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## **Other Items Provided Electronically for the Notice of Convocation of the 175th Ordinary General Meeting of Shareholders (Items Omitted from the Paper Copy)**

■ Business Report	
II Shares and Subscription Rights to Shares (All)	P. 1
III Items Related to the Company Executives	
4. Situation of Important Concurrent Posts	P. 3
5. Items Related to Outside Directors	P. 4
IV Items Related to the Accounting Auditor (All)	P. 8
V Company System and Policy (All)	
1. Basic Policy on the Internal Control System	P. 9
2. Summary of Operational Status of the Internal Control System	P. 12
■ Consolidated Financial Statements	
Notes to Consolidated Financial Statements	P. 14
■ Financial Statements	
Notes to Nonconsolidated Financial Statements	P. 31

## II Shares and Subscription Rights to Shares

### 1. Items Related to Shares

<b>(1) Total number of authorized shares</b>	Common shares	<b>1,100,000,000</b> shares
<b>(2) Types of issued shares and total number of shares</b>	Common shares	<b>270,165,354</b> shares (Of which treasury shares <b>4,801,599</b> shares)
<b>(3) Number of shareholders</b>		<b>45,061</b> 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)	<b>47,937,500</b>	<b>18.06</b>
Kyodo News	<b>18,988,800</b>	<b>7.16</b>
Jiji Press, Ltd.	<b>16,028,680</b>	<b>6.04</b>
Custody Bank of Japan, Ltd. (Trust accounts)	<b>15,290,860</b>	<b>5.76</b>
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	<b>11,228,000</b>	<b>4.23</b>
Group Employees' Stockholding Association	<b>5,247,882</b>	<b>1.98</b>
Yoshida Hideo Memorial Foundation	<b>4,984,808</b>	<b>1.88</b>
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	<b>4,969,860</b>	<b>1.87</b>
Recruit Holdings Co., Ltd.	<b>4,929,900</b>	<b>1.86</b>
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	<b>4,124,978</b>	<b>1.55</b>

(Notes) 1. The number of shares held by each trust bank includes shares related to trust services.

2. The Company holds 4,801,599 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

	Type and No. of Shares	No. of Recipients
Directors (excluding Outside Directors) and Executive Officers	Ordinary shares 9,500 shares	4

(Notes) 1. In accordance with the Company's performance-based stock compensation (medium- to long-term bonus) system, the Company issued the shares above to persons who concurrently served as Executive Officer and Director who is not a member of the Audit and Supervisory Committee in fiscal 2020 during the fiscal year as compensation for duties as an Executive Officer during the same fiscal year, as outlined in III. 2. (2) 3) "Performance-based stock compensation (medium- and long-term bonus)."

2. The above includes grants to 2 Directors who retired as Directors who were not members of the Audit and Supervisory Committee at the conclusion of the 174<sup>th</sup> Ordinary General Meeting of Shareholders held on March 30, 2022.

**(6) Other Important Items Related to Shares**

No items to report.

**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

#### 4. Situation of Important Concurrent Posts

Name and Position at the Company	Organization of Concurrent Post	Concurrent Position
<b>Arinobu Soga</b> Director, Representative Executive Officer, Executive Vice President & CGO	Dentsu International Limited	Chair of the Board
<b>Nick Priday</b> Director, Executive Officer & CFO	Dentsu International Limited	Member of the Board
<b>Gan Matsui</b> Outside Director	Yaesu Sogo Law Office	Attorney
	Orient Corporation	Outside Director (Audit and Supervisory Committee Member)
	Nagase & Co., Ltd.	Outside Corporate Auditor
	Totetsu Kogyo Co.	Outside Corporate Auditor
	Globeride, Inc.	Outside Director, member of the Audit and Supervisory Committee
<b>Paul Candland</b> Outside Director	YAMAHA CORPORATION	Outside Director
<b>Andrew House</b> Outside Director	Viaplay Group AB	Non-Executive Director
	Nissan Motor Co., Ltd.	Outside Director
<b>Mihoko Sogabe</b> Outside Director	Sogabe Certified Public Accountant Office	Representative
	Mitsui DM Sugar Holdings Co., Ltd.	Outside Director (Audit and Supervisory Committee Member)
<b>Yuka Matsuda</b> Outside Director	Matsuda Yuka CPA and Tax Accounting Office	Representative
	DKK Co., Ltd.	Outside Corporate Auditor
	Mitsubishi Steel Mfg. Co., Ltd.	Outside Corporate Auditor

(Notes)

1. The above chart shows the situation of concurrent posts as of December 31, 2023.
2. Director, Representative Executive Officer, President & CEO Hiroshi Igarashi retired as Non-Executive Chairman of the Board of Dentsu International Limited, a significant subsidiary of the Company, on April 18, 2023.
3. Director, Representative Executive Officer, Executive Vice President & CGO Arinobu Soga previously served as Non-Executive Director of Dentsu International Limited, a significant subsidiary of the Company, but was appointed Chair of the Board of Dentsu International Limited on April 18, 2023. In addition, he previously served as Corporate Auditor of CARTA HOLDINGS, a significant subsidiary of the Company, but retired on March 25, 2023.
4. Director, Executive Officer & CFO Nick Priday previously served as Executive Director, CFO of Dentsu International Limited, a significant subsidiary of the Company, but was appointed Member of the Board of Dentsu International Limited on April 18, 2023.
5. There are no items to report for Director Timothy Andree and Outside Director Keiichi Sagawa.

## 5. 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

Name and Category	Meetings Attended	Remarks and Overview of Duties Performed Related to the Roles Expected of an Outside Director
<p><b>Gan Matsui</b> Outside Director</p>	<ul style="list-style-type: none"> <li>· Board of Directors: 14 out of 14</li> <li>· Nomination Advisory Committee: 1 out of 1</li> <li>· Nominating Committee: 9 out of 9</li> <li>· Audit and Supervisory Committee: 4 out of 4</li> <li>· Audit Committee: 10 out of 10</li> </ul>	<p>As chair of the special committee established to investigate the incident related to the Tokyo 2020 Olympic and Paralympic Games, Mr. Matsui has actively made proposals for improvement measures, etc. with an acute sense of the issues at stake leveraging his many years of expertise as a prosecutor and his expert insight as an attorney, in response to the Investigation and Review Committee’s findings on the cause of the incident and recommendations to prevent recurrence. He has performed an important role in the Board of Directors.</p> <p>As chair of the Audit Committee, he gathered opinions from each member and indicated guidelines. He also provided assessments and advice on how to discover the fundamental cause of issues related to compliance and risk management as well as take specific countermeasures. In the Nominating Committee, he actively made suggestions from the perspective of strengthening the transparency and objectivity of processes for the selection of candidates for Director and Executive Officer.</p>
<p><b>Paul Candland</b> Outside Director</p>	<ul style="list-style-type: none"> <li>· Board of Directors: 14 out of 14</li> <li>· Nomination Advisory Committee: 1 out of 1</li> <li>· Nominating Committee: 9 out of 9</li> <li>· Audit and Supervisory Committee: 4 out of 4</li> <li>· Compensation Committee: 8 out of 8</li> </ul>	<p>At meetings of the Board of Directors, Mr. Candland actively provided advice and suggestions, especially regarding issues such as business operations and strengthening competitiveness from the perspective of global management based on economic trends worldwide, leveraging his abundant experience and extensive insight in global corporate management. He also performed an important role to strengthen the transparency and objectivity of the candidate selection process and the compensation determination process by providing useful suggestions regarding the selection and development of global management personnel in the Nominating Committee, and regarding compensation for the Directors and Executive Officers in the Compensation Committee.</p> <p>Moreover, he travelled to the New York Office, in addition to the Tokyo Headquarters, where he actively established forums for discussion with global senior leaders and provided appropriate suggestions based on his deep understanding of business and corporate culture.</p>

Name and Category	Meetings Attended	Remarks and Overview of Duties Performed Related to the Roles Expected of an Outside Director
<b>Andrew House</b> Outside Director	<ul style="list-style-type: none"> <li>· Board of Directors: 13 out of 14</li> <li>· Audit and Supervisory Committee: 4 out of 4</li> <li>· Compensation Advisory Committee: 3 out of 3</li> <li>· Compensation Committee: 8 out of 8</li> </ul>	<p>At meetings of the Board of Directors, Mr. House actively provided useful advice and suggestions from a variety of perspectives, especially regarding issues such as group governance and business operations, based on examples around the world, leveraging his abundant experience and extensive insight as a manager at global companies.</p> <p>As chair of the Compensation Committee, he led discussions to strengthen the transparency and objectivity of processes for determining compensation for the Directors and Executive Officers.</p> <p>Moreover, as an Outside Director, he actively sought to communicate with employees, including by taking the podium at meetings of senior leaders and sharing meetings for employees at the New York Office. His activities were quite effective in raising governance awareness across the Group.</p>
<b>Keiichi Sagawa</b> Outside Director	<ul style="list-style-type: none"> <li>· Board of Directors: 14 out of 14</li> <li>· Nomination Advisory Committee: 1 out of 1</li> <li>· Nominating Committee: 9 out of 9</li> <li>· Audit and Supervisory Committee: 4 out of 4</li> <li>· Audit Committee: 10 out of 10</li> <li>· Compensation Advisory Committee: 3 out of 3</li> </ul>	<p>Mr. Sagawa actively provided accurate advice and suggestions, especially at meetings of the Board of Directors, facilitating the promotion of business transformation to enhance group governance and differentiation from competitors in overseas business operations, leveraging his abundant knowledge of finance at a holding company and many years of experience as a manager.</p> <p>As chair of the Nominating Committee, he led vigorous discussions related to the election of Directors and Executive Officers and performed an important role to strengthen the transparency and objectivity of the candidate selection process. As deputy chair of the Audit Committee, he assisted the Committee chair, confirming the direction and progress of key audit themes such as the reliability of financial reporting and the promotion of Group internal audits, leading discussions on the identification and handling of issues, and appropriately auditing the execution of duties by the Directors and Executive Officers.</p> <p>In addition, he actively engaged in discussions with senior leaders and employees, such as visiting the New York Office and taking the podium at sharing meetings for employees. He also created opportunities for direct dialogue with investors at ESG briefings.</p>

Name and Category	Meetings Attended	Remarks and Overview of Duties Performed Related to the Roles Expected of an Outside Director
<b>Mihoko Sogabe</b> Outside Director	<ul style="list-style-type: none"> <li>· Board of Directors: 14 out of 14</li> <li>· Audit and Supervisory Committee: 4 out of 4</li> <li>· Audit Committee: 10 out of 10</li> <li>· Compensation Advisory Committee: 3 out of 3</li> <li>· Compensation Committee: 8 out of 8</li> </ul>	<p>At meetings of the Board of Directors, Ms. Sogabe actively provided useful advice and suggestions, contributing especially to enhancing the Company's financial and legal governance, promoting internal control, and strengthening the supervisory function, leveraging her expert insight and abundant practical experience as a CPA. She has performed an important role in enhancing the effectiveness of the Board of Directors.</p> <p>In the Audit Committee, she monitored the response of the Accounting Auditor and the executive team regarding the appropriateness of audits by the Accounting Auditor and the internal controls related to financial control. In the Compensation Committee, she actively made suggestions to strengthen the transparency and objectivity of processes for determining compensation for the Directors and Executive Officers and contributed to strengthening the Company's group governance.</p>
<b>Yuka Matsuda</b> Outside Director	<ul style="list-style-type: none"> <li>· Board of Directors: 10 out of 10</li> <li>· Audit Committee: 10 out of 10</li> </ul>	<p>At meetings of the Board of Directors, Ms. Matsuda provided useful advice and suggestions, contributing especially to ensuring the Company's financial soundness, strengthening internal controls and legal compliance systems, and enhancing the supervisory function of the Board of Directors, including coordination with the Audit Committee, leveraging her specialized knowledge and abundant operational experience in the fields of finance, accounting, taxation and auditing as a CPA and tax accountant.</p> <p>In the Audit Committee, she provided evaluation and advice on group-level compliance, accounting and taxation, while keeping an eye on potential issues and risks.</p> <p>In addition, she actively created opportunities for direct dialogue with senior leaders and employees, such as visiting the New York Office and attending sharing meetings for employees, and engaged in activities that helped raise compliance awareness across the Group.</p>

(Notes)

1. The Company transitioned to a company with a nominating committee, etc. on March 30, 2023. The Nomination Advisory Committee, the Audit and Supervisory Committee, and the Compensation Advisory Committee were abolished and the Nominating Committee, the Audit Committee, and the Compensation Committee were established, effective that day.
2. The information shown for Outside Director Yuka Matsuda relates to the period after she assumed office on March 30, 2023.

**(2) Important Concurrent Posts and Relationship with Dentsu**

Name and Category	Concurrent Affiliation and Position	Relationship with Counterparty
<b>Gan Matsui</b> Outside Director	Yaesu Sogo Law Office Attorney	There is no special relationship with Yaesu Sogo Law Office.
	Orient Corporation Outside Director (Audit and Supervisory Committee Member)	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 significant 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.
<b>Paul Candland</b> Outside Director	YAMAHA CORPORATION Outside Director	There is a business relationship between YAMAHA CORPORATION and Dentsu Inc., a significant subsidiary of the Company.
<b>Andrew House</b> Outside Director	Viaplay Group AB Non-Executive Director	There is no special relationship with Viaplay Group AB.
	Nissan Motor Co., Ltd. Outside Director	There is a business relationship between Nissan Motor Co., Ltd. and Dentsu Inc., a significant subsidiary of the Company.
<b>Mihoko Sogabe</b> Outside Director	Sogabe Certified Public Accountant Office Representative	There is no special relationship with Sogabe Certified Public Accountant Office.
	Mitsui DM Sugar Holdings Co., Ltd. Outside Director (Audit and Supervisory Committee Member)	There is no special relationship with Mitsui DM Sugar Holdings Co., Ltd.
<b>Yuka Matsuda</b> Outside Director	Matsuda Yuka CPA and Tax Accounting Office Representative	There is no special relationship with Matsuda Yuka CPA and Tax Accounting Office
	DKK Co., Ltd. Outside Corporate Auditor	There is no special relationship with DKK Co., Ltd.
	Mitsubishi Steel Mfg. Co., Ltd. Outside Corporate Auditor	There is a business relationship between Mitsubishi Steel Mfg. Co., Ltd. and Dentsu Inc., a significant 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 **203** 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 4 of the Companies Act.

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

747 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 Committee may dismiss the Accounting Auditor upon unanimous approval from all Audit 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 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

Effective from January 1, 2023, the Dentsu Group Inc. (hereinafter, the “Company”) transitioned to a global management structure to accelerate business transformation and further enhance management, with the aim of contributing to the sustainable growth of the Group and the enhancement of its corporate value over the medium to long term. Based on the approval of the 174th Ordinary General Meeting of Shareholders held on March 30, 2023, the Company went on to transition from a company with an audit and supervisory committee to a company with a nominating committee, etc. in order to further strengthen corporate governance. In this way, through the broad delegation of authority over business execution from the Board of Directors to Executive Officers and the clear separation of the supervisory function from the executive function, the Company has established a structure to accelerate the decision-making process and clarify responsibilities while also strengthening and achieving even greater transparency of the management supervisory function.

With this transition, the Board of Directors resolved at its meeting held on March 30, 2023 to establish the systems designated under Article 416, Paragraph 1, Items (b) and (e) of the Companies Act as the Company’s Basic Policy on the Internal Control System. The details of the policy are as follows.

The Internal Control System of the Company and its subsidiaries (hereinafter, the “Group”) is designed to encourage compliance among the Group’s Directors, Executive Officers, and employees while it supports continuous corporate development as the Group strives to meet its social responsibilities.

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 Company’s Directors, Executive Officers, other Group Management Team Members, and employees, as well as the directors, executive officers, and employees of the Company’s subsidiaries (hereinafter, “Group 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, consult with, or report to the Company.
- 4) In order to ensure efficient and appropriate decision-making and business execution of the businesses, the Group Management Team controls, manages, and supervises the four regions of Japan, the Americas, EMEA, and APAC through the Group Executive Management Meeting.
- 5) The Company will enforce the establishment and the operation of the system described in the followings on subsidiaries.

(2) Compliance System for Group Officers and Employees

- 1) Group Officers and Employees 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, Executive Officers' Rules and Rules for Group Management Team Members.
  - 2) If a Group Officer or Employee 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 Committee of the Company or the corporate auditors, board of corporate auditors, audit committees, or similar bodies at the relevant subsidiary must also be immediately advised of the circumstances.
  - 3) Directors, Executive Officers, and other Group Management Team Members of the Company shall autonomously foster a corporate culture of compliance. They shall establish rules on compliance and, through the Group Compliance Committee established under the Group Management Board, monitor factors such as the status of compliance at each Group company, the expansion of compliance measures, and response to these measures, to maintain and enhance the Group's compliance system.
  - 4) The Company has set up a help desk for consultation regarding violations of laws and other compliance issues as well as internal and external contact points for whistleblowing as a system directly accessible to Group Officers and Employees, and operates them appropriately.
  - 5) If the Audit Committee of the Company or the corporate auditors, board of corporate auditors, audit committees, or similar bodies at each subsidiary states opinions on the compliance system or requests improvements to the system, Group Officers and Employees must respond without delay and make the requested 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 the Company's Executive Officers and other Group Management Team Members as well as Directors and Executive Officers of Subsidiaries

- 1) The Company and each subsidiary hold meetings of various committees in addition to meetings of the Board of Directors, the Group Management Board, and the Group Executive Management Meeting, in order to ensure efficient execution of duties by the Company's Executive Officers and other Group Management Team Members as well as directors and executive officers of subsidiaries, and make decisions on important matters pertaining to management policy and strategy appropriately and flexibly.
  - 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 the Company's Executive Officers and other Group Management Team Members as well as Directors and Executive Officers of Subsidiaries

Information concerning the execution of duties by Executive Officers and other Group Management Team Members of the Company and directors and executive officers of the Company's subsidiaries is stored and managed appropriately, in accordance with laws, regulations, and the Company's Documentation Management Rules and Information Management Rules etc.

(5) Risk Management System

- 1) The Executive Officers and other Group Management Team Members of the Company establish risk management regulations to minimize the risks in uncertain factors in the future that may impede the

achievement of the Group's management targets and make use of them as opportunities for improvement. The Group Risk Committee, set up under the Group Management Board, performs self-checks with regard to the situation of risk management, 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 Committee of the Company or the corporate auditors, board of corporate auditors, audit committees, or similar bodies at each subsidiary.
- (6) Internal Structure to Support the Audit Committee and its Independent Status
- The Company has an Audit Committee Office, which consists of employees who assist the Audit Committee in its duties. This office reports directly to the Audit Committee, thereby preserving its independence from Executive Officers and other Group Management Team Members and the effectiveness of instructions from the Audit Committee.
- (7) System for Reporting to the Audit Committee and Improving Audit Effectiveness
- 1) Policies are in place to define issues that Group Officers and Employees (excluding the Company's Directors who are members of the Audit Committee, the same applies hereinafter in this section) are required to report to the Audit 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 Group Officers and Employees to the Audit Committee in a certain and prompt manner.
  - 2) In the event that the Audit Committee requests information other than that indicated in the previous item, Group Officers and Employees 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 disadvantageous 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 Committee, and this information will be disseminated to concerned parties.
  - 5) To enhance audit effectiveness, the Company has established a Group-wide auditing system composed of the audit committees of the organizations controlling business operations in Japan and overseas and the Company's Audit Committee. These audit committees report to the Company's Audit Committee and the Company ensures coordination with internal audit functions and external auditors.
- (8) System to Ensure Appropriateness of Financial Reporting
- 1) The Representative Executive Officer, President (CEO), the Chief Financial Officer (CFO), and the Chief Governance Officer (CGO) of the Company shall maintain and continuously improve a system that ensures appropriateness in financial reporting by the Group under the supervision of the Board of Directors.
  - 2) The Company's subsidiaries and departments involved in business activities shall perform self-checks through their everyday operations to ascertain whether the established internal controls are functioning appropriately. The Company's subsidiaries shall report the results of these self-checks to the Company.
  - 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 to 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 Internal Control System Management Rules, Risk Management Policy, Document Management Rules, and other internal rules and 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 is working to make it known through intranet and e-learning compliance training in accordance with revised the Dentsu Group Code of Conduct, as a code of conduct for Group employees. 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) With regard to the internal control system for Group Officers and Employees, the Group Management Board, which is the supreme executive decision-making body, is responsible for establishing and monitoring the operation of plans in line with the Basic Policy on the Internal Control System and promotes the improvement of corporate behavior. The new position of CGO, in charge of internal controls, compliance, risk management, and sustainability, was established in 2023. The CGO is engaged in strengthening corporate governance and improving disclosure.
- (3) With regard to the compliance system, the Company has established the Group Compliance Committee under the Group Management Board mainly to approve the Group's basic policy on compliance, approve and monitor the implementation of the compliance program and action plan, direct the implementation of the compliance program and action plan in each region, as well as approve improvement plans based on the results of monitoring and monitor the implementation status of the plans.

In FY2023, the Company carried out a compliance risk assessment based on the Dentsu Group Ethics and Compliance Program, which was established with the aim of achieving the Company's commitment to help realize a better society. In addition, it established the Dentsu Group Personal Data Protection and Privacy Policy as well as the Dentsu Group Internal Reporting Policy as new Group-wide policies related to legal affairs and compliance. Accordingly, Speak Up@dentsu, which had already been established in the Americas, EMEA, and APAC, was also adopted by dentsu Japan (where it was established in addition to the existing compliance line) as a Group-wide internal reporting platform.

On May 15, 2023, in light of the incident related to the Tokyo 2020 Olympic and Paralympic Games, the Company established the dentsu Japan Reform Committee, chaired by Hiroshi Igarashi, the Company's Representative Executive Officer, President & Global CEO, with the aim of fulfilling its responsibility to all stakeholders by reforming its approach to work. The committee has since played a central role in promoting Group-wide initiatives under a recurrence prevention policy based on the Mindset and Behavior Reform.

In response to the recommendations of the "Report on Inappropriate Coordination, etc., on Tokyo 2020 Olympic and Paralympic Games" from the Investigation and Review Committee regarding to the Tokyo 2020 Olympic and Paralympic Games incident (Chair: Attorney, Masayuki Ikegami, former Supreme Court Justice), received on June 9, the Group implemented the Mindset and Behavior Reform promoted by the dentsu Japan Reform Committee in order to continuously improve the effectiveness of the Group's efforts to prevent recurrence of issues stemming from problems of fairness and transparency in the organizational culture, legal and compliance matters, and business processes.

To raise awareness of social responsibilities and improve transparency, as well as clarify the rules and processes that must be followed, the committee set forth three pillars of countermeasures: 1) the establishment of an organizational culture that ensures proper corporate activities, 2) strengthening of the risk management system and legal/compliance functions, and 3) introduction of business processes that ensure fair and transparent transactions. Based on these pillars, the Group is undertaking new measures such as ensuring familiarity with the Dentsu Group Code of Conduct and pledges to comply with it, the appointment of compliance managers in each organization responsible for business execution, training and education mainly on compliance with the Antimonopoly Act, preventing bribery and corruption, and transactions involving conflicts of interest, the development and dissemination of guidelines for public business, sports business and other businesses.

- (4) With regard to risk management, the Group Risk Committee was established in 2023. The Committee is engaged in enhancing and controlling the Group-wide risk management function. Through the Group Risk Committee, the Company operates the following items as “enterprise risk management (ERM)” at the Group level, and they have been on the agenda of the Group Executive Management Meeting; 1) identifying risks that impede 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.” In addition to 1) to 5) above, important matters such as the Group’s basic policy on risk management, risk registers, risk sponsors (executives, etc.), risk response plans, and the status of risk management in the Americas, EMEA, APAC, and Japan, are deliberated by the risk committees in each region before being discussed by the Group Risk Committee and submitted as agenda items or reported to meetings of the Group Management Board. Formulation and implementation of plans to deal with risks are led by risk sponsors and each specialized department on a companywide level.
- (5) Regarding structures to ensure the appropriateness of financial reporting, in May 2023, 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 group 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.

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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 808.

#### (3) Scope of equity method

Number of associates, including Video Research Ltd., accounted for using the equity method is 85.

#### (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

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.

### 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 advertisement production, the performance obligation is to provide a series of management operations from planning, production, filming, editing through to completion. The performance obligation of such management operations is considered to be satisfied evenly due to its nature, and the performance obligation makes progress according to the elapsed period of time. Hence, the revenue is recognized for a certain period of time on a pro-rata basis over the contract period during which the performance obligation is satisfied.

Regarding provision of services such as various content services, the primary services are the rights business such as marketing rights of sporting events. In the rights business such as marketing rights of sporting events, the performance obligation is to make the rights such as marketing rights available to the client. Among such transactions, regarding those relating to complex rights in which the client obtains multiple rights at multiple points of time, the rights will become available to the client for a certain period of time, and the performance obligation is considered to be satisfied evenly due to its nature. Hence, 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. Regarding transactions other than those mentioned above, the right to use the right is transferred to the client at one point of time when the right becomes available to the client, and the performance obligation of the Group is satisfied. Hence, the revenue is recognized at that point of time.

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 the provision of specialised functions in the corporate sphere, office leasing, building management services, and commissioned computing operation businesses.

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

## **2. Changes in accounting policies**

### **Application of the amendments to IAS 12 "Income Taxes"**

The Group has applied the amendments to IAS 12 "Income Taxes," issued in May 2023, from the fiscal year ended December 31, 2023. The said amendments clarify that IAS 12 shall apply to income taxes arising from enacted or substantively enacted tax law to introduce the OECD's BEPS Pillar Two GloBE Rules (global minimum tax rules) and provide a temporary, mandatory exception from recognizing and disclosing deferred tax assets and liabilities related to income taxes resulting

from the introduction of the global minimum rules. In addition, as it is provided that the said amendments shall be applied immediately and retrospectively upon issuance, the Group has applied the said exception retrospectively from the fiscal year ended December 31, 2023. Therefore, the Group does not recognize and disclose deferred tax assets and liabilities related to income taxes resulting from the introduction of the global minimum rules.

### 3. Changes in presentation

Notes to consolidated statement of financial position

“Right-of-use assets,” which had been presented under “Property, plant and equipment” and “Intangible assets” in the fiscal year ended December 31, 2022, have been independently disclosed from the fiscal year ended December 31, 2023 in order to enhance clarity.

Notes to consolidated statement of income

Profit distribution from the Content business, which had been presented under “Other income,” has been included in “Revenue” for the fiscal year ended December 31, 2023. Moreover, amortization of long-term prepaid expenses, etc., which had been presented under “Other expenses” as expenses related to the said profit distribution, has been included in “Revenue” as a deduction item of revenue.

This change is intended to present the results of the Group’s sales activities more appropriately, as the renewal of contracts has led to an increased contribution by the Group’s sales activities.

### 4. Notes on accounting estimates

Of the amounts recorded in the consolidated financial statements for the fiscal year ended December 31, 2023 based on accounting estimates, items that may have a significant impact on the consolidated financial statements for the fiscal year ending December 31, 2024 are as follows.

#### (1) Valuation of goodwill

##### 1. Amount recorded in consolidated financial statements

Goodwill	831,121 million yen
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The above includes goodwill of 23,219 million yen in Japan, 572,331 million yen in the Americas region and 235,570 million yen in the EMEA region excluding Russia. The carrying amount of goodwill in the APAC region as of December 31, 2023 was zero.

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

In valuing goodwill, the Company conducts an impairment test for Japan, the Americas region, the EMEA 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 and the entire Dentsu Group. From the fiscal year ended December 31, 2023, the Company transitioned to a global management structure through the One Management Team, which governs four business regions worldwide (Japan, the Americas, EMEA, and APAC), to accelerate business transformation, further enhance management, and realise the group’s business growth and enhance our corporate value. In response, the allocation of goodwill in the Japanese operations was reviewed and the entire Japanese operations were tested for impairment as a single cash-generating unit group.

The Company calculates the recoverable amount in the goodwill impairment test 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, mid-term growth rate for Net revenue, continuous growth rate, discount rate, and allocation rate of company-wide costs to each group of cash-generating units.

As a result, an impairment loss on all goodwill and some intangible assets totaling 67,804 million yen was recorded for the APAC region in the fiscal year under review, as the recoverable amount fell below the carrying amount.

If it becomes necessary to revise the above assumptions due to changes in business strategies or changes in market conditions, a goodwill impairment loss could arise in the following financial year.

(2) Valuation of right-of-use assets

1. Amount recorded in the consolidated financial statements

Right-of-use assets	139,252 million yen
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The above includes right-of-use assets of 25,759 million yen related to the lease agreement of an office building in New York, the U.S., which was signed by the Group as a lessee in November 2019 and which is slated for future subleasing.

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

The Group is optimizing real estate as part of its structural reforms, and is projecting the use of subleasing for some real estate lease agreements. The impairment test of right-of-use assets of such lease agreements is calculated on the assumptions of the basic sublease 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 conclusion of sublease agreement, the addition or decrease of right-of-use assets may occur in the following fiscal year.

**5. 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	6,182 million yen
Other financial assets (non-current assets)	12,520 million yen

(3) Accumulated depreciation and impairment losses of property, plant and equipment (except for right-of-use assets)	66,452 million yen
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(4) Contingent liabilities

Guarantees of loans and other liabilities	
Liabilities on guarantees resulting from a loan scheme for housing funds for employees	2 million yen
Liabilities for guarantees of bank loans and others	<u>9,083 million yen</u>
Total	<u>9,085 million yen</u>

The business that the Group companies execute over a wide range of areas may be subject to claims, surcharge payment, etc. based on investigations, lawsuits, media audits, etc. from government agencies, clients, media companies, partner companies, etc., in both Japan and overseas. As a result of our verification, including consultations with experts and others, we believe that even if obligations arise due to such claims, it would not have a significant impact on the financial position or operating results of the Group.

#### Contingent liabilities, etc. in India

In the fiscal year ended December 31, 2021, certain matters related to transactions entered into by one of the Group's Indian subsidiaries were brought to the attention of the Company's Board of Directors. 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 5,333 million India Rupee (9,047 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.

#### Contingent liabilities, etc. relating to contingent considerations arising from the acquisition of a consolidated subsidiary

In relation to the contingent considerations arising from the acquisition of a consolidated subsidiary in the fiscal year ended December 31, 2021, which had been conducted as part of efforts to expand its international business, the Group had received a claim from the sellers for additional earnout amounts. The sellers had alleged that the Group took actions that negatively affected their earnout performance. The Group's position was that the actions were permitted under the purchase agreement, and it had intended to contest the sellers' claim. However, under the purchase agreement, the parties must attempt in good faith to resolve the amounts in dispute, and the Group engaged in discussions with the sellers of the acquired company aimed at reaching a settlement. A settlement was established in August 2023. The impact of this settlement on the Company's consolidated financial statements is immaterial.

## 6. Notes to consolidated statement of income

### (1) Business restructuring expenses

The expenses are incurred as a result of structural reforms.

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

### (2) Impairment losses

As a result of the annual impairment test on goodwill based on the latest business plan in accordance with

the most recent results, an impairment loss on goodwill of 67,804 million yen for the APAC region was recorded.

## 7. Notes to consolidated statement of changes in equity

### (1) Class and total number of issued shares as of December 31, 2023

Ordinary shares: 270,165,354 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 14, 2023)	Ordinary shares	22,471	85.00	December 31, 2022	March 16, 2023
Board of Directors (August 14, 2023)	Ordinary shares	20,757	78.50	June 30, 2023	September 12, 2023
Total		43,229			

(Notes)

1. The total amount of dividends based on the resolution at the meeting of the Board of Directors held on February 14, 2023 does not include a dividend of 88 million yen for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.
  2. The total amount of dividends based on the resolution at the meeting of the Board of Directors held on August 14, 2023 does not include a dividend of 73 million yen for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.
- 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, 2024

i	Total dividends	16,129 million yen
ii	Dividends per share	61.00 yen
iii	Record date	December 31, 2023
iv	Effective date	March 14, 2024

(Notes)

The total dividends paid based on the resolution of the Board of Directors' meeting held on February 14, 2024 exclude the dividends of 57 million yen paid out to the shares in the Company held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

Retained earnings are reserved as a source of dividends.



## 8. Notes to revenue

The Group provides advertising, information services and other businesses to our customers. Please refer to "1. Significant matters for preparing consolidated financial statements (4) Accounting policies 7) Revenues" for details.

### (1) Disaggregation of revenue

The breakdown of revenue recognized from contracts with customers is as follows:

(Unit: Million yen)

	Reporting segment					Intercompany Transaction adjustments	Total
	Japan	Americas	EMEA	APAC	Subtotal		
Breakdown by regions	548,802	350,583	266,377	116,129	1,281,893	22,658	1,304,552

(Note) "Intercompany Transaction adjustments" comprises revenues relating to Russian operations and corporate functions, as well as the elimination of inter-segment transactions. Revenue from the Russian operations amounted to 15,249 million yen and revenue relating to corporate functions amounted to 8,324 million yen.

### (2) Contract balance

The balances of receivables and contractual liabilities arising from signings with customers are as follows:

(Unit: Million yen)

	Balance at the beginning of the year	Balance at the end of the year
Receivables arising from contracts with customers	1,506,360	1,507,016
Notes and accounts receivable-trade	1,497,687	1,497,628
Others	8,673	9,388
Contract assets	16,758	19,874
Contract liabilities	72,099	63,963

Notes and accounts receivable-trade are included in trade and other receivables, others are included in other financial assets in non-current assets, contract assets are included in trade and other receivables and contract liabilities are included in other current liabilities and other non-current liabilities, in the consolidated statements of financial position.

The amount of revenue recognized in the fiscal year ended December 31, 2023 included in contract liabilities at the beginning of the year is 66,359 million yen. The amount of revenue recognized in the fiscal year ended December 31, 2023 from performance obligations that were satisfied (or partially satisfied) in previous periods is immaterial, and there is no significant change in the balance of contract liabilities.

Contract assets are recognized as rights to consideration, which was recorded by recognizing revenue based on the progress, primarily in the service agreements for advertisement production, commissioned system development, etc. Once the rights to consideration become unconditional, contract assets are transferred to receivables. Contract liabilities primarily relate to advances received from customers. Contract liabilities are transferred to revenue according to the satisfaction of performance obligations.

(3) Calculation of the transaction price allocated to the remaining performance obligations

As there are no significant transactions in the Group where the performance obligations in individual contracts are expected to exceed one year, the practical expedient has been used and information on residual performance obligations has been omitted. In addition, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

(4) Assets recognized from costs to obtain or fulfill contracts with customers

The Group has no assets recognized from costs incurred to obtain or fulfill contracts with customers.

## 9. Financial instruments

(1) Status of financial instruments

The Group is exposed to financial risks in the course of its business activities; and it manages risks based on a specific policy in order to avoid or reduce these risks.

Derivative transactions are conducted within the purpose of avoiding or reducing the above risks according to internal management policy.

1) Credit risk management

Financial assets measured at amortized cost, including trade receivables, such as notes and accounts receivable, are exposed to customers' credit risk. The Group aims to reduce these risks based on credit management rules and guidelines.

The Group conducts review of new counterparties and credit management based on credit management rules and guidelines. Based on accounting rules and guidelines, the relevant controlling departments in each business unit, together with the accounting department, manage due dates and outstanding balances for each counterparty and regularly monitor the status of major counterparties to detect and reduce doubtful receivables due to deteriorating financial conditions or other reasons in a timely manner. Consolidated subsidiaries perform credit management and receivables management and have management systems in place that require reporting and approval for certain significant transaction and events.

The Group does not have excess concentration of credit risk in specific counterparties.

2) Liquidity risk management

The Group manages liquidity risk by having the treasury division establish and update a finance plan based on information collected from each division and also by maintaining liquidity based on cash flow status.

The Group raises working capital from internal reserves, loans from financial institutions, corporate bonds, commercial paper, receivables securitization, etc. Since the receivables securitization transaction is a non-recourse agreement, securitized receivables were derecognized.

The Group has also established commitment lines to ensure liquidity, if required, and has established additional, temporary loan commitments from financial institutions to ensure liquidity to mitigate the impact from rapid changes in the external environment.

3) Foreign currency risk management

Monetary receivables and payables denominated in foreign currencies are exposed to foreign exchange fluctuation risks. The Group uses forward foreign exchange contracts to hedge its foreign exchange fluctuation risks identified by each currency and by each month.

In addition, with respect to those that are important among transactions denominated in foreign

currencies exceeding certain amounts and foreign exchange fluctuation risks, forward foreign exchange contracts and borrowings and others are used to hedge them in accordance with internal management rules.

4) Interest rate risk management

For certain portion of the Group's borrowings, interest expenses are fixed using derivatives transactions (interest rate swap contracts, etc.) to avoid or reduce interest rate fluctuation risks.

(2) Fair value of financial instruments

1) Financial liabilities measured at amortized cost

The carrying amount on the consolidated statement of financial position and the fair value as of December 31, 2023 are as follows. The fair value of financial assets and financial liabilities measured at amortized cost other than long-term borrowings and bonds approximates their carrying amount.

(Unit: Million yen)

	Carrying amount	Fair value
(Financial liabilities)		
Long-term borrowings	290,498	294,318
Corporate bonds	164,747	163,735

(Note) Current portion that is scheduled for repayment within one year.

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 as Level 2.

The fair value of bonds is determined based on quoted market prices. The fair value hierarchy is categorized as Level 2.

2) Financial liabilities measured at fair value

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 was no transfers between Level 1 and Level 2 for the fiscal year ended December 31, 2023.

The followings table includes put option liabilities.

(Unit: Million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	18,614	-	18,614
Equity securities	59,323	-	23,729	83,053
Other	492	6,510	20,489	27,491
Total	59,815	25,124	44,219	129,159
Financial liabilities				
Derivative liabilities	-	31,250	-	31,250
Put option liabilities	-	-	14,359	14,359
Other (mainly contingent consideration)	-	-	20,185	20,185
Total	-	31,250	34,544	65,794

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 whose fair value is measured using observable market data are categorized within Level 2, while stocks measured based mainly on the income approaches (DCF method) and the market approach (the comparable companies analysis or comparable transaction multiple method) using unobservable inputs are categorized within Level 3.

In the income approach (DCF method), significant unobservable inputs are mainly the discount rate. The fair value decreases (increases) as the discount rate increases (decreases). The discount rate used for the fiscal year ended December 31, 2023, was 8.2%.

Significant unobservable inputs in the market approach (comparable company method) mainly include valuation multiples such as enterprise value/operating profit. The fair value increases (decreases) as the valuation multiples increase (decrease). Enterprise value/operating profit multiples 13.99 was used as valuation multiples in the fiscal year ended December 31, 2023.

The fair values, etc. and others of put option liabilities and other (financial liabilities) are categorized within Level 3 as they are valued based on the discounted cash flow method using unobservable inputs. Significant unobservable inputs are level of future profitability and discount rate. The fair values, etc. increases (decreases) as level of profitability increases (decreases).

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:

(Unit: Million yen)

	Financial assets	Financial liabilities
Balance at the beginning of the year	71,034	59,918
Other comprehensive income (Note) 1	(16,900)	-
Profit or loss	(1,111)	2,282
Purchases or acquisition	4,964	15,465
Sales or settlements	(10,324)	(46,528)
Other (Note) 2	(3,442)	3,406
Balance at the end of the year	44,219	34,544

(Note) 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. In the year under review, the stocks held were transferred from Level 3 to Level 1 due to their listing on the stock exchange.

## 10. Business Combination, etc.

(Acquisition of Tag)

(1) Details of Business Combination

1) Name of the acquired business

Tag (a business unit brand of AI Wertheimer Holdings Limited)

2) Description of acquired business

Digital creative content production business, technology business, and channel activation business

3) Main reasons for business combination

The Group has redefined its business domain, in which marketing, technology, and consulting are increasingly integrated, as "People-centered Transformation." It continues to evolve into a company that creates new solutions and social impact through the power of superb creativity and technology. The acquisition will allow the Group to pursue the customer experience management (CXM) domain, which is at the core of its "People-centered Transformation," and contribute to its integrated business operation combining the media and creative fields through personalization of marketing.

4) Date of the business combination

June 30, 2023

5) Ratio of acquired equity interest with voting rights

100.0%

6) Legal form of the business combination

Acquisition of shares for cash consideration

(2) Period of results of the acquired business included in the consolidated statement of income

Includes results from July 1, 2023 to December 31, 2023.

(3) Acquisition costs of the acquired business, type of consideration, and breakdown thereof

Acquisition costs of the acquired business: 89,003 million yen

Breakdown of acquisition costs:

Consideration of shares (cash): 89,003 million yen

(4) Amounts of acquisition-related expenses and account titles to be presented

The acquisition-related expenses pertaining to the said business combination were 1,819 million yen and were included under “Selling, general and administrative expenses” in the consolidated statement of income.

(5) Fair value of assets and liabilities on the date of business combination, payment consideration and goodwill

(Unit: Millions of Yen)

	As of the date of acquisition of control (June 30, 2023)
Current assets (Note) 1	26,866
Non-current assets	27,731
Total assets	54,597
Current liabilities	26,761
Non-current liabilities	7,976
Total liabilities	34,737
Fair value of identifiable net assets	19,859
Payment consideration	89,003
Non-controlling interests	—
Goodwill (Note) 2	69,144

(Notes) 1. Includes cash and cash equivalents of 3,041 million yen. The fair value of trade and other receivables is 22,077 million yen, the amount receivable under contracts is 22,376 million yen, and the amount for which collection is not expected is 299 million yen.

2. Goodwill reflects the future synergies and excess earning power expected from the business acquisition. The amount expected to be deductible for tax purposes is 44,281 million yen.

Some of the above amounts are provisional fair values calculated based on the reasonable information available at this point because the acquisition date was June 30, 2023 and the allocation of acquisition costs had not been completed by the end of the fiscal year ended December 31, 2023.

(6) Amounts allocated to intangible assets other than goodwill and breakdown thereof

(Unit: Millions of Yen)

Type	Amount
Relationships with customers	16,152
Other	7,659

(7) Impact of business combination on cash flows

Payment of acquisition costs using cash and cash equivalents:	(90,531) million yen
Cash and cash equivalents received on the date of combination:	3,041 million yen
Cash flows from the acquisition of shares	(87,490) million yen

(8) Revenue and profit of the acquired business

In the fiscal year ended December 31, 2023, revenue for the acquired business included in the consolidated statement of income after the date control is 19,783 million yen while the loss for the period is 172 million yen.

(Pro forma information)

Assuming that the business combinations were executed at the beginning of the current fiscal year, revenue and loss of the consolidated statement of income for the year ended December 31, 2023 would be 1,321,795 million yen and 5,796 million yen, respectively.

This pro forma information is unaudited. Furthermore, such information does not necessarily indicate possible future events, nor reflect the operating results of the Group should the actual equity investment had occurred as of the beginning of the year ended December 31, 2023.

**11. Per share information**

(1) Equity attributable to owners of the parent per share	3,182.97 yen
(2) Basic loss per share (attributable to owners of the parent)	(40.52) yen

**12. Significant subsequent events**

(Acquisition of own shares)

The Company resolved at a meeting of its Board of Directors held on February 14, 2024 to authorize the acquisition of the Company's Treasury 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 Treasury shares

To further enhance shareholder value through the improvement of capital efficiency and the increased return of profits to shareholders.

(2) Details of matters related to the acquisition

1) Class of shares to be acquired	: Common stock of the Company
2) Total number of shares that may be acquired	: 10,000,000 (maximum) shares
3) Total acquisition cost	: 20 billion yen (maximum)
4) Acquisition period	: From February 15, 2024 to October 31, 2024
5) 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

Securities other than shares, etc. that do not have a market price

Stated at fair value

(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.)

Shares, etc. that do not have a market price

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: 6-50 years

Vehicles: 5 years

Tools, furniture and fixtures: 3-20 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.

4) Provision for loss on contracts

To prepare for losses that may arise from fulfilling contracts in the future, an amount is recorded based on a reasonable estimate of such losses.

5) Provision for loss on guarantees

To prepare for loss on guarantees provided to associated companies, the amount is recorded based on the estimated amount of loss with reference to the financial position of a guarantee, 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 revenue and expenses

The Company engages in the corporate management of the Group companies as a pure holding company, and the revenue it receives mainly consists of dividend income and management fee income from its consolidated subsidiaries. For dividend income, revenue is recognized as of the effective date of dividends. For management fee income, the Company's performance obligation is to provide contracted services according to the agreements with consolidated subsidiaries, and the Company's performance obligation is satisfied when the services are rendered. Revenue is therefore recognized at that point.

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

## 2. Notes in changes in accounting politics

(Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement")

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) is applied from the beginning of the fiscal year under review, and the Company will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. The application has no impact on profit or loss in the fiscal year ended December 31, 2023.

### 3. Changes in presentation

(Nonconsolidated statement of income)

- 1 “Provision of allowance for doubtful accounts” (96 million yen for the fiscal year ended December 31, 2022), which was included in “Other” under “Non-operating expenses” in the fiscal year ended December 31, 2022, has been independently disclosed from the fiscal year ended December 31, 2023 due to an increase in its monetary significance.
- 2 “Provision for loss on guarantees” (245 million yen for the fiscal year ended December 31, 2022), which was included in “Other” under “Extraordinary loss” in the fiscal year ended December 31, 2022, has been independently disclosed from the fiscal year ended December 31, 2023 due to an increase in its monetary significance.

### 4. Notes on significant accounting estimates

Of the amounts recorded in the nonconsolidated statement of income for the fiscal year ended December 31, 2023 based on accounting estimates, items that may have a significant impact on the nonconsolidated statement of income for the fiscal year ending December 31, 2024 are as follows.

(Evaluation of investments in subsidiaries and associates)

#### 1 Amount recorded in nonconsolidated financial statements

Shares of subsidiaries and associates*	732,195 million yen
Investments in other securities of subsidiaries and associates	9,527 million yen
Investments in capital of subsidiaries and associates	15,493 million yen

\* Includes investments in unlisted subsidiaries and shares, etc. that do not have a market price

Shares of subsidiaries	686,755 million yen
Shares of associates	12,632 million yen

The above 732,195 million yen in shares of subsidiaries and associates includes 587,690 million yen investment in Dentsu International Limited (hereinafter, “DI”), an unlisted subsidiary that controls international business.

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

Investments in unlisted subsidiaries and shares, etc. that do not have a market price 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.

## DI investments

When valuing DI investments, the Company calculates the actual value based on the net asset value per share of the company, and the net asset value includes the carrying amount of the goodwill recorded by the acquisition of the company. The goodwill is tested for impairment on an annual basis and the estimate of the value in use in the goodwill impairment test is stated in “3. Notes on Accounting Estimates (1) Valuation of goodwill” in the consolidated financial statements, and includes the key assumptions of operating margin, tax burden rate on operating profit, net working capital, medium-term growth rate of revenue less cost of sales, 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 investments including the carrying amount of goodwill after impairment testing has not decreased significantly in the fiscal year under review, an impairment of said investments 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 investments.

## 5. For nonconsolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment	<b>7,320</b> million yen
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### (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	<b>90,340</b> million yen
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(Line of credit for operating funds: GBP 500 million)

Total of 6 companies including FORTIUS AG	<b>10,142</b> million yen
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Total	<b>100,482</b> million yen
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### (3) Monetary claims/obligations to associated companies (excluding those separately presented)

Short-term monetary claims	<b>10,161</b> million yen
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Short-term monetary obligations	<b>8,855</b> million yen
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- (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, 2023 were not below the book value after the revaluation.

**6. For nonconsolidated statement of income**

- (1) Volume of transactions with associated companies

Operating revenue	92,782 million yen
Operating expenses	25,997 million yen
Other than operating transactions	3,796 million yen

(Note) A portion of the transaction volume of operating expenses is advances for expenses, which are offset on the income statement.

**7. For nonconsolidated statement of changes in net assets**

Classes and number of treasury shares at the end of the fiscal year ended December 31, 2023

Common stock	5,741,899 shares
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(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.

**8. Tax effect accounting**

The main factors resulting in deferred tax assets are shares of subsidiaries and associates investments in other securities of subsidiaries and associates.

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

The Company has applied the group tax sharing system from the fiscal year ending December 31, 2023. The accounting treatment for national and local corporate taxes, the accounting treatment for the associated tax effect accounting, and the disclosure thereof are based on the “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (ASBJ Practical Solution No. 42, August 12, 2021).

## 9. 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; <b>100%</b>	Entrusted management of international business operation and guarantee of bank line of credit Concurrently serving officers	Guarantee of bank line of credit <sup>1</sup>	<b>90,340</b>	-	-
				Loans receivable via cash management system <sup>2</sup>	-	Short-term loans receivable from subsidiaries and associates	<b>35,093</b>
				Payment of management fees <sup>3</sup>	<b>3,792</b>	Other payables	<b>2,778</b>
				Underwriting of capital increase <sup>4</sup>	<b>389,600</b>	-	-
Subsidiary company	Dentsu International Treasury Limited	Dentsu Group has voting rights Indirect; <b>100%</b>	Lending of working capital and guarantee of bank line of credit and bank loans	Recovery of funds <sup>5</sup>	<b>44,000</b>	Long-term loans receivable from subsidiaries and associates	<b>179,500</b>
				Receipt of loans interest <sup>5</sup>	<b>1,153</b>	Other (Accrued income)	<b>541</b>
				Guarantee of bank line of credit <sup>1</sup>	<b>90,340</b>	-	-
Subsidiary company	Dentsu Inc.	Dentsu Group has voting rights Direct; <b>100%</b>	Lease of real estate Providing and receiving services Concurrently serving officers	Rent of real estate <sup>6</sup>	<b>4,780</b>	Other (Other receivables)	<b>2</b>
				Outsourcing corporate management operations <sup>7</sup>	<b>4,503</b>	Other payables	<b>1,537</b>
				Loans payable via cash management system <sup>2</sup>	-	Short-term loans payable from subsidiaries and associates	<b>33,969</b>
				Payment of loans interest <sup>2</sup>	<b>10</b>	Accrued expenses	<b>0</b>

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 Corporate One Inc.	Dentsu Group has voting rights Direct; <b>100%</b>	Lending operational fund to for factoring operations Providing and receiving services	Loans receivable <sup>8</sup>	-	Short-term loans receivable from subsidiaries and associates	<b>16,531</b>
				Receipt of loans interest <sup>8</sup>	<b>10</b>	Other (Accrued income)	<b>0</b>
				Outsourcing of corporate management operations <sup>7</sup>	<b>4,463</b>	Other payables	<b>1,102</b>
Subsidiary company	Information Services International-Dentsu, Ltd. <sup>9</sup>	Dentsu Group has voting rights Direct; <b>61.8%</b>	Providing and receiving services	Loans payable via cash management system <sup>2</sup>	-	Short-term loans payable from subsidiaries and associates	<b>52,405</b>
				Payment of loans interest <sup>2</sup>	<b>11</b>	Accrued expenses	<b>0</b>
Subsidiary company	Dentsu Live Inc.	Dentsu Group has voting rights Direct; <b>100%</b>	Lease of real estate Providing and receiving services	Loans payable via cash management system <sup>2</sup>	-	Short-term loans payable from subsidiaries and associates	<b>16,426</b>
				Payment of loans interest <sup>2</sup>	<b>2</b>	Accrued expenses	<b>0</b>

#### Remarks

1. A guarantee was made for a bank line of credit (GBP 500 million, maturing on June 14, 2025 with a possible extension of one-year) with Dentsu International Limited and Dentsu International Treasury Limited as counterparties.
2. Because the balance for the loans payable and receivable 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.
3. Management fees are reasonably determined in the contracts between the parties with reference to the details of the services provided.
4. Underwriting of capital increase refers to the subscription to a subsidiary's increase in capital.
5. The interest rates for the loaned funds are determined reasonably with reference to market interest rates. No collateral has been accepted.
6. Although the transaction amount is counted in the total amount, the net amount obtained by deducting

the amount received from the subsidiary from the amount paid by the Company to the third party in the income statement is recorded as operating expenses.

7. 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.
8. 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. On January 1, 2024, Information Services International-Dentsu, Ltd. (ISID) changed its name to DENTSU SOKEN INC..

#### **10. Per share information**

(1) Net assets per share	<b>2,386.74 yen</b>
(2) Net income per share	<b>231.90 yen</b>

(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, 940,300 shares and 961,144 shares were deducted from the number of shares at the end of the fiscal year ended December 31, 2023 and the average number of shares during the fiscal year ended December 31, 2023, respectively, at the calculation of the per share information.

#### **11. Notes Regarding Revenue Recognition**

Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue from contracts with customers is included in “Notes 1. Summary of significant accounting policies (6) Accounting method for revenue and expenses.”

#### **12. Significant subsequent events**

(Acquisition of Own Shares)

The Company resolved at a meeting of its Board of Directors held on February 14, 2024 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.

For details, please refer to "12. Significant Subsequent Events" in the consolidated financial statements.

## Annexed schedules to financial statements

( From January 1, 2023  
to December 31, 2023 )

### 1. Table of tangible fixed assets and intangible fixed assets

(JPY million)

Classification	Types of assets	Balance at beginning of year	Increase during current term	Decrease during current term	Ending balance	Year-end Accumulated amortization or Accumulated amortization	Amortization for the year	Net year-end book value
Tangible fixed assets	Buildings	4,922	347	1	5,268	2,540	193	2,728
	Vehicles	26	—	15	11	7	2	4
	Tools, furniture and fixtures	5,319	113	33	5,399	4,772	111	626
	Land	3,784	—	—	3,784	—	—	3,784
	<b>Total</b>	<b>14,053</b>	<b>461</b>	<b>49</b>	<b>14,464</b>	<b>7,320</b>	<b>307</b>	<b>7,144</b>
Intangible assets	Software	449	308	—	758	194	115	563
	Others	3	—	—	3	2	—	1
	<b>Total</b>	<b>453</b>	<b>308</b>	<b>—</b>	<b>762</b>	<b>197</b>	<b>115</b>	<b>564</b>

### 2. Detailed Schedule of provisions

(JPY million)

Item	Balance at beginning of current period	Increase during the year	Decrease during the year	Balance at end of current period
Allowance for doubtful accounts	2,358	1,049	432	2,975
Provision for directors' bonuses	48	52	48	52
Provision for share-based remuneration	3,349	498	3,102	746
Provision for loss on contracts	—	8,784	—	8,784
Provision for loss on guarantees	245	1,440	—	1,685



### 3. Detailed schedule of general administrative expenses

(JPY million)

Item	Amount	Summary
Salaries and allowances	5,458	
Provision for directors' bonuses	52	
Provision for share-based remuneration	(2,270)	
Welfare expenses	447	
<b>Total Personnel Expenses</b>	<b>3,688</b>	
Business consignment expenses	11,527	
Taxes and dues	151	
Rental fee	3,591	
Utility costs	545	
Investigation expenses	717	
Repair expenses	259	
Communication/transportation expenses	446	
Advertising expenses	307	
Entertainment expenses	108	
Insurance premiums	46	
Equipment costs	63	
Supplies expenses	20	
Books and subscription costs	2	
Printing costs	1	
Handling and planning expenses	1	
Miscellaneous expenses	5,436	
Provision of allowance for doubtful accounts	(1)	
<b>Total operating expenses</b>	<b>23,226</b>	
Depreciation	457	
<b>Total depreciation</b>	<b>457</b>	
<b>Total General Administrative Expenses</b>	<b>27,371</b>	