

**Excerpt from Quarterly Report
(Consolidated Financial Statements)
(January 1 to June 30, 2019)**

Part 4. Financial Section

1. Preparation Method of Condensed Quarterly Consolidated Financial Statements

- (1) The condensed quarterly consolidated financial statements of Dentsu Inc. (hereinafter referred to as “the Company”) are prepared in accordance with International Accounting Standards 34 “Interim Financial Reporting” (hereinafter referred to as “IAS 34”) under the provisions of Article 93 of the “Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64, 2007; hereinafter referred to as “the Ordinance”).
- (2) In the condensed quarterly consolidated financial statements, figures less than one million yen are rounded down to the nearest million yen.

2. Audit Certificate

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's condensed quarterly consolidated financial statements for the second quarter ended June 30, 2019 (from April 1 to June 30, 2019) and the condensed consolidated financial statements for the first six months (from January 1 to June 30, 2019) of fiscal year 2019, which were compiled in Japanese, were subject to a quarterly review by KPMG AZSA LLC.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

		(Millions of Yen)	
	Notes	FY2018 (As of December 31, 2018)	The second quarter (As of June 30, 2019)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		416,668	336,733
Trade and other receivables		1,368,728	1,316,003
Inventories		28,580	21,442
Other financial assets	12	15,090	15,079
Other current assets		106,516	86,255
Subtotal		1,935,583	1,775,514
Non-current assets classified as held for sale		2	2
Total current assets		1,935,586	1,775,517
NON-CURRENT ASSETS:			
Property, plant and equipment		199,207	316,564
Goodwill		786,851	777,974
Intangible assets		249,921	240,966
Investment property		37,089	36,945
Investments accounted for using the equity method		39,897	45,213
Other financial assets	12	348,537	418,738
Other non-current assets		14,242	15,274
Deferred tax assets		27,155	32,886
Total non-current assets		1,702,902	1,884,564
TOTAL ASSETS	5	3,638,488	3,660,081

		(Millions of Yen)	
		FY2018 (As of December 31, 2018)	The second quarter (As of June 30, 2019)
Notes			
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES:			
		1,341,461	1,265,345
	Trade and other payables		
	Borrowings	104,879	192,626
12			
	Other financial liabilities	47,395	63,349
12			
	Income tax payables	42,981	14,148
	Provisions	1,575	2,270
	Other current liabilities	247,315	181,212
	Total current liabilities	1,785,608	1,718,952
NON-CURRENT LIABILITIES:			
	Bonds and borrowings	433,980	373,010
12			
	Other financial liabilities	163,362	282,674
12			
	Liability for retirement benefits	30,675	30,297
	Provisions	4,705	4,622
	Other non-current liabilities	18,133	27,706
	Deferred tax liabilities	91,272	97,599
	Total non-current liabilities	742,130	815,911
	Total liabilities	2,527,738	2,534,863
EQUITY:			
	Share capital	74,609	74,609
	Share premium account	99,751	99,926
	Treasury shares	(40,194)	(40,199)
	Other components of equity	160,735	188,804
	Retained earnings	752,717	728,828
	Total equity attributable to owners of the parent	1,047,619	1,051,968
	Non-controlling interests	63,129	73,248
	Total equity	1,110,749	1,125,217
TOTAL LIABILITIES AND EQUITY		3,638,488	3,660,081

(2) Condensed Quarterly Consolidated Statement of Income

For the six months ended June 30, 2018 and June 30, 2019

		(Millions of Yen)	
		Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
	Notes		
Turnover (Note 1)	5	2,588,177	2,478,700
Revenue	5, 7	481,654	497,068
Cost		35,915	47,825
Revenue less cost of sales	5	445,739	449,242
Selling, general and administrative expenses		404,486	427,955
Other income	8	4,825	4,115
Other expenses	9	5,544	7,327
Operating profit		40,533	18,075
Share of results of associates		1,771	(168)
Gain on sale of shares of associates		558	-
Profit before interest and tax		42,864	17,906
Finance income	10	2,908	4,912
Finance costs	10	22,869	20,126
Profit before tax		22,903	2,693
Income tax expense		8,989	1,111
Profit for the period		13,914	1,581
Profit (loss) attributable to:			
Owners of the parent		10,786	(1,275)
Non-controlling interests		3,128	2,856
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	11	38.26	(4.52)
Diluted earnings (loss) per share (Yen)	11	38.26	(4.53)

Reconciliation from operating profit to underlying operating profit

		(Millions of Yen)	
	Notes	Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
Operating profit		40,533	18,075
Amortization of intangible assets incurred in acquisitions		17,516	17,935
Other adjusting items (selling, general and administrative expenses)		605	4,656
Other adjusting items (other income)		(14)	(3)
Other adjusting items (other expenses)		2,221	4,333
Underlying operating profit (Note 2)	5	<u>60,862</u>	<u>44,997</u>

For the second quarter ended June 30, 2018 and June 30, 2019

		(Millions of Yen)	
		Second quarter ended June 30, 2018 (From April 1 to June 30, 2018)	Second quarter ended June 30, 2019 (From April 1 to June 30, 2019)
	Notes		
Turnover (Note 1)		1,337,338	1,263,985
Revenue		239,546	246,489
Cost		20,472	25,221
Revenue less cost of sales		219,073	221,268
Selling, general and administrative expenses		200,319	211,308
Other income		1,808	2,379
Other expenses		2,422	3,557
Operating profit		18,139	8,781
Share of results of associates		854	(329)
Gain on sale of shares of associates		558	-
Profit before interest and tax		19,553	8,452
Finance income		2,291	5,819
Finance costs		17,965	10,094
Profit before tax		3,879	4,177
Income tax expense		2,207	1,664
Profit for the period		1,672	2,512
Profit (loss) attributable to:			
Owners of the parent		(1)	1,308
Non-controlling interests		1,674	1,204
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	11	(0.01)	4.64
Diluted earnings (loss) per share (Yen)	11	(0.01)	4.63

Reconciliation from operating profit to underlying operating profit

	(Millions of Yen)	
	Second quarter ended June 30, 2018 (From April 1 to June 30, 2018)	Second quarter ended June 30, 2019 (From April 1 to June 30, 2019)
Operating profit	18,139	8,781
Amortization of intangible assets incurred in acquisitions	8,723	8,930
Other adjusting items (selling, general and administrative expenses)	259	790
Other adjusting items (other income)	(10)	(2)
Other adjusting items (other expenses)	1,005	2,024
Underlying operating profit (Note 2)	<u>28,118</u>	<u>20,525</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 Condensed Quarterly Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.
 - 2 The underlying operating profit is a KPI to measure recurring business performance which is calculated as operating profit added with amortization of M&A related intangible assets, acquisition costs, share-based compensation expenses related to acquired companies and one-off items such as impairment loss and gain/loss on sales of non-current assets.
Underlying operating profit is not defined under IFRS; however, it is voluntarily disclosed in the Condensed Quarterly Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2018 and June 30, 2019

		(Millions of Yen)	
		Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
	Notes		
PROFIT FOR THE PERIOD		13,914	1,581
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Net change in financial assets measured at fair value through other comprehensive income	12	8,094	41,050
Remeasurements of defined benefit plans		14	(0)
Share of other comprehensive income of investments accounted for using the equity method		(13)	(51)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
Exchange differences on translation of foreign operations		(32,962)	(9,014)
Effective portion of the change in the fair value of cash flow hedges		113	(4,686)
Share of other comprehensive income of investments accounted for using the equity method		(274)	(53)
Other comprehensive income, net of tax		(25,027)	27,243
COMPREHENSIVE INCOME FOR THE PERIOD		(11,113)	28,825
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		(11,936)	26,348
Non-controlling interests		823	2,477

For the second quarter ended June 30, 2018 and June 30, 2019

	(Millions of Yen)	
	Second quarter ended June 30, 2018 (From April 1 to June 30, 2018)	Second quarter ended June 30, 2019 (From April 1 to June 30, 2019)
PROFIT FOR THE PERIOD	1,672	2,512
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	15,804	14,761
Remeasurements of defined benefit plans	(8)	2
Share of other comprehensive income of investments accounted for using the equity method	40	(34)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:		
Exchange differences on translation of foreign operations	(18,668)	(24,751)
Effective portion of the change in the fair value of cash flow hedges	2,605	(1,741)
Share of other comprehensive income of investments accounted for using the equity method	(206)	(26)
Other comprehensive income, net of tax	(432)	(11,789)
COMPREHENSIVE INCOME FOR THE PERIOD	1,240	(9,276)
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:		
Owners of the parent	(30)	(9,102)
Non-controlling interests	1,271	(174)

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the six months ended June 30, 2018 (From January 1 to June 30, 2018)

(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 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 period							
Other comprehensive income						(31,462)	113
Comprehensive income for the period		—	—	—	—	(31,462)	113
Repurchase of treasury shares				(6)			
Disposal of treasury shares			(0)	0			
Dividends	6						
Transactions with non-controlling interests							
Transfer from other components of equity to retained earnings							
Other changes					(48)		
Transactions with owners—total		—	(0)	(6)	(48)	—	—
As of June 30, 2018		74,609	99,751	(40,188)	—	38,272	6,345

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent						Total equity
		Other components of equity					Non-controlling interests	
		Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total		
As of January 1, 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 period				—	10,786	10,786	3,128	13,914
Other comprehensive income		8,607	18	(22,722)		(22,722)	(2,305)	(25,027)
Comprehensive income for the period		8,607	18	(22,722)	10,786	(11,936)	823	(11,113)
Repurchase of treasury shares				—		(6)		(6)
Disposal of treasury shares				—		0		0
Dividends	6			—	(12,685)	(12,685)	(2,129)	(14,814)
Transactions with non-controlling interests				—	(2,571)	(2,571)	994	(1,576)
Transfer from other components of equity to retained earnings		2,711	(18)	2,692	(2,692)	—		—
Other changes				(48)	48	0	(306)	(306)
Transactions with owners—total		2,711	(18)	2,644	(17,901)	(15,263)	(1,440)	(16,703)
As of June 30, 2018		162,577	—	207,194	720,794	1,062,161	56,306	1,118,467

For the six months ended June 30, 2019 (From January 1 to June 30, 2019)

(Millions of Yen)

		Total equity attributable to owners of the parent				
					Other components of equity	
Notes	Share capital	Share premium account	Treasury shares	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges	
	As of January 1, 2019	74,609	99,751	(40,194)	23,888	6,364
3	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 period					
	Other comprehensive income				(8,883)	(4,686)
	Comprehensive income for the period	—	—	—	(8,883)	(4,686)
	Repurchase of treasury shares			(5)		
	Disposal of treasury shares		(0)	0		
6	Dividends					
	Transactions with non-controlling interests					
	Transfer from other components of equity to retained earnings					
	Other changes		175			
	Transactions with owners—total	—	174	(5)	—	—
	As of June 30, 2019	74,609	99,926	(40,199)	15,004	1,677

(Millions of Yen)

		Total equity attributable to owners of the parent						
		Other components of equity						
Notes	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, 2019	130,482	—	160,735	752,717	1,047,619	63,129	1,110,749
3	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 period			—	(1,275)	(1,275)	2,856	1,581
	Other comprehensive income	41,195	(1)	27,623		27,623	(379)	27,243
	Comprehensive income for the period	41,195	(1)	27,623	(1,275)	26,348	2,477	28,825
	Repurchase of treasury shares			—		(5)		(5)
	Disposal of treasury shares			—		0		0
6	Dividends			—	(12,685)	(12,685)	(1,213)	(13,898)
	Transactions with non-controlling interests			—	(1,127)	(1,127)	9,411	8,283
	Transfer from other components of equity to retained earnings	443	1	445	(445)	—		—
	Other changes			—	62	237		237
	Transactions with owners—total	443	1	445	(14,196)	(13,581)	8,198	(5,382)
	As of June 30, 2019	172,121	—	188,804	728,828	1,051,968	73,248	1,125,217

(5) Condensed Quarterly Consolidated Statement of Cash Flows

	(Millions of Yen)	
	Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	22,903	2,693
ADJUSTMENTS FOR:		
Depreciation and amortization	29,354	45,572
Interest and dividend income	(2,593)	(3,202)
Interest expense	5,887	9,929
Share of results of associates	(1,771)	168
Increase (decrease) in liability for retirement benefits	740	(290)
Other—net	17,139	16,866
Cash flows from operating activities before adjusting changes in working capital and others	71,659	71,737
CHANGES IN WORKING CAPITAL:		
(Increase) decrease in trade and other receivables	121,900	36,008
(Increase) decrease in inventories	(4,557)	8,691
(Increase) decrease in other current assets	(12,106)	16,304
Increase (decrease) in trade and other payables	(113,955)	(57,859)
Increase (decrease) in other current liabilities	(294)	(65,459)
Change in working capital	(9,013)	(62,314)
Subtotal	62,645	9,423
Interest received	898	1,896
Dividends received	2,460	2,094
Interest paid	(5,608)	(9,304)
Income taxes paid	(21,753)	(44,145)
Net cash flow from operating activities	38,642	(40,036)

		(Millions of Yen)	
		Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
	Notes		
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment, intangible assets and investment property		(13,742)	(14,811)
Proceeds from sale of property, plant and equipment, intangible assets and investment property		499	689
Net cash (paid) received on acquisition of subsidiaries		(17,677)	(10,249)
Net cash (paid) received from sale of subsidiaries		294	-
Payments for purchases of securities		(54,417)	(14,593)
Proceeds from sales of securities		2,515	917
Other—net		954	(1,350)
Net cash flow from investing activities		(81,573)	(39,398)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term borrowings		18,086	18,716
Proceeds from long-term borrowings		1,598	19,393
Repayment of long-term borrowings		(44,297)	(2,138)
Repayments of lease obligations		(614)	(17,187)
Payment for acquisition of interest in a subsidiary from non-controlling interests		(6,479)	(833)
Repurchase of treasury shares		(6)	(5)
Dividends paid	6	(12,685)	(12,685)
Dividends paid to non-controlling interests		(2,289)	(1,133)
Other—net		4,294	124
Net cash flow from financing activities		(42,393)	4,251
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(9,712)	(4,751)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(95,037)	(79,934)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		305,760	416,668
CASH AND CASH EQUIVALENTS AT END OF PERIOD		210,723	336,733

Notes on the Condensed Quarterly Consolidated Financial Statements

1. Reporting Entity

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

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

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

The condensed quarterly consolidated financial statements for the second quarter ended June 30, 2019 were approved by Toshihiro Yamamoto, Representative Director and President & CEO, and Arinobu Soga, Director and Executive Officer, on August 7, 2019.

2. Basis of Preparation

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

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

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

3. Significant Accounting Policies

Significant accounting policies applied to the condensed quarterly consolidated financial statements for the second quarter ended June 30, 2019 are identical to those applied to the consolidated financial statements for the previous fiscal year, with the exception of changes in accounting policies stated below. Meanwhile,

income taxes for the six months ended June 30, 2019 are calculated based on the estimated annual effective tax rate.

(Changes in accounting polices)

The Group has adopted IFRS 16 "Leases" from the first quarter ended March 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.

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

Accounting judgments, estimates and assumptions that may have a material effect on the amount in the condensed quarterly consolidated financial statements for the second quarter ended June 30, 2019 are identical to those for the consolidated financial statements for the previous fiscal year, except for those included in the following notes.

3. Significant Accounting Policies

10. Finance Income and Finance Costs

5. Segment Information

(1) Description of reportable segments

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

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

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

(2) Information on reportable segments

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

Intersegment revenues are based on the prevailing market price.

Six months ended June 30, 2018 (From January 1 to June 30, 2018)

(Millions of Yen)

	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	942,610	1,651,966	2,594,576	(6,399)	2,588,177
Revenue (Note 2)	216,545	271,508	488,053	(6,399)	481,654
Revenue less cost of sales (Note 3)	186,400	259,485	445,885	(146)	445,739
Segment profit (underlying operating profit) (Note 3)	45,539	15,324	60,864	(1)	60,862
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(17,516)
Other adjusting items (selling, general and administrative expenses)	—	—	—	—	(605)
Other adjusting items (other income)	—	—	—	—	14
Other adjusting items (other expenses)	—	—	—	—	(2,221)
Operating profit	—	—	—	—	40,533
Share of results of associates	—	—	—	—	1,771
Gain on sale of shares of associates	—	—	—	—	558
Finance income	—	—	—	—	2,908
Finance costs	—	—	—	—	22,869
Profit before tax	—	—	—	—	22,903
Segment assets (Note 4)	1,313,448	2,143,075	3,456,524	(131,454)	3,325,069

Six months ended June 30, 2019 (From January 1 to June 30, 2019)

(Millions of Yen)

	Japan business (Note 5)	International business (Note 5)	Total	Reconciliations	Consolidated
Turnover (Note 1)	941,532	1,541,679	2,483,212	(4,511)	2,478,700
Revenue (Note 2)	219,230	282,349	501,580	(4,511)	497,068
Revenue less cost of sales (Note 3)	186,494	262,909	449,403	(160)	449,242
Segment profit (underlying operating profit) (Note 3)	35,636	9,365	45,001	(4)	44,997
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(17,935)
Other adjusting items (selling, general and administrative expenses)	—	—	—	—	(4,656)
Other adjusting items (other income)	—	—	—	—	3
Other adjusting items (other expenses)	—	—	—	—	(4,333)
Operating profit	—	—	—	—	18,075
Share of results of associates	—	—	—	—	(168)
Finance income	—	—	—	—	4,912
Finance costs	—	—	—	—	20,126
Profit before tax	—	—	—	—	2,693
Segment assets (Note 4)	1,508,667	2,321,018	3,829,686	(169,604)	3,660,081

- (Notes)
1. Turnover represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover information is not required under IFRS; however, it is voluntarily disclosed in the Condensed Quarterly Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.
 2. Reconciliations for revenue are due to eliminations of intersegment transactions (same amount as for turnover).
 3. Reconciliations for revenue less cost of sales and segment profit (underlying operating profit) are due to eliminations of intersegment transactions.
 4. Reconciliations for segment assets are due to eliminations of intersegment transactions.
 5. Due to the effects of the adoption of IFRS 16 (See "3. Significant Accounting Policies"), segment assets as of January 1, 2019 increased by 43,192 million yen in the Japan business segment and by 85,054 million yen in the International business segment.

6. Capital

(1) Dividends

Dividends paid are as follows:

Six months ended June 30, 2018 (From January 1 to June 30, 2018)

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

Six months ended June 30, 2019 (From January 1 to June 30, 2019)

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 14, 2019)	Ordinary shares	12,685	45.00	December 31, 2018	March 7, 2019

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 June 30, 2018 (From January 1 to June 30, 2018)

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

Six months ended June 30, 2019 (From January 1 to June 30, 2019)

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (August 7, 2019)	Ordinary shares	13,397	47.50	June 30, 2019	September 6, 2019

(Note) Total dividends by resolution at the meeting of the Board of Directors held on August 7, 2019 includes the 7 million yen in dividends for the Company's shares held by the trust account relating to the performance-based stock compensation plan.

7. Revenue

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

Six months ended June 30, 2018 (From January 1 to June 30, 2018)

(Millions of Yen)

	Segments			Re-conciliations of internal transactions	Total
	Japan business	International business	Subtotal		
Principal services					
Advertising	179,735	271,508	451,243	—	—
Information Services	34,810	—	34,810	—	—
Other Business	1,999	—	1,999	—	—
Total	216,545	271,508	488,053	(6,399)	481,654
Breakdown by regional markets					
Japan	216,545	—	216,545	—	—
EMEA (Europe, Middle East and Africa)	—	102,431	102,431	—	—
Americas	—	111,810	111,810	—	—
APAC (Asia Pacific)	—	57,266	57,266	—	—
Total	216,545	271,508	488,053	(6,399)	481,654

Six months ended June 30, 2019 (From January 1 to June 30, 2019)

(Millions of Yen)

	Segments			Re-conciliations of internal transactions	Total
	Japan business	International business	Subtotal		
Principal services					
Advertising	178,570	282,349	460,919	—	—
Information Services	38,810	—	38,810	—	—
Other Business	1,849	—	1,849	—	—
Total	219,230	282,349	501,580	(4,511)	497,068
Breakdown by regional markets					
Japan	219,230	—	219,230	—	—
EMEA (Europe, Middle East and Africa)	—	107,306	107,306	—	—
Americas	—	122,179	122,179	—	—
APAC (Asia Pacific)	—	52,863	52,863	—	—
Total	219,230	282,349	501,580	(4,511)	497,068

8. Other Income

The breakdown of other income is as follows:

(Millions of Yen)

	Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
Profit distributions	4,099	3,044
Other	726	1,071
Total	4,825	4,115

9. Other Expenses

The breakdown of other expenses is as follows:

(Millions of Yen)

	Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
Amortization of long-term prepaid expenses	1,998	2,209
Foreign exchange losses	79	106
Share-based compensation expenses settled in cash	2,071	3,850
Other	1,396	1,160
Total	5,544	7,327

10. Finance Income and Finance Costs

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

(Millions of Yen)

	Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
Interest income	1,120	1,558
Dividend income	1,473	1,643
Changes in fair value of contingent consideration	—	1,390
Other	315	319
Total	2,908	4,912

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

(Millions of Yen)

	Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
Interest expense	5,915	9,984
Change in fair value of contingent considerations	1,466	—
Remeasurements of stock purchase obligations (Note)	15,307	9,460
Foreign exchange losses	36	155
Other	143	525
Total	22,869	20,126

(Note) During the six months ended June 30, 2018 and the six months ended June 30, 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 six months ended June 30, 2018 and the six months ended June 30, 2019 increased by 11,303 million yen and 8,121 million yen, respectively.

11. Earnings (Loss) Per Share

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

	Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
Basic earnings (loss) per share (Yen)	38.26	(4.52)
Diluted earnings (loss) per share (Yen)	38.26	(4.53)

	Second quarter ended June 30, 2018 (From April 1 to June 30, 2018)	Second quarter ended June 30, 2019 (From April 1 to June 30, 2019)
Basic earnings (loss) per share (Yen)	(0.01)	4.64
Diluted earnings (loss) per share (Yen)	(0.01)	4.63

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

	Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
Profit (loss) for the period used for calculation of basic earnings (loss) per share and diluted earnings (loss) per share		
Profit (loss) for the period attributable to owners of the parent (Millions of Yen)	10,786	(1,275)
Amounts not attributable to ordinary equity holders of the parent (Millions of Yen)	—	—
Profit (loss) for the period used for calculation of basic earnings (loss) per share (Millions of Yen)	10,786	(1,275)
Adjustment		
Share-based payment held by subsidiaries and associates (Millions of Yen)	(0)	(2)
Profit (loss) for the period used for calculation of diluted earnings (loss) per share (Millions of Yen)	10,785	(1,277)
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)	281,898	281,895
Effect of dilutive potential ordinary shares (Thousands of shares):		
Performance-based stock compensation plan	—	74
The weighted average number of ordinary shares outstanding used for the calculation of diluted earnings (loss) per share (Thousands of shares)	281,898	281,970

	Second quarter ended June 30, 2018 (From April 1 to June 30, 2018)	Second quarter ended June 30, 2019 (From April 1 to June 30, 2019)
Profit (loss) for the period used for calculation of basic earnings (loss) per share and diluted earnings (loss) per share		
Profit (loss) for the period attributable to owners of the parent (Millions of Yen)	(1)	1,308
Amounts not attributable to ordinary equity holders of the parent (Millions of Yen)	—	—
Profit (loss) for the period used for calculation of basic earnings (loss) per share (Millions of Yen)	(1)	1,308
Adjustment		
Share-based payment held by subsidiaries and associates (Millions of Yen)	(0)	(1)
Profit (loss) for the period used for calculation of diluted earnings (loss) per share (Millions of Yen)	(2)	1,306
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)	281,898	281,895
Effect of dilutive potential ordinary shares (Thousands of shares):		
Performance-based stock compensation plan	—	74
The weighted average number of ordinary shares outstanding used for the calculation of diluted earnings (loss) per share (Thousands of shares)	281,898	281,970

12. Financial Instruments

(1) The carrying amount and fair value of financial instruments

The breakdown of the carrying amount and fair value of financial instruments as of December 31, 2018 and June 30, 2019 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 and bonds payable.

(Millions of Yen)

	FY2018 (As of December 31, 2018)		The second quarter (As of June 30, 2019)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	405,769	404,360	414,664	417,754
Bonds payable	79,746	80,245	79,844	80,614

(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.

The fair value of bonds payable is calculated based on market prices. The fair value hierarchy of bonds payable is categorized within Level 2.

(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 June 30, 2018 and the six months ended June 30, 2019.

The categories by level of the fair value hierarchy of financial instruments measured at fair value on a recurring basis are as follows.

Figures in the following table include stock purchase obligations.

FY2018 (As of December 31, 2018)

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	16,792	—	16,792
Equity securities	234,375	—	68,011	302,386
Other	513	2,641	13,098	16,254
Total	234,889	19,434	81,110	335,433
Financial liabilities				
Derivative liabilities	—	2,893	—	2,893
Stock purchase obligations	—	—	120,839	120,839
Other (mainly contingent consideration)	—	—	69,244	69,244
Total	—	2,893	190,083	192,977

The second quarter (As of June 30, 2019)

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	14,267	—	14,267
Equity securities	296,884	—	71,160	368,045
Other	533	2,773	17,810	21,118
Total	297,417	17,041	88,971	403,430
Financial liabilities				
Derivative liabilities	—	4,753	—	4,753
Stock purchase obligations	—	—	131,353	131,353
Other (mainly contingent consideration)	—	—	63,321	63,321
Total	—	4,753	194,674	199,428

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.

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 (the comparable companies analysis) using unobservable inputs are categorized within Level 3. Significant unobservable inputs mainly include the price/net asset value multiples, and fair value increases (decreases) based on the increase (decrease) of the price/net asset value multiples. The price/net asset value multiples used as of December 31, 2018 and June 30, 2019 are 0.58 and 0.58, respectively.

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

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

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

(Millions of Yen)

Financial assets	Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
Balance at the beginning of the period	32,181	81,110
Other comprehensive income (Note 1)	(2,020)	(1,943)
Purchases or acquisitions	54,223	10,203
Sales or settlements	(245)	(44)
Other	(33)	(354)
Balance at the end of the period	84,105	88,971

(Millions of Yen)

Financial liabilities	Six months ended June 30, 2018 (From January 1 to June 30, 2018)	Six months ended June 30, 2019 (From January 1 to June 30, 2019)
Balance at the beginning of the period	167,667	190,083
Profit or loss (Note 2)	16,774	8,069
Purchases	9,377	8,052
Sales or settlements	(14,206)	(7,740)
Other	(6,072)	(3,791)
Balance at the end of the period	173,540	194,674

- (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 "Profit or loss" is associated with financial liabilities measured at fair value through profit or loss and included in finance income or finance costs. Profit or loss arising from financial instruments held at the end of the quarter amounted to 16,774 million yen (finance costs) for the six months ended June 30, 2018, and 1,390 million yen (finance income) and 9,460 million yen (finance costs) for the six months ended June 30, 2019.

13. Subsequent Events

Purchase of treasury shares

The Company resolved at the Board of Directors' meeting held on August 7, 2019 to authorize a share repurchase pursuant to Article 156 of the Companies Act, as applied by replacing certain terms under the provisions of Article 165, Paragraph 3 of the Act.

1) Reason for the repurchase of treasury share

To enhance shareholder value and further improve capital efficiency, and at the same time to implement a flexible capital policy in response to changes in the business environment

2) Details of matters related to the repurchase

- | | |
|--|---|
| 1) Class of shares to be repurchased: | Common shares of the Company |
| 2) Total number of shares to be repurchased: | 12,000,000 shares (maximum) |
| 3) Total repurchase cost: | 30,000 million yen (maximum) |
| 4) Repurchase period: | August 8, 2019 to March 24, 2020 |
| 5) Method of repurchase: | Market purchase on the Tokyo Stock Exchange through a discretionary trading authorization agreement (planned) |

2. Other Information

(1) Dividends from surplus

With regard to the interim dividend for the fiscal year ending December 31, 2019 (from January 1, 2019 to December 31, 2019), the Company resolved at its meeting of the Board of Directors held on August 7, 2019 that dividends shall be paid to the shareholders whose names are recorded in the last register of shareholders as of June 30, 2019, in the following manner.

- | | |
|--|--------------------|
| 1) Total amount of dividends: | JPY 13,397 million |
| 2) Dividend per share: | JPY 47.50 |
| 3) Effective date of the right to collect payment and commencement date of dividend payment: | September 6, 2019 |

(Note) Total dividends by resolution at the meeting of the Board of Directors held on August 7, 2019 includes the 7 million yen in dividends for the Company's shares held by the trust account relating to the performance-based stock compensation plan.

(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.