonskostnader	Årets	Fjorårets
	10522000.00	9796000.00

Andre ytelser	Årets	Fjorårets
	9905000.00	11034000.00

Note

Ekstraordinære inntekter og kostnader

Sum	Beløp

Note
5

Varige driftsmidler og immaterielle eiendeler

Anskaffelseskost 01.01.	Varige driftsmidler	Immaterielle eiend.
	179508000.00	66614000.00

Tilgang i året	Varige driftsmidler	Immaterielle eiend.
	4701000.00	

Anskaffelseskost 31.12.	Varige driftsmidler	Immaterielle eiend.
	184209000.00	66614000.00

Samlede av-/nedskrivn.	Varige driftsmidler	Immaterielle eiend.
	96736000.00	3539000.00

Balanseført verdi 31.12.	Varige driftsmidler	Immaterielle eiend.
	87473000.00	63075000.00

Årets av-/nedskrivn.	Varige driftsmidler	Immaterielle eiend.

10445000.00	573000.00

Anskaffelseskost - balanseførte lånekostnader, egentilvirkede anleggsmidler

Goodwill spesifisert for hvert enkelt virksomhetskjøp

Avskrivningsplan for goodwill som er lenger enn fem år - begrunnelse

Mer om varige driftsmidler/immaterielle eiendeler
1. Varige driftsmidler: Selskapet implementerer 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. I 2024 ble det avdekket en feil knyttet til tidligere perioder. Effekten er regnskapsført i 2024 som om den opprinnelig var behandlet korrekt, og påvirker resultatet samt balanseposter som anleggsmidler, langsiktig gjeld og avskrivninger. Feilen er rettet i inneværende periode og vises som en justering i tabellen over anleggsmidler. Et leieinsentiv på 5,5 MNOK og et leiefritak i perioden 15. november 2021 til 15. mars 2022 er hensyntatt i beregningen. 2. Immaterielle eiendeler: I forbindelse med virksomhetsoverdragelsen av Amnet i 2022 ble det regnskapsført goodwill i konsernet. Transaksjonen omfattet i hovedsak overføring av ansatte, og det ble ikke identifisert andre eiendeler eller forpliktelser. Hele differansen mellom kjøpesummen og netto identifiserbare eiendeler ble derfor allokert til goodwill. Verdsettelsen av virksomheten ble utført av ekstern rådgiver, basert på lønnsnivå og stillingsstruktur til de ansatte som ble overført. Goodwill avskrives ikke, men det gjennomføres en årlig impairment test. Vurderingen baseres på fortsatt ansettelsesforhold for de medarbeidere som opprinnelig ble overført ved virksomhetsoverdragelsen. I regnskapsåret 2024 har to ansatte sluttet, noe som har resultert i en nedskrivning av goodwill med NOK 573 000.

Konsernregnskap
Virksomheten inngår i konsolideringen til morselskapets konsernregnsk.: Ja

Morselskapet sitt navn
Dentsu Group Inc.

Forretningskontor for morselskapet
1-8-1, Higashi-shimbashi, Minato-ku, Tokyo 105-7050, Japan

Datterselskap er utelatt fra konsolideringen: Ja

Begrunnelse for at datterselskap er utelatt fra konsolideringen
Konsernregnskapet utarbeides av Dentsu Group Inc, lokalisert i Tokyo, Japan. Konsernets konsoliderte årsregnskap, hvor Dentsu Norge AS inngår, kan finnes på konsernets hjemmeside www.group.dentsu.com.

Konsern, tilknyttet selskap m.v. - fordringer og gjeld

Fordringer

Samlet beløp - foretak i samme konsern	Årets	Fjorårets
	39099000.00	39130000.00

Samlet beløp - tilknyttet selskap	Årets	Fjorårets

Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Kortsiktig gjeld

Samlet beløp - foretak i samme konsern	Årets	Fjorårets
	89805000.00	88251000.00

Samlet beløp - felles kontrollert virksomhet	Årets	Fjorårets

Pantstillelse	Beløp

Note
10

Fordringer

Fordringer som forfaller senere enn ett år etter regnskapsårets slutt
6771000.00

Mer om fordringer
Selskapet har ingen fordringer som forfaller senere enn fem år etter 31.12.2024.Depositum i media er låste innskudd til medier som forventes å betales tilbake senere enn ett år etter balansedagen. Depositum knyttet til medieinnkjøp er redusert fra TNOK 61 807 til TNOK 6 771 i løpet av regnskapsåret. Reduksjonen skyldes tilbakebetaling av mediedepositum fra mediepartnere som følge av endrede avtale- og betalingsvilkår.

Note

Virkelig verdi og resultatført verdiendr. i perioden, finansielle instrumenter

Mer om finansielle instrumenter

Beskrivelse av finansielle derivater

Beholdning av egne aksjer	Antall	Pålydende	Andel av aksjek.

Note
10

Gjeld

Gjeld som forfaller til betaling mer enn fem år etter regnskapsårets slutt
101185000.00

Gjeld sikret ved pant eller lignende sikkerhet i eiendeler

Balanseført verdi av de pantsatte eiendeler

Summen av garantiforpliktelser som ikke er regnskapsført

Garantiforpliktelser som er sikret ved pant

Mer om gjeld
Selskapet implementerer IFRS 16 Leieavtaler med virkning fra 1. januar 2019.

Bruksrettigheter er innregnet i varige driftsmidler, se note 5. Tilhørende leieforpliktelser inngår i gjeld. Se for øvrig også note om Regnskapsprinsipper for effekt av implementering.

Note

Lån og sikkerhetsstillelse til medlemmer

Opplysninger om:	**Medlemmer av:**

Mer om lån og sikkerhetsstillelse

dentsu

This document is a translation of part of the Japanese original. The Japanese original has been disclosed in Japan in accordance with Japanese accounting standards and the Financial Instruments and Exchange Act of Japan. This document does not contain or constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on this document. In the case that there is any discrepancy between the Japanese original and this document, the Japanese original shall prevail.

Financial Report

period covered: FY2023-2024

Part 1 Business Overview

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

(1) New Mid-Term Management Plan

The business environment is forecast to remain unpredictable in FY2025 and beyond. It is also expected that factors such as the emergence of highly-scaled players both within and outside the industry and large-scale investments in AI made by technology and consulting companies will intensify competition, and the Group's position will undergo a relative shift. Based on our awareness of these conditions, the newly announced Mid-Term Management Plan represents a revision of our past M&A-focused growth strategy as we aim to recover strong organic growth. By implementing the plan, the Group aims to revise its business portfolio, concentrate its capital and human resources, and recover its competitive advantage to achieve an organic growth rate of 4% and an operating margin of 16–17% by FY2027, the final year of the plan.

(2) Reevaluating underperforming businesses and rebuilding the business foundation

The recovery of profitability, focused on reevaluating underperforming businesses and rebuilding the business foundation, is the first step in achieving the Group's targets under the Mid-Term Management Plan. In reevaluating underperforming businesses, the posting of several consecutive years of bottom-line losses in certain markets where we have invested substantially is the main reason for the deterioration in the Group's business performance, and we will proceed to implement measures swiftly. Through these measures, we aim to eliminate any markets operating at a loss during FY2026. We are also implementing disciplined reviews of past business acquisitions. By swiftly taking actions such as promptly implementing improvement measures or selling businesses that are performing below our criteria in terms of financial results, we will eliminate the risk of a future deterioration in business performance. Through these initiatives, we aim to place the International business as a whole on a recovery trajectory in FY2026 and achieve a situation where each of the four business regions contributes to enhancing shareholder value in FY2027.

At the same time, we will engage in rebuilding the business foundation to achieve systematic and continuing cost improvements. Specifically, we will focus on initiatives such as integrating the overlapping headquarters functions currently split between Tokyo and London, streamlining operations by redefining the role of each regional headquarters, and market cost control. Moreover, we will engage in thoroughly boosting efficiency, including the use of AI and outsourcing. Through these initiatives, we expect to reduce costs by up to ¥50 billion per year in FY2027.

(3) The focus of our business strategies

The services that the Group provides to its clients are Integrated Growth Solutions that achieve sustainable growth for clients by integrating the Group's diverse range of unique capabilities in the area where marketing, technology, and consulting converge, as well as the sports and entertainment domain. These services are underpinned by three of the Group's strengths: the long-term relationships we have built with clients based on the deep understanding of client businesses we have developed in Japan, the successive provision of innovations to meet the complex needs of our clients through trailblazing solutions tailored to each market, and the human resources who steadily realize these strengths to generate substantial social impact. Under the new Mid-Term Management Plan, we aim to be a growth partner for our clients in each market based on these strengths. Through successive successes, we will achieve global growth.

(4) Management and financial policy emphasizing shareholder value and capital efficiency

The strategies and initiatives described above are aimed at the medium- and long-term enhancement of shareholder value through profit growth. We have added ROE as a management indicator to ensure we achieve this. Specifically, we target a mid-teens ROE in FY2027. To achieve this goal, we will set a new financial policy which we will manage and operate with discipline. We will strictly scrutinize the scale of funding needed and carefully manage the balance of capital and liabilities, as well as other aspects, to improve balance-sheet soundness. On this basis, regarding capital allocation, we will begin by prioritizing expenditures relating to rebuilding the business foundation in FY2025, together with internal investments aimed at business growth, to rebuild our business performance. We will also continue management with a shareholder perspective, with a dividend policy for FY2025 onward of paying a dividend payout ratio of 35% of basic underlying net income per share. However, for FY2025, we plan a dividend of ¥139.5 per share, the same level as for FY2024, as a temporary measure due to our investment in implementing structural reforms for the future. We have reined in our business acquisitions and similar investments since FY2024. However, measures such as the establishment of an M&A playbook have enabled us to ensure sufficient investment discipline, and we anticipate the gradual resumption of investments based on more stringent discipline than in the past, in line with our progress and forecast for a recovery in business performance. We will selectively implement projects consistent with our business strategies. In addition, we will coordinate with the Finance Committee, established in FY2024 as an advisory body to the Board of Directors and composed mainly of outside directors, to strengthen overall financial discipline in the management and implementation of financial policy.

(5) Strengthening governance and internal controls

We will continue to strive to improve the Group's governance and internal controls through measures such as building a Group-wide governance structure, clarifying those responsible for Group governance, and streamlining business operations to achieve appropriate implementation of the One dentsu Operating Model. Progress on these initiatives is regularly confirmed by the Board of Directors and other bodies.

We take the bid-rigging case concerning the "outsourcing contracts of planning test events, etc." for the Tokyo 2020 Olympic and Paralympic Games, which led to a violation of the Antimonopoly Act, extremely seriously. Based on earnest reflection, we have explained and implemented measures and initiatives to prevent any recurrence. At the same time, the violation cited in the judgment also covers the implementation of test events and main event operations, differing substantially from the Group's assertions, and we have therefore filed an appeal. In FY2024, we completed all of the 17 initiatives established in FY2023, and we will address the issues identified through employee surveys and other forms by promoting the Mindset and Behavior Reform under a new structure in FY2025. We sincerely regret the concern caused to shareholders, and we will continue to address these issues with honesty and good faith.

2. Sustainability Approach and Initiatives

(1) 2030 Sustainability Strategy

For the Group, sustainability is the core of management that solves social issues together with our client companies and achieves sustainable growth for all, under our management policy "B2B2S (Business to Business to Society)." It is premised on our Purpose: "an invitation to the never before. Through connecting diverse talents within and beyond our organization, we exist to create new solutions and new beginnings for the sustainable development of our clients and society." We aim to share with our stakeholders the value of not simply focusing on our own short-term profits, but also on medium- to long-term sustainability for society, and achieve this sustainability together.

The Group's sustainability strategy is to generate ideas for the future to solve challenges facing society. Under our 2030 Sustainability Strategy, newly updated in 2024, we have established three core themes: "PEOPLE: Unleashing our full potential," "PLANET: Achieving a sustainable future for all," and "INNOVATION: Creating new ideas and solutions." Under these three core themes, we have identified five material issues (materiality) to address: (1) Business ethics & compliance / Data security, (2) DEI, (3) Human capital development, (4) Climate action, and (5) Innovation leadership.

We formulated these material issues though an analysis based on the two axes of "importance from the management perspective" and "importance from the stakeholder perspective," so that we can both realize the Group's purpose and maximize corporate value for our stakeholders. In the process of formulating these issues, we analyzed the Group's management strategy and business model based on present conditions and our outlook for the future, as well as factors such as the risk items pertinent to Group management managed by the Group Risk Committee and the materials used at the meetings of the Board of Directors and meetings relating to sustainability.

We manage the progress of the 2030 Sustainability Strategy and our initiatives to address the five material issues through the Group Sustainability Committee, which meets four times each year. We ensure mutual coordination between the members of the committee and the divisions responsible so that we can achieve all of our action plans and KPIs.

The forward-looking statements contained herein are based on the judgment of the Group as of March 2025.

2030 Sustainability Strategy

Purpose	**an invitation to the never before.** Through connecting diverse talents within and beyond our organization, we exist to create new solutions and new beginnings for the sustainable development of our clients and society.		
Vision	To be at the forefront of people-centered transformations that shape society		
Society that dentsu aims to achieve	A vibrant society where people enjoy a fulfilling life		
Management policy	B2B2S Resolving social issues together with clients, and achieving sustainable growth for all		
2030 Sustainability Strategy	**Generating ideas for the future to solve challenges facing society**		
Core themes	PEOPLE Unleashing our full potential	PLANET Achieving a sustainable future for all	INNOVATION Creating new ideas and solutions
Material issues	1 Business ethics & compliance / Data security 2 DEI 3 Human capital development	4 Climate action	5 Innovation leadership

(Notes) 1. Please refer to the Group's website (https://www.group.dentsu.com/en/philosophy/sustainability-strategy-2030.html) for details of the 2030 Sustainability Strategy.

2. Please refer to the Group's website (https://www.group.dentsu.com/en/philosophy/materiality.html) for details of the materiality formulation process.

1) Governance

The Group's governance structure relating to sustainability is shown below.

- Board of Directors (BOD)
  The BOD decides on basic policies concerning the Group's sustainability initiatives, receives reports on important management matters relating to sustainability that have been resolved or approved by the Group Management Board (GMB), and assumes responsibility for supervision.

- Group Management Board (GMB)
  The GMB deliberates on reports from the Group Sustainability Committee (GSC) concerning

strategies, KPIs, action plans, and other matters relating to sustainability formulated by the GSC, resolving and approving these matters. The GMB also assumes responsibility for reporting its cases and issues to the Board of Directors and monitors the activities of the GSC.

- Group Sustainability Committee (GSC)
  We have established the GSC under the direct control of the GMB, based on our perception of sustainability as a core management theme.
  Chaired by the Company's Global Chief Sustainability Officer, Yuko Kitakaze, the GSC is composed of eight members who are based in various regions and possess a wide range of expertise, including the Company's Global CEO, Hiroshi Igarashi. The CEOs of each region also participate in meetings, based on the agenda.

Group Sustainability Committee members in FY2024

Chair	Yuko Kitakaze	Global Chief Sustainability Officer
Members	Hiroshi Igarashi	Global CEO
	Arinobu Soga	Global Chief Governance Officer
	Alison Zoellner	Global General Counsel
	Jean Lin	Global President - Global Practices
	Jeremy Miller	Global Chief Communications Officer
	Manus Wheeler	Chief Brand & Culture Officer
	Miho Tanimoto	Global CHRO

At its meetings, held four times a year, the GSC manages and evaluates progress toward the 2030 Sustainability Strategy, one of the Company's core management strategies, as well as key progress indicators (KPIs) relating to factors such as greenhouse gas (GHG) emissions reduction and the proportion of female leaders, which have been components of our executive compensation system since 2021. Human rights are also a standing agenda item at the committee.

Main agenda items deliberated by the GSC during FY2024 were as follows:

- Updating the 2030 Sustainability Strategy and confirming progress on its KPIs and action plans
- The Dentsu Group Human Rights Policy, human rights due diligence, and human rights and responsible media
- Analysis of current rating by third-party evaluation organizations and efforts to improve those ratings
- Responding to non-financial disclosure requirements under the EU Corporate Sustainability Reporting Directive (CSRD)

Linkage with executive compensation

Since FY2022, we have used sustainability metrics in the calculation of annual bonuses for the Group's executives.

2) Risk management

Risks relating to sustainability at the Group are identified based on the material issues (materiality), which were formulated to reflect the risks of existing management strategies and businesses. The Group Sustainability Committee, at its meetings held four times each year, assesses and manages the state of progress on the 2030 Sustainability Strategy, which is based on the material issues.

The Group Management Team members who are also members of the Group Sustainability Committee are responsible for promoting this strategy in terms of each of the material issues. This is overseen by the Global Chief Sustainability Officer.

The Group Risk Committee assesses and manages the risk that the achievement of the targets set forth under the 2030 Sustainability Strategy will not progress in line with the plan.

3) Metrics and targets

The action plans and KPIs established for each material issue under the 2030 Sustainability Strategy are shown below, together with the progress made in FY2024.

2030 Sustainability Strategy | Action Plans and KPI

	Material Issues	Headline Goals	Action plans & KPIs	Sponsors
PEOPLE	1 Business ethics & compliance / Data security	Putting integrity first	• Embed a philosophy and culture that places integrity first • Reinforce the three-line defense function • Enhance the effectiveness of the supervisory function by the Board of Directors • Individual measures to be promoted under each theme - Establish a common training environment (KPI: 100% employees receive training), develop skills for key contact points (KPI: contact points and experts established for issue areas), conduct stakeholder dialogue and information disclosure (KPI: acquire certification and improve ratings)	Global Chief Governance Officer Arinobu Soga
	2 DEI	Transforming business and society by winning as One Team	• Win as One Team - Female leaders to reach an aspirational goal of 45% by 2030 - Create an inclusive environment that is accessible to all, resulting in an increase of the number of colleagues with a disability working at dentsu • Foster a corporate culture that embraces diversity - An aspirational goal of achieving a two-point increase in Check In (CI) survey "Respect" score by 2025	Global Chief HR Officer Miho Tanimoto
	3 Human capital development	Unleashing the brilliant potential of our people	• Strengthen investment in human capital - Increase leadership level training (KPIs: GMT succession readiness rate, talent discussion time) - Offer growth opportunities (training, strategic HR transfers) (KPI: CI survey score) - Talent development in strategic areas (capability training) • Improve employee engagement score (activities by region) (KPI: CI survey score)	
PLANET	4 Climate action	Accelerating the low-carbon transition	• Achieve net-zero greenhouse gas (GHG) emissions across the value chain by 2040* • Reduce absolute Scope 1 and 2 emissions by 46.2% by 2030 from a 2019 baseline * Also, reduce absolute Scope 3 emissions from purchased goods and services, business travel, and employee commuting by 46.2% within the same timeframe.* • Achieve 100% renewable energy** by 2030 * Reduction targets validated by SBTi as in line with SBTi Corporate Net Zero Standard. ** Renewable energy in the context of dentsu's sustainability strategy and commitments refers to electricity generated from renewable sources. This definition aligns with RE100	Global Chief Sustainability Officer Yuko Kitakaze
INNOVATION	5 Innovation leadership	Creating ideas for the future with the power of creativity and technology	• Promote investments and R&D for future innovation (KPI: case numbers) • Generate thought leadership that inspires action toward a more sustainable future for society (KPI: under review) • Create social value through partnerships and ecosystems (KPI: number of ecosystems)	Global President – Global Practices Jean Lin

Progress in FY2024

Business ethics & compliance / Data security:

- Drafted training plans for six themes

- Completed the establishment of consultation points for all six themes
- Achieved an improvement in third-party evaluation and acquired certification

DEI:
- 32.5% female leaders
- One-point decrease in the "Respect" score on the Check In (CI) survey

Human capital development:
- 100% preparation of GEM successors
- "People Discussion" time: approx. 13 hours at the Group management level
- No year-on-year change in the "Engagement" score on the Check In (CI) survey

Climate action:
- 65.1% reduction in Scope 1+2 GHG emissions (from a 2019 baseline)
- 28.2% reduction in Scope 3 GHG emissions (from a 2019 baseline)
- 79.5% renewable energy

Innovation leadership:
- Six cases of investment and R&D for future innovation (120% of last year's number)
- Thought-leadership content to encourage action for a more sustainable future for society (KPI under review)
- Eight cases of partnership and ecosystem innovation for the future (160% of last year's number)

(2) Climate action

1) Climate governance

Climate change is one of the material issues (materiality) under the 2030 Sustainability Strategy. The climate governance structure is common to all aspects of sustainability.

2) Climate strategy

1-1 Processes used to determine climate-related risks and opportunities that could have a material impact

We conducted a scenario analysis of the impact on the Group's business of climate-related risks posed by extreme weather under current and future projected climatic conditions (physical risks), and climate-related risks and opportunities associated with the transition to a low-carbon economy (transition risks and opportunities). We have reflected the results of this analysis in our climate strategy and targets.

Each identified physical risk was assigned a consequence of impact rating, which represented the potential damage and/or associated loss of business, and a probability/likelihood rating, which represented the likelihood of a climate hazard/event occurring. Transition risks and opportunities were identified in alignment with the risk and opportunity categories outlined by the TCFD (including current regulations, emerging regulations, technology, legal, market, and reputation) and we considered their potential time horizons.

To assess risks and opportunities that could have an even more material impact, we used a combination of interviews concerning key internal decision-making, interactive workshops, and engagement with stakeholders. We went on to assign each identified risk a likelihood, severity, and financial impact score to determine which climate-related risks and opportunities were most material.

Our impact thresholds can be seen in the table below, with Low/Medium/High describing the extent to which the impact might affect our business. The impact on operating profit of any given risk or opportunity in any given year within the quantitative aspect of the scenario analysis is assigned an 'impact threshold,' based on a minimum Japanese yen (¥) change in operating profit.

Dentsu impact thresholds

Impact threshold	Impact on underlying operating profit (%)	Dentsu equivalent global criteria (financial)
Very high risk	5–10% or higher	4 (Major) / 5 (Fundamental)
High risk	2.5–5%	3 (Moderate)
Low/medium risk	1–2.5%	2 (Minor)
Normal business	Less than 1%	1 (Insignificant) or lower
Low/medium opportunity	1–2.5%	Inverse of 2 (Minor)
High opportunity	2.5–5%	Inverse of 3 (Moderate)
Very high opportunity	5–10% or higher	Inverse of 4 (Major) / 5 (Fundamental)

Details of the timelines and physical and transition scenarios that were used to conduct the scenario analysis can be seen in the table below.

Physical Scenarios			Transition Scenarios		
High-carbon Emissions Scenario	IPCC SSP5-8.5	Follows a 'business as usual' trajectory, assuming no additional climate policy and seeing GHG emissions triple by 2100. Warming expected to be >3.8°C by end of century.	High-carbon Emissions Scenario	Current Policies (CP) / Stated Policies Scenario (STEPS)	Assumes that only currently implemented policies are maintained and preserved. The end of century global warming is estimated to be +3°C, leading to high physical climate risks.
Low-carbon Emissions Scenario	IPCC SSP1-2.6	Stays below 2°C warming by 2100, aligned to current commitments under the Paris Agreement. Net-zero emissions in the second half of the century.	Medium-carbon Emissions Scenario	Delayed Transition / Announced Pledges (APS)	Assumes that global annual emissions do not decrease until 2030. Post-2030 new climate policies are implemented, and the level of actions differs across countries and regions based on currently implemented policies. End of century global warming is estimated to be +1.6°C.
			Low-carbon Emissions Scenario	Net Zero Emissions 2050 / Net Zero Emissions by 2050 (NZE)	Limits end of century global warming to +1.5°C due to stringent climate policies, innovation, and reaching net zero CO2 emissions by 2050.
Time Horizons	Baseline, 2030 and 2050		Time Horizons	2030, 2040 and 2050	

1-2 Summary of implications for dentsu from climate-related risks and opportunities

Based on the process described above, we short-listed three physical risks and eight transition risks and opportunities that are most materially relevant to our business.

The three physical risks are: i) the direct impact of extreme weather on business operations (impact on office operation, damage to employee health, etc.); ii) the risk of supply chain disruptions; and iii) the risk of business suspension due to the combined effect of an earthquake and extreme weather. We estimate that the impact in each case would be limited, given the unique characteristics of the Group's business.

The eight transition risks/opportunities we have identified are: i) a decline in revenue due to global economic trends (toward decarbonization); ii) a rise in the cost of addressing more stringent regulation and disclosure requirements; iii) changes in the behavior and tastes of consumers demanding low-carbon products and services; iv) sector exposure (business with clients that have a high carbon intensity); v) attracting and retaining top talent in line with the decarbonization of the economy; vi) access to new markets due to the transition to a decarbonized economy; vii) business with clients in emerging sectors due to the transition to a decarbonized economy; and viii) the rise of new decarbonized technologies that contribute to our internal operations and the provision of services to clients.

Please refer to the Dentsu Group TCFD Report 2024 for details:
https://www.group.dentsu.com/en/sustainability/common/pdf/TCFDreport2024.pdf

Risk score key for Physical

Minimal			High	Very High

Physical risks hazard type	Baseline	SSP1-2.6		SSP5-8.5	
		2030	2050	2030	2050
Extreme heat					
Extreme cold					
River flooding					
Pluvial flooding					
Coastal & offshore					
Extreme winds & storms					
Rainfall-induced landslides					
Water stress & drought					
Wildfires					

Opportunity/risk score key for Transition

Higher Opp.	Moderate Opp.	Limited Risk/ Opp.	Moderate Risk	Higher Risk

Transition Risks	2030	2040	2050
Decreased revenue resulting from global economic changes			
Increased regulation and disclosure			
Shift in consumer behavior/preferences			
Sector exposure			
Inability to attract and retain top talent for workforce			
Transition Opportunities	**2030**	**2040**	**2050**
Access to new markets			
Emerging sectors			
New Technologies			

3) Business policies

We pursued the following business policies in FY2024. In addressing climate change, we focus on five actions that we believe have the greatest impact on the Group based on our analysis of climate-related risks and opportunities:

- Accelerating our own sustainable transformation
- Driving change in our industry
- Engaging in cross-industry partnerships
- Enabling society to make sustainable choices
- Advocating for change in social systems

Our main initiatives in FY2024 are shown below.

- Launch of "SUSTAINABILITY TO IMPACT," a sustainability promotion support program in Japan, to help shape people's attitudes and behaviors

  In August 2024, dentsu Japan, which is responsible for the Group's Japan business, launched "SUSTAINABILITY TO IMPACT," a sustainability promotion support program consolidating the Group's integrated solutions to help shape people's attitudes and behaviors. The program provides emblematic solutions to help shape people's attitudes and behaviors and generate future potential for companies and society by "generating ideas for the future to solve challenges facing society," the method established in dentsu's own sustainability strategy.

  — CHECK & PLAN: Examine the overall supply chain and formulate strategies and measures

  — ACT & CHANGE: Work closely with the client company to implement measures and business ideas and realize transformation

  — REPORTING & DISCLOSURE: Disclose the updated information to stakeholders and the wider world

  By continually following these three processes, we aim to motivate people and generate a virtuous cycle that will lead to greater corporate value. This includes specific themes such as "biodiversity" and "circular economy," as well as "decarbonization." Please refer to the following website for details:

  https://www.japan.dentsu.com/en/sustainability/

SUSTAINABILITY TO IMPACT

		CHECK & PLAN	ACT & CHANGE	REPORTING & DISCLOSURE
Sustainability Management		• Market surveys / analysis & organization of business portfolio • Identification of materiality • Formulation of value creation story • Guidance for sustainability management & operation of meetings • Formulation of purpose and long-term vision • Formulation of medium-term management plan • Agenda finder (media monitoring & analysis)	• Design and measurement of impact pathways • Setting of sustainability and ESG-related KPIs • Formulation of action plans, including flagship activities • Support for acquiring certification • Formulation of consolidated financial & non-financial management foundations • Promotions to raise internal awareness of purpose & business transformation	• Support for integrated reporting • Response to TCFD / TNFD / CSRD • Support for integrated corporate value creation • Introduction of a non-financial cross-value model • Response to external assessments • Formulation of top management messages / provision of media training • Creation of a sustainability information dashboard
Human Rights		• Support for human rights due diligence • Formulation of human rights policy	• Support for internal communication (including training) • Support for overall supply chain management & data metrics • Consultation on usage of expressions (human rights infringement risk check)	• Support for integrated reporting • Disclosure of human rights due diligence information
PEOPLE	DEI Human Capital	• LGBTQ+ surveys / gender-related challenges chart • Provision of Integrated Statements / purpose design • Support for inclusive design • Response for accessibility • Branding model for corporate appeal • Employee engagement survey / analysis • Formulation of human capital management strategy • Development of employee career / management of data analysis	• Provision of DEI training & workshops • Provision of event guidelines from a DEI perspective • Provision of employment / work style solutions for persons with disabilities • Provision of training & workshops for managers and employees • Creation of a consolidated personnel database • Creation of a consolidated training & learning database • Implementation of human capital-related measures • Launch & guidance for efforts to embed into operations	• Formulation of top management communication strategy & execution • Reporting on human capital • Branding to attract talent • Formulation of a human capital platform
PLANET	Decarbonization Biodiversity Circular Economy	• Sustainable lifestyle survey • Consumer survey on carbon neutrality • Visualization of GHG emissions & creation of decarbonization strategies • Development of studio infrastructure; facility design / power supply • Consultation for sustainable products • Measurement and visualization of biodiversity-related actions • Sustainable customer survey • Consultation for circular business	• Support for GHG emission reduction activities • Response for SBTi • Support for GHG emission reduction measures in marketing-related areas • Support to transform consumer behavior aiming for decarbonization • Introduction of GHG emissions volume management tool • Transformation of businesses towards nature positivity • Implementation of environmental credentials of promotional materials (Scope 3 reduction) • Creation and utilization of circular platforms	• Disclosure of ESG information (TCFD, TNFD, CDP, etc.) • Branding support from environmental & sustainability perspectives • Countermeasures for greenwashing / risk checks • Visualization of GHG emissions in marketing-related areas • Setting of a nature positive tone • Messaging to promote change in awareness and behavior towards the realization of a circular society
INNOVATION	Open Innovation Business Development	• Formulation of business concepts for local co-creation platforms • Formulation of new business concepts using both right- and left-brain power • Support for value co-creation programs for financial and non-financial frameworks • Formulation of new business concepts utilizing generative AI • Support for co-creation projects among multiple companies utilizing Personal Health Record (PHR) and other data • Assessment of organizational maturity for innovation	• Design & realization of business services for co-creation • Support for public affairs • Introduction of innovation in inter-industry alliances • Metaverse production (GHG emission reduction in image production) • Implementation of events / continuation of SDG-related exhibits • Guide and support for launch of new co-creation businesses • Implementation of solutions utilizing drones and other technologies to resolve challenges that local communities face	• Reporting on various media trends • Support for PR towards various media • Coordination of appearances, including at international sustainability events

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- Decarbonization Initiative for Marketing
  Under the Decarbonization Initiative for Marketing launched in June 2023, we led the establishment of the Decarbonization Research Group within the Japan Advertising Agencies Association (JAAA) in September 2024, aiming for the reduction of GHG emissions from marketing communications within Japan. Through collaboration with relevant industry bodies such as the Japan Association for the Promotion of Creative Events (JACE) and the Japan AD. Contents Association (JAC), we will promote discussion aimed at the implementation of GHG emissions visualization and reduction across the entire industry.
- Introduction of an onsite PPA at our FACTORY ANZEN STUDIO next-generation photography studios
  Dentsu Creative Pictures Inc. has installed a solar power generation system with storage batteries based on an onsite PPA at FACTORY ANZEN STUDIO, photography studios with sustainability in mind, which were opened in January 2024. The system began operation on January 1, 2025. The installation of this system will enable us to reduce GHG emissions by approximately 22.8t per year. All electricity used at the studios, including purchased energy, is now 100% renewable energy. We also aim for a recycling rate of 90% of waste by the end of FY2025, and we are continuing our efforts to reduce the overall environmental burden from FACTORY ANZEN STUDIO.

4) Targets and results

Climate targets:
The Group targets net-zero greenhouse gas (GHG) emissions in the value chain by 2040. Its science-based short- and long-term GHG emissions reduction targets have been certified by the Science Based Targets initiative (SBTi) based on the SBTi's Corporate Net-Zero Standard. The Group's GHG emissions reduction targets are shown below.

- Near-term target (by 2030)
  Reduce absolute Scope 1 & 2 GHG emissions by 46.2% by 2030 from a 2019 baseline. Reduce absolute Scope 3 GHG emissions across the Group from purchased goods and services, business travel, and employee commuting by 46.2% during the same period.

- Long-term target (by 2040)
  Reduce absolute Scope 1 & 2 GHG emissions by 90% by 2040 from a 2019 baseline. Reduce absolute Scope 3 GHG emissions by 90% during the same period.
  The Group will implement additional emissions reduction activities to achieve net zero by 2040. The remaining emissions (less than 10%) will be reduced through reliable, verifiable GHG emissions reduction schemes.

- 100% renewable energy
  The Group targets 100% renewable energy usage by 2030. We are progressively implementing initiatives such as switching to 100% renewable energy usage at the Group's

Shiodome Building from December 2023. Please refer to the following website for details: https://www.group.dentsu.com/en/sustainability/climate-action/

Our GHG emissions and renewable energy introduction results for FY2024 are presented below.

GHG emissions (tCO_2e)

	2030 (Consolidated target)	2019 (Baseline)			2024 Results			2024 (vs. baseline)
		Japan	Inter-national	Total	Japan	Inter-national	Total	Total
Scope 1 and 2	46.2% reduction compared to the baseline	17,828	18,189	36,017	7,476	5,108	12,584	(65.1)%
Scope 3		176,117	365,912	542,029	169,214	219,935	389,149	(28.2)%
Scope 1, 2 and 3		193,945	384,101	578,046	176,690	225,043	401,733	(30.5)%

(Notes) 1. The market-based approach is used for Scope 2.
2. We have obtained third-party assurance from KPMG AZSA Sustainability Co., Ltd. for the Scope 1, Scope 2, and Scope 3 totals included in the FY2024 results. The Independent Assurance Report is disclosed on our website. (https://www.group.dentsu.com/en/sustainability/common/pdf/third-party-assurance.pdf).

Renewable energy usage (kWh)

2030 (Consolidated target)	2024 Results		
100%	Renewable energy usage	Total electricity consumption	Renewable energy rate
	65,620,130	52,141,260	79.5%

(Notes) 1. Renewable energy in the context of the Group's sustainability strategy and commitments refers to electricity generated from renewable sources. This definition aligns with RE100, a global initiative, to which the Group has membership.
2. Renewable energy usage is outside the scope of third-party assurance.

(3) Respect for human rights

Respect for human rights is a fundamental aspect of the Group's existence and is a vital part of our ethical and sustainable business activities. We will work to protect human rights based on the United Nations Guiding Principles on Business and Human Rights. We have created the Dentsu Group Human Rights Policy (established in 2018 and revised in 2024) and we clearly document our adherence to international frameworks, including the United Nations Guiding Principles on Business and Human Rights.
Details are disclosed on our website. (https://www.group.dentsu.com/en/about-us/common/pdf/human-rights-policy.pdf).

1) Strategy

We will promote Group-wide governance systems and cross-functional initiatives. We will ensure legal and regulatory compliance and have begun preparations to address requests from all of our stakeholders. We will also ensure alignment with our 2030 Sustainability Strategy.

2) Governance

The Global Chief Governance Officer is responsible for overseeing the Group's human rights initiatives, with the Heads of Human Rights responsible for the day-to-day implementation of our human rights program (the Heads of Human Rights assigned to both the Japan business and International business collaborate to achieve Group-wide governance). The status of the human rights program is reported to the Board of Directors, including individual cases.

"Human rights" is also a mandatory topic for discussion at each meeting of the Group Sustainability Committee. Issues unique to Japan are addressed by the Dentsu Group Human Rights Committee, which is composed of members of the management of dentsu Japan.

3) Risk management

In 2024, we conducted human rights due diligence with the involvement of external experts, to identify human rights issues across the entire Group. As a result, we identified the following six issues:

(i) Equality and non-discrimination
(ii) Freedom of thought, opinion, religion and belief, and freedom of expression and access to information
(iii) Labor rights and harassment
(iv) Privacy and data security
(v) Child rights
(vi) Right to a healthy environment

4) Metrics and targets

Our metrics and targets comprise the following two items:

- Further clarification of issues through the implementation of Group-wide human rights due diligence and updates to human rights awareness activities that reflect these issues (human rights policy, training, etc.)
- Active disclosure of information on human rights initiatives and dialogue with external stakeholders. We also disclose our human rights initiatives on the Group's website (https://www.group.dentsu.com/en/about-us/governance/human-rights.html) which is progressively updated.

(4) Human capital policies and initiatives

1) Basic policy

The Group's vision "to be at the forefront of people-centered transformations that shape society" captures our passion for unleashing human potential and harnessing this energy to make meaningful contributions to society. To achieve this vision, we believe it is vital to unlock the power of our unique and diverse talent, our greatest assets, and to combine and multiply this power.

Based on this premise, people's desire to contribute and grow forms the foundation of the Group's approach to human capital. People feel joy in experiencing their own growth through their work. Through our belief in our people's ambition to grow, we will create environments where all employees have the opportunity to challenge and develop themselves, investing in human capital – the potential of "people" – and promoting management that expands their capabilities.

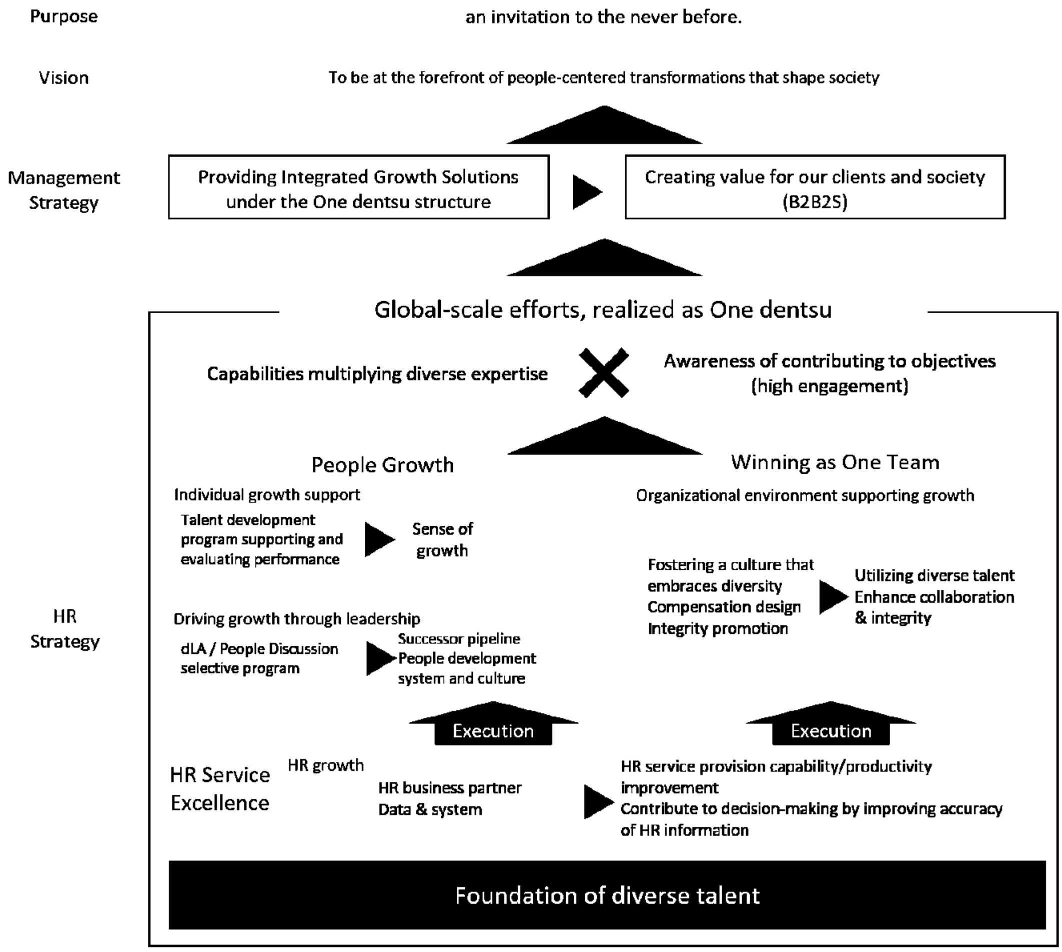
2) Strategy

To promote people-centered transformations and contribute to society, we will focus on Integrated Growth Solutions (IGS) that integrate our employees' diverse range of unique capabilities to achieve sustainable growth for our clients. To realize the growth of IGS globally, we have established a management structure that has integrated the four regions of the world since 2023. Moreover, through the introduction of the One dentsu Operating Model as a common framework for global business, we are promoting collaboration within each region and business area while establishing a business structure that facilitates more integrated services. At the same time, we perceive the reconstruction of governance and internal controls as a key element of our management strategy that will enable us to execute this business transformation with discipline. In addition to establishing these structures, we are advancing initiatives aimed at Mindset and Behavior Reform, with a focus on cultivating an organizational culture that prioritizes integrity.

Expanding the potential of "people" is a major focus of our efforts to address these management strategies and material issues. We believe that two crucial conditions are essential. The first is a state where diverse individuals interconnect, learn together, integrate and multiply each other's expertise, enabling high capabilities for both the organization and individuals. This is essential for providing the Group's unique "integrated" solutions. The second crucial condition is that each employee has a sense of integrity and a heightened awareness of contributing positively to the team: in other words, increased engagement. Achieving these two states globally is how One dentsu enhances the potential of "people" and supports the realization of management strategies, which is also our goal.

To achieve this, we have incorporated the One dentsu Operating Model, launched in FY2023, into the Group's human resources departments and formed a global HR leadership team around the Chief HR Officer (CHRO). Under this structure, we are building and executing a globally consistent strategic framework.

- HR mission
  The foundation of our global HR strategy is rooted in the mission defined by our HR leaders for their own work. "Coming together to unleash the power of our people." This is the mission established through discussion between the CHRO and the representatives of the four regions, as well as leaders in specialized fields such as talent, compensation, and human resources data. The HR mission clearly expresses our role in enabling each team in the human resources domain to contribute their strengths without organizational barriers, unlocking the potential of every individual employee and the organization as a whole. Under this HR mission, we have built an HR strategy framework consisting of three pillars that define specific focus areas to support management strategy and realize our vision.



- HR strategy 1: People Growth

  Personal growth is undoubtedly one of the key pillars of our HR strategy. The growth of each individual employee is important, but it is also essential for leaders to effectively drive that growth in order to transform the organization. An organization's capabilities vary significantly based on the impact of the actions of the leaders who guide it.

  At the Dentsu Group, we believe that the way leadership is practiced is key to accelerating both personal and organizational growth, and we prioritize human capital investment that supports these efforts.

  i) Formulating the dentsu Leadership Attributes

  We perceive the identification and development of leadership attributes needed to drive the dentsu vision as a key issue, and we have articulated and defined the leadership behaviors that dentsu's leaders should possess as the "dentsu Leadership Attributes (dLAs)." The dLAs consist of six elements that indicate what behaviors should be encouraged and valued as an organization, with integrity as the foundation of all. Specifically, these elements include strategic thinking and innovation to pave the way for the future, talent development and fostering an organizational culture to build strong teams and client-focused, results-driven work practices. They can also be used as a tool to confirm how employees exhibit these behaviors. In FY2024, we reviewed and examined each element of the dLAs, enabling us to refine and complete them so that they can be incorporated as guidelines for talent selection, evaluation, and development.

  ii) Cultivating growth through People Discussions

  We conduct People Discussions (forums for the review of talent and the discussion of talent development policy) within the Group and each region, based on the dLAs, to identify and develop future leadership candidates. FY2024 was the second year of this initiative, and we expanded the employee layers subject to discussion from the management level down several tiers, covering over 3,000 employees in Japan alone. Through this initiative, we have ensured that for FY2024, at least one potential successor has been identified for all of the Group's executive management positions. We are also identifying talented individuals within each department, selecting potential successors, and discussing investments for talent development to strengthen the talent pipeline.

  The regular implementation of these People Discussions enables us to reflect a consistent leadership perspective in the process of identifying talent, thus achieving the multifaceted evaluation and development of talent from both performance and leadership perspectives.

  iii) Investing in high-potential talent and talent in strategic areas

  To maximize the potential of the talent identified through People Discussions, we provide opportunities for employees to experience work that extends their capabilities in diverse global environments and development programs that broaden their skills and perspectives. Throughout the year, we appoint global leaders and implement organizational restructuring to more strongly embody the One dentsu Operating Model.

In selecting new leaders, we also hope to provide experiences that will contribute to the growth of these key personnel. The new next-generation global leader development program launched in FY2024 is a prominent example of these initiatives. This program gathered approximately 40 participants from around the world in Tokyo to provide an inspiring learning environment. Additionally, we are pursuing plans for the allocation and dispatch of talented individuals aimed at cultivating talent for future Group management. In this way, we will further accelerate talent growth support through practical experience. At the same time, we are broadening employee career options to enable employees to build long-term careers. As a foundation for this, we are introducing a framework of job families and levels unified across the Group, with perceptible progress, especially in the standardization of job levels. This has allowed us to identify talented individuals who should be defined as the "leadership tier" within the Group, enabling more refined HR measures and clarifying the benchmark for employee careers. By reinforcing this foundation, we aim to promote talent mobility between regions and Group companies, supporting the career advancement of each employee.

iv) Establishing talent development systems and culture

The various measures described above are designed as a continuous cycle, and we aim to establish a culture where "leaders nurture leaders" through this process so that we can continue to achieve results into the future. Specifically, through the incorporation of the dLAs into various HR measures, the regular implementation of People Discussions, and the expansion of the scope of these discussions, we will not only focus on direct effects such as the identification of talent and strategic human resource allocation but also heighten the awareness of each leader participating in the discussions toward human resource development. Moving forward, we will monitor the process in terms of dialogue time and effect in terms of the proportion of positions for which we have identified potential successors. At the same time, we will also measure employees' perceptions of their own growth through engagement surveys. We will use these multifaceted indicators to confirm the progress of People Growth.

- HR strategy 2: Winning as One Team

  We believe that the Group's strength lies in its ability to combine and multiply the power of a diverse range of unique individuals, which gives rise to our own distinctive creativity and innovation. To realize the value of this ability, we focus not only on leveraging the strengths of each individual in our global workforce but also on collaboration – becoming one team – to achieve a goal. We believe that is built on the creation of a dentsu-style corporate culture based on integrity and an organization that is highly productive and vigorous. Our activities are focused on achieving this.

i) Engagement surveys and initiatives to promote organizational culture

Engagement is one of the most important elements in fostering a culture where employees collaborate positively as a team. We conduct annual surveys and calculate engagement scores from employee satisfaction and recommendation rates, identifying challenges at both the Group level and in regions or departmental units and making improvements accordingly. Engagement scores are also incorporated into the KPIs for executive compensation.

The survey results from FY2023 indicated that areas such as vision and strategy, senior leadership, and communication from management were perceived as key issues. As a response, we focused on improving communication from senior management. Specifically, we established numerous opportunities for information sharing and direct interactions, such as messages from senior management and Town Hall Meetings, both in Japan and internationally. We also believe it is crucial for managers in key positions within the Group to fully understand the vision and strategy and share them with their departments. In FY2024 therefore, we implemented more intensive activities to address this, including the first in-person Senior Leadership Meeting since the COVID-19 pandemic.

On the other hand, relatively high scores were recorded in response to questions regarding the importance of individual integrity and compliance awareness from a governance perspective, both in Japan and internationally. We perceive this as a positive opportunity, and will continue to further promote even greater awareness and upgrade our activities.

ii) Creating environments for flexible and highly productive working styles

We are engaged in the ongoing reform of working conditions to create environments where our employees can perform their best. While maintaining the flexible working styles enabled by hybrid work, we recognize that real communication is also important to achieve our aim of people-centered transformation, and we are considering the optimal balance of commuting and remote work for each region and department. The active integration of new methods that leverage technology is vital to achieving productive working styles. We will continue to pursue and share creative and smart dentsu-style ways of working.

In the context of continued labor environment reforms in Japan, we are continuing our activities aimed at sustainable growth in line with actual workplace conditions, including hybrid working styles, while maintaining a foundation of awareness and action regarding issues such as work management and employee monitoring.

iii) Employee awareness to enhance the collaboration of diverse talent

Employee awareness is crucial to fostering an organizational culture where diverse employees can leverage their abilities with confidence and collaborate to generate better solutions. Our focus is fostering awareness to enable employees with various differences to understand these differences and work together with mutual respect, and we also strive to create environments that will promote this awareness. We use the score for "Respect" included in the employee engagement survey as an indicator of the outcome of these efforts, paying close attention to whether each employee feels respected by others in the workplace.

Similarly, we monitor the engagement survey scores corresponding to awareness of collaboration and integrity. We will link these scores with the PDCA cycle for related measures. While no single indicator provides a quantitative measure of the status of organizational culture, we perceive the levels of mutual respect, collaboration awareness, and integrity awareness as elements that constitute our vision for the Group, and we will utilize them in pursuing our strategy of Winning as One Team, with a focus on their relationship with overall engagement.

- HR strategy 3: HR Service Excellence
  When implementing the series of measures based on the strategies of People Growth and Winning as One Team, it is vital for the Group's HR departments to build high-quality partnerships with business areas. To achieve this, we are building a global framework that enhances the expertise and productivity of our HR departments to support management strategy and decision-making in terms of both people and organizations. Specifically, we are enhancing organizational capabilities with HR Business Partners (HRBPs) who closely engage with management and each business, together with Centers of Excellence (CoEs) composed of teams specializing in talent management and compensation design.

i) HRBP support to address business transformation

HRBPs, who provide various support functions from a standpoint closest to each business, are the key to HR partnerships. Enhancing their capabilities directly boosts the quality of HR services. In FY2024, we launched HRBP activities in Japan, centered around the Company, to progressively accumulate knowledge and insights. We are also pursuing activities to broaden the scope of comprehensive HR partnering, with collaboration and cooperation between HRBPs in Japan and internationally, as we strive to realize One dentsu.

Another significant achievement, as part of our HRBP activities, was our review of the optimal organizational design for the Group's global headquarters function. Managers and HRBPs had extensive discussions to identify the "As is" and "To be" of our organizational design and clarify issues. Among other things, this has enabled us to reflect these issues in organizational restructuring in FY2025.

ii) Upgrading HR survey infrastructure

We continue to invest and engage in activities relating to the field of human resources data, which supports the activities and services provided by the Group's HR departments. Recently, we have focused specifically on improving data accuracy and establishing common Group-wide data items. It has been especially challenging, compared to other regions, to set common definitions for human resources data in Japan due to the large number of Group companies based there. However, in FY2023 we developed a unified data template, and in FY2024 we consolidated data from each company into this template and began using it. This has made it possible to view the status of talent at each company using identical data items, not only enhancing the accuracy of KPI monitoring for future initiatives but also facilitating the use of this factual data to formulate future organizational strategies. These efforts have enabled the integration of information that was previously region- and company-specific, and we are progressively upgrading the infrastructure to contribute to strategic decision-making at the Group-wide level.

Another key focus is our continuing efforts to enhance the efficiency of day-to-day operations. We are pursuing process optimization and automation for labor-intensive operational tasks and the utilization of shared services in cost-effective nearshore and offshore regions. In FY2024, we worked on strengthening services at our offshore locations in India and South America. Going forward, we will continue to review processes and systems for business operations that would benefit from overall optimization, and we hope to further boost productivity through global integration and standardization while taking into account regional differences.

3. Risk Factors

The major risks associated with the execution of the Group strategies, business, and other activities that are considered material to investment decision-making by 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.

The Group has identified and announced the material issues (materiality) for its sustainable growth and value creation in July 2023. Please refer to "View and Initiatives Relating to Sustainability," above, for details of the material issues. In 2024, the Group implemented a Group-wide Enterprise Risk Assessment (ERA) with the announced material issues (materiality) in mind, as described below.

The forward-looking statements contained herein are based on the judgment of the Group as of March 2025.

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, responsible for risk response, to whom it delegates the formulation and implementation of risk response plans. The Group Risk Committee regularly reviews the risks that require response and their evaluation, and regularly reports on these risks and the status of response to the Group Management Board and the Board of Directors.

Beginning in 2024, the CEOs of each of the four regions – Japan, the Americas, EMEA, and APAC – became additional members of the Group Risk Committee to strengthen the committee's governance as One dentsu. A person responsible for global internal controls and risk was also newly appointed from the Group Management Team to enhance the promotion of risk management activities. In addition, risk & compliance committees have been established in three international regions and a risk committee has been established in Japan, all under the umbrella of the Group Risk Committee, creating a structure where the Group Risk Committee can oversee Group-wide risk management.

Major risks and their countermeasures

As part of the ERA implemented in 2024, the Group conducted wide-ranging interviews concerning risk with the Global CEO, Global CGO/CFO, and other Group leaders, as well as the leaders of each region and major market and the Company's Outside Directors. The insights gained from these interviews were examined by the Group Risk Committee and the Group Management Board to update the Risk Register, a list of the risks considered material.

At the same time, we systematically reorganized risks, including terminology, to ensure comprehensive coverage of the Group's risks. This section presents the major risks that are considered material, based on this system.

(1) Strategic risks

The Group has identified "business development and growth risk," "business transformation risk," and "sustainability risk" as risks associated with strategy, and is evaluating and responding to these risks. Specifically, these include risks relating to factors such as "competitiveness and long-term strategy," "business transformation," and "failure to achieve sustainability targets."

1) Competitiveness and long-term strategy

In February 2025, the Group established and announced the Group's Mid-Term Management Plan spanning the three years from FY2025 to FY2027, our basic policy for achieving growth in the medium and long term. Under the plan, the Group has established the goals of restoring competitiveness and profitability. To achieve these goals, the Group will engage in focusing business strategy, rebuilding the business foundation, and reevaluating underperforming businesses. The first initiative planned by the Group is to recover earnings growth potential, centering on the reevaluation of underperforming businesses and the reconstruction of the business model. At the same time, the Group will revise the business foundation and undertake systematic and continuing cost improvements.

The Group will aim to be a growth partner for its clients in each market. Through successive successes, the Group will achieve global growth. To this end, it has renewed its strategies for markets, clients, and capabilities, clarifying its competitive strengths to accelerate the implementation of focused business strategies.

At the same time, the Group is pursuing the creation of businesses that will be potential pillars of growth for the future. As part of these efforts, it aims for the global expansion of the sports and entertainment business, which was focused on Japan until now, to achieve discontinuous growth.

However, it is also expected that the Group's position will relatively shift in the face of intensifying competition, with the emergence of media platforms and other highly-scaled players both within and outside the industry accompanied by large-scale investments made by technology and consulting companies, particularly in the field of AI. In this environment, if the Group cannot maintain its competitivity and achieve its strategic goals and financial targets, then its ability to retain existing customers and acquire new customers will be affected. This may result in a loss of market share, a deterioration in the brand value of sponsorship rights, broadcasting rights, and content, as well as financial losses.

2) Business transformation

The Group is pursuing business transformation to respond to rapid changes in the business and competitive environments. Beginning in January 2024, the Group has introduced the

"One dentsu Operating Model," a business management model designed to achieve more efficient and swift global maximization of the service and value provided to clients, and the Group is progressively transforming into a streamlined organizational structure that will enable swifter decision-making, clearer responsibilities, and the delegation of authority.

However, the Group's business results may be negatively affected if this business transformation does not progress as anticipated. There is also a risk that weaknesses in internal controls and defects in management systems may emerge if the Group is unable to keep pace with changes in the business environment or structural reforms.

3) Failure to achieve sustainability targets

In 2024, the Group updated its 2030 Sustainability Strategy to more actively respond to rapid changes in the business environment surrounding the Group and the public status and awareness of sustainability as One dentsu, thus fulfilling its responsibility to society and our stakeholders. This update reflected five material issues (materiality) – Business ethics & compliance / Data security, DEI, Human capital development, Climate action, and Innovation leadership – under three core themes: "People," "Planet," and "Innovation."

Progress on the 2030 Sustainability Strategy and initiatives to address the five material issues are managed through the Group Sustainability Committee, which meets four times each year. The committee members coordinate with the divisions responsible to achieve all of the action plans and KPIs. Since 2024, the Group has appointed a Global Chief Sustainability Officer to manage its climate change response and other aspects of the 2030 Sustainability Strategy.

However, if these initiatives do not proceed to achieve their targets as planned due to factors such as the external social and economic environment, it may have a negative effect on the Group's reputation.

(2) Operational risks

The Group has identified "governance and supervision risk," "third-party risk," "resilience risk," "human capital risk," "data management risk," "technology risk," and "information security risk" as risks associated with operation, and is evaluating and responding to these risks. Specifically, these include risks relating to factors such as "securing, developing, and retaining talent" and "integrating and introducing Enterprise Technology."

1) Securing, developing, and retaining talent

Ever since its founding, the Group has recognized people as its greatest assets. Its diverse and talented teams around the world – with their client focus, creativity, innovation, and execution ability – are the true drivers of the Group's corporate value. Therefore, if it cannot secure and retain the necessary talent then it may not be able to provide advanced services to clients, which would have a negative effect on its performance. The Group has established forums for discussing talent, referred to as People Discussions. In addition to identifying talent, these forums enable the Group to maximize the potential of its people through the strategic provision of opportunities for them to challenge themselves in a wide range of different global and local environments and programs to expand their skills and perspectives. The Group has also established and applied the "dentsu Leadership Attributes," which define its vision for dentsu-style leadership, as the backbone of its talent management, and will invest in developing leadership talent in line with this vision.

The Group is especially focused on securing talent in International markets where talent mobility is high, and promotes the use of technology to enhance the efficiency and accuracy of recruitment operations. This has enabled it to achieve improvements including shorter delays in filling advertised positions. The Group is promoting activities to accumulate recruitment expertise internally while curbing costs, including the establishment of a dedicated team specializing in headhunting for high-ranking positions. It has identified "human capital development" as one of its material issues (materiality).

2) Integrating and introducing Enterprise Technology

Through the One dentsu Operating Model, the business management model introduced in January 2024, the Group aims for stronger and more sophisticated Enterprise Technology and Business Operations. These are key to enabling organizational simplification, integration-led and cross-functional collaboration to drive operational excellence and create an agile organization, and momentum to invest in and scale our IT infrastructure to drive speed, agility, and flexibility in the organization.

However, the Group's operational management and business growth may be negatively affected if it cannot make appropriate investments in technology solutions or if Group-wide IT management is not properly implemented.

3) 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 every reasonable precaution in managing information. However, if an incident such as an information leak were to occur, the Group's credibility would be damaged and its business results may be negatively affected.

Moreover, it is possible that unforeseen external cyberattacks or actions by employees or suppliers may threaten the confidentiality, integrity, and accessibility of important business systems and data, which cause significant operational, regulatory, financial, or reputational issues for the Group and impact its clients.

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 materiality of developing threats and evaluates the effectiveness of risk management and control in line with the ERM approach.

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

In the course of its business operations, the Group sometimes receives personal information regarding its clients' end-users. It also develops products and services utilizing personal data and provides these to its clients in the context of the rising demand from clients for marketing and communication customized for each individual end-user.

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 if an incident such as a personal information leak were to occur. 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.

(3) Compliance & legal risks

The Group has identified "conduct and ethics risks" and "risks associated with adherence to contracts with clients" as compliance & legal risks, and is evaluating and responding to these risks. Specifically, these include risks relating to factors such as "corporate culture" and "compliance."

1) Corporate culture

The Group's talent find motivation in creating a better society that is one step ahead. This corporate culture, which boosts innovation with an aim to realize a vibrant society where people enjoy a fulfilling life together with clients and other stakeholders, is in the Group's DNA and deeply engrained in its teams around the world.

However, the Group's corporate culture may be damaged and the motivation and productivity of its employees may be negatively affected if the leaders who manage the Group's talent do not fulfill their responsibilities, do not implement appropriate human capital management, or do not place ethics and integrity at the forefront of corporate value and strive to embed these values appropriately throughout the Group.

2) Compliance

The Group has identified "Business ethics & compliance / Data security" as a material issue under its materiality and 2030 Sustainability Strategy. It has established the headline goal of

"Putting integrity first" to address this issue. The Group's corporate activities are predicated on adherence to corporate ethics and compliance, as well as integrity with respect to society and all other stakeholders.

However, the Group's reputation may be degraded and its corporate value may be significantly damaged if actions occur in the Group's businesses in disregard or violation of laws, regulations, rules, or company policy, whether through intention, negligence or carelessness.

3) 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 for surcharge payment, etc. from government bodies, clients, media companies, partner companies, and others based on investigations, litigation, media audits, etc.

In response to the incident related to the Tokyo 2020 Olympic and Paralympic Games, the Group established the dentsu Japan Reform Committee on May 15, 2023, and has engaged in Mindset and Behavior Reform. On December 18, 2024, it completed all 17 initiatives implemented from May 2023 under the dentsu Japan Reform Committee to prevent recurrence. Since January 2025, the Group is promoting an expanded version of these initiatives as the Mindset and Behavior Reform Project, with aims that include instilling an organizational culture that prioritizes integrity and ensuring a high level of compliance.

(4) Other external risks

1) Risks associated with cyclical changes in the global economy and social changes

The budgets of the Group's clients are often dependent on business conditions, and therefore the Group's business results can be affected by cyclical changes in the economy. Although the global economy is in a moderate recovery trend, the situation remains uncertain due to factors such as the emergence of geopolitical risks and concerns over the re-emergence of inflation.

The impact of COVID-19 since 2020 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, implementing digital transformation, and utilizing generative AI. 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- to long-term business growth may be negatively affected if it is unable to respond appropriately to these needs.

2) 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, outbreak of plague, 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, market, etc.

4. Management Analysis of Financial Condition, Operating Results and Cash Flows

Overview of financial condition and operating results

Business Overview

In 2024, the outlook for the global economy remained uncertain due to factors such as the prolonged instability in the international situation, worldwide inflation and monetary tightening by central banks in response, rapid fluctuations in exchange rates, and a slowdown in the Chinese economy.

In this environment, the business results during the fiscal year 2024 (from January 1 to December 31, 2024) were as presented in the table below. The net revenue organic growth rate was negative 0.1% but net revenue increased by 5.0% year on year on the back of the overall shift in exchange rates toward a weaker yen, as well as M&A activities. Underlying operating profit increased by 7.8%, the operating margin rose by 30 bps and underlying net profit attributable to owners of the parent increased by 3.4% year on year. On the other hand, factors such as the posting of an impairment loss led to an operating loss of ¥124,992 million (operating profit of ¥45,312 million for the previous fiscal year), and the Group recorded a net loss attributable to owners of the parent of ¥192,172 million (net loss of ¥10,714 million for the previous fiscal year).

Underlying operating profit is a profit indicator to measure recurring business performance which is calculated by eliminating M&A related items and one-off items from operating profit.

M&A related items: amortization of purchased intangible assets, acquisition costs and share-based compensation expenses issued following the acquisition of 100% ownership of a subsidiary

One-off items: items such as business transformation cost, impairment loss, gain/loss on sales of non-current assets, and extra retirement payments

Underlying net profit attributable to owners of the parent is an indicator to measure recurring net profit attributable to owners of the parent which is calculated by eliminating adjustment items related to operating profit, change in fair value of contingent considerations (gain/loss on revaluation of earnout liabilities), remeasurements of share purchase liabilities (gain/loss on revaluation of M&A related put-option liabilities), tax-related, NCI profit-related and other one-off items, from net profit (attributable to owners of the parent).

Consolidated Financial Results

Consolidated financial results for the fiscal year ended December 31, 2024

(Millions of yen, with negative amounts shown in parentheses)

Item	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2023	YoY change
Revenue	1,410,961	1,304,552	8.2%
Net revenue	1,201,647	1,144,819	5.0%
Operating profit (loss)	(124,992)	45,312	-
Profit (loss) attributable to owners of the parent	(192,172)	(10,714)	(181,458)

Main profit indicators for the fiscal year ended December 31, 2024

(Millions of yen, with negative amounts shown in parentheses)

Item	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2023	YoY change
Underlying operating profit	176,233	163,515	7.8%
Operating margin	14.8%	14.5%	30bps
Underlying profit attributable to owners of the parent	92,936	89,839	3.4%

(Note) The sale of the Russia business was completed in July 2024. However, operating profit (loss) related to the Russia business that arose until the completion of the sale is classified as a one-off item and not included in the underlying operating profit.

Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2024

The Group recorded the highest net revenue for the fourth consecutive fiscal year since public listing with an increase of 5.0% year on year, boosted by exchange rate movements and M&A activities, despite a consolidated organic growth rate of negative 0.1%. Underlying operating profit increased by 7.8%, mainly due to top-line growth, and the operating margin rose by 30 bps to 14.8%.

On the other hand, the posting of an impairment loss on goodwill of ¥210,162 million in the International business in the fourth quarter led to an operating loss of ¥124,992 million (operating profit of ¥45,312 million for the previous fiscal year) and the Group recorded a net loss attributable to owners of the parent of ¥192,172 million (net loss of ¥10,714 million for the previous fiscal year).

In the fiscal year ended December 31, 2024, the Group shifted its investment focus from M&A to internal investment in growing its existing business, aiming to accelerate and deepen its Integrated Growth Solutions (IGS). It is starting to see results from this focus on evolving already-acquired assets and progressively integrating them with its other capabilities. These include its success in attracting clients through collaboration with Tag.

Segment Overview

Japan

Driven by the growth in the advertising business, including TV and internet, and the growth in the Business Transformation and Digital Transformation domains, Japan achieved a net revenue organic growth rate of 4.0% and net revenue of ¥466,746 million (4.0% increase year on year), a record high for the fourth consecutive fiscal year. Underlying operating profit was ¥114,184 million (10.4% increase year on year), also a record high, and the operating margin was 24.5% (23.0% for the previous fiscal year) mainly due to top-line growth, despite an increase in personnel expenses due to an increase in personnel.

Americas

The Americas saw a net revenue organic growth rate of negative 4.1%, mainly due to challenging conditions in the United States. While the business environment remained challenging for CXM, the results for Media were on par with the previous fiscal year and the organic growth rate continued to improve after bottoming out in the fourth quarter of the previous fiscal year.

Net revenue in the Americas was ¥334,642 million (3.9% increase year on year), underlying operating profit was ¥75,161 million (2.9% increase year on year), and the operating margin was 22.5% (22.7% for the previous fiscal year), on the back of the overall shift in exchange rates toward a weaker yen, as well as the full-year effect of the acquisition of Tag which was completed in June 2023.

EMEA (Europe excluding Russia, the Middle East, and Africa)

In EMEA, the net revenue organic growth rate was 2.2%, due mainly to a reactionary increase following the one-off financial impact that occurred in the context of complex business transformations and systems integration in the DACH (Germany, Austria, and Switzerland) cluster in the previous fiscal year (the net revenue organic growth rate after excluding this impact was negative 1.5%). Among the major markets, Spain and France performed well, but results were challenging in countries such as the United Kingdom, Italy, and Denmark.

Net revenue in EMEA was ¥269,254 million (13.4% increase year on year), underlying operating profit was ¥38,466 million (58.7% increase year on year), and the operating margin was 14.3% (10.2% for the previous fiscal year), on the back of the overall shift in exchange rates toward a weaker yen, as well as the full-year effect of the acquisition of Tag which was completed in June 2023.

APAC (Asia Pacific excluding Japan)

The net revenue organic growth rate in APAC was negative 7.0%. India, Taiwan and Thailand showed a solid performance, but the results were challenging in the large-scale markets of China and Australia.

Net revenue in APAC was ¥116,413 million (2.8% increase year on year) due to the overall shift in exchange rates toward a weaker yen, as well as the full-year effect of the acquisition of Tag which was completed in June 2023. However, underlying operating profit was ¥1,050 million (86.8% decrease year on year), and the operating margin was 0.9% (7.0% for the previous fiscal year) due to factors such as the slowdown in top-line growth and an increase in operating expenses.

Organic growth rate by region (Figures in parentheses represent negative growth)

	FY2024 (Jan-Dec)	FY2024 Q4 (Oct-Dec)	FY2024 Q3 (Jul-Sep)	FY2024 Q2 (Apr-Jun)	FY2024 Q1 (Jan-Mar)
Japan	4.0%	8.4%	2.8%	1.8%	2.4%
Americas	(4.1)%	(2.9)%	(3.1)%	(3.7)%	(6.6)%
EMEA	2.2%	3.5%	6.9%	7.8%	(9.4)%
APAC	(7.0)%	(3.9)%	(11.6)%	(6.2)%	(7.1)%
Consolidated	(0.1)%	2.6%	0.3%	0.2%	(3.7)%

Progress on the Mid-Term Management Plan during FY2024

The results of the Mid-Term Management Plan spanning the period from FY2021 to FY2024 are presented below.

The management targets established by the Group were as follows:

1) Transformation and Growth
   - Organic growth rate vs. FY2021 through FY2024: CAGR 4–5%
   - Customer Transformation & Technology to reach 50% of Group net revenue over time
2) Operations and Margin
   - 17.0–18.0% operating margin through FY2023 to reach 18.0% in FY2024
3) 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
4) Social Impact and ESG
   - 46.2% reduction in greenhouse gas (GHG) emissions by FY2030 vs. FY2019
   - 100% usage of renewable energy by FY2030 (in countries and regions where renewable energy is available)
   - Improvement in employee engagement score
   - Diverse, equal and inclusive workforce; ratio of female leaders to reach 45% by FY2030

The results against these management targets in FY2024 were as follows:

1) Transformation and Growth

- Organic growth rate:
  The organic growth rate was 13.1% in FY2021, 3.2% in FY2022, negative 4.9% in FY2023, and negative 0.1% in FY2024. From FY2021 through FY2024, CAGR fell short of the target of 4–5%.
- Proportion of Group net revenue from Customer Transformation & Technology:
  Customer Transformation & Technology accounted for 27.5% in FY2020, 29.1% in FY2021, 32.1% in FY2022, 31.9% in FY2023, and 28.3% in FY2024.

2) Operations and Margin

- Underlying operating margin:
  The operating margin was 14.8% in FY2020, 18.3% in FY2021, 18.4% in FY2022, 14.5% in FY2023, and 14.8% in FY2024, falling below the target of 18.0% for FY2024.

3) Capital Allocation and Shareholder Returns

- Net debt / underlying EBITDA (year-end):
  Net debt / underlying EBITDA was negative at the end of FY2021 and FY2022, was 0.59x at the end of FY2023, and was 0.92x at the end of FY2024, falling within the upper limit of 1.5x.
- Dividend payout ratio (on an underlying basic EPS basis):
  The dividend payout ratio was progressively increased to 28.5% in FY2020, 30.0% in FY2021, 32.0% in FY2022, 35.0% in FY2023, and 39.3% in FY2024, achieving the target level of 35%. The payout ratio for FY2023 is based on underlying basic EPS after deducting the one-off financial impact related to complex business transformations and systems integration in the DACH (Germany, Austria, and Switzerland) cluster and the retirement expenses recorded during the year, in order to ensure comparability with previous fiscal years.

4) Social Impact and ESG

- 46.2% reduction in greenhouse gas (GHG) emissions by FY2030 vs. FY2019
- 100% usage of renewable energy by FY2030 (in countries and regions where renewable energy is available)
  Please refer to "View and Initiatives Relating to Sustainability (2) Climate action 4) Targets and results" for details.
- Improvement in employee engagement score (all employees are surveyed each year):
  Scores for FY2024 are as follows.
  - Group-wide: 66 (scores for FY2021, FY2022, and FY2023 were 68, 68, and 66, respectively)
  - Japan: 62 (scores for FY2021, FY2022, and FY2023 were 63, 60, and 60, respectively)
  - International: 68 (scores for FY2021, FY2022, and FY2023 were 70, 71, and 69, respectively)
- Diverse, equal and inclusive workforce; ratio of female leaders to increase by FY2030:
  Female leaders accounted for 32.5% of all leaders Group-wide as of December 31, 2024.

Financial Position

Total assets at the end of the fiscal year decreased by ¥127,141 million from the end of the previous fiscal year to ¥3,507,260 million, primarily due to a decrease in goodwill, despite an increase in trade and other receivables. Meanwhile, total liabilities increased by ¥16,578 million to ¥2,738,224 million, primarily due to an increase in bonds and borrowings, despite a decrease in liabilities directly associated with non-current assets classified as held for sale. Total equity decreased by ¥143,719 million to ¥769,035 million, primarily due to a decrease in retained earnings resulting from the posting of a net loss.

In the previous fiscal year, primarily, assets and liabilities associated with the Russia business 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.

Under the Mid-Term Management Plan announced in February 2025, the Group established a new financial policy to restore a healthy balance sheet by recovering profitability and competitiveness. At the same time, the Group plans to continue the disposal of non-operating assets, such as strategic shareholdings. It will prioritize the allocation of capital to expenditure for rebuilding the business foundation to be conducted in FY2025 and internal investment in business growth, progressively reestablishing the Group's business performance.

Cash flows

As of December 31, 2024, cash and cash equivalents (hereinafter "cash") amounted to ¥371,989 million compared to the ¥390,678 million posted at the end of the previous fiscal year. This year-on-year decrease of ¥18,688 million was primarily due to cash used in financing activities.

<u>Net cash flow from operating activities</u>
Net cash provided by operating activities decreased by ¥15,283 million compared to the previous fiscal year to ¥59,984 million. This was primarily due to the posting of loss before tax and an increase in working capital.

<u>Net cash flow from investing activities</u>
Net cash used in investing activities decreased by ¥115,388 million compared to the previous fiscal year to ¥30,908 million. This was primarily due to a decrease in net cash paid on acquisition of subsidiaries.

<u>Net cash flow from financing activities</u>
Net cash used in financing activities decreased by ¥87,967 million compared to the previous fiscal year to ¥65,714 million. This was primarily due to a decrease in repayment of long-term

borrowings and a decrease in redemption of bonds, despite a decrease in proceeds from long-term borrowings.

Status of production, orders received, and sales

Sales results

Sales results (revenue) for each segment in the fiscal year ended December 31, 2024 were as follows:

Segment	Revenue (Millions of yen)	YoY (%)
Japan	572,671	104.8
Americas	380,869	108.7
EMEA	320,024	119.0
APAC	121,417	105.4
Corporate	15,980	67.8
Total	1,410,961	108.2

(Note 1) Intersegment transactions have been offset and eliminated.

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 March 2025.

(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 the financial position and operating results for the fiscal year ended December 31, 2024.

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

1) Basic approach to capital policy and financial strategy

Under the strategies and measures established under the Mid-Term Management Plan ending in FY2027, the Group aims to increase medium- and long-term shareholder value through profit growth. We have added ROE as a management indicator to ensure we achieve this, targeting a mid-teens ROE in FY2027.

To underpin this effort, we will set a new financial policy, which we will manage and operate with discipline. Specifically, we will strictly scrutinize the scale of funding needed, carefully manage the balance of capital and liabilities, and improve balance-sheet soundness so that we can maintain high credit ratings. 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, we maintain additional undrawn 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.

Our investments will prioritize expenditure for rebuilding the business foundation to be conducted in FY2025 and internal investment in business growth, progressively reestablishing the Group's business performance.

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 maintain a dividend payout ratio of 35% of underlying basic EPS. However, regarding the dividend per share for FY2025, while adhering to the above policy, we plan to maintain the annual dividend of ¥139.5 per share, which is the same amount as FY2024, as a temporary measure in light of the fact that FY2025 is a transitional period when investment to recover competitiveness and profitability will take precedence.

2) 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.

Under the Mid-Term Management Plan concluding in FY2027, we also anticipate demands on funds for investments aimed at recovering competitiveness and profitability, as we will focus on recovering profitability by reevaluating underperforming businesses and rebuilding the business foundation in 2025.

3) Status of cash flows

Please refer to "Cash flows" for the status of cash flows for the fiscal year ended December 31, 2024.

4) 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 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 ¥100,000 million for the Company 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 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.

(3) Significant accounting estimates and assumptions used in such estimates

The Company prepares its consolidated financial statements based on the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board.

In preparing the consolidated financial statements, the Company's leadership must disclose the reported amounts of assets and liabilities and any contingent liabilities or other off-balance sheet transactions as of the end of the fiscal year, and make estimates that affect its financial position and operating results during the reporting period. For example, the Company's leadership continually evaluates the outlook and determination of matters such as investments, business combinations, retirement payments, income tax, contingencies, and litigation. They make estimations and judgments based on various factors considered reasonable in view of past results and conditions. The results of these estimations and judgments form the basis for the carrying value of assets and liabilities and the reported amounts of revenue and expenses. Due to the uncertainty inherent in estimation, actual results may differ from estimates.

The significant estimates and assumptions that materially affect the amounts recognized on the Company's consolidated financial statements are as follows.

1) Impairment of property, plant and equipment, goodwill, and intangible assets

The Group assesses at the end of the reporting period whether there is any indication that a non-financial asset may be impaired except for inventories and deferred tax assets. If an indication of impairment 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. The recoverable amount of an asset or a cash-generating unit is 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. The Group applies certain assumptions regarding factors such as the asset's useful life, future cash flows, growth and discount rates when estimating value in use.

These assumptions are determined through the best estimates and judgments possible based on past results and the business plans approved by the Company's leadership. However, they may be affected by changes in business strategy or the market environment. If it becomes necessary to amend assumptions, this may have a material impact on the amount of impairment loss recognized.

Please refer to "Consolidated Financial Statements and Notes to the Consolidated Financial Statements 15. GOODWILL AND INTANGIBLE ASSETS (3) Impairment testing of goodwill" for the main assumptions used in the impairment testing of goodwill and details of sensitivity analysis.

2) Right-of-use assets

For leases in which the Group is the lessor, right-of-use assets and a lease obligation are recognized at the beginning of the lease. Right-of-use assets are measured at acquisition cost at the beginning of the lease. After the commencement date, the cost model is applied and measured at acquisition cost less accumulated depreciation and accumulated impairment losses.

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 balance of right-of-use assets related to these real estate lease agreements 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 impairment loss or reversal of an impairment on the right-of-use assets may occur in the following fiscal year.

3) Valuation of financial instruments (including contingent consideration and put option liabilities)

The Group holds financial assets such as securities and derivatives. It applies certain assumptions in the valuation of these financial assets. Fair value is determined based on measurement techniques such as the market approach and the income approach, in addition to market prices. Specifically, the fair value of stocks and other financial assets for which an active market exists is measured based on market prices, while the fair value of those for which there is no active market is evaluated using observable market data or methods based on unobservable inputs, mainly the income approach and the market approach.

The fair value of contingent consideration and put option liabilities arising as a result of business combinations is measured using the discounted cash flow method based on unobservable inputs.

The Company's leadership believes that the estimated fair value of financial instruments is reasonable. However, if it becomes necessary to amend these estimates due to factors such as unforeseeable changes in the assumptions applied, this may have a material impact on the amounts of fair value recognized.

4) Valuation of defined benefit obligations

Defined benefit obligations and retirement benefit expenses are measured based on actuarial assumptions, such as discount rates, future compensation levels, retirement rates, and mortality rates.

The Company's leadership believes these assumptions reasonable. However, if actual results differ from the assumptions, or if the assumptions are amended, this may have a material impact on the amounts of expenses and liabilities recognized.

5) 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.

These provisions are calculated based on the best estimates possible as of the end of the fiscal year, taking uncertainty into account. However, they may be affected by unforeseeable events or changes in circumstances, and if the actual results differ from the estimates, this may have a material impact on the amounts of liabilities recorded.

6) Recoverability of deferred tax assets

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.

The Group records deferred tax assets based on future taxable income and careful, highly feasible, and continuing tax planning consideration, and it is judged that the estimates used in the valuation of recoverability are reasonable. However, they may be affected by unforeseeable events or changes in circumstances, and if the actual results differ from the estimates, this may have a material impact on the amounts of expenses recognized and assets recorded.

Part 2 Financial Information

Consolidated Statement of Financial Position

(Millions of Yen)

	Notes	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	8, 35	¥390,678	¥371,989
Trade and other receivables	9, 25, 35	1,524,289	1,678,146
Inventories	10	6,396	6,095
Income tax receivables		52,194	36,629
Other financial assets	11, 19, 35	23,135	25,198
Other current assets	12	62,482	59,295
Subtotal		2,059,176	2,177,355
Non-current assets classified as held for sale	13	80,380	—
Total current assets		2,139,557	2,177,355
NON-CURRENT ASSETS:			
Property, plant and equipment	14	29,430	26,159
Goodwill	7, 15	831,121	697,052
Intangible assets	7, 15	238,733	203,692
Right-of-use assets	16	139,252	128,348
Investments accounted for using the equity method	6, 17	51,227	54,816
Other financial assets	11, 25, 35	133,766	146,188
Other non-current assets	22	22,126	36,734
Deferred tax assets	18	49,185	36,912
Total non-current assets		1,494,844	1,329,904
TOTAL ASSETS	6	¥3,634,401	¥3,507,260

	Notes	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
			(Millions of Yen)
LIABILITIES AND EQUITY			
LIABILITIES:			
CURRENT LIABILITIES:			
Trade and other payables	19, 35	¥1,527,612	¥1,566,979
Bonds and borrowings	20, 35	39,213	173,646
Other financial liabilities	16, 20, 35, 37	71,117	87,438
Income tax payables		28,088	27,172
Provisions	21	18,072	13,447
Other current liabilities	25	189,278	198,711
Subtotal		1,873,383	2,067,395
Liabilities directly associated with non-current assets classified as held for sale	13	66,527	—
Total current liabilities		1,939,910	2,067,395
NON-CURRENT LIABILITIES:			
Bonds and borrowings	20, 35	455,232	373,627
Other financial liabilities	16, 20, 35	236,357	208,231
Liability for retirement benefits	22	18,120	17,373
Provisions	21	18,046	18,636
Other non-current liabilities	34	5,640	5,645
Deferred tax liabilities	18	48,337	47,314
Total non-current liabilities		781,735	670,828
Total liabilities		2,721,646	2,738,224
EQUITY:			
Share capital	23	74,609	74,609
Share premium account	23	75,072	75,373
Treasury shares	23	(24,964)	(26,559)
Other components of equity	13	148,180	216,481
Retained earnings	23	568,753	356,933
Total equity attributable to owners of the parent	35	841,651	696,838
Non-controlling interests	7	71,104	72,197
Total equity		912,755	769,035
TOTAL LIABILITIES AND EQUITY		¥3,634,401	¥3,507,260

Consolidated Statement of Income

(Millions of Yen)

	Notes	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Revenue	6, 25	¥1,304,552	¥1,410,961
Cost of sales	14, 15, 16, 22, 27	(159,732)	(209,313)
Net revenue	6	1,144,819	1,201,647
Selling, general and administrative expenses	14, 15, 16, 22, 26, 27, 34	(1,018,730)	(1,065,835)
Restructuring cost	14, 15, 21, 27	(9,992)	(10,705)
Impairment loss	14, 15	(72,201)	(235,257)
Other income	2, 28	3,504	7,605
Other expenses	2, 29	(2,086)	(22,447)
Operating profit (loss)	6	45,312	(124,992)
Share of profit of investments accounted for using the equity method	17	3,654	3,009
Impairment loss of investments accounted for using the equity method	17	—	(688)
Gain (loss) on sale of investments in associates	17	(194)	(13)
Revaluation gain on step acquisition	7, 17	142	—
Profit (loss) before interest and tax		48,914	(122,685)
Finance income	30	22,199	14,012
Finance expenses	16, 22, 27, 30	(38,009)	(31,085)
Profit (loss) before tax		33,103	(139,759)
Income tax expenses	18	(38,572)	(43,605)
Profit (loss) for the year		¥(5,468)	¥(183,364)
Profit (loss) attributable to:			
Owners of the parent		¥(10,714)	¥(192,172)
Non-controlling interests		¥5,245	¥8,808
Earnings (loss) per share		(Yen)	(Yen)
Basic earnings (loss) per share	32	¥(40.52)	¥(734.56)
Diluted earnings (loss) per share	32	¥(40.52)	¥(734.56)

Reconciliation from operating profit to underlying operating profit (loss)

(Millions of Yen)

	Notes	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Operating profit (loss)		¥45,312	¥(124,992)
Amortization of intangible assets incurred in acquisitions		30,691	29,335
Selling, general and administrative expenses		5,780	3,873
Restructuring cost		9,992	10,705
Impairment loss	14, 15	72,201	235,257
Other income (expenditure)		(2,098)	(130)
Other expenses		1,635	22,184
Underlying operating profit (Note 1)	6	¥163,515	¥176,233

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

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Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Notes	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
PROFIT (LOSS) FOR THE YEAR		¥(5,468)	¥(183,364)
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	13,612	17,380
Remeasurements of defined benefit plans	22, 31	12,192	13,073
Share of other comprehensive income (loss) of investments accounted for using the equity method	17, 31	127	(1)
ITEMS THAT ARE OR MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
Exchange differences on translation of foreign operations	31	8,956	74,377
Effective portion of the change in the fair value of cash flow hedges	31	(16,254)	(5,210)
Share of other comprehensive income (loss) of investments accounted for using the equity method	17, 31	202	(71)
Other comprehensive income, net of tax		18,837	99,547
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		¥13,368	¥(83,816)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		¥8,219	¥(93,032)
Non-controlling interests		¥5,148	¥9,215

Consolidated Statement of Changes in Equity

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent					
					Other components of equity		
		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
As of January 1, 2023		¥74,609	¥74,931	¥(25,478)	¥69,774	¥38,524	¥27,487
Profit (loss) for the year							
Other comprehensive income	31				7,830	(16,255)	15,167
Comprehensive income for the year		–	–	–	7,830	(16,255)	15,167
Repurchase of treasury shares				(4)			
Disposal of treasury shares	23		(319)	518			
Dividends	24						
Transactions with non-controlling shareholders							
Transfer from other components of equity to retained earnings							5,652
Other			459				
Transactions with owners—total		–	140	513	–	–	5,652
As of December 31, 2023		¥74,609	¥75,072	¥(24,964)	¥77,604	¥22,268	¥48,306
Profit (loss) for the year							
Other comprehensive income	31				73,994	(5,210)	17,282
Comprehensive income for the year		–	–	–	73,994	(5,210)	17,282
Repurchase of treasury shares	23			(20,006)			
Disposal of treasury shares	23		(163)	173			
Cancellation of treasury stock	23			18,238			
Dividends	24						
Transactions with non-controlling shareholders							2,900
Transfer from other components of equity to retained earnings							(20,666)
Other			464				
Transactions with owners—total		–	301	(1,594)	–	–	(17,766)
As of December 31, 2024		¥74,609	¥75,373	¥(26,559)	¥151,599	¥17,058	¥47,822

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent: Other components of equity: Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of January 1, 2023		—	¥135,786	¥620,418	¥880,267	¥75,060	¥955,327
Profit (loss) for the year			—	(10,714)	(10,714)	5,245	(5,468)
Other comprehensive income	31	12,192	18,934		18,934	(97)	18,837
Comprehensive income for the year		12,192	18,934	(10,714)	8,219	5,148	13,368
Repurchase of treasury shares			—		(4)		(4)
Disposal of treasury shares	23		—		199		199
Dividends	24		—	(43,229)	(43,229)	(4,812)	(48,041)
Transactions with non-controlling shareholders			—	(3,556)	(3,556)	(4,292)	(7,849)
Transfer from other components of equity to retained earnings		(12,192)	(6,540)	6,540	—		—
Other			—	(704)	(245)		(245)
Transactions with owners—total		(12,192)	(6,540)	(40,949)	(46,835)	(9,105)	(55,940)
As of December 31, 2023		—	¥148,180	¥568,753	¥841,651	¥71,104	¥912,755
Profit (loss) for the year			—	(192,172)	(192,172)	8,808	(183,364)
Other comprehensive income	31	13,073	99,140		99,140	407	99,547
Comprehensive income for the year		13,073	99,140	(192,172)	(93,032)	9,215	(83,816)
Repurchase of treasury shares	23		—		(20,006)		(20,006)
Disposal of treasury shares	23		—		9		9
Cancellation of treasury stock	23		—	(18,238)	—		—
Dividends	24		—	(34,323)	(34,323)	(4,242)	(38,566)
Transactions with non-controlling shareholders			2,900	(157)	2,742	(3,879)	(1,136)
Transfer from other components of equity to retained earnings		(13,073)	(33,740)	33,740	—		—
Other			—	(668)	(203)		(203)
Transactions with owners—total		(13,073)	(30,839)	(19,647)	(51,780)	(8,122)	(59,903)
As of December 31, 2024		—	¥216,481	¥356,933	¥696,838	¥72,197	¥769,035

Consolidated Statement of Cash Flows

(Millions of Yen)

	Notes	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax		¥33,103	¥(139,759)
ADJUSTMENTS FOR:			
Depreciation and amortization	6, 14, 15, 16, 26	78,719	81,449
Impairment loss	14, 15	72,201	235,257
Interest and dividend income	30	(9,187)	(7,444)
Interest expense	30	29,487	29,262
Share of (profit) loss of investments accounted for using the equity method		(3,654)	(3,009)
Impairment loss of investments accounted for using the equity method		—	688
Revaluation (gain) loss on contingent consideration and put option liabilities	30	2,282	(289)
Revaluation (gain) loss on step acquisition	7	(142)	—
(Gain) loss on valuation of securities	30	987	(1,532)
Increase (decrease) in liability for retirement benefits		(1,521)	2,158
Increase (decrease) in provision of restructuring cost		(4,337)	(7,096)
Other — net	2,29	(179)	30,221
Cash flows from operating activities before adjusting changes in working capital and others		197,760	219,905
CHANGES IN WORKING CAPITAL:			
(Increase) decrease in trade and other receivables		70,241	(63,482)
(Increase) decrease in inventories		(2,188)	707
(Increase) decrease in other current assets		(2,300)	(8,397)
Increase (decrease) in trade and other payables		(83,218)	(49,888)
Increase (decrease) in other current liabilities		(42,873)	6,161
(Increase) decrease in working capital		(60,340)	(114,899)
Subtotal		137,419	105,006
Interest received		9,858	6,510
Dividends received		6,032	2,718
Interest paid	16	(30,441)	(28,598)
Income taxes (paid) refund		(47,601)	(25,651)
Net cash flows from operating activities		75,267	59,984
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment, intangible assets and investment property (Note)	6	(28,892)	(25,684)
Proceeds from sale of property, plant and equipment, intangible assets and investment property (Note)		1,269	120
Net cash (paid) received on acquisition of subsidiaries	7	(136,556)	(24,550)
Net cash (paid) received on sale of subsidiaries		12	2,207
Payments for purchases of securities		(6,877)	(6,091)
Proceeds from sales of securities		24,071	23,331
Other — net		677	(242)
Net cash flows from investing activities		(146,297)	(30,908)

CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term borrowings	20	12,884	5,668
Proceeds from long-term borrowings	20	221,000	40,000
Repayments of long-term borrowings	20	(258,824)	(12)
Redemption of bonds	20	(35,000)	—
Repayments of lease obligations	16, 20	(36,367)	(39,482)
Payments for acquisition of interest in subsidiaries from non-controlling shareholders	20	(13,144)	(12,418)
Payments for repurchase of treasury shares	23	(4)	(20,006)
Dividends paid	24	(43,229)	(34,323)
Dividends paid to non-controlling shareholders		(4,812)	(4,242)
Other — net		3,815	(897)
Net cash flows from financing activities		(153,681)	(65,714)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		11,117	17,114
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(213,593)	(19,523)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	8	603,740	390,678
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS INCLUDED ASSETS CLASSIFIED AS HELD FOR SALE	13	531	834
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	8	¥390,678	¥371,989

(Notes)"Payments for purchase and proceeds from sale of property, plant and equipment, intangible assets and investment property" in "CASH FLOWS FROM INVESTING ACTIVITIES " are those for/from tangible and intangible assets.

Notes to Consolidated Financial Statements

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/en/).

The details of businesses and principal business activities of the Company and its subsidiaries (hereinafter referred to as the "Group") are stated in "Comprehensive Business Overview" and "Subsidiaries."

The consolidated financial statements of the Group for the fiscal year ended December 31, 2024 have been approved by Hiroshi Igarashi, Representative Executive Officer, President & Global CEO, and Arinobu Soga, Representative Executive Officer, Executive Vice President, Global CGO, on March 28, 2025.

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 1-2-1 "Designated IFRS Specified Company" and are prepared in accordance with IFRS under the provisions of Article 312 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. MATERIAL 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. Amounts less than one million yen have been rounded down to the nearest million yen.

(4) Early Adoption of New Standards

There is no early adoption of standards.

(5) Changes in presentation

(Consolidated Statement of Income)

"Gain on sale and retirement of non-current assets," which had been presented separately in the fiscal year ended December 31, 2023, is presented under "Other income" and "Other expenses" in the fiscal year ended December 31, 2024, because its quantitative materiality became insignificant.

To reflect this change in the presentation, the ¥100 million presented under "Gain on sale and retirement of non-current assets" in the Consolidated Statement of Income for the fiscal year ended December 31, 2023 has been reclassified as ¥475 million and ¥(375) million under "Other income" and "Other expenses," respectively.

(Consolidated Statement of Cash Flows)
"(Gain) loss on sale and retirement of non-current assets," which had been presented separately in "Cash flows from operating activities" in the fiscal year ended December 31, 2023, is presented under "Other—net" in the fiscal year ended December 31, 2024, because its quantitative materiality became insignificant.

To reflect this change in the presentation, the ¥(100) million presented under "(Gain) loss on sale and retirement of non-current assets" and the ¥(79) million under "Other—net" in "Cash flows from operating activities" in the Consolidated Statement of Cash Flows for the fiscal year ended December 31, 2023 have been reclassified as ¥(179) million under "Other—net."

3. MATERIAL 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:

1) 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.

2) 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 exchange 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.

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

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

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 5 to 10 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.

(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 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 equity-accounted investees 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 yearend 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 business refers to business activities such as the provision of specialized functions in corporate domains, the leasing of office space, and building maintenance services.

(15) Financial Income and Financial Expenses
Financial 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.

Financial 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. For specified transactions where equal amounts of assets and liabilities are recognized from a single transaction, deferred tax liabilities and deferred tax assets are initially recognized, for taxable temporary differences related to the recognized assets and deductible temporary differences related to the recognized liabilities, respectively. Deferred tax liabilities are 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 fiscal year attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the fiscal 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, gain/loss on sale of non-current assets and extra severance pay.

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.

As a result of the conclusion of an agreement to sell the Russia business in November 2022, operating profit (loss) related to the Russia business arising until the completion of the sale is not included in the underlying operating profit for the fiscal year ended December 31, 2023 and December 31, 2024 as a one-off item.

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. MATERIAL 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. MATERIAL 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. MATERIAL 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")

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 (From the year beginning)	To be adopted by the Group	Description of new standards and amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending December 31, 2027	The new standard that replaces IAS 1, the current accounting standard relating to presentation and disclosure in financial statements

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", "Americas", "EMEA" and "APAC" business separately. Accordingly, the Group has four reportable segments: "Japan", "Americas", "EMEA" and "APAC."

(2) Information on reportable segment

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

Segment profit is based on operating profit, net of adjusting items such as M&A related items and one-off-items.

Intersegment revenues are based on the prevailing market price.

FY2023: Year ended December 31, 2023

(Millions of Yen)

	Japan	Americas	EMEA	APAC	Total	Eliminations/ Central	Consolidated
Revenue (Note 1)	¥548,802	¥350,583	¥266,377	¥116,129	¥1,281,893	¥22,658	¥1,304,552
Net revenue (Note 2)	448,998	322,078	237,523	113,235	1,121,835	22,983	1,144,819
Segment profit (underlying operating profit) (Note 3)	103,440	73,030	24,238	7,957	208,666	(45,151)	163,515
(Adjusting items)							
Amortization of intangible assets incurred in acquisitions	–	–	–	–	–	–	(30,691)
Selling, general and administrative expenses (Note 7)	–	–	–	–	–	–	(5,780)
Restructuring cost (Note 5)	–	–	–	–	–	–	(9,992)
Impairment loss (Note 6)	–	–	–	–	–	–	(72,201)
Other income (Note 8)	–	–	–	–	–	–	2,098
Other expenses (Note 8)	–	–	–	–	–	–	(1,635)
Operating profit	–	–	–	–	–	–	45,312
Share of profit of investments accounted for using the equity method	–	–	–	–	–	–	3,654
(Loss) gain on sale of investments in associates	–	–	–	–	–	–	(194)
Revaluation gain on step acquisition	–	–	–	–	–	–	142
Finance income	–	–	–	–	–	–	22,199
Finance expenses	–	–	–	–	–	–	(38,009)
Profit before tax	–	–	–	–	–	–	33,103
Segment assets (Note 4)	1,193,325	1,340,332	846,794	373,022	3,753,474	(119,072)	3,634,401
(Other items)							
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	29,394	2,902	7,120	5,694	45,111	2,916	48,028
Investments accounted for using the equity method	50,922	–	–	254	51,177	49	51,227
Capital expenditures	19,245	1,635	3,258	3,275	27,414	1,478	28,892
Increase in right-of-use assets	¥9,233	¥2,285	¥2,450	¥5,645	¥19,615	–	¥19,615

FY2024: Year ended December 31, 2024

(Millions of Yen)

	Japan	Americas	EMEA	APAC	Total	Eliminations/ Central	Consolidated
Revenue (Note 1)	¥574,548	¥380,533	¥319,250	¥122,816	¥1,397,148	¥13,812	¥1,410,961
Net revenue (Note 2)	466,746	334,642	269,254	116,413	1,187,056	14,591	1,201,647
Segment profit (underlying operating profit) (Note 3)	114,184	75,161	38,466	1,050	228,862	(52,628)	176,233
(Adjusting items)							
Amortization of intangible assets incurred in acquisitions	–	–	–	–	–	–	(29,335)
Selling, general and administrative expenses (Note 7)	–	–	–	–	–	–	(3,873)
Restructuring cost (Note 5)	–	–	–	–	–	–	(10,705)
Impairment loss (Note 6)	–	–	–	–	–	–	(235,257)
Other income	–	–	–	–	–	–	130
Other expenses	–	–	–	–	–	–	(22,184)
Operating profit (loss)	–	–	–	–	–	–	(124,992)
Share of profit of investments accounted for using the equity method	–	–	–	–	–	–	3,009
Impairment loss of investments accounted for using the equity method	–	–	–	–	–	–	(688)
(Loss) gain on sale of investments in associates	–	–	–	–	–	–	(13)
Finance income	–	–	–	–	–	–	14,012
Finance expenses	–	–	–	–	–	–	(31,085)
Profit (loss) before tax	–	–	–	–	–	–	(139,759)
Segment assets (Note 4)	1,199,299	1,414,899	719,650	345,344	3,679,193	(171,933)	3,507,260
(Other items)							
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	31,365	2,994	8,057	6,150	48,568	3,545	52,113
Investments accounted for using the equity method	53,348	–	–	206	53,555	1,260	54,816
Capital expenditures	19,447	750	3,071	1,694	24,964	719	25,684
Increase in right-of-use assets	¥8,485	¥78	¥5,872	¥2,991	¥17,428	¥490	¥17,919

(Note 1) Eliminations/Central for revenue are due to eliminations of revenue associated with the Russia business and central functions, and intersegment transactions. In the fiscal year ended December 31, 2023, revenue from the Russia business was ¥15,249 million and revenue from central functions was ¥8,324 million. In the fiscal year ended December 31, 2024, revenue from the Russia business was ¥7,578 million and revenue from central functions was ¥8,402 million.

(Note 2) Eliminations/Central for net revenue are due to eliminations of net revenue associated with the Russia business and central functions, and intersegment transactions. In the fiscal year ended December 31, 2023, net revenue from the Russia business was ¥15,249 million and net revenue from central functions was ¥8,324 million. In the fiscal year ended December 31, 2024, net revenue from the Russia business was ¥7,578 million and net revenue from central functions was ¥8,402 million.

(Note 3) Eliminations/Central for segment profit (underlying operating profit) are primarily expenses associated with central functions.

(Note 4) Eliminations/Central for segment assets are due to elimination of central assets and of intersegment transactions.

(Note 5) Restructuring cost by each segment was ¥1,806 million (Japan), ¥2,852 million (Americas), ¥1,634 million (EMEA), ¥1,501 million (APAC) and ¥2,197 million (Eliminations/Central) for the fiscal year ended December 31, 2023, and ¥1,745 million (Japan), ¥9,214 million (Americas), ¥(86) million (EMEA), ¥(83) million (APAC) and ¥(83) million (Eliminations/Central) for the fiscal year ended December 31, 2024. Impairment loss of ¥1,707 million (Americas), ¥315 million (EMEA) and ¥1,039 million (Eliminations/Central) were included in the restructuring cost, while there were no impairment loss by "Japan" and "APAC" for the fiscal year ended December 31, 2023. Impairment loss of ¥7,457 million (Americas) was included in the restructuring cost, while there were no impairment loss by "Japan", "EMEA" "APAC" and "Elimination/Central" for the fiscal year ended December 31, 2024.

(Note 6) Impairment loss by each segment for the fiscal year ended December 31, 2023 was ¥2,189 million (Japan), ¥2,114 million (Americas), ¥92 million (EMEA) and ¥67,804 million (APAC).
There was no impairment loss by "Eliminations/Central." Impairment loss by each segment for the fiscal year ended December 31, 2024 were ¥534 million (Japan), ¥64,749 million (Americas), ¥155,459 million (EMEA), ¥14,427 million (APAC) and ¥86 million (Elimination/Central).

(Note 7) The breakdown of selling, general and administrative expenses is as follows:

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Selling, general and administrative expenses		
Extra retirement payments	¥2,618	¥2,729
M&A related cost	2,644	299
Other	518	844
Total	¥5,780	¥3,873

(Note 8) "Gain on sale and retirement of non-current assets," which had been presented separately in the fiscal year ended December 31, 2023, is presented under "Other income" and "Other expenses" in the fiscal year ended December 31, 2024, because its quantitative materiality became insignificant. For details, please see "2. BASIS OF PREPARATION (5) Changes in Presentation."

(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 services such as the provision of specialized functions in corporate domains, the leasing of office space, and building maintenance.

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

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Advertising services	¥1,182,233	¥1,277,680
Information services	121,577	131,986
Other services	741	1,294
Total	¥1,304,552	¥1,410,961

(4) Regional information

A. Revenue from external customers

Revenue attributable to the United States among revenue from international is ¥308,629 million for the fiscal year ended December 31, 2023 and ¥330,240 million for the fiscal year ended December 31, 2024. In general, the amount is based on the customer's location.

B. Non-current assets (property, plant and equipment, goodwill, intangible assets, right-of-use assets and other non-current assets)

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Japan	¥177,058	¥175,314
International (mainly the United Kingdom and the United States)	1,061,455	879,939
Total	¥1,238,513	¥1,055,253

(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 ¥807,901 million and ¥157,475 million, respectively, as of December 31, 2023, and ¥671,592 million and ¥120,841 million, respectively, as of December 31, 2024.

(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 the Group revenue in the Consolidated Statement of Income.

7. BUSINESS COMBINATIONS

FY2023: Year ended December 31, 2023
Acquisition of Tag Worldwide Holdings Ltd.
(1) Details of business combination

A. Name of the acquiree
Tag Worldwide Holdings Ltd. (hereinafter, "Tag") (Business unit brand in "AI Wortheimer Holdings Limited")

B. Description of acquired business
Digital creative content production business, technology business, and channel activation business

C. Main reason for business combination
The Group has redefined its business domain, in which marketing, technology, and consulting are increasingly integrated, as "People-centered Transformation." It continues to evolve into a company that creates new solutions and social impacts through the power of superb creativity and technology. The acquisition will allow the Group to pursue the customer experience management (CXM) domain, which is at the core of its "People-centered Transformation," and contribute to its integrated business operation combining the media and creative fields through personalization of marketing.

D. Date of the business combination
June 30, 2023

E. Ratio of acquired equity interest with voting rights
100.0%

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

Results from July 1, 2023 to December 31, 2023 are included.

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

Acquisition cost of the acquired business: ¥89,570 million

Breakdown of acquisition costs

Consideration (cash) for shares: ¥89,570 million.

(4) Amount and presentation of acquisition-related expenses

The acquisition-related expenses pertaining to said business combination were ¥1,819 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, consideration paid and goodwill

(Millions of Yen)

Current assets (Note 1)	¥27,246
Non-current assets	27,876
Total assets	55,122
Current liabilities	27,057
Non-current liabilities	7,973
Total liabilities	35,030
Fair value of identifiable net assets	20,091
Total consideration	89,570
Non-controlling interests	—
Goodwill (Note 2)	¥69,478

(Note 1) Cash and cash equivalents ¥3,041 million are included. The fair value of acquired trade and other receivables is ¥22,077 million, the amount receivable under contracts is ¥22,376 million, and the amount that is not expected to be recovered is ¥299 million.

(Note 2) Goodwill reflects the future synergies and excess earning power expected from the business acquisition. The amount expected to be deductible for tax purpose is ¥44,485 million.

Provisional amounts were reported in the fiscal year ended December 31, 2023, as the adjustment and allocation of the consideration of acquisition were not determined at that time. These adjustments have been determined in the fiscal year ended December 31, 2024. The main difference from the provisional amounts is an increase of ¥334 million in goodwill. The figures for the fiscal year ended December 31, 2023, included in the Consolidated Financial Statements and the Notes to Consolidated Financial Statements are the amounts after determination, which reflect these amendments.

(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	¥16,152	10
Other	¥7,659	5～10

71

(7) Impact of business combination on cash flows

(Millions of Yen)

Payment of acquisition costs in cash and cash equivalents	¥(90,531)
Cash and cash equivalents accepted on the date of the business combination	3,041
Payments for share acquisition	¥(87,490)

(8) Revenue and profit of the acquired business

The post-acquisition revenue and (loss) of Tag, the acquiree, for the fiscal year ended December 31, 2023 included in the Consolidated Statement of Income were ¥19,783 million and ¥(172) million, respectively.

Other business combinations

The Group acquired the following companies in the fiscal year ended December 31, 2023.

Name of acquiree	Place of incorporation
Omega Customer Relationship Management Consulting, S.L.	Spain
Shift7 Digital, LLC.	USA
RCKT GmbH	Germany
Dentsu I&C Partners 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 fiscal year ended December 31, 2023, the Group acquired shares of multiple companies, but none of such acquisitions, have an individually significant impact on the consolidated financial statements. Individual descriptions of the following amounts have been therefore omitted.

The acquisition cost of the acquired businesses is ¥24,803 million. The acquisition cost consists of cash of ¥13,692 million, shares of ¥198 million and contingent consideration of ¥10,912 million.

Revaluation gain on step acquisition of ¥142 million was recognized in the Consolidated Statement of Income. This is because the Group remeasured the previously held equity interest in Dentsu I&C Partners 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 ¥2,644 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)

Total assets	¥13,983
Total liabilities	5,662
Fair value of identifiable net assets	8,320
Total consideration	24,803
Non-controlling interests (Note 1)	244
Goodwill (Note 2)	¥16,727

(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 ¥4,387 million.

The amount allocated to intangible assets excluding goodwill (customer relationship) is ¥9,613 million.

The post-acquisition revenue and (loss) for the fiscal year of the acquirees, included in the Consolidated Statement of Income were ¥7,811 million and ¥(1,402) million, respectively.

(Pro forma information)
Assuming that the business combinations were executed at the beginning of the fiscal year ended December 31, 2023, revenue and loss for the fiscal year of the Consolidated Statement of Income for the fiscal year ended December 31, 2023 would be ¥1,323,800 million and ¥5,752 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 fiscal year ended December 31, 2023.

FY2024: Fiscal Year ended December 31, 2024
Presentation is omitted due to a lack of materiality.

8. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

(Millions of Yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Cash and time deposits due within three months	¥390,678	¥371,989

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 (As of December 31, 2023 ¥25,936 million, As of December 31, 2024 ¥6,800 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)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Notes and accounts receivable—trade	¥1,497,628	¥1,656,861
Other	32,843	27,271
Allowance for doubtful accounts	(6,182)	(5,986)
Total	¥1,524,289	¥1,678,146

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)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Work-in-process	¥756	¥115
Other	5,639	5,980
Total	¥6,396	¥6,095

11. OTHER FINANCIAL ASSETS

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

(Millions of Yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Derivative assets	¥18,614	¥19,167
Equity securities□	83,053	94,944
Debt securities	2,161	2,592
Other	65,592	72,945
Allowance for doubtful accounts	(12,520)	(18,262)
Total	¥156,902	¥171,387
Current assets	23,135	25,198
Non-current assets	133,766	146,188
Total	¥156,902	¥171,387

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", ¥20,980 million and ¥20,214 million, respectively as of December 31, 2023 and 2024 are classified as financial assets measured at fair value through profit or loss, ¥6,511 million and ¥10,381 million, respectively as of December 31, 2023 and 2024 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)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Marketable stocks (Note 1)	¥59,323	¥73,685
Non-marketable stocks (Note 2)	30,240	29,403
Total	¥89,564	¥103,088

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

(Millions of Yen)

Investees	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Recruit Holdings Co., Ltd.	¥21,168	¥19,782
TBS HOLDINGS, INC.	7,677	10,370
Digital Garage, Inc.	8,605	9,063

(Note 2) Major securities are those related to ballpark operation business. The fair values of them as of December 31, 2023 and 2024 are ¥2,947 million and ¥3,879 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 as other comprehensive income (before tax) at the date of sales within equity for each fiscal year is as follows:

FY2023: Fiscal Year ended December 31, 2023

(Millions of Yen)

Fair value	Cumulative gain or loss recognized in equity as other components of equity
¥12,152	¥7,806

FY2024: Fiscal Year ended December 31, 2024

(Millions of Yen)

Fair value	Cumulative gain or loss recognized in equity as other components of equity
¥23,317	¥20,644

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 ¥(5,652) million and ¥20,666 million for the fiscal years ended December 31, 2023 and 2024, respectively.

12. OTHER CURRENT ASSETS

No advance payments included in other current assets are expected to be recognized in profit or loss after more than 12 months.

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The breakdown of non-current assets and liabilities classified as held for sale as of December 31, 2023 is as follows. There were no such assets or liabilities as of December 31, 2024.

Components of non-current assets classified as held for sale:

(Millions of Yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Non-current assets classified as held for sale		
Cash and cash equivalents	¥834	－
Trade receivables and other receivables	65,964	－
Inventories	3	－
Income tax receivables	1,653	－
Other financial assets (current)	123	－
Other current assets	1,747	－
Property, plant and equipment	17	－
Intangible assets	1	－
Other financial assets (non-current)	10,034	－
Total	¥80,380	－
Liabilities directly associated with non-current assets classified as held for sale		
Trade and other payables	¥43,281	－
Bonds and Borrowings (current)	11,170	－
Other financial liabilities (current)	6,459	－
Other current liabilities	3,864	－
Other financial liabilities (non-current)	10	－
Other non-current liabilities	927	－
Deferred tax liabilities	813	－
Total	¥66,527	－

"Non-current assets classified as held for sale" and "Non-current liabilities directly associated with non-current assets classified as held for sale" as of December 31, 2023 consist mainly of assets and liabilities associated with the Russia business unit. In addition to the above, non-current assets classified as held for sale as of December 31, 2023 include shares, held by the Group in Japan unit.

Details of the Russia business and other assets as of December 31, 2023 are as follows:

(Millions of Yen)

	Russia business	Other	Total
Non-current assets classified as held for sale			
Cash and cash equivalents	¥408	¥426	¥834
Trade receivables and other receivables	65,632	332	65,964
Inventories	0	2	3
Income tax receivables	1,653	–	1,653
Other financial assets (current)	117	5	123
Other current assets	1,738	9	1,747
Property, plant and equipment	–	17	17
Investments accounted for using the equity method	–	1	1
Other financial assets (non-current)	–	10,034	10,034
Total	¥69,550	¥10,830	¥80,380
Liabilities directly associated with non-current assets classified as held for sale			
Trade and other payables	¥43,174	¥106	¥43,281
Bonds and borrowings (current)	11,170	–	11,170
Other financial liabilities (current)	6,392	66	6,459
Other current liabilities	3,801	62	3,864
Other financial liabilities (non-current)	10	–	10
Other non-current liabilities	927	–	927
Deferred tax liabilities	813	–	813
Total	¥66,291	¥236	¥66,527

Consolidated Statement of Financial Position as of December 31, 2023 includes accumulated other comprehensive income related to the Russia business which is classified as held-for-sale (primarily, exchange differences on translation of foreign operations) amount to ¥(19,874) million.

14. PROPERTY, PLANT AND EQUIPMENT

The schedule of the carrying amount during the period is as follows:

FY2023: Year ended December 31, 2023 (Millions of Yen)

	Buildings and structures	Land	Other	Total
Balance at the beginning of the year	¥14,392	¥2,560	¥9,625	¥26,577
Acquisition due to purchases	4,481	–	6,067	10,549
Acquisitions through business combinations	258	–	737	995
Sales or disposals	(1,098)	(17)	(89)	(1,205)
Depreciation	(3,329)	–	(4,538)	(7,868)
Impairment losses (Note)	(37)	(113)	(67)	(218)
Exchange differences on translation of foreign operations	339	86	523	950
Other	(216)	–	(133)	(349)
Balance at the end of the year	¥14,789	¥2,516	¥12,124	¥29,430

FY2024: Year ended December 31, 2024 (Millions of Yen)

	Buildings and structures	Land	Other	Total
Balance at the beginning of the year	¥14,789	¥2,516	¥12,124	¥29,430
Acquisition due to purchases	3,284	–	2,884	6,168
Acquisitions through business combinations	64	–	8	73
Sales or disposals	(250)	(33)	(302)	(586)
Depreciation	(3,182)	–	(4,675)	(7,858)
Impairment losses (Note)	(1,015)	–	(529)	(1,545)
Exchange differences on translation of foreign operations	342	75	594	1,012
Other	(43)	–	(492)	(535)
Balance at the end of the year	¥13,987	¥2,558	¥9,613	¥26,159

(Note) Impairment loss is recorded in the Consolidated Statement of Income as "Impairment loss" and "Restructuring cost."

The acquisition cost, accumulated depreciation and impairment losses, and carrying amount of property, plant and equipment are as follows:

(Millions of Yen)

	Buildings and structures	Land	Other	Total
FY2023 (As of December 31, 2023)				
Acquisition cost	¥40,967	¥2,635	¥52,280	¥95,883
Accumulated depreciation and impairment losses	26,178	118	40,155	66,452
Carrying amount	¥14,789	¥2,516	¥12,124	¥29,430
FY2024 (As of December 31, 2024)				
Acquisition cost	¥37,711	¥2,563	¥51,587	¥91,862
Accumulated depreciation and impairment losses	23,724	5	41,973	65,702
Carrying amount	¥13,987	¥2,558	¥9,613	¥26,159

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."

15. GOODWILL AND INTANGIBLE ASSETS

(1) Schedule of goodwill and intangible assets

The schedule of the carrying amount during the period is as follows:

FY2023: Year ended December 31, 2023 (Millions of Yen)

	Goodwill	Customer relationships	Software	Other	Total
Balance at the beginning of the year	¥749,755	¥135,622	¥26,490	¥49,134	¥961,002
Acquisition due to purchases	–	–	9,464	21,153	30,617
Acquisitions through business combinations (Note 1)	85,871	25,765	189	7,992	119,818
Sales or disposals	–	–	(405)	(1,076)	(1,482)
Amortization	–	(24,481)	(7,684)	(12,353)	(44,519)
Impairment losses (Note 2)	(66,013)	(5,128)	(205)	(636)	(71,983)
Exchange differences on translation of foreign operations	61,612	10,546	681	3,644	76,485
Other	(104)	0	(74)	94	(84)
Balance at the end of the year	¥831,121	¥142,323	¥28,456	¥67,953	¥1,069,855

FY2024: Year ended December 31, 2024 (Millions of Yen)

	Goodwill	Customer relationships	Software	Other	Total
Balance at the beginning of the year	¥831,121	¥142,323	¥28,456	¥67,953	¥1,069,855
Acquisition due to purchases	–	–	10,147	9,175	19,323
Acquisitions through business combinations (Note 1)	3,789	2,822	1	90	6,702
Sales or disposals	(1,286)	–	(309)	(979)	(2,576)
Amortization	–	(23,277)	(9,760)	(12,670)	(45,709)
Impairment losses (Note 2)	(210,722)	(18,137)	(1,027)	(3,824)	(233,711)
Exchange differences on translation of foreign operations	74,150	8,455	459	3,850	86,916
Other	–	–	(119)	64	(55)
Balance at the end of the year	¥697,052	¥112,186	¥27,847	¥63,658	¥900,745

(Note 1) Acquisitions through business combinations include measurement period adjustments that have not been applied retrospectively due to immateriality.

(Note 2) Impairment losses are recorded in the Consolidated Statement of Income as "Impairment loss" and "Restructuring cost." Impairment losses were recognized in the fiscal year ended December 31, 2024, on customer relationships in APAC and some subsidiaries.

The acquisition cost, accumulated amortization and impairment losses, and carrying amount of goodwill and intangible assets are as follows:

(Millions of Yen)

	Goodwill	Customer relationships	Software	Other	Total
FY2023 (As of December 31, 2023)					
Acquisition cost	¥1,130,664	¥407,515	¥136,552	¥190,788	¥1,865,521
Accumulated amortization and impairment losses	299,542	265,192	108,095	122,835	795,665
Carrying amount	¥831,121	¥142,323	¥28,456	¥67,953	¥1,069,855
FY2024 (As of December 31, 2024)					
Acquisition cost	¥1,207,423	¥426,979	¥134,403	¥211,678	¥1,980,483
Accumulated amortization and impairment losses	510,370	314,792	106,556	148,019	1,079,738
Carrying amount	¥697,052	¥112,186	¥27,847	¥63,658	¥900,745

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."

(2) Significant goodwill and intangible assets

Significant goodwill as of December 31, 2024 is ¥25,460 million in Japan, ¥569,614 million in the Americas, ¥101,978 million in the EMEA.

Significant goodwill as of December 31, 2023 was ¥23,219 million in Japan, ¥572,331 million in the Americas, ¥235,570 million in the EMEA. The carrying amount in APAC was ¥nil.

Significant intangible assets other than goodwill consist of customer relationships, which amount to ¥28,855 million in Japan, ¥35,052 million in the America, ¥46,992 million in the EMEA and ¥1,286 million in the APAC as of December 31, 2024. Customer relationships as of December 31, 2023 amounted to ¥28,418 million in Japan, ¥47,117 million in the Americas, ¥54,199 million in the EMEA and ¥12,588 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 ¥67,779 million and ¥53,110 million as of December 31, 2023 and 2024, respectively, of which the remaining amortization period as of December 31, 2024 is 6 years.

(3) Impairment testing of goodwill

A. Results of impairment test of goodwill

Based on the latest business plan compiled reflecting the most recent results, the Company conducted an impairment test of goodwill. As a result, the Group recognized impairment loss on goodwill of ¥57,091 million (Americas) and ¥153,071 million (EMEA) in the cash-generating unit groups to which the goodwill had been allocated because the recoverable amounts fell to below the carrying amount. The recoverable amounts in the said cash-generating unit groups are ¥598,820 million and 159,533 million respectively for the fiscal year ended December 31, 2024.

In the fiscal year ended December 31, 2023, based on the latest business plan compiled reflecting the most recent results, the Company recognized impairment loss of ¥67,804 million on the entire goodwill and some intangible assets in the cash-generating unit group to which the goodwill of the APAC had been allocated. The recoverable amount in the said cash-generating unit group is ¥11,218 million for the fiscal year ended December 31, 2023

B. Overview of impairment test of goodwill

In valuing goodwill, the Company conducts an impairment test for Japan, Americas, EMEA, and APAC with each acting as a separate cash-generating unit group and the Company furthermore conducts an impairment test on the entire international business and the entire Group.

The recoverable amounts are calculated using the value in use based on the forecast for the five subsequent years including the budget for the following fiscal year approved by the management. The key assumptions and inputs used to calculate the value in use are as follows:

	FY2023 (As of December 31, 2023)				FY2024 (As of December 31, 2024)			
	Japan	Americas	EMEA	APAC	Japan	Americas	EMEA	APAC
Operating Margin	22.2%	22.0% ~23.9%	20.2% ~21.5%	12.3% ~14.6%	22.0%	21.1% ~21.7%	16.7%	7.8% ~8.3%
Growth rates for net revenue (Note 1)	3.0%	2.2% ~4.6%	3.0% ~8.1%	(1.3)% ~2.3%	3.0%	1.7% ~4.0%	1.6% ~2.5%	0.6% ~2.7%
Perpetual growth rates (Note 2)	2.0%	2.0%	1.5%	2.0%	2.0%	2.0%	1.5%	2.0%
Pre-tax discount rates	8.7%	10.0%	11.9%	14.8%	6.7%	11.5%	13.0%	14.2%
Estimate of net working capital	In principle, 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.							
Allocating ratio of central costs	In the impairment test of goodwill for each cash-generating unit group, central costs are allocated to each cash-generating unit group based on a rational and consistent calculation.							

(Note 1) The growth rate for net revenue in cash flows for the five-year period from the following fiscal year is based on the latest business plan.

(Note 2) The perpetual growth rates set for cash flows for a period exceeding 5 year ranges.

C. Sensitivity analysis

The recoverable amounts of the cash-generating unit groups, to which the goodwill of the Americas and EMEA are allocated, and of the whole international business, after the recognition of impairment losses, are the same as their respective carrying amounts. Therefore, further impairments may arise if there is a deterioration in the key assumptions.

The recoverable amounts of the cash-generating unit groups, to which the goodwill of Japan is allocated, and of the entire Group, are well above their respective carrying amounts. It is therefore evaluated 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.

16. LEASES

(1) Schedule of Right-of-use assets

The carrying amount of right-of-use assets and changes during the period by type of underlying assets is as follows:

FY2023: As of December 31, 2023 (Millions of Yen)

	Right-of-use assets			
	Buildings and structures	Other (Property, plant and equipment)	Software	Total
Balance at the beginning of the year	¥139,052	¥3,228	¥1,097	¥143,379
Acquisition due to purchases	15,437	2,719	31	18,187
Acquisitions through business combinations	1,388	40	—	1,428
Amortization	(25,449)	(595)	(288)	(26,332)
Impairment losses (Note)	(3,062)	—	—	(3,062)
Exchange differences	5,397	68	—	5,465
Other	1,593	(1,404)	(3)	186
Balance at the end of the year	¥134,356	¥4,057	¥837	¥139,252

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

FY2024: As of December 31, 2024 (Millions of Yen)

	Right-of-use assets			
	Buildings and structures	Other (Property, plant and equipment)	Software	Total
Balance at the beginning of the year	¥134,356	¥4,057	¥837	¥139,252
Acquisition due to purchases	14,642	2,883	21	17,547
Acquisitions through business combinations	351	21	—	372
Amortization	(26,922)	(701)	(259)	(27,883)
Impairment losses (Note)	(7,457)	—	—	(7,457)
Exchange differences	6,040	48	—	6,089
Other	1,818	(1,303)	(84)	428
Balance at the end of the year	¥122,827	¥5,006	¥515	¥128,348

(Note) Impairment losses for FY2024 include an impairment loss (¥6,690 million) on right-of-use assets associated with a lease contract for an office building in the Americas, which is recorded together with other impairment losses in the Consolidated Statement of Income as "Restructuring cost." The recoverable amount is based on the value in use, calculated using a pre-tax discount rate of 6.63%.

The Group has been optimizing real estate as a part of its restructuring, and is projecting the use of subleasing for some real estate lease agreements. In the valuation of cash-generating units that include the right-of-use assets related to lease contracts, in the case when the estimated recoverable amount is lower than the carrying amount, even after considering future subleasing income, the right-of-use assets is recorded at the recoverable amount in the Consolidated Statement of Financial Position, pursuant to IAS36. The difference between the carrying amount and the recoverable amount is recorded 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, and void periods including the commencement date of subleasing. Therefore, 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 impairment loss or reversal of an impairment on the right-of-use assets may occur in the following fiscal year.

In addition, the closing balance of right-of-use assets (buildings and structures) includes a right-of-use asset 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 lease contract expires on July 31, 2038). The carrying amount of the right-of-use asset as of December 31, 2023 and December 31, 2024 was ¥25,759 million and ¥21,827 million, respectively. If the total income expected from subleasing decreases by 10%, an impairment loss on right-of-use assets of ¥2,029 million will be incurred on these assets. Moreover, if the commencement date of subleasing is delayed by twelve months, an impairment loss on right-of-use assets of ¥3,054 million will be incurred, or ¥1,576 million if the discount rate increases by 1%.

(2) Lease costs and cash flows
Lease costs and cash flows are as follows:

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Interest expense on lease obligations	¥6,822	¥7,080
Expenses for short-term leases and leases of low-value assets	7,615	7,217
Total cash outflows related to leases	¥50,804	¥53,779

(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 options are used as needed by the leasing entity to utilize the building for its business.

17. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Profit for the year	¥3,654	¥3,009
Other comprehensive income	330	(73)
Comprehensive income for the year	¥3,984	¥2,935

In addition to the above, loss on sale of investments in associates of ¥194 million was recognized for the fiscal year ended December 31, 2023. Impairment loss of investments accounted for using the equity method of ¥688 million was recognized for the fiscal year ended December 31, 2024.

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

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Unrecognized losses	¥214	–

(Millions of Yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Cumulative unrecognized losses	¥285	–

The Group guarantees bank loans and other obligations of Fortius AG, an equity-accounted investee. The relevant contingent liabilities as of December 31, 2023 were ¥8,812 million. There was no such contingent liability as of December 31, 2024.

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)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Deferred tax assets		
Liability for retirement benefits	¥19,734	¥13,547
Accrued expenses	12,712	15,185
Carryforwards of tax losses	6,698	4,983
Right-of-use assets	46,797	42,892
Other	50,759	45,919
Total deferred tax assets	¥136,702	¥122,527
Deferred tax liabilities		
Gain on establishment of retirement benefit trust	¥(9,550)	¥(9,467)
Unrealized gain on securities	(17,384)	(19,015)
Valuation differences on intangible assets	(64,180)	(63,345)
Lease obligations	(27,280)	(23,493)
Other	(17,459)	(17,608)
Total deferred tax liabilities	¥(135,855)	¥(132,929)
Net deferred tax assets (liabilities)	¥847	¥(10,402)

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

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Net deferred tax assets (liabilities)		
Balance at the beginning of the year	¥1,087	¥847
Deferred income taxes	3,394	(6,598)
Deferred taxes related to components of other comprehensive income		
Effective portion of the change in the fair value of cash flow hedges	2,439	427
Net change in financial assets measured at fair value through other comprehensive income	(1,866)	(8,814)
Remeasurements of defined benefit plans	(5,552)	(5,666)
Other changes	1,345	9,401
Balance at the end of the year	¥847	¥(10,402)

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)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Deductible temporary differences	¥102,350	¥111,651
Carryforwards of tax losses	192,620	306,026

The breakdown of carryforwards of tax losses by expiry date as of December 31, 2023 and 2024, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

(Millions of Yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Within 1 year	¥3,070	¥6,543
Within 2 years	2,610	2,697
Within 3 years	4,231	5,213
Within 4 years	3,680	22,602
Within 5 years	6,946	6,011
Over 5 years	53,142	106,397
Indefinite periods	118,938	156,560
Total	¥192,620	¥306,026

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 ¥158,407 million and ¥192,519 million as of December 31, 2023 and 2024, 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)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Current income taxes	¥41,967	¥37,007
Deferred income taxes	(3,394)	6,598

(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 fiscal years ended December 31, 2023 and 2024. Foreign subsidiaries are subject to income taxes at their respective locations.

(%)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Effective statutory tax rate	31.0	31.0
(Reconciliation)		
Non-deductible items, such as entertainment expenses	3.5	(0.9)
Changes in contingent consideration	5.3	0.0
Changes in put option liabilities	(3.1)	0.1
Share of profit of investments accounted for using the equity method	(3.4)	0.7
Impairment loss of investments accounted for using the equity method	–	(0.2)
Revaluation gain or loss on step acquisition	(0.1)	–
Changes in unrecognized deferred tax assets	18.0	(7.1)
Impairment of goodwill	61.6	(47.1)
Difference in tax rates of foreign subsidiaries	(1.3)	(1.4)
Other	5.1	(6.3)
Income tax rate after applying of tax effect accounting	116.5	(31.2)

(4) Top-up tax under the global minimum tax rules

The Group operates businesses in several countries that have established new laws on the application of top-up tax under the global minimum tax rules, such as Japan and the United Kingdom Top-up tax is applied for the business of the Group in a few countries with statutory tax rates of 15% or less, or close to 15%. The Group applies a temporary, mandatory exception when accounting for deferred tax related to the impact of top-up tax, recognizing this impact in current tax as it occurs. The impact of applying top-up tax on Consolidated Financial Statement in the fiscal year ended December 31 2024 is insignificant.

19. TRADE AND OTHER PAYABLES

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

(Millions of Yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Notes and accounts payable—trade	¥1,464,294	¥1,506,809
Other	63,317	60,169
Total	¥1,527,612	¥1,566,979

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)

Assets pledged as collateral	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Other financial assets (current assets)	¥54	¥54

(Millions of Yen)

Corresponding liabilities	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Notes and accounts payable	—	—

In addition to the above, other financial assets (current assets) of ¥8 million are pledged as collateral for guarantee transactions related to the "Official Gazette" (Kanpou), sales etc. as of December 31, 2023 and 2024, 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)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)	Date of maturity · redemption
Derivative liabilities	¥31,250	¥58,882	—
Put option liabilities	14,359	1,083	—
Current portion of bonds (Note)	—	69,977	—
Bonds	164,747	94,841	2027～2030
Short-term borrowings	39,200	44,566	—
Current portion of long-term borrowings	13	59,101	—
Short-term lease obligations	35,365	36,463	—
Long-term borrowings	290,485	278,785	2026～2033
Long-term lease obligations	183,653	171,037	2026～2038
Other (Contingent consideration, etc.)	42,847	28,203	—
Total	¥801,921	¥842,943	—
Current liabilities	¥110,330	¥261,085	
Non-current liabilities	691,590	581,858	
Total	¥801,921	¥842,943	

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 the fiscal year ended December 31, 2024 are 6.78% and 1.27%, 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 ¥28,473 million and from a minimum of ¥5,299 million to a maximum of ¥9,377 million in the fiscal year ended December 31, 2023 and 2024, respectively.

"Other (contingent consideration, etc.)" includes financial liabilities measured at fair value through profit or loss of ¥20,185 million and ¥5,302 million as of December 31, 2023 and 2024, respectively. Remaining amounts are classified as financial liabilities measured at amortized cost.

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

(Millions of yen)

Company name	Bonds	Date of issue	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)	Interest rate (%)	Collateral	Date of redemption
Dentsu Group Inc.	Second unsecured bond	October 25, 2018	19,982	19,992	0.240	N/A	October 24, 2025
Dentsu Group Inc.	Third unsecured bond	October 25, 2018	24,956	24,965	0.424	N/A	October 25, 2028
Dentsu Group Inc.	Fourth unsecured bond	July 8, 2020	49,960	49,986	0.220	N/A	July 8, 2025
Dentsu Group Inc.	Fifth unsecured bond	July 8, 2020	9,983	9,987	0.320	N/A	July 8, 2027
Dentsu Group Inc.	Sixth unsecured bond	July 8, 2020	59,868	59,888	0.490	N/A	July 8, 2030
Total	-	-	¥164,747	¥164,819	–	–	–

(2) Changes in liabilities arising from financing activities

FY2023: Year ended December 31, 2023 (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	¥28,754	¥12,884	–	–	¥57	¥(2,496)	¥39,200
Long-term borrowings (Note 1)	304,016	(37,824)	–	–	4	24,301	290,498
Lease obligations (Note 1)	224,161	(36,367)	17,482	–	2,133	11,610	219,018
Put option liabilities (Note 1, 2)	21,493	(6,769)	7,192	(3,338)	–	(4,219)	14,359
Bonds (Note 1)	199,660	(35,000)	–	–	–	87	164,747
Total	¥778,084	¥(103,076)	¥24,674	¥(3,338)	¥2,195	¥29,283	¥727,823

(Note 1) The above includes current liabilities due within one year.
(Note 2) Changes from remeasurements include interest expense from the passage of time.

FY2024: Year ended December 31, 2024 (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	¥39,200	¥5,668	–	–	–	¥(301)	¥44,566
Long-term borrowings (Note 1)	290,498	39,987	–	–	–	7,402	337,887
Lease obligations (Note 1)	219,018	(39,482)	17,547	–	372	10,046	207,501
Put option liabilities (Note 1, 2)	14,359	(12,297)	1,444	(341)	–	(2,081)	1,083
Bonds (Note 1)	164,747	–	–	–	–	71	164,819
Total	¥727,823	¥(6,123)	¥18,991	¥(341)	¥372	¥15,136	¥755,857

(Note 1) The above includes current liabilities due within one year.
(Note 2) Changes from remeasurements include interest expense from the passage of time.

21. PROVISIONS

The breakdown and schedule of provisions are as follows:

FY2024: Year ended December 31, 2024 (Millions of Yen)

	Provisions for asset retirement obligations	Provision for restructuring	Other provisions	Total
Balance at the beginning of the year	¥2,963	¥22,601	¥10,553	¥36,119
Additional provisions in the year	3,319	1,966	1,175	6,462
Interest expense incurred over the discount period	7	–	–	7
Provisions used	(697)	(7,054)	(1,392)	(9,144)
Provisions released	(383)	(1,060)	(2,385)	(3,828)
Exchange differences on translation of foreign operations	187	1,265	280	1,734
Other	200	(343)	877	734
Balance at the end of the year	¥5,597	¥17,376	¥9,109	¥32,083
Current liabilities	¥547	¥4,985	¥7,913	¥13,447
Non-current liabilities	5,050	12,390	1,195	18,636
Total	¥5,597	¥17,376	¥9,109	¥32,083

(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) Provision for restructuring
The provision for restructuring for Japan is ¥6,616 million as of December 31, 2024. 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 6 years as of December 31, 2024).

The provision for restructuring for the Americas, EMEA, APAC and Central is ¥10,017 million, ¥24 million, ¥381 million and ¥336 million respectively as of December 31, 2024. It primarily consists of the provisions for workforce reduction expenses, property optimization expenses, and expenses arising from other related initiatives.

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)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Funded defined benefit obligations	¥97,862	¥92,899
Plan assets	(110,833)	(122,041)
Subtotal	¥(12,970)	¥(29,141)
Unfunded defined benefit obligations	10,399	10,053
Total	¥(2,571)	¥(19,088)
Balance recognized in the Consolidated Statement of Financial Position		
Liabilities for retirement benefits	¥18,120	¥17,373
Assets for retirement benefits (Note)	(20,691)	(36,461)
Net defined benefit liabilities (assets) recognized in the Consolidated Statement of Financial Position	¥(2,571)	¥(19,088)

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

(2) Schedule of defined benefit obligations

The schedule of defined benefit obligations is as follows:

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Balance at the beginning of the year	¥105,805	¥108,261
Current service cost (Note 1)	5,647	5,715
Interest expense (Note 1)	1,147	1,211
Actuarial gains and losses (Note 2)	3,598	(3,200)
Benefits paid	(9,748)	(10,728)
Exchange differences on translation of foreign operations	1,794	1,529
Impact of business combination and disposal	1	–
Others	14	163
Balance at the end of the year	¥108,261	¥102,952

(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 "Financial 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, 2023 and 2024 is primarily as follows:

(Years)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Weighted average duration	9.0	9.0

(3) Schedule of plan assets

The schedule of plan assets is as follows:

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Balance at the beginning of the year	¥89,242	¥110,833
Interest income	955	1,210
Return on plan assets (excluding amounts included in interest income)	21,343	15,539
Contributions by the employer	527	161
Contributions associated with the transition to a defined contribution pension plan	–	(9)
Benefits paid	(2,154)	(6,622)
Exchange differences on translation of foreign operations	918	927
Balance at the end of the year	¥110,833	¥122,041

The Group plans to pay contributions of ¥126 million in the year ending December 31, 2025.

(4) Major breakdown of plan assets

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

(Millions of Yen)

	FY2023 (As of December 31, 2023)			FY2024 (As of December 31, 2024)		
	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	¥59,627	–	¥59,627	¥74,331	–	¥74,331
Debt instruments	3,121	24	3,145	3,433	855	4,289
General account of life insurance companies	–	3,131	3,131	–	4,564	4,564
Other	–	44,928	44,928	–	38,855	38,855
Total	¥62,748	¥48,084	¥110,833	¥77,765	¥44,275	¥122,041

(Note) Plan assets above include retirement benefit trusts established for defined benefit corporate pension plans and retirement lump-sum payment plans of ¥74,979 million and ¥86,556 million, as of December 31, 2023 and 2024, respectively.
As of December 31, 2023 and 2024, 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 fiscal year ended December 31, 2020.

(5) Actuarial assumptions

The major items of actuarial assumptions are as follows:

(%)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Discount rate	1.2	1.6

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

(Millions of Yen)

	Change in assumptions	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Discount rate	Increase by 0.5%	¥(3,635)	¥(3,594)
	Decrease by 0.5%	¥3,914	¥3,868

(6) Defined contribution plans

Expenses recognized due to contributions to defined contribution plans by the Company and consolidated subsidiaries amounted to ¥16,032 million and ¥16,546 million for the fiscal years ended December 31, 2023 and 2024, respectively.

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

23. EQUITY AND OTHER EQUITY ITEMS

(1) Share capital

A. Authorized shares

The number of authorized shares as of December 31, 2023 and 2024 is 1,100,000,000 ordinary shares.

B. Fully paid and issued shares

The number of issued shares is as follows:

	Number of ordinary shares issued (Shares)
FY2022 (As of December 31, 2022)	270,165,354
Increase (decrease)	–
FY2023 (As of December 31, 2023)	270,165,354

	Number of ordinary shares issued (Shares)
FY2023 (As of December 31, 2023)	270,165,354
Increase (decrease) (Note 2)	(4,365,354)
FY2024 (As of December 31, 2024)	265,800,000

(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, 2024 is a decrease of 4,365,354 shares due to cancellation of treasury shares.

(2) Treasury shares

A. The number of treasury shares is as follows:

	Number of shares (Shares)
FY2022 (As of December 31, 2022)	5,790,279
Increase (decrease) (Note 1)	(48,380)
FY2023 (As of December 31, 2023) (Note 2)	5,741,899

	Number of shares (Shares)
FY2023 (As of December 31, 2023)	5,741,899
Increase (decrease) (Note 3)	486,658
FY2024 (As of December 31, 2024) (Note 4)	6,228,557

(Note 1) The increase and decrease during the fiscal year ended December 31, 2023 consisted of 67,700 shares acquired at no cost from retired employees of Merkle based on transfer-restricted stock-based compensation agreement, restricted stock compensation agreement, 987 shares increased due to the repurchase of shares less than one unit, 45,200 shares decreased due to the sale of shares by a trust under the performance-based stock compensation plan, 56,400 shares decreased due to the grant of shares by the trust under the performance-based stock compensation plan, and 15,467 shares decreased due to the payment of restricted stock compensation.

(Note 2) The above includes 940,300 shares of the Company held by Trust E in relation to the performance-based stock compensation plan as of December 31, 2023.

(Note 3) The increase and decrease during the fiscal year ended December 31, 2024 consisted of 4,890,200 shares acquired by resolution of the Board of Directors, 1,569 shares increased due to the repurchase of shares less than one unit, 2,100 shares decreased due to the sale of shares by a trust under the performance-based stock compensation plan, 37,600 shares decreased due to the grant of shares by the trust under the performance-based stock compensation plan, 57 shares decreased due to the sale of shares less than one unit, and 4,365,354 shares decreased due to cancellation of treasury shares.

(Note 4) The above includes 900,600 shares of the Company held by Trust E in relation to the performance-based stock compensation plan as of December 31, 2024.

B. Repurchase of treasury shares

FY2024: Fiscal Year ended December 31, 2024

The Company executed the repurchase of treasury shares as follows for the fiscal year ended December 31, 2024, based on the resolution by the Board of Directors on February 14, 2024, 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: 4,890,200 shares
(iii) Total amount of repurchased shares: ¥19,999 million
(iv) Repurchase period: From April 1, 2024 to August 5, 2024
(v) Repurchase method: Market purchase at Tokyo Stock Exchange

C. Cancellation of treasury shares

FY2024: Fiscal Year ended December 31, 2024

The Company executed the cancellation of treasury shares as follows for the fiscal year ended December 31, 2024, based on the resolution by the Board of Directors on September 26, 2024. 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: October 3, 2024
(ii) Class and number of shares cancelled: 4,365,354 ordinary shares
(iii) Cancellation price: ¥4,178 per share
(iv) Total amount of cancellation price: ¥18,238 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 retained earnings until their aggregate amount equals 25% of share capital.

24. DIVIDENDS

(1) Dividends paid

FY2023: Year ended December 31, 2023

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 14, 2023)	Ordinary shares	¥22,471	¥85.00	December 31, 2022	March 16, 2023
Board of Directors (August 14, 2023)	Ordinary shares	¥20,757	¥78.50	June 30, 2023	September 12, 2023

(Note) The total amount of dividends based on a resolution of the Board of Directors held on February 14, 2023 does not include a dividend of ¥88 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 14, 2023 does not includes a dividend of ¥73 million for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

FY2024: Year ended December 31, 2024

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 14, 2024)	Ordinary shares	¥16,129	¥61.00	December 31, 2023	March 14, 2024
Board of Directors (August 14, 2024)	Ordinary shares	¥18,193	¥69.75	June 30, 2024	September 12, 2024

(Note) The total amount of dividends based on a resolution of the Board of Directors held on February 14, 2024 does not include a dividend of ¥57 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 14, 2024 does not include a dividend of ¥62 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 in the fiscal year end, while the effective date falls in the following fiscal year

FY2023: Year ended December 31, 2023

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, 2024)	Ordinary shares	Retained earnings	¥16,129	¥61.00	December 31, 2023	March 14, 2024

(Note) The total amount of dividends does not include a dividend of ¥57 million for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

FY2024 Year ended December 31, 2024

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, 2025)	Ordinary shares	Retained earnings	¥18,105	¥69.75	December 31, 2024	March 18, 2025

(Note) The total amount of dividends does not include a dividend of ¥62 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. MATERIAL ACCOUNTING POLICIES (14) Revenues" for details.

(1) Contract balance

The balances of receivables and contractual assets (before allowance for doubtful assets) and liabilities arising from signings with customers are as follows:

(Millions of Yen)

	FY2023 (As of December 31, 2023)		FY2024 (As of December 31, 2024)	
	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	¥1,506,360	¥1,507,016	¥1,507,016	¥1,669,977
Notes and accounts receivable-trade	1,497,687	1,497,628	1,497,628	1,656,861
Others	8,673	9,388	9,388	13,116
Contract assets	¥16,758	¥19,874	¥19,874	¥19,459
Contract liabilities	¥72,099	¥63,963	¥63,963	¥63,386

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 fiscal years ended December 31, 2023 and 2024 that was included in contract liabilities at the beginning of the period was ¥66,359 million and ¥51,581 million, respectively. In addition, the amount of revenue recognized during the fiscal years ended December 31, 2023 and 2024 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 fiscal years ended December 31, 2023 and 2024.

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.

(2) Calculation of the transaction price allocated to the remaining performance obligations
As there are no significant transactions in the Group where the performance obligations in individual contracts are expected to exceed one year, the practical expedient has been used and information on residual performance obligations has been omitted. In addition, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

(3) 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)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Employee benefit expenses	¥721,680	¥755,311
Depreciation and amortization	70,463	72,145
Other	226,586	238,378
Total	¥1,018,730	¥1,065,835

"Other" includes research and development expenses of ¥2,048 million and ¥1,918 million for the fiscal years ended December 31, 2023 and 2024, respectively.

27. EMPLOYEE BENEFIT EXPENSES

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

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Salaries, bonuses and allowances	¥640,699	¥675,286
Welfare expenses	97,302	103,067
Post-employment benefits costs	21,871	22,262
Termination benefits associated with restructuring	2,554	1,117
Stock-based compensation expenses (excluding those attributable to the acquiree)	(1,573)	1,370
Others	2,670	2,729
Total	¥763,525	¥805,833

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

28. OTHER INCOME

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

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Foreign exchange gains (Note 1)	¥515	¥6,634
Other (Note 2)	2,988	971
Total	¥3,504	¥7,605

(Note 1) "Foreign exchange gains" in the fiscal year ended December 31, 2024 include the amounts of other comprehensive income reclassified to profit or loss (¥5,664 million) because the future cash flow from the hedged item is no longer expected.

(Note 2) "Gain on sale and retirement of non-current assets," which was previously presented separately in the Consolidated Statement of Income, has been included in "Other income" for the fiscal year ended December 31, 2024. As a result, the amounts for the fiscal year ended December 31, 2023 have been retrospectively adjusted to reflect the change in the presentation. Please refer to "2. BASIS OF PREPARATION (5) Changes in Presentation (Consolidated Statement of Income)" for details of this retrospective adjustment.

29. OTHER EXPENSES

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

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Loss on sale of investments in subsidiaries and associates (Note 1)	¥256	¥19,684
Other (Note 2)	1,830	2,762
Total	¥2,086	¥22,447

(Note 1) In March 2022, the Group began reviewing its business in Russia to ensure compliance with Dentsu Group policies and applicable laws. In November 2022, we entered into an agreement to transfer our entire stake in the local joint venture responsible for the Group's Russian operations, subject to approval by the Russian State Authorities, including the Russian Governmental Commission. After the approval was received, the sale transaction was completed on July 11, 2024, in full compliance with international sanctions. "Loss on sales of shares of associates" for the fiscal year ended 2023 was preliminary incurred by this transaction.

Most related costs are non-cash losses related to the recycling of "Exchange differences on translation of foreign operations (other components of equity reclassified to profit or loss)" and are presented in "Other" of "Cash flows from Operating Activities" in the Consolidated Statement of Cash Flow. There is no impact on net revenue, underlying operating profit, operating margin, underlying net profit attributable to owners of the parent.

(Note 2) "Loss on sale and retirement of non-current assets," which was previously presented separately in the Consolidated Statement of Income, has been included in "Other expenses" for the fiscal year ended December 31, 2024.

As a result, the amounts for the fiscal year ended December 31, 2023have been retrospectively adjusted to reflect the change in the presentation. Please refer to "2. BASIS OF PREPARATION (5) Changes in Presentation (Consolidated Statement of Income) " for details of this retrospective adjustment.

30. FINANCIAL INCOME AND FINANCIAL EXPENSES

(1) Breakdown of financial income

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

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Interest income		
Financial assets measured at amortized cost	¥6,485	¥5,885
Dividend income		
Financial assets measured at fair value through other comprehensive income	2,702	1,558
Gain on valuation of securities		
Financial assets measured at fair value through profit or loss	65	1,525
Revaluation of put option liabilities	3,338	341
Dividend income and asset management gains from insurance	434	498
Foreign exchange gains (Note1)	195	349
Other (Note 2,3)	8,977	3,853
Total	¥22,199	¥14,012

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

(Note 2) "Other" above includes a gain from the termination of interest rate swap agreements of ¥7,782 million (including the amounts of other comprehensive income reclassified to profit or loss) arising from prepayment of borrowings and discontinuation of hedge accounting in the fiscal year ended December 31, 2023.

(Note 3) "Other" above includes ¥3,220 million collected in the fiscal year ended December 31, 2024, from financial receivables written off as losses in previous fiscal years.

The breakdown of dividend income is as follows:

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Financial assets derecognized during the fiscal year	¥75	¥180
Financial assets held at the end of the fiscal year	2,626	1,378
Total	¥2,702	¥1,558

(2) Breakdown of financial expenses

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

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Interest expense		
Financial liabilities measured at amortized cost	¥22,468	¥22,173
Other	7,019	7,088
Loss on valuation of securities		
Financial liabilities measured at fair value through profit and loss	1,052	–
Changes in fair value of contingent consideration	5,621	51
Other	1,848	1,772
Total	¥38,009	¥31,085

31. OTHER COMPREHENSIVE INCOME

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

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Exchange differences on translation of foreign operations		
Amount arising during the year	¥8,956	¥53,459
Reclassification adjustments	—	20,918
Pre-tax effects	8,956	74,377
Tax effects	—	—
Exchange differences on translation of foreign operations	¥8,956	¥74,377
Effective portion of the change in the fair value of cash flow hedges		
Amount arising during the year	¥(37,429)	¥(11,819)
Reclassification adjustments	18,735	6,181
Pre-tax effects	(18,694)	(5,637)
Tax effects	2,439	427
Effective portion of the change in the fair value of cash flow hedges	¥(16,254)	¥(5,210)
Net change in financial assets measured at fair value through other comprehensive income		
Amount arising during the year	¥15,478	¥26,194
Pre-tax effects	15,478	26,194
Tax effects	(1,866)	(8,814)
Net change in financial assets measured at fair value through other comprehensive income	¥13,612	¥17,380
Remeasurements of defined benefit plans		
Amount arising during the year	¥17,745	¥18,740
Pre-tax effects	17,745	18,740
Tax effects	(5,552)	(5,666)
Remeasurements of defined benefit plans	¥12,192	¥13,073
Share of other comprehensive income of investments accounted for using the equity method		
Amount arising during the year	¥330	¥(73)
Share of other comprehensive income of investments accounted for using the equity method	¥330	¥(73)

32. (LOSS) PER SHARE

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

(Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Basic (loss) per share	¥(40.52)	¥(734.56)
Diluted (loss) per share	¥(40.52)	¥(734.56)

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

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
(Loss) for the year used for calculation of basic (loss) per share and diluted (loss) per share		
(Loss) for the year attributable to owners of the parent	¥(10,714)	¥(192,172)
Amounts not attributable to ordinary equity holders of the parent	—	—
(Loss) for the year used for calculation of basic (loss) per share	¥(10,714)	¥(192,172)
Adjustment		
Share options issued by subsidiaries and associates	—	—
(Loss) for the year used for calculation of diluted earnings (loss) per share	¥(10,714)	¥(192,172)
Weighted average number of ordinary shares outstanding used for the calculation of basic (loss) per share and diluted (loss) per share		
Weighted average number of ordinary shares outstanding used for the calculation of basic (loss) per share (Thousands of shares)	264,401	261,616
Effect of dilutive potential ordinary shares (Thousands of shares)	—	—
Weighted average number of ordinary shares outstanding used for the calculation of diluted (loss) per share (Thousands of shares)	264,401	261,616
Financial instruments not included in calculation of diluted loss for the increase of antidilution effects (Thousands of shares)	Performance-based Stock Compensation Plan 81 Restricted Stock Compensation Plan 33	Performance-based Stock Compensation Plan 307 Restricted Stock Compensation Plan 2

33. SIGNIFICANT NON-CASH TRANSACTIONS

There were no significant non-cash transactions.

34. SHARE-BASED PAYMENTS

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

The Company, Dentsu Inc., Dentsu corporate one Inc., and Dentsu Digital Inc. have introduced a performance-based 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 of the Company, Dentsu Inc., Dentsu Corporate One Inc., and Dentsu Digital Inc. with a number of units calculated in accordance with the formula specified in the officers' share benefit rules established by the Compensation Committee (or the Board of Directors, prior to the Company's transition to a company with three committees) 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.

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 2022, 2023 and 2024 grants are as follows:

Performance Indicator	Benchmark Indicator	Composition (*1)		
		2022	2023	2024
Total shareholder return (TSR)	Tokyo Stock Price Index (TOPIX)	30%	20%	15%
	Average total shareholder return (TSR) among peer group (*2)	20%	30%	20%
Consolidated underlying operating profit of the Group	Compound annual growth rate (CAGR)	50%	50%	35%

*1 The ratios represent the percentage constituting performance-based stock compensation (medium- to long-term bonus) on the assumption that each performance indicator is identical to their benchmark indicators. A fixed payment portion of 30% was set for the 2024 grant.

*2 Six companies comprising WPP plc, Omnicom Group Inc., Publicis Groupe S.A., THE 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 a cash-settled share-based payment.

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

Regarding this Plan, the costs recognized for the equity-settled share-based payment plan and cash-settled share-based payment plan were ¥553 million and ¥(1,129) million for the fiscal year ended December 31, 2023, and ¥258 million and ¥221 million for the fiscal year ended December 31, 2024, respectively.

Regarding the cash-settled share-based payment plan, the liability balance as of December 31, 2023 was ¥188 million. The liability balance as of December 31, 2024 was ¥324 million.

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

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	326,348	329,402
Granted	118,135	130,761
Exercised	115,081	119,018
Forfeitured	–	–
Balance at the end of the year	329,402	341,145
Exercisable at the end of the year	–	–

(Notes) 1. There is no exercise price in the Plan.

2. The weighted-average remaining term of this plan is 1.2 years and 1.3 years for the fiscal years ended December 31, 2023 and 2024, respectively.

The fair value for units granted during the fiscal years ended December 31, 2023 is ¥4,683 per unit. 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.

The fair value for units granted during the fiscal years ended December 31, 2024 is ¥3,165 per unit. 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.

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model
Key inputs and assumptions:		
Measurement date share price	¥4,525	¥4,168
Expected volatility (Note)	30.7%	26.2%
Option life	3.2 years	3.2 years
Dividend yield	3.5%	3.4%
Risk-free interest rate	(0.1)%	0.4%

(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:

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	326,348	329,402
Granted	118,135	130,761
Exercised	115,081	119,018
Forfeitured	–	–
Balance at the end of the year	329,402	341,145
Exercisable at the end of the year	–	–

(Notes) 1. There is no exercise price in the Plan.

2. The weighted-average remaining term of this plan is 1.2 years and 1.3 years for the fiscal years ended December 31, 2023 and 2024, respectively.

The fair value for units granted during the fiscal year ended December 31, 2023 and 2024 is ¥535 and ¥2,440 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.

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model
Key inputs and assumptions:		
Measurement date share price	¥3,618	¥3,812
Expected volatility (Note)	26.6%	27.1%
Option life	2.2 years	2.2 years
Dividend yield	3.8%	3.7%
Risk-free interest rate	0.0%	0.6%

(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-based stock compensation plan for senior executives of foreign subsidiaries
The Company introduced a performance-based stock compensation plan (the "Plan") for senior executives of foreign subsidiaries.

Under the Plan, senior executives of foreign subsidiaries 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.

The details of the indicators for FY2022, FY2023, and FY2024 grants are as follows:

Performance Indicator	Benchmark Indicator	Composition (*1)		
		2022	2023	2024
Total shareholder return (TSR)	Tokyo Stock Price Index (TOPIX)	30%	20%	15%
	Average total shareholder return (TSR) among peer group (*2)	20%	30%	20%
Consolidated underlying operating profit of the Group	Compound annual growth rate (CAGR)	50%	50%	35%

*1 The ratios represent the percentage constituting performance-based stock compensation (medium- to long-term bonus) on the assumption that each performance indicator is identical to their benchmark indicators. A fixed payment portion of 30% was set for the 2024 grant. The senior executives of some foreign subsidiaries opted for a compensation plan without a fixed portion for the 2024 grant, similar to the 2023 grant.

*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 foreign subsidiaries 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 fiscal year ended December 31, 2023 were ¥(581) million and expenses recognized in the fiscal year ended December 31, 2024were ¥1,142 million.

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

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	1,879,857	2,038,343
Granted	1,077,998	1,361,465
Exercised	–	557,970
Forfeitured	919,512	573,409
Transferred to cash-settled plan	–	1,037,150
Balance at the end of the year	2,038,343	1,231,279
Exercisable at the end of the year	–	–

(Notes) 1. There is no exercise price in the Plan.
2. The grant date is March 23, 2023 and May 24, 2024.
3. The weighted average remaining maturity of the system is 1.3 years and 2.2 years as of December 31, 2023 and 2024, respectively.
4. A review of the payment method was implemented at the meeting of the Compensation Committee held on September 25, 2024, and the 2022 and 2023 grants were changed from an equity-settled payment plan to a cash-settled payment plan.

The fair value of units is ¥3,337 per unit granted in the fiscal year ended December 31, 2023 and ¥2,876 per unit granted in the fiscal year ended December 31, 2024. 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.

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model
Key inputs and assumptions:		
Measurement date share price	¥4,525	¥4,168
Expected volatility (Note)	30.7%	26.2%
Option life	3.2 years	3.2 years
Dividend yield	3.5%	3.4%
Risk-free interest rate	(0.1)%	0.4%

(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.

A review of the payment method was implemented at the meeting of the Compensation Committee held on September 25, 2024, and the 2022 and 2023 grants were changed from an equity-settled payment plan to a cash-settled payment plan. An expense of ¥(203) million was recognized in the fiscal year ended December 31, 2024, associated with the cash-settled share-based payment plan introduced as a result of this review. The weighted average fair value of the units transferred to the cash-settled payment plan was ¥27 per unit.

The following table provides a summary of the cash-settled share-based payment plan under the Plan:

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	–	–
Granted	–	55,666
Exercised	–	–
Forfeitured	–	315,839
Transferred fro equity-settked okan	–	1,037,150
Other	–	278,542
Balance at the end of the year	–	1,055,519
Exercisable at the end of the year	–	–

(Notes) 1. There is no exercise price in the Plan.
2. There is no weighted-average remaining term of this plan for the fiscal year ended December 31, 2023. The weighted-average remaining term of this plan is 0.8 years for the fiscal year ended December 31, 2024.
3. A review of the payment method was implemented at the meeting of the Compensation Committee held on September 25, 2024, and the 2022 and 2023 grants were changed from an equity-settled payment plan to a cash-settled payment plan.

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

(Millions of Yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Total equity attributable to owners of the parent	¥841,651	¥696,838
ROE (%)	(1.2)	(25.0)

(Note) ROE has been adopted as a new management indicator under the Mid-Term Management Plan announced in February 2025, as stated in "Management Policies, Management Environment and Issues to be Addressed, etc." As a result, from the fiscal year ended December 31, 2024, ROE (ratio of profit for the fiscal year to total equity attributable to owners of the parent) has been shown in the table above in place of underlying ROE (ratio of underlying profit for the fiscal year to total equity attributable to owners of the parent), which was used as an indicator of capital management in previous fiscal years. Underlying ROE, the previously used indicator, was 10.4% and 12.1% in the fiscal years ended December 31, 2023 and 2024, respectively.

(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 rules.

(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)

	FY2023 (As of December 31, 2023)				
	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	¥45,509	—	—	¥1,389,335	¥1,434,844
Within 30 days	—	—	—	73,416	73,416
Over 30 days, within 90 days	—	—	—	33,834	33,834
Over 90 days	—	—	2,548	26,084	28,633
Total	¥45,509	—	¥2,548	¥1,522,671	¥1,570,729

(Millions of Yen)

	FY2024 (As of December 31, 2024)				
	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	¥39,335	—	—	¥1,543,928	¥1,583,264
Within 30 days	—	—	—	89,721	89,721
Over 30 days, within 90 days	—	—	—	29,952	29,952
Over 90 days	—	—	4,647	25,833	30,480
Total	¥39,335	—	¥4,647	¥1,689,436	¥1,733,419

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)

	FY2023 (Year ended December 31, 2023)				
	12-month expected credit losses	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	
Balance at the beginning of the year	¥467	—	¥2,489	¥12,430	¥15,387
Addition	475	—	308	3,358	4,141
Decrease (intended use)	(71)	—	—	(772)	(843)
Decrease (reversal)	(204)	—	(598)	(315)	(1,117)
Other	(324)	—	348	1,109	1,133
Balance at the end of the year	¥342	—	¥2,548	¥15,811	¥18,702

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)				
	12-month expected credit losses	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	
Balance at the beginning of the year	¥342	–	¥2,548	¥15,811	¥18,702
Addition	430	–	2,561	5,794	8,787
Decrease (intended use)	285	–	(420)	(3,228)	(3,363)
Decrease (reversal)	(143)	–	(2)	(798)	(945)
Other	79	–	(39)	1,028	1,068
Balance at the end of the year	¥994	–	¥4,647	¥18,607	¥24,249

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)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Contractual outstanding balance	¥311	¥179

(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, 2023 and 2024 is as follows:

FY2023: As of December 31, 2023 (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	¥1,527,612	¥1,527,612	¥1,527,612	–	–	–	–	–
Contingent consideration on acquisition and others	20,185	20,185	13,799	5,886	499	–	–	–
Put option liabilities	14,359	14,359	12,318	–	–	–	–	2,040
Borrowings	329,698	347,580	46,682	58,953	67,866	71,599	56,008	46,470
Bonds	164,747	167,824	590	70,536	432	10,418	25,382	60,465
Lease obligations	219,018	255,711	41,496	35,050	30,549	26,981	23,083	98,549
Subtotal	2,275,621	2,333,273	1,642,500	170,426	99,346	108,999	104,474	207,526
Derivative liabilities	31,250	31,250	977	18,485	2,730	3,695	–	5,360
Total	¥2,306,871	¥2,364,523	¥1,643,477	¥188,912	¥102,077	¥112,695	¥104,474	¥212,887

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FY2024: As of December 31, 2024 (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	¥1,566,979	¥1,566,979	¥1,566,979	–	–	–	–	–
Contingent consideration on acquisition and others	5,302	5,302	5,302	–	–	–	–	–
Put option liabilities	1,083	1,083	135	–	–	–	–	947
Borrowings	382,454	397,005	110,886	69,999	77,049	56,434	47,781	34,853
Bonds	164,819	167,234	70,536	432	10,418	25,382	294	60,171
Lease obligations	207,501	243,113	43,397	35,940	30,679	24,840	21,378	86,877
Subtotal	2,328,139	2,380,718	1,797,237	106,371	118,148	106,657	69,453	182,849
Derivative liabilities	58,882	58,882	35,564	6,576	6,469	–	–	10,271
Total	¥2,387,022	¥2,439,601	¥1,832,802	¥112,948	¥124,617	¥106,657	¥69,453	¥193,121

C. Undrawn committed facilities

Undrawn committed facilities amounted to ¥621,901 million and ¥592,719 million as of December 31, 2023 and 2024, 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.

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, 2023 and 2024 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)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
U.S. Dollars	¥(666)	¥(20)
Euros	(26)	(153)

(6) Interest rate risk

A. Interest rate risk management

For a 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)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Profit after tax	¥(1,942)	¥(1,631)

C. Interbank Offered Rate (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. USD LIBOR ceased on June 30, 2023. The Group continues hedge accounting by amending the contract terms of hedged items and hedging instruments that had referenced USD LIBOR and starting to reference SOFR (Secured Overnight Financing Rate) instead. The Group completed its transition to alternative reference benchmark rates in the fiscal year ended December 31, 2024. As of December 31, 2024, there is no effect of uncertainty arising from the IBOR reform.

(7) Hedge accounting

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

		FY2023 (As of December 31, 2023)				
		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 U.S. Dollars)	200	100	–
			Average fixed rate	2.33%	3.13%	–
			Notional Amount (Millions of sterling pound)	–	250	–
			Average fixed rate	–	2.10%	–
	Foreign exchange risk	Foreign exchange contracts (buy)	Notional Amount (Millions of U.S. Dollars)	76	336	8
			Average exchange rate (Yen/USD)	101.87	97.99	83.55
			Notional Amount (Millions of sterling pound)	2	6	–
			Average exchange rate (Yen/GBP)	152.40	146.58	–
			Notional Amount (Millions of EUR)	7	4	1
			Average exchange rate (Yen/EUR)	136.56	114.82	113.67
		Foreign exchange contracts (sale)	Notional Amount (Millions of U.S. Dollars)	49	–	–
			Average exchange rate (Yen/USD)	128.32	–	–
		Cross currency swaps (Note)	Notional Amount (Millions of Yen)	–	95,653	89,363
			Average exchange rate (Yen/GBP)	–	144.27	132.82

		FY2024 (As of December 31, 2024)				
		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 U.S. Dollars)	–	100	–
			Average fixed rate	–	3.13%	–
			Notional Amount (Millions of sterling pound)	250	–	–
			Average fixed rate	2.10%	–	–
	Foreign exchange risk	Foreign exchange contracts (buy)	Notional Amount (Millions of U.S. Dollars)	34	130	–
			Average exchange rate (Yen/USD)	98.43	92.65	–
			Notional Amount (Millions of sterling pound)	–	–	–
			Average exchange rate (Yen/GBP)	–	–	–
			Notional Amount (Millions of EUR)	12	4	–
			Average exchange rate (Yen/EUR)	150.26	114.34	–
		Foreign exchange contracts (sale)	Notional Amount (Millions of U.S. Dollars)	–	–	–
			Average exchange rate (Yen/USD)	–	–	–
		Cross currency swaps (Note)	Notional Amount (Millions of Yen)	85,222	51,050	45,996
			Average exchange rate (Yen/GBP)	139.60	146.70	132.80

(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 fiscal years ended December 31, 2023 and 2024.

(Millions of yen)

	FY2023 (As of December 31, 2023)		FY2024 (As of December 31, 2024)		Item in the Consolidated Statements of Financial Position
	Carrying Amount		Carrying Amount		
	Assets	Liabilities( )	Assets	Liabilities ( )	
Cash flow hedge					
Interest rate risk	¥2,856	–	¥1,642	–	(Note)
Foreign exchange risk	12,715	(27,102)	11,333	(49,668)	(Note)
Total-cash flow hedges	15,571	(27,102)	12,975	(49,668)	
Total financial instruments for which hedge accounting is applied	¥15,571	¥(27,102)	¥12,975	¥(49,668)	

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

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 fiscal year is as follows:

(Millions of Yen)

FY2023: Year ended December 31, 2023				
	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	¥(14,419)	–	–	–
Foreign exchange risk	(23,009)	(4,335)	23,070	Finance income
Total-cash flow hedges	¥(37,429)	¥(4,335)	¥23,070	

(Millions of Yen)

FY2024: Year ended December 31, 2024				
	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	¥402	–	–	–
Foreign exchange risk	(12,221)	(2,899)	9,081	Finance income
Total-cash flow hedges	¥(11,819)	¥(2,899)	¥9,081	

(Note) As stated in "3. MATERIAL 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 fiscal year are as follows:

(Millions of Yen)

FY2023: Year ended December 31, 2023		
	Cash flow hedge	
	Interest rate risk	Foreign exchange risk
Balance at the beginning of the year	¥16,078	¥22,446
Arising during the year	(14,063)	(16,531)
Reclassification adjustments to net income	–	17,340
Reclassification adjustments for non-financial assets and others	–	(3,001)
Balance at the end of the year	¥2,015	¥20,253

(Millions of Yen)

FY2024: Year ended December 31, 2024		
	Cash flow hedge	
	Interest rate risk	Foreign exchange risk
Balance at the beginning of the year	¥2,015	¥20,253
Arising during the year	(1,546)	(8,805)
Reclassification adjustments to net income	–	7,151
Reclassification adjustments for non-financial assets and others	–	(2,010)
Balance at the end of the year	¥468	¥16,590

¥5,664 million of classification adjustments to net income in the fiscal year ended December 31, 2024 is the amounts of the hedged item whose future cash flow is no longer expected.

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

The breakdown of the carrying amount and fair value of financial instruments as of December 31, 2023 and 2024 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)

	FY2023 (As of December 31, 2023)		FY2024 (As of December 31, 2024)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	¥290,498	¥294,318	¥337,887	¥340,681
Bonds	¥164,747	¥163,735	¥164,819	¥162,095

(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 borrowing is newly made.

The fair value hierarchy of long-term borrowings is categorized as Level 2.

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

(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 fiscal years ended December 31, 2023 and 2024. The followings table includes put option liabilities.

FY2023: As of December 31, 2023 (Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	–	¥18,614	–	¥18,614
Equity securities	59,323	–	23,729	83,053
Other	492	6,510	20,489	27,491
Total	¥59,815	¥25,124	¥44,219	¥129,159
Financial liabilities				
Derivative liabilities	–	¥31,250	–	¥31,250
Put option liabilities	–	–	14,359	14,359
Other (mainly contingent consideration)	–	–	20,185	20,185
Total	–	¥31,250	¥34,544	¥65,794

FY2024: As of December 31, 2024 (Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	–	¥19,167	–	¥19,167
Equity securities	55,031	–	21,533	76,564
Other	771	5,593	24,230	30,595
Total	¥55,803	¥24,761	¥45,763	¥126,328
Financial liabilities				
Derivative liabilities	–	¥58,882	–	¥58,882
Put option liabilities	–	–	1,083	1,083
Other (mainly contingent consideration)	–	–	5,302	5,302
Total	–	¥58,882	¥6,385	¥65,268

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 the income approach (using the DCF method) and the market approach (using comparable company analysis or comparable transaction analysis) using unobservable inputs are categorized within Level 3.

In the income approach (DCF method on which the perpetual value is calculated using the perpetual growth rate method), significant unobservable input is 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, 2023 and December 31, 2024 were 8.2%

and 6.9%, 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 of 13.99 and 29.79 were used as valuation multiples for the fiscal years ended December 31, 2023 and 2024, 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 ¥142 million or decrease by ¥141 million as of December 31, 2023, increase by ¥90 million or decrease by ¥85 million as of December 31, 2024, respectively. If the discount rate increases or decreases by 100 bps, the fair values, etc., will decrease by ¥240 million or increase by ¥259 million as of December 31, 2023, decrease by ¥83 million or increase by ¥94 million as of December 31, 2024, 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.

The schedule of financial instruments categorized within Level 3 is as follows:

(Millions of Yen)

Financial assets	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Balance at the beginning of the year	¥71,034	¥44,219
Other comprehensive income (Note 1)	(16,900)	(1,956)
Profit or loss (Note 2)	(1,111)	1,615
Purchases or acquisition	4,964	3,521
Sales or settlements	(10,324)	(253)
Other	(3,442)	(1,383)
Balance at the end of the year	¥44,219	¥45,763

(Millions of Yen)

Financial liabilities	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Balance at the beginning of the year	¥59,918	¥34,544
Profit or loss (Note 2)	2,282	(289)
Purchases	15,465	1,444
Sales or settlements	(46,528)	(28,000)
Other	3,406	(1,313)
Balance at the end of the year	¥34,544	¥6,385

(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 financial income or expenses. Profit or loss arising from financial instruments held at fiscal year-end amounted to financial income of ¥3,338 million and financial expenses of ¥4,531 million for the fiscal year ended December 31, 2023, and financial income of ¥1,400 million and financial expenses of ¥103 million for the fiscal year ended December 31, 2024.

(10) Offsetting of financial assets and liabilities

The amounts of financial assets and liabilities as of December 31, 2023 and 2024, that are against the same counterparty and that are offset in accordance with the criteria for offset, are as follows.

(Millions of Yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
	Cash and cash equivalents	Cash and cash equivalents
Total recognized financial assets	¥103,964	¥73,441
The amount of financial assets and liabilities offset in accordance with the criteria	(87,126)	(70,857)
Net amount recorded in Consolidated Statement of Financial Position	¥16,837	¥2,584

(Millions of Yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
	Borrowings (current)	Borrowings (current)
Total recognized financial liabilities	¥87,126	¥70,857
The amount of financial assets and liabilities offset in accordance with the criteria	(87,126)	(70,857)
Net amount recorded in Consolidated Statement of Financial Position	–	–

The amounts 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 are 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, 2023 and 2024 are as follows:

(Millions of Yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Receivables	¥20,513	¥23,136
Payables	¥6,654	¥6,117

Transactions with associates for the fiscal “year ended December 31, 2023 and 2024 are as follows:

Turnover and Cost of sales are shown in gross amount.

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Turnover	¥82,540	¥80,018
Cost of sales	21,983	25,966
Selling, general and administrative expenses	¥4,172	¥4,467

(2) Remuneration for the Group's senior leaders

Remuneration for the Group's senior leaders for each fiscal year is as follows:

(Millions of Yen)

	FY2023 (Year ended December 31, 2023)	FY2024 (Year ended December 31, 2024)
Remuneration and bonuses	¥1,022	¥1,516
Stock compensation	321	328
Total	¥1,344	¥1,844

(Note) Senior leaders are defined as the personnel with the direct and indirect authorities and responsibilities for planning the Group’s activities, directing these activities, and controlling them.

(3) Subsidiaries and associates

The main subsidiaries of the Group are described in "Consolidated Subsidiaries."

Compared to as of December 31 2023, the number of consolidated subsidiaries and equity-accounted investees decreased by 84 and 9, respectively.

37. CONTINGENT LIABILITIES

The contingent liabilities as of December 31, 2023 and 2024 are as follows.

Guarantees of loans and other liabilities:

(Millions of Yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Liabilities on guarantees resulting from a loan scheme for housing funds for employees	¥2	–
Liabilities for guarantees of bank loans and others	9,083	194
Total	¥9,085	¥194

The business that the Group companies execute over a wide range of areas may be subject to claims, surcharge payment 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
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 INR5,333 million (¥9,803 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.

38. SIGNIFICANT SUBSEQUENT EVENTS

(Sale of Shareholding)
On March 3, 2025, the Company sold its entire shareholding in Recruit Holdings Co., Ltd. (1,775,000 shares) for ¥15,620 million. The change in fair value resulting from this sale was recognized as other comprehensive income and had no effect on the Consolidated Statement of Income.

Subsidiaries and Affiliates

As of December 31, 2024, the Group includes 724 consolidated subsidiaries and 76 affiliated companies accounted for by the equity method.

Consolidated subsidiaries

Dentsu Inc. [1]
Geographic Area: Japan
Equity Held by Dentsu: 100.0%

Dentsu East Japan Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%

Dentsu West Japan Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%

Dentsu Kyushu Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%

Dentsu Runway Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%

Dentsu Ad-Gear Inc.
Geographic Area: Japan
Equity Held by Dentsu: 66.7%

Dentsu Digital Inc. [3]
Geographic Area: Japan
Equity Held by Dentsu: 100.0% (25.0%)

Dentsu Live Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%

Dentsu Promotion Plus Inc.
Geographic Area: Japan
Equity Held by Dentsu: 100.0%

Carta Holdings, Inc. [2]
Geographic Area: Japan
Equity Held by Dentsu: 53.1%

Septeni Holdings Co., Ltd. [1,2]
Geographic Area: Japan
Equity Held by Dentsu: 52.5%

Dentsu Soken Inc. [1,2,3]
Geographic Area: Japan
Equity Held by Dentsu: 61.8% (0.0%)

Dentsu Corporate One Inc. [1]
Geographic Area: Japan
Equity Held by Dentsu: 100.0%

Dentsu Creative Advertising, LLC [1,3]
Geographic Area: USA
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu Creative, LL [1,3]
Geographic Area: USA
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu US, Inc. [1,3]
Geographic Area: USA
Equity Held by Dentsu: 100.0% (100.0%)

Merkle Group Inc. [1,3]
Geographic Area: USA
Equity Held by Dentsu: 100.0% (100.0%)

Isobar US, LLC [3]
Geographic Area: USA
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu International Americas, LLC [1,3]
Geographic Area: USA
Equity Held by Dentsu: 100.0% (100.0%)

Gyro, LLC [1,3]
Geographic Area: USA
Equity Held by Dentsu: 100.0% (100.0%)

Portman Square Acquisition Co., [3]
Geographic Area: USA
Equity Held by Dentsu: 100.0% (100.0%)

Agenciaclick Midia Interativa Ltda. [1,3]
Geographic Area: Brazil
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu Brasil Holdings Ltda. [3]
Geographic Area: Brazil
Equity Held by Dentsu: 100.0% (100.0%)

Tag Worldwide Holdings Limited [3]
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0% (100.0%)

Tag Europe Limited [3]
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu Aegis Network Central Europe Holding GmbH [3]
Geographic Area: Germany
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu Aegis Network Central Europe GmbH [3]
Geographic Area: Germany
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu France [1,3]
Geographic Area: France
Equity Held by Dentsu: 100.0% (100.0%)

Aegis Finance [1,3]
Geographic Area: France
Equity Held by Dentsu: 100.0% (100.0%)

Aegis International Holding Company B.V. [3]
Geographic Area: Netherlands
Equity Held by Dentsu: 100.0% (100.0%)

Group Carat (Nederland) B.V. [1,3]
Geographic Area: Netherlands
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu Media, S.L.U. [1,3]
Geographic Area: Spain
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu (Shanghai) Investment Co., Ltd. [1,3]
Geographic Area: China
Equity Held by Dentsu: 100.0% (100.0%)

Beijing Dentsu Advertising Co., Ltd.
Geographic Area: China
Equity Held by Dentsu: 100.0%

Dentsu Asia Pacific Holdings Pte. Ltd. [1,3]
Geographic Area: Singapore
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu Singapore Holdings Pte. Ltd. [1,3]
Geographic Area: Singapore
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu Asia Pte. Ltd. [1,3]
Geographic Area: Singapore
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu Aegis Network India Private Limited [1,3]
Geographic Area: India
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu Australia Holdings Pty Ltd. [1,3]
Geographic Area: Australia
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu International Australia Pty Ltd. [1,3]
Geographic Area: Australia
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu Corporate Services Pty Ltd. [1,3]
Geographic Area: Australia
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu International Limited [1]
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%

Dentsu International Holdings Limited [1,3]
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0% (100.0%)

Portman Square US Holdings Limited [1,3]
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu International Group Participations Limited [1,3]
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu International Triton Limited [3]
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu International GPS Holdings Limited [1,3]
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu International Finance [1,3]
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu International Regents Place Finance Limited [3]
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu International Treasury Limited [1,3]
Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0% (100.0%)

---and 674 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.

Equity-accounted investees

Video Research Ltd.
Geographic Area: Japan
Equity Held by Dentsu: 34.2%

D2C Inc.
Geographic Area: Japan
Equity Held by Dentsu: 46.0%

--- and 74 additional companies

Information for shareholders
(As of December 31, 2024)
Dentsu Group Inc.

Corporate Headquarters
1-8-1, Higashi-shimbashi, Minato-ku,
Tokyo 105-7050, Japan

Contact Info
Group IR Office,
1-8-1, Higashi-shimbashi, Minato-ku,
Tokyo 105-7050, Japan
https://contact.group.dentsu.com/m/en_ir

Stock Exchange Listing
Tokyo Stock Exchange, Prime Market
Securities code: 4324

Capital
¥ 74,609.81 million

Total Number of Shares Issued
265,800,000

General Meeting of Shareholders
The Ordinary General Meeting of Shareholders
is held in Tokyo in March each year.

Transfer Agent
The Mitsubishi UFJ Trust and Banking Corporation
Stock Transfer Agency Department

Website
https://www.group.dentsu.com/en/

Årsregnskap 2024
Dentsu Norge AS

Org.nr.: 927 445 875

ÅRSBERETNING 2024 FOR DENTSU NORGE AS

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, dentsu X, Merkle og dentsu Creative, samt datterselskapet AGL Norway AS.

Carat, iProspect og dentsu X er mediebyråer med hovedvekt på annonseformidling og digital markedsføring. Merkle er et byrå som spesialiserer seg på digitale kundeopplevelser og netthandel. 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, 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 2025 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 2024 en omsetning på 2 764 343 TNOK mot 3 001 787 TNOK i 2023. Driftsresultatet ble TNOK 19 253 i 2024 mot TNOK 2 786 i 2023. Resultat før skatt endte på 57 720 TNOK mot 44 937 TNOK i fjor, opp 28,45 %. Årsak til økningen skyldes i all hovedsak reduserte lønnskostnader og reduserte andre driftskostnader. Finansinntektene har ikke hatt vesentlig endring fra fjoråret som følge av mottatt konsernbidrag fra et av datterselskapene. Årsresultatet ble 44 918 TNOK i 2024 mot TNOK 34 818 i 2023.

Totalkapitalen var ved utgangen av året var 883 869 TNOK, sammenlignet med 936 574 TNOK året før. Egenkapitalen utgjorde TNOK 113 601 pr. 31.12.2024 mot TNOK 129 454 i 2023. Dette tilsvarer en egenkapitalandel på 12,85 %.

Kontantstrøm fra operasjonelle aktiviteter for 2024 var TNOK 390 966. Differanse mot resultat før skatt skyldes i all hovedsak endringer i kundefordringer, leverandørgjeld og andre tidsavgrensningsposter.

ØKONOMISKE RESULTATER (NOK 1000)

	2024	2023
Driftsresultat	19 253	2 786
Mottatt konsernbidrag	39 099	39 130
Resultat før skatt	57 720	44 937
Investeringer	707	33 902
Selskapets likviditetsbeholdning	370 725	111 496
Totalkapital	883 695	936 574
Egenkapitalandel	12,85 %	13,82 %

Etter styrets vurdering gir det fremlagte årsregnskapet et rettvisende bilde av driften i regnskapsåret og for dets finansielle stilling per 31.12.2024.

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 2024 viste mediemarkedet mediemarkedet i Norge en svak vekst i 2024. Totalt ble medieomsetningen via mediebyråene 9,9 milliarder kroner, noe som representerer en økning på 1,7 prosent sammenlignet med 2023, i henhold til statistikk fra bransjeforeningen (Mediebyråforeningen). I 2024 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 2023 sin nye «One dentsu operating model», som vi i løpet av 2024 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 2025 viser en forventing om en relativt flat utvikling. Starten på året forventes å være tilsvarende krevende som andre halvdel av 2024, 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 vedvarende usikkerhet knyttet til makroøkonomiske forhold som inflasjon, renteutvikling, kronekurs, samt globale konflikter og handelsuro, 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.

LIKESTILLINGSREDEGJØRELSE

DEL 1: TILSTAND FOR KJØNNSLIKESTILLING

Oversikt kjønnsbalanse**

Kjønns-balanse**		**Midlertidig ansatte****		**Foreldre-permisjon***		**Faktisk deltid****			**Ufrivillig deltid**
Oppgis i antall		**Oppgis i antall eller prosentandel av alle ansatte**		**Oppgis i gjennomsnitt antall uker**		**Oppgis i antall eller prosentandel av alle ansatte**			**Oppgis i antall eller prosentandel av alle ansatte**
Kvinner	Menn	Kvinner	Menn	Kvinner	Menn	Kvinner	Menn	Kvinner	Menn
139	92	3	1	13,5	8,8	3	0	0	0

**Tallet viser et utsnitt av foreldrepermisjoner for 2024. 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 i dentsu signerer en Code of Conduct. Videre gjennomgår alle ansatte i Dentsu en årlig oppdatering av denne. Vår Code of Conduct 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
- 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 jobbes med å kartlegge hvordan våre ansatte opplever ivaretagelse av dette temaet på arbeidsplassen, og hvordan vi kan og bør arbeide strukturert og målrettet med dette i tiden fremover. Det ble blant annet i 2023 gjennomført en undersøkelse for å kartlegge mangfold & inkludering.
- I både 2023 og i 2024 ble gjennomført lokale og globale «round table» diskusjoner med kvinner i dentsu med fokus på likestilling og mangfold og kvinner i lederroller.
- HR og verneombud/AMU møtes jevnlig og ved behov. Her kan eventuelle bekymringer eller henvendelser knyttet til arbeidsmiljø løftes.
- Det jobbes kontinuerlig med en kjønnsbalanse i lederstillinger
- Dentsu utbetaler ordinær lønn under foreldrepermisjon etter 100 % regelen, evt. utbetales 80 % av ordinær lønn etter 80 % regelen. I tillegg utbetales det full feriepengeopptjening under foreldrepermisjon.
- Vi har et samarbeid med en tredjepartsleverandør «Speak Up» hvor ansatte kan varsle anonymt
- Vi har tydelige retningslinjer for hjemmekontor 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 work life balance og fleksibilitet i hverdagen for dentsu sine ansatte.
- Forsikringstilbudet i eksisterende helseforsikring har i 2023 blitt forbedret til å også inkludere psykolog- og fysikalsk behandling
- I forbindelse med kvinnedagen og andre anledninger for øvrig gjennomføres arrangementer for å øke bevisstheten rundt flere aspekter knyttet til likestilling og mangfold. Vi har de siste årene 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
- I 2024 ble det gjennomført opplæringssesjoner for ledere som er involvert i rekrutteringsprosesser med hensikt å øke bevisstheten rundt og redusere bias i forbindelse med rekrutteringsprosesser
- 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.

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. Innsikten fra 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, og som brukes aktivt inn i beslutningsprosesser i både lønnsfastsettelse og lønnsregulering.
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 avdekket at menn i gjennomsnitt tjener noe mer enn kvinner, noe som blant annet skyldes at vi har enkelte ledere i høye internasjonale lederroller. Vi har et stort fokus på lik lønn for likt arbeid. Vi har jobbet mye de siste årene både systematisk og strukturert for å sette data i system og danne et godt grunnlag for å gjøre gode analyser. Dette for å sikre at vi minimerer eventuelle forskjeller innenfor de ulike stillingskategoriene, og dertil hørende nivåer. Gjennom et tydelig rammeverk og dashbord med til enhver tid oppdaterte data, jobber vi kontinuerlig for å sørge for at vi minimerer potensielle og eventuelle forskjeller i den ene eller den andre retningen.

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

aller øverste nivåene i virksomheten og blant ledere på høyere nivåer
- Ved lønnsjusteringsprosessen i 2024, og i det foregående årene ble det benyttet verktøy som medfører en økt objektivisme i prosessen for å redusere risiko for diskriminering.
- Det gjennomføres analyser for å 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 vil fortsette med, gjennom våre rekrutteringsprosedyrer, 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
- benytte analyser som er utarbeidet for å jobbe systematisk med å utjevne forskjeller i årets- og fremtidige lønnsjusteringsprosess(er)
- Sikre veloverveide interne promoteringsprosesser med fokus på å løfte interne kandidater
- 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 i 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, https://www.dentsu.com/no/no/apenhetsloven.

FORSKNINGS- OG UTVIKLINGSAKTIVITETER
Det har ikke forekommet forsknings-og utviklingsaktiviteter i 2024.

MILJØRAPPORTERING
Selskapet driver ikke virksomhet som forurenser det ytre miljøet.

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.

ÅRSRESULTAT OG DISPONERINGER
I 2024 hadde selskapet et resultat etter skattekostnad på TNOK 44 918 som foreslås disponert slik:

Disponering	Beløp
Avsatt til utbytte	30 000
Til annen egenkapital	14 918

27.06.2025

Styret i Dentsu Norge AS

Paal Fure (Jun 30, 2025 14:09 GMT+2)		
Paal Ingvar Fure	Fredrik Taranger	Hege Ryen
Styreleder og daglig leder	styremedlem	styremedlem

RESULTATREGNSKAP

DENTSU NORGE AS

DRIFTSINNTEKTER OG DRIFTSKOSTNADER	Note	2024	2023
Salgsinntekt	1	2 764 343	3 001 787
Sum driftsinntekter		**2 764 343**	**3 001 787**
Varekostnad		2 425 159	2 674 133
Lønnskostnad	2, 3	233 181	223 117
Avskrivning av driftsmidler og immaterielle eiendeler	5, 6	10 445	13 224
Nedskrivning av driftsmidler og immaterielle eiendeler	5, 6	573	447
Annen driftskostnad	3	75 733	88 080
Sum driftskostnader		**2 745 090**	**2 999 001**
Driftsresultat		**19 253**	**2 786**
FINANSINNTEKTER OG FINANSKOSTNADER			
Annen renteinntekt		14 091	13 196
Annen finansinntekt		41 826	43 847
Annen rentekostnad		12 882	8 952
Annen finanskostnad		4 569	5 940
Resultat av finansposter		**38 467**	**42 151**
Resultat før skattekostnad		57 720	44 937
Skattekostnad på resultat	7	12 802	10 119
Årsresultat	**8**	**44 918**	**34 818**
OVERFØRINGER			
Avsatt til utbytte	8	30 000	24 600
Avsatt til annen egenkapital	8	14 918	10 218
Sum overføringer		**44 918**	**34 818**

BALANSE

DENTSU NORGE AS

EIENDELER	Note	2024	2023
ANLEGGSMIDLER			
IMMATERIELLE EIENDELER			
Utsatt skattefordel	4, 7	3 338	1 587
Goodwill	6	63 075	63 648
Sum immaterielle eiendeler		**66 413**	**65 235**
VARIGE DRIFTSMIDLER			
Tomter, bygninger o.a. fast eiendom	5	86 973	97 130
Driftsløsøre, inventar o.a. utstyr	5	500	1 250
Sum varige driftsmidler		**87 473**	**98 380**
FINANSIELLE ANLEGGSMIDLER			
Investeringer i datterselskap	9	707	33 902
Andre langsiktige fordringer	10, 11	6 771	61 807
Sum finansielle anleggsmidler		**7 477**	**95 709**
Sum anleggsmidler		**161 363**	**259 324**
OMLØPSMIDLER			
FORDRINGER			
Kundefordringer	10, 11	284 801	365 046
Andre kortsiktige fordringer	10, 11, 12	66 805	200 694
Sum fordringer	**10**	**351 607**	**565 740**
INVESTERINGER			
Andre finansielle instrumenter		0	14
Sum investeringer		**0**	**14**
Bankinnskudd, kontanter o.l.	12	370 725	111 496
Sum omløpsmidler		**722 332**	**677 250**
Sum eiendeler		**883 695**	**936 574**

BALANSE

DENTSU NORGE AS

EGENKAPITAL OG GJELD	Note	2024	2023
EGENKAPITAL			
INNSKUTT EGENKAPITAL			
Aksjekapital	8, 13	7 600	7 600
Annen innskutt egenkapital	8	936	936
Sum innskutt egenkapital		**8 536**	**8 536**
OPPTJENT EGENKAPITAL			
Annen egenkapital	8	105 065	120 918
Sum opptjent egenkapital		**105 065**	**120 918**
Sum egenkapital	**8**	**113 601**	**129 454**
GJELD			
AVSETNING FOR FORPLIKTELSER			
ANNEN LANGSIKTIG GJELD			
Øvrig langsiktig gjeld	5	101 185	103 606
Sum annen langsiktig gjeld	**5**	**101 185**	**103 606**
KORTSIKTIG GJELD			
Leverandørgjeld	11	398 616	459 834
Betalbar skatt	7	14 527	10 424
Skyldig offentlige avgifter		54 074	47 597
Utbytte	8	30 000	24 600
Konserngjeld	10, 11	108 164	64 024
Annen kortsiktig gjeld	10, 11	63 530	97 035
Sum kortsiktig gjeld	**10, 11**	**668 910**	**703 515**
Sum gjeld		**770 095**	**807 120**
Sum egenkapital og gjeld		**883 695**	**936 574**

27.06.2025
Styret i Dentsu Norge AS

Paal Fure (Jun 30, 2025 14:09 GMT+2)

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

KONTANTSTRØMOPPSTILLING

DENTSU NORGE AS

	Note	2024	2023
KONTANTSTRØMMER FRA OPERASJONELLE AKTIVITETER			
Resultat før skattekostnad		57 720	44 937
Periodens betalte skatt		-14 605	-15 370
Ordinære avskrivninger		10 445	13 224
Nedskrivning anleggsmidler		573	447
Endring i kundefordringer		80 233	-85 726
Endring i leverandørgjeld		-61 281	-159 455
Endring i andre tidsavgrensningsposter	12	317 869	-42 062
Netto kontantstrøm fra operasjonelle aktiviteter		**390 966**	**-244 004**
KONTANTSTRØMMER FRA INVESTERINGSAKTIVITETER			
Utbetalinger ved kjøp av varige driftsmidler		-4 701	-258
Utbetalinger ved kjøp av aksjer og andeler i andre foret		0	-33 195
Netto kontantstrøm fra investeringsaktiviteter		**-4 701**	**-33 453**
KONTANTSTRØMMER FRA FINANSIERINGSAKTIVITETER			
Netto endring konsernkontoordning		-35 265	51 715
Netto endring av depositum medier		-55 037	870
Leiebetalinger		-12 136	-15 937
Utbetalinger av utbytte		-24 600	-707
Netto kontantstrøm fra finansieringsaktiviteter		**-127 038**	**35 941**
Netto endring i kontanter og kontantekvivalenter		**259 227**	**-241 516**
Beh. av kont. og kontantekvivalenter ved per. begynnel		111 498	353 014
Beh. av kont. og kontantekvivalenter ved per. slutt	**12**	**370 725**	**111 498**

NOTER

Regnskapsprinsipper

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 regnskapsføres 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 anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Anleggsmidler vurderes til anskaffelseskost, men nedskrives til virkelig verdig 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 reservert 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.

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 driftsmidlers forventede økonomiske levetid. Direkte vedlikehold av driftsmidler kostnadsføres løpende under driftskostnader, mens påkostning eller forbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmidlet. Dersom gjenvinnbart beløp av driftsmiddelet er lavere enn balanseført verdi foretakets 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 regnskapsføres 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 økonomiske 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 implementerer 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. jan 2019, siden eiendelen knyttet til bruksretten og leasing gjelden var innregnet med samme verdi.

Leieavtaler med løpetid 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 5. Leieforpliktelser inngår i gjeld, se note 10.

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 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 godwill
Forskjellen mellom anskaffelseskost ved oppkjøp og virkelig verdi av netto identifiserbare eiendeler på oppkjøpstidspunktet klassifiseres som godwill. Goodwill føres i balansen til anskaffelseskost, fratrukket eventuelle akkumulerte avskrivninger. Godwill avskrives ikke, men testes minst årlig for verdifall. Overtatte eiendeler og gjeld ved virksomhetssamennslutning 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. Godwill 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. 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.

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.

Note 1 Salgsinntekter

	2024	2023
Pr. Virksomhetsområde		
Sentralisert tjenesteyting	1 785	14 310
Driftsinntekter	2 762 558	2 987 477
Sum	**2 764 343**	**3 001 787**
Geografisk fordeling		
Norge	2 407 465	2 632 875
Utland	356 878	368 912
Sum	**2 764 343**	**3 001 787**

Note 2 Innskuddspensjon

Dentsu Norge AS har innkuddsplaner i samsvar med lokale lover. Innskuddsplanen omfatter heltidsansatte og utgjør 5,5 % av lønn opp til 7,1G og 9 % av lønn mellom 7,1G og 12G . 31.12.2024 var det 209 medlemmer i ordningen.

Kostnadsført innskudd utgjorde TNOK 9 641 og TNOK 10 244 i henholdsvis 2023 og 2024.

Note 3 Lønnskostnader og ytelser, godtgjørelser til daglig leder, styret og revisor

LØNNSKOSTNADER

	2024	**2023**
Lønninger	183 867	173 820
Arbeidsgiveravgift	28 887	28 467
Pensjonskostnader	10 522	9 796
Andre ytelser	9 905	11 034
Sum	**233 181**	**223 117**

Selskapet har i 2024 sysselsatt 209 årsverk.

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

YTELSER TIL LEDENDE PERSONER

	Daglig leder
Lønn	3 944
Bonus	1 713
Pensjonskostnader	548
Annen godtgjørelse	309
Sum	**6 514**

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 for 2024 utgjør TNOK 946 ekskl. mva.

Note 4 Fusjon av Merkle Norge AS

I løpet av regnskapsåret ble det besluttet å gjennomføre en fusjon der Merkle Norge AS ble fusjonert inn i Dentsu Norge AS, med regnskapsmessig og skattemessig virkning fra 1. januar 2024. Fusjonen er gjennomført som en konsernintern fusjon etter reglene om forenklet egenkapitaltransaksjon. Verdsettelsen av Merkle Norge AS ble gjennomført ved bruk av en diskontert kontantstrømmodell (DCF), og det ble bokført en investering i Dentsu Norge AS på TNOK 33 195. Netto eiendeler i Merkle Norge AS på fusjonstidspunktet var TNOK 5 774. Merverdien knyttet til investeringen er eliminert mot egenkapitalen i samsvar med prinsipper for konserninterne transaksjoner.

Merkle Norge AS er etter dette oppløst som selvstendig juridisk enhet. Varemerket Merkle videreføres i Dentsu Norge AS, og både kundeavtaler og ansatte er overført til det overtakende selskapet.

Note 5 Anleggsmidler

	Bruksrett - leieavtaler bygg	Maskiner og inventar	Sum varige driftsmidler
Anskaffelseskost pr. 01.01.2024	153 921	25 587	179 508
Tilganger	4 361	340	4 701
Anskaffelseskost 31.12.2024	**158 282**	**25 927**	**184 209**
Akkumulerte avskrivinger	65 955	21 154	87 109
Akkumulerte avskrivinger ifbm fusjon	0	3 816	3 816
Akkumulerte nedskrivninger	0	647	647
Bokført verdi 31.12.2024	**92 327**	**310**	**92 637**
Feil avdekket fra tidligere periode	-5 354	190	**-5 164**
Bokført verdi 31.12.2024 etter feilføring	**86 973**	**500**	**87 473**
Årets avskrivninger	9 164	1 280	10 445
Økonomisk levetid	10 år	2-5 år	

Selskapet implementerer 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.

I 2024 ble det avdekket en feil knyttet til tidligere perioder. Effekten er regnskapsført i 2024 som om den opprinnelig var behandlet korrekt, og påvirker resultatet samt balanseposter som anleggsmidler, langsiktig gjeld og avskrivninger. Feilen er rettet i inneværende periode og vises som en justering i tabellen over anleggsmidler. Et leieinsentiv på 5,5 MNOK og et leiefritak i perioden 15. november 2021 til 15. mars 2022 er hensyntatt i beregningen.

Note 6 Immaterielle eiendeler

	Goodwill
Anskaffelseskost 01.01.2024	66 614
Anskaffelseskost 31.12.2024	**66 614**
Akkumulerte nedskrivninger 31.12	3 539
Bokført verdi 31.12.2024	**63 075**
Akk. av- og nedskrivninger 01.01.2024	447
Årets nedskrivninger	573
Akk. av- og nedskrivninger 31.12.2024	**1 020**

I forbindelse med virksomhetsoverdragelsen av Amnet i 2022 ble det regnskapsført goodwill i konsernet. Transaksjonen omfattet i hovedsak overføring av ansatte, og det ble ikke identifisert andre eiendeler eller forpliktelser. Hele differansen mellom kjøpesummen og netto identifiserbare eiendeler ble derfor allokert til goodwill. Verdsettelsen av virksomheten ble utført av ekstern rådgiver, basert på lønnsnivå og stillingsstruktur til de ansatte som ble overført.

Goodwill avskrives ikke, men det gjennomføres en årlig impairment test. Vurderingen baseres på fortsatt ansettelsesforhold for de medarbeidere som opprinnelig ble overført ved virksomhetsoverdragelsen. I regnskapsåret 2024 har to ansatte sluttet, noe som har resultert i en nedskrivning av goodwill med NOK 573 000.

Note 7 Skatt

Årets skattekostnad	2024	2023
Resultatført skatt på ordinært resultat:		
Betalbar skatt	14 527	10 424
Endring i utsatt skattefordel	-1 726	-305
Skattekostnad ordinært resultat	**12 802**	**10 119**
Skattepliktig inntekt:		
Resultat før skatt	57 720	44 937
Permanente forskjeller	-38 631	-38 069
Endring i midlertidige forskjeller	7 844	1 385
Mottatt konsernbidrag	39 099	39 130
Skattepliktig inntekt	**66 032**	**47 383**
Betalbar skatt i balansen:		
Betalbar skatt på årets resultat	5 925	1 816
Betalbar skatt på mottatt konsernbidrag	8 602	8 609
Sum betalbar skatt i balansen	**14 527**	**10 424**
Beregning av effektiv skattesats		
Resultat før skatt	57 720	44 937
Beregnet skatt av resultat før skatt	12 698	9 886
Skatteeffekt av permanente forskjeller	103	233
Sum	**12 802**	**10 120**
Effektiv skattesats	22,2 %	22,5 %

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

	2024	2023	Endring
Varige driftsmidler	59 648	59 883	235
Fordringer	0	-127	-127
Balanseførte leieavtaler	-14 211	-6 475	7 736
Sum	**45 437**	**53 281**	**7 844**
Inngår ikke i beregningen av utsatt skatt	-60 495	-60 495	0
Grunnlag for utsatt skatt	**-15 058**	**-7 214**	**7 844**
Utsatt skatt (22 %)	**-3 313**	**-1 587**	**1 726**
Utsatt skattefordel Merkle fusjon	-25		-25
Sum utsatt skatt	-3 511	-1 587	1 924

Note 8 Egenkapital

	Aksjekapital	Overkurs	Annen Innskutt egenkapital	Annen egenkapital	Sum egenkapital
Pr. 31.12.2023	7 600	0	936	120 918	129 454
Årsresultat				44 918	44 918
Utbytte				-30 000	-30 000
*Tilført ved fusjon av Merkle Norge AS				-30 771	-30 771
Pr 31.12.2024	**7 600**	**0**	**936**	**105 065**	**113 601**

*Som en del av omorganisering av Dentsu Norge AS ble Merkle Norge AS fusjonert inn i Dentsu Norge AS, med regnskapsmessig og skattemessig virkning fra 1. januar 2024. Fusjonen er gjennomført med selskapskontinuitet og har hatt regnskapsmessig virkning fra 1. januar 2024.

Note 9 Datterselskap, tilknyttet selskap m.v.

	Kontor-kommune	Ervervet	Eier-andel	Stemme-andel	Anskaffelses kost	Balanseført verdi
DS						
AGL Norway AS	Oslo	31.12.2021	100 %	100 %	706 549	706 549
Sum					**706 549**	**706 549**

Investering i datterselskap AGL Norway AS vurderes etter kostmetoden i selskapsregnskapet. Investeringen i AGL Norway AS er vurdert til anskaffelseskost. Det er ikke foretatt nedskrivning per 31.12.2024.
Konsernregnskapet utarbeides av Dentsu Group Inc, lokalisert i Tokyo, Japan. Konsernets konsoliderte årsregnskap, hvor Dentsu Norge AS inngår, kan finnes på konsernets hjemmeside www.group.dentsu.com.

Note 10 Fordringer og gjeld

	2024	2023
Fordringer med forfall senere enn ett år		
*Depositum i media	6 689	61 726
Depositum husleie	82	82
Sum	**6 771**	**61 807**

	2024	2023
Fordringer		
Andre kortsiktige fordringer		
Kundefordringer	277 566	343 028
Kundefordringer konsern	7 391	22 017
Andre fordringer konsern	39 099	39 130
Andre fordringer	22 508	19 070
Sum	**346 565**	**423 246**

Selskapet har ingen fordringer som forfaller senere enn fem år etter 31.12.2024

*Depositum i media er låste innskudd til medier som forventes å betales tilbake senere enn ett år etter balansedagen. Depositum knyttet til medieinnkjøp er redusert fra TNOK 61 807 til TNOK 6 771 i løpet av regnskapsåret. Reduksjonen skyldes tilbakebetaling av mediedepositum fra mediepartnere som følge av endrede avtale- og betalingsvilkår.

	2024	2023
Gjeld		
Øvrige langsiktig gjeld		
Langsiktig leieforpliktelser	101 185	103 606
Sum	**101 185**	**103 606**

	2024	2023
Annen kortsiktig gjeld		
Konsernkonto	59 805	63 651
Leverandørgjeld	398 616	429 686
Leverandørgjeld konsern	48 359	30 148
Betalbar skatt	14 527	10 424
Avsatt utbytte	30 000	24 600
Skyldige offentlige avgifter	54 074	47 597
Øvrig gjeld	84 154	97 035
Øvrig gjeld konsern	0	372
Sum	**689 534**	**703 514**

Selskapet implementerer IFRS 16 Leieavtaler med virkning fra 1. januar 2019. Bruksrettigheter er innregnet i varige driftsmidler, se note 5. Tilhørende leieforpliktelser inngår i gjeld. Se for øvrig også note om Regnskapsprinsipper for effekt av implementering.

Note 11 Mellomværende med selskap i samme konsern m.v.

	Kundefordringer		Andre fordringer	
	2024	**2023**	**2024**	**2023**
AGL Norway AS	920	582	39 099	39 130
Carat Media Services Hongkong Ltd	2 000	0	0	0
Dentsu Danmark A/S	970	2 503	0	0
Dentsu Sweden AB	351	661		
Dentsu UK Ltd	3 087	2 524		
Merkle Norge AS*	0	15 906		
Merkle Sweden AB	41	0		
Sum	**7 368**	**22 175**	**39 099**	**39 130**

*Merkle Norge AS ble fusjonert med Dentsu Norge AS den 1. januar 2024

	Leverandørgjeld		Annen kortsiktig gjeld	
	2024	**2023**	**2024**	**2023**
AGL Norway AS	18 200	8 659	0	0
Dentsu Danmark A/S	8 635	475	0	0
Dentsu International Ltd	8 285	10 180	0	0
Dentsu Finland Oy	344	201	0	0
Dentsu Litauen UAB	243	199	0	0
Dentsu Nederlands B.V	0	379	0	0
Dentsu Sweden AB	3 790	2 131	30 000	24 600
Dentsu UK Ltd	7 848	7 817	0	0
Øvrige nærstående parter	1 014	105	0	0
Gjeld konsernkontoordning*	0	0	59 805	63 651
Sum	**48 359**	**30 147**	**89 805**	**88 251**

Selskapet har transaksjoner med nærstående som gjelder vanlig drift, kjøp og salg av tjenester, samt i form av management fee og husleie. I tillegg har selskapet har etablert en konsernkontoordning som inkluderer datterselskapet AGL Norway AS, i tillegg til Dentsu Norge AS. Toppkontoen er presentert netto i balansen til Dentsu Norge AS. AGL Norway AS presenterer kontoen som andre kortsiktige fordringer eller annen kortsiktig gjeld.

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

Note 12 Bankinnskudd

Innestående midler på skattetrekkskonto (bundne midler) er på TNOK. 9 370.

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 164 614.

I tillegg til cash pool-avtalen mellom Dentsu Norge AS og AGL i norsk bank, deltar Dentsu Norge AS i Dentsu International Treasury Limiteds (DITL) konsernkontosystem gjennom en BMG-konto. Denne inngår i et multivaluta notional cash pool administrert av DITL. Hver juridisk enhet, inkludert Dentsu Norge AS, har sin egen konto i eget navn. Eiendomsretten til midlene forblir hos den enkelte enheten, og det etableres verken juridisk eller regnskapsmessig noen form for internlån eller fordring mot konsernet.

I tidligere årsregnskap er innestående på BMG-kontoen presentert som konsernmellomværende. For 2024 er dette presentert som bankinnskudd. Sammenligningstallene for tidligere år er ikke omarbeidet.

Note 13 Aksjekapital, aksjonærer m.v.

Aksjekapitalen i Dentsu Norge AS pr. 31.12 består av:

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

Alle aksjene gir samme rettigheter i selskapet

Dentsu Norge hadde én aksjonær pr. 31.12.2024

Aksjonærer:	Ordinære aksjer	Eierandel	Stemmeandel
Dentsu Sweden AB	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.

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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 2024, 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 2024, 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.

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Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

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Alta	Finnsnes	Molde	Trondheim
Arendal	Hamar	Sandefjord	Tynset
Bergen	Haugesund	Stavanger	Ulsteinvik
Bodø	Knarvik	Stord	Ålesund
Drammen	Kristiansand	Straume	

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.

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.

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KPMG

Oslo

KPMG AS

Karianne Fønstelien Vintervoll
Statsautorisert revisor
(elektronisk signert)

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