20240627080921

Årsredovisning

för

Dentsu Sweden AB

556259-6733

Räkenskapsåret

2023

Fastställelseintyg

Undertecknad styrelseledamot i Dentsu Sweden AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma 2024-06 -14 . Årsstämman beslutade att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Stockholm 2024-06 -14

Nike Carlstoft

Nike Carlstoft

20240627080922

Årsredovisning

för

Dentsu Sweden AB

556259-6733

Räkenskapsåret

2023

Denna årsredovisning har upprättats i enlighet med K3

Mikael Carlstedt

20240628089223

Styrelsen och verkställande direktören för Dentsu Sweden AB avger följande årsredovisning för räkenskapsåret 2023.

Årsredovisningen är upprättad i svenska kronor, SEK. Om inte annat särskilt anges, redovisas alla belopp i tusentals kronor (Tkr). Uppgifter inom parentes avser föregående år.

Förvaltningsberättelse

Information om verksamheten

Bolaget bedriver verksamhet inom digital marknadsföring, konsumentundersökningar, medierådgivning, medieupphandling samt varumärkesupplevelser.

Genom sina dotterbolag Dentsu Denmark A/S, Dentsu Norge AS och Dentsu Finland Oy bedrivs verksamhet i Danmark, Norge och Finland.

Bolaget har sitt säte i Stockholm.

Väsentliga händelser under räkenskapsåret

Under året har Dentsu fokuserat på att rekrytera rätt kompetens till företaget, öka kundnöjdheten hos befintliga kunder, stärka sitt erbjudande och effektivisera interna processer. Kundvinster att nämna under året är Carlsberg, Clas Ohlson, Akavia och Allente.

Under året har aktierna i koncernföretaget Isobar Sweden AB anskaffats från Dentsu Denmark A/S.

Dentsu Sweden AB har även startat upp dotterbolaget Agyle Sweden AB.

Resultat och ställning

Omsättningen under året uppgick till 2 494,1 MSEK jämfört med 2 667,3 MSEK under 2022.

Resultat efter finansiella poster uppgick till 180,9 MSEK jämfört med 66,3 MSEK föregående år.

Förväntad framtida utveckling samt väsentliga risker och osäkerhetsfaktorer

Vår bedömning är att omsättningen på mediebyråmarknaden totalt sett kommer att visa på en svagt positiv tillväxt 2024. Under 2024 kommer vi att fortsätta fokusera på vår digitaliserings -och effektiviseringsagenda vilket vi bedömer kommer att bidra till fortsatt positiva effekter för verksamheten.

Risker

All affärsverksamhet inbegriper risker. Dentsu Sweden har delat in verksamhetens risker i Omvärldsrisk, Finansiell risk och Verksamhetsrisk.

Omvärldsrisk: Med hänsyn till den marknad Dentsu Sweden verkar på bedöms känsligheten för makro- och mikroekonomiska förändringar i nuläget vara liten.

Finansiell risk: Dentsu Sweden är i sin verksamhet utsatt för en rad finansiella risker. Den mest väsentliga finansiella risken är kreditrisken på kundfordringar, vilken vi reducerar genom att kreditförsäkra merparten av bolagets kundfordringar.

Verksamhetsrisk: För en långsiktigt god lönsamhet krävs att Dentsu Sweden infriar och överträffar kundernas förväntningar. Dentsu Sweden bedriver därför bl.a. kontinuerlig utbildning av företagets medarbetare.

Personal- och miljöfrågor

Konkurrensen om kompetent personal inom kommunikationssektorn är hög och det är vår bedömning att detta förhållande kvarstår under 2024. Dentsu Swedens ambition är att vara den mest attraktiva arbetsgivaren inom sin sektor och för att uppnå detta kommer bolaget att fortsätta sin målmedvetna satsning på utbildning och kompetensutveckling.

Bolaget bedriver ej anmälningspliktig verksamhet enligt miljöbalken. Dentsu Sweden uppfyller Svensk Miljöbas kvalitetskrav.

Hållbarhetsrapport

Dentsu Sweden AB uppfyller kravet på att upprätta hållbarhetsrapport enligt Årsredovisningslagen. Hållbarhetsrapport har upprättats av Dentsu Group Inc. 105-7001, Tokyo.

Ägarförhållanden

Bolaget är helägt dotterbolag till Group Carat (Nederland) BV, Nederländerna, vilket i sin tur är dotterbolag i den koncern i vilken Dentsu International Limited, 1403668 London, är moderbolag. Yttersta moderbolag är Dentsu Group Inc.105-7001, Tokyo. Dentsu Sweden AB har med stöd av ÅRL 7:2 inte upprättat någon koncernredovisning. Koncernredovisning för Dentsu Group Inc. finns tillgänglig hos Dentsu Sweden AB, Box 4125, 102 63 Stockholm.

Flerårsöversikt (Tkr)	**2023**	**2022**	**2021**	**2020**	**2019**
Nettoomsättning	2 494 139	2 667 340	2 939 702	5 898	10 446
Resultat efter finansiella poster	180 852	66 275	131 728	-11 955	53 652
Balansomslutning	1 157 875	1 150 951	1 235 255	799 816	641 680
Antal anställda	194	202	210	2	2
Soliditet (%)	49,3	37,6	37,3	29,7	39,1
Avkastning på totalt kap. (%)	16,0	5,9	10,8	neg	8,4
Avkastning på eget kap. (%)	31,7	15,3	28,6	neg	21,4

För definitioner av nyckeltal, se Redovisnings- och värderingsprinciper.

Förändringar i eget kapital (Tkr)

	Aktie-kapital	**Reserv-fond**	**Fond utveck-lingsutgifter**	**Balanserat resultat**	**Årets resultat**	**Totalt**
Belopp vid årets ingång	240	50	143	374 544	57 611	**432 588**
Disposition enligt beslut av årsstämman:						
Utdelning				-38 592		**-38 592**
Balanseras i ny räkning				57 611	-57 611	**0**
Överföring från bundet till fritt eget kapital			-143	143		**0**
Årets resultat					177 092	**177 092**
Belopp vid årets utgång	**240**	**50**	**0**	**393 706**	**177 092**	**571 088**

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Förslag till vinstdisposition
Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	393 706 489
årets vinst	177 091 592
	570 798 081

disponeras så att	
till aktieägare utdelas (4 944 kronor per aktie)	118 656 000
i ny räkning överföres	452 142 081
	570 798 081

Styrelsen föreslås bemyndigas att besluta om tidpunkt då utdelningen skall betalas.

Styrelsen anser att förslaget är förenligt med försiktighetsregeln i 17 kap. 3 § aktiebolagslagen enligt följande redogörelse: Styrelsens uppfattning är att vinstutdelningen är försvarlig med hänsyn till de krav verksamhetens art, omfattning och risk ställer på storleken på det egna kapitalet, bolagets konsolideringsbehov, likviditet och ställning i övrigt.

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning samt kassaflödesanalys med noter.

Denna handling är signerad med CTEGI-GKMZZ-WWCSH-VZTLE-ZAYUT-TJEIQ

Resultaträkning
Tkr

	Not	2023-01-01 -2023-12-31	2022-01-01 -2022-12-31
Rörelsens intäkter			
Nettoomsättning	3, 4	2 494 139	2 667 340
Övriga rörelseintäkter		29 016	37 084
		2 523 155	**2 704 424**
Rörelsens kostnader			
Inköp medieutrymme	4	-2 123 017	-2 301 439
Övriga externa kostnader	4, 5, 6	-179 865	-173 700
Personalkostnader	7	-203 084	-190 122
Avskrivningar av materiella och immateriella anläggningstillgångar		-1 773	-2 325
Övriga rörelsekostnader		-4 814	-21
		-2 512 553	**-2 667 607**
Rörelseresultat		**10 602**	**36 817**
Resultat från finansiella poster			
Resultat från andelar i koncernföretag	8	163 974	27 332
Resultat från övriga värdepapper och fordringar som är anläggningstillgångar	9	-5	0
Övriga ränteintäkter och liknande resultatposter	10	10 544	3 678
Räntekostnader och liknande resultatposter	11	-4 263	-1 552
		170 250	**29 458**
Resultat efter finansiella poster		**180 852**	**66 275**
Resultat före skatt		**180 852**	**66 275**
Skatt på årets resultat	12	-3 760	-8 664
Årets resultat		**177 092**	**57 611**

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Pennen Annument kan STEGI-SKMO-20240628-20241231-en.zip

Balansräkning
Tkr

	Not	2023-12-31	2022-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Immateriella anläggningstillgångar			
Balanserade utgifter för utvecklingsarbeten	13	47	232
Goodwill	14	0	0
		47	**232**
Materiella anläggningstillgångar			
Inventarier, verktyg och installationer	15	4 742	3 897
Förbättringsutgifter på annans fastighet	16	248	0
		4 990	**3 897**
Finansiella anläggningstillgångar			
Andelar i koncernföretag	17, 18	280 644	290 834
Andra långfristiga värdepappersinnehav	19	0	5
Uppskjutna skattefordringar	20	0	63
		280 644	**290 902**
Summa anläggningstillgångar		**285 681**	**295 031**
Omsättningstillgångar			
Kortfristiga fordringar			
Kundfordringar		435 096	237 753
Fordringar hos koncernföretag		12 999	13 832
Aktuella skattefordringar		6 652	3 466
Övriga kortfristiga fordringar		1 271	267
Upparbetad men ej fakturerad intäkt		5 339	2 717
Förutbetalda kostnader och upplupna intäkter	21	88 545	85 068
		549 902	**343 103**
Kassa och bank	22	322 292	512 817
Summa omsättningstillgångar		**872 194**	**855 920**
SUMMA TILLGÅNGAR		**1 157 875**	**1 150 951**

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Balansräkning

Tkr

	Not	2023-12-31	2022-12-31
EGET KAPITAL OCH SKULDER			
Eget kapital	23		
Bundet eget kapital			
Aktiekapital		240	240
Reservfond		50	50
Fond för utvecklingsutgifter		0	143
		290	**433**
Fritt eget kapital	24		
Balanserad vinst		393 706	374 544
Årets resultat		177 092	57 611
		570 798	**432 155**
Summa eget kapital		**571 088**	**432 588**
Kortfristiga skulder			
Förskott från kunder		139 745	201 709
Leverantörsskulder		137 303	224 654
Skulder till koncernföretag		126 770	94 721
Övriga kortfristiga skulder		19 842	18 987
Upplupna kostnader och förutbetalda intäkter	25	163 127	178 292
Summa kortfristiga skulder		**586 787**	**718 363**
SUMMA EGET KAPITAL OCH SKULDER		**1 157 875**	**1 150 951**

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Denna handling har signerats med STEEL eSIGN
UA6JA-NJCJH-V2ZT-ZETUL-YE2VD

Kassaflödesanalys

Tkr

	Not	2023-01-01 -2023-12-31	2022-01-01 -2022-12-31
Den löpande verksamheten			
Rörelseresultat		10 602	36 817
Justeringar för poster som inte ingår i kassaflödet (avskrivningar)		1 773	2 325
Erhållen ränta		10 544	3 678
Erhållna utdelningar		260 963	27 332
Erlagd ränta		-4 263	-1 552
Betald skatt		-6 883	-8 524
Kassaflöde från den löpande verksamheten före förändring av rörelsekapital		**272 736**	**60 076**
Kassaflöde från förändring av rörelsekapitalet			
Förändring av kundfordringar		-197 343	210 369
Förändring av kortfristiga fordringar		-6 270	-19 461
Förändring av leverantörsskulder		-87 351	-31 236
Förändring av kortfristiga skulder		-44 220	-25 478
Kassaflöde från den löpande verksamheten		**-62 448**	**194 270**
Investeringsverksamheten			
Investeringar i materiella anläggningstillgångar		-2 686	-2 666
Investeringar i koncernföretag		-86 799	0
Kassaflöde från investeringsverksamheten		**-89 485**	**-2 666**
Finansieringsverksamheten			
Utbetald utdelning		-38 592	-85 200
Kassaflöde från finansieringsverksamheten		**-38 592**	**-85 200**
Årets kassaflöde		**-190 525**	**106 404**
Likvida medel vid årets början		512 817	406 413
Likvida medel vid årets slut	26	**322 292**	**512 817**

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Denna handling är undertecknad med STEEL SIGN av: KRISTOFFER HÄGGLUND

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Noter

Tkr

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar

Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Redovisningsprinciperna är oförändrade jämfört med föregående år.

Utländska valutor

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

Intäktsredovisning

Intäkter har tagits upp till verkligt värde av vad som erhållits eller kommer att erhållas och redovisas i den omfattning det är sannolikt att de ekonomiska fördelarna kommer att tillgodogöras bolaget och intäkterna kan beräknas på ett tillförlitligt sätt.

Pågående tjänsteuppdrag

Inkomster från uppdrag på löpande räkning redovisas som intäkt i takt med att arbetet utförs och material levereras eller förbrukas innebärande att vinsten från uppdragen avräknas successivt. Om det inte är sannolikt att betalning kommer att erhållas för belopp som redan har redovisats som intäkt redovisas det belopp som sannolikt inte kommer att erhållas som en kostnad.

I balansräkningen jämförs redovisade intäkter med de belopp som fakturerats beställaren under samma period. Om de fakturerade beloppen överstiger den redovisade intäkten utgör mellanskillnaden en skuld, vilken redovisas som fakturerad men ej upparbetad intäkt. Om intäkten överstiger de fakturerade beloppen utgör mellanskillnaden en fordran vilken redovisas som upparbetad men ej fakturerad intäkt.

Inkomster från uppdrag till fast pris redovisas som intäkt enligt uppdragens respektive färdigställandegrad, så kallad successiv vinstavräkning. Färdigställandegraden fastställs huvudsakligen genom att jämföra nedlagda uppdragsutgifter med totala uppdragsutgifter.

När utfallet kan beräknas på ett tillförlitligt sätt redovisas uppdragsinkomsten och hänförliga uppdragsutgifter i resultaträkningen med utgångspunkt från färdigställandegraden av aktiviteterna på balansdagen.

Om det ekonomiska utfallet av ett uppdrag inte kan beräknas på ett tillförlitligt sätt redovisas en intäkt endast med ett belopp som motsvarar de uppkomna uppdragsutgifter som sannolikt kommer att ersättas av beställaren. Om det är sannolikt att de totala uppdragsutgifterna kommer att överstiga den totala uppdragsinkomsten från ett uppdrag redovisas den befarade förlusten som en kostnad omgående i resultaträkningen.

I balansräkningen jämförs redovisade intäkter med de belopp som fakturerats beställaren under samma period. Om de fakturerade beloppen överstiger den redovisade intäkten utgör mellanskillnaden en skuld, vilken redovisas som fakturerad men ej upparbetad intäkt. Om intäkten överstiger de fakturerade beloppen utgör mellanskillnaden en fordran vilken redovisas som upparbetad men ej fakturerad intäkt.

Denna dokument har STEEL-SKYDDAT med STEEL

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Immateriella tillgångar

Företaget redovisar internt upparbetade immateriella anläggningstillgångar enligt aktiveringsmodellen. Det innebär att samtliga utgifter som avser framtagandet av en internt upparbetad immateriell anläggningstillgång aktiveras och skrivs av under tillgångens beräknade nyttjandeperiod, under förutsättningarna att kriterierna i BFNAR 2012:1 är uppfyllda.

Goodwill, vilken är hänförlig till fusion, redovisas till i koncernen ursprungligt anskaffningsvärde med avdrag för ackumulerade avskrivning och eventuella nedskrivningar.

Anläggningstillgångar

Immateriella och materiella anläggningstillgångar redovisas till anskaffningsvärde minskat med ackumulerade avskrivningar enligt plan och eventuella nedskrivningar.

Avskrivning sker linjärt över den förväntade nyttjandeperioden med hänsyn till väsentligt restvärde. Följande avskrivningstider tillämpas:

Balanserade utgifter för utvecklingsarbeten	5 år
Goodwill	10 år
Kontorsinventarier	5 år
Datorer	5 år

Finansiella instrument

Finansiella instrument värderas utifrån anskaffningsvärdet. Instrumentet redovisas i balansräkningen när bolaget blir part i instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och bolaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten. Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

Andelar i dotterföretag

Andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott läggs till anskaffningsvärdet när de uppkommer.

Andra långfristiga värdepappersinnehav

Placeringar i värdepapper som är anskaffade med avsikt att innehas långsiktigt har redovisats till sina anskaffningsvärden. Varje balansdag görs bedömning om eventuellt nedskrivningsbehov.

Kundfordringar/kortfristiga fordringar

Kundfordringar och kortfristiga fordringar redovisas som omsättningstillgångar till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar.

Låneskulder och leverantörsskulder

Låneskulder och leverantörsskulder redovisas initialt till anskaffningsvärde efter avdrag för transaktionskostnader. Skiljer sig det redovisade beloppet från det belopp som ska återbetalas vid förfallotidpunkten periodiseras mellanskillnaden som räntekostnad över lånets löptid med hjälp av instrumentets effektivränta. Härigenom överensstämmer vid förfallotidpunkten det redovisade beloppet och det belopp som ska återbetalas.

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Kvittning av finansiell fordran och finansiell skuld
En finansiell tillgång och en finansiell skuld kvittas och redovisas med ett nettobelopp i balansräkningen endast då legal kvittningsrätt föreligger samt då en reglering med ett nettobelopp avses ske eller då en samtida avyttring av tillgången och reglering av skulden avses ske.

Leasingavtal

Företaget redovisar samtliga leasingavtal, såväl finansiella som operationella, som operationella leasingavtal. Operationella leasingavtal redovisas som en kostnad linjärt över leasingperioden.

Inkomstskatter

Total skatt utgörs av aktuell skatt och uppskjuten skatt. Skatter redovisas i resultaträkningen, utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekter redovisas i eget kapital.

Aktuell skatt
Aktuell skatt avser inkomstskatt för innevarande räkenskapsår samt den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt beräknas utifrån den skattesats som gäller per balansdagen.

Uppskjuten skatt
Uppskjuten skatt är inkomstskatt som avser framtida räkenskapsår till följd av tidigare händelser. Redovisning sker enligt balansräkningsmetoden. Enligt denna metod redovisas uppskjutna skatteskulder och uppskjutna skattefordringar på temporära skillnader som uppstår mellan bokförda respektive skattemässiga värden för tillgångar och skulder samt för övriga skattemässiga avdrag eller underskott.

Uppskjutna skattefordringar nettoredovisas mot uppskjutna skatteskulder endast om de kan betalas med ett nettobelopp. Uppskjuten skatt beräknas utifrån gällande skattesats på balansdagen. Effekter av förändringar i gällande skattesatser resultatförs i den period förändringen lagstadgats. Uppskjuten skattefordran redovisas som finansiell anläggningstillgång och uppskjuten skatteskuld som avsättning.

Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den omfattning det är sannolikt att avdragen kan avräknas mot framtida skattemässiga överskott.

På grund av sambandet mellan redovisning och beskattning särredovisas inte den uppskjutna skatteskulden som är hänförlig till obeskattade reserver.

Avsättningar

Som avsättning har redovisats förpliktelser gentemot tredje man som är hänförliga till räkenskapsåret eller tidigare räkenskapsår och som på balansdagen antingen är säkra eller sannolika till sin förekomst men oviss till belopp eller till den tidpunkt då de ska infrias.

Ersättningar till anställda

Ersättningar till anställda avser alla former av ersättningar som företaget lämnar till de anställda. Kortfristiga ersättningar utgörs av bland annat löner, betald semester, betald frånvaro, bonus och ersättning efter avslutad anställning (pension). Kortfristiga ersättningar redovisas som kostnad och en skuld då det finns en legal eller informell förpliktelse att betala ut en ersättning till följd av en tidigare händelse och en tillförlitlig uppskattning av beloppet kan göras.

Bannan dokument kan STEEL-SKYDDAS

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Ersättningar till anställda efter avslutad anställning
I företaget finns endast avgiftsbestämda pensionsplaner. Som avgiftsbestämda planer klassificeras planer där fastställda avgifter betalas och det inte finns förpliktelser att betala något ytterligare, utöver dessa avgifter.

Utgifter för avgiftsbestämda planer redovisas som en kostnad under den period de anställda utför de tjänster som ligger till grund för förpliktelsen.

Offentliga bidrag
Bidrag från staten redovisas till verkligt värde när det är rimligt och säkert att bidraget kommer att erhållas och företaget kommer uppfylla de villkor som är förknippade med bidraget. Bidrag avsedda att täcka investeringar i materiella eller immateriella anläggningstillgångar reducerar tillgångarnas anskaffningsvärden och därmed det avskrivningsbara beloppet.

Koncernbidrag
Erhållna och lämnade koncernbidrag redovisas som bokslutsdispositioner.

Kassaflödesanalys
Kassaflödesanalysen upprättas enligt indirekt metod. Det redovisade kassaflödet omfattar endast transaktioner som medfört in- eller utbetalningar.

Som likvida medel klassificerar företaget, förutom kassamedel, disponibla tillgodohavanden hos banker och andra kreditinstitut samt kortfristiga likvida placeringar som är noterade på en marknadsplats och har en kortare löptid än tre månader från anskaffningstidpunkten. Förändringar i spärrade medel redovisas i investeringsverksamheten.

Nyckeltalsdefinitioner
Soliditet (%)
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Avkastning på totalt kap. (%)
Rörelseresultat plus finansiella intäkter i procent av balansomslutningen.

Avkastning på eget kap. (%)
Resultat efter finansiella poster i procent av justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt).

Not 2 Uppskattningar och bedömningar
Inga väsentliga källor till osäkerhet i uppskattningar och antaganden på balansdagen bedöms kunna innebära en betydande risk för en väsentlig justering av redovisade värden för tillgångar och skulder under nästa räkenskapsår.

Denna dokument har signerats med Penneo.com

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Not 3 Nettoomsättningens fördelning

	2023	2022
I nettoomsättningen ingår intäkter från:		
Tjänster	2 494 139	2 667 340
	2 494 139	**2 667 340**
I övriga intäkter ingår intäkter från:		
Hyror	3 530	3 222
Valutakursvinster av rörelsekaraktär	0	8 728
Övrigt	25 486	25 134
	29 016	**37 084**

Not 4 Inköp och försäljning mellan koncernföretag

	2023	2022
Andel av årets totala inköp som skett från andra företag i koncernen	11,1 %	14,3 %
Andel av årets totala försäljningar som skett till andra företag i koncernen	7,5 %	5,9 %

Not 5 Leasingavtal

Framtida leasingavgifter, för icke uppsägningsbara leasingavtal, förfaller till betalning enligt följande:

	2023	2022
Inom ett år	16 458	16 066
Senare än ett år men inom fem år	14 633	23 873
	31 091	**39 939**
Årets leasingkostnader avseende leasingavtal uppgår till	16 260	15 331

Uppgifterna i denna not inkluderar även finansiella leasingavtal, vilka redovisas som operationella. Leasingavtalen avser främst hyra av lokaler.

Not 6 Arvode till revisorer

	2023	2022
KPMG AB		
Revisionsuppdrag	370	449
	370	**449**

Denna handling har signerats med STEFI-SIGN
UX6GX-TQUFZ-ZTVJT-ZETQU-XEQYD

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Not 7 Anställda och personalkostnader

	2023	2022
Medelantalet anställda		
Kvinnor	127	131
Män	67	71
	194	**202**
Löner och andra ersättningar		
Styrelse och verkställande direktör	4 147	3 875
Övriga anställda	130 533	127 609
	134 680	**131 484**
Sociala kostnader		
Pensionskostnader för styrelse och verkställande direktör	788	687
Pensionskostnader för övriga anställda	14 739	12 985
Övriga sociala avgifter enligt lag och avtal	45 858	44 165
	61 385	**57 837**
Totala löner, ersättningar, sociala kostnader och pensionskostnader	**196 065**	**189 321**
Könsfördelning bland ledande befattningshavare		
Andel kvinnor i styrelsen	50 %	40 %
Andel män i styrelsen	50 %	60 %
Andel kvinnor bland övriga ledande befattningshavare	56 %	56 %
Andel män bland övriga ledande befattningshavare	44 %	44 %

Not 8 Resultat från andelar i koncernföretag

	2023	2022
Erhållna utdelningar	260 963	27 332
Nedskrivningar	-96 989	0
	163 974	**27 332**

Not 9 Resultat från övriga värdepapper och fordringar som är anläggningstillgångar

	2023	2022
Nedskrivningar	-5	0
	-5	**0**

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Not 10 Övriga ränteintäkter och liknande resultatposter

	2023	2022
Ränteintäkter från koncernföretag	40	6
Övriga ränteintäkter	10 504	3 672
	10 544	**3 678**

Not 11 Räntekostnader och liknande resultatposter

	2023	2022
Räntekostnader till koncernföretag	-2 084	-406
Factoringavgifter	-1 965	-990
Övriga räntekostnader	-214	-156
	-4 263	**-1 552**

Not 12 Aktuell och uppskjuten skatt

	2023	2022
Aktuell skatt	-3 697	-7 757
Uppskjuten skatt	-63	-907
Skatt på årets resultat	**-3 760**	**-8 664**
Redovisat resultat före skatt	180 852	66 275
Skatt beräknad enligt gällande skattesats (20,6%)	-37 255	-13 653
Ej avdragsgilla kostnader	-20 326	-1 310
Ej skattepliktiga intäkter	53 822	6 537
Skatt hänförlig till tidigare års redovisade resultat	0	-239
Redovisad skattekostnad	**-3 760**	**-8 664**

Denna handling är signerad med STEEL SIGN - SIGNERAT-ZZ4MT-ZEFOL-XEZOM

Not 13 Balanserade utgifter för utvecklingsarbeten och liknande arbeten

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	1 205	1 205
Omklassificeringar	-5	0
Utgående ackumulerade anskaffningsvärden	**1 200**	**1 205**
Ingående avskrivningar	-973	-798
Årets avskrivningar	-180	-175
Utgående ackumulerade avskrivningar	**-1 153**	**-973**
Utgående redovisat värde	**47**	**232**

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Not 14 Goodwill

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	37 421	37 421
Utgående ackumulerade anskaffningsvärden	**37 421**	**37 421**
Ingående avskrivningar	-37 421	-37 421
Utgående ackumulerade avskrivningar	**-37 421**	**-37 421**
Utgående redovisat värde	**0**	**0**

Not 15 Inventarier, verktyg och installationer

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	34 005	31 339
Inköp	2 434	2 666
Försäljningar/utrangeringar	-24	0
Utgående ackumulerade anskaffningsvärden	**36 415**	**34 005**
Ingående avskrivningar	-30 108	-27 958
Försäljningar/utrangeringar	24	0
Årets avskrivningar	-1 589	-2 150
Utgående ackumulerade avskrivningar	**-31 673**	**-30 108**
Utgående redovisat värde	**4 742**	**3 897**

Not 16 Förbättringsutgifter på annans fastighet

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	0	0
Inköp	252	0
Utgående ackumulerade anskaffningsvärden	**252**	**0**
Ingående avskrivningar	0	0
Årets avskrivningar	-4	0
Utgående ackumulerade avskrivningar	**-4**	**0**
Utgående redovisat värde	**248**	**0**

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Not 17 Andelar i koncernföretag

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	290 834	290 834
Förvärv av aktier	86 799	0
Utgående ackumulerade anskaffningsvärden	**377 633**	**290 834**
Ingående nedskrivningar	0	0
Årets nedskrivningar	-96 989	0
Utgående ackumulerade nedskrivningar	**-96 989**	**0**
Utgående redovisat värde	**280 644**	**290 834**

Not 18 Specifikation andelar i koncernföretag

Namn	Kapital-andel %	Rösträtts-andel %	Antal andelar	Bokfört värde 23-12-31	Bokfört värde 22-12-31
Dentsu Norge AS	100	100	75 000	2 701	2 701
Dentsu Denmark A/S	100	100	5	183 493	183 493
Dentsu Finland Oy	100	100	4 500	6 800	6 800
Merkle Sweden AB	100	100	500	66 121	97 840
Isobar Sweden AB	100	100	100 000	21 404	0
Agyle Sweden AB	100	100	250	125	0
				280 644	**290 834**

	Org.nr	Säte
Dentsu Norge AS	NO 927445875	Oslo
Dentsu Denmark A/S	CVR 58227811	Köpenhamn
Dentsu Finland Oy	FI 0111876-4	Helsingfors
Merkle Sweden AB	556807-5641	Stockholm
Isobar Sweden AB	556676-3701	Stockholm
Agyle Sweden AB	559428-6477	Stockholm

Bankhandlingar kan skrivas ut från SFTP. Skärmbild

Not 19 Andra långfristiga värdepappersinnehav

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	5	5
Utgående ackumulerade anskaffningsvärden	**5**	**5**
Ingående nedskrivningar	0	0
Årets nedskrivningar	-5	0
Utgående ackumulerade nedskrivningar	**-5**	**0**
Utgående redovisat värde	**0**	**5**

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Not 20 Uppskjutna skattefordringar

	2023-12-31	2022-12-31
Uppskjuten skattefordran på kostnad återförd i beskattningen och avdragsgill kommande år	0	63
	0	**63**

Not 21 Förutbetalda kostnader och upplupna intäkter

	2023-12-31	2022-12-31
Förutbetalda hyreskostnader	3 928	4 888
Övriga förutbetalda kostnader	4 346	2 407
Upplupna intäkter	79 309	77 301
Upplupna ränteintäkter	962	472
	88 545	**85 068**

Not 22 Checkräkningskredit

Dentsu Sweden-koncernen i Sverige använder sig av koncernkonto för vilket Dentsu Sweden AB är huvudkontoinnehavare.

Not 23 Antal aktier och kvotvärde

Namn	Antal aktier	Kvot-värde
Antal A-Aktier	24 000	10
	24 000	

Not 24 Disposition av vinst eller förlust

	2023-12-31
Förslag till vinstdisposition	
Styrelsen föreslår att till förfogande stående vinstmedel (kronor):	
balanserad vinst	393 706 489
årets vinst	177 091 592
	570 798 081
disponeras så att	
till aktieägare utdelas (4 944 kronor per aktie)	118 656 000
i ny räkning överföres	452 142 081
	570 798 081

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Not 25 Upplupna kostnader och förutbetalda intäkter

	2023-12-31	2022-12-31
Ej erhållna leverantörsfakturor	118 390	135 962
Upplupna semesterlöner	17 351	16 222
Upplupna sociala avgifter	12 799	14 924
Övriga poster	14 587	11 184
	163 127	**178 292**

Not 26 Likvida medel

	2023-12-31	2022-12-31
Likvida medel		
Banktillgodohavanden	322 292	512 817
	322 292	**512 817**

Not 27 Ställda säkerheter

	2023-12-31	2022-12-31
För övriga engagemang		
Övriga säkerheter	6 000	6 000
	6 000	**6 000**

Not 28 Eventualförpliktelser

	2023-12-31	2022-12-31
Hyresgaranti	22 786	35 807
	22 786	**35 807**

Not 29 Uppgifter om moderföretag

Bolaget är helägt dotterbolag till Group Carat (Nederland) BV, Nederländerna, vilket i sin tur är dotterbolag i den koncern i vilken Dentsu International Limited, 1403668 London, är moderbolag. Yttersta moderbolag är Dentsu Group Inc.105-7001, Tokyo. Dentsu Sweden AB har med stöd av ÅRL 7:2 inte upprättat någon koncernredovisning. Koncernredovisning för Dentsu International Limited finns tillgänglig hos Dentsu Sweden AB, Box 4125, 102 63 Stockholm.

Denna handling är signerad med STEEL SIGN

20240628089411

Not 30 Väsentliga händelser efter räkenskapsårets slut

I januari 2024 signerades fusionsplan för att fusionera dotterbolaget Isobar Sweden AB in i Dentsu Sweden AB. Fusionsplanen registrerades hos Bolagsverket den 28 februari 2024.

Stockholm den dag som framgår av respektive befattningshavares elektroniska underskrift

Nike Carlstoft
Verkställande direktör

Paal Fure
Ordförande

Fredrik Taranger

Karin Persson

Vår revisionsberättelse har lämnats den dag som framgår av min elektroniska underskrift

KPMG AB

Mikael Ekberg
Auktoriserad revisor

Denna handling är undertecknad av STEFAN MIKAEL EKBERG

PENNEO

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"Med min signatur bekräftar jag innehållet och alla datum i detta dokumentet."

20240627080942

Taranger, Fredrik
Styrelseledamot
Serienummer: no_bankid:9578-5999-4-1206629
IP: 213.52.xxx.xxx
2024-06-03 07:54:53 UTC

bankID

Fure, Paal Ingvar
Styrelseordförande
Serienummer: no_bankid:9578-5998-4-872324
IP: 85.252.xxx.xxx
2024-06-03 08:49:48 UTC

bankID

NIKE CARLSTOFT
VD
Serienummer: 515abe3dfcb2bf[...]28bc80b4f25a4
IP: 213.115.xxx.xxx
2024-06-03 10:56:40 UTC

BankID

KARIN PERSSON
Styrelseledamot
Serienummer: 3bfadb90db7115[...]421db9d505137
IP: 213.163.xxx.xxx
2024-06-07 11:44:52 UTC

BankID

MIKAEL EKBERG
Auktoriserad revisor
Serienummer: db26b23de71c1d[...]672ce3433bc01
IP: 195.84.xxx.xxx
2024-06-13 09:26:38 UTC

BankID

Dennan dokumentnyckel CTEEL-EMMJ2-UAZJA-TJVZT-7E1UQ-JWTZA

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20240627080943

Revisionsberättelse

Till bolagsstämman i Dentsu Sweden AB, org. nr 556259-6733

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Dentsu Sweden AB för år 2023.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Dentsu Sweden ABs finansiella ställning per den 31 december 2023 och av dess finansiella resultat och kassaflöde för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Dentsu Sweden AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om huruvida det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

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20240628088944

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Dentsu Sweden AB för år 2023 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Dentsu Sweden AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.
Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat styrelsens motiverade yttrande samt ett urval av underlagen för detta för att kunna bedöma om förslaget är förenligt med aktiebolagslagen.

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Auktoriserad revisor

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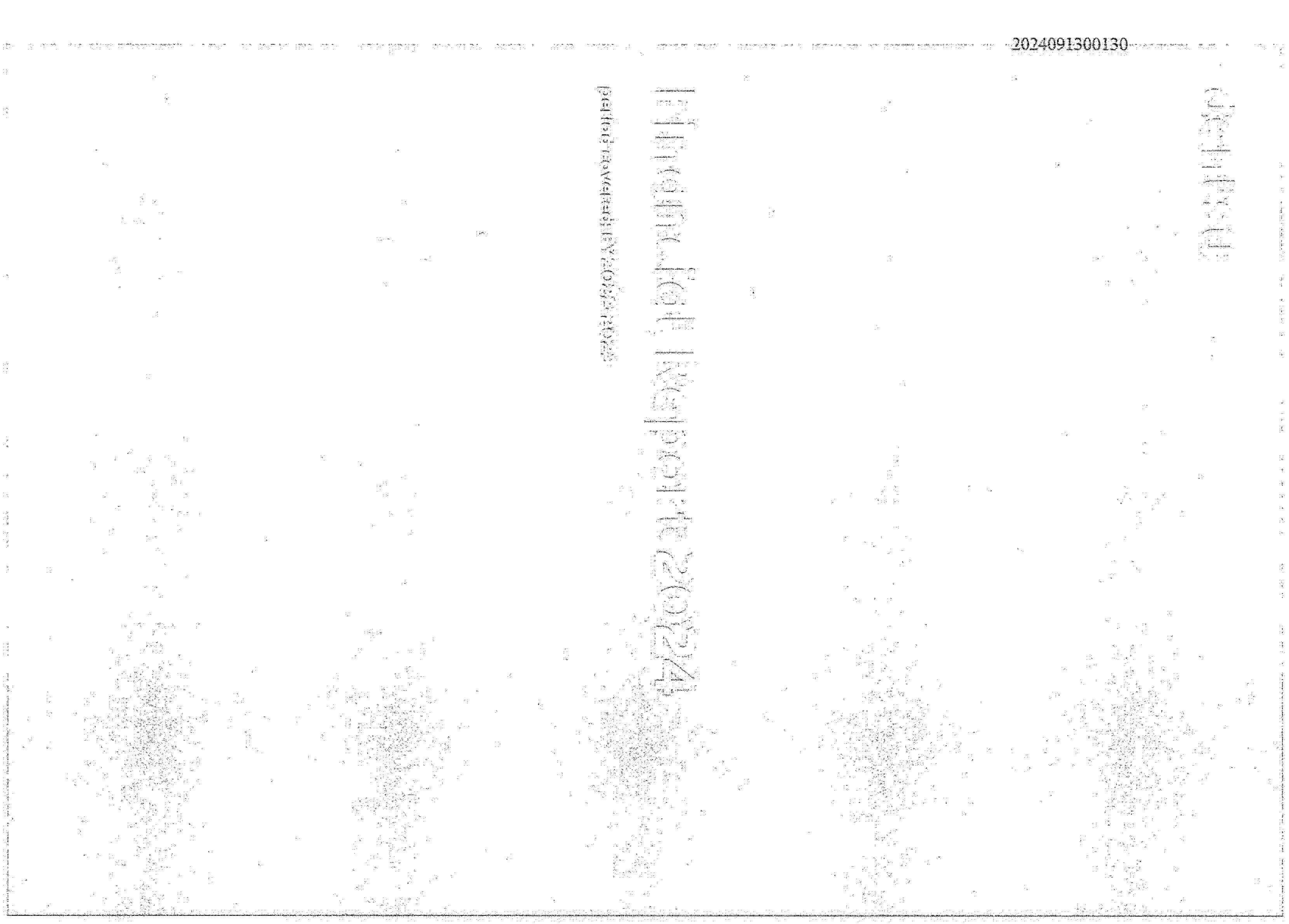
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Any forward-looking statements in the following discussion and analysis are based on the judgment of management as of March 2024.

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

(1) Expectations for achieving the Medium-Term Management Plan and factors involved

Factors including the adverse results for FY2023 have meant that it will be difficult to achieve the commitments regarding organic growth rate and operating margin made under the current Medium-Term Management Plan, which concludes in FY2024, although the Company is on track to achieve some of the commitments related to capital allocation and ESG. Specifically, with the organic growth rate for FY2023 is negative 4.9%, and the FY2024 guidance is c.1%, the targeted CAGR of 4-5% vs. FY2021 through FY2024 will be difficult to achieve. Likewise, the Company targeted an operating margin of 17% to 18% through 2023, reaching 18% in 2024. Whilst the operating margin target was delivered in FY2022, a weaker than expected top line resulted in margin pressure. The operating margin was 14.5% for FY2023 and guided to c.15% for FY2024.

Analysis for the Group's results falling short of its targets under the Medium-Term Management Plan has revealed several internal factors within the Group itself, in addition to changes in the Group's external environment such as the decline in spending by finance and technology clients. Specifically, the main factors include a growth strategy leaning heavily on acquisition instead of internal investment, delays in providing integrated solutions due to the siloed nature of the organization and delays in reforming the cost structure as business operations became more complicated and multilayered amid accelerating acquisitions. The Group has already commenced initiatives to address these factors under the "One Management Team," which was introduced in 2023.

(2) Focus management resources to return to organic growth

In light of this situation, we believe that what we need to do, especially in 2024, is to concentrate our management resources on organic growth by strengthening our core business.

The Group's strength is Integrated Growth Solutions that achieve topline growth for clients by integrating the Group's diverse range of unique capabilities at the convergence of marketing, technology and consulting. To accelerate this strength, we will focus on evolving existing assets and driving their integration with other capabilities.

To achieve this, we have introduced a globally consistent "One dentsu Operating Model" this year. Through this, we will establish a truly client-centric solution delivery structure, accelerate collaboration among regions and practices, and simplify operations and organizations in order to return to growth and improve profitability.

(3) Action Plan in FY2024

In order to achieve more solid organic growth, the Group has organized the actions to take in FY2024 into three tasks: "internal investment to realize Integrated Growth Solutions," "business portfolio review and enhancing financial discipline," and "restructuring of governance and internal controls."

1) Internal investment to realize Integrated Growth Solutions

First, to achieve sound business growth through "Integrated Growth Solutions," the core of the Group's business strategy, we will strengthen internal investments. Specific areas of investment include the data and technology area to provide highly accountable solutions, developing and acquiring talents to propose and execute Integrated Growth Solutions, and strengthening business operations and the enterprise platform, among others.

2) Business portfolio review and enhancing financial discipline

As it pursues its business strategy, the Group will refine its focus on specific business domains and markets based on the consistent strategy of One

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dentsu. The Group provides services through its proprietary network across over 140 countries worldwide. In this context, it will clarify the markets and services that it should focus on, in light of its strategy, and concentrate on the investment of resources in these areas. Until now, the Group has actively pursued acquisitions in the Customer Transformation & Technology domain, aiming to earn 50% of its net revenue from this domain. For the time being, it will focus on PMI and synergy generation using the assets already acquired, and enhance discipline in overall investment activities, including strengthening the monitoring system for performance trends and the contributions made to strategies. We will also work to transform our business portfolio, restructuring and reviewing unprofitable businesses and markets. In order to ensure financial discipline in carrying out these reforms and achieving sustainable business growth, we have decided to establish a Finance Committee, consisting of outside directors, as an advisory body to the Board of Directors. The committee will assist in the promotion of business and the enhancement of financial governance through the formulation of disciplined financial strategies and policies, review of capital allocation, establishment of financial metrics from the perspective of shareholders, and monitoring of the implementation of these initiatives.

3) Restructuring of governance and internal controls

On February 28, 2023, the Company had a criminal complaint filed against it by the Japan Fair Trade Commission and was indicted by the Tokyo District Public Prosecutors Office for an alleged violation of the Antimonopoly Act in connection to the bidding for the test events of the Tokyo 2020 Olympic and Paralympic Games. The Company's dentsu Japan Reform Committee subsequently formulated the Mindset and Behavior Reform, based on the analysis of the incident's causes and recommendations submitted by the Investigation and Review Committee, composed of external experts. The Company's officers and employees are all working to prevent the recurrence of such an incident. Meanwhile, the financial results in the DACH cluster were adversely impacted by a complex business transformation and systems integration. This resulted in the Group recognizing a one-off financial impact as previously reported. The impact was a result of a number of parallel transformation workstreams happening at the same time. This included changes to our People system, project management systems, and finance systems. Adding to this complexity, DACH is a multi-market, multi-currency cluster. This resulted in the misalignment of certain business processes and systems. A comprehensive internal investigation has taken place, supplemented by a review conducted by external legal advisers and an accounting firm appointed by the Group's global general counsel and internal audit. Group internal audit has also assessed the case. The investigation presented root causes including inadequate project management and remediations. The Group believes that the risk of recurrence within DACH or other markets is limited and has been mitigated based on the investigation. The Group has already begun implementation of the recommendations within the report, including changes to the business processes and system improvements. In addition to addressing these specific incidents, the Group will endeavor to restructure governance and internal controls. It is already pushing ahead with initiatives to strengthen this framework, such as appointing people responsible for global internal controls and risk. At the same time, it aims to create an organizational culture that prioritizes integrity through the Group-wide adoption of the Dentsu Group Code of Conduct, a joint initiative by the management team and the Group's employees. Moreover, the continued implementation of the One dentsu Operating Model will simplify the organization to speed up decision-making, clarify responsibilities, and delegate authority, leading to effective business operations and corporate activities based on robust business processes and governance to reduce recurrence risk.

The Group is also continuing to consider its optimal approach to the Company's listed

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subsidiaries, based on each company's strategic positioning. Appropriate reports will be made when this policy is decided.

(4) To improve shareholder value

Through these strategies and actions, we will ensure long-term shareholder value. First, we will improve profits and cash flow through organic growth and cost structure reforms. At the same time, we will strengthen our investment discipline and shift the investment balance from acquisitions to internal investments. In addition to this, we will optimize our balance sheet and improve capital efficiency through the review of our business portfolio and investment.

Although market conditions remain uncertain, we will continue to tirelessly transform our business to adapt to the new environment. Specific plans for business transformation, etc. will be announced later this year in the form of a new Medium-Term Management Plan.

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Comprehensive Business Overview

In 2023, the outlook for the global economy remained uncertain due to factors such as the prolonged invasion of Ukraine by Russia, worldwide inflation and monetary tightening by central banks in response, and financial unrest due to the bankruptcy of some financial institutions in the United States.

In this environment, for the business results during the fiscal year 2023 (from January 1 to December 31, 2023), the Group recorded a 2.3% increase year on year for net revenue. The net revenue organic growth rate was negative 4.9%. Underlying operating profit decreased by 20.0% year on year due to an increase in selling, general and administrative expenses. This resulted from factors such as higher expenses associated with rising prices and the post-pandemic recovery, as well as an increase in personnel expenses due mainly to an increase in the number of personnel. Operating margin fell by 390 bps and underlying net profit attributable to owners of the parent fell by 31.3% year on year. Operating profit decreased by 61.5% year on year, mainly due to posting an impairment loss, and the Group recorded a net loss attributable to owners of the parent of ¥10,714 million (net profit of ¥59,847 million for the previous fiscal year).

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 expenses issued following the acquisition of 100% ownership of a subsidiary

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

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

Consolidated Financial Results

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Consolidated financial results for the fiscal year ended December 31, 2023

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

Item	FY2023 (Jan-Dec)	FY2022 (Jan-Dec)	Year-on-year change
Revenue	1,304,552	1,246,401	4.7%
Net revenue	1,144,819	1,119,519	2.3%
Operating profit	45,312	117,617	(61.5)%
Profit (loss) attributable to owners of the parent	(10,714)	59,847	–

(Note) Profit distribution from the Content business, which was previously presented under "Other income," has been included in "Revenue" for the fiscal year ended December 31, 2023. Moreover, amortization of long-term prepaid expenses, etc., which had been presented under "Other expenses" as expenses related to the said profit distribution, has been included in "Revenue" as a deduction item of revenue. As a result, the amounts for the fiscal year ended December 31, 2022 have been retrospectively adjusted to reflect the change in the presentation. Please refer to "Consolidated Financial Statements and Notes to the Consolidated Financial Statements 2. BASIS OF PREPARATION (5) Changes in Presentation (Consolidated Statement of Income)" for details of this retrospective adjustment.

Main profit indicators for the fiscal year ended December 31, 2023

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

Item	FY2023 (Jan-Dec)	FY2022 (Jan-Dec)	Year-on-year change
Underlying operating profit	163,515	204,307	(20.0)%
Operating margin	14.5%	18.4%	(390)bps
Underlying net profit attributable to owners of the parent	89,839	130,835	(31.3)%

(Note) 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 as a one-off item. Accordingly, for the fiscal year ended December 31, 2022, operating profit (loss) related to the Russia business, which was previously included in the underlying operating profit for the fiscal year ended December 31, 2022, has been eliminated and reclassified.

Summary of consolidated financial results for the fiscal year ended December 31, 2023

The Group recorded the highest net revenue for the third consecutive fiscal year since public listing with an increase of 2.3% year on year, boosted by exchange rate movements and M&A activities, despite a consolidated organic growth rate of negative 4.9%. Underlying operating profit decreased by 20.0% year on year due to factors such as the decline in organic growth and an increase in selling, general and administrative expenses. The operating margin shrunk by 390 bps to 14.5%.

For financial accounting purposes, operating profit fell by 61.5% year on year to ¥45,312 million due to factors such as an impairment loss of ¥67,804 million in APAC, in addition to the decline in business profit. The Group recorded a net loss attributable to owners of the parent of ¥10,714 million.

As in the previous fiscal year, we continued to focus on M&A activities in the Customer Transformation & Technology (CT&T) domain, acquiring companies such as the CRM consulting firm Omega Customer Relationship Management Consulting, S.L. in Spain, the B2B experience and commerce agency Shift7 Digital, LLC. in the U.S., the global omnichannel digital marketing production powerhouse Tag Worldwide Holdings Ltd. in the U.K., and RCKT GmbH, a leading German digital-first brand, communications and creative agency.

In contrast to the double-digit growth of the CT&T domain in Japan and the contribution of the newly consolidated subsidiaries, the Group was impacted by the delay and downsizing of projects internationally in the CT&T domain. 32% of total net revenue was sourced in this domain, a similar level to the previous fiscal year.

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Segment Overview

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

	FY2023 (Jan-Dec)	FY2023 Q4 (Oct-Dec)	FY2023 Q3 (Jul-Sep)	FY2023 Q2 (Apr-Jun)	FY2023 Q1 (Jan-Mar)
Japan	1.6%	0.9%	3.0%	3.4%	(0.2)%
Americas	(7.2)%	(9.3)%	(6.6)%	(7.4)%	(4.9)%
EMEA	(10.9)%	(13.6)%	(17.2)%	(12.7)%	3.4%
APAC	(8.2)%	(8.6)%	(9.1)%	(7.0)%	(7.8)%
Consolidated	(4.9)%	(6.6)%	(6.0)%	(4.7)%	(1.6)%

From this fiscal year, the Group has reclassified its reportable segments. Comparisons and analysis for this fiscal year is based on the reportable segments after reclassification. Please refer to Notes on the Consolidated Financial Statements (Segment and Other Information)" for details.

Japan

Conditions in the advertising market were weak, but the CT&T domain performed robustly, achieving double-digit growth. This led to a net revenue organic growth rate of 1.6% and net revenue of ¥448,998 million (1.8% increase year on year), marking its highest level ever for the third consecutive fiscal year. Underlying operating profit was ¥103,440 million (2.1% decrease year on year) and the operating margin was 23.0% (23.9% for the previous fiscal year) due to factors such as higher expenses associated with rising prices and the post-pandemic recovery, as well as an increase in personnel expenses due mainly to an increase in the number of personnel.

Americas

The Americas saw a net revenue organic growth rate of negative 7.2%. By major markets, Canada and Latin America performed strongly, but the US market reported revenue decline. The impact of a decline in media advertising placements by clients, particularly in the finance and technology sectors plus delays in CT&T projects and a deterioration in market conditions impacted the Group. Net revenue in the Americas was ¥322,078 million (1.6% increase year on year), underlying operating profit was ¥73,030 million (7.1% increase year on year), and the operating margin was 22.7% (21.5% for the previous fiscal year), all improving year on year on the back of the overall shift in exchange rates toward a weaker yen, as well as M&A activities.

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

In EMEA, the net revenue organic growth rate was negative 10.9%, due mainly to 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 during the second and third quarters (the net revenue organic growth rate after excluding this impact was negative 7.6%). By major markets, Spain and the Netherlands performed strongly, but results were under pressure in countries such as the UK, Switzerland, Germany, and France. Net revenue in EMEA was ¥237,523 million (2.0% increase year on year), improving year on year on the back of the overall shift in exchange rates toward a weaker yen, as well as M&A activities. However, underlying operating profit was ¥24,238 million (53.3% decrease year on year), and the operating margin was 10.2% (22.3% for the previous fiscal year) due to factors such as one-off financial impact in the DACH cluster, higher expenses associated with rising prices, and the post-pandemic recovery.

APAC (Asia- Pacific excluding Japan)

The net revenue organic growth rate in APAC was negative 8.2%. By major markets, Taiwan saw a strong performance, but the results were weaker in countries such as China, Australia, and India. Net revenue in APAC was ¥113,235 million (0.8% increase year on year) due to the overall shift in exchange rates toward a weaker yen, as well as M&A activities. However, underlying operating profit was ¥7,957 million (64.3% decrease year on year), and the operating margin was 7.0% (19.8% for the previous fiscal year) due to factors such as higher expenses associated with rising prices, the post-pandemic recovery, and the recording of workforce reduction expenses.

Financial Position and Cash Flows

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Financial Position

Total assets at the end of the fiscal year decreased by ¥107,025 million from the end of the previous fiscal year to ¥3,634,401 million, primarily due to a decrease in cash and cash equivalents, despite an increase in goodwill. Meanwhile, total liabilities decreased by ¥64,453 million to ¥2,721,646 million, primarily due to a decrease in bonds and borrowings. Total equity decreased by ¥42,572 million to ¥912,755 million, primarily due to a decrease in retained earnings resulting from the payment of dividends.

In the previous fiscal year and the current 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.

Maintaining a robust and flexible balance sheet is an important issue under the Medium-Term Management Plan, and it is the Group's management policy to keep net debt / underlying EBITDA at no more than 1.5x (year-end) within an indicative medium-term range of 1.0 to 1.5x (after eliminating the impact of applying IFRS 16).

Cash flows

As of December 31, 2023, cash and cash equivalents (hereinafter "cash") amounted to ¥390,678 million compared to the ¥603,740 million posted at the end of the previous fiscal year. Cash at the end of the fiscal year decreased by ¥213,061 million from the end of the previous fiscal year, primarily due to cash used in financing activities.

Net cash flow from operating activities

Net cash provided by operating activities decreased by ¥5,628 million compared to the end of the previous fiscal year to ¥75,267 million, primarily due to a decrease in profit before tax and an increase in working capital.

Net cash flow from investing activities

Net cash used in investing activities increased by ¥121,950 million compared to the end of the previous fiscal year to ¥146,297 million. This was primarily due to an increase in net cash paid on acquisition of subsidiaries.

Net cash flow from financing activities

Net cash used in financing activities decreased by ¥34,511 million compared to the end of the previous fiscal year to ¥153,681 million. This was primarily due to a net increase in short-term borrowings, an increase in the proceeds from long-term borrowings, and a decrease in repurchase of treasury shares, despite an increase in repayment of long-term borrowings.

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 2024.

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

Please refer to "Comprehensive Business Overview" for the Company's views, analysis and discussion of financial position and operating results for the fiscal year ended December 31, 2023.

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

(i) Basic approach to capital policy and financial strategy

During the term of the Medium-Term Management Plan announced in February 2021, the Group will

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strive to contribute to solving a range of issues faced by society by positively addressing business opportunities triggered by societal changes. The Group has established financial policies to ensure financial soundness to further increase both corporate value and shareholder value.

Regarding financial soundness, we aim to maintain high credit ratings by keeping net debt at no more than 1.5x underlying EBITDA (year-end) within an indicative medium-term range of 1.0 to 1.5x (after eliminating the impact of applying IFRS 16). We also ensure ample liquidity on hand through internal reserves, loans from financial institutions, corporate bonds, commercial paper, receivables securitization, commitment lines, and other sources of funds. Moreover, in fiscal year 2023, we also maintained additional undrawn temporary loan commitments with financial institutions to prepare for unexpected circumstances such as a rapid change in the external environment. In this way, we are endeavoring to maintain a high level of resilience to dramatic changes in the business environment and other risks.

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

We aim to return profits to shareholders by appropriately distributing profits gained through these activities and improving intrinsic corporate value. Our dividend policy is to progressively raise the dividend payout ratio to 35% of underlying basic EPS by fiscal year 2024. We achieved a dividend payout ratio of 35% in fiscal year 2023, one year ahead of schedule.

(ii) Main demands on funds

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

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

(iii) Status of cash flows

Please refer to "Cash flows" for the status of cash flows for the fiscal year ended December 31, 2023.

(iv) Status of financing and liquidity

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

The Group has also established a syndicated commitment line of up to ¥50,000 million for the Company and an undrawn commitment line for Dentsu International Limited (DI) of up to £500 million (approximately ¥90,000 million) to ensure liquidity in times of emergency. Moreover, in order to prepare fully for any rapid changes in the external environment, we have also maintained additional temporary loan commitments with financial institutions.

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

The Group recognizes the maintenance and enhancement of our ability to stably procure external funds as an important management issue, and we have obtained a long-term credit rating of "AA-" and a short-term credit rating of "a-1+" from the rating agency Rating and Investment Information, Inc. (R&I). Moreover, based on the

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broad, positive relationships we have built up over many years with major financial institutions in Japan and internationally, we consider that there should be no problem in maintaining and expanding the Group's businesses, securing the necessary working capital, and procuring the funds needed to invest in growth.

(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.

(i) 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.

(ii) 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

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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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

Business and Other Risks

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

The Group has identified and announced the material issues, materiality, for its sustainable growth and value creation in July 2023. With the introduction of the "One dentsu Operating Model," the Group Risk Committee, described below, progressively reviews the main risks already identified and their connections with the Group's materiality, as well as considering the addition of new risks.

The forward-looking statements contained herein are based on the judgment of the Group as of March 2024.

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, a person responsible for global internal controls and risk, who oversees Group-wide risk management and internal controls, has been appointed as a member of the Group Management Team. This member promotes Group-wide risk management activities under the direction of the Global CEO, who chairs the Group Risk Committee. With the introduction of the "One dentsu Operating Model," risk committees have been established under the umbrella of the Group Risk Committee for each of the four regions and the major functions, and a structure has been established where the Group Risk Committee can oversee Group-wide risk management.

Major risks and their countermeasures

(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, 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 the 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 associated with the development of new businesses from the medium- to long-term perspective

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In 2021, the Group announced the Medium-Term Management Plan concluding in 2024, designed to promptly respond to changes in the business environment as described above and accurately seize new business opportunities. The Group has been steadily implementing the plan. Currently, the Group is engaged in the action plan for fiscal year 2024, described under "Management Policies, Management Environment and Issues to be Addressed, etc.," while also formulating the next Medium-Term Management Plan to be announced in the second half of fiscal year 2024. In addition to the integration and enhancement of expertise cultivated in the advertising marketing domain with data and technology, one of the core pillars of the current Medium-Term Management Plan is the execution of growth strategies to support clients' business transformation. This is defined as Customer Transformation & Technology (CT&T). In fiscal year 2023, 32% of the Group's net revenue was sourced from this domain. However, the Group's business results may be negatively affected if the development of these businesses does not lead to profitability in the medium- to long-term, for reasons such as a lack of innovation within the Group, a misreading of consumer trends, excessively optimistic business plans, a breakdown in negotiations with joint business partners, insufficient management of investment performance, or a lack of intelligence regarding changes in the business environment.

(3) Risks related to human capital

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

Employee engagement is vital for the Group to achieve its strategic goals. It risks a decline in employee loyalty, which makes it difficult to attract and retain outstanding human resources if it is unable to implement an internal vision and values that include aspects such as DEI, and as a result it is unable to sustain employee motivation.

The Group has established the vision "to be at the forefront of people-centered transformations that shape society" and strives to nurture an inclusive corporate culture where all employees can make the most of their individuality, regardless of gender, nationality, age, sexual orientation, disability, or years of service, and thoroughly establish a corporate climate where diversity drives competitive strength. A Group-wide engagement survey has been conducted on a continuing basis since fiscal year 2021 to identify challenges in the organization and make improvements while listening to employees. Employee engagement scores are being progressively reflected in executive compensation.

Since January 2023, the Group has transitioned to a global management structure through the Group Management Team, based on clearer requirements for Group leadership, to accelerate People-centered Transformation and further enhance management sophistication. Beginning in 2024, the Group is working to strengthen this structure through the appointment of the Global COO, Global President - Global Practices, and Global President - Data & Technology under the Global CEO. It is the role of leaders to firmly embed the Group's governance vision. From this perspective, the Group pursuing succession planning for leadership roles together with the establishment of training systems, in order to focus on and develop leadership to drive its vision as well as make a positive impact on the entire organization.

(4) Risks related to the business transformation

The Group continues to accelerate structural reforms to respond to rapid changes in the business and competitive environments. Beginning in fiscal year 2024, the Group is progressively introducing the "One dentsu Operating Model," a globally integrated business management model designed to support further growth for clients through the global integration of clients' contact points, the swifter provision of advanced practices, and the

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

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

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

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

Perceiving these changes in the industry structure as business opportunities, the Group plans to integrate and enhance the expertise and creativity it has cultivated in the advertising marketing domain with data and technology, establishing business models that offer Integrated Growth Solutions that utilize consumer intelligence, as well as providing end-to-end integrated services from strategy to implementation. The Group also plans to focus on developing its human resources.

(ii) Risk of loss of global clients
Many of the Group's clients engage in businesses on a global level. Clients often conduct bidding (global pitches) to select advertising companies either on a global level or regional level, such as APAC.

The Group's revenue may decline if it is unable to retain existing clients, and operating margin may deteriorate if it is forced to accept orders at lower margins than previously in order to win pitches.

The entire Group strives to strengthen its partnerships with global accelerator clients (key client companies) to improve its business acquisition and retention rates, while ensuring that it receives appropriate consideration for the value of the integrated solutions it provides to its clients.

(iii) Risks associated with structural changes in the media environment
The media environment that surrounds consumers is undergoing a significant shift to digital technology on a global level, against the backdrop of innovation. The Group perceives these structural changes in the media environment as business opportunities.

However, if the Group is unable to swiftly respond to structural changes in the media environment, or if it is unable to adopt terms and forms of transaction that are appropriate in view of such changes, this may lead to issues such as the loss of revenue from media and damage to relationships with clients, which may negatively affect the Group's business results. Moreover, these structural changes in the media environment are progressing at differing speeds across each country and region, therefore the Group must plan appropriately, responding flexibly in each market.

(iv) Risks related to the content business
The Group is engaged in the content business both in Japan and internationally, including investment in the production of movies and the purchase and sale of broadcasting rights for sporting events, etc. In many cases, payments in the content business must be made before income is received, and income and expenditure plans

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span several years. Moreover, large financial commitments are sometimes necessary to acquire sponsorship rights or broadcasting rights for large sporting events and the like.

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

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

(6) Impairment risk of goodwill and intangible assets

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

The Group manages these acquisitions through regular reviews of investment return and goodwill impairment tests, which are conducted whenever indications of impairment are recognized, as well as annually during the fourth quarter regardless of whether there are indications of impairment, to prevent any unexpected large-scale deterioration in investment performance. During the fiscal year, the Group conducted goodwill impairment tests based on the latest business plans, taking account of up-to-date results. As a result, the Group recognized an impairment loss of ¥67,804 million on the entire goodwill and some intangible assets of the group of cash-generating units to which the goodwill for APAC had been allocated. The Group's business results and financial position may be negatively affected if another large impairment loss is recorded as a result of future impairment tests.

(7) Risks related to information security and cyber security

In the course of its business operations, the Group frequently receives information on the products, services, and businesses of its clients that has not been publicly disclosed. The Group has obtained certification under the international standard for information security management systems and takes every reasonable precaution in managing information. However, in the unlikely incidents such as an information leak, the Group's credibility would be damaged and its business results may be negatively affected.

Moreover, it is possible that unforeseen external cyber attacks or actions by employees or suppliers may threaten the confidentiality, integrity, and accessibility of important business systems and data, which may have a significant operational, regulatory, financial or reputational impact on the Group and 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.

(8) Sustainability-related risks

The Group has updated the 2030 Sustainability Strategy that it established in January 2021 to reflect the five issues identified as "Group materiality" — Business ethics & Compliance and Data security, DEI, Human capital development, Climate action, and Innovation leadership. It promotes measures aimed at achieving the index targets set forth in the strategy, including environmental, social, governance, and business targets.

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

From 2024, a Global Chief Sustainability Officer

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has been appointed to oversee the implementation of climate change risk response and other aspects of the strategy.

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

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

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

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

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

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

(iii) Risks related to litigation, etc.

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

Regarding the incident related to the Tokyo 2020 Olympic and Paralympic Games, described in the Financial Report 2023, the dentsu Japan Reform Committee is implementing and promoting the measures established as "Mindset and Behavior Reform," aimed at raising awareness of the Group's social responsibilities and improving transparency, as well as clarifying the rules and processes to be complied with, based on the recommendations of the Investigation and Review Committee.

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

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

The Group regularly reviews crisis management

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and business continuity plans (BCP) for the issues described above that are expected in each region and market.

Consolidated Financial Statements

Consolidated Statement of Financial Position

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2023

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		(Millions of Yen)		(Millions of U.S. Dollars)
ASSETS	Notes	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
CURRENT ASSETS:				
Cash and cash equivalents	8, 35	¥603,740	¥390,678	$2,774
Trade and other receivables	9, 25, 35	1,531,957	1,524,289	10,823
Inventories	10	3,670	6,396	45
Income tax receivables		46,964	52,194	371
Other financial assets	11, 19, 35	18,731	23,135	164
Other current assets	12	55,226	62,482	444
Subtotal		2,260,291	2,059,176	14,621
Non-current assets classified as held for sale	13	57,205	80,380	571
Total current assets		2,317,496	2,139,557	15,191
NON-CURRENT ASSETS:				
Property, plant and equipment	2, 14	26,577	29,430	209
Goodwill	7, 15	749,755	831,121	5,901
Intangible assets	2, 7, 15	211,247	238,733	1,695
Right-of-use assets	2, 16	143,379	139,252	989
Investments accounted for using the equity method	6, 17	47,515	51,227	364
Other financial assets	11, 25, 35	168,386	133,766	950
Other non-current assets	22	20,241	22,126	157
Deferred tax assets	18	56,827	49,185	349
Total non-current assets		1,423,931	1,494,844	10,614
TOTAL ASSETS	6	¥3,741,427	¥3,634,401	$25,805

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Consolidated Statement of Financial Position

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2023

		(Millions of Yen)		(Millions of U.S. Dollars)
LIABILITIES AND EQUITY	Notes	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
LIABILITIES:				
CURRENT LIABILITIES:				
Trade and other payables	19, 35	¥1,532,591	¥1,527,612	$10,846
Bonds and borrowings	20, 35	95,790	39,213	278
Other financial liabilities	16, 20, 35, 37	92,237	71,117	505
Income tax payables		30,894	28,088	199
Provisions	21	12,700	18,072	128
Other current liabilities	25	215,740	189,278	1,344
Subtotal		1,979,955	1,873,383	13,301
Liabilities directly associated with non-current assets classified as held for sale	13	37,740	66,527	472
Directly related liabilities		2,017,696	1,939,910	13,774
NON-CURRENT LIABILITIES:				
Bonds and borrowings	20, 35	436,639	455,232	3,232
Other financial liabilities	16, 20, 35	222,811	236,357	1,678
Liability for retirement benefits	22	23,991	18,120	129
Provisions	21	21,887	18,046	128
Other non-current liabilities	34	7,333	5,640	40
Deferred tax liabilities	18	55,740	48,337	343
Total non-current liabilities		768,403	781,735	5,551
Total liabilities		2,786,099	2,721,646	19,324
EQUITY:				
Share capital	23	74,609	74,609	530
Share premium account	23	74,931	75,072	533
Treasury shares	23	(25,478)	(24,964)	(177)
Other components of equity	13	135,786	148,180	1,052
Retained earnings	23	620,418	568,753	4,038
Total equity attributable to owners of the parent	35	880,267	841,651	5,976
Non-controlling interests	7, 23	75,060	71,104	505
Total equity		955,327	912,755	6,481
TOTAL LIABILITIES AND EQUITY		¥3,741,427	¥3,634,401	$25,805

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Consolidated Statement of Income

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2023

	Notes	(Millions of Yen) FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	(Millions of U.S. Dollars) FY2023 (Year ended December 31, 2023)
Revenue	2, 6, 25	¥1,246,401	¥1,304,552	$9,263
Cost of sales	14, 15, 16, 22, 27	(126,881)	(159,732)	(1,134)
Net revenue	6	1,119,519	1,144,819	8,129
Selling, general and administrative expenses	14, 15, 16, 22, 26, 27, 34	(950,768)	(1,018,730)	(7,233)
Restructuring cost	14, 15, 21, 27	(33,941)	(9,992)	(71)
Gain on sale and retirement of non-current assets	16	16,826	100	1
Impairment loss	13, 14, 15	(35,972)	(72,201)	(513)
Other income	2, 28	4,382	3,028	21
Other expenses	2, 29	(2,429)	(1,710)	(12)
Operating profit	6	117,617	45,312	322
Share of profit of investments accounted for using the equity method	17	3,418	3,654	26
Impairment loss of investments accounted for using the equity method	17	(5,950)	-	-
Gain (loss) on sale of investments in associates	17	600	(194)	(1)
Revaluation gain on step acquisition	7, 17	5,467	142	1
Profit before interest and tax		121,153	48,914	347
Finance income	30	19,701	22,199	158
Finance expenses	16, 22, 27, 30	(39,947)	(38,009)	(270)
Profit before tax		100,908	33,103	235
Income tax expenses	18	(34,982)	(38,572)	(274)
Profit (loss) for the year		¥65,925	¥(5,468)	$(39)
Profit (loss) attributable to:				
Owners of the parent		¥59,847	¥(10,714)	$(76)
Non-controlling interests		¥6,077	¥5,245	$37
Earnings (loss) per share		(Yen)	(Yen)	(U.S.Dollars)
Basic earnings (loss) per share	32	¥223.33	¥(40.52)	$(0.29)
Diluted earnings (loss) per share	32	¥221.96	¥(40.52)	$(0.29)

Reconciliation from operating profit to underlying operating profit	Notes	(Millions of Yen) FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	(Millions of U.S. Dollars) FY2023 (Year ended December 31, 2023)
Operating profit		¥117,617	¥45,312	$322
Amortization of intangible assets incurred in acquisitions		28,721	30,691	218
Selling, general and administrative expenses		3,701	5,780	41
Restructuring cost		33,941	9,992	71
Gain on sale and retirement of non-current assets		(16,826)	(100)	(1)
Impairment loss	13, 14, 15	35,972	72,201	513
Other income		(584)	(1,622)	(12)
Other expenses		1,763	1,259	9
Underlying operating profit (Note 1)	6	¥204,307	¥163,515	$1,161

(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

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2023

	Notes	(Millions of Yen) FY2022 (Year ended December 31, 2022)	(Millions of Yen) FY2023 (Year ended December 31, 2023)	(Millions of U.S. Dollars) FY2023 (Year ended December 31, 2023)
PROFIT (LOSS) FOR THE YEAR		¥65,925	¥(5,468)	$(39)
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	(40,703)	13,612	97
Remeasurements of defined benefit plans	22, 31	5,393	12,192	87
Share of other comprehensive income of investments accounted for using the equity method	17, 31	152	127	1
ITEMS THAT ARE OR MAY BE RECLASSIFIED TO PROFIT OR LOSS:				
Exchange differences on translation of foreign operations	31	39,694	8,956	64
Effective portion of the change in the fair value of cash flow hedges	31	26,329	(16,254)	(115)
Share of other comprehensive income of investments accounted for using the equity method	17, 31	33	202	1
Other comprehensive income, net of tax		30,897	18,837	134
COMPREHENSIVE INCOME FOR THE YEAR		¥96,823	¥13,368	$95
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
Owners of the parent		¥96,248	¥8,219	$58
Non-controlling interests		¥575	¥5,148	$37

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Consolidated Statement of Changes in Equity

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2023

(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, 2022		¥74,609	¥77,864	¥(64,603)	¥31,465	¥12,199	¥37,759
Profit (loss) for the year							
Other comprehensive income	31				38,309	26,325	(33,627)
Comprehensive income for the year		-	-	-	38,309	26,325	(33,627)
Repurchase of treasury shares	23			(40,006)			
Disposal of treasury shares	23		(88)	149			
Cancellation of treasury stock	23		(5,646)	78,981			
Dividends	24						
Transactions with non-controlling shareholders	23						
Transfer from other components of equity to retained earnings							23,355
Other			2,803				
Transactions with owners–total		-	(2,932)	39,124	-	-	23,355
As of December 31, 2022		¥74,609	¥74,931	¥(25,478)	¥69,774	¥38,524	¥27,487
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

(Millions of U.S. Dollars)

	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, 2022		$530	$553	$(459)	$223	$87	$268
Profit (loss) for the year							
Other comprehensive income	31				272	187	(239)
Comprehensive income for the year		-	-	-	272	187	(239)
Repurchase of treasury shares	23			(284)			
Disposal of treasury shares	23		(1)	1			
Disposal of treasury shares	23		(40)	561			
Dividends	24						
Transactions with non-controlling shareholders	23						
Transfer from other components of equity to retained earnings							166
Other			20				
Transactions with owners–total		-	(21)	278	-	-	166
As of December 31, 2022		$530	$532	$(181)	$495	$274	$195
Profit (loss) for the year							
Other comprehensive income	31				56	$(115)	108
Comprehensive income for the year		-	-	-	56	$(115)	108
Repurchase of treasury shares				0			
Disposal of treasury shares	23		(2)	4			
Dividends	24						
Transactions with non-controlling shareholders							
Transfer from other components of equity to retained earnings							40
Other			3				
Transactions with owners–total		-	1	4	-	-	40
As of December 31, 2023		$530	$533	$(177)	$551	$158	$343

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(Millions of Yen)

	Notes	Total equity attributable to owners of the parent				Non-controlling interests	Total equity
		Other components of equity		Retained earnings	Total		
		Remeasurements of defined benefit plans	Total				
As of January 1, 2022		–	¥81,423	¥675,739	¥845,034	¥64,440	¥909,474
Profit (loss) for the year			–	59,847	59,847	6,077	65,925
Other comprehensive income	31	5,392	36,400		36,400	(5,502)	30,897
Comprehensive income for the year		5,392	36,400	59,847	96,248	575	96,823
Repurchase of treasury shares	23		–		(40,006)		(40,006)
Disposal of treasury shares	23		–		61		61
Cancellation of treasury stock	23		–	(73,334)	–		–
Dividends	24		–	(37,035)	(37,035)	(3,763)	(40,799)
Transactions with non-controlling shareholders	23		–	13,897	13,897	14,885	28,782
Transfer from other components of equity to retained earnings		(5,392)	17,962	(17,962)	–		–
Other			–	(733)	2,069	(1,077)	992
Transactions with owners–total		(5,392)	17,962	(115,169)	(61,014)	10,044	(50,969)
As of December 31, 2022		–	¥135,786	¥620,418	¥880,267	¥75,060	¥955,327
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

(Millions of U.S. Dollars)

	Notes	Total equity attributable to owners of the parent				Non-controlling interests	Total equity
		Other components of equity		Retained earnings	Total		
		Remeasurements of defined benefit plans	Total				
As of January 1, 2022		–	$578	$4,798	$6,000	$458	$6,457
Profit (loss) for the year			–	425	425	43	468
Other comprehensive income	31	38	258		258	(39)	219
Comprehensive income for the year		38	258	425	683	4	687
Repurchase of treasury shares	23		–		(284)		(284)
Disposal of treasury shares	23		–		0		0
Disposal of treasury shares	23		–	(521)	–		–
Dividends	24		–	(263)	(263)	(27)	(290)
Transactions with non-controlling shareholders	23		–	99	99	106	204
Transfer from other components of equity to retained earnings		(38)	128	(128)	–		–
Other			–	(5)	15	(8)	7
Transactions with owners–total		(38)	128	(818)	(433)	71	(362)
As of December 31, 2022		–	$964	$4,405	$6,250	$533	$6,783
Profit (loss) for the year			–	(76)	(76)	37	(39)
Other comprehensive income	31	87	134		134	(1)	134
Comprehensive income for the year		87	134	(76)	58	37	95
Repurchase of treasury shares			–		0		0
Disposal of treasury shares	23		–		1		1
Dividends	24		–	(307)	(307)	(34)	(341)
Transactions with non-controlling shareholders			–	(25)	(25)	(30)	(56)
Transfer from other components of equity to retained earnings		(87)	(46)	46	–		–
Other			–	(5)	(2)		(2)
Transactions with owners–total		(87)	(46)	(291)	(333)	(65)	(397)
As of December 31, 2023		–	$1,052	$4,038	$5,976	$505	$6,481

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Consolidated Statement of Cash Flows

Dentsu Inc. and Consolidated Subsidiaries
December 31, 2023

	Notes	(Millions of Yen) FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	(Millions of U.S. Dollars) FY2023 (Year ended December 31, 2023)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		¥100,908	¥33,103	$235
ADJUSTMENTS FOR:				
Depreciation and amortization	6, 14, 15, 16, 26	74,170	78,719	559
Impairment loss	13, 14, 15	35,972	72,201	513
Interest and dividend income	30	(4,935)	(9,187)	(65)
Interest expense	30	22,203	29,487	209
Share of profit of investments accounted for using the equity method		(3,418)	(3,654)	(26)
Impairment loss of investments accounted for using the equity method		5,950	-	-
Revaluation (gain) loss on contingent consideration and put option liabilities	30	12,163	2,282	16
Loss (gain) on sale and retirement of non-current assets		(16,826)	(100)	(1)
Revaluation (gain) loss on step acquisition	7	(5,467)	(142)	(1)
(Gain) loss on valuation of securities	30	(11,413)	987	7
Increase (decrease) in liability for retirement benefits		306	(1,521)	(11)
Increase (decrease) in provision of restructuring cost		4,448	(4,337)	(31)
Other – net		1,173	(79)	(1)
Cash flows from operating activities before adjusting changes in working capital and others		215,234	197,760	1,404
CHANGES IN WORKING CAPITAL:				
(Increase) decrease in trade and other receivables		17,533	70,241	499
(Increase) decrease in inventories		16,975	(2,188)	(16)
(Increase) decrease in other current assets		14,893	(2,300)	(16)
Increase (decrease) in trade and other payables		(17,405)	(83,218)	(591)
Increase (decrease) in other current liabilities		(35,515)	(42,873)	(304)
(Increase) decrease in working capital		(3,518)	(60,340)	(428)
Subtotal		211,716	137,419	976
Interest received		2,210	9,858	70
Dividends received		3,246	6,032	43
Interest paid	16	(20,511)	(30,441)	(216)
Income taxes paid		(115,764)	(47,601)	(338)
Net cash flows from operating activities		80,896	75,267	534
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for purchase of property, plant and equipment, intangible assets and investment property	6	(18,526)	(28,892)	(205)
Proceeds from sale of property, plant and equipment, intangible assets and investment property		13,941	1,269	9
Net cash (paid) received on acquisition of subsidiaries	7	(39,173)	(136,556)	(970)
Net cash (paid) received on sale of subsidiaries		(1,700)	12	0
Payments for purchases of securities		(10,477)	(6,877)	(49)
Proceeds from sales of securities		28,572	24,071	171
Other – net		3,017	677	5
Net cash flows from investing activities		(24,346)	(146,297)	(1,039)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in short-term borrowings	20	(5,832)	12,884	91
Proceeds from long-term borrowings	20	610	221,000	1,569
Repayments of long-term borrowings	20	(55,791)	(258,824)	(1,838)
Redemption of bonds	20	-	(35,000)	(249)
Repayments of lease obligations	16, 20	(35,748)	(36,367)	(258)
Payments for acquisition of interest in subsidiaries from non-controlling shareholders	20	(12,025)	(13,144)	(93)
Payments for repurchase of treasury shares	23	(40,006)	(4)	0
Dividends paid	24	(37,035)	(43,229)	(307)
Dividends paid to non-controlling shareholders		(4,106)	(4,812)	(34)
Other – net		1,744	3,815	27
Net cash flows from financing activities		(188,192)	(153,681)	(1,091)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		13,932	11,117	79
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(117,710)	(213,593)	(1,517)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	8	723,541	603,740	4,287
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS INCLUDED ASSETS CLASSIFIED AS HELD FOR SALE	13	(2,091)	531	4
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	8	¥603,740	¥390,678	$2,774

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1. REPORTING ENTITY

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

The address of the Company's registered corporate headquarter is available on the Company's website (https://www.group.dentsu.com/jp/).

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

The consolidated financial statements of the Group for the fiscal year ended December 31, 2023 have been approved by Hiroshi Igarashi, Representative Executive Officer, President & Global CEO, and Arinobu Soga, Representative Executive Officer, Executive Vice President, Global CGO & Global CFO, on May 14, 2024.

2. BASIS OF PREPARATION

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

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

(2) Basis of Measurement

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

For the convenience of readers outside Japan, the accompanying Consolidated Financial Statements are also presented in United States dollars by translating Japanese yen amounts at the exchange rate of ¥140.84 to U.S.$1, the approximate rate of exchange at the end of December 31, 2023. Such translations should not be construed as representations that the Japanese yen amounts could be converted into United States dollars at the above or any other rate.

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

(4) Early Adoption of New Standards

There are no early adoption of standards.

(Consolidated Statement of Financial Position)

"Right-of-use assets," which had been presented under "Property, plant and equipment" and "Intangible assets" as of December 31, 2022, are presented separately as of December 31, 2023, for clarification. To reflect this change in the presentation, the Consolidated Statement of Financial Position as of December 31, 2022 has been reclassified.

As a result, the ¥168,859 million presented under "Property, plant and equipment" and the ¥212,345 million under "Intangible assets" in non-current assets in the Consolidated Statement of Financial Position as of December 31, 2022 have been reclassified as ¥26,577 million under "Property, plant and equipment" and ¥211,247 million under "Intangible assets" and ¥143,379 million under "Right-of-use assets."

(Consolidated Statement of Income)

Profit distribution from the content business which has been presented under "Other income" has been included in "Revenue" for the fiscal year ended December 31, 2023. Moreover, amortization of long-term prepaid expenses, etc., which had been presented under "Other expenses" as expenses related to the said profit distribution, has been included in "Revenue" as a deduction item of revenue.

This change is intended to present the results of the Group's sales activities more appropriately, as the renewal of contracts has led to an increased contribution by the Group's sales activities.

To reflect this change in the presentation, ¥2,517 million, which resulted from deducting ¥3,891 million of amortization of long-term prepaid expenses and ¥392 million of other expenses included in "Other expenses" from ¥6,801 million of profit distribution included in "Other income," was reclassified into "Revenue" in the Consolidated Statement of Income for the fiscal year ended December 31, 2022. However, the reclassification has no impact on operating profit and profit before tax for the fiscal year ended December 31, 2022.

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.

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

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

B. Associates and Joint Ventures

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

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

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

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

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

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

C. Transactions Eliminated Under Consolidation

All intragroup balances, transactions, and unrealized gains resulting from intragroup transactions are eliminated on consolidation. Unrealized gains resulting from transactions with associates and joint ventures are deducted from investments, to the extent it does not exceed Company's share in an investee.

(2) Business Combinations

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

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

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

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

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

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

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

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

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

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

(3) Foreign Currency Translation

A. Translation of Foreign Currency Transactions

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

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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.

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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

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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 2 to 18 years)

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

(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

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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 year end for the corresponding discount period based on projected period until the expected benefit payment date.

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

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

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

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(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

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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) Finance Income and Finance Expenses

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

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

(16) Income Taxes

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

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

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of assets and liabilities in the Consolidated Statement of Financial Position and their tax basis amount. 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 year attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the year, adjusted by the number of treasury shares. Diluted earnings per share are calculated by adjusting the effects of all potential ordinary shares with dilutive effect.

(19) Share-based Payments

The Company and certain subsidiaries grant equity-settled and cash-settled share-based payment plans.

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

For cash-settled share-based payments, services received and

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

(20) Underlying Operating Profit

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

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

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

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

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 as a one-off item. Accordingly, for the fiscal year ended December 31, 2022, operating profit (loss) related to the Russia business, which was previously included in the underlying operating profit for the fiscal year ended December 31, 2022, has been eliminated and reclassified.

(21) Changes in Accounting Policies

The Group has applied the amendments to IAS 12 "Income Taxes," issued in May 2023, from the fiscal year ended December 31, 2023. The said amendments clarify that IAS 12 shall apply to income taxes arising from enacted or substantively enacted tax law to introduce the OECD's BEPS Pillar Two GloBE Rules (global minimum tax rules) and provide a temporary, mandatory exception from recognizing and disclosing deferred tax assets and liabilities related to income taxes resulting from the introduction of the global minimum rules. In addition, as it is provided that the said amendments shall be applied immediately and retrospectively upon issuance, the Group has applied the said exception retrospectively from the fiscal year ended December 31, 2023. Therefore, the Group does not recognize and disclose deferred tax assets and liabilities related to income taxes resulting from the introduction of the global minimum rules.

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")

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5. NEW ACCOUNTING STANDARDS NOT YET ADOPTED BY THE GROUP

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

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

Standards	Name of standards	Mandatory adoption (From the year beginning)	To be adopted by the Group	Description of new standards and amendments
IAS 1	Presentation of Financial Statements	January 1, 2024	Fiscal year ending December 31, 2024	The amendment clarifies how to classify debt and other liabilities as current or non-current.
IFRS 16	Leases	January 1, 2024	Fiscal year ending December 31, 2024	The amendment adds a requirement to explain how to account for a sale and leaseback transaction after the transaction.
IAS 1	Presentation of Financial Statements	January 1, 2024	Fiscal year ending December 31, 2024	The amendment requires improvements of the information disclosed by companies regarding non-current liabilities with covenants.
IAS 7 IFRS 7	Statement of Cash Flows Financial Instruments Disclosure	January 1, 2024	Fiscal year ending December 31, 2024	The amendment introduces disclosure objectives regarding the information about supplier finance arrangements to enhance the transparency.
IAS 21	The Effects of Changes in Foreign Exchange Rate	January 1, 2024	Fiscal year ending December 31, 2024	The amendment specifies the assessment when a currency is considered exchangeable into the other currency and when it is not, specifies how to determine the exchange rate to be applied. In addition, the amendment requires the disclosure of additional information clarifying the approach to determine the exchange rate.

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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 segments

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.

FY2022: Year ended December 31, 2022

(Millions of Yen)

	Japan	Americas	EMEA	APAC	Total	Eliminations/ Central	Consolidated
Revenue (Note 1,3)	¥532,651	¥324,013	¥258,797	¥115,523	¥1,230,985	¥15,415	¥1,246,401
Net revenue (Note 2,3)	441,258	317,156	232,774	112,330	1,103,520	15,999	1,119,519
Segment profit (underlying operating profit) (Note 4)	105,665	68,172	51,947	22,265	248,050	(43,743)	204,307
(Adjusting items)							
Amortization of intangible assets incurred in acquisitions	-	-	-	-	-	-	(28,721)
Selling, general and administrative expenses (Note 9)	-	-	-	-	-	-	(3,701)
Restructuring cost (Note 6)	-	-	-	-	-	-	(33,941)
Gain on sale and retirement of non-current assets (Note 7)	-	-	-	-	-	-	16,826
Impairment loss (Note 8)	-	-	-	-	-	-	(35,972)
Other income	-	-	-	-	-	-	584
Other expenses	-	-	-	-	-	-	(1,763)
Operating income	-	-	-	-	-	-	117,617
Share of profit of investments accounted for using the equity method	-	-	-	-	-	-	3,418
Impairment loss of investments accounted for using the equity method	-	-	-	-	-	-	(5,950)
Gain on sale of investments in associates	-	-	-	-	-	-	600
Revaluation gain on step acquisition	-	-	-	-	-	-	5,467
Finance income	-	-	-	-	-	-	19,701
Finance expenses	-	-	-	-	-	-	(39,947)
Profit before tax	-	-	-	-	-	-	100,908
Segment assets (Note 5)	1,231,654	1,253,556	799,239	417,074	3,701,524	39,902	3,741,427
(Other items)							
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	23,831	6,502	6,788	5,040	42,162	3,286	45,448
Investments accounted for using the equity method	47,302	-	-	167	47,469	45	47,515
Capital expenditures	11,386	1,405	2,201	2,209	17,202	1,324	18,526
Increase in right-of-use assets	¥8,283	¥48,911	¥702	¥1,601	¥59,499	¥69	¥59,569

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FY2023: Year ended December 31, 2023

(Millions of Yen)

	Japan	Americas	EMEA	APAC	Total	Eliminations/ Central	Consolidated
Revenue (Note 1,3)	¥548,802	¥350,583	¥266,377	¥116,129	¥1,281,893	¥22,658	¥1,304,552
Net revenue (Note 2,3)	448,998	322,078	237,523	113,235	1,121,835	22,983	1,144,819
Segment profit (underlying operating profit) (Note 4)	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 9)	-	-	-	-	-	-	(5,780)
Restructuring cost (Note 6)	-	-	-	-	-	-	(9,992)
Gain on sale and retirement of non-current assets (Note 7)	-	-	-	-	-	-	100
Impairment loss (Note 8)	-	-	-	-	-	-	(72,201)
Other income	-	-	-	-	-	-	1,622
Other expenses	-	-	-	-	-	-	(1,259)
Operating income	-	-	-	-	-	-	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 5)	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	¥19,222	-	¥19,615

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FY2023: Year ended December 31, 2023

(Millions of U.S. Dollars)

	Japan	Americas	EMEA	APAC	Total	Eliminations/ Central	Consolidated
Revenue (Note 1,3)	$3,897	$2,489	$1,891	$825	$9,102	$161	$9,263
Net revenue (Note 2,3)	3,188	2,287	1,686	804	7,965	163	8,129
Segment profit (underlying operating profit) (Note 4)	734	519	172	56	1,482	(321)	1,161
(Adjusting items)							
Amortization of intangible assets incurred in acquisitions	-	-	-	-	-	-	(218)
Selling, general and administrative expenses (Note 9)	-	-	-	-	-	-	(41)
Restructuring cost (Note 6)	-	-	-	-	-	-	(71)
Gain on sale and retirement of non-current assets (Note 7)	-	-	-	-	-	-	1
Impairment loss (Note 8)	-	-	-	-	-	-	(513)
Other income	-	-	-	-	-	-	12
Other expenses	-	-	-	-	-	-	(9)
Operating income	-	-	-	-	-	-	322
Share of profit of investments accounted for using the equity method	-	-	-	-	-	-	26
(Loss) gain on sale of investments in associates	-	-	-	-	-	-	(1)
Revaluation gain on step acquisition	-	-	-	-	-	-	1
Finance income	-	-	-	-	-	-	158
Finance expenses	-	-	-	-	-	-	(270)
Profit before tax	-	-	-	-	-	-	235
Segment assets (Note 5)	8,473	9,517	6,012	2,649	26,651	(845)	25,805
(Other items)							
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	209	21	51	40	320	21	341
Investments accounted for using the equity method	362	-	-	2	363	0	364
Capital expenditures	137	12	23	23	195	10	205
Increase in right-of-use assets	$66	$16	$17	$40	$136	-	$139

(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, 2022, revenue from the Russia business was ¥7,805 million and revenue from central functions was ¥8,808 million. In the fiscal year ended December 31, 2023, revenue from the Russia business was ¥15,249 million ($108 million) and revenue from central functions was ¥8,324 million ($59 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, 2022, net revenue from the Russia business was ¥7,805 million and net revenue from central functions was ¥8,808 million. In the fiscal year ended December 31, 2023, net revenue from the Russia business was ¥15,249 million ($108 million) and net revenue from central functions was ¥8,324 million ($59 million).

(Note 3) In the Japan segment, profit distribution from the content business, which had been presented under "Other income," has been included in "Revenue" for the fiscal year ended December 31, 2023. Moreover, amortization of long-term prepaid expenses, etc., which had been presented under "Other expenses" as expenses related to the said profit distribution, has been included in "Revenue" as a deduction item of revenue. As a result, "Revenue" and "Net revenue" for the fiscal year ended December 31, 2022 have been retrospectively adjusted to reflect the change in the presentation.

(Note 4) Eliminations/Central for segment profit (underlying operating profit) are primarily expenses associated with central functions. Furthermore, for the fiscal year ended December 31, 2022, operating profit (loss) related to the Russia business, which had been included in segment profit (underlying operating profit) in the fiscal year ended December 31, 2022, has been eliminated and reclassified.

(Note 5) Eliminations/central for segment assets are due to elimination of central assets and of intersegment transactions.

(Note 6) Restructuring cost by each segment was ¥6,870 million (Japan), ¥20,285 million (Americas), ¥3,144 million (EMEA), ¥3,063 million (APAC) and ¥576 million (Eliminations/Central) for the year ended December 31, 2022, and ¥1,806 million ($13 million) (Japan), ¥ 2,852 million ($20 million) (Americas), ¥1,634 million ($12 million) (EMEA), ¥1,501 million ($11 million) (APAC) and ¥2,197 million ($16 million) (Eliminations/Central) for the year ended December 31, 2023. Impairment loss of ¥922 million (Japan), ¥6,443 million (Americas), ¥670 million (EMEA) and ¥281 million (APAC) were included in the restructuring cost, while there were no impairment loss by "Eliminations/Central" for the year ended December 31, 2022. Impairment loss of ¥1,707 million ($12 million) (Americas), ¥315 million ($2 million) (EMEA) and ¥1,039 million (Eliminations / central) ($7 million) were included in the restructuring cost, while there were no impairment loss by "Japan" and "APAC" for the year ended December 31, 2023

(Note 7) The gain on sale and retirement of non-current assets for the year ended December 31, 2022 and 2023 were attributable to Japan.

(Note 8) Impairment loss by each segment for the fiscal year ended December 31, 2022 was ¥1,155 million (Japan), ¥ 2,177 million (Americas), ¥4 million (EMEA), ¥9,262 million (APAC) and ¥23,372 million (Eliminations / central) due to the Russia business. Impairment loss by each segment for the fiscal year ended December 31, 2023 was ¥2,189 million ($16 million) (Japan), ¥2,114 million ($15 million) (Americas) ¥92 million ($1 million) (EMEA) and ¥67,804 million ($481 million)(APAC). There was no impairment loss by "Eliminations/Central."

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(Note 9) The breakdown of selling, general and administrative expenses is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Selling, general and administrative expenses			
Extra retirement payments	¥4	¥2,618	$19
M&A related cost	980	2,644	19
Share-based payment expenses (Note 1)	64	569	4
Other	2,651	(51)	0
Total	¥3,701	¥5,780	$41

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

(3) Matters pertaining to changes, etc., in reportable segments

On January 1, 2023, the Group formed the Group Management Team, one management team to promote global management as part of efforts to accelerate business transformation and further enhance management sophistication so as to achieve business growth and the sustainable enhancement of corporate value. The team directly governs the four business regions worldwide.

As a result, effective from the fiscal year ended December 31, 2023, the unit of reporting segment has changed from two segments comprising the "Japan business" and "International business" to four segments "Japan," "Americas," "EMEA," and "APAC."

Further, gain/loss and assets related to the Russia business and central functions attributable to the international business, which were included in "International business" in the fiscal year ended December 31, 2022, were changed to "Eliminations/Central" from the fiscal year ended December 31, 2023.

The presented segment information for the fiscal year ended December 31, 2022 is based on the aforementioned post-change segmentation unit. Accordingly, in the fiscal year ended December 31, 2022, revenue was ¥16,614 million higher, net revenue was ¥16,611 million higher, segment profit (underlying operating profit) was ¥34,932 million lower, segment assets were ¥18,895 million lower, depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions) were ¥3,286 million higher, investments accounted for using the equity method were ¥45 million higher, capital expenditures were ¥1,324 million higher, and the increase in right-of-use assets was ¥69 million higher, respectively, than if calculated before the change, all under "Eliminations/Central." Further, in the fiscal year ended December 31, 2023, revenue increased by ¥23,573 million ($167 million), net revenue increased by ¥23,573 million ($167 million), segment profit (underlying operating profit) decreased by ¥34,448 million ($245 million), segment assets decreased by ¥42,087 million ($299 million), depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions) increased by ¥2,916 million ($21 million), investments accounted for using the equity method increased by ¥49 million ($0 million), and capital expenditures increased by ¥1,478 million ($10 million), all under "Eliminations/Central." There was no respective increase in right-of-use assets.

(4) 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)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Advertising services	¥1,138,203	¥1,182,233	$8,394
Information services	106,884	121,577	863
Other services	1,312	741	5
Total	¥1,246,401	¥1,304,552	$9,263

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5) Regional information

A. Revenue from external customers

Revenue attributable to the United States among revenue from international is ¥294,930 million for the year ended December 31, 2022 and ¥308,629 million ($2,191 million) for the year ended December 31, 2023. 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 investment property)

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Japan	¥171,106	¥177,058	$1,257
International (mainly the United Kingdom and the United States)	959,925	1,061,455	7,537
Total	¥1,131,031	¥1,238,513	$8,794

(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 ¥726,467 million and ¥143,945 million, respectively, as of December 31, 2022, and ¥807,901 million ($5,736 million) and ¥157,475 million ($1,118 million), respectively, as of December 31, 2023.

(6) 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

FY2022: Year ended December 31, 2022

Acquisition of Septeni Holdings Co., Ltd.

(1) Details of business combination

A. Name of the acquiree

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

B. Description of acquired business

Digital marketing business, media platform business

C. Main reason for business combination

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

D. Date of the business combination

January 4, 2022

E. Ratio of acquired equity interest with voting rights

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

F. Legal form of the business combination

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

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

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

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

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

(Note 1) As a result of remeasuring the equity interest in Septeni HD held immediately prior to the acquisition date, "revaluation gain on step acquisition" of ¥5,388 million was recognized.
(Note 2) Calculated based on the fair value of the equity interest in Septeni HD that was additionally acquired.
(Note 3) Net expenditure of the difference between the amount paid of ¥32,605 million for the subscription to the new share issuance by Septeni HD through third-party allocation and the amount received of ¥31,250 million due to the transfer of a portion of shares of Dentsu Digital common stock to Septeni HD.

(4) Amount and presentation of acquisition-related expenses

The acquisition-related expenses pertaining to said business combination were ¥143 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)	¥34,829
Non-current assets	36,363
Total assets	71,193
Current liabilities	20,585
Non-current liabilities	11,727
Total liabilities	32,312
Fair value of identifiable net assets	38,880
Total consideration	32,469
Non-controlling interest (Note 2)	18,668
Goodwill (Note 2)	¥12,258

(Note 1) The fair value of acquired trade and other receivables is ¥16,856 million, the amount receivable under contracts is ¥16,879 million, and the amount that is not expected to be recovered is ¥23 million.
(Note 2) Non-controlling interests are measured by multiplying the fair value of the identifiable net assets of the acquiree as of the date when control was gained by the equity interest after the business combination, after deducting the portion separately attributable to non-controlling shareholders.
(Note 3) Goodwill reflects expected future excess earning power. No amount is deductible for tax purposes.

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

		(Millions of Yen)
Asset classes	Amount	Amortization period(year)
Customer relationships	¥28,153	13

(7) Impact of business combination on cash flows

	(Millions of Yen)
Payment of acquisition costs in cash and cash equivalents	¥(1,355)
Cash and cash equivalents accepted on the date of the business combination	18,744
Proceeds from share acquisition	¥17,389

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(8) Revenue and profit of the acquired business

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

Other business combinations

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

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

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

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

The acquisition cost of the acquired businesses was ¥31,868 million. The acquisition cost consists of cash of ¥27,913 million, shares of ¥85 million and contingent consideration of ¥3,870 million.

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

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

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

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	¥17,831
Total liabilities	6,226
Fair value of identifiable net assets	11,605
Total consideration	31,868
Non-controlling interests (Note 1)	2,420
Goodwill (Note 2)	¥22,683

(Note 1) Non-controlling interests were measured by multiplying the shareholding ratio after the business combination by the fair values of identifiable net assets of the acquiree at the date of acquisition of control, excluding the portion individually attributable to non-controlling shareholders.

(Note 2) Goodwill reflects the expected future excess earning power. The total amount of goodwill that is expected to be deductible for tax purposes is ¥15,841 million.

The amount allocated to intangible assets (customer-related) separately from goodwill is ¥10,810 million.

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

(Pro forma information)

Assuming that the business combinations were executed at the beginning of the year ended December 31, 2022, revenue and profit for the year of the Consolidated Statement of Income for the year ended December 31, 2022 would be ¥1,251,717 million and ¥66,371 million, respectively.

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

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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 "Al 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: ¥89,003 million ($632 million)

Breakdown of acquisition costs

Consideration (cash) for shares: ¥89,003 million ($632 million)

(4) Amount and presentation of acquisition-related expenses

The acquisition-related expenses pertaining to said business combination were ¥1,819 million ($13 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)	(Millions of U.S. Dollars)
Current assets (Note 1)	¥26,866	$191
Non-current assets	27,731	197
Total assets	54,597	388
Current liabilities	26,761	190
Non-current liabilities	7,976	57
Total liabilities	34,737	247
Fair value of identifiable net assets	19,859	141
Total consideration	89,003	632
Non-controlling interests	-	-
Goodwill (Note 2)	¥69,144	$491

(Note 1) Cash and cash equivalents ¥3,041 million ($22 million) are included. The fair value of acquired trade and other receivables is ¥22,077 million ($157 million), the amount receivable under contracts is ¥22,376 million ($159 million), and the amount that is not expected to be recovered is ¥299 million ($2 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 ¥44,281 million. ($314 million)

Some of the above amounts are provisional fair values calculated based on the reasonable information available at this point because the acquisition date was June 30, 2023 and the allocation of acquisition costs had not been completed by the end of the fiscal year ended December 31, 2023.

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

	(Millions of Yen)		(Millions of U.S. Dollars)
Asset classes	Amount	Amortization period (year)	Amount
Customer relationships	¥16,152	10	$115
Other	¥7,659	5–10	$54

(7) Impact of business combination on cash flows

	(Millions of Yen)	(Millions of U.S. Dollars)
Payment of acquisition costs in cash and cash equivalents	¥(90,531)	$(643)
Cash and cash equivalents accepted on the date of the business combination	3,041	22
Payments for share acquisition	¥(87,490)	$(621)

(8) Revenue and profit of the acquired business

The post-acquisition revenue and loss for the year of Tag, the acquiree, included in the Consolidated Statement of Income were ¥19,783 million ($140 million) and ¥172 million ($1 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 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 ($176 million). The acquisition cost consists of cash of ¥13,692 million ($97 million), shares of ¥198 million ($1million) and contingent consideration of ¥10,912 million ($77 million).

Revaluation gain on step acquisition of ¥142 million ($1 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 ($19 million).

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

	(Millions of Yen)	(Millions of U.S. Dollars)
Total assets	¥13,983	$99
Total liabilities	5,662	40
Fair value of identifiable net assets	8,320	59
Total consideration	24,803	176
Non-controlling interests (Note 1)	244	2
Goodwill (Note 2)	¥16,727	$119

(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 ($31 million).

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The amounts presented above are fair values based on the best estimate at this time. They are therefore subject to revisions for a year from the date on which the Group obtained control of said companies, if additional information is obtained and evaluated about facts and circumstances that existed as of the date on which the Group obtained control. The amount allocated to intangible assets excluding goodwill (customer relationship) is ¥9,613 million ($68 million).

The post-acquisition revenue and loss for the year of the acquirees, included in the Consolidated Statement of Income were ¥7,811 million ($55 million) and ¥1,402 million ($10 million), respectively.

(Pro forma information)
Assuming that the business combinations were executed at the beginning of the year ended December 31, 2023, revenue and loss for the year of the Consolidated Statement of Income for the year ended December 31, 2023 would be ¥1,323,800 million ($9,399 million) and ¥5,752 million ($41 million), respectively.

This pro forma information is unaudited. Furthermore, such information does not necessarily indicate possible future events, nor reflect the operating results of the Group should the actual equity investment had occurred as of the beginning of the year ended December 31, 2023.

8. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Cash and time deposits due within three months	¥603,740	¥390,678	$2,774

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

The above amounts have been offset and eliminated from the amounts deposited in a cash pool account (the previous fiscal year: ¥39,105 million, the current fiscal year: ¥25,936 million ($184 million)), which were accounted for as loans from Dentsu Group Inc. to Dentsu International Limited.

9. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Notes and accounts receivable–trade	¥1,497,687	¥1,497,628	$10,634
Other	39,620	32,843	233
Allowance for doubtful accounts	(5,350)	(6,182)	(44)
Total	¥1,531,957	¥1,524,289	$10,823

Trade and other receivables are presented net of allowance for doubtful accounts in the Consolidated Statement of Financial Position.

Trade and other receivables are classified as financial assets measured at amortized cost.

10. INVENTORIES

The breakdown of inventories is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Work-in-process	¥247	¥756	$5
Other	3,423	5,639	40
Total	¥3,670	¥6,396	$45

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11. OTHER FINANCIAL ASSETS

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

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Derivative assets	¥26,679	¥18,614	$132
Equity securities	93,580	83,053	590
Debt securities	642	2,161	15
Other	76,253	65,592	466
Allowance for doubtful accounts	(10,037)	(12,520)	(89)
Total	¥187,118	¥156,902	$1,114
Current assets	18,731	23,135	164
Non-current assets	168,386	133,766	950
Total	¥187,118	¥156,902	$1,114

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", ¥16,906 million and ¥20,980 million ($149 million), respectively as of December 31, 2022 and 2023 are classified as financial assets measured at fair value through profit or loss, ¥18,405 million and ¥6,511 million ($46 million), respectively as of December 31, 2022 and 2023 are classified as financial assets measured at fair value through other comprehensive income, remainder is classified as financial assets measured at amortized cost.

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

		(Millions of Yen)	(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Marketable stocks (Note 1)	¥53,973	¥59,323	$421
Non-marketable stocks (Note 2)	58,011	30,240	215
Total	¥111,985	¥89,564	$636

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

		(Millions of Yen)	(Millions of U.S. Dollars)
Investees	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Recruit Holdings Co., Ltd.	¥14,828	¥21,168	$150
Digital Garage, Inc.	10,742	8,605	61
TBS HOLDINGS, INC.	3,921	7,677	55

(Note 2) Major securities are the one relating to sporting digital contents distribution business, the one relating to ballpark operation business, and the one relating to Internet browsers. The fair values of them as of December 31, 2022 and 2023 are ¥6,512 million and ¥— million ($— million), ¥4,248 million and ¥2,947 million ($21 million), and ¥8,895 million and ¥4,074 million ($29 million), respectively.

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

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

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

FY2022: Year ended December 31, 2022

(Millions of Yen)

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

FY2023: 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

FY2023: Year ended December 31, 2023

(Millions of U.S. Dollars)

Fair value	Cumulative gain or loss recognized in equity as other components of equity
$86	$55

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 ¥(23,355) million and ¥(5,652) million ($(40) million) for the years ended December 31, 2022 and 2023, respectively.

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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 classified as held for sale as of December 31, 2022 and 2023 is as follows.

Components of non-current assets classified as held for sale

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Non-current assets classified as held for sale			
Cash and cash equivalents	¥886	¥834	$6
Trade receivables and other receivables	38,165	65,964	468
Inventories	7	3	0
Income tax receivables	2	1,653	12
Other financial assets (current)	1,281	123	1
Other current assets	1,458	1,747	12
Property, plant and equipment	16	17	0
Intangible assets	–	1	0
Investments accounted for using the equity method	2,383	–	–
Other financial assets (non-current)	13,003	10,034	71
Total	¥57,204	¥80,380	$571
Liabilities directly associated with non-current assets classified as held for sale			
Trade and other payables	¥27,666	¥43,281	$307
Bonds and Borrowings (current)	4,730	11,170	79
Other financial liabilities (current)	796	6,459	46
Other current liabilities	1,142	3,864	27
Other financial liabilities (non-current)	3,185	10	0
Other non-current liabilities	128	927	7
Deferred tax liabilities	90	813	6
Total	¥37,740	¥66,527	$472

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, 2022 and 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, 2022 and 2023 include shares, held by the Group in Japan unit.

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

(Millions of Yen)

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

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
Intangible Assets	-	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

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(Millions of U.S. Dollars)

	Russia business	Other	Total
Non-current assets classified as held for sale			
Cash and cash equivalents	$3	$3	$6
Trade receivables and other receivables	466	2	468
Inventories	0	0	0
Income tax receivables	12	-	12
Other financial assets (current)	1	0	1
Other current assets	12	0	12
Property, plant and equipment	-	0	-
Intangible Assets	-	0	-
Other financial assets (non-current)	-	71	71
Total	$494	$77	$571
Liabilities directly associated with non-current assets classified as held for sale			
Trade and other payables	$307	$1	$307
Bonds and borrowings (current)	79	-	79
Other financial liabilities (current)	45	0	46
Other current liabilities	27	0	27
Other financial liabilities (non-current)	-	-	-
Other non-current liabilities	7	-	7
Deferred tax liabilities	6	-	6
Total	$471	$2	$472

In March 2022, the Group began reviewing its business in Russia to ensure compliance with Dentsu Group policies and applicable laws. The agreement to sell the equity to our local partners was signed in November 2022.

In view of this situation, in the year ended December 31, 2022, the Group has classified assets and liabilities related to the Russia business as held for sale, and recorded an impairment loss of ¥23,372 million. In addition, "Other components of equity" in the Consolidated Statement of Financial Position as of December 31,2022 and December 31,2023 include accumulated other comprehensive income (primarily, exchange differences on transaction of foreign operations) amount to ¥(15,051) million and ¥(19,874) million ($(141) million) respectively.

14. PROPERTY, PLANT AND EQUIPMENT

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

FY2022: Year ended December 31, 2022

(Millions of Yen)

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

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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 2)	(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

FY2023: Year ended December 31, 2023

(Millions of U.S. Dollars)

	Buildings and structures	Land	Other	Total
Balance at the beginning of the year	$102	$18	$68	$189
Acquisition due to purchases	32	-	43	75
Acquisitions through business combinations	2	-	5	7
Sales or disposals	(8)	0	(1)	(9)
Depreciation	(24)	-	(32)	(56)
Impairment losses (Note 2)	0	(1)	0	(2)
Exchange differences on translation of foreign operations	2	1	4	7
Other	(2)	-	(1)	(2)
Balance at the end of the year	$105	$18	$86	$209

(Note 1) For details, please refer to "13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE".
(Note 2) 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
FY2022 (As of December 31, 2022)				
Acquisition cost	¥56,456	¥2,565	¥56,637	¥115,659
Accumulated depreciation and impairment losses	42,063	4	47,012	89,081
Carrying amount	¥14,392	¥2,560	¥9,625	¥26,577
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

(Millions of U.S. Dollars)

	Buildings and structures	Land	Other	Total
FY2023 (As of December 31, 2023)				
Acquisition cost	$291	$19	$371	$681
Accumulated depreciation and impairment losses	186	1	285	472
Carrying amount	$105	$18	$86	$209

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."

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15. GOODWILL AND INTANGIBLE ASSETS

(1) Schedule of goodwill and intangible assets

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

FY2022: Year ended December 31, 2022

(Millions of Yen)

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

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 3)	(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

FY2023: Year ended December 31, 2023

(Millions of U.S. Dollars)

	Goodwill	Customer relationships	Software	Other	Total
Balance at the beginning of the year	$5,323	$963	$188	$349	$6,823
Acquisition due to purchases	-	-	67	150	217
Acquisitions through business combinations (Note 1)	610	183	1	57	851
Sales or disposals	-	-	(3)	(8)	(11)
Amortization	-	(174)	(55)	(88)	(316)
Impairment losses (Note 3)	(469)	(36)	(1)	(5)	(511)
Exchange differences on translation of foreign operations	437	75	5	26	543
Other	(1)	0	(1)	1	(1)
Balance at the end of the year	$5,901	$1,011	$202	$482	$7,596

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

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

(Millions of Yen)

	Goodwill	Customer relationships	Software	Other	Total
FY2022 (As of December 31, 2022)					
Acquisition cost	¥982,992	¥351,485	¥128,385	¥150,006	¥1,612,869
Accumulated amortization and impairment losses	233,236	215,863	101,895	100,871	651,867
Carrying amount	¥749,755	¥135,622	¥26,490	¥49,134	¥961,002
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

(Millions of U.S. Dollars)

	Goodwill	Customer relationships	Software	Other	Total
FY2023 (As of December 31, 2023)					
Acquisition cost	$8,028	$2,893	$970	$1,355	$13,246
Accumulated amortization and impairment losses	2,127	1,883	768	872	5,649
Carrying amount	$5,901	$1,011	$202	$482	$7,596

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, 2023 is ¥23,219 million ($165 million,) in Japan, ¥572,331 million ($4,064 million) in the Americas, ¥235,570 million ($1,673 million) in the EMEA and the carrying amount in APAC is ¥nil. Significant goodwill as of December 31, 2022 was ¥23,288 million in Japan, ¥482,887 million in the Americas, ¥192,121 million in the EMEA and ¥51,460 million in the APAC.

Significant intangible assets other than goodwill consist of customer relationships, which amount to ¥28,418 million ($202 million) in Japan, ¥47,117 million ($ 335 million) in the America, ¥54,199 million ($385 million) in the EMEA and ¥12,588 million ($89 million) in the APAC as of December 31, 2023. Customer relationships as of December 31, 2022 amounted to ¥31,106 million in Japan, ¥42,076 million in the Americas, ¥48,130 million in the EMEA and ¥14,310 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 ¥69,330 million and ¥67,779 million ($481 million) as of December 31, 2022 and 2023, respectively, of which the remaining amortization period as of December 31, 2023 is 7 years.

(3) Impairment testing of goodwill

A. Results of impairment test of goodwill

Based on the latest business plan compiled using the most recent results, the Company conducted an impairment test of goodwill. As a result, the Company recognized impairment loss of ¥67,804 million ($481 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 ($80 million) for the fiscal year ended December 31, 2023.

In the fiscal year ended December 31, 2022, the Company conducted an impairment test of goodwill related to the entire International business segment based on the latest business plan compiled using the most recent results. As a result, the Group recognized impairment loss on goodwill of ¥9,262 million 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 ¥61,994 million for the year ended December 31, 2022.

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 group of cash-generating units, and the Company furthermore conducts an impairment test on the entire International business and the entire Group. From the fiscal year ended December 31, 2023, the Company transitioned to a global management structure through the "One Management Team", which governs four business regions worldwide (Japan, Americas, EMEA, and APAC), to accelerate business transformation, further enhance management, and realize the Group's business growth and enhance our corporate value. In response, the allocation of goodwill in the Japanese operations was reviewed and the entire Japanese operations were tested for impairment as a single cash-generating unit group.

The recoverable value is calculated using the value in use based on the budget for the following fiscal year approved by the management

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and the forecast for the additional four subsequent fiscal years. The key assumptions and inputs used to calculate the value in use are as follows:

	FY2022 (As of December 31, 2022)				FY2023 (As of December 31, 2023)			
	Japan	Americas	EMEA	APAC	Japan	Americas	EMEA	APAC
Operating Margin	-	23.2% ~24.7%	22.0% ~23.9%	17.6% ~19.0%	22.2%	22.0% ~23.9%	20.2% ~21.5%	12.3% ~14.6%
Medium-term growth rates for net revenue (Note 1)	-	5.7% ~9.3%	7.0%	3.0%	3.0%	2.7% ~4.6%	3.0% ~5.1%	1.6% ~2.3%
Perpetual growth rates (Note 2)	-	2.0%	1.5%	2.0%	2.0%	2.0%	1.5%	2.0%
Pre-tax discount rates	-	10.2%	12.5%	16.1%	8.7%	10.0%	11.9%	14.8%
Estimate of net working capital	-	In general, 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 medium-term growth rate for net revenue in cash flows for the four-year period from the following fiscal year is based on the Medium-Term Management Plan and in light of the actual results of the current fiscal year and budgets for the following fiscal year.
(Note 2) The perpetual growth rates set for cash flows for a period exceeding 5 year ranges.

C. Sensitivity analysis

The following are the key quantitative assumptions for impairment to be recognized in each region, assuming that all the other variables are held constant, for impairment tests in the fiscal year ended December 31, 2023. These assumptions, which significantly influence estimated value in use, may be affected by changes in business strategies or changes in market conditions and are therefore subject to uncertainty.

	Excess of recoverable amount over carrying amount (Millions of Yen)	Change necessary for the recognition of impairment, assuming that all the other variables are held constant			
		Pre-tax discount rates	Medium-term growth rates	Perpetual growth rates	Operating margin
EMEA	¥39,600	+0.94 pt.	-3.61 pt.	-1.34 pt.	-1.38 pt.

	Excess of recoverable amount over carrying amount (Millions of U.S. dollars)	Change necessary for the recognition of impairment, assuming that all the other variables are held constant			
		Pre-tax discount rates	Medium-term growth rates	Perpetual growth rates	Operating margin
EMEA	$281	+0.94 pt	-3.61 pt	-1.34 pt	-1.38 pt

(Japan, Americas, the whole International business and the entire Group)

The recoverable amounts of the cash-generating unit groups, to which the goodwill of Japan and Americas had been allocated, and of the whole international business 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:

FY2022: As of December 31, 2022

(Millions of Yen)

	Right-of-use assets			
	Buildings and structures	Other (Property, plant and equipment)	Software	Total
Balance at the beginning of the year	¥133,645	¥3,365	¥824	¥137,836
Acquisition due to purchases	55,953	1,602	501	58,056
Acquisitions through business combinations	1,503	9	-	1,512
Amortization	(27,431)	(428)	(224)	(28,084)
Impairment losses (Note)	(7,285)	-	-	(7,284)
Exchange differences	5,046	62	-	5,108
Other	(22,378)	(1,382)	(4)	(23,766)
Balance at the end of the year	¥139,052	¥3,228	¥1,097	¥143,379

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

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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".

FY2023: As of December 31, 2023

(Millions of U.S. Dollars)

	Right-of-use assets			
	Buildings and structures	Other (Property, plant and equipment)	Software	Total
Balance at the beginning of the year	$987	$23	$8	$1,018
Acquisition due to purchases	110	19	0	129
Acquisitions through business combinations	10	0	-	10
Amortization	(181)	(4)	(2)	(187)
Impairment losses (Note)	(22)	-	-	(22)
Exchange differences	38	0	-	39
Other	11	(10)	0	1
Balance at the end of the year	$954	$29	$6	$989

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, 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.

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, 2022 and December 31, 2023 was ¥24,688 million and ¥25,759 million ($183 million), respectively. If the total income expected from subleasing decreases by 10%, an impairment loss on right-of-use assets of ¥2,499 million ($18 million) will be incurred on these assets. Also, if the commencement date of subleasing is delayed by three months, an impairment loss on right-of-use assets of ¥827 ($6 million) will be incurred.

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(2) Lease costs and cash flows

Lease costs and cash flows are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Interest expense on lease obligations	¥4,760	¥6,822	$48
Expenses for short-term leases and leases of low-value assets	6,435	7,615	54
Total cash outflows related to leases	¥46,944	¥50,804	$361

(3) Lease obligation

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

(4) Nature of leasing activity

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

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

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)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Profit for the year	¥3,418	¥3,654	$26
Other comprehensive income	185	330	2
Comprehensive income for the year	¥3,603	¥3,984	$28

In addition to the above, Impairment loss of investments accounted for using the equity method of ¥5,950 million, gain on sale of investments in associates of ¥600 million were recognized for the year ended December 31, 2022 and the loss on sale of investments in associates of ¥194 million ($1 million) was recognized for the year ended December 31, 2023.

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

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Unrecognized losses	¥176	¥214	$2

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Cumulative unrecognized losses	¥406	¥285	$2

The Group guarantees bank loans and others obligations of Fortius AG, an equity-accounted investee. The relevant contingent liabilities as of December 31, 2022 and December 31, 2023 were ¥6,472 million and ¥8,812 million ($63 million), respectively.

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18. INCOME TAXES

(1) Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by major causes of their occurrence is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Deferred tax assets			
Liability for retirement benefits	¥27,095	¥19,734	$140
Accrued expenses	12,307	12,712	90
Carryforwards of tax losses	5,970	6,698	48
Right-of-use assets	47,973	46,797	332
Other	32,132	50,759	360
Total deferred tax assets	¥125,478	¥136,702	$971
Deferred tax liabilities			
Gain on establishment of retirement benefit trust	¥(10,131)	¥(9,550)	$(68)
Unrealized gain on securities	(17,474)	(17,384)	(123)
Valuation differences on intangible assets	(53,538)	(64,180)	(456)
Lease obligations	(28,375)	(27,280)	(194)
Other	(14,873)	(17,459)	(124)
Total deferred tax liabilities	¥(124,392)	¥(135,855)	$(965)
Net deferred tax assets (liabilities)	¥1,087	¥847	$6

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Net deferred tax assets (liabilities)			
Balance at the beginning of the year	¥(4,281)	¥1,087	$8
Deferred income taxes	13,472	3,394	24
Deferred taxes related to components of other comprehensive income			
Effective portion of the change in the fair value of cash flow hedges	(7,003)	2,439	17
Net change in financial assets measured at fair value through other comprehensive income	4,636	(1,866)	(13)
Remeasurements of defined benefit plans	(1,591)	(5,552)	(39)
Other changes	(4,146)	1,345	10
Balance at the end of the year	¥1,087	¥847	$6

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

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Deductible temporary differences	¥100,127	¥102,350	$727
Carryforwards of tax losses	152,021	192,620	1,368

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The breakdown of carryforwards of tax losses by expiry date as of December 31, 2022 and 2023, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Within 1 year	¥1,794	¥3,070	$22
Within 2 years	412	2,610	19
Within 3 years	3,945	4,231	30
Within 4 years	1,844	3,680	26
Within 5 years	6,609	6,946	49
Over 5 years	27,196	53,142	377
Indefinite periods	110,218	118,938	844
Total	¥152,021	¥192,620	$1,368

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 ¥168,812 million and ¥158,407 million ($1,125 million) as of December 31, 2022 and 2023, respectively.

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

(2) Income tax expense

The breakdown of income tax expense is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Current income taxes	¥48,455	¥41,967	$298
Deferred income taxes	(13,472)	(3,394)	(24)

(3) Reconciliation of effective tax rate

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

The Company is mainly subject to corporate tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes are 31.0% for the years ended December 31, 2022 and 2023. Foreign subsidiaries are subject to income taxes at their respective locations.

		(%)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)
Effective statutory tax rate	31.0	31.0
(Reconciliation)		
Non-deductible items, such as entertainment expenses	1.2	3.5
Changes in contingent consideration	4.4	5.3
Changes in put option liabilities	(0.7)	(3.1)
Share of profit of investments accounted for using the equity method	(1.1)	(3.4)
Investments accounted for using the equity method	1.8	-
Revaluation gain or loss on step acquisition	(1.7)	(0.1)
Changes in unrecognized deferred tax assets	(5.6)	18.0
Impairment of goodwill	6.0	61.6
Difference in tax rates of foreign subsidiaries	(3.2)	(1.3)
Other	2.6	5.1
Income tax rate after applying of tax effect accounting	34.7	116.5

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(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 U.K. The Group expects top-up tax to be applied for its businesses in a few countries with statutory tax rates of 15% or less, or close to 15%. However, this has had no impact on the Group's taxation in the fiscal year ended December 31, 2023, as the new laws established in Japan, the U.K., and elsewhere only came into force on January 1, 2024. 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. Even if the top-up tax had been applicable in the fiscal year ended December 31, 2023, the impact on the consolidated financial statements would have been insignificant. Please refer to "3. MATERIAL ACCOUNTING POLICIES (21) Changes in Accounting Policies" for details.

19. TRADE AND OTHER PAYABLES

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Notes and accounts payable–trade	¥1,470,374	¥1,464,294	$10,397
Other	62,216	63,317	450
Total	¥1,532,591	¥1,527,612	$10,846

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

(2) Assets pledged as collateral for liabilities

Assets pledged as collateral and corresponding liabilities are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
Assets pledged as collateral	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Other financial assets (current assets)	¥870	¥54	$0

Corresponding liabilities	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Notes and accounts payable	¥5,441	–	–

In addition to the above, other financial assets (current assets) of ¥8 million ($0 million) are pledged as collateral for guarantee transactions related to the "Official Gazette" (Kanpou), sales etc. as of December 31, 2022 and 2023, respectively.

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20. BONDS, BORROWINGS, AND OTHER FINANCIAL LIABILITIES

(1) Breakdown of financial liabilities

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

	(Millions of Yen)			(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	Date of maturity redemption	FY2023 (As of December 31, 2023)
Derivative liabilities	¥5,828	¥31,250	-	$222
Put option liabilities	21,493	14,359	-	$102
Current portion of bonds (Note)	34,983	-	-	-
Bonds	164,676	164,747	2025~2030	1,170
Short-term borrowings	28,754	39,200	-	278
Current portion of long-term borrowings	32,052	13	-	0
Short-term lease obligations	33,482	35,365	-	251
Long-term borrowings	271,963	290,485	2025~2030	2,063
Long-term lease obligations	190,678	183,653	2025~2038	1,304
Other (Contingent consideration, etc.)	63,566	42,847	-	304
Total	¥847,479	¥801,921	-	$5,694
Current liabilities	¥188,028	¥110,330		$783
Non-current liabilities	659,451	691,590		4,910
Total	¥847,479	¥801,921		$5,694

Derivative liabilities include those to which hedge accounting is applied.

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

Borrowings are classified as financial liabilities measured at amortized cost. The average interest rates of short-term borrowings and long-term borrowings (including the current portion of long-term borrowings) for year ended December 31, 2023 are 6.74% and 1.25%, 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 ¥122,844 million and from a minimum of zero to a maximum of ¥28,473 million ($202 million) in the year ended December 31, 2022 and 2023, respectively.

"Other (contingent consideration, etc)" includes financial liabilities measured at fair value through profit or loss of ¥38,425 million and ¥20,185 million ($143 million) as of December 31, 2022 and 2023, respectively. Remaining amounts are classified as financial liabilities measured at amortized cost.

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

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

			(Millions of yen)					(Millions of U.S. Dollars)
Company name	Bonds	Date of issue	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	Interest rate (%)	Collateral	Date of redemption	FY2023 (As of December 31, 2023)
Dentsu Group Inc.	First unsecured bond	October 25, 2018	¥34,983	-	0.110	N/A	October 25, 2023	-
Dentsu Group Inc.	Second unsecured bond	October 25, 2018	19,972	19,982	0.240	N/A	October 24, 2025	142
Dentsu Group Inc.	Third unsecured bond	October 25, 2018	24,946	24,956	0.424	N/A	October 25, 2028	177
Dentsu Group Inc.	Fourth unsecured bond	July 8, 2020	49,933	49,960	0.220	N/A	July 8, 2025	355
Dentsu Group Inc.	Fifth unsecured bond	July 8, 2020	9,978	9,983	0.320	N/A	July 8, 2027	71
Dentsu Group Inc.	Sixth unsecured bond	July 8, 2020	59,848	59,868	0.490	N/A	July 8, 2030	425
Total	-	-	¥199,660	¥164,747	-	-	-	$1,170

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(2) Changes in liabilities arising from financing activities

FY2022: Year ended December 31, 2022

(Millions of Yen)

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

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

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 includes interest expense from the passage of time.

FY2023: Year ended December 31, 2023

(Millions of U.S. Dollars)

	Balance at the beginning of the year	Changes from cash flows from financing activities	Non-cash changes				Balance at the end of the year
			Newly recognized	Changes from remeasurements	Increase due to business combination	Exchange differences and others	
Short-term borrowings	$204	$91	-	-	$0	$(18)	$278
Long-term borrowings (Note 1)	2,159	(269)	-	-	0	173	2,063
Lease obligations (Note 1)	1,592	(258)	124	-	15	82	1,555
Put option liabilities (Note 1, 2)	153	(48)	51	(24)	-	(30)	102
Bonds (Note 1)	1,418	(249)	-	-	-	1	1,170
Total	$5,525	$(732)	$175	$(24)	$16	$208	$5,168

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21. PROVISIONS

The breakdown and schedule of provisions are as follows:

FY2023: Year ended December 31, 2023

(Millions of Yen)

	Provisions for asset retirement obligations	Provision for restructuring	Other provisions	Total
Balance at the beginning of the year	¥3,116	¥21,825	¥9,645	¥34,587
Additional provisions in the year	563	5,722	4,726	11,012
Interest expense incurred over the discount period	4	-	-	4
Provisions used	(713)	(6,081)	(1,889)	(8,684)
Provisions released	-	(1,566)	(2,203)	(3,769)
Exchange differences on translation of foreign operations	1	901	558	1,461
Other	(9)	1,800	(284)	1,507
Balance at the end of the year	¥2,963	¥22,601	¥10,553	¥36,119
Current liabilities	¥606	¥10,053	¥7,412	¥18,072
Non-current liabilities	2,357	12,548	3,140	18,046
Total	¥2,963	¥22,601	¥10,553	¥36,119

FY2023: Year ended December 31, 2023

(Millions of U.S. Dollars)

	Provisions for asset retirement obligations	Provision for restructuring	Other provisions	Total
Balance at the beginning of the year	$22	$155	$68	$246
Additional provisions in the year	4	41	34	78
Interest expense incurred over the discount period	0	-	-	0
Provisions used	(5)	(43)	(13)	(62)
Provisions released	-	(11)	(16)	(27)
Exchange differences on translation of foreign operations	0	6	4	10
Other	0	13	(2)	11
Balance at the end of the year	$21	$160	$75	$256
Current liabilities	$4	$71	$53	$128
Non-current liabilities	17	89	22	128
Total	$21	$160	$75	$256

(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 ¥8,313 million ($59 million) as of December 31, 2023. 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 7 years as of December 31, 2023).

The provision for restructuring for the Americas, EMEA, APAC and Central is ¥8,914 million ($ 63 million), ¥2,266 million ($16 million), ¥1,899 million ($13 million) and ¥1,208 million ($9 million) respectively as of December 31, 2023. It primarily consists of the provisions for workforce reduction expenses, property optimization expenses, and expenses arising from other related initiatives.

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22. POST-EMPLOYMENT BENEFITS

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

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

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

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

(1) Reconciliation of defined benefit obligations and plan assets

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Funded defined benefit obligations	¥94,363	¥97,862	$695
Plan assets	(89,242)	(110,833)	(787)
Subtotal	¥5,120	¥(12,970)	$(92)
Unfunded defined benefit obligations	11,441	10,399	74
Total	¥16,562	¥(2,571)	$(18)
Balance recognized in the Consolidated Statement of Financial Position			
Liabilities for retirement benefits	¥23,991	¥18,120	$129
Assets for retirement benefits (Note 1)	(7,429)	(20,691)	(147)
Net defined benefit liabilities (assets) recognized in the Consolidated Statement of Financial Position	¥16,562	¥(2,571)	$(18)

(Note 1) 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)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Balance at the beginning of the year	¥117,025	¥105,805	$751
Current service cost (Note 1)	7,170	5,647	40
Interest expense (Note 1)	486	1,147	8
Actuarial gains and losses (Note 2)	(6,942)	3,598	26
Benefits paid	(12,143)	(9,748)	(69)
Past service cost	(204)	–	–
Exchange differences on translation of foreign operations	315	1,794	13
Impact of business combination and disposal	76	1	0
Others	20	14	0
Balance at the end of the year	¥105,805	¥108,261	$769

(Note 1) Current service cost is recorded in the Consolidated Statement of Income as "Cost of sales" and "Selling, general and administrative expenses." Interest expenses, net of interest income, are recorded as "Finance expenses."
(Note 2) Actuarial gains and losses arise from changes in financial assumptions, etc.

The weighted average duration of defined benefit obligations as of December 31, 2022 and 2023 is as follows:

	(Years)	
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)
Weighted average duration	9.8	9.0

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(3) Schedule of plan assets

The schedule of plan assets is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Balance at the beginning of the year	¥94,613	¥89,242	$634
Interest income	379	955	7
Return on plan assets (excluding amounts included in interest income)	42	21,343	152
Contributions by the employer	839	527	4
Benefits paid	(6,815)	(2,154)	(15)
Exchange differences on translation of foreign operations	182	918	7
Balance at the end of the year	¥89,242	¥110,833	$787

The Group plans to pay contributions of ¥125 million ($1 million) in the year ending December 31, 2024.

(4) Major breakdown of plan assets

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

	(Millions of Yen)						(Millions of U.S. Dollars)		
	FY2022 (As of December 31, 2022)			FY2023 (As of December 31, 2023)			FY2023 (As of December 31, 2023)		
	Plan assets with quoted market price in an active market	Plan assets without quoted market price in an active market	Total	Plan assets with quoted market price in an active market	Plan assets without quoted market price in an active market	Total	Plan assets with quoted market price in an active market	Plan assets without quoted market price in an active market	Total
Equity instruments	¥43,961	-	¥43,961	¥59,627	-	¥59,627	$423	-	$423
Debt instruments	2,799	39	2,838	3,121	24	3,145	22	0	22
General account of life insurance companies	-	3,116	3,116	-	3,131	3,131	-	22	22
Other	-	39,327	39,327	-	44,928	44,928	-	319	319
Total	¥46,760	¥42,482	¥89,242	¥62,748	¥48,084	¥110,833	$446	$341	$787

(Note) Plan assets above include retirement benefit trusts established for defined benefit corporate pension plans and retirement lump-sum payment plans of ¥55,386 million and ¥74,979 million ($532 million), as of December 31, 2022 and 2023, respectively.
As of December 31, 2022 and 2023, equity instruments are mainly those issued in Japan and debt instruments are mainly those issued in overseas.

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

To achieve these goals, asset investments are managed to achieve these objectives by establishing a policy for future optimal asset composition ratios (hereinafter referred to as "policy asset allocation"), selecting an asset manager and monitoring asset allocation, after setting forecasts of expected rates of returns on appropriate assets for investment. The policy asset allocation is verified annually and reviewed as necessary if any changes are made to the terms and conditions set at the time of the policy's establishment.

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

(5) Actuarial assumptions

The major items of actuarial assumptions are as follows:

	(%)	
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)
Discount rate	1.2	1.2

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

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			(Millions of Yen)	(Millions of U.S. Dollars)
	Change in assumptions	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Discount rate	Increase by 0.5%	¥(4,288)	¥(3,635)	$(26)
	Decrease by 0.5%	¥4,641	¥3,914	$28

(6) Defined contribution plans

Expenses recognized due to contributions to defined contribution plans by the Company and consolidated subsidiaries amounted to ¥13,498 million and ¥16,032 million ($114 million) for the years ended December 31, 2022 and 2023, respectively.

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

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23. EQUITY AND OTHER EQUITY ITEMS

(1) Share capital

A. Authorized shares

The number of authorized shares as of December 31, 2022 and 2023 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)
FY2021 (As of December 31, 2021)	288,410,000
Increase (decrease) (Note 2)	(18,244,646)
FY2022 (As of December 31, 2022)	270,165,354

	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

(Note 1) All the shares issued by the Company are non-par value ordinary shares that have no restriction on any content of rights.

(Note 2) The change in the number of issued shares in the fiscal year under ended December 31, 2022 is a decrease of 18,244,646 shares due to cancellation of treasury shares.

(2) Treasury shares

A. The number of treasury shares is as follows:

	Number of shares (Shares)
FY2021 (As of December 31, 2021)	14,773,421
Increase (decrease) (Note 1)	(8,983,142)
FY2022 (As of December 31, 2022) (Note 2)	5,790,279

	Number of shares (Shares)
FY2022 (As of December 31, 2022)	5,790,279
Increase (decrease) (Note 3)	(48,380)
FY2023 (As of December 31, 2023) (Note 4)	5,741,899

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

(Note 2) The above includes 1,041,900 shares of the Company held by Trust E in relation to the performance-based stock compensation plan as of December 31, 2022.

(Note 3) The increase and decrease during the fiscal year ended December 31, 2023 consisted of 67,700 shares acquired free of charge 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 4) 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.

B. Repurchase of treasury shares

FY2022: Year ended December 31, 2022

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

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

C. Cancellation of treasury shares

FY2022: Year ended December 31, 2022

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

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

(4) Transactions with non-controlling shareholders

FY2022: Year ended December 31, 2022

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

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24. DIVIDENDS

(1) Dividends paid

FY2022: Year ended December 31, 2022

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

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

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

FY2023: Year ended December 31, 2023

Resolution	Class of shares	Total dividends (Millions of U.S. Dollars)	Dividends per share (U.S. Dollars)	Basis date	Effective date
Board of Directors (February 14, 2023)	Ordinary shares	$160	$1	December 31, 2022	March 16, 2023
Board of Directors (August 14, 2023)	Ordinary shares	$147	$1	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 ($1 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 include a dividend of ¥73 million ($1 million) for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

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

FY2022: Year ended December 31, 2022

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

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

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

FY2023: Year ended December 31, 2023

Resolution	Class of shares	Source of dividends	Total dividends (Millions of U.S. Dollars)	Dividends per share (U.S. Dollars)	Basis date	Effective date
Board of Directors (February 14, 2024)	Ordinary shares	Retained earnings	$115	$0.43	December 31, 2023	March 14, 2024

(Note) The total amount of dividends does not include a dividend of ¥57 million ($0 million) for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

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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 and liabilities arising from signings with customers are as follows:

	(Millions of Yen)				(Millions of U.S. Dollars)	
	FY2022 (As of December 31, 2022)		FY2023 (As of December 31, 2023)		FY2023 (As of December 31, 2023)	
	Balance at the beginning of the year	Balance at the end of the year	Balance at the beginning of the year	Balance at the end of the year	Balance at the beginning of the year	Balance at the end of the year
Receivables arising from contracts with customers	¥1,474,909	¥1,506,360	¥1,506,360	¥1,507,016	$10,696	$10,700
Notes and accounts receivable-trade	1,464,874	1,497,687	1,497,687	1,497,628	10,634	10,634
Others	10,034	8,673	8,673	9,388	62	67
Contract assets	¥6,712	¥16,758	¥16,758	¥19,874	$119	$141
Contract liabilities	¥82,465	¥72,099	¥72,099	¥63,963	$512	$454

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

The amount of revenue recognized in the years ended December 31, 2022 and 2023 that was included in contract liabilities at the beginning of the period was ¥80,999 million and ¥66,359 million ($471 million), respectively. In addition, the amount of revenue recognized during the years ended December 31, 2022 and 2023 from performance obligations satisfied (or partially satisfied) in prior periods is immaterial. There were no material changes in the balance of contract liabilities during the years ended December 31, 2022 and 2023.

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)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Employee benefit expenses	¥663,854	¥721,680	$5,124
Depreciation and amortization	71,019	70,463	500
Other	215,894	226,586	1,609
Total	¥950,768	¥1,018,730	$7,233

*1 "Other" includes research and development expenses of ¥1,741million and ¥2,048 million ($15 million) for the years ended December 31, 2022 and 2023, respectively.

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*2 "Other" includes the audit and the non-audit service fees of the Company and consolidated subsidiaries. The breakdown is as follows:

(Fees paid to the Company's auditor)

	(Millions of Yen)				(Millions of U.S. Dollars)	
	FY2022 (Year ended December 31, 2022)		FY2023 (Year ended December 31, 2023)		FY2023 (Year ended December 31, 2023)	
	Audit service	Non-audit services	Audit service	Non-audit services	Audit service	Non-audit services
The Company	¥167	¥15	¥203	¥16	$1	$0
The consolidated subsidiaries	439	5	525	2	4	0
Total	¥606	¥21	¥728	¥18	$5	$0

Non-audit services are primarily advisory services on the accounting and the internal control for subsidiaries in Japan.

(Fees paid to the associates of the Company's auditor)

	(Millions of Yen)				(Millions of U.S. Dollars)	
	FY2022 (Year ended December 31, 2022)		FY2023 (Year ended December 31, 2023)		FY2023 (Year ended December 31, 2023)	
	Audit service	Non-audit services	Audit service	Non-audit services	Audit service	Non-audit services
The Company	-	¥14	-	¥1	-	$0
The consolidated subsidiaries	2,386	166	2,937	108	21	1
Total	¥2,386	¥181	¥2,937	¥110	$21	$1

Non-audit services for the Company are primarily tax filling services. Non-audit services for the consolidated subsidiaries are relating to agreed upon procedures on earn-out, and tax compliance advisory services.

27. EMPLOYEE BENEFIT EXPENSES

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Salaries, bonuses and allowances	¥596,788	¥640,699	$4,549
Welfare expenses	86,069	97,302	691
Post-employment benefits costs	20,571	21,871	155
Termination benefits associated with restructuring	6,497	2,554	18
Stock-based compensation expenses (excluding those attributable to the acquiree)	2,649	(1,573)	(11)
Others	41	2,670	19
Total	¥712,616	¥763,525	$5,421

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

28. OTHER INCOME

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Foreign exchange gains	¥2,967	¥515	$4
Gain on liquidation of subsidiaries	4	1,487	11
Other	1,410	1,024	7
Total	¥4,382	¥3,028	$21

Profit distribution from the content business, which was previously presented under "Other income" has been included in "Revenue" for the fiscal year ended December 31, 2023.

As a result, the amounts for the fiscal year ended December 31, 2022 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.

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29. OTHER EXPENSES

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Loss on sale of investments in subsidiaries and associates	¥287	¥256	$2
Other	2,141	1,454	10
Total	¥2,429	¥1,710	$12

Amortization of long-term prepaid expenses, etc., which was previously presented under "Other expenses" as expenses related to the said profit distribution, has been included in "Revenue" as a deduction item of revenue.

As a result, the amounts for the fiscal year ended December 31, 2022 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.

30. FINANCE INCOME AND FINANCE EXPENSES

(1) Breakdown of finance income

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Interest income			
Financial assets measured at amortized cost	¥3,656	¥6,485	$46
Dividend income			
Financial assets measured at fair value through other comprehensive income	1,279	2,702	19
Gain on valuation of securities			
Financial assets measured at fair value through profit or loss	11,413	65	0
Revaluation of put option liabilities	2,223	3,338	24
Dividend income and asset management gains from insurance	404	434	3
Foreign exchange gains (Note1)	299	195	1
Other (Note 2)	424	8,977	64
Total	¥19,701	¥22,199	$158

(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 ($55 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.

The breakdown of dividend income is as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Financial assets derecognized during the fiscal year	¥136	¥75	$1
Financial assets held at the end of the fiscal year	1,143	2,626	19
Total	¥1,279	¥2,702	$19

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(2) Breakdown of finance expenses

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Interest expense			
Financial liabilities measured at amortized cost	¥17,329	¥22,468	$160
Other	4,873	7,019	50
Loss on valuation of securities			
Financial liabilities measured at fair value through profit or loss	11	1,052	7
Changes in fair value of contingent consideration	14,386	5,621	40
Other	3,345	1,848	13
Total	¥39,947	¥38,009	$270

31. OTHER COMPREHENSIVE INCOME

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Exchange differences on translation of foreign operations			
Amount arising during the year	¥39,694	¥8,956	$64
Reclassification adjustments			
Pre-tax effects	39,694	8,956	64
Tax effects	-	-	-
Exchange differences on translation of foreign operations	¥39,694	¥8,956	$64
Effective portion of the change in the fair value of cash flow hedges			
Amount arising during the year	¥37,042	¥(37,429)	$(266)
Reclassification adjustments	(3,709)	18,735	133
Pre-tax effects	33,332	(18,694)	(133)
Tax effects	(7,003)	2,439	17
Effective portion of the change in the fair value of cash flow hedges	¥26,329	¥(16,254)	$(115)
Net change in financial assets measured at fair value through other comprehensive income			
Amount arising during the year	¥(45,340)	¥15,478	$110
Pre-tax effects	(45,340)	15,478	110
Tax effects	4,636	(1,866)	(13)
Net change in financial assets measured at fair value through other comprehensive income	¥(40,703)	¥13,612	$97
Remeasurements of defined benefit plans			
Amount arising during the year	¥6,984	¥17,745	$126
Pre-tax effects	6,984	17,745	126
Tax effects	(1,591)	(5,552)	(39)
Remeasurements of defined benefit plans	¥5,393	¥12,192	$87
Share of other comprehensive income of investments accounted for using the equity method			
Amount arising during the year	¥185	¥330	$2
Share of other comprehensive income of investments accounted for using the equity method	¥185	¥330	$2

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32. EARNINGS (LOSS) PER SHARE

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

	(Yen)		(U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Basic earnings (loss) per share	¥223.33	(¥40.52)	($0.29)
Diluted earnings (loss) per share	¥221.96	(¥40.52)	($0.29)

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Profit (loss) for the year used for calculation of basic earnings (loss) per share and diluted earnings (loss) per share			
Profit (loss) for the year attributable to owners of the parent	¥59,847	¥(10,714)	$(76)
Amounts not attributable to ordinary equity holders of the parent	-	-	-
Profit (loss) for the year used for calculation of basic earnings (loss) per share	¥59,847	(¥10,714)	$(76)
Adjustment			
Share options issued by subsidiaries and associates	(1)	-	-
Profit (loss) for the year used for calculation of diluted earnings (loss) per share	¥59,846	¥(10,714)	$(76)
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings (loss) per share and diluted earnings (loss) per share			
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings (loss) per share (Thousands of shares)	267,974	264,401	
Effect of dilutive potential ordinary shares (Thousands of shares)	Performance-based Stock Compensation Plan 1,618 Restricted Stock Compensation Plan 34		-
Weighted average number of ordinary shares outstanding used for the calculation of diluted earnings (loss) per share (Thousands of shares)	269,627	264,401	
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	

33. Significant non-cash transactions

During the year ended December 31, 2022, the Group commenced the lease of an office building in New York, the U.S. For details, please see "16. LEASES (1) Right-of-use assets included in the carrying amount of fixed assets."

There were no significant non-cash transactions during the fiscal year ended December 31, 2023.

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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 points 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.

For 2021, 2022 and 2023 grants, the Group uses a combination of the total shareholder return (TSR) and the consolidated adjusted operating income of the Group as indicators for calculation, as follows.

The details of the indicators for 2021, 2022 and 2023 grants are as follows.

Performance Indicator	Benchmark Indicator	Composition (*1)		
		2021	2022	2023
Total shareholder return (TSR)	Tokyo Stock Price Index (TOPIX)	30%	30%	20%
	Average total shareholder return (TSR) among peer group (*2)	20%	20%	30%
Consolidated underlying operating profit of the Group	Compound annual growth rate (CAGR)	50%	50%	50%

*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.

*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 an cash-settled share-based payment.

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

Regarding this Plan, the costs recognized for the equity-settled share-based payment plan and cash-settled share-based payment plan were ¥439 million and ¥562 million for the year ended December 31, 2022, and ¥553 million ($4 million) and ¥(1,129 million) ($(8 million)) for the year ended December 31, 2023, respectively.

Regarding the cash-settled share-based payment plan, The liability balance as of December 31, 2022 was ¥1,556 million. The liability balance as of December 31, 2023 was ¥188 million ($1 million).

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

	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	303,974	326,348
Granted	92,249	118,135
Exercised	69,875	115,081
Forfeitured	-	-
Balance at the end of the year	326,348	329,402
Exercisable at the end of the year	-	-

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

2. The weighted-average remaining term of this plan is 1.1 years and 1.2 years for the years ended December 31, 2022 and 2023, respectively.

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The fair value for units granted during the years ended December 31, 2022 and 2023 is ¥4,769 and ¥4,683 ($33) per unit, respectively. The fair value is measured by calculating the market value of the Company's shares using the valuation method and key inputs, as described below, and adjusting this based on the performance indicators during the business performance evaluation period.

	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)
Valuation method	Monte Carlo *simulation model*	Monte Carlo *simulation model*
Key inputs and assumptions:		
Measurement date share price	¥4,910	¥4,525 ($32)
Expected volatility (Note)	42.00%	30.7%
Option life	3.2 years	3.2 years
Dividend yield	2.60%	3.50%
Risk-free interest rate	0.00%	-0.10%

(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:

	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	303,974	326,348
Granted	92,249	118,135
Exercised	69,875	115,081
Forfeitured	-	-
Balance at the end of the year	326,348	329,402
Exercisable at the end of the year	-	-

(Note) 1. There is no exercise price in the plan.
2. The weighted-average remaining term of this plan is 1.1 years and 1.2 years for the years ended December 31, 2022 and 2023, respectively.

The fair value for units granted during the year ended December 31, 2022 and 2023 is ¥3,793 and ¥535 ($4) 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.

	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model
Key inputs and assumptions:		
Measurement date share price	¥4,145	¥3,618 ($26)
Expected volatility (Note)	29.2%	26.6%
Option life	2.2 years	2.2 years
Dividend yield	3.4%	3.8%
Risk-free interest rate	0.0%	0.0%

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

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(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 FY2021, FY2022, and FY2023 grants are as follows.

Performance Indicator	Benchmark Indicator	Composition (*1)		
		2021	2022	2023
Total shareholder return (TSR)	Tokyo Stock Price Index (TOPIX)	30%	30%	20%
	Average total shareholder return (TSR) among peer group (*2)	20%	20%	30%
Consolidated underlying operating profit of the Group	Compound annual growth rate (CAGR)	50%	50%	50%

*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.

*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 year ended December 31, 2022 were ¥1,486 million and expenses recognized in the year ended December 31, 2022 were ¥(581million) ($(4 million)).

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

	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	1,140,314	1,879,857
Granted	1,078,859	1,077,998
Forfeitured	339,316	919,512
Balance at the end of the year	1,879,857	2,038,343
Exercisable at the end of the year	262,961	–

(Note) 1. There is no exercise price in the Plan.
2. The grant date is March 25, 2022 and March 23, 2023.
3. The weighted average remaining maturity of the system is 1.6 years and 1.3 years as of December 31, 2022 and 2023, respectively.
4. On March 25, 2024, the Group paid monetary amounts corresponding to the number of vested units for compensation vested on February 29, 2024, based on a resolution adopted at the meeting of the Compensation Committee held on February 13, 2024.

The fair value of units is ¥3,492 per unit granted in the year ended December 31, 2022 and ¥3,337 ($24) per unit granted in the year ended December 31, 2023. 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.

	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model
Key inputs and assumptions:		
Measurement date share price	¥4,910	¥4,525 ($32)
Expected volatility (Note)	42.0%	30.7%
Option life	3.2 years	3.2 years
Dividend yield	2.6%	3.5%
Risk-free interest rate	0%	-0.10%

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

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

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

During the year ended December 31, 2022 and 2023, ¥64 million and ¥569 million ($4 million) was recognized as expenses related to this plan.

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

	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)
	Number of rights	*Number of rights*
Balance at the beginning of the year	2,304,100	2,008,975
Granted	-	-
Forfeitured	295,125	-
Balance at the end of the year	2,008,975	2,008,975
Exercisable at the end of the year	870,000	2,008,975

(Note) 1. The grant date is April 17, 2020.
2. The fair value on the date of grant was determined using the share price of ¥2,072 ($15) on the date of grant.

35. FINANCIAL INSTRUMENTS

(1) Capital management

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

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

	(Millions of Yen)		(Millions of U.S Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Total equity attributable to owners of the parent	¥880,267	¥841,651	$5,976
Underlying ROE (%)	15.1	10.4	10.4

(Note) The underlying profit for the year (attributable to owners of the parent), the numerator of underlying ROE, is a KPI used to measure recurring profit attributable to owners of the parent which is calculated as profit for the year (attributable to owners of the parent) adjusted for adjustment items related to operating profit, revaluation of contingent consideration and put option liabilities, related tax effects, profit or loss attributable to non-controlling interests, and other one-off items. Reconciliation from profit for the year (attributable to owners of the parent) to underlying profit for the year (attributable to owners of the parent) is stated below. Adjustment items for the fiscal year ended December 31, 2023 include an adjustment for gain from the termination of interest rate swap agreements ¥(7,782) million ($(55 million)), included in "Other".

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Profit for the year (attributable to owners of the parent)	¥59,847	¥(10,714)	($76)
(Adjustment items)			
Adjustment items related to operating profit	85,572	118,202	839
Revaluation of contingent consideration and put option liabilities	12,163	2,282	16
Revaluation gain on step acquisition	(5,467)	(142)	(1)
Others	551	(10,021)	(71)
Tax expenses related to the above items	(19,926)	(8,994)	(64)
Profit attributable to non-controlling interest related to the above items	(2,702)	(772)	(5)
Underlying profit for the year (attributable to owners of parent)	¥130,037	¥89,839	$638

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

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

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

(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."

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C. Analysis of trade receivables by due date

(Millions of Yen)

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

(Millions of 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 U.S. Dollars)

	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	$323	–	–	$9,865	$10,188
Within 30 days	–	–	–	521	521
Over 60 days, within 90 days	–	–	–	240	240
Over 90 days	–	–	$18	185	203
Total	$323	–	$18	$10,811	$11,153

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)

	FY2022 (Year ended December 31, 2022)				
	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	¥235	–	¥2,849	¥15,777	¥18,861
Addition	195	–	538	1,665	2,400
Decrease (intended use)	(19)	–	(37)	(3,107)	(3,164)
Decrease (reversal)	(7)	–	(849)	(110)	(967)
Other	64	–	(12)	(1,794)	(1,742)
Balance at the end of the year	¥467	–	¥2,489	¥12,430	¥15,387

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(Millions of Yen)

	FY2023 (Year ended December 31, 2023)				
	Lifetime expected credit losses				
	12-month expected credit losses	Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	Total
Balance at the beginning of the year	¥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 U.S. Dollars)

	FY2023 (Year ended December 31, 2023)				
	Lifetime expected credit losses				
	12-month expected credit losses	Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	Total
Balance at the beginning of the year	$3	–	$18	$88	$109
Addition	3	–	2	24	29
Decrease (intended use)	(1)	–	–	(5)	(6)
Decrease (reversal)	(1)	–	(4)	(2)	(8)
Other	(2)	–	$2	8	8
Balance at the end of the year	$2	–	$18	$112	$133

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Contractual outstanding balance	¥354	¥311	$2

(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, 2022 and 2023 is as follows:

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FY2022: As of December 31, 2022

(Millions of Yen)

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	¥1,532,591	¥1,532,591	¥1,532,591	-	-	-	-	-
Contingent consideration on acquisition and others	38,425	38,425	32,113	6,311	-	-	-	-
Put option liabilities	21,493	21,493	13,707	3,354	-	1,097	-	3,333
Borrowings	332,770	356,251	73,303	150,889	51,920	80,137	-	-
Bonds	199,660	203,446	35,622	590	70,536	432	10,418	85,847
Lease obligations	224,161	263,368	39,358	33,359	28,555	25,849	24,079	112,167
Subtotal	2,349,101	2,415,577	1,726,696	194,504	151,012	107,516	34,497	201,349
Derivative liabilities	5,828	5,828	2,057	83	3,188	21	478	-
Total	¥2,354,930	¥2,421,405	¥1,728,753	¥194,588	¥154,201	¥107,537	¥34,975	¥201,349

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

FY2023: As of December 31, 2023

(Millions of U.S. Dollars)

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	$10,846	$10,846	$10,846	-	-	-	-	-
Contingent consideration on acquisition and others	143	143	98	42	4	-	-	-
Put option liabilities	102	102	87	-	-	-	-	14
Borrowings	2,341	2,468	331	419	482	508	398	330
Bonds	1,170	1,192	4	501	3	74	180	429
Lease obligations	1,555	1,816	295	249	217	192	164	700
Subtotal	16,157	16,567	11,662	1,210	705	774	742	1,473
Derivative liabilities	222	222	7	131	19	26	-	38
Total	$16,379	$16,789	$11,669	$1,341	$725	$800	$742	$1,512

C. Undrawn committed facilities

Undrawn committed facilities amounted to ¥603,453 million and ¥621,901 million ($4,416 million) as of December 31, 2022 and 2023, respectively.

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

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(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, 2022 and 2023 is as follows:

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
U.S. Dollars	¥(229)	¥(666)	$(5)
Euros	(40)	(26)	0

(6) Interest rate risk

A. Interest rate risk management

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

B. Interest rate sensitivity analysis

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

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Profit after tax	¥(523)	¥(1,942)	$(14)

C. Interbank Offered Rate (IBOR) reform

The Group's hedging transactions are impacted by the London Interbank Offered Rate (LIBOR), which is currently undergoing the IBOR reform.

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

The nominal transaction value of hedging instruments referencing USD LIBOR that will mature after the end of 2023 is ¥14,084 million ($100 million) as of December 31, 2023. These hedging instruments are designated as a means to hedge specific cash flows of borrowings arranged at variable rates indexed to LIBOR.

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

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

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(7) Hedge accounting

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

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

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				FY2023 (As of December 31, 2022)		
	Content		Notional Amount and Average Price	Within one year	Over one year Within five years	Over five years
Cash flow hedge	Interest rate risk	Interest rate swap	Notional Amount (Millions of 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

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

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The carrying amounts of the hedging instruments of the Company and certain consolidated subsidiaries are as follows. The amount of ineffectiveness of hedges recognized in profit or loss is not material for the years ended December 31, 2022 and 2023.

	(Millions of Yen)					(Millions of U.S. Dollars)	
	FY2022 (As of December 31, 2022)		*FY2023* (As of December 31, 2023)		Item in the Consolidated Statements of Financial Position	*FY2023* (As of December 31, 2023)	
	Carrying Amount		Carrying Amount			Carrying Amount	
	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities
Cash flow hedge							
Interest rate risk	¥12,256	¥(1)	¥2,856	-	(Note)	$20	-
Foreign exchange risk	13,699	(5,404)	12,715	(27,102)	(Note)	90	(192)
Total-cash flow hedges	25,955	(5,405)	15,571	(27,102)		111	(192)
Total financial instruments for which hedge accounting is applied	¥25,955	¥(5,405)	¥15,571	¥(27,102)		$111	$(192)

(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 year is as follows:

(Millions of Yen)

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

(Millions of 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)	-	-	Finance expenses
Foreign exchange risk	(23,009)	(4,335)	23,070	Finance income
Total-cash flow hedges	¥(37,429)	¥(4,335)	¥23,070	

(Millions of U.S. Dollars)

	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	$(102)	-	-	Finance expenses
Foreign exchange risk	(163)	(31)	164	Finance income
Total-cash flow hedges	$(266)	$(31)	$164	

(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.

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

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

	(Millions of 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 U.S. Dollars)	
	FY2023: Year ended December 31, 2023	
	Cash flow hedge	
	Interest rate risk	Foreign exchange risk
Balance at the beginning of the year	$114	$159
Arising during the year	(100)	(117)
Reclassification adjustments to net income	-	123
Reclassification adjustments for non-financial assets and others	-	(21)
Balance at the end of the year	$14	$144

(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, 2022 and 2023 is as follows:

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

	(Millions of Yen)				(Millions of U.S. Dollars)	
	FY2022 (As of December 31, 2022)		FY2023 (As of December 31, 2023)		FY2023 (As of December 31, 2023)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	¥304,016	¥299,380	¥290,498	¥294,318	$2,063	$2,090
Bonds	¥199,660	¥197,535	¥164,747	¥163,735	$1,170	$1,163

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

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

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

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

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(9) Fair value hierarchy of financial instruments

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

The fair value hierarchy is defined as follows:

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

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

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

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

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

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2022 and 2023. The followings table includes put option liabilities.

FY2022: As of December 31, 2022

(Millions of Yen)

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

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

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FY2023: As of December 31, 2023

(Millions of U.S. Dollars)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	$132	-	$132
Equity securities	421	-	168	590
Other	3	46	145	195
Total	$425	$178	$314	$917
Financial liabilities				
Derivative liabilities	-	$222	-	$222
Put option liabilities	-	-	102	102
Other (mainly contingent consideration)	-	-	143	143
Total	-	$222	$245	$467

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

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

For stocks in which active markets do not exist, the stocks whose fair value is measured using observable market data are categorized within Level 2, while stocks measured based mainly on two income approaches (one using the DCF method by which the perpetual value is calculated using the exit multiple method and the other using the perpetual value is calculated using the perpetual growth rate method) and the market approach (the comparable companies analysis) using unobservable inputs are categorized within Level 3.

In the income approach (the DCF method by which the perpetual value is calculated using the exit multiple method), significant unobservable inputs are mainly the level of future revenue and exit multiple (enterprise value/revenue), and discount rate. The fair value increases (decreases) as the level of future revenue increases (decreases); the fair value increases (decreases) as the exit multiple increases (decreases); the fair value decreases (increases) as the discount rate increases (decreases). The exit multiples (enterprise value/revenue) and discount rates used for the years ended December 31, 2022 and December 31, 2023 were 2.6 and 30%, and 2.9 and 30%, respectively.

In the income approach (DCF method by which the perpetual value is calculated using the perpetual growth rate method), significant unobservable inputs are mainly the discount rate. The fair value decreases (increases) as the discount rate increases (decreases). The discount rates used for the fiscal years ended December 31, 2022 and December 31, 2023 were 6.7% and 8.2%, respectively.

Significant unobservable inputs in the market approach (comparable company method or comparable transaction method) mainly include valuation multiples such as enterprise value/revenue, enterprise value/operating profit. The fair value increases (decreases) as the valuation multiples increase (decrease). Enterprise value/operating profit multiples ranging from 9.01 and 13.99 were used as valuation multiples in the year ended December 31, 2022 and 2023, 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 ¥111 million or decrease by ¥126 million as of December 31, 2022, increase by ¥142 million ($1 million) or decrease by ¥141 million ($1 million) as of December 31, 2023, respectively. If the discount rate increases or decreases by 100 bps, the fair values, etc, will decrease by ¥281 million or increase by ¥294 million as of December 31, 2022, decrease by ¥240 million ($2 million) or increase by ¥259 million ($2 million) as of December 31, 2023, respectively.

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

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

Financial assets	FY2022 (Year ended December 31, 2022) (Millions of Yen)	FY2023 (Year ended December 31, 2023) (Millions of Yen)	FY2023 (Year ended December 31, 2023) (Millions of U.S. Dollars)
Balance at the beginning of the year	¥87,437	¥71,034	$504
Other comprehensive income (Note 1)	(35,228)	(16,900)	(120)
Profit or loss (Note 2)	10,897	(1,111)	(8)
Purchases or acquisition	10,438	4,964	35
Sales or settlements	(1,422)	(10,324)	(73)
Other	(1,088)	(3,442)	(24)
Balance at the end of the year	¥71,034	¥44,219	$314

Financial liabilities	FY2022 (Year ended December 31, 2022) (Millions of Yen)	FY2023 (Year ended December 31, 2023) (Millions of Yen)	FY2023 (Year ended December 31, 2023) (Millions of U.S. Dollars)
Balance at the beginning of the year	¥83,475	¥59,918	$425
Profit or loss (Note 2)	12,163	2,282	16
Purchases	6,253	15,465	110
Sales or settlements	(43,001)	(46,528)	(330)
Other	1,027	3,406	24
Balance at the end of the year	¥59,918	¥34,544	$245

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

(Note 2) "Profit or loss" is associated with financial assets and financial liabilities at fair value through profit or loss and included in finance income or expenses. Profit or loss arising from financial instruments held at fiscal year end amounted to finance income of ¥13,120 million and finance expenses of ¥14,386 million for the years ended December 31, 2022 and finance income of ¥3,338 million ($24 million) and finance expenses of ¥4,531 million ($32 million) for the years ended December 31, 2023.

(10) Offsetting of financial assets and liabilities

The amounts of financial assets and liabilities as of December 31, 2022 and 2023, that are against the same counterparty and that are offset in accordance with the criteria for offset, are as follows.

	FY2022 (As of December 31, 2022) (Millions of Yen)	FY2023 (As of December 31, 2023) (Millions of Yen)	FY2023 (As of December 31, 2023) (Millions of U.S. Dollars)
	Cash and cash equivalents	Cash and cash equivalents	Cash and cash equivalents
Total recognized financial assets	¥146,871	¥103,964	$738
The amount of financial assets and liabilities offset in accordance with the criteria	(127,761)	(87,126)	(619)
Net amount recorded in Consolidated Statement of Financial Position	¥19,110	¥16,837	$120

	FY2022 (As of December 31, 2022) (Millions of Yen)	FY2023 (As of December 31, 2023) (Millions of Yen)	FY2023 (As of December 31, 2023) (Millions of U.S. Dollars)
	Borrowings (current)	Borrowings (current)	Borrowings (current)
Total recognized financial liabilities	¥127,761	¥87,126	$619
The amount of financial assets and liabilities offset in accordance with the criteria	(127,761)	(87,126)	(619)
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.

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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, 2022 and 2023 are as follows:

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Receivables	¥23,062	¥20,513	$146
Payables	¥8,351	¥6,654	$47

Transactions with associates for the year ended December 31, 2022 and 2023 are as follows:

Turnover and Cost of sales are shown in gross amount.

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Turnover	¥92,233	¥82,540	$586
Cost of sales	30,989	21,983	156
Selling, general and administrative expenses	¥4,179	¥4,172	$30

(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)		(Millions of U.S. Dollars)
	FY2022 (Year ended December 31, 2022)	FY2023 (Year ended December 31, 2023)	FY2023 (Year ended December 31, 2023)
Remuneration and bonuses	¥2,081	¥1,022	$7
Stock compensation	862	321	2
Total	¥2,943	¥1,344	$10

(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 2022, the number of consolidated subsidiaries and equity-accounted investees decreased by 73 and 4, respectively.

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37. CONTINGENT LIABILITIES

The contingent liabilities as of December 31, 2022 and 2023 are as follows:

Guarantees of loans and other liabilities

	(Millions of Yen)		(Millions of U.S. Dollars)
	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)	FY2023 (As of December 31, 2023)
Liabilities on guarantees resulting from a loan scheme for housing funds for employees	¥10	¥2	$0
Liabilities for guarantees of bank loans and others	6,843	9,083	64
Total	¥6,854	¥9,085	$65

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 (¥9,047 million) from parties seeking payment for goods and services which those parties allege had been provided to the subsidiary in question.

Based on legal advice received to date, the Group has rejected these claims. The Group contests the substance of the underlying transactions and is of the view that no bona fide goods or services were actually provided. Consequently, the Group has not recorded a liability in association with these claims. While the Group continues to investigate the matters with the support of its external legal and professional advisors, it is vigorously defending its position with respect to the claims and continues to support the authorities with their enquiries.

The outcome of the legal proceedings and any action by the regulators remains uncertain.

Contingent liabilities, etc. relating to contingent consideration arising from the acquisition of a consolidated subsidiary

In relation to the contingent consideration arising from the acquisition of a consolidated subsidiary during the previous fiscal years, which was conducted as part of efforts to expand its international business, the Group has been requested by the seller of the acquired company for the additional payment. The claim is based on the seller's assertion that the Group acted in a manner that had a negative impact on the performance on which the contingent consideration was calculated.

The Group's position was that actions were permitted under the purchase agreement, and it was planning to contest the sellers' claim. However, under the purchase agreement, since the parties must attempt in good faith to resolve the amounts in dispute, the sellers and the Group held discussions to achieve reconciliation, and the parties reached a settlement in August 2023. Meanwhile, the impact of the settlement on the Group's financial position and operating results is immaterial.

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38. SIGNIFICANT SUBSEQUENT EVENTS

(1) Repurchase of Treasury Shares

The Company resolved, at the meeting of the Board of Directors held on February 14, 2024, on matters concerning the repurchase of treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied mutatis mutandis under the provisions of Article 165, Paragraph 3 of the Act. Details of the repurchase.

(1) Class of shares to be repurchased: *Common shares of the Company*
(2) The total number of shares to be repurchased: 10,000,000 shares (maximum)
(3) Total repurchase cost: ¥20,000 million (maximum)
(4) Repurchase period: February 15, 2024 to October 31, 2024
(5) Method of repurchase: Market purchases on the Tokyo Stock Exchange through a discretionary trading authorization agreement (planned)
(6) Reason for repurchase: To further enhance shareholder value through the improvement of capital efficiency and the increased return of profits to shareholders.

Subsequently, the company executed the repurchase of treasury shares as follows.

(1) Type of shares repurchase: Common shares of the Company
(2) Total number of repurchased shares: 1,175,800 shares
(3) Total amount of repurchased shares: ¥4,947 million
(4) Repurchase period: From February 15, 2024 to April 30, 2024
(5) Method of repurchase: Market purchases on the Tokyo Stock Exchange through a discretionary trading authorization agreement.

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Subsidiaries and Affiliates

As of December 31, 2023, the Dentsu Group includes 808 consolidated subsidiaries and 85 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 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: 53.4%

Septeni Holdings Co., Ltd.[1,2]
Geographic Area: Japan
Equity Held by Dentsu: 52.6%

Information Services International-Dentsu, Ltd.[1,2,3,4]
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(formerly Dentsu McGarry Bowen, LLC)[1,3]
Geographic Area: USA
Equity Held by Dentsu: 100.0% (100.0%)

Dentsu Creative, LLC(formerly The 360i Network, LLC)[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.[3]
Geographic Area: USA
Equity Held by Dentsu: 100.0% (100.0%)

Isobar US, LLC[1,3]
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%)

Agenciaclick - Midia Interativa S.A.[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%)

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

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

Aegis International Holding Company B.V.[1,3]
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 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%)

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

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

——————————— *and 761 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.
4. Name changed to Dentsu Soken Inc. on 1 January 2024.

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 83 additional companies

Information for shareholders

(As of December 31, 2023)
Dentsu Group Inc.

Corporate Headquarters
1-8-1, Higashi-shimbashi, Minato-ku,
Tokyo 105-7050, Japan
Phone: +81-3-6217-6600

Contact Info
Investor Relations Department,
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
270,165,354

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
4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
100-8212, Japan

Internet Address
https://www.group.dentsu.com/en/

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Independent auditor's report

To the Board of Directors of Dentsu Group Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Dentsu Group Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board prescribed in Article 93 of "the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (IFRS Accounting Standards)

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasonableness of the Company's estimate of the recoverable amount used in the valuation of goodwill in EMEA and APAC	
The key audit matter	**How the matter was addressed in our audit**
As described in Note 15. "GOODWILL AND INTANGIBLE ASSETS" to the consolidated	The primary procedures we performed to assess the reasonableness of the Company's estimate of

financial statements, Dentsu Group Inc. (hereinafter, the "Company") recognized goodwill of ¥831,121 million (23% of total assets) in the consolidated statement of financial position for the current fiscal year. Included therein was goodwill of ¥235,570 million in EMEA. The carrying amount of goodwill in APAC was nil at the end of the current fiscal year. As the Company has adopted International Financial Reporting Standards (IFRSs), impairment tests for goodwill are performed annually and whenever there is an impairment indicator. The recoverable amount in the impairment test for goodwill is determined at the higher of either the fair value less costs of disposal or the value in use of an asset or a cash-generating unit. When the carrying amount exceeds the recoverable amount, an impairment loss is recognized. For the current fiscal year, the Company recognized an impairment loss on goodwill of ¥67,804 million in APAC as a result of the impairment test for the groups of cash-generating units including goodwill in EMEA and APAC. The Company calculated the recoverable amounts in the impairment test for the groups of cash-generating units to which goodwill in EMEA and APAC were allocated using the value in use based on the budget for the following fiscal year approved by management and the forecast for the additional four subsequent fiscal years. Key assumptions adopted by management as the basis for calculating the value in use included operating margin, net working capital, medium-term growth rates for net revenue, perpetual growth rates, discount rates, and the allocation ratios of central costs. While these assumptions were developed using management's best estimate and judgment made based on the historical business results and the business plans approved by management, they were inherently uncertain as they may be affected by changes in business strategies and market conditions. Accordingly, management's estimate and judgment thereon had a significant effect on the estimate of the value in use. In addition, selecting appropriate input data for estimating the discount rates	the recoverable amounts used in the valuation of goodwill in EMEA and APAC are set forth below. The audit procedures included those performed by the component auditor of Dentsu International Limited, a consolidated subsidiary and intermediate holding company that owns the shares of the companies that operate the Company's international business. We instructed the component auditor to perform audit procedures and evaluated their reports to conclude on whether sufficient and appropriate audit evidence was obtained. • We assessed the appropriateness of key assumptions adopted by management in calculating the value in use by inquiring of management and the personnel responsible for the business plans regarding the basis on which those key assumptions were developed. • To assess key assumptions that formed the basis for estimating the recoverable amounts of each group of cash-generating units, we: ・ assessed the accuracy of the estimates underlying the key assumptions by comparing the past estimates with actual results, and obtained an understanding of the effect each assumption had on the impairment test by performing a sensitivity analysis; ・ evaluated operating margins in the past business plans by analyzing the causes of any variances with actual results, and assessed whether the identified causes of the variances were appropriately considered and incorporated into the assumptions through discussions with management and personnel responsible for the business plans; ・ assessed the appropriateness of the net working capital assumptions by comparing them with the historical monthly trends; ・ assessed the reasonableness of the medium-term growth rates for net revenue by discussing with management and the personnel responsible for the business plans, and performing trend analysis of historical business results as well as comparative analysis with global advertising

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required a high degree of expertise in valuation. We, therefore, determined that our assessment of the reasonableness of the Company's estimate of the recoverable amounts used in the valuation of goodwill in EMEA and APAC was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	cost growth projections published; ・ assessed the appropriateness of the perpetual growth rate assumptions by tracing them to data published by external organizations; ・ assessed the appropriateness of the discount rate assumptions with the assistance of a valuation specialist within our network firms by comparing them with the discount rates that the valuation specialist independently estimated based on external information; and ・ assessed the appropriateness of the assumptions for the allocation ratios of central costs to each group of cash-generating units by inspecting a breakdown of central costs and analyzing the relationship between each cost element and the generation of cash inflows at the level of the group of cash-generating units.

Reasonableness of the Company's estimate of the recoverable amount used in the valuation of the cash-generating unit including the right-of-use asset related to the lease contract for the office building

The key audit matter	**How the matter was addressed in our audit**
As described in Note 16. "LEASES" to the consolidated financial statements, the Company recognized right-of-use assets of ¥139,252 million (4% of total assets) in the consolidated statement of financial position for the current fiscal year. Included therein was the right-of-use asset of ¥25,759 million related to the lease contract for the office building in New York, U.S., entered into by the Group as a lessee in November 2019, which was subject to real estate optimization as part of its restructuring. The lease period ends on July 31, 2038. While the recoverable amount used in the valuation of a cash-generating unit including the right-of-use asset was estimated using future subleases, it was expected to be less than the carrying amount even if the future sublease income was taken into account. Therefore, the Company reduced the carrying amount of	The primary procedures we performed to assess the reasonableness of the Company's estimate of the recoverable amount used in the valuation of the cash-generating unit including the right-of-use asset related to the lease contract for the office building are set forth below. For the reasonableness of the Company's estimate of the recoverable amount for the cash-generating unit including the right-of-use asset, we instructed the component auditor of Dentsu International Limited, a consolidated subsidiary, to perform audit procedures and evaluated their reports to conclude on whether sufficient and appropriate audit evidence was obtained from the following audit procedures, among others: ・ assessment of whether key assumptions adopted by management for calculating the recoverable amount were appropriate by inquiring of management and the expert used by management about the basis on which those assumptions were developed; and

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the right-of-use asset to its recoverable amount in the consolidated statement of financial position, and the resulting decrease in the carrying amount was recognized as an impairment loss in the consolidated statement of income. Key assumptions adopted by management for measuring the recoverable amount used in the valuation of the cash-generating unit including the right-of-use asset included the basic sublease fee, expected rate of increase in lease payments over the lease period, lease incentive, and void periods. As these assumptions were developed taking into account uncertainty at the balance sheet date, they may be affected by the changes in market conditions and the occurrence of unpredictable events. Accordingly, management's estimate and judgment thereon had a significant effect on the accounting estimates. We, therefore, determined that our assessment of the reasonableness of the Company's estimate of the recoverable amount used in the valuation of the cash-generating unit including the right-of-use asset related to the lease contract for the office building was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	▪ assessment of the consistency of key assumptions related to the basic sublease fee, expected rate of increase in lease payments over the lease term, lease incentive, and void periods with available information published by external research organizations or market data obtained with the assistance of a real estate valuation specialist within our network firms.

Other Information

The other information comprises the information included in the Financial Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the audit committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards.

The audit committee is responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS Accounting Standards, the overall presentation, structure and content of the

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consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in Note "26. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES" of the Financial Report.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note "2. *BASIS OF PREPARATION* (3) Functional Currency and Presentation Currency" to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Hideaki Koyama

Designated Engagement Partner

Certified Public Accountant

Kentaro Maruta

Designated Engagement Partner

Certified Public Accountant

Shuji Ezawa

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

May 14, 2024

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.