Excerpt from Quarterly Report
(Consolidated Financial Statements)
(January 1 to September 30, 2018)

Part 4. Financial Section

1. Preparation Method of Condensed Quarterly Consolidated Financial Statements

(1) The condensed quarterly consolidated financial statements of Dentsu Inc. (hereinafter referred to as "the Company") are prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" (hereinafter referred to as "IAS 34") under the provisions of Article 93 of the "Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64, 2007; hereinafter referred to as "the Ordinance").

(2) In the condensed quarterly consolidated financial statements, figures less than one million yen are rounded down to the nearest million yen.

2. Audit Certificate

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's condensed quarterly consolidated financial statements for the third quarter ended September 30, 2018 (from July 1 to September 30, 2018) and the condensed consolidated financial statements for the first nine months (from January 1 to September 30, 2018) of fiscal year 2018, which were compiled in Japanese, were subject to a quarterly review by KPMG AZSA LLC.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Millions of Yen)

	Notes	FY2017 (As of December 31, 2017)	The third quarter (As of September 30, 2018)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		305,760	250,391
Trade and other receivables		1,410,454	1,280,090
Inventories		22,074	34,211
Other financial assets	12	21,934	16,682
Other current assets		74,525	82,889
Subtotal		1,834,749	1,664,265
Non-current assets classified as held for sale		1,835	2
Total current assets		1,836,584	1,664,267
NON-CURRENT ASSETS:			
Property, plant and equipment		196,659	197,134
Goodwill		798,177	801,995
Intangible assets		274,502	254,207
Investment property		37,360	37,146
Investments accounted for using the equity method		56,752	31,884
Other financial assets	12	327,356	443,238
Other non-current assets		15,062	15,719
Deferred tax assets		20,401	23,617
Total non-current assets		1,726,272	1,804,945
TOTAL ASSETS	5	3,562,857	3,469,212

	Notes	FY2017 (As of December 31, 2017)	The third quarter (As of September 30, 2018)
			(Millions of Yen)
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES:			
Trade and other payables		1,380,875	1,197,524
Borrowings	12	89,325	75,740
Other financial liabilities	12	43,030	54,712
Income tax payables		23,366	29,413
Provisions		2,070	1,518
Other current liabilities		203,091	191,040
Subtotal		1,741,758	1,549,950
Liabilities directly associated with non-current assets classified as held for sale		456	—
Total current liabilities		1,742,215	1,549,950
NON-CURRENT LIABILITIES:			
Borrowings	12	371,187	411,418
Other financial liabilities	12	146,076	138,604
Liability for retirement benefits		19,210	20,092
Provisions		4,983	4,862
Other non-current liabilities		19,497	22,363
Deferred tax liabilities		109,552	122,372
Total non-current liabilities		670,507	719,713
Total liabilities		2,412,722	2,269,664
EQUITY:			
Share capital		74,609	74,609
Share premium account		99,751	99,751
Treasury shares		(40,182)	(40,190)
Other components of equity		231,185	255,230
Retained earnings		727,846	752,079
Total equity attributable to owners of the parent		1,093,211	1,141,481
Non-controlling interests		56,923	58,067
Total equity		1,150,134	1,199,548
TOTAL LIABILITIES AND EQUITY		3,562,857	3,469,212

(2) Condensed Quarterly Consolidated Statement of Income

For the nine months ended September 30, 2017 and September 30, 2018

(Millions of Yen)

	Notes	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
Turnover (Note 1)	5	3,652,364	3,836,587
Revenue	5, 7	657,143	725,168
Cost		36,771	56,867
Revenue less cost of sales	5	620,371	668,301
Selling, general and administrative expenses		556,486	608,130
Other income	8	7,321	6,867
Other expenses	9	7,432	9,045
Operating profit		63,774	57,993
Share of results of associates		2,630	1,996
Gain on sale of shares of associates		－	52,128
Profit before interest and tax		66,405	112,118
Finance income	10	12,516	6,081
Finance costs	10	8,885	19,713
Profit before tax		70,036	98,487
Income tax expense		21,948	35,745
Profit for the period		48,088	62,741
Profit attributable to:			
Owners of the parent		44,513	58,200
Non-controlling interests		3,574	4,541
Earnings per share			
Basic earnings per share (Yen)	11	157.31	206.46
Diluted earnings per share (Yen)	11	157.30	206.46

Reconciliation from operating profit to underlying operating profit

(Millions of Yen)

	Notes	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
Operating profit		63,774	57,993
Amortization of intangible assets incurred in acquisitions		25,066	26,290
Other adjusting items (selling, general and administrative expenses)		4,226	977
Other adjusting items (other income)		(1,439)	(13)
Other adjusting items (other expenses)		3,207	4,263
Underlying operating profit (Note 2)	5	94,835	89,510

For the third quarter ended September 30, 2017 and September 30, 2018

(Millions of Yen)

	Notes	Third quarter ended September 30, 2017 (From July 1 to September 30, 2017)	Third quarter ended September 30, 2018 (From July 1 to September 30, 2018)
Turnover (Note 1)		1,187,711	1,248,410
Revenue		217,658	243,514
Cost		11,896	20,951
Revenue less cost of sales		205,761	222,562
Selling, general and administrative expenses		188,107	203,643
Other income		2,935	2,119
Other expenses		2,122	3,578
Operating profit		18,467	17,459
Share of results of associates		969	225
Gain on sale of shares of associates		—	51,569
Profit before interest and tax		19,436	69,254
Finance income		5,423	10,136
Finance costs		3,240	3,807
Profit before tax		21,619	75,583
Income tax expense		6,584	26,756
Profit for the period		15,034	48,827
Profit attributable to:			
Owners of the parent		13,800	47,414
Non-controlling interests		1,234	1,412
Earnings per share			
Basic earnings per share (Yen)	11	48.95	168.20
Diluted earnings per share (Yen)	11	48.95	168.20

Reconciliation from operating profit to underlying operating profit

(Millions of Yen)

	Notes	Third quarter ended September 30, 2017 (From July 1 to September 30, 2017)	Third quarter ended September 30, 2018 (From July 1 to September 30, 2018)
Operating profit		18,467	17,459
Amortization of intangible assets incurred in acquisitions		8,807	8,774
Other adjusting items (selling, general and administrative expenses)		3,370	371
Other adjusting items (other income)		(720)	(11)
Other adjusting items (other expenses)		555	2,053
Underlying operating profit (Note 2)		30,480	28,647

(Notes)

1. Turnover represents the total amount billed and billable to clients handled by the Group, net of discounts, VAT and other sales-related taxes.
   Disclosure of turnover information is not required under IFRS; however, it is voluntarily disclosed in the Condensed Quarterly Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.
2. The underlying operating profit is a KPI to measure recurring business performance which is calculated as operating profit added with amortization of M&A related intangible assets, acquisition costs, share-based compensation expenses related to acquired companies and one-off items such as impairment loss and gain/loss on sales of non-current assets.
   Underlying operating profit is not defined under IFRS; however, it is voluntarily disclosed in the Condensed Quarterly Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

For the nine months ended September 30, 2017 and September 30, 2018

(Millions of Yen)

	Notes	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
PROFIT FOR THE PERIOD		48,088	62,741
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	12	45,559	40,041
Remeasurements of defined benefit plans		19	0
Share of other comprehensive income of investments accounted for using the equity method		149	(166)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
Exchange differences on translation of foreign operations		31,043	(20,199)
Effective portion of the change in the fair value of cash flow hedges		(1,938)	1,283
Share of other comprehensive income of investments accounted for using the equity method		177	(305)
Other comprehensive income, net of tax		75,010	20,653
COMPREHENSIVE INCOME FOR THE PERIOD		123,099	83,395
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		118,892	80,106
Non-controlling interests		4,207	3,288

For the third quarter ended September 30, 2017 and September 30, 2018

(Millions of Yen)

	Notes	Third quarter ended September 30, 2017 (From July 1 to September 30, 2017)	Third quarter ended September 30, 2018 (From July 1 to September 30, 2018)
PROFIT FOR THE PERIOD		15,034	48,827
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		24,181	31,947
Remeasurements of defined benefit plans		(14)	(14)
Share of other comprehensive income of investments accounted for using the equity method		50	(153)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
Exchange differences on translation of foreign operations		20,143	12,762
Effective portion of the change in the fair value of cash flow hedges		377	1,169
Share of other comprehensive income of investments accounted for using the equity method		69	(30)
Other comprehensive income, net of tax		44,809	45,681
COMPREHENSIVE INCOME FOR THE PERIOD		59,843	94,508
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		57,725	92,042
Non-controlling interests		2,118	2,465

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2017 (From January 1 to September 30, 2017)

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent					
					Other components of equity		
		Share capital	Share premium account	Treasury shares	Share options	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
As of January 1, 2017		74,609	99,751	(20,168)	48	37,403	7,120
Profit for the period							
Other comprehensive income						30,967	(1,938)
Comprehensive income for the period		–	–	–	–	30,967	(1,938)
Repurchase of treasury shares	6			(20,011)			
Disposal of treasury shares			(0)	0			
Dividends	6						
Transactions with non-controlling interests							
Transfer from other components of equity to retained earnings							
Transactions with owners−total		–	(0)	(20,010)	–	–	–
As of September 30, 2017		74,609	99,751	(40,179)	48	68,370	5,181

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent					Non-controlling interests	Total equity
		Other components of equity						
		Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total		
As of January 1, 2017		84,409	(7,634)	121,346	657,203	932,742	49,218	981,961
Profit for the period				–	44,513	44,513	3,574	48,088
Other comprehensive income		45,337	12	74,378		74,378	632	75,010
Comprehensive income for the period		45,337	12	74,378	44,513	118,892	4,207	123,099
Repurchase of treasury shares	6			–		(20,011)		(20,011)
Disposal of treasury shares				–		0		0
Dividends	6			–	(25,516)	(25,516)	(3,381)	(28,897)
Transactions with non-controlling interests				–	(6,697)	(6,697)	1,802	(4,895)
Transfer from other components of equity to retained earnings		(132)		(132)	132	–		–
Transactions with owners−total		(132)	–	(132)	(32,082)	(52,225)	(1,578)	(53,804)
As of September 30, 2017		129,615	(7,622)	195,593	669,634	999,408	51,847	1,051,256

For the nine months ended September 30, 2018 (From January 1 to September 30, 2018)

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent					
					Other components of equity		
		Share capital	Share premium account	Treasury shares	Share options	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
As of January 1, 2018		74,609	99,751	(40,182)	48	69,734	6,231
Cumulative effects of changes in accounting policies	3						
Restated balance as of January 1, 2018		74,609	99,751	(40,182)	48	69,734	6,231
Profit for the period							
Other comprehensive income						(19,650)	1,283
Comprehensive income for the period		―	―	―	―	(19,650)	1,283
Repurchase of treasury shares				(7)			
Disposal of treasury shares			(0)	0			
Dividends	6						
Transactions with non-controlling interests							
Transfer from other components of equity to retained earnings							
Other changes					(48)		
Transactions with owners―total		―	(0)	(7)	(48)	―	―
As of September 30, 2018		74,609	99,751	(40,190)	―	50,083	7,515

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent						
		Other components of equity						
		Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of January 1, 2018		151,258	3,913	231,185	727,846	1,093,211	56,923	1,150,134
Cumulative effects of changes in accounting policies	3			―	(3,850)	(3,850)		(3,850)
Restated balance as of January 1, 2018		151,258	3,913	231,185	723,996	1,089,360	56,923	1,146,284
Profit for the period				―	58,200	58,200	4,541	62,741
Other comprehensive income		40,269	3	21,906		21,906	(1,252)	20,653
Comprehensive income for the period		40,269	3	21,906	58,200	80,106	3,288	83,395
Repurchase of treasury shares				―		(7)		(7)
Disposal of treasury shares				―		0		0
Dividends	6			―	(25,370)	(25,370)	(2,595)	(27,965)
Transactions with non-controlling interests				―	(2,608)	(2,608)	756	(1,851)
Transfer from other components of equity to retained earnings		2,186		2,186	(2,186)	―		―
Other changes				(48)	48	0	(306)	(306)

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent						
		Other components of equity						
		Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
Transactions with owners－total		2,186	－	2,138	(30,117)	(27,986)	(2,144)	(30,131)
As of September 30, 2018		193,715	3,916	255,230	752,079	1,141,481	58,067	1,199,548

(5) Condensed Quarterly Consolidated Statement of Cash Flows

(Millions of Yen)

	Notes	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		70,036	98,487
ADJUSTMENTS FOR:			
Depreciation and amortization		42,393	44,209
Impairment loss		705	—
Interest and dividend income		(3,943)	(3,603)
Interest expense		8,141	9,569
Share of results of associates		(2,630)	(1,996)
Loss (gain) on sale of shares of associates		—	(52,128)
Increase (decrease) in liability for retirement benefits		2,023	758
Other—net		(12,433)	9,578
Cash flows from operating activities before adjusting changes in working capital and others		104,292	104,874
CHANGES IN WORKING CAPITAL:			
(Increase) decrease in trade and other receivables		100,503	108,569
(Increase) decrease in inventories		(9,189)	(11,907)
(Increase) decrease in other current assets		(14,913)	(8,938)
Increase (decrease) in trade and other payables		(141,907)	(168,132)
Increase (decrease) in other current liabilities		(8,602)	(4,740)
Change in working capital		(74,108)	(85,150)
Subtotal		30,184	19,723
Interest received		1,380	1,634
Dividends received		3,589	2,742
Interest paid		(7,842)	(8,898)
Income taxes paid		(55,317)	(41,619)
Net cash flow from operating activities		(28,005)	(26,417)

	Notes	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
		(Millions of Yen)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment, intangible assets and investment property		(15,945)	(20,155)
Proceeds from sale of property, plant and equipment, intangible assets and investment property		2,067	433
Net cash (paid) received on acquisition of subsidiaries		(47,983)	(26,460)
Net cash (paid) received on disposal of subsidiaries		72	297
Payments for purchases of securities		(12,908)	(56,283)
Proceeds from sales of securities		6,593	81,981
Other—net		(614)	(694)
Net cash flow from investing activities		(68,718)	(20,882)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term borrowings		(79,883)	35,467
Proceeds from long-term borrowings		154,049	39,492
Repayment of long-term borrowings		(1,360)	(43,872)
Payment for acquisition of interest in a subsidiary from non-controlling interests		(1,957)	(8,030)
Payments for purchase of treasury shares	6	(20,011)	(7)
Dividends paid	6	(25,516)	(25,370)
Dividends paid to non-controlling interests		(2,613)	(2,750)
Other—net		(343)	2,891
Net cash flow from financing activities		22,363	(2,181)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		1,411	(5,888)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(72,948)	(55,369)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		242,410	305,760
CASH AND CASH EQUIVALENTS AT END OF PERIOD		169,461	250,391

Notes on the Condensed Quarterly Consolidated Financial Statements

1. Reporting Entity

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

The addresses of the Company's registered corporate headquarters and principal business offices are available on the Company's website (www.dentsu.com).

The details of businesses and principal business activities of the Company and its subsidiaries (hereinafter referred to as "the Group") are stated in "5. Segment Information."

The condensed quarterly consolidated financial statements for the third quarter ended September 30, 2018 were approved by Toshihiro Yamamoto, Representative Director and President & CEO, and Arinobu Soga, Director and Executive Officer, on November 14, 2018.

2. Basis of Preparation

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

The Company's condensed quarterly consolidated financial statements meet all requirements of Article 1-2 "Specified Company for Designated IFRS" stipulated in the Ordinance, and are prepared in accordance with IAS 34 under the provisions of Article 93 of the Ordinance.

The condensed quarterly consolidated financial statements do not include all the information that must be disclosed in the annual consolidated financial statements, and therefore should be used in conjunction with the consolidated financial statements for the previous fiscal year.

3. Significant Accounting Policies

Significant accounting policies applied to the condensed quarterly consolidated financial statements for the third quarter ended September 30, 2018 are identical to those applied to the consolidated financial statements for the previous fiscal year, with the exception of changes in accounting policies stated below. Meanwhile, income taxes for the nine months ended September 30, 2018 are calculated based on the estimated annual effective tax rate.

(Changes in accounting polices)

(Adoption of IFRS 9 (2014) "Financial Instruments")

The Group has adopted IFRS 9 (2014) "Financial Instruments" from the first quarter ended March 31, 2018. Under IFRS 9, "incurred loss model" used in IAS 39 "Financial Instruments: Recognition and Measurement" was replaced by "expected credit loss model" with regard to the impairment of financial assets. Credit losses are recognized earlier under IFRS 9 than the timing of recognition under IAS 39.

As a result, 5,088 million yen of allowance for doubtful accounts was recognized, and a 3,850 million yen decrease in retained earnings at the beginning of the period as of the commencement date of adoption of IFRS 9 was recognized, in accordance with the transitional arrangements. The effect on the condensed quarterly consolidated statement of income for the nine months ended September 30, 2018 is not material.

With regard to the hedge accounting, IAS 39 shall continue to be applied as a provisional measure.

(Adoption of IFRS 15 "Revenue from Contracts with Customers" and others)

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" (published in May 2014) and "Clarifications to IFRS 15" (published in April 2016) (hereinafter, collectively referred to as "IFRS 15") from the first quarter ended March 31, 2018. As a result of the adoption of IFRS 15, revenues are recognized based on the following five-step approach.

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligation in the contract.
Step 3: Calculate the transaction price.
Step 4: Allocate the transaction price to each performance obligation in the contract.
Step 5: An entity recognizes revenue when a performance obligation is satisfied.

Based on the five-step approach stated above, changes were made for some transactions in the recognition of revenue when a performance obligation is satisfied. As a result, in the condensed quarterly consolidated statement of income for the nine months ended September 30, 2018, revenue, revenue less cost of sales, operating profit, and profit before tax decreased by 1,332 million yen each compared to the figures under the former accounting standards. In the condensed quarterly consolidated statement of financial position for the third quarter ended September

30, 2018, trade and other receivables and trade and other payables decreased by 15,017 million yen and 16,149 million yen, respectively, and other current liabilities increased by 2,464 million yen.

The IFRS 15 has been applied retrospectively, and the cumulative effects due to the adoption were recognized on the commencement date of adoption in accordance with the provisional measure; however, the amount of cumulative effect as of the commencement date of adoption of said standards is not material.

In addition to the above changes, with the adoption of IFRS 15, in the case where other concerned parties are involved in providing goods or services to customers, the Group reviewed, under the newly stipulated application guidelines, whether the nature of an entity's promise represents a performance obligation of providing specified goods or services to customers by the entity itself (that is, the entity is the party concerned) or a performance obligation of making arrangements for these goods or services to be provided by the other concerned parties (that is, the entity is an agent). Based on the review, recognition of revenue for some transactions has been changed from "net base" to "gross base." As a result, revenue and cost increased by 18,535 million yen each in the condensed quarterly consolidated statement of income for the nine months ended September 30, 2018 when compared to said figures under the former accounting standards.

As a result of the adoption of IFRS 15, basic earnings per share and diluted earnings per share for the nine months ended September 30, 2018 decreased by 3.01 yen, respectively, when compared to said figures under the former accounting standards.

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

Accounting judgments, estimates and assumptions that may have a material effect on the amount in the condensed quarterly consolidated financial statements for the third quarter ended September 30, 2018 are identical to those for the consolidated financial statements for the previous fiscal year, except for those included in the following notes.

3. Significant Accounting Policies

10. Finance Income and Finance Costs

5. Segment Information

(1) Description of reportable segments

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

The Group is mainly engaged in providing communications-related services focusing on advertising, and manages its Japan business and international business separately.

Accordingly, the Group has two reportable segments: Japan business segment and International business segment.

(2) Information on reportable segments

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

Intersegment revenues are based on the prevailing market price.

Nine months ended September 30, 2017 (From January 1 to September 30, 2017)

(Millions of Yen)

	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	1,370,280	2,288,287	3,658,567	(6,202)	3,652,364
Revenue (Note 2)	303,715	359,630	663,346	(6,202)	657,143
Revenue less cost of sales (Note 3)	263,162	357,382	620,544	(172)	620,371
Segment profit (underlying operating profit) (Note 3)	63,540	31,308	94,849	(14)	94,835
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	–	–	–	–	(25,066)
Other adjusting items (selling, general and administrative expenses)	–	–	–	–	(4,226)
Other adjusting items (other income)	–	–	–	–	1,439
Other adjusting items (other expenses)	–	–	–	–	(3,207)
Operating profit	–	–	–	–	63,774
Share of results of associates	–	–	–	–	2,630
Finance income	–	–	–	–	12,516
Finance costs	–	–	–	–	8,885
Profit before tax	–	–	–	–	70,036
Segment assets (Note 4)	1,221,536	2,091,882	3,313,418	(119,701)	3,193,717

Nine months ended September 30, 2018 (From January 1 to September 30, 2018)

(Millions of Yen)

	Japan business (Note 5)	International business (Note 5)	Total	Reconciliations	Consolidated
Turnover (Note 1)	1,385,951	2,458,908	3,844,860	(8,272)	3,836,587
Revenue (Note 2)	316,462	416,978	733,440	(8,272)	725,168
Revenue less cost of sales (Note 3)	272,676	395,811	668,488	(186)	668,301
Segment profit (underlying operating profit) (Note 3)	61,494	28,015	89,510	(0)	89,510
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	–	–	–	–	(26,290)
Other adjusting items (selling, general and administrative expenses)	–	–	–	–	(977)
Other adjusting items (other income)	–	–	–	–	13
Other adjusting items (other expenses)	–	–	–	–	(4,263)
Operating profit	–	–	–	–	57,993
Share of results of associates	–	–	–	–	1,996
Gain on sale of shares of associates	–	–	–	–	52,128
Finance income	–	–	–	–	6,081
Finance costs	–	–	–	–	19,713
Profit before tax	–	–	–	–	98,487
Segment assets (Note 4)	1,372,333	2,214,477	3,586,811	(117,598)	3,469,212

(Notes)
1. Turnover represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover information is not required under IFRS; however, it is voluntarily disclosed in the Condensed Quarterly Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.
2. Reconciliations for revenue are due to eliminations of intersegment transactions (same amount as for turnover).
3. Reconciliations for revenue less cost of sales and segment profit (underlying operating profit) are due to eliminations of intersegment transactions.
4. Reconciliations for segment assets are due to eliminations of intersegment transactions.
5. Due to the effects of the adoption of IFRS 15 (See "3. Significant Accounting Policies"), in the nine months ended September 30, 2018, revenue, revenue less cost of sales, and segment profit in the Japan business segment decreased by 1,332 million yen each, and revenue from the International business segment increased by 18,535 million yen; however, the resulting effects on profits are not material in the International business segment. Segment assets decreased by 15,017 million yen in the Japan business segment, and the resulting effects on the International business segment are not material.

6. Capital

(1) Dividends

Dividends paid are as follows:

Nine months ended September 30, 2017 (From January 1 to September 30, 2017)

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 14, 2017)	Ordinary shares	12,831	45.00	December 31, 2016	March 9, 2017
Board of Directors (August 9, 2017)	Ordinary shares	12,685	45.00	June 30, 2017	September 1, 2017

Nine months ended September 30, 2018 (From January 1 to September 30, 2018)

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 13, 2018)	Ordinary shares	12,685	45.00	December 31, 2017	March 8, 2018
Board of Directors (August 9, 2018)	Ordinary shares	12,685	45.00	June 30, 2018	September 7, 2018

(2) Purchase of treasury shares

Nine months ended September 30, 2017 (From January 1 to September 30, 2017)

The Company conducted a share repurchase by resolution at its meeting of the Board of Directors held on February 14, 2017, pursuant to the Company's Articles of Incorporation in accordance with Article 156 of the Companies Act, as applied by replacing certain terms under the provisions of Article 165, Paragraph 3 of the Act, in the following manner.

1) Class of shares repurchased: Common shares of the Company
2) Total number of shares repurchased: 3,235,300 shares
3) Total repurchase cost: 19,999 million yen
4) Repurchase period: February 20, 2017 to May 17, 2017
5) Method of repurchase: Open market purchase on the Tokyo Stock Exchange

7. Revenue

Breakdown of revenue recognized from contracts with customers is shown below.

Nine months ended September 30, 2018 (From January 1 to September 30, 2018)

(Millions of Yen)

	Segments			Re-conciliations of internal transactions	Total
	Japan business	International business	Subtotal		
Principal services					
Advertising	261,252	416,978	678,230	—	—
Information Services	52,217	—	52,217	—	—
Other Business	2,992	—	2,992	—	—
Total	316,462	416,978	733,440	(8,272)	725,168
Breakdown by regional markets					
Japan	316,462	—	316,462	—	—
EMEA (Europe, Middle East and Africa)	—	155,283	155,283	—	—
Americas	—	173,774	173,774	—	—
APAC (Asia Pacific)	—	87,919	87,919	—	—
Total	316,462	416,978	733,440	(8,272)	725,168

8. Other Income

The breakdown of other income is as follows:

(Millions of Yen)

	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
Profit distributions	4,709	5,864
Gain on sale of property, plant and equipment, intangible assets and investment property	660	4
Other	1,951	997
Total	7,321	6,867

9. Other Expenses

The breakdown of other expenses is as follows:

(Millions of Yen)

	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
Amortization of long-term prepaid expenses	3,021	2,983
Foreign exchange losses	385	12
Loss on sale of property, plant and equipment, intangible assets and investment property	5	—
Impairment losses	705	—
Share-based compensation expenses settled in cash	1,883	3,996
Other	1,431	2,052
Total	7,432	9,045

10. Finance Income and Finance Costs

(1) The breakdown of finance income is as follows:

(Millions of Yen)

	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
Interest income	1,493	2,018
Dividend income	2,449	1,584
Changes in fair value of contingent consideration	7,266	1,868
Foreign exchange gains	—	115
Other	1,306	494
Total	12,516	6,081

(2) The breakdown of finance costs is as follows:

(Millions of Yen)

	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
Interest expense	8,245	9,611
Remeasurements of stock purchase obligations (Note)	—	9,872
Foreign exchange losses	403	—
Other	236	229
Total	8,885	19,713

(Note) During the nine months ended September 30, 2018, with regard to the stock purchase obligations of certain consolidated subsidiaries, changes were made to the estimates relating to the redemption period of such stock purchase obligations. As a result, finance costs for the nine months ended September 30, 2018 increased by 11,399 million yen.

11. Earnings Per Share

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

	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
Basic earnings per share (Yen)	157.31	206.46
Diluted earnings per share (Yen)	157.30	206.46

	Third quarter ended September 30, 2017 (From July 1 to September 30, 2017)	Third quarter ended September 30, 2018 (From July 1 to September 30, 2018)
Basic earnings per share (Yen)	48.95	168.20
Diluted earnings per share (Yen)	48.95	168.20

(Note) Due to the effect of the adoption of IFRS 15 (See "3. Significant Accounting Policies"), basic earnings per share and diluted earnings per share for the nine months ended September 30, 2018 decreased by 3.01 yen respectively, while basic earnings per share and diluted earnings per share for the third quarter ended September 30, 2018 decreased by 5.26 yen, respectively.

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

	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
Profit for the period used for calculation of basic earnings per share and diluted earnings per share		
Profit for the period attributable to owners of the parent (Millions of Yen)	44,513	58,200
Amounts not attributable to ordinary equity holders of the parent (Millions of Yen)	–	–
Profit for the period used for calculation of basic earnings per share (Millions of Yen)	44,513	58,200
Adjustment		
Share-based payment held by associates (Millions of Yen)	(0)	(0)
Profit for the period used for calculation of diluted earnings per share (Millions of Yen)	44,512	58,199
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share and diluted earnings per share		
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share (Thousands of shares)	282,972	281,898
Effect of dilutive potential ordinary shares (Thousands of shares)	–	–
The weighted average number of ordinary shares outstanding used for the calculation of diluted earnings per share (Thousands of shares)	282,972	281,898

	Third quarter ended September 30, 2017 (From July 1 to September 30, 2017)	Third quarter ended September 30, 2018 (From July 1 to September 30, 2018)
Profit for the period used for calculation of basic earnings per share and diluted earnings per share		
Profit for the period attributable to owners of the parent (Millions of Yen)	13,800	47,414
Amounts not attributable to ordinary equity holders of the parent (Millions of Yen)	–	–
Profit for the period used for calculation of basic earnings per share (Millions of Yen)	13,800	47,414
Adjustment		
Share-based payment held by associates (Millions of Yen)	(0)	–
Profit for the period used for calculation of diluted earnings per share (Millions of Yen)	13,800	47,414
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share and diluted earnings per share		
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share (Thousands of shares)	281,899	281,897
Effect of dilutive potential ordinary shares (Thousands of shares)	–	–
The weighted average number of ordinary shares outstanding used for the calculation of diluted earnings per share (Thousands of shares)	281,899	281,897

12. Financial Instruments

(1) 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, 2017 and September 30, 2018 is as follows:

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

(Millions of Yen)

	FY2017 (As of December 31, 2017)		The third quarter (As of September 30, 2018)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	419,099	420,572	414,130	409,970

(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 within Level 3.

(2) Fair value hierarchy of financial instruments

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

Level 1: Fair value measured at the quoted price in the active market
Level 2: Fair value that is measured using the observable price other than categorized in Level 1 directly or indirectly
Level 3: Fair value that is measured based on unobservable inputs

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

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

There are no transfers between Level 1 and Level 2 for the nine months ended September 30, 2017 and the nine months ended September 30, 2018. Figures in the following table include stock purchase obligations.

FY2017 (As of December 31, 2017)

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	–	18,886	–	18,886
Equity securities	268,141	–	20,401	288,543
Other	522	2,825	11,780	15,128
Total	268,664	21,712	32,181	322,558
Financial liabilities				
Derivative liabilities	–	3,451	–	3,451
Stock purchase obligations	–	–	105,758	105,758
Other (mainly contingent consideration)	–	–	61,909	61,909
Total	–	3,451	167,667	171,119

The third quarter (As of September 30, 2018)

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	15,685	—	15,685
Equity securities	322,618	—	74,198	396,816
Other	513	2,783	15,564	18,861
Total	323,131	18,468	89,763	431,363
Financial liabilities				
Derivative liabilities	—	2,373	—	2,373
Stock purchase obligations	—	—	106,390	106,390
Other (mainly contingent consideration)	—	—	59,806	59,806
Total	—	2,373	166,196	168,570

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 valuated using observable market data are categorized within Level 2, while stocks valuated based mainly on market approaches (the comparable companies analysis) using unobservable inputs are categorized within Level 3. Significant unobservable inputs mainly include the price/net asset value multiples, and fair value increases (decreases) based on the increase (decrease) of the price/net asset value multiples. The price/net asset value multiples used as of December 31, 2017 and September 30, 2018 are 0.77 and 0.71, respectively.

The fair values, etc. of stock purchase obligations and other (financial liabilities) are categorized within Level 3 as they are valuated based on the discounted cash flow method using unobservable inputs. As the major unobservable inputs used in the valuation of other (financial liabilities) are mainly future profit levels, their fair values, etc. will increase (decrease) in line with the improvement (deterioration) of profit levels.

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

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

(Millions of Yen)

Financial assets	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
Balance at the beginning of the period	21,652	32,181
Other comprehensive income (Note 1)	622	1,610
Purchases or acquisitions	8,703	56,670
Sales or settlements	(266)	(739)
Transfers out of Level 3 (Note 2)	(21)	—
Other	353	39
Balance at the end of the period	31,043	89,763

(Millions of Yen)

Financial liabilities	Nine months ended September 30, 2017 (From January 1 to September 30, 2017)	Nine months ended September 30, 2018 (From January 1 to September 30, 2018)
Balance at the beginning of the period	173,589	167,667
Profit or loss (Note 3)	(8,011)	8,003
Purchases	30,257	14,491
Sales or settlements	(17,863)	(22,419)
Other	2,445	(1,546)
Balance at the end of the period	180,415	166,196

(Notes) 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."

2 "Transfers out of Level 3" for the nine months ended September 30, 2017 are due to investees listed on exchanges.

3 "Profit or loss" is associated with financial liabilities measured at fair value through profit or loss and included in finance income or finance costs. Profit or loss arising from financial instruments held at the end of the quarter amounted to ¥8,011 million (finance income) and ¥8,003 million (finance costs) for the nine months ended September 30, 2017 and the nine months ended September 30, 2018, respectively.

13. Subsequent Events

(Issuance of corporate bonds)

On October 25, 2018, the Company issued unsecured straight bonds as follows, based on a general resolution on the issuance of domestic unsecured straight bonds at the Board of Directors meeting held on March 15, 2018.

Name of the corporate bonds	1st series unsecured bonds	2nd series unsecured bonds	3rd series unsecured bonds
Total issue amount	35.0 billion yen	20.0 billion yen	25.0 billion yen
Issuance price	100 yen for each 100 yen par value of bond		
Term to maturity	5 years	7 years	10 years
Payment date	October 25, 2018		
Maturity date	October 25, 2023	October 24, 2025	October 25, 2028
Interest rate (per year)	0.110%	0.240%	0.424%
Use of proceeds	For the repayment of borrowings and investments		

(Management integration between two of the Company’s consolidated subsidiaries, Cyber Communications Inc. and VOYAGE GROUP, INC.)

The Company and its consolidated subsidiaries, Cyber Communications Inc. (“CCI”) and VOYAGE GROUP, INC. (“VOYAGE GROUP”), at their respective Board of Directors meetings held on October 31, 2018, approved resolutions for management integration between CCI and VOYAGE GROUP (“Management Integration”) on January 1, 2019 (tentative) (“Integration Date”).

As part of the Management Integration, VOYAGE GROUP will conduct a share exchange (“Share Exchange”) on the Integration Date, in which VOYAGE GROUP will acquire all issued shares of CCI, while allotting and delivering common shares of VOYAGE GROUP to Dentsu, the parent company of CCI. Following the Share Exchange, VOYAGE GROUP will become a consolidated subsidiary of the Company, while CCI will become a wholly-owned subsidiary of VOYAGE GROUP (a second-tier subsidiary of the Company).

Through a company split in which VOYAGE GROUP will act as the splitting company in absorption-type split, while a newly established wholly-owned subsidiary of VOYAGE GROUP for the purpose of preparing for the company split (“Split Preparation Company”) will act as the successor company, on the condition that the Share Exchange takes effect, VOYAGE GROUP’s rights and duties pertaining to its businesses will be succeeded to by the Split Preparation Company. VOYAGE GROUP will change its trade name in conjunction with its transition to a holding-company structure, and the Split Preparation Company will change its trade name to VOYAGE GROUP, INC.

(1) Summary of the business combination

1) Name of the acquiree and its type of business

Name of the acquiree	VOYAGE GROUP, INC. (Listed on the First Section of the Tokyo Stock Exchange)
Type of business	Ad-platform Business, Point Media Business and Incubation Business

2) Reason for the business combination

As the business environment for the online advertising business has changed drastically due to expansion of the smartphone advertising market, the rapid development of the video advertising market, and increase in the advertisers utilizing data and technology, more sophisticated and specialized technologies and robust business operation structures have become vital. Under such circumstances, Dentsu, CCI and VOYAGE GROUP have reached an agreement to carry out the Management Integration, pursuing an increase in their profits and improvement in corporate value, with the objective of achieving further sustained business growth and accelerating business development, through the creation of synergy capitalizing on the respective strengths of Dentsu, CCI and VOYAGE GROUP.

3) Date of the business combination

January 1, 2019 (tentative)

(Note) The business combination is scheduled to be carried out effective as of the Integration Date, subject to the respective approvals of the Share Exchange Agreement at the Extraordinary Shareholders Meeting of CCI and the Ordinary General Meeting of Shareholders at VOYAGE GROUP, both of which are scheduled to be held in early December 2018, under the condition that the necessary licenses and permits are granted by the relevant authorities in both Japan and foreign countries.

4) Legal form of the business combination

A share exchange in which VOYAGE GROUP becomes the wholly-owning parent company, while CCI becomes the wholly-owned subsidiary.

5) Name of the company after the combination

Yet to be determined.

(Note) VOYAGE GROUP is scheduled to change its trade name on January 1, 2019 (tentative), in conjunction with its transition to a holding-company structure, subject to the Share Exchange taking effect.

6) Ratio of voting rights to be acquired

Yet to be determined at this time.

7) Primary rationale for determining the acquiring company

The Company will acquire a majority of the voting rights of VOYAGE GROUP.

(2) Matters related to calculation of the acquisition cost, etc.

1) Acquisition cost of the acquiring company and breakdown by type of consideration

Consideration of the acquisition	Shares of CCI to be delivered on the date of business combination
Acquisition cost	Yet to be determined at this time.

2) Share exchange ratio by class of shares, the employed calculation method and the number of shares to be delivered

a. Share exchange ratio by class of shares

26 common shares of VOYAGE GROUP for each common share of CCI

b. Calculation method

The share exchange ratio was determined as stated in a. above, based on a comprehensive consideration of factors, including the result of calculation of the share exchange ratio by third party appraisal organizations, the financial condition of the two companies, the trend of the share price of VOYAGE GROUP and the future outlook.

c. Number of shares to be delivered

516,981 common shares of CCI

d. Number of shares to be acquired

13,441,506 common shares of VOYAGE GROUP (allotment of newly issued shares)

(3) Amount of acquisition-related expenses and account titles to be presented

Yet to be determined at this time.

(4) Identifiable assets acquired and liabilities assumed

Fair values of goodwill, non-controlling interests, as well as assets acquired and liabilities assumed are yet to be determined at this time.

2. Other Information

(1) Dividends from surplus

With regard to the interim dividend for the fiscal year ending December 31, 2018 (from January 1, 2018 to December 31, 2018), the Company resolved at its meeting of the Board of Directors held on August 9, 2018 that dividends shall be paid to the shareholders whose names are recorded in the last register of shareholders as of June 30, 2018, in the following manner.

1) Total amount of dividends:	JPY 12,685 million
2) Dividend per share:	JPY 45.00
3) Effective date of the right to collect payment and commencement date of dividend payment:	September 7, 2018

(2) Significant lawsuits, etc.

Although there are pending lawsuits, etc. involving the Group, their impact on the Group's financial position and financial results is deemed to be insignificant.