

Summary of Financial Results for the Fiscal Year Ended December 31, 2017

—IFRS Consolidated Results—

Name of Listed Company: Dentsu Inc.

Code Number: 4324

Stock Exchange Listing: First Section of the Tokyo Stock Exchange

URL: <http://www.dentsu.com/>

Name of Representative: Toshihiro Yamamoto, Representative Director and
President & CEO

Scheduled date of Ordinary General Meeting of Shareholders:

March 29, 2018

Scheduled start date of dividend payment:

March 8, 2018

Scheduled date for filing of the Financial Report:

March 29, 2018

Supplementary briefing material on annual results:

Available

Annual results briefing for institutional investors and analysts:

Scheduled

Contact: Shusaku Kannan
Managing Director
Corporate Communications Division
Telephone: (813) 6216-8041
E-mail: s.kannan@dentsu.co.jp

Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2017 [IFRS]

1. Summary of Financial Results for the Fiscal Year Ended December 31, 2017 (from January 1, 2017 to December 31, 2017)

(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, 2017	928,841	10.8	137,392	(0.2)	149,662	12.6	113,142	26.6	105,478	26.3	223,621	—
Fiscal year ended December 31, 2016	838,359	—	137,681	—	132,918	—	89,345	—	83,501	—	(34,237)	—

(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, 2017	373.11	373.10	10.4%	4.5%
Fiscal year ended December 31, 2016	292.85	292.84	8.3%	4.3%

(Reference)

Share of results of associates

Fiscal year ended December 31, 2017: 4,222 million yen

Fiscal year ended December 31, 2016: 3,362 million yen

Effective from the fiscal year ended December 31, 2015, the Company has changed its closing date from March 31 to December 31. Accordingly, for the fiscal year ended December 31, 2016, rates of increase or decrease compared with the previous fiscal year are not provided.

Gross profit

Fiscal year ended December 31, 2017: 877,622 million yen; 11.2%

Fiscal year ended December 31, 2016: 789,043 million yen; —

Underlying operating profit

Fiscal year ended December 31, 2017: 163,946 million yen; (1.6%)

Fiscal year ended December 31, 2016: 166,565 million yen; —

Operating margin

Fiscal year ended December 31, 2017: 18.7%

Fiscal year ended December 31, 2016: 21.1%

Underlying net profit attributable to owners of the parent

Fiscal year ended December 31, 2017: 107,874 million yen; (4.5%)

Fiscal year ended December 31, 2016: 112,972 million yen; —

Underlying basic earnings per share

Fiscal year ended December 31, 2017: 381.58 yen; (3.7%)

Fiscal year ended December 31, 2016: 396.20 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, 2017" on page 7.

"Operating margin" is underlying operating profit divided by gross profit.

(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, 2017	3,562,857	1,150,134	1,093,211	30.7%	3,878.03
As of December 31, 2016	3,155,230	981,961	932,742	29.6%	3,271.21

(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, 2017	141,557	(85,531)	1,226	305,760
Fiscal year ended December 31, 2016	143,585	(156,161)	2,539	242,410

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, 2016	—	40.00	—	45.00	85.00	24,236	29.0%	2.4%
Fiscal year ended December 31, 2017	—	45.00	—	45.00	90.00	25,370	24.1%	2.5%
Fiscal year ending December 31, 2018 (forecast)	—	45.00	—	45.00	90.00		41.2%	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2018 (from January 1, 2018 to December 31, 2018)

(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, 2018	1,006,900	8.4%	112,900	(17.8%)	68,000	(39.9%)	61,600	(41.6%)	218.52

Gross profit

Fiscal year ending December 31, 2018: 954,700 million yen; 8.8%

Underlying operating profit

Fiscal year ending December 31, 2018: 150,000 million yen; (8.5%)

Operating margin

Fiscal year ending December 31, 2018: 15.7%

Underlying net profit attributable to owners of the parent

Fiscal year ending December 31, 2018: 99,800 million yen; (7.5%)

Underlying basic earnings per share

Fiscal year ending December 31, 2018: 354.03 yen; (7.2%)

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, 2017" on page 7.

"Operating margin" is underlying operating profit divided by gross profit.

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: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None

(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, 2017	288,410,000 shares
As of December 31, 2016	288,410,000 shares

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

As of December 31, 2017	6,511,082 shares
As of December 31, 2016	3,273,259 shares

- c. Average number of shares during the period

Fiscal year ended December 31, 2017	282,702,284 shares
Fiscal year ended December 31, 2016	285,138,134 shares

(Reference) Summary of Non-consolidated Financial Results

1. Summary of Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2017 (from January 1, 2017 to December 31, 2017)

(1) Non-consolidated Financial Results

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

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended December 31, 2017	1,561,528	(2.4%)	54,289	(16.1%)	76,837	(20.9%)	63,556	(30.9%)
Fiscal year ended December 31, 2016	1,600,196	—	64,736	—	97,131	—	91,962	—

(Yen)

	Net income per share (Basic)	Net income per share (Diluted)
Fiscal year ended December 31, 2017	224.82	—
Fiscal year ended December 31, 2016	322.52	—

Effective from the fiscal year ended December 31, 2015, the Company has changed its closing date from March 31 to December 31. Accordingly, for the fiscal year ended December 31, 2016, rates of increase or decrease compared with the previous fiscal year are not provided.

(2) Non-consolidated Financial Position

(Millions of yen, except as otherwise stated)

	Total assets	Net assets	Equity ratio	Equity per share (Yen)
As of December 31, 2017	1,764,774	939,212	53.2%	3,331.56
As of December 31, 2016	1,673,415	857,206	51.2%	3,006.13

(Reference)

Equity

As of December 31, 2017: 939,164 million yen

As of December 31, 2016: 857,158 million yen

Financial figures of the non-consolidated financial results are based on the Generally Accepted Accounting Principles of Japan (hereinafter referred to as "Japanese GAAP").

2. Forecast of Non-consolidated Financial Results for the Fiscal Year Ending December 31, 2018 (from January 1, 2018 to December 31, 2018)

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

(Millions of yen, except as otherwise stated)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (Yen)
Fiscal year ending December 31, 2018	1,561,600	0.0%	46,300	(14.7%)	67,200	(12.5%)	50,100	(21.2%)	177.72

Financial figures of the forecast of non-consolidated financial results are based on Japanese GAAP.

Notes

Presentation regarding execution status of auditing procedures

This summary of consolidated financial results for the fiscal year is not subject to the auditing procedures provided for by the Japanese Financial Instruments and Exchange Law, and the financial statement auditing procedures based on the Law have not been completed at the time of the disclosure of these financial results.

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, 2018" on page 8.

1. Financial Results and Financial Position

(1) Financial Results

1) Summary of financial results for the fiscal year ended December 31, 2017

The Japanese economy during the fiscal year 2017 under review remained on a moderate recovery track owing to improvements in both corporate earnings and the employment and earnings environment. The global economy was on a recovery trend overall, centering on the US, despite concerns, such as uncertainties regarding the management and implementation of policies by the new US administration, developments concerning Brexit, the UK's exit from the EU, and the unstable international situation.

The year-on-year growth rate forecast for worldwide advertising expenditure in the 2017 calendar year published in January 2018 by the Company's global business headquarters Dentsu Aegis Network Ltd. was 3.1%. Forecasts by region were as follows: Japan 1.0%; Europe, the Middle East and Africa (hereinafter "EMEA") 2.3%; the Americas 3.1%; and the Asia Pacific region (excluding Japan; hereinafter "APAC") 4.6%.

Under such circumstances, the business results of the Group's Japan business operations during the fiscal year under review (from January 1, 2017 to December 31, 2017) were somewhat weaker than the previous year, partly due to the absence of large-scale events, such as the Games of the XXXI Olympiad (2016 Summer Olympic & Paralympic Games in Rio de Janeiro), resulting in gross profit of 361,902 million yen (0.4% decrease year on year). The gross profit organic growth rate (internal growth rate factoring out acquisitions and the effect of exchange rates) of the international business operations was 0.4% for the entire Group. By region, positive growth of 3.1% was achieved in EMEA, while growth rates were negative 1.5% and negative 0.6% in the Americas and in APAC, respectively. Gross profit of the international business operations increased greatly to 516,052 million yen (21.1% increase year on year) owing to the contribution of M&A.

As a result, the Group posted 928,841 million yen in revenue (10.8% increase year on year) and 877,622 million yen in gross profit (11.2% increase). Owing to little growth of the gross profit organic growth rate and expenses recorded for working environment reforms, underlying operating profit was 163,946 million yen (1.6% decrease), operating profit was 137,392 million yen (0.2% decrease), underlying net profit attributable to owners of the parent was 107,874 million yen (4.5% decrease). Profit for the year attributable to owners of the parent was 105,478 million yen (26.3% increase) mainly because of an increase in gains on 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, 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

In the Japan business, gross profit of 361,902 million yen (0.4% decrease year on year) and underlying operating profit of 88,801 million yen (8.8% decrease year on year) were posted.

b. International business

In the International business, gross profit of 516,052 million yen (21.1% increase year on year) and underlying operating profit of 75,146 million yen (8.8% increase year on year) were posted.

As to Dentsu's non-consolidated financial results (Japanese GAAP, from January 1, 2017 to December 31, 2017), the Company posted non-consolidated net sales of 1,561,528 million yen (2.4% decrease year on year), gross profit of 228,472 million yen (2.7% decrease), operating income of 54,289 million yen (16.1% decrease), ordinary income of 76,837 million yen (20.9% decrease), and net income of 63,556 million yen (30.9% decrease).

2) Outlook for the fiscal year ending December 31, 2018

Data released by Dentsu Aegis Network Ltd., the Company's global business headquarters, in January 2018 for the 2018 calendar year forecasts that year-on-year growth rate of worldwide advertising expenditures will be 3.6%. By region, Dentsu Aegis Network Ltd. forecasts growth of 1.6% in Japan; 2.2% in EMEA; 3.8% in the Americas; and 5.3% in APAC compared with the 2017 calendar year, respectively.

Against this backdrop, for the fiscal year ending December 31, 2018, on a consolidated basis, Dentsu forecasts revenue of 1,006.9 billion yen, an increase of

8.4% compared with the previous fiscal year; gross profit of 954.7 billion yen, an increase of 8.8%; underlying operating profit of 150.0 billion yen, a decrease of 8.5%; operating profit of 112.9 billion yen, a decrease of 17.8%; underlying net profit attributable to owners of the parent of 99.8 billion yen, a decrease of 7.5%; and profit for the year attributable to owners of the parent of 61.6 billion yen, a decrease of 41.6%.

In the Japan business, the Company will continue to position the working environment reforms as our top priority issue and proactively engage in initiatives. International business operations are projected to post organic growth in the low single-digit range.

3) Basic policy concerning distribution of profit and distribution of dividends for the fiscal year ended December 31, 2017 and the fiscal year ending December 31, 2018

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 45 yen per share, comprehensively taking into consideration the aforementioned factors. As a result, because Dentsu has already paid 45 yen per share as an interim dividend, the annual dividend will be 90 yen per share, a 5 yen increase over the previous year.

The annual dividend planned for the fiscal year ending December 31, 2018 is 90 yen

per share (interim dividend of 45 yen per share and year-end dividend of 45 yen per share).

(2) Financial Position

As of December 31, 2017, total assets increased by 407,626 million yen primarily due to an increase in trade and other receivables. Total liabilities increased by 239,453 million yen, primarily due to increases in trade and other payables and borrowings. Total equity increased by 168,173 million yen, primarily due to the posting of profit for the year.

Cash flow status for the fiscal year under review

As of December 31, 2017, cash and cash equivalents (hereinafter "cash") amounted to 305,760 million yen from the 242,410 million yen posted at the end of the previous fiscal year. As net cash provided by operating activities and financing activities exceeded net cash used in investing activities, cash at the end of the fiscal year under review increased by 63,349 million yen from the end of the previous fiscal year.

Net cash provided by (used in) operating activities

Net cash provided by operating activities amounted to 141,557 million yen (143,585 million yen provided in the previous fiscal year) primarily due to the posting of profit before tax.

Net cash provided by (used in) investing activities

Net cash used in investing activities amounted to 85,531 million yen (156,161 million yen used in the previous fiscal year) primarily due to net cash paid on acquisition of subsidiaries.

Net cash provided by (used in) financing activities

Net cash provided by financing activities amounted to 1,226 million yen (2,539 million yen provided in the previous fiscal year) primarily due to proceeds from long-term borrowings exceeding the decrease in short-term borrowings.

(Reference) Trends in cash flow indicators

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Ratio of equity attributable to owners of the parent to total assets (%)	29.6	30.7
Ratio of equity attributable to owners of the parent to total assets at market value (%)	49.7	37.8
Cash flows/Interest-bearing debt ratio (years)	2.8	3.3
Interest coverage ratio (times)	18.8	12.4

(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 debts refer to all liabilities with obligations to pay interest posted on the consolidated statement of financial position.

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)	
	FY2016 (As of December 31, 2016)	FY2017 (As of December 31, 2017)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	242,410	305,760
Trade and other receivables	1,275,044	1,410,454
Inventories	18,862	22,074
Other financial assets	17,814	21,934
Other current assets	60,621	74,525
Subtotal	1,614,753	1,834,749
Non-current assets classified as held for sale	3,357	1,835
Total current assets	1,618,111	1,836,584
NON-CURRENT ASSETS:		
Property, plant and equipment	193,757	196,659
Goodwill	718,717	798,177
Intangible assets	274,074	274,502
Investment property	37,837	37,360
Investments accounted for using the equity method	55,691	56,752
Other financial assets	224,723	327,356
Other non-current assets	13,183	15,062
Deferred tax assets	19,133	20,401
Total non-current assets	1,537,118	1,726,272
TOTAL ASSETS	3,155,230	3,562,857

	(Millions of yen)	
	FY2016 (As of December 31, 2016)	FY2017 (As of December 31, 2017)
LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	1,230,496	1,380,875
Borrowings	130,490	89,325
Other financial liabilities	26,781	43,030
Income tax payables	34,248	23,366
Provisions	1,179	2,070
Other current liabilities	176,030	203,091
Subtotal	1,599,226	1,741,758
Liabilities directly associated with non-current assets classified as held for sale	8	456
Total current liabilities	1,599,235	1,742,215
NON-CURRENT LIABILITIES		
Borrowings	273,108	371,187
Other financial liabilities	166,216	146,076
Liability for retirement benefits	31,377	19,210
Provisions	4,295	4,983
Other non-current liabilities	20,141	19,497
Deferred tax liabilities	78,893	109,552
Total non-current liabilities	574,033	670,507
Total liabilities	2,173,269	2,412,722
EQUITY		
Share capital	74,609	74,609
Share premium account	99,751	99,751
Treasury shares	(20,168)	(40,182)
Other components of equity	121,346	231,185
Retained earnings	657,203	727,846
Total equity attributable to owners of the parent	932,742	1,093,211
Non-controlling interests	49,218	56,923
Total equity	981,961	1,150,134
TOTAL LIABILITIES AND EQUITY	3,155,230	3,562,857

(2) Consolidated Statement of Income and Comprehensive Income

Consolidated Statement of Income

	(Millions of yen)	
	FY2016 (Year ended December 31, 2016)	FY2017 (Year ended December 31, 2017)
Turnover (Note 1)	4,924,933	5,187,300
Revenue	838,359	928,841
Cost	49,316	51,218
Gross profit	789,043	877,622
Selling, general and administrative expenses	659,885	751,957
Other income	16,588	23,347
Other expenses	8,063	11,620
Operating profit	137,681	137,392
Share of results of associates	3,362	4,222
Profit before interest and tax	141,044	141,614
Finance income	5,104	20,302
Finance costs	13,230	12,254
Profit before tax	132,918	149,662
Income tax expense	43,572	36,520
Profit for the year	89,345	113,142
Profit attributable to:		
Owners of the parent	83,501	105,478
Non-controlling interests	5,844	7,663
Earnings per share		
Basic earnings per share (Yen)	292.85	373.11
Diluted earnings per share (Yen)	292.84	373.10

Reconciliation from operating profit to underlying operating profit

	(Millions of yen)	
	FY2016 (Year ended December 31, 2016)	FY2017 (Year ended December 31, 2017)
Operating profit	137,681	137,392
Amortization of intangible assets incurred in acquisitions	24,506	31,779
Other adjusting items (selling, general and administrative expenses)	8,762	5,265
Other adjusting items (other income)	(7,522)	(15,410)
Other adjusting items (other expenses)	3,137	4,919
Underlying operating profit (Note 2)	<u>166,565</u>	<u>163,946</u>

(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 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)	
	FY2016 (Year ended December 31, 2016)	FY2017 (Year ended December 31, 2017)
PROFIT FOR THE YEAR	89,345	113,142
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	17,571	66,721
Remeasurements of defined benefit plans	(3,655)	11,563
Share of other comprehensive income of investments accounted for using the equity method	(454)	163
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:		
Exchange differences on translation of foreign operations	(133,674)	32,687
Effective portion of the change in the fair value of cash flow hedges	(3,101)	(888)
Share of other comprehensive income of investments accounted for using the equity method	(268)	232
Other comprehensive income, net of tax	(123,582)	110,479
COMPREHENSIVE INCOME FOR THE YEAR	(34,237)	223,621
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the parent	(39,851)	214,979
Non-controlling interests	5,614	8,642

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	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 January 1, 2016	74,609	99,751	(20,155)	48	171,132	10,222
Profit for the year						
Other comprehensive income					(133,729)	(3,101)
Comprehensive income for the year	—	—	—	—	(133,729)	(3,101)
Repurchase of treasury shares			(13)			
Disposal of treasury shares		(0)	0			
Dividends						
Transactions with non-controlling interests						
Transfer from other components of equity to retained earnings						
Other changes				(0)		
Transactions with owners—total	—	(0)	(12)	(0)	—	—
As of December 31, 2016	74,609	99,751	(20,168)	48	37,403	7,120
Profit for the year						
Other comprehensive income					32,331	(888)
Comprehensive income for the year	—	—	—	—	32,331	(888)
Repurchase of treasury shares			(20,014)			
Disposal of treasury shares		(0)	0			
Dividends						
Transactions with non-controlling interests						
Transfer from other components of equity to retained earnings						
Transactions with owners—total	—	(0)	(20,013)	—	—	—
As of December 31, 2017	74,609	99,751	(40,182)	48	69,734	6,231

(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, 2016	83,639	(4,003)	261,039	652,972	1,068,216	34,526	1,102,743
Profit for the year			—	83,501	83,501	5,844	89,345
Other comprehensive income	17,109	(3,630)	(123,352)		(123,352)	(229)	(123,582)
Comprehensive income for the year	17,109	(3,630)	(123,352)	83,501	(39,851)	5,614	(34,237)
Repurchase of treasury shares			—		(13)		(13)
Disposal of treasury shares			—		0		0
Dividends			—	(22,811)	(22,811)	(4,581)	(27,392)
Transactions with non- controlling interests			—	(72,798)	(72,798)	13,658	(59,139)
Transfer from other components of equity to retained earnings	(16,339)		(16,339)	16,339	—		—
Other changes			(0)		(0)		(0)
Transactions with owners—total	(16,339)	—	(16,339)	(79,270)	(95,622)	9,077	(86,545)
As of December 31, 2016	84,409	(7,634)	121,346	657,203	932,742	49,218	981,961
Profit for the year			—	105,478	105,478	7,663	113,142
Other comprehensive income	66,510	11,547	109,501		109,501	978	110,479
Comprehensive income for the year	66,510	11,547	109,501	105,478	214,979	8,642	223,621
Repurchase of treasury shares			—		(20,014)		(20,014)
Disposal of treasury shares			—		0		0
Dividends			—	(25,516)	(25,516)	(2,735)	(28,252)
Transactions with non- controlling interests			—	(8,980)	(8,980)	1,798	(7,182)
Transfer from other components of equity to retained earnings	337		337	(337)	—		—
Transactions with owners—total	337	—	337	(34,834)	(54,510)	(937)	(55,448)
As of December 31, 2017	151,258	3,913	231,185	727,846	1,093,211	56,923	1,150,134

(4) Consolidated Statement of Cash Flows

	FY2016 (Year ended December 31, 2016)	(Millions of yen) FY2017 (Year ended December 31, 2017)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	132,918	149,662
ADJUSTMENTS FOR:		
Depreciation and amortization	45,860	55,587
Impairment loss	522	1,093
Interest and dividend income	(4,326)	(5,544)
Interest expense	7,491	11,391
Share of results of associates	(3,362)	(4,222)
Increase (decrease) in liability for retirement benefits	(3,055)	2,462
Other—net	2,481	(19,558)
Cash flows from operating activities before adjusting changes in working capital and others	178,528	190,870
CHANGES IN WORKING CAPITAL:		
(Increase) decrease in trade and other receivables	(49,992)	(93,833)
(Increase) decrease in inventories	649	(2,158)
(Increase) decrease in other current assets	(19)	(11,059)
Increase (decrease) in trade and other payables	41,035	111,943
Increase (decrease) in other current liabilities	13,175	10,402
Change in working capital	4,847	15,293
Subtotal	183,376	206,164
Interest received	1,776	2,082
Dividends received	5,137	5,792
Interest paid	(7,623)	(11,424)
Income taxes paid	(39,080)	(61,058)
Net cash flow from operating activities	143,585	141,557

	FY2016 (Year ended December 31, 2016)	(Millions yen) FY2017 (Year ended December 31, 2017)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment, intangible assets and investment property (Note)	(22,234)	(27,767)
Proceeds from sale of property, plant and equipment, intangible assets and investment property (Note)	12,006	18,420
Net cash (paid) received on acquisition of subsidiaries	(170,419)	(67,299)
Net cash (paid) received on disposal of subsidiaries	121	86
Payments for purchases of securities	(13,610)	(14,985)
Proceeds from sales of securities	40,430	6,754
Other—net	(2,456)	(739)
Net cash flow from investing activities	(156,161)	(85,531)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term borrowings	99,683	(95,990)
Proceeds from long-term borrowings	28,511	155,773
Repayment of long-term borrowings	(89,257)	(4,131)
Payment for acquisition of interest in a subsidiary from non-controlling interests	(6,093)	(5,396)
Payments for purchase of treasury shares	(13)	(20,014)
Dividends paid	(22,811)	(25,516)
Dividends paid to non-controlling interests	(4,121)	(2,983)
Other—net	(3,359)	(513)
Net cash flow from financing activities	2,539	1,226
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(10,874)	6,097
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,911)	63,349
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	263,322	242,410
CASH AND CASH EQUIVALENTS AT END OF PERIOD	242,410	305,760

(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 sale 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

(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.

FY2016: Year ended December 31, 2016

(Millions of yen)

	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	1,890,445	3,046,532	4,936,977	(12,044)	4,924,933
Revenue (Note 2)	420,387	430,016	850,404	(12,044)	838,359
Gross profit (Note 3)	363,242	426,014	789,257	(213)	789,043
Segment profit (underlying operating profit) (Note 3)	97,362	69,059	166,421	143	166,565
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(24,506)
Other adjusting items (selling, general and administrative expenses) (Note 5)	—	—	—	—	(8,762)
Other adjusting items (other income) (Note 5)	—	—	—	—	7,522
Other adjusting items (other expenses) (Note 5)	—	—	—	—	(3,137)
Operating profit	—	—	—	—	137,681
Share of results of associates	—	—	—	—	3,362
Finance income	—	—	—	—	5,104
Finance costs	—	—	—	—	13,230
Profit before tax (Other income and expense items)	—	—	—	—	132,918
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	10,805	10,547	21,353	—	21,353
Segment assets (Note 4)	1,224,733	2,083,491	3,308,224	(152,993)	3,155,230
(Other asset items)					
Investments accounted for using the equity method	53,879	1,812	55,691	—	55,691
Capital expenditures	7,081	15,152	22,234	—	22,234

FY2017: Year ended December 31, 2017

(Millions of yen)

	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	1,865,117	3,329,418	5,194,536	(7,235)	5,187,300
Revenue (Note 2)	416,671	519,405	936,077	(7,235)	928,841
Gross profit (Note 3)	361,902	516,052	877,954	(331)	877,622
Segment profit (underlying operating profit) (Note 3)	88,801	75,146	163,948	(1)	163,946
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(31,779)
Other adjusting items (selling, general and administrative expenses) (Note 5)	—	—	—	—	(5,265)
Other adjusting items (other income) (Note 5)	—	—	—	—	15,410
Other adjusting items (other expenses) (Note 5)	—	—	—	—	(4,919)
Operating profit	—	—	—	—	137,392
Share of results of associates	—	—	—	—	4,222
Finance income	—	—	—	—	20,302
Finance costs	—	—	—	—	12,254
Profit before tax (Other income and expense items)	—	—	—	—	149,662
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	9,477	14,330	23,807	—	23,807
Segment assets (Note 4)	1,337,776	2,373,085	3,710,862	(148,005)	3,562,857
(Other asset items)					
Investments accounted for using the equity method	55,726	1,026	56,752	—	56,752
Capital expenditures	9,659	18,108	27,767	—	27,767

- (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 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.
 5. The breakdown of "Other adjusting items (selling, general and administrative expenses)," "Other adjusting items (other income)" and "Other adjusting items (other expenses)" are as follows:

	(Millions of yen)	
	FY2016 (Year ended December 31, 2016)	FY2017 (Year ended December 31, 2017)
Other adjusting items (selling, general and administrative expenses)		
Early retirement benefits	5,183	366
Costs associated with merger and acquisitions	3,579	1,795
Other	0	3,103
Total	8,762	5,265
Other adjusting items (other income)		
Gain on sale of property, plant and equipment, intangible assets and investment property	6,506	14,441
Gain on sale of subsidiaries and associates shares	664	790
Other	351	178
Total	7,522	15,410
Other adjusting items (other expenses)		
Loss on sale of property, plant and equipment, intangible assets and investment property	130	1,069
Impairment loss	522	1,093
Other	2,483	2,757
Total	3,137	4,919

Impairment loss by segment is 216 million yen (Japan business) and 306 million yen (International business) for the year ended December 31, 2016 and 451 million yen (Japan business) and 641 million yen (International business) for the fiscal year under review.

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)	
	FY2016 (Year ended December 31, 2016)	FY2017 (Year ended December 31, 2017)
Advertising	767,867	857,439
Information Services	66,443	67,531
Other Business	4,048	3,870
Total	838,359	928,841

4. Information by region

(1) Revenue from clients outside the Group

In “International”, revenues attributable to the United States were 133,852 million yen for the year ended December 31, 2016 and 177,156 million yen for the fiscal year under review. 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)	
	FY2016 (As of December 31, 2016)	FY2017 (As of December 31, 2017)
Japan	213,617	212,894
International (mainly the United Kingdom and the United States)	1,010,768	1,093,805
Total	1,224,386	1,306,700

- (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 718,447 million yen and 261,708 million yen for the year ended December 31, 2016, and 798,177 million yen and 262,312 million yen for the fiscal year under review, 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 per share and diluted earnings per share

	FY2016 (Year ended December 31, 2016)	FY2017 (Year ended December 31, 2017)
Basic earnings per share (Yen)	292.85	373.11
Diluted earnings per share (Yen)	292.84	373.10

2. Basis of calculating basic earnings per share and diluted earnings per share

	FY2016 (Year ended December 31, 2016)	FY2017 (Year ended December 31, 2017)
Profit for the year used for calculation of basic earnings per share and diluted earnings per share		
Profit for the year attributable to owners of the parent (Millions of yen)	83,501	105,478
Amounts not attributable to ordinary equity holders of the parent (Millions of yen)	—	—
Profit for the year used for calculation of basic earnings per share (Millions of yen)	83,501	105,478
Adjustment		
Share-based payment held by associates (Millions of yen)	(2)	(1)
Profit for the year used for calculation of diluted earnings per share (Millions of yen)	83,499	105,476
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)	285,138	282,702
Effect of dilutive potential ordinary shares (Thousands of shares)	—	—
Weighted average number of ordinary shares outstanding used for the calculation of diluted earnings per share (Thousands of shares)	285,138	282,702

(Significant Subsequent Events)

No items to report