Items for Disclosure on the Internet Pursuant to Laws, Regulations, and the Articles of Incorporation Regarding the Notice of Convocation of the 173rd Ordinary General Meeting of Shareholders

Dentsu Group Inc.

Pursuant to laws and regulations and Article 19 of the Company's Articles of Incorporation, the above items are provided to shareholders on the Company's website (https://www.group.dentsu.com/en/ir/stockandratings/shareholdersmeeting.html).

II Shares and Subscription Rights to Shares

1. Items Related to Shares

(1) Total number of authorized shares Common shares **1,100,000,000** shares

(2) Types of issued shares and total number of shares Common shares **288,410,000** shares
(Of which treasury shares **14,393,421** shares)

(3) Number of shareholders **37,759** persons

(4) Major Shareholders (Top 10)

Shareholder	No. of Shares Held	Percentage of Total Shares Issued
	(Shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust accounts)	**48,558,400**	**17.72**
Kyodo News	**18,988,800**	**6.93**
Jiji Press, Ltd.	**16,028,680**	**5.85**
Custody Bank of Japan, Ltd. (Trust accounts)	**14,147,200**	**5.16**
SMBC Nikko Securities Inc.	**7,208,300**	**2.63**
Group Employees' Stockholding Association	**5,647,184**	**2.06**
Yoshida Hideo Memorial Foundation	**4,984,808**	**1.82**
Recruit Holdings Co., Ltd.	**4,929,900**	**1.80**
The Bank of New York Mellon (International) Limited 131800	**4,330,400**	**1.58**
Tokyo Broadcasting System Television, Inc.	**4,000,000**	**1.46**

(Notes) 1. The number of shares held by each trust bank includes shares related to trust services.
2. The Company holds 14,393,421 treasury shares but is excluded from the major shareholders listed above.
3. The Percentage of Total Shares Issued is calculated excluding treasury shares.

(5) Shares granted to Company officers during the fiscal year as consideration for performance of duties

No items to report.

(6) Other Important Items Related to Shares

At the meeting of the Board of Directors on February 15, 2021, the Company resolved to conduct a share repurchase of its common stock via an open market purchase on the Tokyo Stock Exchange with a maximum repurchase of 15 million shares and a maximum repurchase cost of 30 billion yen, from the period between February 16, 2021, to December 23, 2021, and conducted the share repurchase as follows.

Result of the share repurchase:

1) Repurchase Period: From February 16, 2021, to December 6, 2021
2) Total Number of Shares Repurchased: 7,498,700 shares
3) Total Repurchase Price: 29,999,634,404 yen

2. Items Related to Subscription Rights to Shares, etc.

(1) Summary of contents of subscription rights to shares held by company executives, etc. as of the final day of the fiscal year under review that were issued as compensation for business execution

No items to report.

(2) Summary of contents of subscription rights to shares that were issued to employees, etc., during the fiscal year under review as compensation for business execution

No items to report.

(3) Other important items regarding subscription rights to shares

No items to report.

III Items Related to the Company Executives

2. Situation of Important Concurrent Posts

Name	Organization of Concurrent Post	Position
Directors who are not members of the Audit and Supervisory Committee		
Toshihiro Yamamoto	KYODO TELEVISON, LTD	Corporate Auditor
	Dentsu International Limited	Non-Executive Director
	Rakuten Data Marketing, Inc.	Director
Timothy Andree	Dentsu International Limited	Executive Chairman
Hiroshi Igarashi	Dentsu Inc.	Representative Director, President & CEO
	FRONTAGE INC.	Director
	Dentsu International Limited	Non-Executive Director
Arinobu Soga	Dentsu International Limited	Non-Executive Director
	CARTA HOLDINGS, INC.	Corporate Auditor
Nick Priday	Dentsu International Limited	Executive Director, CFO
	Merkle Group Inc.	Director
Wendy Clark	Dentsu International Limited	Executive Director, Global CEO
Gan Matsui	Yaesu Sogo Law Office	Attorney
	Orient Corporation	Outside Corporate Auditor
	Nagase & Co., Ltd.	Outside Corporate Auditor
	Totetsu Kogyo Co.	Outside Corporate Auditor
	Globeride, Inc.	Outside Director, Member of the Audit and Supervisory Committee
Directors who are members of the Audit and Supervisory Committee		
Toshiaki Hasegawa	T. Hasegawa & Co. Law Offices	Attorney
Kentaro Koga	Hitotsubashi University Business School School of Business Administration	Associate Professor
	NUCB Undergraduate School of Kurimoto Educational Institute	Professor
Etsuko Katsu	Meiji University School of Political Science and Economics	Professor
	Mitsui O.S.K. Lines, Ltd.	Outside Director
Simon Laffin	Watkin Jones plc	Non-Executive Director
	Dentsu International Limited	Chairman of the Audit Committee

(Notes)

1. Director who is not a member of the Audit and Supervisory Committee Toshihiro Yamamoto resigned as Non-Executive Director of Dentsu International Limited on February 18, 2022 and Director of Rakuten Data Marketing, Inc. on December 31, 2021.
2. Director who is not a member of the Audit and Supervisory Committee Timothy Andree resigned as Executive Chairman of Dentsu International Limited on February 18, 2022.
3. Director who is not a member of the Audit and Supervisory Committee Hiroshi Igarashi resigned as President & CEO of Dentsu Inc. on January 1, 2022, and Director of FRONTAGE INC. on June 18, 2021. He was appointed a Non-Executive Director of Dentsu International Limited on February 18, 2021, and Non-Executive Chairman of the Board of that company on February 18, 2022.
4. There are no items to report for Director who is not member of the Audit and Supervisory Committee Shun Sakurai
5. Director who is not a member of the Audit and Supervisory Committee Nick Priday resigned as Director of Merkle Group Inc. on December 31, 2021.
6. There are no items to report for Director who is a member of the Audit and Supervisory Committee Izumi Okoshi.
7. Director who is a member of the Audit and Supervisory Committee Kentaro Koga retired as Associate Professor of Hitotsubashi University Business School on August 31, 2021,and was appointed as Professor of NUCB Undergraduate School of Kurimoto Educational Institute on September 1, 2021.

6. Items Related to Outside Directors

(1) Status of Major Activities and Overview of Duties Performed Related to the Roles Expected of an Outside Director in the Fiscal Year under Review

Category / Name	Meetings attended	Remarks and Overview of Duties Performed Related to the Roles Expected of an Outside Director
Outside Director Gan Matsui	Attended all 16 meetings of the Board of Directors held in the fiscal year under review.	Actively made suggestions about internal control in group management and importance of establishment of compliance system, using his many years of expertise as a prosecutor in significant positions and his abundant knowledge of the significance of crisis management, and contributed to improving the Company's governance system.
Outside Director Toshiaki Hasegawa	Attended all 16 meetings of the Board of Directors and all 11 meetings of the Audit and Supervisory Committee held in the fiscal year under review.	Made remarks from an objective and professional perspective as an Outside Director, utilizing his rich experience as an international business lawyer and his specialized knowledge of law, and contributed to improving the Company's governance system, which included providing advice and supervision from a different perspective to internal Directors.
Outside Director Kentaro Koga	Attended 15 out of 16 meetings of the Board of Directors and all 11 meetings of the Audit and Supervisory Committee held in the fiscal year under review.	Provided accurate advice and supervision, including actively expressing opinions from an economic perspective, particularly regarding M&A projects, utilizing his rich experience as a university professor and a university associate professor (accounting) to contribute to enhancing the Company's corporate value.
Outside Director Etsuko Katsu	Attended all 16 meetings of the Board of Directors and all 11 meetings of the Audit and Supervisory Committee held in the fiscal year under review.	Made remarks from an objective and professional perspective as an Outside Director with her expertise and abundant knowledge on finance, international economics, economic policy, and global human resources development, and contributed to enhancing the effectiveness of the Board of Directors by fulfilling the roles expected of her, which include providing advice and supervision from a different perspective to internal Directors.
Outside Director Simon Laffin	Attended all 16 meetings of the Board of Directors and all 11 meetings of the Audit and Supervisory Committee held in the fiscal year under review.	Actively made suggestions, specifically regarding the establishment and improvement of global governance system, utilizing his expertise and abundant knowledge of accounting and finance, and his abundant insight into overseas business, to contribute to enhancing the Company's corporate value.

(2) Important Concurrent Posts and Relationship with Dentsu

Category / Name	Organization of Con-current Post / Description	Relationship with Said Organization
Outside Director Gan Matsui	Yaesu Sogo Law Office Attorney	There is no special relationship with Yaesu Sogo Law Office.
	Orient Corporation Outside Corporate Auditor	There is no special relationship with Orient Corporation.
	Nagase & Co., Ltd. Outside Corporate Auditor	There is a business relationship between Nagase & Co., Ltd. and Dentsu Inc., a important subsidiary of the Company.
	Totetsu Kogyo Co. Outside Corporate Auditor	There is no special relationship with Totetsu Kogyo Co.
	Globeride, Inc. Outside Director, Member of the Audit and Supervisory Committee	There is no special relationship with Globeride, Inc.
Outside Director Toshiaki Hasegawa	T. Hasegawa & Co. Law Offices Attorney	There is no special relationship with T. Hasegawa & Co. Law Offices.
Outside Director Kentaro Koga	Hitotsubashi University Business School Associate Professor, School of Business Administration	There is a business relationship between Hitotsubashi University and Dentsu Inc., a important subsidiary of the Company.
	Kurimoto Educational Institute Professor, NUCB Undergraduate School	There is no special relationship with the NUCB Undergraduate School of Kurimoto Educational Institute.
Outside Director Etsuko Katsu	Meiji University Professor, School of Political Science and Economics	There is no special relationship with Meiji University.
	Mitsui O.S.K. Lines, Ltd. Outside Director	There is a business relationship between Mitsui O.S.K. Lines, Ltd. and Dentsu Inc., a important subsidiary of the Company.
Outside Director Simon Laffin	Watkin Jones plc Non-Executive Director	There is no special relationship with Watkin Jones plc.
	Dentsu International Limited Chairman of the Audit Committee	There is no business execution conducted by Outside Director Simon Laffin at Dentsu International Limited, a subsidiary of the Company.

IV Items Related to the Accounting Auditor

1. Name of the Accounting Auditor

KPMG AZSA LLC

2. Remuneration to the Accounting Auditor

(1) Fee for Accounting Auditor relating to this fiscal year 150 million yen

(Note 1) The total amount of fees to be paid to the Accounting Auditor is stated since fees in relation to audit attestation based on the Companies Act and those based on the Financial Instruments and Exchange Act are not clearly classified under the terms of the audit contract concluded between the Company and the Accounting Auditor.

(Note 2) The Audit and Supervisory Committee of the Company, in observance of the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association and in order to assess whether sufficient audit quality is assured, has checked the time required to audit each audit item and the audit fees as well as the audit plans and the results for previous fiscal years, and upon considering the appropriateness of the time required for audit and the audit fee quotations for the fiscal year under review, agrees to the fees of the Accounting Auditor under Article 399, Item 1 and Item 3 of the Companies Act.

(2) Amount of cash and other financial benefits to be paid by Dentsu and its subsidiaries

495 million yen

(Note) The Company paid the Accounting Auditor for services such as advisory services related to accounting and internal controls of domestic subsidiaries, which are not included within the scope of work of Article 2, Paragraph 1 of the Certified Public Accountants Act.

3. Status of Audits of Subsidiaries by Entities Other than Dentsu's Accounting Auditor

Dentsu International Limited, which is an important Dentsu overseas subsidiary, and certain other overseas subsidiaries are audited (limited to provisions under foreign laws and regulations corresponding to the Companies Act or Financial Instruments and Exchange Act) by KPMG firms (those with certification corresponding to a certified public accountant or accounting auditor overseas), which belong to the same network as the Company's accounting auditor.

4. Policy on Dismissal or Non-reappointment of the Accounting Auditor

(1) The Audit and Supervisory Committee may dismiss the Accounting Auditor upon unanimous approval from all Audit and Supervisory Committee Members if it is determined that any of the reasons stipulated in Article 340, Paragraph 1 of the Companies Act applied and dismissal is appropriate.

(2) Considering factors such as the independence and business execution of the Accounting Auditor, the Audit and Supervisory Committee may submit a proposal to a General Meeting of Shareholders to dismiss or refuse to reappoint the Accounting Auditor if it is found that there is a possibility of a significant threat to the auditing operations of the Company, such as difficulty by the Accounting Auditor to execute business appropriately, and in the event that it is determined that such action is required from the viewpoint of effectiveness and efficiency, etc., of audit implementation, as stipulated in Article 399-2, Paragraph 3 of the Companies Act.

V　Company System and Policy

1. Basic Policy on the Internal Control System

The Internal Control System at Dentsu is designed to encourage compliance among Directors, Executive Officers, and employees while it supports continuous corporate development as the Company strives to meet its social responsibilities.

The Company and its subsidiaries ("the Group") shall aim to maintain and improve the Internal Control System by setting the Dentsu Group Code of Conduct as the common standard of acceptable behavior that must be observed to ensure that the execution of duties by the Group's Directors, Executive Officers and employees comply with laws, regulations, and the Articles of Incorporation and that business operations are conducted appropriately.

1. System to Ensure the Appropriateness of Operations throughout the Group

   The Company will define matters that subsidiaries must establish and operate as members of the Group, starting with the following items, and will ensure the appropriateness of operations throughout the Group through proper support, oversight, and management by the Company as a holding company.

   (1) The Dentsu Group Code of Conduct was drafted as the standard for acceptable corporate behavior and embraces the entire Group, including subsidiaries. Each subsidiary passes a resolution on the adoption of the Code.

   (2) Subsidiaries will define standards pursuant to the Dentsu Group Code of Conduct, and by resolution of a meeting of the Board of Directors, etc., will ensure compliance and risk management as members of the Group.

   (3) In addition to receiving periodic reports from subsidiaries concerning the business operations, business results, and other significant matters that may have significant effect on the business operation or business results of the Company, subsidiaries will request advance approval or report to the Company.

   (4) In order to ensure efficient and appropriate decision-making and business execution of the businesses, Dentsu Japan Network is responsible for the management and oversight of the Japan business and Dentsu International for the international business.

   (5) The Company will enforce the establishment and the operation of the system described in the followings on subsidiaries.

2. Compliance System for Directors, Executive Officers and Employees

   (1) Directors and executive officers of the Group must perform their duties appropriately, in accordance with rules such as the Board of Directors' Rules, Rules for the Operation of the Important Committees, Directors' Rules, and Executive Officers' Rules.

   (2) If a director or an executive officer of the Group discovers a violation of the prevailing laws or comes across any other serious compliance-related issue, it is imperative that he/she reports it without delay to the Board of Directors or the important committees. The Audit and Supervisory Committee of the Company or the Audit Committees or Audit Officers of each subsidiary must also be immediately advised of the circumstances.

   (3) The relevant departments create internal policies and manuals and conduct training to improve and enhance the compliance system for employees of the Group.

   (4) The Company has set up an internal reporting and proposal system to respond appropriately in the event a law is broken or some other internal compliance issue arises.

   (5) If the Audit and Supervisory Committee of the Company or the Audit Committees or Audit Officers of each subsidiary states opinions on the compliance system or require steps to improve the system, directors

and executive officers of the Group must respond without delay and make the recommended improvements.

(6) The Company has established a department to facilitate the termination of business relationships with organized crime groups and elements thereof—termed "antisocial forces"— when a link is discovered and to resolutely refuse any and all future transactions. This department functions as the liaison between the affected in-house divisions and the relevant authorities to expedite an appropriate course of action.

3. Systems to Ensure Efficient Execution of Duties by Directors and Executive Officers

(1) In addition to meetings of the Board of Directors, the Company and each subsidiary hold meetings of the Board of Directors, Executive Management Meetings, and various committees in order to make decisions on important matters pertaining to management policy and strategy appropriately and expeditiously.

(2) Items resolved at such meetings are transmitted to all employees through the corporate structure for prompt reflection in the execution of duties. Urgent items are posted on the internal electronic bulletin board in the interest of rapid dissemination.

4. Storage and Management of Information Related to the Execution of Duties by Directors and Executive Officers

Information concerning the execution of duties by directors and executive officers of the Group is stored and managed appropriately, in accordance with the Company's Documentation Management Rules and Information Management Rules etc.

5. Risk Management System

(1) The Group establishes risk management regulations to maintain and improve a structure that precludes the spread of damage or loss and minimizes the impact of risk progression in the event risks become reality. The Company performs self-checks with regard to the situation of risk management under the Group Executive Management Meeting selects material risks to be handled, and implements risk management based on concrete response plans.

(2) The response policy for material risks in management and other material items concerning risk management are reported to the Board of Directors and the Audit and Supervisory Committee of the Company or the Audit Committees or Audit Officers of each subsidiary.

6. Internal Structure to Support the Audit and Supervisory Committee and their Independent Status

The Company maintains an Audit and Supervisory Committee Office, which consists of employees who assist the Audit and Supervisory Committee in their duties. This office reports directly to the Audit and Supervisory Committee, thereby preserving its independence from directors (excluding Directors who are members of the Audit and Supervisory Committee) and executive officers and effectiveness of instructions from Audit and Supervisory Committee.

7. System for Reporting to the Audit and Supervisory Committee and Improving Audit Effectiveness

(1) Policies are in place to define issues that directors (excluding directors who are Audit and Supervisory Committee members), executive officers, and employees (hereinafter called “executives and employees”) of the Group are required to report to the Audit and Supervisory Committee, while at the same time, the system ensures that significant matters that have an impact on the Group’s business operations or business results are reported by executives and employees to the Audit and Supervisory Committee in a certain and prompt manner.

(2) In the event that the Audit and Supervisory Committee request information other than that indicated above, executives and employees of the Group are still required to respond without delay.

(3) It will be ensured that parties who report under the condition of the previous items do not receive harmful treatment as a result of reporting.

(4) Pursuant to laws and regulations, a policy will be defined to account for expenses, etc., incurred during

the course of execution of duties by the Audit and Supervisory Committee, and this information will be disseminated to concerned parties.

(5) To enhance audit effectiveness, the internal audit functions and external auditors collaborate.

8. System to Ensure Appropriateness of Financial Reporting

(1) The President and Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Company, under the supervision of the Board of Directors, shall maintain and continuously improve a system that ensures appropriateness in financial reporting by the Group.

(2) Subsidiaries and departments involved in business activities shall perform self-checks properly.

(3) The Group Internal Audit Office shall monitor the Internal Control System from a perspective free of operational bias to assess the effectiveness of internal controls related to financial reporting.

2. Summary of Operational Status of the Internal Control System

In adherence with the Basic Policy on Internal Control stated in 1. above which has been resolved by the Board of Directors, the Company is promoting the development and operation of an Internal Control System upon establishing risk management policy, document handling regulations, and other internal regulations, holding meetings of the Internal Control and Risk Committee and other committees, and with the department in charge of internal control serving as the core. The summary of operational status is as follows:

(1) To provide that the Group's operations are appropriate, the Company revised the Dentsu Group Code of Conduct in April 2021, as a code of conduct for officers and employees of the Group, and is working to make it known through intranet and e-learning compliance training. The Company identifies applicable companies in advance, sets the rules to be followed as a corporate group, and requests each company to comply with them. At the end of a fiscal year, the Company checks whether applicable companies in Japan and overseas are performing operations in accordance with the aforementioned rules and calls for improvement if there are any issues.

(2) To manage risk based on the Risk Management Policys, the Company recognized the following items as "enterprise risk management (ERM)" at the Group level, and from July 2021, it has been on the agenda of the Group Executive Management Meeting; 1) identifying risks that impedes the Company's efforts to achieve its management targets, 2) evaluating identified risks, 3) specifying "material risk," which may have a significant impact on the Company, 4) formulating a plan to minimize such "material risk," and 5) reporting progress in dealing with such "material risk." ,and in addition, the Group Risk Meeting has been newly established to discuss or report important matters such as the Group's basic policy on risk management, risk registers, risk sponsors (executives, etc.), and risk response plans to the Group Executive Management Meeting. Formulation and implementation of plans to deal with risks are led by risk sponsors and each specialized department on a companywide level.

(3) Regarding structures to ensure the appropriateness of financial reporting, in May 2021, in response to the "Internal Control Reporting System" stipulated in Article 24-4-4 of the Financial Instruments and Exchange Act, the Company formulated the "Basic Plan" which provides the companies and business processes applicable for evaluation and the evaluation system, etc., upon discussion with the Accounting Auditor. Following the Basic Plan, the departments executing the business applicable for evaluation and applicable companies confirm that internal control is implemented appropriately and functioning effectively in daily operations and such companies make reports on such confirmation to the Company.

Amounts in this business report less than one full unit have been rounded down.

Notes to Consolidated Financial Statements

1. Significant matters for preparing consolidated financial statements

(1) Basis of preparation of consolidated financial statements

The consolidated financial statements of Dentsu Group Inc. (hereinafter the "Company") are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") under the Paragraph 1 of Article 120 of the Ordinance on Company Accounting. Under the provisions of the second sentence of the same paragraph of the same Ordinance, some disclosure items required under IFRS are omitted.

(2) Scope of consolidation

Number of consolidated subsidiaries, including Dentsu International Limited, is 907.

(3) Scope of equity method

Number of associates, including Video Research Ltd., accounted for using the equity method is 92.

(4) Accounting policies

1) Basis and method of valuation for significant assets

i Non-derivative financial assets

a. Financial assets measured at amortized cost

Non-derivative financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met.

・The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

The Group recognizes allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost.

Determination of significant increase in credit risk

At the end of each fiscal year, the Group compares the risk of a default occurring on financial assets as of the end of the fiscal year with the risk of a default occurring at the date of initial recognition and assesses whether the credit risk on the financial assets has increased significantly after the initial recognition.

The Group determines whether the credit risk on the financial assets has increased significantly based on the changes in the risk of a default after the initial recognition. In assessing whether there is any change in the risk of default, the Group primarily takes into account the past due information, in addition to the following matters.

・Significant change in a credit risk rating of the financial assets by external rating agencies
・Downgrading of an internal credit risk rating
・Deterioration of the borrower's operating results

Expected credit loss approach

Expected credit losses are the present value of the difference between contractual cash flows the

Group has a right to receive pursuant to a contract and the cash flows expected to be received by the Group. If the credit risk on financial assets has increased significantly after initial recognition, the Group measures the allowance for doubtful accounts for the financial assets at an amount equal to the lifetime expected credit losses. If the credit risk has not increased significantly, the Group measures the allowance for doubtful accounts for the financial assets at an amount equal to 12-month expected credit losses.

Notwithstanding the above, the Group always measures the allowance for doubtful accounts at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant finance component.

In measuring expected credit losses, the Company uses reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available at the reporting date. The expected credit losses of individually significant financial assets are assessed on an individual basis, and the expected credit losses of the remaining financial assets are assessed collectively in groups that share similar credit risk characteristics such as the geographical location, the number of days that the asset is past due, the status of the protection of the asset, the external credit ratings, and allowance for expected credit losses is recorded.

In a case when it is determined that it is impossible or extremely difficult to collect all or part of a financial asset, e.g. a case when the debtor does not make the payment within 90 days from the due date, the Company decides that the financial asset is in default.

When a financial asset is in default or when the issuer or the debtor of a financial asset is experiencing significant financial difficulty, the Company determines that the credit is impaired.

The provision of the allowance for doubtful accounts for financial assets is recognized in profit or loss. The reversal of the allowance for doubtful accounts, if any, is recognized in profit or loss.

If the collection is not reasonably assured, such as when obligor cannot perform repayment plan that was agreed with the Group, financial assets are directly amortized. Generally, this action is taken when the Group judges that a borrower does not have assets or source of income that can generate enough cash flows to repay the amount of the financial assets subject to direct amortization. The Group continues enforcement activities for directly amortized financial assets in order to collect past due receivables.

b. Financial assets measured at fair value through profit or loss

At the time of initial recognition, equity financial instruments not designated as financial assets measured at fair value through other comprehensive income and debt financial instruments that do not satisfy amortized cost criteria are classified as financial assets measured at fair value through profit or loss.

Subsequent to initial recognition, financial assets measured at fair value through profit or loss are remeasured at fair value at each fiscal year-end, and changes in fair value subsequent to initial recognition and revenue such as dividends are recognized in profit or loss.

c. Financial assets measured at fair value through other comprehensive income

Equity financial instruments not held-for-sale, in principle, are designated as financial assets measured at fair value through other comprehensive income at the time of initial recognition.

Subsequent to initial recognition, financial assets measured at fair value through other comprehensive income are measured at fair value. Changes in fair value subsequent to initial recognition are recognized in other comprehensive income, and are transferred to retained earnings if a financial asset is derecognized or the fair value declines significantly. Dividends derived from these financial assets are recognized in profit or loss for the year.

ii Derivative financial instruments and hedge accounting

The Group utilizes derivative financial instruments, such as foreign exchange contracts and interest rate swap contracts, to hedge its foreign currency risks and interest rate risks, respectively. At the inception of the hedge, the Group designates and documents the relationship between hedging instruments and hedged items, as well as the objectives and strategies of risk management for undertaking the hedge. The documentation includes hedging relationships, the risk management objective, strategies for undertaking the hedge, and an assessment of the hedge effectiveness.

These hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows, and the hedging relationships are assessed on an ongoing basis to determine whether they actually have been highly effective throughout the hedging periods.

Derivative financial instruments are initially recognized at fair value. In addition, derivatives are measured at fair value after initial recognition and changes in the fair value are accounted for as follows.

With regard to the hedge accounting, IAS 39 continues to be applied in accordance with transitional provisions.

a. Cash flow hedge

For the effective portion of gains or losses on hedging instruments, changes in the fair value are recognized in other comprehensive income. The amounts recognized in other comprehensive income are recognized in profit or loss when the cash flows from the hedged items affect profit or loss.

For the ineffective portion, changes in the fair value are recognized in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, when the hedge no longer meets the criteria for hedge accounting, or when hedging designation is revoked.

b. Hedge of net investment in foreign operations

Translation differences resulting from the hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while those for the ineffective portion are recognized in profit or loss.

On disposal of the foreign operation, the cumulative gains or losses recognized in equity as other comprehensive income are reclassified to profit or loss.

c. Derivative financial instruments not designated as hedges

Changes in the fair value of derivative financial instruments are recognized in profit or loss.

iii Inventories

Inventories are mainly comprised of broadcasting rights and contents related to sports and entertainment. The inventories are measured at the lower of acquisition cost or net realizable value. The acquisition cost of inventories is determined mainly by the specific identification method.

2) Depreciation method for significant depreciable assets

i Property, plant and equipment

Property, plant, and equipment is presented at acquisition cost using the cost model subsequent to initial recognition less accumulated depreciation and accumulated impairment losses. The acquisition cost includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs.

Except for assets such as land that are not depreciated, property, plant, and equipment are depreciated mainly using the straight-line method over their estimated useful lives.

However, right-of-use assets are depreciated using the straight-line method over the shorter of their estimated useful lives or lease terms.

ii Intangible assets

Intangible assets are presented at acquisition cost using the cost model subsequent to initial recognition less accumulated amortization and accumulated impairment losses. Intangible assets acquired separately are measured at acquisition cost for their initial recognition, and the costs of intangible assets acquired in business combinations are recognized at fair value at the acquisition date. The acquisition cost for internally generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets all of the capitalization criteria.

Intangible assets are amortized using the straight-line method over their estimated useful lives.

However, right-of-use assets are amortized using the straight-line method over the shorter of their estimated useful lives or lease terms.

iii Investment property

Investment property is presented at acquisition cost using the cost model subsequent to initial recognition less accumulated depreciation and accumulated impairment losses.

Except for assets that are not depreciated such as land, investment property is depreciated mainly using the straight-line method over its estimated useful life.

3) Goodwill

Goodwill is presented at acquisition cost less accumulated impairment losses. Goodwill is not amortized. Impairment tests for goodwill are performed once a year, irrespective of whether there is any indication that it may be impaired, and in cases where there is an indication of impairment.

4) Recognition of significant provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled and a reliable estimate can be made for the amount of the obligation. Where the effect of the time value of money is material, provisions are measured based on the present value using a discount rate reflecting the risks specific to the liability.

5) Post-employment benefits

The Group has set up defined benefit plans and defined contribution plans as employee retirement benefit plans. For defined benefit plans, the Group recognizes the difference between the present value of defined benefit obligations and the fair value of any plan assets as either liabilities or assets. For each of the defined benefit plans, the Group determines the present value of defined benefit obligations, related current service cost and past service cost using the projected unit credit method. Discount rate is determined based on high quality corporate bonds yield rate at fiscal year-end for the discount period which is set for the projected period until the expected date of benefit payment in each fiscal year.

Service costs and interest costs of defined benefit plans are recognized in profit or loss, and net interest is determined using the discount rate described above. Remeasurements of defined benefit plans are recognized in other comprehensive income in the period when they are incurred, and are immediately transferred to retained earnings. Past service costs are recognized in profit or loss in the period incurred. The cost for retirement benefits for defined contribution plans is recognized in profit or loss in the period in which the employees render the related services.

6) Foreign currency translation

Foreign currency transactions are translated into each functional currency of the Group entity using the exchange rate at the date of the transaction.

At each fiscal year-end, monetary assets and liabilities denominated in foreign currencies, and non-monetary assets and liabilities denominated in foreign currencies carried at fair value are translated into the functional currency at closing rate, and the resulting translation differences are recognized in profit or loss.

Non-monetary items measured at foreign currency-denominated costs are translated at exchange rate at the date of transaction.

For financial statements of foreign operations, assets and liabilities are translated into Japanese yen at closing rate for a reporting period, and revenue and expenses are translated into Japanese yen using the average rate for the reporting period unless there are significant changes in the exchange rate. Resulting translation differences are recognized in other comprehensive income, and cumulative differences are recognized in other components of equity.

When a foreign operation of the Group is disposed of, cumulative translation differences relating to that foreign operation are transferred to profit or loss.

7) Revenue

Revenues are recognized based on the following five-step approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize the revenue when a performance obligation is satisfied

The Group provides advertising, information services, and other businesses to clients.

In the advertising business, the Group primarily places advertisements to various media and provides services such as advertisement production and various content services including creative services.

Revenue from advertisement placement to various media is recognized primarily when the advertisement is placed to the media because the control over the service is transferred to a client, and the performance obligation of the Group is satisfied at that point of time. Regarding provision of services such as advertisement production and various content services, the control over the product or service is transferred to a client, and the performance obligation of the Group is satisfied primarily when the product is delivered or the service is rendered. Hence, revenue from provision of services such as advertisement production and various content services is recognized according to the satisfaction of the performance obligation. In the rights business such as marketing rights of sporting events, the timing of revenue recognition depends on the content of the right granted to the client. When the right to use the right is transferred to the client at one point of time, the revenue is recognized at that point of time. When the right is available to the client for a certain period of time, the revenue is recognized over that period of time. In this case, the performance obligation is primarily satisfied over time during the contract period, and the revenue is recognized on a pro-rata basis over the contract period during which the performance obligation is satisfied.

For the advertising business, as the Group determines that it acts justifiably as an agent given the principal responsibility for the performance of commitments, inventory risk, and discretion over pricing among others, it records the revenue primarily at the price the client pays as the remuneration for the services it renders net of relevant cost, or at a certain remuneration price paid in the form of a commission. However, for some transactions in which the Group determines that it acted justifiably as a principal, the price the client paid and the cost are reported on a gross basis.

In the advertising business, the price for a transaction is received primarily within one year after the satisfaction of the performance obligations, and does not contain a significant finance component.

In the information services business, the Group mainly provides services including sale of software products, commissioned system development, outsourcing and operation and maintenance services.

Revenue from sale of software products is recognized at the time of delivery to the clients when the control over the products is transferred to the clients, and the Group's performance obligations are satisfied. Revenue from software developed by commission is recognized depending on the progress of the development because, as the development progresses, the value of the clients' assets increase, the clients gain the control over the assets, and the Group's performance obligations are satisfied. The progress of the development is calculated based on the ratio of the inputs (incurred costs) already used to satisfy the performance obligations to the total inputs expected to be used until the performance obligations are completely satisfied. In connection with the operation and maintenance services, as the performance obligations are satisfied over time during the contract period, revenue is recorded on a pro-rata basis over the contract period during which the performance obligations are satisfied.

The Group determines revenue from the information services business by deducting discounts and others from a price as provided in a sales agreement. As the Group determines that it acts justifiably as an agent given the principal responsibility for the performance of commitments, inventory risk, and discretion over pricing among others, it records the revenue and the cost on a gross basis.

In the information services business, the price for a transaction is received primarily within one year after the satisfaction of the performance obligations, and does not contain a significant finance component.

In other businesses, the Group is engaged in businesses including office leasing, building management services, and commissioned computing operation businesses.

The turnover disclosed in the Consolidated Statement of Income is the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover is not required under IFRS.

8) Accounting method for consumption taxes

Consumption taxes are accounted for using tax-excluding method.

9) All figures are rounded down to the nearest million yen.

2. Changes in accounting policies

The Group has traditionally recognized configuration or customization costs in cloud computing contracts as intangible assets by applying IAS 38 "Intangible Assets." However, based on the discussions that led to the agenda decision by the IFRS Interpretations Committee announced in April 2021, the method will be changed from this fiscal year so as to recognize the costs of receiving configuration or customization services as expenses.

The said change in accounting policies applies retrospectively, reflecting the cumulative impact on net assets at the beginning of this fiscal year, the balances at the beginning of the fiscal year of retained earnings and other components of equity after retrospective application show a decrease of 16,474 million yen and an increase of 425 million yen, respectively, in the Consolidated Statement of Changes in Equity for this fiscal year.

3. Changes in presentation

Notes to consolidated statement of income

"Gain on sale and retirement of non-current assets," which was included in "Other income" and "Other expenses" in the fiscal year ended December 31, 2020, has been independently disclosed from the fiscal year ended December 31, 2021 due to an increase in its monetary significance.

4. Notes on accounting estimates

Of the amounts recorded in the consolidated financial statements for the fiscal year ended December 31, 2021 based on accounting estimates, items that may have a significant impact on the consolidated financial statements for the fiscal year ending December 31, 2022 are as follows.

(1) Valuation of goodwill

1. Amount recorded in consolidated financial statements

Goodwill	670,749 million yen

The above includes goodwill of 666,032 million yen in the international business.

2. Information regarding details of significant accounting estimates related to identified items

In valuing goodwill in its international business, the Company conducts an annual impairment test in the EMEA region, the Americas region, and the APAC region with each acting as a separate group of cash-generating units, and the Company furthermore conducts an impairment test on the entire international business.

The Company calculates the recoverable amount in the goodwill impairment test for the international business based on the budget for the following fiscal year approved by the management team and the value in use based on the business forecast for the following four years. In addition, the value in use is calculated on the assumptions of operating margin, net working capital, continuous growth rate, discount rate, and allocation rate of company-wide costs to each group of cash-generating units.

As a result, no impairment loss was recorded as the recoverable amount in the fiscal year under review exceeded the book value in all groups of cash-generating units and in the international business as a whole. However, in the case where it becomes necessary to review the aforementioned assumptions for reasons such as a revision to the business strategy or change in the market environment, a loss may occur in the following fiscal year due to impairment of goodwill.

(2) Measurement of provisions

1. Amount recorded in the consolidated financial statements

Provisions (current liabilities)	16,059 million yen
Provisions (non-current liabilities)	37,340 million yen

The above includes provisions for structural reform of 20,178 million yen related to onerous real estate lease agreements.

2. Information regarding details of significant accounting estimates relating to identified items

The Group recognizes and measures as provisions the current obligations of onerous real estate lease agreements that have been contracted as lessees but have not yet begun.

Although the Group is optimizing real estate as part of its structural reforms, the Group records structural reform provisions related to onerous real estate lease agreements because losses are still expected on some real estate even if future sub-lease income is taken into account. These provisions are calculated on the assumptions of the basic lease fee, the expected rate of increase in lease payments during the lease period, the lease incentive, and the vacancy period.

In the case where it becomes necessary to revise the aforementioned assumptions for reasons such as changes in the market environment and the expiration of the lease agreement, the addition or reversal of provisions may occur in the following fiscal year.

5. Changes in accounting estimates

Change in estimates related unfavorable real estate lease agreements

In the fiscal year ended December 31, 2020, in our international business, the Company recognized provisions for losses expected from future sublease agreements in connection with unfavorable real estate lease agreements that the Company has concluded as a lessee but have not started. During the fiscal year ended December 31, 2021, with regard to some real estate agreements, the Company cancelled real estate lease agreements, and no longer expects losses from sublease agreements. As a result, the Company reversed provisions.

Due to these changes, provisions under non-current liabilities decreased 13,847 million yen and business transformation cost decreased 13,475 million yen during the fiscal year ended December 31, 2021.

6 Notes to consolidated statement of financial position

(1) Assets pledged as collateral

Other financial assets (current assets)	**54** million yen

Other than the above, other financial assets (current assets) of **8** million yen are pledged as collateral for guarantee transactions that are disclosed in the "Official Gazette" (Kanpou) and related to other operations.

(2) Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	**7,907** million yen
Other financial assets (non-current assets)	**10,954** million yen
(3) Accumulated depreciation and impairment losses of property, plant and equipment (except for right-of-use assets)	**83,302** million yen
(4) Accumulated depreciation and impairment losses of investment property	**338** million yen

(5) Contingent liabilities

Guarantees of loans and other liabilities

Liabilities on guarantees resulting from a loan scheme for housing funds for	**26** million yen

employees

Liabilities for guarantees of bank loans and others		**1,016** million yen
	Total	**1,042** million yen

During the year certain matters related to transactions entered into by one of the group's Indian subsidiaries were brought to the attention of the group Board. These matters required detailed investigation with the assistance of external legal and professional advisors and have resulted in the group reporting details of transactions recorded by a specific subsidiary to the appropriate regulatory authorities in India.

Related to the matters reported, the group has received claims totaling 5,599 million India Rupee (8,678 million yen) from parties seeking payment for goods and services which those parties allege have been provided to the subsidiary in question.

Based on legal advice received to date, the group has rejected these claims. The group contests the substance of the underlying transactions and is of the view that no bona fide goods or services were actually provided. Consequently, the group has not recorded a liability in association with these claims. Whilst the group continues to investigate the matters with the support of its external legal and professional advisors, it is vigorously defending its position with respect to the claims and continues to support the authorities with their enquiries. Notwithstanding this, the outcome of the legal proceedings and any action by the regulators remains uncertain on account of the fact that the proceedings are in the early stages and involve complex issues in dispute, the uncertainty and unpredictability of the number of potential claims, and the number of parties involved.

7. Notes to consolidated statement of income

(1) Business restructuring expenses

The primary components of business restructuring expenses incurred in the international business are real estate optimization expenses, workforce reduction expenses, and expenses arising from other related initiatives.

The primary components of business restructuring expenses incurred in the Japan business are the early retirement program expenses, real estate optimization expenses, and expenses arising from other related initiatives.

(2) Gain on sale and retirement of non-current assets

In the year ended December 31, 2021, the Company sold the real estate in Shiodome, Zone A, that includes the Dentsu Headquarters Building, and began the lease of the Dentsu Headquarters Building.

This sale-and-leaseback transaction resulted in a gain on sale and retirement of non-current assets of 89,186 million yen.

In addition, the Company sold certain of its property assets (facility names: Dentsu Hasseien and Dentsu Kamakura Training Center) to third parties. As a result, the Company recorded a gain on sale and disposal of non-current assets of 29,473 million yen.

8. Notes to consolidated statement of changes in equity

(1) Class and total number of issued shares as of December 31, 2021

Ordinary shares: 288,410,000 shares

(2) Cash dividends

1) Dividends paid

Resolution	Class of shares	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors (February 15, 2021)	Ordinary shares	**6,690**	**23.75**	December 31, 2020	March 5, 2021
Board of Directors (August 11, 2021)	Ordinary shares	**14,226**	**50.50**	June 30, 2021	September 9, 2021
Total		**20,917**			

(Notes)

1. The total dividends paid based on the resolution of the Board of Directors' meeting held on February 15, 2021 include the dividends of 9 million yen paid out to the shares in the Company held by the trust E account associated with the trust for stock compensation for officers.
2. The total dividends paid based on the resolution of the Board of Directors' meeting held on August 11, 2021 include the dividends of 19 million yen paid out to the shares in the Company held by the trust E account associated with the performance-based stock compensation plan.

2) Dividends for which the record date falls before fiscal year-end, while the effective date falls in the following fiscal year:

Dividends paid based on the resolution of the Board of Directors' meeting held on February 14, 2022

i. Total dividends 18,359million yen

ii. Dividends per share 67.00 yen

iii. Record date December 31, 2021

iv. Effective date March 9, 2022

(Notes)

The total dividends paid based on the resolution of the Board of Directors' meeting held on February 14, 2022 include the dividends of 25 million yen paid out to the shares in the Company held by the trust E account associated with the performance-based stock compensation plan.

Retained earnings are reserved as a source of dividends.

9. Financial instruments

(1) Status of financial instruments

The Group, in principle, limits the use of capital to financial products for which the principal is secured, such as short-term deposits, in accordance with internal management rules. The Group aims to reduce customer credit risk associated with trade receivables, such as notes and accounts receivables, based on credit management rules and guidelines. Fair value for equity securities included in other financial assets or financial liabilities measured at fair value included in other financial liabilities are obtained and analyzed every quarter.

Trade payables, such as notes payable and electronically recorded liabilities, and accounts payable are due within one year.

Necessary funds are raised through borrowings from banks and other financial institutions and through the issuance of corporate bonds, etc. Borrowings and corporate bonds, etc. are primarily used as funds for capital investment, investments, repayment of borrowings and working capital. In addition, with regard to some capital raised in this manner, the Group uses derivative transactions (interest rate swap contracts, etc.) to avoid or reduce interest rate fluctuation risks, and fixes the interest expenses. Derivative transactions are conducted within a certain range with the aim of avoiding or reducing the aforementioned risks, in accordance with internal management rules.

(2) Fair value of financial instruments

The carrying amount on the consolidated statement of financial position and the fair value as of December 31, 2021 are as follows. The following table excludes financial instruments measured at fair value and financial instruments whose fair value approximates their carrying amount on the consolidated statement of financial position, as well as lease obligations.

(Unit: Million yen)

	Carrying amount	Fair value
(Financial liabilities)		
Long-term borrowings	**333,613**	**340,578**
Corporate bonds	**199,569**	**201,018**

(Notes)

The calculation method of fair value for financial instruments is as follows:

1. Long-term borrowings

Current portion of long-term borrowings is included in the above. 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.

2. Corporate bonds

Fair value of corporate bonds is based on the market price.

10. Investment property

(1) Status of investment property

The Company and its certain subsidiaries own land for lease and other properties in Aichi Prefecture and other areas.

(2) Fair value of investment property

The carrying amount on the consolidated statement of financial position and the fair value as of December 31, 2021 are as follows:

(Unit: Million yen)

	Carrying amount	Fair value
Investment property	**100**	**561**

(Notes)

1. The carrying amount on the consolidated statement of financial position is the acquisition cost less accumulated depreciation and accumulated impairment losses, if any.
2. The fair value of investment property is mainly based on a valuation conducted by independent real estate appraisers. The valuation techniques are based on discounted cash flow model or observable quoted prices for similar properties and others.

11. Per share information

(1) Equity attributable to owners of the parent per share	**3,088.16** yen
(2) Basic profit per share (attributable to owners of the parent)	**388.79** yen

12. Significant subsequent events

(1) Conversion of Septeni Holdings Co., Ltd. to a subsidiary

By acquiring additional shares in Septeni Holdings Co., Ltd. (Representative Director: Koki Sato; Head Office: Tokyo; JASDAQ Securities Code: 4293; hereinafter referred to as "Septeni HD"), an equity-method affiliate of the Company, the Company will deepen its capital and business alliance with the Septeni Group, and further strengthen the digital marketing field of the Dentsu Group's domestic business. As of January 4, 2022, the Company acquired additional shares in Septeni HD by conducting a share exchange making Dentsu Direct Inc. (hereinafter referred to as "Dentsu Direct"), a consolidated subsidiary of the Company, into a wholly-owned subsidiary of Septeni HD, subscribing to the issuance of new shares through a third-party allocation by Septeni HD, and partially transferring shares from Dentsu Digital Inc. (hereinafter referred to as "Dentsu Digital") to Septeni HD. As a result, the Company holds 52.01% of Septeni HD's shares on a voting rights basis, making the Septeni Group companies consolidated subsidiaries with Septeni HD as the holding company. On the same day, Dentsu Direct became a wholly-owned subsidiary of Septeni HD, and Dentsu Digital became an equity-method affiliate of Septeni HD. As a listed company, Septeni HD maintains an independent management structure.

1) Overview of the business combination

i. Name and description of the business of the acquired company

Name of the acquired company	SEPTENI HOLDINGS CO., LTD. (listed on JASDAQ)
Description of business	Digital marketing business, media platform business

ii. Reasons for the business combination

On October 28, 2018, the Company announced that Septeni HD would become an equity-method affiliate through a capital and business alliance, with Dentsu Group Inc. owning 20.98% of Septeni HD. Over the past three years, Septeni Group has worked closely with a number of DJN companies (including Dentsu Digital and Dentsu Inc.) to provide innovative, digital-led solutions. The welcoming of the Septeni Group into the Dentsu Group will further expand the synergies between the two Groups, strengthening digital marketing capabilities while accelerating DJN's evolution into an Integrated Growth Partner (IGP) that is committed to the sustainable growth of all clients and society.

iii. Date of the business combination

January 4, 2022

iv. Legal form of the business combination

The legal form is as follows: a share exchange whereby Dentsu Direct Inc., a consolidated subsidiary of the Company, becomes a wholly-owned subsidiary of Septeni HD (share exchange of 3,900 shares of Dentsu Direct common stock and 12,768,600 shares of Septeni HD common stock); a subscription for new shares issued by Septeni HD through third-party allocation (total 70,118,794 shares of Septeni HD common stock, amount paid per share: 465 yen, total amount paid: 32,605 million yen); and the transfer of a portion of shares of Dentsu Digital common stock to Septeni HD (3,675 shares of Dentsu Digital common stock, voting rights of Dentsu Digital shares: 25.0%, total amount received as consideration for the transfer: 31,250 million yen).

v. Name following the business combination

There is no change in the trade name due to the acquisition of shares.

vi. Percentage of voting rights acquired

Percentage of voting rights held prior to the business combination	20.98%
Percentage of voting rights additionally acquired on the date of the business combination	31.03%
Percentage of voting rights following acquisition	52.01%

vii. Primary reason for selecting the acquired company

The primary reason is for the Company to acquire a majority shareholding in Septeni HD.

2) Fair value of the consideration for acquisition and its breakdown

Fair value of the equity interest in Septeni HD immediately prior to the acquisition date (Note 1)	13,097 million yen
Fair value of the common stock of Dentsu Direct and Dentsu Digital (Note 2)	18,016 million yen
Cash and deposits (Note 3)	1,355 million yen
Total consideration for acquisition	32,469 million yen

Note 1: As a result of remeasuring the equity interest in Septeni HD held immediately prior to the acquisition date, “revaluation gain on step acquisition” of 5,388 million yen is expected.

Note 2: Calculated based on the fair value of the equity interest in Septeni HD that was additionally acquired

Note 3: Net expenditure of the difference between the payment of 32,605 million yen for the subscription to the new share issuance by Septeni HD through third-party allocation and the amount received of 31,250 million yen due to the transfer of a portion of shares of Dentsu Digital common stock to Septeni HD.

3) Amount and item entry of acquisition-related expenses

Yet to be determined.

4) Identifiable acquired assets and assumed liabilities

Goodwill, non-controlling interests, and fair value of acquired assets and assumed liabilities are yet to be determined.

(2) Acquisition of own shares

The Company convened a meeting of its Board of Directors on February 14, 2022. The Board resolved to authorize the acquisition of the Company's own shares pursuant to its Articles of Incorporation in accordance with Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Act.

1) Reason for acquisition of own shares

To implement a flexible capital policy in response to changes in the management environment as well as to return further profits to shareholders and further improve capital efficiency.

2) Details of matters related to the acquisition

i Class of shares to be acquired:	Common stock of the Company
ii Total number of shares that may be acquired:	20,000,000 (maximum) shares
iii Total acquisition cost:	40 billion yen (maximum)
iv Acquisition period:	From February 15, 2022 to December 23, 2022
v Method of acquisition:	Market purchase on the Tokyo Stock Exchange through a discretionary trading authorization agreement

Notes to Nonconsolidated Financial Statements

1. Summary of significant accounting policies

(1) Valuation basis and method for securities

1) Subsidiaries' and associates' shares

Stated at cost determined by the moving-average method

2) Other securities of subsidiaries and associates

Stated at cost determined by the moving-average method

Investments in investment business limited liability partnerships and similar associations (those deemed as securities under Paragraph 2 of Article 2 of the Financial Instruments and Exchange Act) are stated at net amount equivalent to the Company's equity on the basis of the most recent financial statements available as of the financial reporting date stipulated in respective partnership contracts.

3) Other securities

Available-for-sale securities with fair values

Stated at fair value as of the fiscal year-end date, based on quoted market prices (Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined by the moving-average method.)

Available-for-sale securities without fair values

Stated mainly at cost determined by the moving-average method

(2) Valuation basis and method for derivative instruments

Stated at fair value

(3) Depreciation method for non-current assets

1) Property, plant and equipment

Depreciation of property, plant and equipment is calculated by the declining-balance method based on the fixed rates, while the straight-line method is applied to buildings (excluding building improvements) acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016.

The range of useful lives is principally as follows:

Buildings:	2-50 years
Structures:	15-30 years
Vehicles:	4-6 years
Tools, furniture and fixtures:	2-20 years

2) Intangible assets

Amortization of intangible assets is calculated by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful lives (5 years).

(4) Accounting policy for provisions

1) Allowance for doubtful accounts

To prepare for losses from bad debts such as operating receivables, the Company provides an allowance for doubtful accounts at an amount corresponding to possible losses from uncollectible trade receivables based on the actual rate of losses from bad debt for ordinary receivables, and on the estimated recoverability for specific doubtful receivables.

2) Provision for directors' bonuses

The Company makes a provision for directors' bonuses based on the estimated amount payable.

3) Provision for share-based remuneration

The Company accounts for the liability for the future benefits for officers, etc. based on the amount of benefits corresponding to the projected number of units granted to officers, etc. in accordance with the Officers Stock Benefit Regulations, etc.

(5) Derivatives and hedging activities

1) Hedge accounting methods

The Company uses the deferred-hedge accounting method. The interest rate swaps which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

2) Hedging instruments and hedged items

Hedging instrument:	Interest rate swaps
Hedged item:	Interest on loans payable

3) Hedging policy

The Company uses derivative financial instruments to manage its exposures to interest rate fluctuations on loans payable. The Company does not enter into derivatives for trading or speculative purposes.

4) Method of evaluating hedge effectiveness

The evaluation of hedge effectiveness for interest rate swaps which qualify for hedge accounting and which meet specific matching criteria is omitted since the above exceptional treatment is adopted.

(6) Accounting method for consumption taxes

Consumption taxes are accounted for using tax-excluding method.

(7) All figures are rounded down to the nearest million yen.

2. Changes in presentation

(Application of "Accounting Standard for Disclosure of Accounting Estimates")

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Standard No. 31, March 31, 2020) is applied as from the financial statements for the end of the fiscal year under review, and notes on significant accounting estimates are presented.

(Nonconsolidated statement of income)

1 "Provision of allowance for doubtful accounts", which was included in "Other" under "Non-operating expenses" in the fiscal year ended December 31, 2020, has been independently disclosed from the fiscal year ended December 31, 2021 due to an increase in its monetary significance.

2 “Gain on sales of investment securities”, which was independently disclosed under “Extraordinary income” in the fiscal year ended December 31, 2020, has been included in “Other” under “Extraordinary income” from the fiscal year ended December 31, 2021 due to a decrease in its monetary significance. For the fiscal year ended December 31, 2021, the Company recorded “Gain on sales of investment securities” of 627 million yen.

3 “Loss on sales of investment securities”, which was included in “Other” under “Extraordinary loss” in the fiscal year ended December 31, 2020, has been independently disclosed from the fiscal year ended December 31, 2021 due to an increase in its monetary significance.

3. Notes on significant accounting estimates

Of the amounts recorded in the nonconsolidated statement of income for the fiscal year ended December 31, 2021 based on accounting estimates, items that may have a significant impact on the nonconsolidated statement of income for the fiscal year ending December 31, 2022 are as follows.

(Evaluation of investments and loans, etc. in subsidiaries and associates)

1 Amount recorded in nonconsolidated financial statements

Shares of subsidiaries and associates*	340,601 million yen
Investments in other securities of subsidiaries and associates	58,999 million yen
Investments in capital of subsidiaries and associates	15,471 million yen

* Includes shares of subsidiaries and shares of associates, the market value of which is considered extremely difficult to determine

Shares of subsidiaries	293,712 million yen
Shares of associates	17,784 million yen

The above 340,601 million yen in shares of subsidiaries and associates includes 197,859 million yen investment in Dentsu International Limited (hereinafter, “DI”) an unlisted subsidiary that controls international business, and the above 58,999 million yen in Investments in other securities of subsidiaries and associates includes 39,749 million yen investment in Global Sports Investments (hereinafter, “GSI”), a limited liability company that is a specific purpose company established for the purpose of investing in investees that are globally expanding the distribution business, etc. of sports-related digital contents.

2 Information regarding details of significant accounting estimates relating to identified items

The amount of shares of subsidiaries and associates whose market value is considered extremely difficult to determine, is shown on the balance sheet as the acquisition price. However, if the actual value falls significantly due to the deterioration of the issuing company’s financial situation, unless the recoverability is supported by sufficient evidence, the amount shall be impaired to the actual value.

1. DI shares

When valuing DI’s shares, the Company calculates the actual value at a value that reflects the excess earnings capacity, etc. from the international businesses that DI controls, and the actual value that reflects the excess earnings capacity, etc. is calculated by deducting net interest-bearing debt, etc. from the corporate value.

The Company uses the amount of value in use that is calculated in the annual impairment test of goodwill recorded as a result of the acquisition of DI in the consolidated financial statements, as the amount of DI's corporate value. The estimate of the value in use in the goodwill impairment test is stated in "3. Notes on Accounting Estimates (Valuation of goodwill)" in the consolidated financial statements, and includes the key assumptions of operating margin, net working capital, continuous growth rate, discount rate, and allocation rate of companywide expenses to each cash-generating unit group.

As a result, since the actual value of DI shares has not decreased significantly in the fiscal year under review, an impairment of said shares is not deemed necessary. However, in the event that it becomes necessary to revise the above assumptions for reasons such as changes in the business strategy and changes in the market environment, it is possible that a loss will be incurred in the next fiscal year due to the impairment of DI shares.

2. GSI shares

When valuing GSI shares, the Company evaluates the market value of unlisted shares held by GSI, and calculates the actual value using the net assets per share calculated by taking into account the valuation difference based on said market valuation.

The market value of unlisted shares held by GSI is calculated using the income approach (the DCF method by which the perpetual value is calculated using the exit multiple method), assuming the busines plan, discount rate, exit ratio (corporate value/profit), and listing timing of the investee company.

As a result, since the actual value of GSI shares has not decreased significantly in the fiscal year under review, an impairment of said shares is not deemed necessary. However, in the event that it becomes necessary to revise the above assumptions for reasons such as changes in the business strategy and changes in the market environment of the investee companies of GSI, or depending on the market price in the event that an investee company is listed in the future, it is possible that there may be an impact from losses arising in the next fiscal year due to the impairment of GSI shares.

4. For nonconsolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment	**7,075** million yen

(2) Contingent liabilities

Guarantee obligations outstanding

Liabilities on guarantees of bank loans taken out by the following companies:

Dentsu International Limited and Dentsu International Treasury Limited Aegis Group Holdings Ltd.	**77,620** million yen
(Line of credit for operating funds: GBP 500 million)	
Total of 4 companies including iProspect Japan	**738** million yen
Total	**78,358** million yen

(3) Monetary claims/obligations to associated companies (excluding those separately presented)

Short-term monetary claims	**8,005** million yen
Short-term monetary obligations	**180,992** million yen

(4) The Company revalued the land used for its business in accordance with the "Law Concerning Revaluation of Land (Act No. 34; March 31, 1998)." The revaluation difference after deducting the related tax has been included in "Net assets" as "Revaluation reserve for land," and the related tax is included in "Liabilities" as "Deferred tax liabilities for land revaluation."

Revaluation method set forth in Paragraph 3 of Article 3 of said law

The value of land is determined using the method which is to compute the property value based on the assessed value of the property, which becomes the basis of calculation of the property tax amounts as stipulated in Article 16 of the Property Tax Act, computed by a method determined and announced by the Director-General of the National Tax Agency Japan, adjusted reasonably, as stipulated in Item 4 of Article 2 of the Ordinance for Enforcement of the Act on Revaluation of Land (Government ordinance No. 119; March 31, 1998).

Date of revaluation **March 31, 2001**

Total fair values of revaluated properties as of the end of the fiscal year ended December 31, 2020 were not below the book value after the revaluation.

5. For nonconsolidated statement of income

(1) Volume of transactions with associated companies

Operating revenue	**34,735** million yen
Operating expenses	**11,730** million yen
Other than operating transactions	**2,486** million yen

(2) Gain on sales of non-current assets

In the year ended December 31, 2021, the Company sold the real estate in Shiodome, Zone A, that includes the Dentsu Headquarters Building, and began the lease of the Dentsu Headquarters Building.

This sale-and-leaseback transaction resulted in a gain on sale of non-current assets of 146,858 million yen.

In addition, the Company sold certain of its property assets (facility names: Dentsu Hasseien and Dentsu Kamakura Training Center) to third parties. As a result, the Company recorded a gain on sales of non-current assets of 19,224 million yen.

6. For nonconsolidated statement of changes in net assets

Classes and number of treasury shares at the end of the fiscal year ended December 31, 2021

Common stock **14,773,421** shares

(Note) The number of treasury shares includes the number of the shares in the Company held by the trust account associated with the performance-based stock compensation plan.

7. Tax effect accounting

The main factor resulting in deferred tax assets is shares of subsidiaries and associates and accrued enterprise tax.

The main factors resulting in deferred tax liabilities are valuation difference on available-for-sale securities and revaluation reserve for land.

8. Transactions with related parties

Subsidiaries and associates

Category	Name of company	Ratio of voting rights	Relationship with affiliated entity	Description of transactions	Transaction sum (mil. yen)	Item	Ending balance (mil. yen)
Subsidiary company	Dentsu International Limited	Dentsu Group has voting rights Direct; **100%**	Entrusted management of international business operation and guarantee of bank line of credit Concurrently serving officers	Guarantee of bank line of credit[1]	**77,620**	-	-
Subsidiary company	Dentsu International Treasury Limited	Dentsu Group has voting rights Indirect; **100%**	Lending of working capital and guarantee of bank line of credit and bank loans	Loans receivable[2]	**85,000**	-	**-**
				Receipt of loans interest[2]	**144**	-	**-**
				Loans receivable[2]	**112,500**	Long-term loans receivable from subsidiaries and associates	**200,500**
				Receipt of loans interest[2]	**829**	Other (Accrued income)	**479**
				Guarantee of bank line of credit[1]	**77,620**	-	**-**

Category	Name of company	Ratio of voting rights	Relationship with affiliated entity	Description of transactions	Transaction sum (mil. yen)	Item	Ending balance (mil. yen)
Subsidiary company	Dentsu Inc.	Dentsu Group has voting rights Direct; **100%**	Lease of real estate Providing and receiving services Concurrently serving officers	Lease of real estate[3]	**5,108**	Other (Trade accounts receivable)	**11**
						Other (Trade accounts receivable)	**1,430**
				Receiving management support fees[4]	**5,242**	Other payables	**1,398**
				Outsourcing corporate management operations[5]	**5,017**		
				Loans payable via cash management system[6]	**-**	Short-term loans payable	**49,114**
				Payment of loans interest[6]	**5**	Accrued expenses	**0**
Subsidiary company	Dentsu Management Services Inc.	Dentsu Group has voting rights Direct; **100%**	Lending operational fund to Dentsu Management Services Inc. for its factoring operations and providing and receiving factoring services	Loans receivable[7]	**-**	Short-term loans receivable from subsidiaries and associates	**17,314**
				Receipt of loans interest[7]	**10**	Other (Accrued income)	**0**
Subsidiary company	Information Services International-Dentsu, Ltd.	Dentsu Group has voting rights Direct; **61.8%**	Providing and receiving services	Loans payable via cash management system[6]	**-**	Short-term loans payable	**46,272**
				Payment of loans interest[6]	**6**	Accrued expenses	**0**

Remarks

1. A guarantee was made for a bank line of credit (GBP 500 million, three-year period with two possible

extensions of one-year each) with Dentsu International Limited and Dentsu International Treasury Limited as counterparties.

2. The interest rates for the loaned funds are determined reasonably with reference to market interest rates. No collateral has been accepted.
3. Terms and conditions for lease of real estate were determined with reference to market prices, etc. in the same way as for terms and conditions for general transactions. The transaction sum excludes consumption tax. The ending balance includes consumption tax.
4. Terms and conditions for receipt of management support fees were determined with reference to details of the services provided. The transaction sum excludes consumption tax. The ending balance includes consumption tax.
5. Terms and conditions for outsourcing of corporate management operations were determined with reference to details of the outsourced operations. The transaction sum excludes consumption tax. The ending balance includes consumption tax.
6. Because the balance for the loans payable via cash management system fluctuates daily based on the basic contract, only the ending balance is stated here. Interest rates are determined with reference to market interest rates.
7. Because the balance of the loaned funds fluctuates daily based on the basic contract, only the ending balance is stated here. Interest rates are determined with reference to market interest rates.

9. Per share information

(1) Net assets per share	**2,555.03 yen**
(2) Net income per share	**440.98 yen**

(Note) As the shares in the Company held by the trust account associated with the performance-based stock compensation plan are accounted for as treasury shares, 380,000 shares and 380,000 shares were deducted from the number of shares at the end of the fiscal year ended December 31, 2021 and the average number of shares during the fiscal year ended December 31, 2021, respectively, at the calculation of the per share information.

10. Significant subsequent events

(Conversion of Septeni Holdings Co., Ltd. to a subsidiary)

By acquiring additional shares in Septeni Holdings Co., Ltd. (Representative Director: Koki Sato; Head Office: Tokyo; JASDAQ Securities Code: 4293; hereinafter referred to as "Septeni HD"), an equity-method affiliate of the Company, the Company will deepen its capital and business alliance with the Septeni Group, and further strengthen the digital marketing field of the Dentsu Group's domestic business. As of January 4, 2022, the Company acquired additional shares in Septeni HD by conducting a share exchange making Dentsu Direct Inc. (hereinafter referred to as "Dentsu Direct"), a consolidated subsidiary of the Company, into a wholly-owned subsidiary of Septeni HD, subscribing to the issuance of new shares through a third-party allocation by Septeni HD, and partially transferring shares from Dentsu Digital Inc. (hereinafter referred to as "Dentsu Digital") to Septeni HD. As a result, the Company holds 52.01% of Septeni HD's shares on a voting rights basis, making the Septeni Group companies consolidated subsidiaries with Septeni HD as the holding company. On the same day, Dentsu Direct became a wholly-owned subsidiary of Septeni HD, and Dentsu Digital became an equity-method affiliate of Septeni HD. As a listed company, Septeni HD maintains an independent management structure.

Details are provided in “12. Significant subsequent events” in Notes to Consolidated Financial Statements.

(Purchase of treasury shares)

The Company resolved at the Board of Directors’ meeting held on February 14, 2021 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.

Details are provided in “12. Significant subsequent events” in Notes to Consolidated Financial Statements.