

**Excerpt from Quarterly Report
(Consolidated Financial Statements)
(January 1 to June 30, 2016)**

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.
- (3) With the resolution of partial amendments to the Articles of Incorporation at the 166th Annual Shareholders Meeting held on June 26, 2015, the Company has changed its fiscal year-end from March 31 to December 31.
In line with this change, the previous consolidated fiscal year was the nine-month period from April 1, 2015 to December 31, 2015.
In addition, the second quarter of the previous consolidated fiscal year was the period from July 1, 2015 to September 30, 2015, and the second quarter of the current consolidated fiscal year was the period from April 1, 2016 to June 30, 2016. The six months ended September 30, 2015 was the period from April 1, 2015 to September 30, 2015, and the six months ended June 30, 2016 was the period from January 1, 2016 to June 30, 2016.

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 second quarter ended June 30, 2016 (from April 1 to June 30, 2016) and the condensed consolidated financial statements for the first six months (from January 1 to June 30, 2016) of fiscal year 2016, which were compiled in Japanese, were subject to a quarterly review by Deloitte Touche Tohmatsu LLC.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

			(Millions of Yen)
	Notes	FY2015 (As of December 31, 2015)	The second quarter (As of June 30, 2016)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		263,322	280,209
Trade and other receivables		1,263,317	1,055,405
Inventories		18,724	19,600
Other financial assets	11	20,945	13,669
Other current assets		46,201	65,321
Subtotal		1,612,510	1,434,205
Non-current assets classified as held for sale		5,513	1,561
Total current assets		1,618,024	1,435,766
NON-CURRENT ASSETS:			
Property, plant and equipment		196,782	191,854
Goodwill		656,862	539,908
Intangible assets		256,991	200,846
Investment property		41,642	38,114
Investments accounted for using the equity method		50,281	49,256
Other financial assets	11	218,083	216,690
Other non-current assets		11,515	14,070
Deferred tax assets		15,893	15,379
Total non-current assets		1,448,051	1,266,120
TOTAL ASSETS	5	3,066,075	2,701,887

		(Millions of Yen)	
	Notes	FY2015 (As of December 31, 2015)	The second quarter (As of June 30, 2016)
LIABILITIES AND EQUITY			
LIABILITIES:			
CURRENT LIABILITIES:			
Trade and other payables		1,207,347	1,044,885
Borrowings	11	66,805	65,689
Other financial liabilities	11	44,988	26,636
Income tax payables		11,177	16,038
Provisions		1,819	1,729
Other current liabilities		156,156	152,142
Subtotal		1,488,294	1,307,121
Liabilities directly associated with non-current assets classified as held for sale		307	—
Total current liabilities		1,488,602	1,307,121
NON-CURRENT LIABILITIES:			
Borrowings	11	286,977	261,950
Other financial liabilities	11	72,735	75,256
Liability for retirement benefits		30,557	29,558
Provisions		3,096	3,624
Other non-current liabilities		11,350	9,459
Deferred tax liabilities		70,011	50,420
Total non-current liabilities		474,729	430,269
Total liabilities		1,963,331	1,737,391
EQUITY:			
Share capital		74,609	74,609
Share premium account		99,751	99,751
Treasury shares		(20,155)	(20,160)
Other components of equity		261,039	104,210
Retained earnings		652,972	674,785
Total equity attributable to owners of the parent		1,068,216	933,196
Non-controlling interests		34,526	31,299
Total equity		1,102,743	964,496
TOTAL LIABILITIES AND EQUITY		3,066,075	2,701,887

(2) Condensed Quarterly Consolidated Statement of Income

For the six months ended September 30, 2015 and June 30, 2016

		(Millions of Yen)	
	Notes	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
Turnover (Note 1)	5	2,351,646	2,371,963
Revenue	5	373,947	393,167
Cost		24,740	24,548
Gross profit	5	349,207	368,619
Selling, general and administrative expenses		305,426	313,910
Other income	7	5,351	7,274
Other expenses	8	5,303	3,331
Operating profit		43,829	58,651
Share of results of associates		2,235	1,437
Profit before interest and tax		46,065	60,088
Finance income	9	3,395	4,029
Finance costs	9	7,959	7,309
Profit before tax		41,500	56,808
Income tax expense		12,995	17,753
Profit for the period		28,505	39,054
Profit attributable to:			
Owners of the parent		26,054	35,785
Non-controlling interests		2,451	3,269
Earnings per share			
Basic earnings per share (in Yen)	10	90.97	125.50
Diluted earnings per share (in Yen)	10	90.95	125.50

Reconciliation from operating profit to underlying operating profit

			(Millions of Yen)
	Notes	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
Operating profit		43,829	58,651
Amortization of intangible assets incurred in acquisitions		11,066	10,736
Other adjusting items (selling, general and administrative expenses)		792	721
Other adjusting items (other income)		(2,515)	(2,670)
Other adjusting items (other expenses)		2,936	1,173
Underlying operating profit (Note 2)	5	56,110	68,612

For the second quarter ended September 30, 2015 and June 30 2016

		(Millions of Yen)	
	Notes	Second quarter ended September 30, 2015 (From July 1 to September 30, 2015)	Second quarter ended June 30, 2016 (From April 1 to June 30, 2016)
Turnover (Note 1)		1,215,032	1,176,393
Revenue		201,920	193,625
Cost		<u>13,825</u>	<u>11,996</u>
Gross profit		188,095	181,628
Selling, general and administrative expenses		157,600	155,916
Other income		2,848	2,949
Other expenses		<u>1,769</u>	<u>1,806</u>
Operating profit		31,575	26,854
Share of results of associates		<u>1,296</u>	<u>526</u>
Profit before interest and tax		32,871	27,381
Finance income		788	3,456
Finance costs		<u>2,889</u>	<u>2,442</u>
Profit before tax		30,771	28,395
Income tax expense		<u>9,635</u>	<u>8,150</u>
Profit for the period		<u><u>21,135</u></u>	<u><u>20,244</u></u>
Profit attributable to:			
Owners of the parent		19,216	18,569
Non-controlling interests		1,919	1,675
Earnings per share			
Basic earnings per share (in Yen)	10	67.38	65.12
Diluted earnings per share (in Yen)	10	67.37	65.12

Reconciliation from operating profit to underlying operating profit

		(Millions of Yen)
	Notes	
	Second quarter ended September 30, 2015 (From July 1 to September 30, 2015)	Second quarter ended June 30, 2016 (From April 1 to June 30, 2016)
Operating profit	31,575	26,854
Amortization of intangible assets incurred in acquisitions	5,712	5,275
Other adjusting items (selling, general and administrative expenses)	667	392
Other adjusting items (other income)	(1,388)	(464)
Other adjusting items (other expenses)	261	784
Underlying operating profit (Note 2)	36,828	32,843

(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 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 and one-off items such as impairment loss and gain/loss on sales of non-current assets.

The 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 six months ended September 30, 2015 and June 30, 2016

		(Millions of Yen)	
	Notes	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
PROFIT FOR THE PERIOD		28,505	39,054
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	11	(1,999)	(1,208)
Remeasurements of defined benefit plans		70	34
Share of other comprehensive income of investments accounted for using the equity method		367	(351)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
Exchange differences on translation of foreign operations		21,144	(146,531)
Effective portion of the change in the fair value of cash flow hedges		(1,246)	(10,963)
Share of other comprehensive income of investments accounted for using the equity method		(350)	(404)
Other comprehensive income, net of tax		17,986	(159,424)
COMPREHENSIVE INCOME FOR THE PERIOD		46,492	(120,370)
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		43,778	(121,353)
Non-controlling interests		2,713	983

For the second quarter ended September 30, 2015 and June 30, 2016

	(Millions of Yen)	
	Second quarter ended September 30, 2015 (From July 1 to September 30, 2015)	Second quarter ended June 30, 2016 (From April 1 to June 30, 2016)
PROFIT FOR THE PERIOD	21,135	20,244
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	(4,921)	3,961
Remeasurements of defined benefit plans	(31)	42
Share of other comprehensive income of investments accounted for using the equity method	271	44
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:		
Exchange differences on translation of foreign operations	52,045	(84,848)
Effective portion of the change in the fair value of cash flow hedges	(750)	(4,231)
Share of other comprehensive income of investments accounted for using the equity method	30	(299)
Other comprehensive income, net of tax	46,643	(85,330)
COMPREHENSIVE INCOME FOR THE PERIOD	67,779	(65,085)
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the parent	65,270	(65,277)
Non-controlling interests	2,508	192

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the six months ended September 30, 2015 (From April 1 to September 30, 2015)

(Millions of Yen)						
Notes	Total equity attributable to owners of the parent					
	Share capital	Share premium account	Treasury shares	Other components of equity		
				Share options	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
As of April 1, 2015	74,609	99,906	(131)	48	205,902	12,131
Profit for the period						
Other comprehensive income					20,867	(1,205)
Comprehensive income for the period	—	—	—	—	20,867	(1,205)
Repurchase of treasury shares		(154)	(20,015)			
Disposal of treasury shares						
Dividends	6					
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control						
Transfer from other components of equity to retained earnings						
Other changes						
Transactions with owners—total	—	(154)	(20,015)	—	—	—
As of September 30, 2015	74,609	99,751	(20,147)	48	226,770	10,926

(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 April 1, 2015		81,382	(6,813)	292,652	613,327	1,080,364	30,699	1,111,063	
Profit for the period				—	26,054	26,054	2,451	28,505	
Other comprehensive income		(1,968)	30	17,724		17,724	262	17,986	
Comprehensive income for the period		(1,968)	30	17,724	26,054	43,778	2,713	46,492	
Repurchase of treasury shares				—		(20,170)		(20,170)	
Disposal of treasury shares				—		—		—	
Dividends	6			—	(10,092)	(10,092)	(2,834)	(12,927)	
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control				—	(6,264)	(6,264)	(481)	(6,745)	
Transfer from other components of equity to retained earnings		(227)		(227)	227	—		—	
Other changes				—		—	(10)	(10)	
Transactions with owners—total		(227)	—	(227)	(16,129)	(36,527)	(3,326)	(39,854)	
As of September 30, 2015		79,186	(6,782)	310,148	623,252	1,087,615	30,086	1,117,701	

For the six months ended June 30, 2016 (From January 1 to June 30, 2016)

(Millions of Yen)

		Total equity attributable to owners of the parent					
		Other components of equity					
	Notes	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, 2016		74,609	99,751	(20,155)	48	171,132	10,222
Profit for the period							
Other comprehensive income						(144,697)	(10,963)
Comprehensive income for the period		—	—	—	—	(144,697)	(10,963)
Repurchase of treasury shares				(4)			
Disposal of treasury shares			(0)	0			
Dividends	6						
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control							
Transfer from other components of equity to retained earnings							
Other changes					(0)		
Transactions with owners—total		—	(0)	(4)	(0)	—	—
As of June 30, 2016		74,609	99,751	(20,160)	48	26,435	(741)

(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 designated as fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total			
As of January 1, 2016		83,639	(4,003)	261,039	652,972	1,068,216	34,526	1,102,743	
Profit for the period				—	35,785	35,785	3,269	39,054	
Other comprehensive income		(1,512)	34	(157,139)		(157,139)	(2,285)	(159,424)	
Comprehensive income for the period		(1,512)	34	(157,139)	35,785	(121,353)	983	(120,370)	
Repurchase of treasury shares				—		(4)		(4)	
Disposal of treasury shares				—		0		0	
Dividends	6			—	(11,405)	(11,405)	(2,946)	(14,351)	
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control				—	(2,255)	(2,255)	(1,264)	(3,520)	
Transfer from other components of equity to retained earnings		310		310	(310)	—		—	
Other changes				(0)		(0)		(0)	
Transactions with owners—total		310	—	310	(13,972)	(13,666)	(4,210)	(17,876)	
As of June 30, 2016		82,437	(3,969)	104,210	674,785	933,196	31,299	964,496	

(5) Condensed Quarterly Consolidated Statement of Cash Flows

	(Millions of Yen)	
	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	41,500	56,808
ADJUSTMENTS FOR:		
Depreciation and amortization	21,498	20,954
Impairment loss	44	56
Interest and dividend income	(3,042)	(3,114)
Interest expense	3,520	3,268
Share of results of associates	(2,235)	(1,437)
Increase (decrease) in liability for retirement benefits	1,099	(699)
Other—net	93	(1,384)
Cash flows from operating activities before adjusting changes in working capital and others	62,478	74,451
CHANGES IN WORKING CAPITAL:		
(Increase) decrease in trade and other receivables	100,082	92,397
(Increase) decrease in inventories	(6,998)	(1,127)
(Increase) decrease in other current assets	(19,765)	(8,731)
Increase (decrease) in trade and other payables	(99,229)	(61,878)
Increase (decrease) in other current liabilities	3,134	1,842
Change in working capital	(22,776)	22,503
Subtotal	39,702	96,955
Interest received	1,089	791
Dividends received	3,552	3,204
Interest paid	(2,657)	(3,268)
Income taxes paid	(28,044)	(18,614)
Net cash flow from operating activities	13,642	79,069

		(Millions of Yen)	
	Notes	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment, intangible assets and investment property		(8,997)	(10,083)
Proceeds from sale of property, plant and equipment, intangible assets and investment property		718	4,687
Net cash (paid) received on acquisition of subsidiaries		(28,076)	(24,802)
Net cash (paid) received on disposal of subsidiaries		16	(24)
Payments for purchases of securities		(5,037)	(1,704)
Proceeds from sales of securities		2,211	6,648
Other—net		(4,734)	(307)
Net cash flow from investing activities		(43,899)	(25,585)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term borrowings		(4,393)	7,203
Proceeds from long-term borrowings		91	—
Repayment of long-term borrowings		(27,719)	(2,543)
Repayments of bonds		(11,710)	—
Payment for acquisition of interest in a subsidiary from non-controlling interests		(1,629)	(4,022)
Payments for purchase of treasury shares		(20,015)	(4)
Dividends paid	6	(10,092)	(11,405)
Dividends paid to non-controlling interests		(2,111)	(2,734)
Other—net		(952)	(2,842)
Net cash flow from financing activities		(78,533)	(16,350)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(2,955)	(20,246)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(111,747)	16,886
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		365,379	263,322
CASH AND CASH EQUIVALENTS AT END OF PERIOD		253,632	280,209

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 (<http://www.dentsu.co.jp/>).

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 second quarter ended June 30, 2016 were approved by Tadashi Ishii, Representative Director and President & CEO, and Shoichi Nakamoto, Director and Senior Executive Vice President & CFO, on August 12, 2016.

2. Basis of Preparation

(1) 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" 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.

(2) Change in Fiscal Year-End

The Company and its subsidiaries with fiscal year-ends other than December 31 changed their fiscal year-ends from March 31 to December 31 in the previous fiscal year.

In line with this, the second quarter of the previous consolidated fiscal year was the period from July 1, 2015 to September 30, 2015, and the second quarter of the current consolidated fiscal year was the period from April 1, 2016 to June 30, 2016. The six months ended September 30, 2015 were the period from April 1, 2015 to September 30, 2015, and the six months ended June 30, 2016 were the period from January 1, 2016 to June 30, 2016.

The fiscal year-end date of Dentsu Aegis Network Ltd., which operates the Group's international advertising business, and the subsidiaries under its control (hereinafter collectively referred to as "Dentsu Aegis Network") continues to be December 31 as before; hence the Group consolidates financial results of Dentsu Aegis Network for the period from January 1, 2015 to June 30, 2015 into the consolidated financial results for the six months ended September 30, 2015.

In addition, if the six months ended September 30, 2015 had been the period from January 1, 2015 to June 30, 2015, revenue, gross profit, operating profit, underlying operating profit, and profit for the period attributable to owners of the parent would have been 384,248 million yen, 356,266 million yen, 43,548 million yen, 63,201 million yen, and 23,240 million yen, respectively.

3. Significant Accounting Policies

Significant accounting policies applied to the condensed quarterly consolidated financial statements for the second quarter ended June 30, 2016 are identical to those applied to the consolidated financial statements for the previous fiscal year. Meanwhile, income taxes for the six months (or second quarter) ended June 30, 2016 are calculated based on the estimated annual effective tax rate.

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.

Estimates and assumptions that may have a material effect on the amounts in the condensed quarterly consolidated financial statements for the second quarter ended June 30, 2016 are identical to those for the consolidated financial statements for the previous fiscal year.

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.

Six months ended September 30, 2015 (From April 1 to September 30, 2015)

(Millions of Yen)

	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	872,463	1,485,754	2,358,217	(6,571)	2,351,646
Revenue (Note 2)	191,150	189,369	380,519	(6,571)	373,947
Gross profit (Note 3)	161,330	188,106	349,437	(229)	349,207
Segment profit (underlying operating profit) (Note 3)	33,897	22,345	56,242	(132)	56,110
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(11,066)
Other adjusting items (selling, general and administrative expenses)	—	—	—	—	(792)
Other adjusting items (other income)	—	—	—	—	2,515
Other adjusting items (other expenses)	—	—	—	—	(2,936)
Operating profit	—	—	—	—	43,829
Share of results of associates	—	—	—	—	2,235
Finance income	—	—	—	—	3,395
Finance costs	—	—	—	—	7,959
Profit before tax	—	—	—	—	41,500
Segment assets (as of December 31, 2015) (Note 4)	1,212,941	1,957,884	3,170,825	(104,749)	3,066,075

Six months ended June 30, 2016 (From January 1 to June 30, 2016)

(Millions of Yen)

	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	952,128	1,425,352	2,377,480	(5,516)	2,371,963
Revenue (Note 2)	210,834	187,849	398,683	(5,516)	393,167
Gross profit (Note 3)	182,467	186,231	368,698	(79)	368,619
Segment profit (underlying operating profit) (Note 3)	52,399	16,222	68,622	(9)	68,612
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(10,736)
Other adjusting items (selling, general and administrative expenses)	—	—	—	—	(721)
Other adjusting items (other income)	—	—	—	—	2,670
Other adjusting items (other expenses)	—	—	—	—	(1,173)
Operating profit	—	—	—	—	58,651
Share of results of associates	—	—	—	—	1,437
Finance income	—	—	—	—	4,029
Finance costs	—	—	—	—	7,309
Profit before tax	—	—	—	—	56,808
Segment assets (Note 4)	1,242,302	1,575,608	2,817,910	(116,023)	2,701,887

- (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 gross profit 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.

6. Dividends

Quarterly dividends paid for the first six months of each fiscal year are as follows:

Six months ended September 30, 2015 (From April 1 to September 30, 2015)

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders Meeting (June 26, 2015)	Ordinary shares	10,092	35.00	March 31, 2015	June 29, 2015

Six months ended June 30, 2016 (From January 1 to June 30, 2016)

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders Meeting (March 30, 2016)	Ordinary shares	11,405	40.00	December 31, 2015	March 31, 2016

Dividends for which the basis date falls within the first six months of each fiscal year and the effective date is after the end of the second quarter of each fiscal year are as follows:

Six months ended September 30, 2015 (From April 1 to September 30, 2015)

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (November 11, 2015)	Ordinary shares	9,979	35.00	September 30, 2015	December 4, 2015

Six months ended June 30, 2016 (From January 1 to June 30, 2016)

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (August 12, 2016)	Ordinary shares	11,405	40.00	June 30, 2016	September 2, 2016

7. Other Income

The breakdown of other income for the first six months of each fiscal year is as follows:

(Millions of Yen)

	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
Profit distributions	2,481	3,881
Gain on sale of property, plant and equipment, intangible assets and investment property	705	1,533
Gain on sale of subsidiaries and associates shares	954	747
Other	1,209	1,112
Total	5,351	7,274

8. Other Expenses

The breakdown of other expenses for the first six months of each fiscal year is as follows:

	(Millions of Yen)	
	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
Amortization of long-term prepaid expenses	1,529	1,753
Foreign exchange losses	553	134
Loss on sale of property, plant and equipment, intangible assets and investment property	48	8
Impairment losses	44	56
Loss on liquidation of subsidiaries and associates	2,617	—
Other	509	1,378
Total	5,303	3,331

9. Finance Income and Finance Costs

(1) The breakdown of finance income for the first six months of each fiscal year is as follows:

	(Millions of Yen)	
	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
Interest income	1,079	1,032
Dividend income	1,962	2,081
Foreign exchange gains	0	—
Other	352	915
Total	3,395	4,029

(2) The breakdown of finance costs for the first six months of each fiscal year is as follows:

	(Millions of Yen)	
	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
Interest expense	3,643	3,366
Changes in fair value of contingent consideration	1,771	2,541
Valuation loss on derivatives (stock purchase-related)	1,452	—
Foreign exchange losses	—	1,111
Other	1,092	290
Total	7,959	7,309

10. Earnings Per Share

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

	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
Basic earnings per share (Yen)	90.97	125.50
Diluted earnings per share (Yen)	90.95	125.50

	Second quarter ended September 30, 2015 (From July 1 to September 30, 2015)	Second quarter ended June 30, 2016 (From April 1 to June 30, 2016)
Basic earnings per share (Yen)	67.38	65.12
Diluted earnings per share (Yen)	67.37	65.12

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

	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
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)	26,054	35,785
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)	26,054	35,785
Adjustment		
Share-based payment held by associates (Millions of Yen)	(4)	(1)
Profit for the period used for calculation of diluted earnings per share (Millions of Yen)	26,049	35,783
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)	286,409	285,138
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)	286,409	285,138

	Second quarter ended September 30, 2015 (From July 1 to September 30, 2015)	Second quarter ended June 30, 2016 (From April 1 to June 30, 2016)
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)	19,216	18,569
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)	19,216	18,569
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)	19,215	18,568
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)	285,203	285,138
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)	285,203	285,138

11. 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, 2015 and June 30, 2016 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)

	FY2015 (As of December 31, 2015)		The second quarter (As of June 30, 2016)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	321,592	326,130	295,448	300,046

(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 six months ended September 30, 2015 and June 30, 2016.

FY2015 (As of December 31, 2015)

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	22,519	—	22,519
Equity securities	172,235	—	13,228	185,463
Other	513	2,507	6,756	9,777
Total	172,749	25,026	19,984	217,760
Financial liabilities				
Derivative liabilities	—	3,777	31,194	34,971
Other	—	—	59,226	59,226
Total	—	3,777	90,421	94,198

The second quarter (As of June 30, 2016)

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	17,898	—	17,898
Equity securities	170,448	—	11,251	181,699
Other	530	2,711	7,730	10,972
Total	170,978	20,610	18,981	210,570
Financial liabilities				
Derivative liabilities	—	12,190	27,636	39,826
Other	—	—	48,473	48,473
Total	—	12,190	76,109	88,300

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 valued using price estimates obtained from financial institutions or observable market data. In addition, the fair values for some of the derivative financial instruments included in derivative liabilities are categorized within Level 3 as they are valued based on the discounted cash flow method using unobservable inputs.

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 valued using observable market data are categorized within Level 2, while stocks valued based mainly on market approaches 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, 2015 and June 30, 2016, are 0.73 and 0.58, respectively.

The fair values of other (financial liabilities) are categorized within Level 3 as they are valued based on the discounted cash flow method using unobservable inputs.

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 for the first six months of each fiscal year is as follows:

(Millions of Yen)

Financial assets	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
Balance at the beginning of the period	18,278	19,984
Other comprehensive income (Note 1)	(1,279)	(1,317)
Purchases	4,564	1,564
Sales or settlements	(28)	(790)
Transfers out of Level 3 (Note 2)	(354)	—
Other	4,467	(458)
Balance at the end of the period	25,647	18,981

(Millions of Yen)

Financial liabilities	Six months ended September 30, 2015 (From April 1 to September 30, 2015)	Six months ended June 30, 2016 (From January 1 to June 30, 2016)
Balance at the beginning of the period	88,099	90,421
Profit or loss (Note 3)	3,223	1,920
Purchases	12,990	14,866
Sales or settlements	(14,830)	(20,870)
Other	(2,466)	(10,227)
Balance at the end of the period	87,016	76,109

- (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" recognized for the six months ended September 30, 2015 are mainly 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 costs. Profit or loss arising from financial instruments held at the end of the period amounted to ¥3,223 million and ¥1,920 million for the six months ended September 30, 2015 and June 30, 2016, respectively.

12. Subsequent Events

At the extraordinary meeting of the Board of Directors held on August 4, 2016, the Company resolved to acquire 68.3 percent of outstanding shares in Merkle Group Inc. (hereinafter referred to as "Merkle"), a U.S. based provider of data-driven and technology-enabled marketing solutions, in cash, through its subsidiary Dentsu Aegis Network US Holdings Inc. and make it a subsidiary of the Company. Subsequently, on August 5, 2016, the Company agreed with Merkle's shareholders on the acquisition.

(1) Purpose of the share acquisition

Merkle is a leading independent firm specializing in the provision of data-driven and technology-enabled marketing solutions, based in the U.S., and offers services to clients who pursue enhancement of customer engagement, strengthening of competitiveness and maximization of marketing return on investment (ROI).

The Company has judged that Merkle's scale and capability would help Dentsu Aegis Network Ltd. significantly strengthen its competitiveness and ability to propose solutions to clients in the business fields of strategic consulting, data analytics, CRM and customer experience.

(2) Profile of the acquired company

Trade name, headquarters location, name of representative, line of business and scale of operations

Trade name	Merkle Group Inc.
Headquarters location	Columbia, Howard County, Maryland, USA
Name of representative	David Williams (Chairman & CEO)
Line of business	Advertising and marketing business
Amount of capital	USD 0 million (as of December 31, 2015)
Amount of net assets	USD 123 million (consolidated basis, Fiscal year ended December 31, 2015)
Amount of total assets	USD 436 million (consolidated basis, Fiscal year ended December 31, 2015)
Revenue	USD 435 million (consolidated basis, Fiscal year ended December 31, 2015)
Operating profit	USD 21 million (consolidated basis, Fiscal year ended December 31, 2015)
Adjusted EBITDA	USD 66 million (consolidated basis, Fiscal year ended December 31, 2015)
Net profit	USD 6 million (consolidated basis, Fiscal year ended December 31, 2015)

(Note) The above consolidated financial results and financial position are not subject to audit by the Company's Accounting Auditor. Adjusted EBITDA, which consists of net profit after adjusting

for interest payments, tax expense, depreciation or amortization of tangible and intangible assets, stock based compensation expense, M&A-related costs and other non-operating profit or loss, was one of the KPIs used to measure the business performance of Merkle.

(3) Date of share acquisition

September 2016 (scheduled)

Merkle's shares will be transferred to the Company after obtaining clearances from the U.S. and other relevant countries pursuant to the anti-monopoly law.

(4) The number of shares to be acquired, acquisition costs, and shareholding ratio after the acquisition

Number of shares to be acquired	6,990,099 shares
Acquisition costs	USD 979 million (approximately JPY 102.8 billion)
Shareholding ratio after the acquisition	68.3%

(Note) The above acquisition costs represent the value of 68.3 percent of outstanding shares in Merkle. In addition, the remaining stake may be acquired partially or wholly. The above costs do not include advisory fees and other expenses directly required for the acquisition as they have not been confirmed at present.

(5) Amount of goodwill recognized

Goodwill has yet to be determined at present.

(6) Methods of procurement of funds and payment for acquisition costs

Acquisition costs are to be financed by the Company's funds on hand and borrowings.

2. Other Information

(1) Dividends from surplus

With regard to the interim dividend for the fiscal year ending December 31, 2016 (the 168th fiscal period: from January 1, 2016 to December 31, 2016), the Company resolved at its meeting of the Board of Directors held on August 12, 2016 that dividends shall be paid to the shareholders whose names are recorded in the most recent register of shareholders as of June 30, 2016, in the following manner.

- | | |
|--|--------------------|
| 1) Total amount of dividends: | JPY 11,405 million |
| 2) Dividend per share: | JPY 40.00 |
| 3) Effective date of the right to collect payment and commencement date of dividend payment: | September 2, 2016 |

(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.