

**Excerpt from Quarterly Report
(Consolidated Financial Statements)
(January 1 to March 31, 2019)**

Part 4. Financial Section

1. Preparation Method of Condensed Quarterly Consolidated Financial Statements

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

(2) In the condensed quarterly consolidated financial statements, figures less than one million yen are rounded down to the nearest million yen.

2. Audit Certificate

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company’s condensed quarterly consolidated financial statements for the first quarter ended March 31, 2019 (from January 1 to March 31, 2019) and the condensed consolidated financial statements for the first three months (from January 1 to March 31, 2019) of fiscal year 2019, which were compiled in Japanese, were subject to a quarterly review by KPMG AZSA LLC.

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Quarterly Consolidated Statement of Financial Position

		(Millions of Yen)	
	Notes	FY2018 (As of December 31, 2018)	The first quarter (As of March 31, 2019)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		416,668	296,206
Trade and other receivables		1,368,728	1,316,856
Inventories		28,580	33,726
Other financial assets	12	15,090	13,301
Other current assets		106,516	135,854
Subtotal		1,935,583	1,795,946
Non-current assets classified as held for sale		2	2
Total current assets		1,935,586	1,795,949
NON-CURRENT ASSETS:			
Property, plant and equipment		199,207	323,389
Goodwill		786,851	816,448
Intangible assets		249,921	256,127
Investment property		37,089	37,006
Investments accounted for using the equity method		39,897	44,059
Other financial assets	12	348,537	392,906
Other non-current assets		14,242	14,460
Deferred tax assets		27,155	31,469
Total non-current assets		1,702,902	1,915,866
TOTAL ASSETS	5	3,638,488	3,711,815

		(Millions of Yen)	
		FY2018	The first quarter
		(As of December 31, 2018)	(As of March 31, 2019)
Notes			
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES:			
	Trade and other payables	1,341,461	1,194,260
12	Borrowings	104,879	146,935
12	Other financial liabilities	47,395	81,944
	Income tax payables	42,981	14,693
	Provisions	1,575	2,165
	Other current liabilities	247,315	238,567
	Total current liabilities	1,785,608	1,678,567
NON-CURRENT LIABILITIES:			
12	Bonds and borrowings	433,980	458,392
12	Other financial liabilities	163,362	291,841
	Liability for retirement benefits	30,675	30,343
	Provisions	4,705	4,792
	Other non-current liabilities	18,133	17,355
	Deferred tax liabilities	91,272	95,702
	Total non-current liabilities	742,130	898,428
	Total liabilities	2,527,738	2,576,995
EQUITY:			
	Share capital	74,609	74,609
	Share premium account	99,751	99,838
	Treasury shares	(40,194)	(40,197)
	Other components of equity	160,735	198,966
	Retained earnings	752,717	727,692
	Total equity attributable to owners of the parent	1,047,619	1,060,911
	Non-controlling interests	63,129	73,908
	Total equity	1,110,749	1,134,819
TOTAL LIABILITIES AND EQUITY		3,638,488	3,711,815

(2) Condensed Quarterly Consolidated Statement of Income

		(Millions of Yen)	
		Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
	Notes		
Turnover (Note 1)	5	1,250,838	1,214,714
Revenue	5, 7	242,107	250,578
Cost		15,442	22,604
Revenue less cost of sales	5	226,665	227,974
Selling, general and administrative expenses		204,166	216,646
Other income	8	3,492	1,735
Other expenses	9	3,597	3,769
Operating profit		22,393	9,294
Share of results of associates		916	160
Profit before interest and tax		23,310	9,454
Finance income	10	1,502	1,302
Finance costs	10	5,789	12,241
Profit (loss) before tax		19,023	(1,484)
Income tax expense		6,781	(553)
Profit (loss) for the period		12,241	(930)
Profit (loss) attributable to:			
Owners of the parent		10,788	(2,583)
Non-controlling interests		1,453	1,652
Earnings (loss) per share			
Basic earnings (loss) per share (Yen)	11	38.27	(9.16)
Diluted earnings (loss) per share (Yen)	11	38.27	(9.17)

Reconciliation from operating profit to underlying operating profit

		(Millions of Yen)	
	Notes	Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
Operating profit		22,393	9,294
Amortization of intangible assets incurred in acquisitions		8,792	9,004
Other adjusting items (selling, general and administrative expenses)		346	3,865
Other adjusting items (other income)		(9)	(1)
Other adjusting items (other expenses)		1,221	2,309
Underlying operating profit (Note 2)	5	<u>32,744</u>	<u>24,472</u>

- (Notes)
- Turnover represents the total amount billed and billable to clients handled by the Group, net of discounts, VAT and other sales-related taxes.
Disclosure of turnover information is not required under IFRS; however, it is voluntarily disclosed in the Condensed Quarterly Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.
 - The underlying operating profit is a KPI to measure recurring business performance which is calculated as operating profit added with amortization of M&A related intangible assets, acquisition costs, share-based compensation expenses related to acquired companies and one-off items such as impairment loss and gain/loss on sales of non-current assets.
Underlying operating profit is not defined under IFRS; however, it is voluntarily disclosed in the Condensed Quarterly Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

		(Millions of Yen)	
		Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
	Notes		
PROFIT (LOSS) FOR THE PERIOD		12,241	(930)
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Net change in financial assets measured at fair value through other comprehensive income	12	(7,710)	26,289
Remeasurements of defined benefit plans		23	(3)
Share of other comprehensive income of investments accounted for using the equity method		(53)	(16)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
Exchange differences on translation of foreign operations		(14,293)	15,736
Effective portion of the change in the fair value of cash flow hedges		(2,491)	(2,945)
Share of other comprehensive income of investments accounted for using the equity method		(68)	(26)
Other comprehensive income, net of tax		(24,595)	39,033
COMPREHENSIVE INCOME FOR THE PERIOD		(12,353)	38,102
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		(11,905)	35,450
Non-controlling interests		(447)	2,651

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the three months ended March 31, 2018 (From January 1 to March 31, 2018)

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent					
		Share capital	Share premium account	Treasury shares	Other components of equity		
					Share options	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
As of January 1, 2018		74,609	99,751	(40,182)	48	69,734	6,231
Cumulative effects of changes in accounting policies							
Restated balance as of January 1, 2018		74,609	99,751	(40,182)	48	69,734	6,231
Profit for the period							
Other comprehensive income						(12,705)	(2,491)
Comprehensive income for the period		—	—	—	—	(12,705)	(2,491)
Repurchase of treasury shares				(2)			
Disposal of treasury shares			(0)	0			
Dividends	6						
Transactions with non-controlling interests							
Transfer from other components of equity to retained earnings							
Other changes					(48)		
Transactions with owners—total		—	(0)	(1)	(48)	—	—
As of March 31, 2018		74,609	99,751	(40,184)	—	57,029	3,740

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent						
		Other components of equity			Retained earnings	Total	Non-controlling interests	Total equity
		Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total				
As of January 1, 2018		151,258	—	227,272	731,759	1,093,211	56,923	1,150,134
Cumulative effects of changes in accounting policies				—	(3,872)	(3,872)		(3,872)
Restated balance as of January 1, 2018		151,258	—	227,272	727,887	1,089,338	56,923	1,146,261
Profit for the period				—	10,788	10,788	1,453	12,241
Other comprehensive income		(7,518)	21	(22,693)		(22,693)	(1,901)	(24,595)
Comprehensive income for the period		(7,518)	21	(22,693)	10,788	(11,905)	(447)	(12,353)
Repurchase of treasury shares				—		(2)		(2)
Disposal of treasury shares				—		0		0
Dividends	6			—	(12,685)	(12,685)	(790)	(13,476)
Transactions with non-controlling interests				—	(0)	(0)	36	36
Transfer from other components of equity to retained earnings		42	(21)	20	(20)	—		—
Other changes				(48)	48	0		0

(Millions of Yen)

		Total equity attributable to owners of the parent						
		Other components of equity						
Notes	Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity	
	Transactions with owners—total	42	(21)	(27)	(12,658)	(12,687)	(754)	(13,441)
	As of March 31, 2018	143,782	—	204,551	726,017	1,064,746	55,721	1,120,467

For the three months ended March 31, 2019 (From January 1 to March 31, 2019)

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent					
		Share capital	Share premium account	Treasury shares	Other components of equity		
					Share options	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
As of January 1, 2019		74,609	99,751	(40,194)	—	23,888	6,364
Cumulative effects of changes in accounting policies	3						
Restated balance as of January 1, 2019		74,609	99,751	(40,194)	—	23,888	6,364
Profit (loss) for the period							
Other comprehensive income						15,022	(2,945)
Comprehensive income for the period		—	—	—	—	15,022	(2,945)
Repurchase of treasury shares				(2)			
Dividends	6						
Transactions with non-controlling interests							
Transfer from other components of equity to retained earnings							
Other changes			87				
Transactions with owners—total		—	87	(2)	—	—	—
As of March 31, 2019		74,609	99,838	(40,197)	—	38,911	3,419

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent						
		Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of January 1, 2019		130,482	—	160,735	752,717	1,047,619	63,129	1,110,749
Cumulative effects of changes in accounting policies	3				(8,417)	(8,417)	(557)	(8,975)
Restated balance as of January 1, 2019		130,482	—	160,735	744,299	1,039,202	62,572	1,101,774
Profit (loss) for the period				—	(2,583)	(2,583)	1,652	(930)
Other comprehensive income		25,960	(3)	38,034		38,034	999	39,033
Comprehensive income for the period		25,960	(3)	38,034	(2,583)	35,450	2,651	38,102
Repurchase of treasury shares				—		(2)		(2)
Dividends	6			—	(12,685)	(12,685)	(850)	(13,536)
Transactions with non-controlling interests				—	(1,141)	(1,141)	9,535	8,393
Transfer from other components of equity to retained earnings		193	3	197	(197)	—		—
Other changes				—		87		87
Transactions with owners—total		193	3	197	(14,023)	(13,741)	8,684	(5,057)
As of March 31, 2019		156,636	—	198,966	727,692	1,060,911	73,908	1,134,819

(5) Condensed Quarterly Consolidated Statement of Cash Flows

	(Millions of Yen)	
	Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	19,023	(1,484)
ADJUSTMENTS FOR:		
Depreciation and amortization	14,629	22,907
Interest and dividend income	(736)	(1,008)
Interest expense	2,863	4,927
Share of results of associates	(916)	(160)
Increase (decrease) in liability for retirement benefits	459	(350)
Other—net	(2,982)	8,763
Cash flows from operating activities before adjusting changes in working capital and others	32,340	33,594
CHANGES IN WORKING CAPITAL:		
(Increase) decrease in trade and other receivables	90,810	72,461
(Increase) decrease in inventories	(2,256)	(3,722)
(Increase) decrease in other current assets	(13,335)	(29,831)
Increase (decrease) in trade and other payables	(152,977)	(165,969)
Increase (decrease) in other current liabilities	11,032	(5,938)
Change in working capital	(66,724)	(132,999)
Subtotal	(34,384)	(99,405)
Interest received	541	1,438
Dividends received	256	298
Interest paid	(2,672)	(4,159)
Income taxes paid	(16,347)	(36,498)
Net cash flow from operating activities	(52,605)	(138,327)

		(Millions of Yen)	
		Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
	Notes		
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment, intangible assets and investment property		(6,163)	(6,276)
Proceeds from sale of property, plant and equipment, intangible assets and investment property		275	289
Net cash (paid) received on acquisition of subsidiaries		(7,370)	(5,323)
Payments for purchases of securities		(3,555)	(5,908)
Proceeds from sales of securities		120	229
Other—net		994	(1,499)
Net cash flow from investing activities		(15,698)	(18,489)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term borrowings		11,770	34,238
Proceeds from long-term borrowings		1,545	19,551
Repayment of long-term borrowings		-	(498)
Repayments of lease obligations		(294)	(8,015)
Payment for acquisition of interest in a subsidiary from non-controlling interests		(125)	(806)
Dividends paid	6	(12,685)	(12,685)
Dividends paid to non-controlling interests		(961)	(850)
Other—net		(806)	394
Net cash flow from financing activities		(1,556)	31,328
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(6,199)	5,026
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(76,060)	(120,461)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		305,760	416,668
CASH AND CASH EQUIVALENTS AT END OF PERIOD		229,700	296,206

Notes on the Condensed Quarterly Consolidated Financial Statements

1. Reporting Entity

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

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

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

The condensed quarterly consolidated financial statements for the first quarter ended March 31, 2019 were approved by Toshihiro Yamamoto, Representative Director and President & CEO, and Arinobu Soga, Director and Executive Officer, on May 15, 2019.

2. Basis of Preparation

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

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

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

3. Significant Accounting Policies

Significant accounting policies applied to the condensed quarterly consolidated financial statements for the first quarter ended March 31, 2019 are identical to those applied to the consolidated financial statements for the previous fiscal year, with the exception of changes in accounting policies stated below. Meanwhile, income taxes for the three months ended March 31, 2019 are calculated based on the estimated

annual effective tax rate.

(Changes in accounting polices)

The Group has adopted IFRS 16 "Leases" from the first quarter ended March 31, 2019.

In adopting IFRS 16, the Group has applied the modified retrospective approach of recognizing the cumulative effect of adopting the standard as an adjustment to the beginning balance of retained earnings at the date of initial application.

In the transition to IFRS 16, the Group has elected to apply the practical expedient of maintaining its previous assessment of whether a contract is a lease. IFRS 16 has been applied only to contracts which were previously determined to be leases, and contracts which were not determined to be leases applying IAS 17 or IFRIC 4 were not reassessed as to whether they were leases. Consequently, the definition of a lease in accordance with IFRS 16 has only been applied to contracts executed or modified on and after January 1, 2019.

As a lessee, the Group had previously classified leases into operating leases and finance leases based on the assessment of whether the lessor substantially transferred the entire risks and rewards incidental to ownership of an underlying asset to the Group. Under IFRS 16, the Group recognizes a right-of-use asset and a lease obligation for most leases. However, the Group applies the recognition exemptions for short-term leases and leases of low-value assets.

Leases previously classified as operating leases applying IAS 17 were measured at the present value of the remaining lease payments discounted by using the Group's incremental borrowing rate as of January 1, 2019. The right-of-use assets were measured by either of the following methods.

- The carrying amount calculated on the assumption that IFRS 16 had been applied from the inception of the lease. However, the lessee's incremental borrowing rate at the date of initial application is used as the discount rate.
- The amount equivalent to the measurement of the lease obligation.

The Group has applied the following practical expedients in the application of IFRS 16 to leases, which had previously been classified as operating leases applying IAS 17.

- A lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- A lessee shall adjust the right-of-use asset by the amount of any provision for onerous leases applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review.
- A lessee may apply the exemption to not recognize a right-of-use asset and a lease obligation for leases with remaining terms of 12 months or less.
- A lessee may exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- A lessee may use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases applying IAS 17, the carrying amounts of the right-of-use asset and the lease obligation as at January 1, 2019 were calculated based on the carrying amounts of the lease asset and lease obligation immediately before that date measured applying IAS 17.

For leases in which the Group is the lessor, excluding subleases, the Group is not required to make any adjustments at the time of transition to IFRS 16.

IFRS 16 requires subleases to be classified by referencing the right-to-use asset rather than the underlying asset. The Group has concluded that, upon reassessment, the sublease contracts which had previously been classified as operating leases applying IAS 17 are finance leases applying IFRS 16.

As a result of the transition to IFRS 16, the Group has additionally recognized 128,246 million yen in right-of-use assets and 141,066 million yen in lease obligations and a decrease of 8,417 million yen in the opening balance of retained earnings (after taking into account tax effect).

Right-of-use assets are presented under "property, plant and equipment" or "intangible assets" and lease obligations are presented under "other financial liabilities" of current liabilities or "other financial liabilities" of non-current liabilities.

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

Accounting judgments, estimates and assumptions that may have a material effect on the amount in the condensed quarterly consolidated financial statements for the first quarter ended March 31, 2019 are identical to those for the consolidated financial statements for the previous fiscal year, except for those included in the following notes.

3. Significant Accounting Policies

10. Finance Income and Finance Costs

5. Segment Information

(1) Description of reportable segments

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

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

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

(2) Information on reportable segments

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

Intersegment revenues or losses are based on the prevailing market price.

Three months ended March 31, 2018 (From January 1 to March 31, 2018)

	(Millions of Yen)				
	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	493,677	761,278	1,254,955	(4,116)	1,250,838
Revenue (Note 2)	118,190	128,033	246,223	(4,116)	242,107
Revenue less cost of sales (Note 3)	102,340	124,385	226,725	(60)	226,665
Segment profit (underlying operating profit) (Note 3)	30,439	2,309	32,748	(3)	32,744
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(8,792)
Other adjusting items (selling, general and administrative expenses)	—	—	—	—	(346)
Other adjusting items (other income)	—	—	—	—	9
Other adjusting items (other expenses)	—	—	—	—	(1,221)
Operating profit	—	—	—	—	22,393
Share of results of associates	—	—	—	—	916
Finance income	—	—	—	—	1,502
Finance costs	—	—	—	—	5,789
Profit before tax	—	—	—	—	19,023
Segment assets (Note 4)	1,346,194	2,094,466	3,440,661	(117,545)	3,323,116

Three months ended March 31, 2019 (From January 1 to March 31, 2019)

(Millions of Yen)

	Japan business (Note 5)	International business (Note 5)	Total	Reconciliations	Consolidated
Turnover (Note 1)	493,435	724,271	1,217,707	(2,993)	1,214,714
Revenue (Note 2)	117,921	135,650	253,571	(2,993)	250,578
Revenue less cost of sales (Note 3)	101,561	126,482	228,043	(68)	227,974
Segment profit (loss) (underlying operating profit (loss)) (Note 3)	24,655	(183)	24,471	0	24,472
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(9,004)
Other adjusting items (selling, general and administrative expenses)	—	—	—	—	(3,865)
Other adjusting items (other income)	—	—	—	—	1
Other adjusting items (other expenses)	—	—	—	—	(2,309)
Operating profit	—	—	—	—	9,294
Share of results of associates	—	—	—	—	160
Finance income	—	—	—	—	1,302
Finance costs	—	—	—	—	12,241
Loss before tax	—	—	—	—	(1,484)
Segment assets (Note 4)	1,504,426	2,339,486	3,843,912	(132,096)	3,711,815

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

6. Capital

Dividends paid are as follows:

Three months ended March 31, 2018 (From January 1 to March 31, 2018)

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

Three months ended March 31, 2019 (From January 1 to March 31, 2019)

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

7. Revenue

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

Three months ended March 31, 2018 (From January 1 to March 31, 2018)

(Millions of Yen)

	Segments			Re-conciliations of internal transactions	Total
	Japan business	International business	Subtotal		
Principal services					
Advertising	99,650	128,033	227,683	—	—
Information Services	17,497	—	17,497	—	—
Other Business	1,043	—	1,043	—	—
Total	118,190	128,033	246,223	(4,116)	242,107
Breakdown by regional markets					
Japan	118,190	—	118,190	—	—
EMEA (Europe, Middle East and Africa)	—	47,828	47,828	—	—
Americas	—	54,059	54,059	—	—
APAC (Asia Pacific)	—	26,145	26,145	—	—
Total	118,190	128,033	246,223	(4,116)	242,107

Three months ended March 31, 2019 (From January 1 to March 31, 2019)

(Millions of Yen)

	Segments			Re-conciliations of internal transactions	Total
	Japan business	International business	Subtotal		
Principal services					
Advertising	98,111	135,650	233,761	—	—
Information Services	18,867	—	18,867	—	—
Other Business	942	—	942	—	—
Total	117,921	135,650	253,571	(2,993)	250,578
Breakdown by regional markets					
Japan	117,921	—	117,921	—	—
EMEA (Europe, Middle East and Africa)	—	52,027	52,027	—	—
Americas	—	58,379	58,379	—	—
APAC (Asia Pacific)	—	25,243	25,243	—	—
Total	117,921	135,650	253,571	(2,993)	250,578

8. Other Income

The breakdown of other income is as follows:

(Millions of Yen)

	Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
Profit distributions	3,082	1,347
Other	409	388
Total	3,492	1,735

9. Other Expenses

The breakdown of other expenses is as follows:

(Millions of Yen)

	Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
Foreign exchange losses	548	83
Amortization of long-term prepaid expenses	964	1,075
Share-based compensation expenses settled in cash	1,098	1,984
Other	986	625
Total	3,597	3,769

10. Finance Income and Finance Costs

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

(Millions of Yen)

	Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
Interest income	638	861
Dividend income	97	147
Changes in fair value of contingent consideration	643	—
Foreign exchange gains	—	32
Other	123	261
Total	1,502	1,302

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

(Millions of Yen)

	Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
Interest expense	2,877	4,955
Change in fair value of contingent considerations	—	2,163
Remeasurements of stock purchase obligations	2,562	5,052
Foreign exchange losses	274	—
Other	75	69
Total	5,789	12,241

(Note) During the three months ended March 31, 2019, with regard to the stock purchase obligations of certain consolidated subsidiaries, changes were made to the estimates relating to the redemption period of such stock purchase obligations. As a result, finance costs for the three months ended March 31, 2019 increased by 4,449 million yen.

11. Earnings (Loss) Per Share

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

	Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
Basic earnings (loss) per share (Yen)	38.27	(9.16)
Diluted earnings (loss) per share (Yen)	38.27	(9.17)

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

	Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
Profit (loss) for the period used for calculation of basic earnings (loss) per share and diluted earnings (loss) per share		
Profit (loss) for the period attributable to owners of the parent (Millions of Yen)	10,788	(2,583)
Amounts not attributable to ordinary equity holders of the parent (Millions of Yen)	—	—
Profit (loss) for the period used for calculation of basic earnings (loss) per share (Millions of Yen)	10,788	(2,583)
Adjustment		
Share-based payment held by subsidiaries and associates (Millions of Yen)	(0)	(0)
Profit (loss) for the period used for calculation of diluted earnings (loss) per share (Millions of Yen)	10,787	(2,583)
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings (loss) per share and diluted earnings (loss) per share		
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings (loss) per share (Thousands of shares)	281,898	281,896
Effect of dilutive potential ordinary shares (Thousands of shares)	—	—
The weighted average number of ordinary shares outstanding used for the calculation of diluted earnings (loss) per share (Thousands of shares)	281,898	281,896

12. Financial Instruments

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

The breakdown of the carrying amount and fair value of financial instruments as of December 31, 2018 and March 31, 2019 is as follows:

The fair value of financial assets and financial liabilities measured at amortized cost approximates their carrying amount, except for long-term borrowings and bonds payable.

(Millions of Yen)

	FY2018 (As of December 31, 2018)		The first quarter (As of March 31, 2019)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	405,769	404,360	429,399	430,658
Bonds payable	79,746	80,245	79,843	80,688

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

The fair value of long-term borrowings is determined by discounting the total of the principal and interest by the interest rate assumed in a case where the same loan is newly made.

The fair value hierarchy of long-term borrowings is categorized within Level 3.

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

(2) Fair value hierarchy of financial instruments

Financial instruments measured at fair value on a recurring basis after initial recognition are categorized into the three levels of the fair value hierarchy according to observability and significance of input used in measurements. The fair value hierarchy is defined as follows:

Level 1: Fair value measured at the quoted price in the active market

Level 2: Fair value that is measured using the observable price other than categorized in Level 1 directly or indirectly

Level 3: Fair value that is measured based on unobservable inputs

When multiple inputs are used to measure fair value, fair value levels are determined based on the lowest level input that is significant to the entire fair value measurement.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of each quarter.

There are no transfers between Level 1 and Level 2 for the three months ended March 31, 2018 and the three months ended March 31, 2019.

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

Figures in the following table include stock purchase obligations.

FY2018 (As of December 31, 2018)

(Millions of Yen)

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

The first quarter (As of March 31, 2019)

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	12,684	—	12,684
Equity securities	272,730	—	72,076	344,807
Other	525	2,787	13,556	16,869
Total	273,255	15,472	85,633	374,361
Financial liabilities				
Derivative liabilities	—	3,368	—	3,368
Stock purchase obligations	—	—	130,811	130,811
Other (mainly contingent consideration)	—	—	72,218	72,218
Total	—	3,368	203,030	206,398

The fair values of interest rate swap contracts and foreign exchange contracts included in derivative assets and derivative liabilities are categorized within Level 2 as they are valued using price estimates obtained from financial institutions or observable market data.

The fair values of stocks included in equity securities and other (financial assets) for which active markets exist are categorized within Level 1 as they are determined based on market prices. For stocks in which active markets do not exist, the stocks valued using observable market data are categorized within Level 2, while stocks valued based mainly on market approaches (the comparable companies analysis) using unobservable inputs are categorized within Level 3. Significant unobservable inputs mainly include the price/net asset value multiples, and fair value increases (decreases) based on the increase (decrease) of the price/net asset value multiples. The price/net asset value multiples used as of December 31, 2018 and March 31, 2019 are 0.58 and 0.63, respectively.

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

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

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

(Millions of Yen)

Financial assets	Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
Balance at the beginning of the period	32,181	81,110
Other comprehensive income (Note 1)	(178)	1,395
Purchases or acquisitions	1,419	3,348
Sales or settlements	(202)	(20)
Other	(344)	(200)
Balance at the end of the period	32,875	85,633

(Millions of Yen)

Financial liabilities	Three months ended March 31, 2018 (From January 1 to March 31, 2018)	Three months ended March 31, 2019 (From January 1 to March 31, 2019)
Balance at the beginning of the period	167,667	190,083
Profit or loss (Note 2)	1,918	7,216
Purchases	5,035	6,447
Sales or settlements	(2,078)	(2,905)
Other	(7,550)	2,188
Balance at the end of the period	164,993	203,030

(Notes) 1 "Other comprehensive income" is associated with financial assets measured at fair value through other comprehensive income and included in "Net change in financial assets measured at fair value through other comprehensive income."

2 "Profit or loss" is associated with financial liabilities measured at fair value through profit or loss and included in finance income and finance costs. Profit or loss arising from financial instruments held at the end of the quarter amounted to 643 million yen (finance income) and 2,562 million yen (finance costs) for the three months ended March 31, 2018, and 7,216 million yen (finance costs) for the three months ended March 31, 2019.

13. Subsequent Events

No items to report

2. Other Information

(1) Dividends from surplus

The Company resolved at its meeting of the Board of Directors held on February 14, 2019 that year-end dividends shall be paid to the shareholders whose names are recorded in the register of shareholders as of December 31, 2018, in the following manner.

1) Total amount of dividends:	JPY 12,685 million
2) Dividend per share:	JPY 45.00
3) Effective date of the right to collect payment and commencement date of dividend payment:	March 7, 2019

(2) Significant lawsuits, etc.

Although there are pending lawsuits, etc. involving the Group, their impact on the Group's financial position and financial results is deemed to be insignificant.