

**Excerpt from Quarterly Report
(Consolidated Financial Statements)
(January 1 to June 30, 2018)**

Part 4. Financial Section

1. Preparation Method of Condensed Quarterly Consolidated Financial Statements

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

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

2. Audit Certificate

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's condensed quarterly consolidated financial statements for the second quarter ended June 30, 2018 (from April 1 to June 30, 2018) and the condensed consolidated financial statements for the first six months (from January 1 to June 30, 2018) of fiscal year 2018, 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	FY2017 (As of December 31, 2017)	The second quarter (As of June 30, 2018)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		305,760	210,723
Trade and other receivables		1,410,454	1,239,907
Inventories		22,074	26,358
Other financial assets	12	21,934	15,399
Other current assets		74,525	83,790
Subtotal		1,834,749	1,576,179
Non-current assets classified as held for sale		1,835	11
Total current assets		1,836,584	1,576,191
NON-CURRENT ASSETS:			
Property, plant and equipment		196,659	196,272
Goodwill		798,177	775,075
Intangible assets		274,502	252,508
Investment property		37,360	37,229
Investments accounted for using the equity method		56,752	60,036
Other financial assets	12	327,356	392,501
Other non-current assets		15,062	13,368
Deferred tax assets		20,401	21,885
Total non-current assets		1,726,272	1,748,878
TOTAL ASSETS	5	3,562,857	3,325,069

		(Millions of Yen)	
	Notes	FY2017 (As of December 31, 2017)	The second quarter (As of June 30, 2018)
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES:			
Trade and other payables		1,380,875	1,224,791
Borrowings	12	89,325	55,154
Other financial liabilities	12	43,030	53,256
Income tax payables		23,366	19,840
Provisions		2,070	2,034
Other current liabilities		203,091	200,925
Subtotal		1,741,758	1,556,003
Liabilities directly associated with non-current assets classified as held for sale		456	—
Total current liabilities		1,742,215	1,556,003
NON-CURRENT LIABILITIES:			
Borrowings	12	371,187	365,478
Other financial liabilities	12	146,076	145,155
Liability for retirement benefits		19,210	19,659
Provisions		4,983	4,596
Other non-current liabilities		19,497	12,030
Deferred tax liabilities		109,552	103,678
Total non-current liabilities		670,507	650,598
Total liabilities		2,412,722	2,206,602
EQUITY:			
Share capital		74,609	74,609
Share premium account		99,751	99,751
Treasury shares		(40,182)	(40,188)
Other components of equity		231,185	211,126
Retained earnings		727,846	716,862
Total equity attributable to owners of the parent		1,093,211	1,062,161
Non-controlling interests		56,923	56,306
Total equity		1,150,134	1,118,467
TOTAL LIABILITIES AND EQUITY		3,562,857	3,325,069

(2) Condensed Quarterly Consolidated Statement of Income

For the six months ended June 30, 2017 and June 30, 2018

		(Millions of Yen)	
	Notes	Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
Turnover (Note 1)	5	2,464,653	2,588,177
Revenue	5, 7	439,485	481,654
Cost		24,875	35,915
Revenue less cost of sales	5	414,610	445,739
Selling, general and administrative expenses		368,379	404,486
Other income	8	4,327	4,825
Other expenses	9	5,251	5,544
Operating profit		45,307	40,533
Share of results of associates		1,661	1,771
Gain on sale of shares of associates		—	558
Profit before interest and tax		46,969	42,864
Finance income	10	8,718	2,908
Finance costs	10	7,270	22,869
Profit before tax		48,417	22,903
Income tax expense		15,364	8,989
Profit for the period		33,053	13,914
Profit attributable to:			
Owners of the parent		30,712	10,786
Non-controlling interests		2,340	3,128
Earnings per share			
Basic earnings per share (Yen)	11	108.33	38.26
Diluted earnings per share (Yen)	11	108.33	38.26

Reconciliation from operating profit to underlying operating profit

		(Millions of Yen)	
		Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
Operating profit		45,307	40,533
Amortization of intangible assets incurred in acquisitions		16,258	17,516
Other adjusting items (selling, general and administrative expenses)		856	605
Other adjusting items (other income)		(660)	(14)
Other adjusting items (other expenses)		2,592	2,221
Underlying operating profit (Note 2)	5	<u>64,354</u>	<u>60,862</u>

For the second quarter ended June 30, 2017 and June 30, 2018

		(Millions of Yen)	
	Notes	Second quarter ended June 30, 2017 (From April 1 to June 30, 2017)	Second quarter ended June 30, 2018 (From April 1 to June 30, 2018)
Turnover (Note 1)		1,204,360	1,337,338
Revenue		209,672	239,546
Cost		12,322	20,472
Revenue less cost of sales		197,349	219,073
Selling, general and administrative expenses		183,180	200,319
Other income		1,769	1,808
Other expenses		2,750	2,422
Operating profit		13,188	18,139
Share of results of associates		860	854
Gain on sale of shares of associates		—	558
Profit before interest and tax		14,048	19,553
Finance income		9,025	2,291
Finance costs		3,219	17,965
Profit before tax		19,854	3,879
Income tax expense		5,623	2,207
Profit for the period		14,231	1,672
Profit or loss attributable to:			
Owners of the parent		12,769	(1)
Non-controlling interests		1,462	1,674
Earnings or loss per share			
Basic earnings (loss) per share (Yen)	11	45.23	(0.01)
Diluted earnings (loss) per share (Yen)	11	45.23	(0.01)

Reconciliation from operating profit to underlying operating profit

	(Millions of Yen)	
Notes	Second quarter ended June 30, 2017 (From April 1 to June 30, 2017)	Second quarter ended June 30, 2018 (From April 1 to June 30, 2018)
Operating profit	13,188	18,139
Amortization of intangible assets incurred in acquisitions	8,425	8,723
Other adjusting items (selling, general and administrative expenses)	528	259
Other adjusting items (other income)	(1,160)	(10)
Other adjusting items (other expenses)	2,092	1,005
Underlying operating profit (Note 2)	<u>23,073</u>	<u>28,118</u>

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

(3) Condensed Quarterly Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2017 and June 30, 2018

		(Millions of Yen)	
		Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
	Notes		
PROFIT FOR THE PERIOD		33,053	13,914
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	21,378	8,094
Remeasurements of defined benefit plans		33	14
Share of other comprehensive income of investments accounted for using the equity method		98	(13)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
Exchange differences on translation of foreign operations		10,900	(32,962)
Effective portion of the change in the fair value of cash flow hedges		(2,316)	113
Share of other comprehensive income of investments accounted for using the equity method		107	(274)
Other comprehensive income, net of tax		30,201	(25,027)
COMPREHENSIVE INCOME FOR THE PERIOD		63,255	(11,113)
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		61,166	(11,936)
Non-controlling interests		2,089	823

For the second quarter ended June 30, 2017 and June 30, 2018

		(Millions of Yen)	
		Second quarter ended June 30, 2017 (From April 1 to June 30, 2017)	Second quarter ended June 30, 2018 (From April 1 to June 30, 2018)
PROFIT FOR THE PERIOD	Notes	14,231	1,672
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		5,366	15,804
Remeasurements of defined benefit plans		6	(8)
Share of other comprehensive income of investments accounted for using the equity method		83	40
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
Exchange differences on translation of foreign operations		18,649	(18,668)
Effective portion of the change in the fair value of cash flow hedges		350	2,605
Share of other comprehensive income of investments accounted for using the equity method		80	(206)
Other comprehensive income, net of tax		24,538	(432)
COMPREHENSIVE INCOME FOR THE PERIOD		38,769	1,240
COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent		37,204	(30)
Non-controlling interests		1,565	1,271

(4) Condensed Quarterly Consolidated Statement of Changes in Equity

For the six months ended June 30, 2017 (From January 1 to June 30, 2017)

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent					Effective portion of the change in the fair value of cash flow hedges
		Share capital	Share premium account	Treasury shares	Other components of equity		
					Share options	Exchange differences on translation of foreign operations	
As of January 1, 2017		74,609	99,751	(20,168)	48	37,403	7,120
Profit for the period							
Other comprehensive income						11,409	(2,316)
Comprehensive income for the period		–	–	–	–	11,409	(2,316)
Repurchase of treasury shares	6			(20,009)			
Disposal of treasury shares							
Dividends	6						
Transactions with non-controlling interests							
Transfer from other components of equity to retained earnings							
Other changes							
Transactions with owners—total		–	–	(20,009)	–	–	–
As of June 30, 2017		74,609	99,751	(40,178)	48	48,812	4,803

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent						Total equity
		Other components of equity			Retained earnings	Total	Non-controlling interests	
		Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total				
As of January 1, 2017		84,409	(7,634)	121,346	657,203	932,742	49,218	981,961
Profit for the period				–	30,712	30,712	2,340	33,053
Other comprehensive income		21,334	26	30,453		30,453	(251)	30,201
Comprehensive income for the period		21,334	26	30,453	30,712	61,166	2,089	63,255
Repurchase of treasury shares	6			–		(20,009)		(20,009)
Disposal of treasury shares				–		–		–
Dividends	6			–	(12,831)	(12,831)	(2,818)	(15,649)
Transactions with non-controlling interests				–	(4,271)	(4,271)	(899)	(5,171)
Transfer from other components of equity to retained earnings		64		64	(64)	–		–
Other changes				–		–		–
Transactions with owners—total		64	–	64	(17,167)	(37,112)	(3,718)	(40,831)
As of June 30, 2017		105,808	(7,608)	151,864	670,748	956,796	47,589	1,004,385

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

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent					
		Share capital	Share premium account	Treasury shares	Other components of equity		
					Share options	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
As of January 1, 2018		74,609	99,751	(40,182)	48	69,734	6,231
Cumulative effects of changes in accounting policies	3						
Restated balance as of January 1, 2018		74,609	99,751	(40,182)	48	69,734	6,231
Profit for the period							
Other comprehensive income						(31,462)	113
Comprehensive income for the period		–	–	–	–	(31,462)	113
Repurchase of treasury shares				(6)			
Disposal of treasury shares			(0)	0			
Dividends	6						
Transactions with non-controlling interests							
Transfer from other components of equity to retained earnings							
Other changes					(48)		
Transactions with owners—total		–	(0)	(6)	(48)	–	–
As of June 30, 2018		74,609	99,751	(40,188)	–	38,272	6,345

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent						
		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	3,913	231,185	727,846	1,093,211	56,923	1,150,134
Cumulative effects of changes in accounting policies	3			–	(3,850)	(3,850)		(3,850)
Restated balance as of January 1, 2018		151,258	3,913	231,185	723,996	1,089,360	56,923	1,146,284
Profit for the period				–	10,786	10,786	3,128	13,914
Other comprehensive income		8,607	18	(22,722)		(22,722)	(2,305)	(25,027)
Comprehensive income for the period		8,607	18	(22,722)	10,786	(11,936)	823	(11,113)
Repurchase of treasury shares				–		(6)		(6)
Disposal of treasury shares				–		0		0
Dividends	6			–	(12,685)	(12,685)	(2,129)	(14,814)
Transactions with non-controlling interests				–	(2,571)	(2,571)	994	(1,576)
Transfer from other components of equity to retained earnings		2,711		2,711	(2,711)	–		–
Other changes				(48)	48	0	(306)	(306)

(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	2,711	—	2,663	(17,920)	(15,263)	(1,440)	(16,703)
	As of June 30, 2018	162,577	3,931	211,126	716,862	1,062,161	56,306	1,118,467

(5) Condensed Quarterly Consolidated Statement of Cash Flows

	(Millions of Yen)	
	Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
Notes		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	48,417	22,903
ADJUSTMENTS FOR:		
Depreciation and amortization	27,578	29,354
Impairment loss	689	—
Interest and dividend income	(3,298)	(2,593)
Interest expense	5,156	5,887
Share of results of associates	(1,661)	(1,771)
Increase (decrease) in liability for retirement benefits	1,197	740
Other—net	(6,133)	17,139
Cash flows from operating activities before adjusting changes in working capital and others	71,946	71,659
CHANGES IN WORKING CAPITAL:		
(Increase) decrease in trade and other receivables	95,226	121,900
(Increase) decrease in inventories	(5,074)	(4,557)
(Increase) decrease in other current assets	(11,445)	(12,106)
Increase (decrease) in trade and other payables	(77,797)	(113,955)
Increase (decrease) in other current liabilities	(6,543)	(294)
Change in working capital	(5,633)	(9,013)
Subtotal	66,312	62,645
Interest received	881	898
Dividends received	3,208	2,460
Interest paid	(5,217)	(5,608)
Income taxes paid	(35,275)	(21,753)
Net cash flow from operating activities	29,909	38,642

		(Millions of Yen)	
		Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
	Notes		
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment, intangible assets and investment property		(10,149)	(13,742)
Proceeds from sale of property, plant and equipment, intangible assets and investment property		2,056	499
Net cash (paid) received on acquisition of subsidiaries		(30,919)	(17,677)
Net cash (paid) received on disposal of subsidiaries		55	294
Payments for purchases of securities		(11,361)	(54,417)
Proceeds from sales of securities		4,356	2,515
Other—net		(407)	954
Net cash flow from investing activities		(46,370)	(81,573)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term borrowings		(95,255)	18,086
Proceeds from long-term borrowings		150,835	1,598
Repayment of long-term borrowings		(1,360)	(44,297)
Payment for acquisition of interest in a subsidiary from non-controlling interests		(608)	(6,479)
Payments for purchase of treasury shares	6	(20,009)	(6)
Dividends paid	6	(12,831)	(12,685)
Dividends paid to non-controlling interests		(1,877)	(2,289)
Other—net		(538)	3,679
Net cash flow from financing activities		18,354	(42,393)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		196	(9,712)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,089	(95,037)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		242,410	305,760
CASH AND CASH EQUIVALENTS AT END OF PERIOD		244,500	210,723

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 (<http://www.dentsu.co.jp/>).

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

The condensed quarterly consolidated financial statements for the second quarter ended June 30, 2018 were approved by Toshihiro Yamamoto, Representative Director and President & CEO, and Arinobu Soga, Director and Executive Officer, on August 9, 2018.

2. Basis of Preparation

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

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

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

3. Significant Accounting Policies

Significant accounting policies applied to the condensed quarterly consolidated financial statements for the second quarter ended June 30, 2018 are identical to those applied to the consolidated financial statements for the previous fiscal year, with the exception of changes in accounting policies stated below. Meanwhile,

income taxes for the six months ended June 30, 2018 are calculated based on the estimated annual effective tax rate.

(Changes in accounting polices)

(Adoption of IFRS 9 (2014) "Financial Instruments")

The Group has adopted IFRS 9 (2014) "Financial Instruments" from the first quarter ended March 31, 2018. Under IFRS 9, "incurred loss model" used in IAS 39 "Financial Instruments: Recognition and Measurement" was replaced by "expected credit loss model" with regard to the impairment of financial assets. Credit losses are recognized earlier under IFRS 9 than the timing of recognition under IAS 39.

As a result, 5,088 million yen of allowance for doubtful accounts was recognized, and a 3,850 million yen decrease in retained earnings at the beginning of the period as of the commencement date of adoption of IFRS 9 was recognized, in accordance with the transitional arrangements. The effect on the condensed quarterly consolidated statement of income for the six months ended June 30, 2018 is not material.

With regard to the hedge accounting, IAS 39 shall continue to be applied as a provisional measure.

(Adoption of IFRS 15 "Revenue from Contracts with Customers" and others)

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" (published in May 2014) and "Clarifications to IFRS 15" (published in April 2016) (hereinafter, collectively referred to as "IFRS 15") from the first quarter ended March 31, 2018. As a result of the adoption of IFRS 15, revenues are recognized based on the following five-step approach.

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

Step 2: Identify the performance obligation in the contract.

Step 3: Calculate the transaction price.

Step 4: Allocate the transaction price to each performance obligation in the contract.

Step 5: An entity recognizes revenue when a performance obligation is satisfied.

Based on the five-step approach stated above, changes were made for some transactions in the recognition of revenue when a performance obligation is satisfied. As a result, in the condensed quarterly consolidated statement of income for the six months ended June 30, 2018, revenue, revenue less cost of sales, operating profit, and profit before tax increased by 994 million yen each compared to the figures under the former accounting standards. In the condensed quarterly consolidated statement of financial position for the second quarter ended June 30, 2018, trade

and other receivables, trade and other payables, other current assets and other current liabilities decreased by 27,831 million yen, 25,732 million yen, 8,400 million yen and 11,493 million yen, respectively.

The IFRS 15 has been applied retrospectively, and the cumulative effects due to the adoption were recognized on the commencement date of adoption in accordance with the provisional measure; however, the amount of cumulative effect as of the commencement date of adoption of said standards is not material.

In addition to the above changes, with the adoption of IFRS 15, in the case where other concerned parties are involved in providing goods or services to customers, the Group reviewed, under the newly stipulated application guidelines, whether the nature of an entity's promise represents a performance obligation of providing specified goods or services to customers by the entity itself (that is, the entity is the party concerned) or a performance obligation of making arrangements for these goods or services to be provided by the other concerned parties (that is, the entity is an agent). Based on the review, recognition of revenue for some transactions has been changed from "net base" to "gross base." As a result, revenue and cost increased by 10,344 million yen each in the condensed quarterly consolidated statement of income for the six months ended June 30, 2018 when compared to said figures under the former accounting standards.

As a result of the adoption of IFRS 15, basic earnings per share and diluted earnings per share for the six months ended June 30, 2018 increased by 2.14 yen, respectively, when compared to said figures under the former accounting standards.

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

Accounting judgments, estimates and assumptions that may have a material effect

on the amount in the condensed quarterly consolidated financial statements for the second quarter ended June 30, 2018 are identical to those for the consolidated financial statements for the previous fiscal year, except for those included in the following notes.

3. Significant Accounting Policies

10. Finance Income and Finance Costs

5. Segment Information

(1) Description of reportable segments

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

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

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

(2) Information on reportable segments

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

Intersegment revenues are based on the prevailing market price.

Six months ended June 30, 2017 (From January 1 to June 30, 2017)

	(Millions of Yen)				
	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	951,410	1,517,775	2,469,185	(4,532)	2,464,653
Revenue (Note 2)	208,017	236,000	444,018	(4,532)	439,485
Revenue less cost of sales (Note 3)	180,338	234,398	414,737	(126)	414,610
Segment profit (underlying operating profit) (Note 3)	47,568	16,807	64,376	(21)	64,354
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(16,258)
Other adjusting items (selling, general and administrative expenses)	—	—	—	—	(856)
Other adjusting items (other income)	—	—	—	—	660
Other adjusting items (other expenses)	—	—	—	—	(2,592)
Operating profit	—	—	—	—	45,307
Share of results of associates	—	—	—	—	1,661
Finance income	—	—	—	—	8,718
Finance costs	—	—	—	—	7,270
Profit before tax	—	—	—	—	48,417
Segment assets (Note 4)	1,232,325	2,079,294	3,311,620	(149,564)	3,162,055

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

(Millions of Yen)

	Japan business (Note 5)	International business (Note 5)	Total	Reconciliations	Consolidated
Turnover (Note 1)	942,610	1,651,966	2,594,576	(6,399)	2,588,177
Revenue (Note 2)	216,545	271,508	488,053	(6,399)	481,654
Revenue less cost of sales (Note 3)	186,400	259,485	445,885	(146)	445,739
Segment profit (underlying operating profit) (Note 3)	45,539	15,324	60,864	(1)	60,862
(Adjusting items)					
Amortization of intangible assets incurred in acquisitions	—	—	—	—	(17,516)
Other adjusting items (selling, general and administrative expenses)	—	—	—	—	(605)
Other adjusting items (other income)	—	—	—	—	14
Other adjusting items (other expenses)	—	—	—	—	(2,221)
Operating profit	—	—	—	—	40,533
Share of results of associates	—	—	—	—	1,771
Gain on sale of shares of associates	—	—	—	—	558
Finance income	—	—	—	—	2,908
Finance costs	—	—	—	—	22,869
Profit before tax	—	—	—	—	22,903
Segment assets (Note 4)	1,313,448	2,143,075	3,456,524	(131,454)	3,325,069

- (Notes)
1. Turnover represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover information is not required under IFRS; however, it is voluntarily disclosed in the Condensed Quarterly Consolidated Statement of Income since management has concluded that the information is useful for users of the financial statements.
 2. Reconciliations for revenue are due to eliminations of intersegment transactions (same amount as for turnover).
 3. Reconciliations for revenue less cost of sales and segment profit (underlying operating profit) are due to eliminations of intersegment transactions.
 4. Reconciliations for segment assets are due to eliminations of intersegment transactions.
 5. Due to the effects of the adoption of IFRS 15 (See "3. Significant Accounting Policies"), in the six months ended June 30, 2018, revenue, revenue less cost of sales, and segment profit in the Japan business segment increased by 994 million yen each, and revenue from the International business segment increased by 10,344 million yen; however, the resulting effects on profits are not material in the International business segment. Segment assets decreased by 36,231 million yen in the Japan business segment, and the resulting effects on the International business segment are not material.

6. Capital

(1) Dividends

Dividends paid are as follows:

Six months ended June 30, 2017 (From January 1 to June 30, 2017)

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 14, 2017)	Ordinary shares	12,831	45.00	December 31, 2016	March 9, 2017

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

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

Dividends for which the basis date falls within the first six months of each fiscal year and the effective date is after the end of the second quarter of each fiscal year are as follows:

Six months ended June 30, 2017 (From January 1 to June 30, 2017)

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (August 9, 2017)	Ordinary shares	12,685	45.00	June 30, 2017	September 1, 2017

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

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

(2) Purchase of treasury shares

Six months ended June 30, 2017 (From January 1 to June 30, 2017)

The Company conducted a share repurchase by resolution at its meeting of the Board of Directors held on February 14, 2017, pursuant to the Company's Articles of Incorporation in accordance with Article 156 of the Companies Act, as applied by replacing certain terms under the provisions of Article 165, Paragraph 3 of the Act, in the following manner.

- 1) Class of shares repurchased: Common shares of the Company
- 2) Total number of shares repurchased: 3,235,300 shares
- 3) Total repurchase cost: 19,999 million yen
- 4) Repurchase period: February 20, 2017 to May 17, 2017
- 5) Method of repurchase: Open market purchase on the Tokyo Stock Exchange

7. Revenue

Breakdown of revenue recognized from contracts with customers is shown below.
Six months ended June 30, 2018 (From January 1 to June 30, 2018)

(Millions of Yen)

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

8. Other Income

The breakdown of other income is as follows:

(Millions of Yen)

	Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
Profit distributions	2,844	4,099
Gain on sale of property, plant and equipment, intangible assets and investment property	660	4
Other	821	722
Total	4,327	4,825

9. Other Expenses

The breakdown of other expenses is as follows:

(Millions of Yen)

	Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
Amortization of long-term prepaid expenses	1,934	1,998
Foreign exchange losses	185	79
Loss on sale of property, plant and equipment, intangible assets and investment property	17	—
Impairment losses	689	—
Share-based compensation expenses settled in cash	1,473	2,071
Other	951	1,396
Total	5,251	5,544

10. Finance Income and Finance Costs

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

(Millions of Yen)

	Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
Interest income	993	1,120
Dividend income	2,305	1,473
Changes in fair value of contingent consideration	4,981	—
Other	438	315
Total	8,718	2,908

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

(Millions of Yen)

	Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
Interest expense	5,224	5,915
Changes in fair value of contingent consideration	—	1,466
Remeasurements of stock purchase obligations (Note)	1,623	15,307
Foreign exchange losses	279	36
Other	142	143
Total	7,270	22,869

(Note) During the six months ended June 30, 2018, with regard to the stock purchase obligations of certain consolidated subsidiaries, changes were made to the estimates relating to the redemption period of such stock purchase obligations. As a result, finance costs for the six months ended June 30, 2018 increased by 11,303 million yen.

11. Earnings or Loss Per Share

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

	Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
Basic earnings per share (Yen)	108.33	38.26
Diluted earnings per share (Yen)	108.33	38.26

	Second quarter ended June 30, 2017 (From April 1 to June 30, 2017)	Second quarter ended June 30, 2018 (From April 1 to June 30, 2018)
Basic earnings (loss) per share (Yen)	45.23	(0.01)
Diluted earnings (loss) per share (Yen)	45.23	(0.01)

(Note) Due to the effect of the adoption of IFRS 15 (See "3. Significant Accounting Policies"), basic earnings per share and diluted earnings per share for the six months ended June 30, 2018 increased by 2.14 yen respectively, while basic loss per share and diluted loss per share for the second quarter ended June 30, 2018 decreased by 10.45 yen, respectively.

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

	Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
Profit for the period used for calculation of basic earnings per share and diluted earnings per share		
Profit for the period attributable to owners of the parent (Millions of Yen)	30,712	10,786
Amounts not attributable to ordinary equity holders of the parent (Millions of Yen)	—	—
Profit for the period used for calculation of basic earnings per share (Millions of Yen)	30,712	10,786
Adjustment		
Share-based payment held by associates (Millions of Yen)	(0)	(0)
Profit for the period used for calculation of diluted earnings per share (Millions of Yen)	30,712	10,785
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share and diluted earnings per share		
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings per share (Thousands of shares)	283,518	281,898
Effect of dilutive potential ordinary shares (Thousands of shares)	—	—
The weighted average number of ordinary shares outstanding used for the calculation of diluted earnings per share (Thousands of shares)	283,518	281,898

	Second quarter ended June 30, 2017 (From April 1 to June 30, 2017)	Second quarter ended June 30, 2018 (From April 1 to June 30, 2018)
Profit or loss for the period used for calculation of basic earnings or loss per share and diluted earnings or loss per share		
Profit or loss for the period attributable to owners of the parent (Millions of Yen)	12,769	(1)
Amounts not attributable to ordinary equity holders of the parent (Millions of Yen)	—	—
Profit or loss for the period used for calculation of basic earnings or loss per share (Millions of Yen)	12,769	(1)
Adjustment		
Share-based payment held by associates (Millions of Yen)	(0)	(0)
Profit or loss for the period used for calculation of diluted earnings or loss per share (Millions of Yen)	12,768	(2)
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings or loss per share and diluted earnings or loss per share		
Weighted average number of ordinary shares outstanding used for the calculation of basic earnings or loss per share (Thousands of shares)	282,299	281,898
Effect of dilutive potential ordinary shares (Thousands of shares)	—	—
The weighted average number of ordinary shares outstanding used for the calculation of diluted earnings or loss per share (Thousands of shares)	282,299	281,898

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, 2017 and June 30, 2018 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.

(Millions of Yen)

	FY2017 (As of December 31, 2017)		The second quarter (As of June 30, 2018)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	419,099	420,572	368,190	367,785

(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.

(2) Fair value hierarchy of financial instruments

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

- Level 1: Fair value measured at the quoted price in the active market
- Level 2: Fair value that is measured using the observable price other than categorized in Level 1 directly or indirectly
- Level 3: Fair value that is measured based on unobservable inputs

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

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

There are no transfers between Level 1 and Level 2 for the six months ended June 30, 2017 and the six months ended June 30, 2018. Figures in the following table include stock purchase obligations.

FY2017 (As of December 31, 2017)

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	18,886	—	18,886
Equity securities	268,141	—	20,401	288,543
Other	522	2,825	11,780	15,128
Total	268,664	21,712	32,181	322,558
Financial liabilities				
Derivative liabilities	—	3,451	—	3,451
Stock purchase obligations	—	—	105,758	105,758
Other (mainly contingent consideration)	—	—	61,909	61,909
Total	—	3,451	167,667	171,119

The second quarter (As of June 30, 2018)

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	14,481	—	14,481
Equity securities	279,719	—	71,073	350,792
Other	516	2,789	13,031	16,338
Total	280,235	17,270	84,105	381,612
Financial liabilities				
Derivative liabilities	—	3,139	—	3,139
Stock purchase obligations	—	—	110,792	110,792
Other (mainly contingent consideration)	—	—	62,748	62,748
Total	—	3,139	173,540	176,679

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, 2017 and June 30, 2018 are 0.77 and 0.80, respectively.

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

The fair values of assets and liabilities categorized within Level 3 are measured using asset and liability valuation methods determined by the department in charge in

accordance with fair value measurement valuation policies and procedures. Fair value measurement results are approved by the appropriate personnel in charge.

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

(Millions of Yen)

Financial assets	Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
Balance at the beginning of the period	21,652	32,181
Other comprehensive income (Note 1)	467	(2,020)
Purchases or acquisitions	5,196	54,223
Sales or settlements	(128)	(245)
Transfers out of Level 3 (Note 2)	(21)	—
Other	(2)	(33)
Balance at the end of the period	27,164	84,105

(Millions of Yen)

Financial liabilities	Six months ended June 30, 2017 (From January 1 to June 30, 2017)	Six months ended June 30, 2018 (From January 1 to June 30, 2018)
Balance at the beginning of the period	173,589	167,667
Profit or loss (Note 3)	(3,357)	16,774
Purchases	25,726	9,377
Sales or settlements	(4,921)	(14,206)
Other	(446)	(6,072)
Balance at the end of the period	190,589	173,540

- (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 "Transfers out of Level 3" for the six months ended June 30, 2017 are due to investees listed on exchanges.
 - 3 "Profit or loss" is associated with financial liabilities measured at fair value through profit or loss and included in finance income or finance costs. Profit or loss arising from financial instruments held at the end of the quarter amounted to ¥3,357 million (finance income) and ¥16,774 million (finance costs) for the six months ended June 30, 2017 and the six months ended June 30, 2018, respectively.

13. Subsequent Events

The Company resolved at its meeting of the Board of Directors held on August 2, 2018 to transfer the shares of Kakaku.com, Inc., an associate accounted for by the equity method, held by the Company, and concluded a share transfer agreement.

As a result of this sale, the Company expects to report 51.5 billion yen as a gain on sale of shares of associates in its condensed quarterly consolidated statement of income for the third quarter ending September 30, 2018.

As the above resolution and the share transfer occurred after June 30, 2018, assets associated with Kakaku.com, Inc. as of June 30, 2018 have been included in investments accounted for using the equity method.

2. Other Information

(1) Dividends from surplus

With regard to the interim dividend for the fiscal year ending December 31, 2018 (from January 1, 2018 to December 31, 2018), the Company resolved at its meeting of the Board of Directors held on August 9, 2018 that dividends shall be paid to the shareholders whose names are recorded in the last register of shareholders as of June 30, 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:	September 7, 2018

(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.