Summary of Financial Results for the Fiscal Year Ended December 31, 2019

—IFRS Consolidated Results—

Name of Listed Company:	Dentsu Group Inc.
Code Number:	4324
Stock Exchange Listing:	First Section of the Tokyo Stock Exchange
URL:	https://www.group.dentsu.com/jp/
Name of Representative:	Toshihiro Yamamoto, Representative Director and President & CEO

Scheduled date of Ordinary General Meeting of Shareholders:
March 27, 2020

Scheduled start date of dividend payment:
March 5, 2020

Scheduled date for filing of the Financial Report:
March 27, 2020

Supplementary briefing material on annual results:
Available

Annual results briefing for institutional investors and analysts:
Scheduled

Contact: Shusaku Kannan
Executive Director
Group Corporate Communications Office
Telephone: (813) 6217-6601
E-mail: s.kannan@dentsu.co.jp

Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 [IFRS]

1. Summary of Financial Results for the Fiscal Year Ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(Figures are rounded down to the nearest one million yen)

(1) Consolidated Financial Results

(Percentages indicate the rate of increase or decrease compared with the previous fiscal year.)

(Millions of yen)

	Revenue		Operating profit		Profit before tax		Profit for the year		Profit attributable to owners of the parent		Total comprehensive income for the year	
Fiscal year ended December 31, 2019	1,047,881	2.9	(3,358)	—	(42,769)	—	(72,905)	—	(80,893)	—	(9,112)	—
Fiscal year ended December 31, 2018	1,018,512	9.7	111,638	(18.7)	148,751	(0.6)	97,501	(13.8)	90,316	(14.4)	18,766	(91.6)

(Yen, except as otherwise stated)

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Ratio of profit before tax to total assets
Fiscal year ended December 31, 2019	(287.92)	(287.86)	(8.0%)	(1.2%)
Fiscal year ended December 31, 2018	320.39	320.38	8.4%	4.1%

(Reference)

Share of results of associates
- Fiscal year ended December 31, 2019: 517 million yen
- Fiscal year ended December 31, 2018: 2,699 million yen

Revenue less cost of sales
- Fiscal year ended December 31, 2019: 939,385 million yen; 0.7%
- Fiscal year ended December 31, 2018: 932,680 million yen; 6.3%

Underlying operating profit
- Fiscal year ended December 31, 2019: 140,751 million yen; (8.1%)
- Fiscal year ended December 31, 2018: 153,229 million yen; (6.5%)

Operating margin
- Fiscal year ended December 31, 2019: 15.0%
- Fiscal year ended December 31, 2018: 16.4%

Underlying net profit attributable to owners of the parent
- Fiscal year ended December 31, 2019: 76,120 million yen; (21.9%)
- Fiscal year ended December 31, 2018: 97,419 million yen; (9.7%)

Underlying basic earnings per share
- Fiscal year ended December 31, 2019: 270.94 yen
- Fiscal year ended December 31, 2018: 345.59 yen

For the definition of “Underlying operating profit” and “Underlying net profit attributable to owners of the parent,” please refer to “Summary of financial results for the fiscal year ended December 31, 2019” on page 6.
“Operating margin” is underlying operating profit divided by revenue less cost of sales.

(2) Consolidated Financial Position

(Millions of yen, except as otherwise stated)

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share (Yen)
As of December 31, 2019	3,795,729	1,052,533	974,977	25.7%	3,523.11
As of December 31, 2018	3,638,488	1,110,749	1,047,619	28.8%	3,716.33

(3) Consolidated Cash Flows

(Millions of yen)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended December 31, 2019	79,957	(76,051)	(7,803)	414,055
Fiscal year ended December 31, 2018	133,049	(61,382)	57,522	416,668

2. Dividends

(Yen, except as otherwise stated)

	Cash dividend per share					Total cash dividends for the year (Millions of yen)	Dividend payout ratio (Consolidated)	Ratio of dividend to equity attributable to owners of the parent (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-end	Total			
Fiscal year ended December 31, 2018	—	45.00	—	45.00	90.00	25,370	28.1%	2.4%
Fiscal year ended December 31, 2019	—	47.50	—	47.50	95.00	26,549	—	2.6%
Fiscal year ending December 31, 2020 (forecast)	—	47.50	—	47.50	95.00		56.3%	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

(Millions of yen, except as otherwise stated)

	Revenue		Operating profit		Profit for the year		Profit attributable to owners of the parent		Basic earnings per share (Yen)
Fiscal year ending December 31, 2020	1,077,100	2.8%	108,200	—%	55,900	—%	46,700	—%	168.75

Revenue less cost of sales
  Fiscal year ending December 31, 2020: 970,300 million yen; 3.3%
Underlying operating profit
  Fiscal year ending December 31, 2020: 149,200 million yen; 6.0%
Operating margin
  Fiscal year ending December 31, 2020: 15.4%
Underlying net profit attributable to owners of the parent
  Fiscal year ending December 31, 2020: 86,500 million yen; 13.6%
Underlying basic earnings per share
  Fiscal year ending December 31, 2020: 312.57 yen

For the definition of "Underlying operating profit" and "Underlying net profit attributable to owners of the parent," please refer to "Summary of financial results for the fiscal year ended December 31, 2019" on page 6.
"Operating margin" is underlying operating profit divided by revenue less cost of sales.

Notes

(1) Changes in Significant Consolidated Subsidiaries during the Fiscal Year (change in specified subsidiaries involving changes in the scope of consolidation): None

(2) Changes in Accounting Policies and Changes in Accounting Estimates
  a. Changes in accounting policies required by IFRS: Yes
  b. Changes in accounting policies due to other reasons: None
  c. Changes in accounting estimates: Yes

(3) Number of issued shares (ordinary shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2019	288,410,000 shares
As of December 31, 2018	288,410,000 shares

b. Number of treasury shares at the end of the period

As of December 31, 2019	11,672,056 shares
As of December 31, 2018	6,513,459 shares

c. Average number of shares during the period

Fiscal year ended December 31, 2019	280,954,390 shares
Fiscal year ended December 31, 2018	281,897,828 shares

Notes

This summary of consolidated financial results for the fiscal year is not subject to the auditing by the Certified Public Accountants or the audit corporation.

Disclaimer regarding appropriate use of forecasts and related points of note

Since the forecast of financial results has been prepared based on certain conditions which Dentsu believes to be reasonable at this time, actual financial results may be substantially different from the forecast due to various factors. For information relating to the forecasts above, please refer to "Outlook for the fiscal year ending December 31, 2020" on page 8.

1. Financial Results and Financial Position

(1) Financial Results

1) Summary of financial results for the fiscal year ended December 31, 2019

The Japanese economy during the fiscal year 2019 under review remained on a moderate recovery track as improvements in both corporate earnings and the employment and earnings environment continued; however, the outlook became more uncertain due to weak exports and production. Meanwhile, the global economy remained uncertain due to unstable international situations from the trade friction between the United States and China, and the issue of the United Kingdom leaving the EU.

The growth rate forecast for worldwide advertising expenditure in the 2019 calendar year published in January 2020 by Dentsu Aegis Network Ltd. was 2.6%. Forecasts by region were as follows: Japan 1.2%; Europe, the Middle East and Africa (hereinafter "EMEA") 1.7%; the Americas 3.4%; and the Asia Pacific region (excluding Japan; hereinafter "APAC") 2.7%.

Under such circumstances, for the business results of the Group's Japan business operations during the fiscal year under review (from January 1, 2019 to December 31, 2019) the Group posted 1,047,881 million yen in revenue (2.9% increase year on year), 939,385 million yen in revenue less cost of sales (0.7% increase year on year), and the revenue less cost of sales organic growth rate was negative 1.0%. As a result of sluggish organic growth rate, underlying operating profit was 140,751 million yen (8.1% decrease year on year), operating margin (underlying operating profit divided by revenue less cost of sales) was 15.0% (16.4% for the previous fiscal year), and the underlying net profit attributable to owners of the parent was 76,120 million yen (21.9% decrease year on year). As a result of goodwill impairment loss in the APAC region and charges for the implementation of structural reforms in international business operations, operating loss was 3,358 million yen (operating profit of 111,638 million yen for the previous fiscal year) and loss for the year attributable to owners of the parent was 80,893 million yen (profit attributable to owners of the parent of 90,316 million yen for the previous fiscal year), due to a downturn of the gain on sales of shares of associates recorded in the previous year and an increase in revaluation of earnout liabilities/M&A related put-option liabilities.

Underlying operating profit is a profit indicator 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 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) added with adjustment items related to operating profit, gain/loss on sales of shares of associates, revaluation of earnout liabilities/M&A related put-option liabilities, tax-related and NCI profit-related and other one-off items.

Record of Income for Reportable Segments

a. Japan business

By business segment in Japan, turnover for the Internet (26.6% increase year on year) grew significantly due to the management integration of VOYAGE GROUP Inc. and Cyber Communications Inc., and the capital and business alliance with SEPTENI HOLDINGS CO., LTD. Meanwhile, turnover for television (4.0% decrease year on year), creative (3.5% decrease year on year), and newspapers (6.3% decrease year on year) decreased from the previous year. As a result, the revenue less cost of sales in the Japan business was 380,366 million yen (3.0% increase year on year), the revenue less cost of sales organic growth rate was 0.4%, and underlying operating profit was 72,488 million yen (9.7% decrease year on year) due to sluggish organic growth and expenditures for future growth, and operating margin was 19.1% (21.7% for the previous year).

b. International business

By region, the revenue less cost of sales organic growth rate from international business operations was negative 0.7% in EMEA, 2.4% in the Americas, and negative 12.3% in APAC, and was negative 1.9% overall. By major countries, profits were strong in Switzerland, Spain, Russia, Italy, the United States, and India, while results were severe in the United Kingdom, France, Brazil, China, and Australia. The revenue less cost of sales from international business operations was 559,772 million yen (0.7% decrease year on year) partly due to mergers and acquisitions, underlying operating profit was 68,361 million yen (6.3% decrease year on year) due to sluggish organic growth, and operating margin was 12.2% (12.9% for the previous fiscal year).

2) Outlook for the fiscal year ending December 31, 2020

Data released by Dentsu Aegis Network Ltd. in January 2020 for the 2020 calendar year forecasts that growth rate of worldwide advertising expenditures will be 3.9%. By region, Dentsu Aegis Network Ltd. forecasts growth of 2.0% in Japan; 2.7% in EMEA; 4.4% in the Americas; and 5.0% in APAC compared with the 2019 calendar year, respectively.

Against this backdrop, for the fiscal year ending December 31, 2020, on a consolidated basis, Dentsu forecasts revenue of 1,077.1 billion yen, an increase of 2.8% compared with the previous fiscal year; revenue less cost of sales of 970.3 billion yen, an increase of 3.3%; underlying operating profit of 149.2 billion yen, an increase of 6.0%; operating margin of 15.4% (15.0% for the previous fiscal year); operating profit of 108.2 billion yen (operating loss of 3,358 million yen for the previous fiscal year); underlying net profit attributable to owners of the parent of 86.5 billion yen, an increase of 13.6%; and profit for the year attributable to owners of the parent of 46.7 billion yen (loss attributable to owners of the parent of 80,893 million yen for the previous fiscal year).

The above forecasts are based on the budgets planned before the spread of the novel coronavirus since the beginning of this year. The impact of the spread of the novel coronavirus on the global advertising market, particularly in China, is uncertain at present, and the impact may not be fully reflected in the above forecasts.

3) Basic policy concerning distribution of profit and distribution of dividends for the fiscal year ended December 31, 2019 and the fiscal year ending December 31, 2020

Regarding matters provided for in each Item of Article 459, Paragraph 1 of the Companies Act, such as the distribution of dividends, etc., the Company has stipulated in the Articles of Incorporation that it may decide upon such matters by a resolution of the Board of Directors, unless otherwise provided for in the applicable laws and regulations.

Dentsu considers the return of profits an important management issue. Dentsu will work for comprehensive profit return through a combination of a maximization of corporate value through long-term business growth, continued and stable dividend distribution, flexible acquisition of treasury shares, etc., in accordance with the changes in the management environment surrounding the Company. Dividends for each term shall be decided taking into consideration the necessary internal reserve for sustained investment for business growth, consolidated performance trends, financial situation and other factors, while placing an emphasis on stability.

While paying attention to the stability of management and financial soundness, the

Company is aggressively seeking to create additional business opportunities by responding to the globalization of corporate activities, technological development, etc., through aggressive activities such as investment. By further improving the Group's competitiveness, profitability and business growth, the Company wishes to enhance returns to shareholders through improving fundamental corporate value.
The year-end dividend for this year is 47.50 yen per share, comprehensively taking into consideration the aforementioned factors. As a result, because Dentsu has already paid 47.50 yen per share as an interim dividend, the annual dividend will be 95 yen per share.

The annual dividend planned for the fiscal year ending December 31, 2020 is 95 yen per share (interim dividend of 47.50 yen per share and year-end dividend of 47.50 yen per share).

(2) Financial Position

As of December 31, 2019, total assets increased by 157,240 million yen primarily due to an increase in property, plant and equipment. Total liabilities increased by 215,456 million yen, primarily due to an increase in other financial liabilities. Total equity decreased by 58,215 million yen, primarily due to a decrease in retained earnings.

Cash flow status for the fiscal year under review

As of December 31, 2019, cash and cash equivalents (hereinafter "cash") amounted to 414,055 million yen from the 416,668 million yen posted at the end of the previous fiscal year. Cash at the end of the fiscal year under review decreased by 2,612 million yen from the end of the previous fiscal year, primarily due to cash used in operating activities.

Net cash provided by (used in) operating activities

Net cash provided by operating activities decreased by 53,092 million yen compared to the end of the previous fiscal year to 79,957 million yen, primarily due to the decrease in cash from an increase in working capital and an increase in income taxes paid.

Net cash provided by (used in) investing activities

Net cash used in investing activities increased by 14,668 million yen compared to the end of the previous fiscal year to 76,051 million yen. This was primarily due to a decrease in proceeds from sales of securities, despite a decrease in payments for purchases of securities.

Net cash provided by (used in) financing activities

Net cash used in financing activities increased by 65,325 million yen compared to the end of the previous fiscal year to 7,803 million yen. This was primarily due to a decrease in cash as a result of proceeds from issuance of corporate bonds not arising in the current consolidated fiscal year, and an increase in repayments of lease obligations, despite an increase in cash from proceeds from long-term borrowings.

(Reference) Trends in cash flow indicators

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Ratio of equity attributable to owners of the parent to total assets (%)	28.8	25.7
Ratio of equity attributable to owners of the parent to total assets at market value (%)	38.0	27.5
Cash flows/Interest-bearing debt ratio (years)	4.1	7.8
Interest coverage ratio (times)	10.3	3.8

(Notes)

Ratio of equity attributable to owners of the parent to total assets = Total equity attributable to owners of the parent/Total assets

Ratio of equity attributable to owners of the parent to total assets at market value = Aggregate market value/Total assets

Cash flows/Interest-bearing debt ratio = Interest-bearing debts/Operating cash flow

Interest coverage ratio = Operating cash flow/Interest payment

- Each indicator is calculated based on the consolidated financial figures.
- Operating cash flow represents “Net cash flow from operating activities” in the consolidated statement of cash flows. Interest-bearing debt does not include lease obligations.

2. Basic Stance Concerning Choice of Accounting Standards

The Group acquired Aegis Group plc, a large UK-based advertising company, in March 2013. The Group currently has business operations around the world, achieving steady, continuous growth. Amid such circumstances, with the intent of improving the ability of financial information to be compared in international context in capital markets, in place of the previous Japanese GAAP, the Group has applied IFRS from the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015).

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	FY2018 (As of December 31, 2018)	FY2019 (As of December 31, 2019)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	416,668	414,055
Trade and other receivables	1,368,728	1,424,127
Inventories	28,580	21,007
Other financial assets	15,090	15,859
Other current assets	106,516	57,976
Subtotal	1,935,583	1,933,025
Non-current assets classified as held for sale	2	665
Total current assets	1,935,586	1,933,691
NON-CURRENT ASSETS:		
Property, plant and equipment	199,207	315,116
Goodwill	786,851	754,796
Intangible assets	249,921	245,517
Investment property	37,089	36,835
Investments accounted for using the equity method	39,897	47,662
Other financial assets	348,537	423,410
Other non-current assets	14,242	15,052
Deferred tax assets	27,155	23,645
Total non-current assets	1,702,902	1,862,037
TOTAL ASSETS	3,638,488	3,795,729

(Millions of yen)

	FY2018 (As of December 31, 2018)	FY2019 (As of December 31, 2019)
LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	1,341,461	1,390,778
Borrowings	104,879	184,816
Other financial liabilities	47,395	72,863
Income tax payables	42,981	17,689
Provisions	1,575	8,554
Other current liabilities	247,315	184,326
Subtotal	1,785,608	1,859,029
Liabilities directly associated with non-current assets classified as held for sale	-	195
Total current liabilities	1,785,608	1,859,224
NON-CURRENT LIABILITIES		
Bonds and borrowings	433,980	439,110
Other financial liabilities	163,362	283,711
Liability for retirement benefits	30,675	24,254
Provisions	4,705	4,389
Other non-current liabilities	18,133	27,717
Deferred tax liabilities	91,272	104,787
Total non-current liabilities	742,130	883,970
Total liabilities	2,527,738	2,743,195
EQUITY		
Share capital	74,609	74,609
Share premium account	99,751	100,102
Treasury shares	(40,194)	(60,202)
Other components of equity	160,735	206,649
Retained earnings	752,717	653,818
Total equity attributable to owners of the parent	1,047,619	974,977
Non-controlling interests	63,129	77,556
Total equity	1,110,749	1,052,533
TOTAL LIABILITIES AND EQUITY	3,638,488	3,795,729

(2) Consolidated Statement of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY2018 (Year ended December 31, 2018)	FY2019 (Year ended December 31, 2019)
Turnover (Note 1)	5,357,278	5,146,802
Revenue	1,018,512	1,047,881
Cost	85,831	108,496
Revenue less cost of sales	932,680	939,385
Selling, general and administrative expenses	820,184	835,195
Provision (reversal) of allowance for doubtful accounts	(126)	4,829
Business restructuring cost	-	19,682
Impairment loss	27	73,670
Other income	11,168	7,814
Other expenses	12,123	17,180
Operating profit (loss)	111,638	(3,358)
Share of results of associates	2,699	517
Gain on sales of shares of associates	52,127	-
Revaluation gain on step acquisition	-	2,175
Profit (loss) before interest and tax	166,465	(665)
Finance income	6,839	6,819
Finance costs	24,553	48,922
Profit (loss) before tax	148,751	(42,769)
Income tax expense	51,250	30,136
Profit (loss) for the year	97,501	(72,905)
Profit (loss) attributable to:		
Owners of the parent	90,316	(80,893)
Non-controlling interests	7,185	7,987
Earnings (loss) per share		
Basic earnings (loss) per share (Yen)	320.39	(287.92)
Diluted earnings (loss) per share (Yen)	320.38	(287.86)

Reconciliation from operating profit to underlying operating profit (loss)

(Millions of yen)

	FY2018 (Year ended December 31, 2018)	FY2019 (Year ended December 31, 2019)
Operating profit (loss)	111,638	(3,358)
Amortization of intangible assets incurred in acquisitions	35,123	34,806
Selling, general and administrative expenses	1,700	1,327
Provision of allowance for doubtful accounts	-	3,927
Business restructuring cost	-	19,682
Impairment loss	27	73,670
Other income	(840)	(185)
Other expenses	5,578	10,881
Underlying operating profit (Note 2)	153,229	140,751

(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 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 Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2018 (Year ended December 31, 2018)	FY2019 (Year ended December 31, 2019)
PROFIT (LOSS) FOR THE YEAR	97,501	(72,905)
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	(23,273)	59,304
Remeasurements of defined benefit plans	(7,532)	4,981
Share of other comprehensive income of investments accounted for using the equity method	(213)	(1)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:		
Exchange differences on translation of foreign operations	(47,516)	3,041
Effective portion of the change in the fair value of cash flow hedges	133	(3,414)
Share of other comprehensive income of investments accounted for using the equity method	(332)	(117)
Other comprehensive income, net of tax	(78,735)	63,793
COMPREHENSIVE INCOME FOR THE YEAR	18,766	(9,112)
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the parent	15,326	(17,313)
Non-controlling interests	3,439	8,201

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	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						
Restated balance as of January 1, 2018	74,609	99,751	(40,182)	48	69,734	6,231
Profit for the year						
Other comprehensive income					(45,845)	133
Comprehensive income for the year	—	—	—	—	(45,845)	133
Repurchase of treasury shares			(12)			
Disposal of treasury shares		(0)	0			
Dividends						
Transactions with non-controlling interests						
Transfer from other components of equity to retained earnings						
Other changes				(48)		
Transactions with owners—total	—	(0)	(12)	(48)	—	—
As of December 31, 2018	74,609	99,751	(40,194)	—	23,888	6,364
Cumulative effects of changes in accounting policies						
Restated balance as of January 1, 2019	74,609	99,751	(40,194)	—	23,888	6,364
Profit (loss) for the year						
Other comprehensive income					2,670	(3,412)
Comprehensive income for the year	—	—	—	—	2,670	(3,412)
Repurchase of treasury shares			(20,008)			
Disposal of treasury shares		(0)	1			
Dividends						
Transactions with non-controlling interests						
Transfer from other components of equity to retained earnings						
Other changes		351		—		
Transactions with owners—total	—	351	(20,007)	—	—	—
As of December 31, 2019	74,609	100,102	(60,202)	—	26,559	2,952

(Millions of yen)

	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	—	227,272	731,759	1,093,211	56,923	1,150,134
Cumulative effects of changes in accounting policies			—	(3,850)	(3,850)		(3,850)
Restated balance as of January 1, 2018	151,258	—	227,272	727,909	1,089,360	56,923	1,146,284
Profit for the year			—	90,316	90,316	7,185	97,501
Other comprehensive income	(21,718)	(7,558)	(74,989)		(74,989)	(3,745)	(78,735)
Comprehensive income for the year	(21,718)	(7,558)	(74,989)	90,316	15,326	3,439	18,766
Repurchase of treasury shares			—		(12)		(12)
Disposal of treasury shares			—		0		0
Dividends			—	(25,370)	(25,370)	(7,229)	(32,600)
Transactions with non-controlling interests			—	(31,684)	(31,684)	10,321	(21,363)
Transfer from other components of equity to retained earnings	941	7,558	8,500	(8,500)	—		—
Other changes			(48)	48	0	(324)	(324)
Transactions with owners—total	941	7,558	8,452	(65,507)	(57,067)	2,766	(54,300)
As of December 31, 2018	130,482	—	160,735	752,717	1,047,619	63,129	1,110,749
Cumulative effects of changes in accounting policies			—	(8,417)	(8,417)	(557)	(8,975)
Restated balance as of January 1, 2019	130,482	—	160,735	744,299	1,039,202	62,572	1,101,774
Profit (loss) for the year			—	(80,893)	(80,893)	7,987	(72,905)
Other comprehensive income	59,341	4,980	63,580		63,580	213	63,793
Comprehensive income for the year	59,341	4,980	63,580	(80,893)	(17,313)	8,201	(9,112)
Repurchase of treasury shares			—		(20,008)		(20,008)
Disposal of treasury shares			—		0		0
Dividends			—	(26,075)	(26,075)	(2,416)	(28,491)
Transactions with non-controlling interests			—	(1,242)	(1,242)	9,225	7,983
Transfer from other components of equity to retained earnings	(12,685)	(4,980)	(17,666)	17,666	—		—
Other changes			—	63	415	(26)	388
Transactions with owners—total	(12,685)	(4,980)	(17,666)	(9,587)	(46,911)	6,782	(40,128)
As of December 31, 2019	177,137	—	206,649	653,818	974,977	77,556	1,052,533

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2018 (Year ended December 31, 2018)	FY2019 (Year ended December 31, 2019)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	148,751	(42,769)
ADJUSTMENTS FOR:		
Depreciation and amortization	59,739	89,967
Business restructuring cost	-	15,833
Impairment loss	27	73,670
Interest and dividend income	(6,032)	(6,045)
Interest expense	13,364	20,979
Share of results of associates	(2,699)	(517)
Loss (gain) on sales of share of subsidiaries and associates	(52,133)	-
Increase (decrease) in liability for retirement benefits	1,249	(198)
Other—net	11,213	44,730
Cash flows from operating activities before adjusting changes in working capital and others	173,481	195,651
CHANGES IN WORKING CAPITAL:		
(Increase) decrease in trade and other receivables	(13,409)	(57,844)
(Increase) decrease in inventories	(6,028)	8,418
(Increase) decrease in other current assets	(35,736)	42,447
Increase (decrease) in trade and other payables	14,161	47,374
Increase (decrease) in other current liabilities	48,878	(68,649)
Change in working capital	7,865	(28,254)
Subtotal	181,347	167,396
Interest received	2,563	3,585
Dividends received	8,063	4,456
Interest paid	(12,956)	(21,021)
Income taxes paid	(45,968)	(74,460)
Net cash flow from operating activities	133,049	79,957

(Millions of yen)

	FY2018 (Year ended December 31, 2018)	FY2019 (Year ended December 31, 2019)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment, intangible assets and investment property (Note)	(31,631)	(32,244)
Proceeds from sale of property, plant and equipment, intangible assets and investment property (Note)	309	1,244
Net cash (paid) received on acquisition of subsidiaries	(50,804)	(47,655)
Net cash (paid) received from sale of subsidiaries	249	-
Payments for purchases of securities	(65,114)	(26,302)
Proceeds from sales of securities	86,539	29,715
Other—net	(931)	(809)
Net cash flow from investing activities	(61,382)	(76,051)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term borrowings	25,893	1,086
Proceeds from long-term borrowings	38,818	96,088
Repayment of long-term borrowings	(45,134)	(16,660)
Proceeds from issuance of corporate bonds	79,739	-
Repayments of lease obligations	(1,431)	(32,580)
Payment for acquisition of interest in a subsidiary from non-controlling interests	(21,505)	(5,418)
Proceeds from sales of interest in a subsidiary to non-controlling interests	11,588	-
Repurchase of treasury shares	(12)	(20,008)
Dividends paid	(25,370)	(26,075)
Dividends paid to non-controlling interests	(6,685)	(3,956)
Other—net	1,624	(277)
Net cash flow from financing activities	57,522	(7,803)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(18,281)	1,490
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	110,907	(2,407)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	305,760	416,668
DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM TRANSFER TO ASSETS HELD FOR SALE	-	(205)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	416,668	414,055

(Note) Of cash flows from investing activities, payment for purchase of property, plant and equipment, intangible assets and investment property as well as proceeds from sales of property, plant and equipment, intangible assets and investment property are related to property, plant and equipment, intangible assets, and investment property.

(5) Notes on the Consolidated Financial Statements

(Notes on Premise of Going Concern)

No items to report

(Changes in Accounting Policies, Changes in Presentation, and Changes in Accounting Estimates)

(Changes in Accounting Policies)
The Group has adopted IFRS 16 "Leases" from the consolidated fiscal year ended December 31, 2019.
In adopting IFRS 16, the Group has applied the modified retrospective approach of recognizing the cumulative effect of adopting the standard as an adjustment to the beginning balance of retained earnings at the date of initial application.

In the transition to IFRS 16, the Group has elected to apply the practical expedient of maintaining its previous assessment of whether a contract is a lease. IFRS 16 has been applied only to contracts which were previously determined to be leases, and contracts which were not determined to be leases applying IAS 17 or IFRIC 4 were not reassessed as to whether they were leases. Consequently, the definition of a lease in accordance with IFRS 16 has only been applied to contracts executed or modified on and after January 1, 2019.

As a lessee, the Group had previously classified leases into operating leases and finance leases based on the assessment of whether the lessor substantially transferred the entire risks and rewards incidental to ownership of an underlying asset to the Group. Under IFRS 16, the Group recognizes a right-of-use asset and a lease obligation for most leases. However, the Group applies the recognition exemptions for short-term leases and leases of low-value assets.

Leases previously classified as operating leases applying IAS 17 were measured at the present value of the remaining lease payments discounted by using the Group's incremental borrowing rate as of January 1, 2019. The right-of-use assets were measured by either of the following methods.

- The carrying amount calculated on the assumption that IFRS 16 had been applied from the inception of the lease. However, the lessee's incremental borrowing rate at the date of initial application is used as the discount rate.
- The amount equivalent to the measurement of the lease obligation.

The Group has applied the following practical expedients in the application of IFRS 16 to leases, which had previously been classified as operating leases applying IAS 17.

- A lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- A lessee shall adjust the right-of-use asset by the amount of any provision for onerous leases applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review.
- A lessee may apply the exemption to not recognize a right-of-use asset and a lease obligation for leases with remaining terms of 12 months or less.
- A lessee may exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- A lessee may use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases applying IAS 17, the carrying amounts of the right-of-use asset and the lease obligation as at January 1, 2019 were calculated based on the carrying amounts of the lease asset and lease obligation immediately before that date measured applying IAS 17.

For leases in which the Group is the lessor, excluding subleases, the Group is not required to make any adjustments at the time of transition to IFRS 16.
IFRS 16 requires subleases to be classified by referencing the right-to-use asset rather than the underlying asset. The Group has concluded that, upon reassessment, the sublease contracts which had previously been classified as operating leases applying IAS 17 are finance leases applying IFRS 16.

As a result of the transition to IFRS 16, the Group has additionally recognized 128,246 million yen in right-of-use assets and 141,066 million yen in lease obligations and a decrease of 8,417 million yen in the opening balance of retained earnings (after taking into account tax effect).
Right-of-use assets are presented under "property, plant and equipment" or "intangible assets" and lease obligations are presented under "other financial liabilities" of current liabilities or "other financial liabilities" of non-current liabilities.

(Changes in Presentation)

(Consolidated Statement of Income)

The "Provision (reversal) of allowance for doubtful accounts" under "Selling, general and administrative expenses" and "Impairment loss" under "Other expenses" in the previous consolidated fiscal year are presented separately in the current consolidated fiscal year, due to an increase in their quantitative materiality.

As a result, the 820,058 million yen presented under "Selling, general and administrative expenses" and the 12,151 million yen presented under "Other expenses" in the consolidated statement of income for the previous consolidated fiscal year, have been reclassified as 820,184 million yen under "Selling, general and administrative expenses" and negative 126 million yen under "Provision (reversal) of allowance for doubtful accounts," and 12,123 million yen under "Other expenses" and 27 million yen under "Impairment loss," respectively.

(Changes in Accounting Estimates)

(1) Changes in estimates for financial liabilities

During the consolidated fiscal year ended December 31, 2019, 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 consolidated fiscal year ended December 31, 2019 increased by 7,611 million yen.

(2) Changes in estimates for goodwill impairment

Based on the latest business plan compiled using the most recent results, the Company conducted an annual impairment test of goodwill related to international business operations. As a result, the Company recognized a goodwill impairment loss of 70,187 million yen in the APAC region. Goodwill for international business operations was previously allocated to the International business segment as the cash-generating unit group. However, following the review of the cash-generating unit group at the end of the current consolidated fiscal year in light of the business environment in the APAC region, goodwill is allocated to the APAC region as a separate cash-generating unit group.

(Segment and Other Information)

(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.

FY2018: Year ended December 31, 2018

(Millions of yen)

	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	1,880,768	3,488,430	5,369,199	(11,920)	5,357,278
Revenue (Note 2)	430,292	600,140	1,030,433	(11,920)	1,018,512
Revenue less cost of sales (Note 3)	369,258	563,852	933,111	(430)	932,680
Segment profit (underlying operating profit) (Note 3)	80,268	72,963	153,231	(2)	153,229
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(35,123)
Selling, general and administrative expenses (Note 5)	—	—	—	—	(1,700)
Impairment loss (Note 7)	—	—	—	—	(27)
Other income (Note 5)	—	—	—	—	840
Other expenses (Note 5)	—	—	—	—	(5,578)
Operating profit	—	—	—	—	111,638
Share of results of associates	—	—	—	—	2,699
Gain on sales of shares of associates	—	—	—	—	52,127
Finance income	—	—	—	—	6,839
Finance costs	—	—	—	—	24,553
Profit before tax	—	—	—	—	148,751
(Other income and expense items)					
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	9,303	15,312	24,615	—	24,615
Segment assets (Note 4)	1,411,258	2,396,629	3,807,888	(169,399)	3,638,488
(Other asset items)					
Investments accounted for using the equity method	38,998	898	39,897	—	39,897
Capital expenditures	12,957	18,674	31,631	—	31,631

FY2019: Year ended December 31, 2019

(Millions of yen)

	Japan business (Note 6)	International business (Note 6)	Total	Reconciliations	Consolidated
Turnover (Note 1)	1,921,309	3,235,674	5,156,984	(10,182)	5,146,802
Revenue (Note 2)	454,002	604,061	1,058,063	(10,182)	1,047,881
Revenue less cost of sales (Note 3)	380,366	559,772	940,139	(753)	939,385
Segment profit (underlying operating profit) (Note 3)	72,488	68,361	140,850	(98)	140,751
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(34,806)
Selling, general and administrative expenses (Note 5)	—	—	—	—	(1,327)
Provision of allowance for doubtful accounts	—	—	—	—	(3,927)
Business restructuring cost	—	—	—	—	(19,682)
Impairment loss (Note 7)	—	—	—	—	(73,670)
Other income (Note 5)	—	—	—	—	185
Other expenses (Note 5)	—	—	—	—	(10,881)
Operating profit (loss)	—	—	—	—	(3,358)
Share of results of associates	—	—	—	—	517
Revaluation gain on step acquisition	—	—	—	—	2,175
Finance income	—	—	—	—	6,819
Finance costs	—	—	—	—	48,922
Profit (loss) before tax	—	—	—	—	(42,769)
(Other income and expense items)					
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	20,373	34,788	55,161	—	55,161
Segment assets (Note 4)	1,556,652	2,399,055	3,955,707	(159,978)	3,795,729
(Other asset items)					
Investments accounted for using the equity method	46,965	696	47,662	—	47,662
Capital expenditures	12,995	19,249	32,244	—	32,244

(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 Consolidated Statement of Income since management has concluded that the information is useful for users of 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. The breakdown of "Selling, general and administrative expenses," "Other income," and "Other expenses" are as follows.
6. Due to the effects of the adoption of IFRS 16 (See "Changes in Accounting Policies, Changes in Presentation, and Changes in Accounting Estimates"), as of January 1, 2019, segment assets for the Japan business segment increased by 43,192 million yen, and segment assets for the International business segment increased by 85,054 million yen.
7. Impairment loss by segment is 27 million yen (Japan business) and null (International business) for the year ended December 31, 2018 and 0 million yen (Japan business) and 73,669 million yen (International business) for the current fiscal year.

(Millions of yen)

	FY2018 (Year ended December 31, 2018)	FY2019 (Year ended December 31, 2019)
Selling, general and administrative expenses		
Early retirement benefits	72	42
Costs associated with merger and acquisitions	1,554	1,414
Other	73	(129)
Total	1,700	1,327
Other income		
Gain on sales of property, plant and equipment, intangible assets and investment property	5	141
Other	835	43
Total	840	185
Other expenses		
Loss on sales of property, plant and equipment, intangible assets and investment property	1	64
Share-based compensation expenses related to acquired companies	4,314	9,568
Other	1,263	1,248
Total	5,578	10,881

3. Information on products and services

"Advertising" refers to business activities related to the development and execution of advertising via a wide range of media including newspapers, magazines, radio, television, the Internet, sales promotions, movies, outdoor, transit and all other media plus strategy planning, creative, marketing, PR, content and other services. "Information Services" refers to business activities related to the provision of information services and sales of information-related merchandise and others. "Other Business" refers to business activities related to the leasing of office space, building maintenance services, accounting and other services.

Revenue from clients outside the Group for each of the products and services is as follows:

(Millions of yen)

	FY2018 (Year ended December 31, 2018)	FY2019 (Year ended December 31, 2019)
Advertising	941,938	966,873
Information Services	72,745	77,352
Other Business	3,828	3,655
Total	1,018,512	1,047,881

4. Information by region

(1) Revenue from clients outside the Group

In "International," revenues attributable to the United States were 195,125 million yen for the year ended December 31, 2018 and 213,445 million yen for the current fiscal year. The said amounts are allocated according to the location of each client.

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

(Millions of yen)

	FY2018 (As of December 31, 2018)	FY2019 (As of December 31, 2019)
Japan	222,281	270,945
International (mainly the United Kingdom and the United States)	1,050,788	1,081,320
Total	1,273,069	1,352,266

(Notes)
1. Non-current assets are allocated according to the location of each Group entity.
2. In "International," goodwill and intangible assets that are not tied to a specific country are included at 782,515 million yen and 219,733 million yen for the year ended December 31, 2018, and 748,630 million yen and 203,368 million yen for the current fiscal year, respectively.

5. Information on major clients

Information is omitted since none of the clients outside the Group contribute 10% or more to the Group's revenue included in the Consolidated Statement of Income.

(Per Share Information)

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

	FY2018 (Year ended December 31, 2018)	FY2019 (Year ended December 31, 2019)
Basic earnings (loss) per share (Yen)	320.39	(287.92)
Diluted earnings (loss) per share (Yen)	320.38	(287.86)

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

	FY2018 (Year ended December 31, 2018)	FY2019 (Year ended December 31, 2019)
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 (Millions of yen)	90,316	(80,893)
Amounts not attributable to ordinary equity holders of the parent (Millions of yen)	—	—
Profit (loss) for the year used for calculation of basic earnings (loss) per share (Millions of yen)	90,316	(80,893)
Adjustment		
Share-based payment held by associates (Millions of yen)	(0)	(4)
Profit (loss) for the year used for calculation of diluted earnings (loss) per share (Millions of yen)	90,315	(80,897)
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)	281,897	280,954
Effect of dilutive potential ordinary shares (Thousands of shares): Performance-based stock compensation plan	—	74
Weighted average number of ordinary shares outstanding used for the calculation of diluted earnings (loss) per share (Thousands of shares)	281,897	281,028

(Significant Subsequent Events)

(Company Split for the Purpose of Shifting to a Holding Company Structure)
The Company resolved to execute an absorption-type company split agreement at a meeting of its Board of Directors held on February 19, 2019 and the general meeting of shareholders held on March 28, 2019 in order to shift to a holding company structure, and the successor company assumed the business of the Company, effective January 1, 2020.
In conjunction with the above, the Company changed its trade name to "DENTSU GROUP INC." and shifted to a holding company, effective January 1, 2020.
This absorption-type split has no material impact on the Company's consolidated results.

Summary of the Transaction

1) Name or details of the business subject to the company split
   Advertising and advertising-related businesses

2) Date of the business combination
   January 1, 2020

3) Legal form of the business combination
   An absorption-type company split in which the Company becomes the splitting company, and the Company's wholly-owned subsidiary, DENTSU SUCCESSOR PREPARATORY CORPORATION INC. (Trade name was changed to DENTSU INC. effective January 1, 2020), becomes the successor company.

4) Names after the business combination
   Splitting company: DENTSU GROUP INC.
   Successor company: DENTSU INC.

5) Other matters related to the summary of the transaction
   The business and the operating environment of the Company and its Group have been changing radically. In order to respond appropriately and promptly to this series of changes and to achieve the sustainable growth of the Group going forward, there is an urgent need to realize the acquisition and allocation of internal and external management resources on a timely basis from a Group-wide and global perspective, to further promote the management of richly diverse human resources and foster an open organizational culture, and to establish the most appropriate group governance structure.
   In recognizing the above, the Company has shifted to a pure holding company structure in order to drive sustainable growth for the Dentsu Group as a whole,

including promotion of business transformation in Japan, and maintenance and further development of the growth momentum of the international business operations headed by its headquarters, Dentsu Aegis Network Ltd.