Summary of Financial Results for the Fiscal Year Ended December 31, 2016

－IFRS Consolidated Results－

Name of Listed Company:	Dentsu Inc.
Code Number:	4324
Stock Exchange Listing:	First Section of the Tokyo Stock Exchange
URL:	http://www.dentsu.com/
Name of Representative:	Shoichi Nakamoto, Representative Director and Senior Executive Vice President & CFO

Scheduled date of Ordinary General Meeting of Shareholders:
March 30, 2017

Scheduled start date of dividend payment:
March 9, 2017

Scheduled date for filing of the Financial Report:
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Supplementary briefing material on annual results:
Available

Annual results briefing for institutional investors and analysts:
Scheduled

Contact: Shusaku Kannan
Corporate Communication Director
Corporate Communications Division
Telephone: (813) 6216-8041
E-mail: s.kannan@dentsu.co.jp

Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2016 [IFRS]

1. Summary of Financial Results for the Fiscal Year Ended December 31, 2016 (from January 1, 2016 to December 31, 2016)

(Figures are rounded down to the nearest one million yen)

(1) Consolidated Financial Results

(Percentages indicate the rate of increase or decrease compared with the previous fiscal year.)

(Millions of yen)

	Revenue		Operating profit		Profit before tax		Profit for the year		Profit attributable to owners of the parent		Total comprehensive income for the year	
Fiscal year ended December 31, 2016	838,359	—	137,681	—	132,918	—	89,345	—	83,501	—	(34,237)	—
Fiscal year ended December 31, 2015	706,469	—	107,265	—	106,043	—	77,704	—	72,653	—	46,340	—

(Yen, except as otherwise stated)

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of the parent	Ratio of profit before tax to total assets
Fiscal year ended December 31, 2016	292.85	292.84	8.3%	4.3%
Fiscal year ended December 31, 2015	254.05	254.03	6.8%	3.4%

(Reference)

Share of results of associates

Fiscal year ended December 31, 2016: 3,362 million yen

Fiscal year ended December 31, 2015: 3,911 million yen

Effective from the fiscal year ended December 31, 2015, the Company has changed its closing date from March 31 to December 31. Consequently, as the duration of the previous fiscal year (April 1, 2015 to December 31, 2015), which is subject to year-on-year comparison, differs from that of the current fiscal year (January 1, 2016 to December 31, 2016), rates of increase or decrease compared with the previous fiscal year are not provided.

Gross profit

Fiscal year ended December 31, 2016: 789,043 million yen; —

Fiscal year ended December 31, 2015: 669,489 million yen; —

Underlying operating profit

Fiscal year ended December 31, 2016: 166,565 million yen; —

Fiscal year ended December 31, 2015: 133,328 million yen; —

Operating margin

Fiscal year ended December 31, 2016: 21.1%

Fiscal year ended December 31, 2015: 19.9%

Underlying net profit attributable to owners of the parent

Fiscal year ended December 31, 2016: 112,972 million yen; —

Fiscal year ended December 31, 2015: 94,368 million yen; —

Underlying basic earnings per share

Fiscal year ended December 31, 2016: 396.20 yen; —

Fiscal year ended December 31, 2015: 329.98 yen; —

For the definition of "Underlying operating profit" and "Underlying net profit attributable to owners of the parent," please refer to "Summary of financial results for the fiscal year ended December 31, 2016" on page 7.

"Operating margin" is underlying operating profit divided by gross profit.

(2) Consolidated Financial Position

(Millions of yen, except as otherwise stated)

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity attributable to owners of the parent per share (Yen)
As of December 31, 2016	3,155,230	981,961	932,742	29.6%	3,271.21
As of December 31, 2015	3,066,075	1,102,743	1,068,216	34.8%	3,746.30

(3) Consolidated Cash Flows

(Millions of yen)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
Fiscal year ended December 31, 2016	143,585	(156,161)	2,539	242,410
Fiscal year ended December 31, 2015	69,554	(61,203)	(95,666)	263,322

2. Dividends

(Yen, except as otherwise stated)

	Cash dividend per share					Total cash dividends for the year (Millions of yen)	Dividend payout ratio (Consolidated)	Ratio of dividend to equity attributable to owners of the parent (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-end	Total			
Fiscal year ended December 31, 2015	—	35.00	—	40.00	75.00	21,385	29.5%	2.0%
Fiscal year ended December 31, 2016	—	40.00	—	45.00	85.00	24,236	29.0%	2.4%
Fiscal year ending December 31, 2017 (forecast)	—	45.00	—	45.00	90.00		29.6%	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2017 (from January 1, 2017 to December 31, 2017)

(Millions of yen, except as otherwise stated)

	Revenue		Operating profit		Profit for the year		Profit attributable to owners of the parent		Basic earnings per share (Yen)
Fiscal year ending December 31, 2017	978,500	16.7%	151,500	10.0%	87,200	(2.4%)	86,600	3.7%	303.71

Gross profit
Fiscal year ending December 31, 2017: 929,500 million yen; 17.8%
Underlying operating profit
Fiscal year ending December 31, 2017: 168,900 million yen; 1.4%
Operating margin
Fiscal year ending December 31, 2017: 18.2%
Underlying net profit attributable to owners of the parent
Fiscal year ending December 31, 2017: 111,800 million yen; (1.0%)
Underlying basic earnings per share
Fiscal year ending December 31, 2017: 392.09 yen; (1.0%)

For the definition of "Underlying operating profit" and "Underlying net profit attributable to owners of the parent," please refer to "Summary of financial results for the fiscal year ended December 31, 2016" on page 7.
"Operating margin" is underlying operating profit divided by gross profit.

Notes

(1) Changes in Significant Consolidated Subsidiaries during the Fiscal Year (change in specified subsidiaries involving changes in the scope of consolidation): None

(2) Changes in Accounting Policies, Changes in Accounting Estimates and Corrections of Errors

a. Changes in accounting policies required by IFRS: None
b. Changes in accounting policies due to other reasons: None
c. Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2016	288,410,000 shares
As of December 31, 2015	288,410,000 shares

b. Number of treasury shares at the end of the period

As of December 31, 2016	3,273,259 shares
As of December 31, 2015	3,270,939 shares

c. Average number of shares during the period

Fiscal year ended December 31, 2016	285,138,134 shares
Fiscal year ended December 31, 2015	285,984,436 shares

(Reference) Summary of Non-consolidated Financial Results

1. Summary of Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2016 (from January 1, 2016 to December 31, 2016)

(1) Non-consolidated Financial Results

(Percentages indicate the rate of increase or decrease compared with the previous fiscal year.)

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended December 31, 2016	1,600,196	—	64,736	—	97,131	—	91,962	—
Fiscal year ended December 31, 2015	1,156,186	—	39,637	—	63,826	—	53,565	—

(Yen)

	Net income per share (Basic)	Net income per share (Diluted)
Fiscal year ended December 31, 2016	322.52	—
Fiscal year ended December 31, 2015	187.30	—

Effective from the fiscal year ended December 31, 2015, the Company has changed its closing date from March 31 to December 31. Consequently, as the duration of the previous fiscal year (April 1, 2015 to December 31, 2015), which is subject to year-on-year comparison, differs from that of the current fiscal year (January 1, 2016 to December 31, 2016), rates of increase or decrease compared with the previous fiscal year are not provided.

(2) Non-consolidated Financial Position

(Millions of yen, except as otherwise stated)

	Total assets	Net assets	Equity ratio	Equity per share (Yen)
As of December 31, 2016	1,673,415	857,206	51.2%	3,006.13
As of December 31, 2015	1,613,950	790,255	49.0%	2,771.30

(Reference)

Equity

As of December 31, 2016: 857,158 million yen

As of December 31, 2015: 790,206 million yen

(Note) Financial figures of the non-consolidated financial results are based on the Generally Accepted Accounting Principles of Japan (hereinafter referred to as "Japanese GAAP").

2. Forecast of Non-consolidated Financial Results for the Fiscal Year Ending December 31, 2017 (from January 1, 2017 to December 31, 2017)

(Percentages indicate the rate of increase or decrease compared with the same period of the previous fiscal year.)

(Millions of yen, except as otherwise stated)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (Yen)
Fiscal year ending December 31, 2017	1,574,800	(1.6%)	59,400	(8.2%)	77,200	(20.5%)	63,100	(31.4%)	221.30

Financial figures of the forecast of non-consolidated financial results are based on Japanese GAAP.

Notes

Presentation regarding execution status of auditing procedures

This summary of consolidated financial results for the fiscal year is not subject to the auditing procedures provided for by the Japanese Financial Instruments and Exchange Law, and the financial statement auditing procedures based on the Law have not been completed at the time of the disclosure of these financial results.

Disclaimer regarding appropriate use of forecasts and related points of note

Since the forecast of financial results has been prepared based on certain conditions which Dentsu believes to be reasonable at this time, actual financial results may be substantially different from the forecast due to various factors. For information relating to the forecasts above, please refer to "Outlook for the fiscal year ending December 31, 2017" on page 8.

1. Financial Results and Financial Position

(1) Financial Results

1) Summary of financial results for the fiscal year ended December 31, 2016

The Japanese economy during the fiscal year 2016 under review continued on a moderate recovery trend from an improvement in the employment and earnings environment, despite signs of weakness in some areas due to the strengthening yen and decline in stock prices since the beginning of the year. Meanwhile, the global economy lacked vigor overall, owing to factors such as issues surrounding Brexit, the UK's exit from the EU, the reignition of financial instability in Europe, and a deceleration in the economies of emerging markets, particularly China, despite the strong US economy.

The growth rate for worldwide advertising expenditure in the 2016 calendar year published in September 2016 by the Company's global media communication agency and subsidiary Carat showed a 4.4% increase over the previous year. By region, Japan showed a 1.8% increase over the previous year, Europe, the Middle East and Africa (hereinafter "EMEA") showed a 3.0% increase, the Americas showed a 5.5% increase, and the Asia Pacific region (excluding Japan; hereinafter "APAC") showed a 4.8% increase.

Under such circumstances, the business results of the Group's Japan business operations during the fiscal year under review (from January 1, 2016 to December 31, 2016) were solid, owing to factors such as an improvement in the gross profit margin at the Company and contributions from domestic group companies, resulting in gross profit of 363,242 million yen (4.3% increase year on year (Note)). Additionally, the gross profit organic growth rate in international business operations showed a 5.7% increase. Positive growth was also achieved in all regions, with growth of 6.9% in EMEA, 3.1% in the Americas, and 7.9% in APAC. Gross profit in international business operations showed an 18.1% increase, excluding the effects of foreign exchange.

As a result, the Group posted 838,359 million yen in revenue (2.4% increase year on year), 789,043 million yen in gross profit (3.5% increase), 166,565 million yen in underlying operating profit (3.8% increase), 137,681 million yen in operating profit (7.4% increase), 112,972 million yen in underlying net profit attributable to owners of the parent (0.4% decrease), and 83,501 million yen in profit for the year attributable to owners of the parent (0.5% increase).

Underlying operating profit is a profit indicator to measure recurring business performance which is calculated as operating profit added with amortization of M&A related intangible assets, acquisition costs and one-off items such as impairment loss and gain/loss on sales of non-current assets.

Underlying net profit is an indicator to measure recurring net profit attributable to owners of the parent which is calculated as net profit (attributable to owners of the parent) added with adjustment items related to operating profit, revaluation of earnout liabilities/M&A related put-option liabilities, tax-related and NCI profit-related and other one-off items.

(Note) The same period of the previous year is the same period (from January 1, 2015 to December 31, 2015) that corresponds to the fiscal year under review (from January 1, 2016 to December 31, 2016). For the same period of the previous year, the period for consolidation for the Company and consolidated subsidiaries with a fiscal year-end in March was from January 1, 2015 to December 31, 2015, and for consolidated subsidiaries with a fiscal year-end in December, the same period, respectively.

Record of Income for Reportable Segments

a. Japan business

Gross profit of 363,242 million yen (4.3% increase year on year) and underlying operating profit of 97,362 million yen (7.7% increase) were posted.

b. International business

As foreign exchange rates shifted to a stronger yen, gross profit increased by a moderate 2.9% year on year to 426,014 million yen. Underlying operating profit of 69,059 million yen (1.6% decrease year on year) was posted.

As to Dentsu's non-consolidated financial results (Japanese GAAP, from January 1, 2016 to December 31, 2016), the Company posted non-consolidated net sales of 1,600,196 million yen (2.6% increase year on year), gross profit of 234,846 million yen (3.6% increase), operating income of 64,736 million yen (15.3% increase), ordinary income of 97,131 million yen (17.3% increase), and net income of 91,962 million yen (51.0% increase).

2) Outlook for the fiscal year ending December 31, 2017

Data compiled by Carat in September 2016 for the 2017 calendar year forecasts that the growth rate of worldwide advertising expenditures will increase 4.0% compared with the 2016 calendar year. By region, Carat forecasts growths of 1.2% in Japan; 2.9% in EMEA; 4.5% in the Americas; and 5.5% in APAC compared with the 2016 calendar year, respectively.

Against this backdrop, for the fiscal year ending December 31, 2017, on a consolidated basis, Dentsu forecasts revenue of 978.5 billion yen, an increase of 16.7% compared with the previous fiscal year; gross profit of 929.5 billion yen, an increase of 17.8%; underlying operating profit of 168.9 billion yen, an increase of 1.4%; operating profit of 151.5 billion yen, an increase of 10.0%; underlying net profit attributable to owners of the parent of 111.8 billion yen, a decrease of 1.0%; and profit for the year attributable to owners of the parent of 86.6 billion yen, an increase of 3.7%.

(2) Financial Position

As of December 31, 2016, total assets and total liabilities increased by 89,155 million yen and 209,937 million yen respectively, and total equity decreased by 120,782 million yen, due to the effects of factors such as business combination.

Cash flow status for the fiscal year under review

As of December 31, 2016, cash and cash equivalents (hereinafter "cash") amounted to 242,410 million yen from the 263,322 million yen posted at the end of the previous fiscal year. As net cash used in investing activities exceeded net cash provided by operating activities and financing activities, cash at the end of the fiscal year under review decreased by 20,911 million yen from the end of the previous fiscal year.

<u>Net cash provided by (used in) operating activities</u>

Net cash provided by operating activities amounted to 143,585 million yen (69,554 million yen provided in the previous fiscal year) primarily due to the posting of profit before tax.

<u>Net cash provided by (used in) investing activities</u>

Net cash used in investing activities amounted to 156,161 million yen (61,203 million yen used in the previous fiscal year) primarily due to purchase of investments in subsidiaries.

Net cash provided by (used in) financing activities

Net cash provided by financing activities amounted to 2,539 million yen (95,666 million yen used in the previous fiscal year) primarily due to net increase in short-term borrowings.

(Reference) Trends in cash flow indicators

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Ratio of equity attributable to owners of the parent to total assets (%)	34.8	29.6
Ratio of equity attributable to owners of the parent to total assets at market value (%)	62.1	49.7
Cash flows/Interest-bearing debt ratio (years)	5.1	2.8
Interest coverage ratio (times)	10.3	18.8

(Notes)

Ratio of equity attributable to owners of the parent to total assets = Total equity attributable to owners of the parent/Total assets

Ratio of equity attributable to owners of the parent to total assets at market value = Aggregate market value/Total assets

Cash flows/Interest-bearing debt ratio = Interest-bearing debts/Operating cash flow

Interest coverage ratio = Operating cash flow/Interest payment

- Each indicator is calculated based on the consolidated financial figures.
- Operating cash flow represents “Net cash flow from operating activities” in the consolidated statement of cash flows (the fiscal year ended December 31, 2015 is from April 1, 2015 to December 31, 2015). Interest-bearing debts refer to all liabilities with obligations to pay interest posted on the consolidated statement of financial position.

2. Management Policy

(1) Basic Management Policies

With the completion of the acquisition of Aegis Group plc (current Dentsu Aegis Network Ltd.) in March 2013, the Dentsu Group has evolved into a truly global network.

In recent years, advancements in technology have been made, and as the behavior of consumers changes drastically, it is now possible for companies to provide unprecedentedly rich brand experience to customers while significantly improving the accuracy and efficiency of marketing activities by organically combining various measures in marketing activities. Under such circumstances, the Group strives to evolve into the world's leading global network to contribute to raising corporate value for every type of client, and formulated the medium-term management plan "Dentsu 2017 and Beyond" which started from the fiscal year ended March 31, 2014.

(2) Targeted Management Indicators

Targets for the fiscal year ending December 31, 2017 were set as follows.

- Organic gross profit growth of 3-5% (5 year CAGR)
- Ratio of gross profit from international (non-Japanese) business of 55% or higher
- Ratio of gross profit from the digital domain of 35% or higher
- Underlying operating margin of 20% or higher

  (Note) Underlying operating margin = Underlying operating profit / gross profit

(3) Tasks to Be Addressed by the Group and Its Management Strategy

Specific issues and measures toward achieving the medium-term management plan are as follows.

1) Diversifying the portfolio on a global basis

The gross profit organic growth rate in international business for the fiscal year under review was 5.7%, achieving a rate higher than competitors in consecutive years. The composition ratio of international business in gross profit was 54% during the fiscal year ended December 31, 2016 and on par with the previous year; however, excluding the effects of foreign exchange, gross profit in the international business was up 18.1%, demonstrating strong progress.

The Group believes reasons for such growth to include growth of its digital network as well as expanded business from existing clients and solid acquisition of new accounts by providing one-stop solutions to meet client needs by cooperating and coordinating, leveraging each group company's unique strengths through the Group's unique "One P&L" business model for international business. Additionally, the Group implemented numerous M&A transactions that will contribute to acquiring resources and strengthening competitiveness required to create future foundations for growth, exemplified by the acquisition of the US-based Merkle Group Inc. during the fiscal year ended December 31, 2016.

Moving forward, the Group will work to globally expand its strengths in the digital sector and the content-business, while making use of M&As to establish and expand a globally competitive global network.

2) Evolution and expansion of the digital sector

Gross profit in the Japanese digital sector grew by 8.6% year on year in the fiscal year ended December 31, 2016.

Overseas, the Group acquired various resources to contribute to growth in the digital sector, centered on large-scale M&A, in the fiscal year under review as well. Due to growth via M&As and internal growth, gross profit of the digital sector in international business grew by 15.7% year on year.

As a result, the share of digital across the entire Group in the fiscal year ended December 31, 2016 successfully reached 35%, the goal for the fiscal year ending December 31, 2017.

As the digital shift of marketing activities at clients accelerates, customer needs in the digital sector for the advertising industry are becoming increasingly varied and sophisticated.

・Programmatic in the media buying sector

・Digital solutions, such as creative and content

・Data analysis to contribute to decision-making in business and consumer engagement strategy

The above examples show that the roles of agencies are undergoing further expansion, and the Group will continue to utilize aggressive M&As and work to improve its capabilities and quality of service.

Additionally, during the previous year, as it was discovered that there were some working projects with questions regarding appropriateness in digital advertising services provided in Japan by the Company and some domestic group companies, the Company made efforts to ascertain and verify facts surrounding the inappropriate operations, seek causes for occurrence, and formulate measures to prevent recurrence under the leadership of an in-house investigation committee which includes external experts (attorneys), while also seeking advice from other external experts (certified fraud examiners and certified public accountants). As one of the measures to prevent recurrence, as of the beginning of September 2016, with the objective of thoroughly preventing human error and inappropriate operations in digital advertising, a framework was introduced in which confirmation operations for ordering, placement and billing for digital advertising is handled by an independent department from the department responsible for said operations. Furthermore, in light of findings from the investigation, various measures to prevent recurrence are in progress, such as business process improvement and increasing the number of personnel in relevant departments, with the intent of eliminating causes for occurrence of inappropriate operations. Although the Company believes that this issue will not materially affect the Company's financial results, it will continue to actively pursue initiatives at its domestic digital advertising operations such as improving operational precision in an effort to realize digital advertising services of higher quality and with higher added value.

3) Re-organizing business processes and improving profitability

In the international businesses, although there were increases in expenses in line with technology investment, etc., as a result of continuous cost controls in the Japan business, the consolidated underlying operating margin for the fiscal year ended December 31, 2016 was 21.1%.

While achieving growth in the top line both in Japan and the international businesses, the Group have achieved the goal of "underlying operating margin of 20% or higher" set forth as one of the target figures in the fiscal year ending December 31, 2017 of the medium-term management plan during the fiscal year ended December 31, 2016. In the Japan business, the Company recognizes the requirement for continuous improvement of business processes regarding issues in the digital realm as described above, and will prepare, promote and execute a roadmap toward realizing continuous business growth in consideration of the above.

4) Further reinforcing the business platform in the Japanese market which is the core competence market

The Group's greatest strength is the strong business platform in Japan, and this has not changed. Toward strengthening competitiveness, the Group has engaged in strengthening specialization via group reorganization, including the Company, in areas of emphasis centered on digital and promotion, while diligently working toward improving profitability. As a result, in the Japan business for the fiscal year under review, positive growth was achieved both in gross profit and underlying operating profit.

In Japan, as behavior of consumers changes rapidly, the effectiveness of online and offline consumer action data is ever increasing, and corporate marketing activities that utilize such information are seeing higher levels of activity. In light of such changes in the environment, the Group will strive to strengthen its structure and advance capabilities in digital solutions including the marketing intelligence domain across the entire Group.

In addition, through cooperation with players in the media and contents sector, measures that aim to create new profit models and improve value in various media types, and adding an additional layer of strength to competitiveness in the mass media business, the Company will work to increase its problem-solving abilities and capability to create profits in a greater number of domains in its efforts to evolve into a "partner" to support the success of clients from a variety of angles.

Additionally, regarding various sports events, etc., the Company provides support for creating marketing plans and sponsor sales. The Company will continue to fulfill its role as the exclusive marketing agency.

As stated above, the Group has steadily executed various measures toward achieving the goals of the medium-term management plan. As a result, from a comprehensive perspective, also given factors such as recent foreign exchange movements, the Company believes that it has achieved overall targets initially planned for the fiscal year ending December 31, 2017, with its business results for the fiscal year ended December 31, 2016.

Meanwhile, uncertainty and fluidity in international affairs has grown significantly higher since the previous year, and the structural reform in the Group's domestic businesses is an urgent issue. As a result, in addition to the current medium-term management plan in progress, the Group believes that the formulation and presentation of a new management plan from a medium-term perspective under a new management structure is imperative and appropriate. To present a new medium-term management plan to stakeholders as soon as possible, the Group will accelerate the formulation process.

The Company was investigated by relevant authorities for issues regarding the labor management, and on December 28, 2016, the Tokyo Labor Bureau filed charges against the Company as a corporate entity and one of the Company's employees under allegations that there were violations of the Labor Standards Act. The Company has considered these facts seriously.

Moving forward, the Company will prioritize "employees" first in its management, and position, in essence, "watching over each and every employee" as the most important issue. The Company reaffirms that an environment in which all employees can work both mentally and physically healthy, and in which they can achieve their own growth through diverse working styles in accordance with diverse values, is the most important aspect of achieving continuous growth of the Company, and recognizes that realizing such a working environment is the Company's responsibility toward society, and advances these working environment reforms.

The Company considers optimizing workloads, reviewing our organizational management approach and systems, and evolving our labor culture as the most pressing issues, and is currently working full strength toward producing results in improving the working environment and eliminating excessive overtime. Centered on the "Working Environment Reforms Commission" launched in November 2016, the Company is promoting thorough compliance with laws and regulations and measures to prevent recurrence. In addition, the Company has established a supervisory committee comprised of external experts to continually evaluate the progress and effectiveness of these efforts, and will disclose related information as appropriate.

Finally, measures are also in place to strengthen CSR activities on a global scale.

The Group is promoting activities with 2020 as the target year in four key areas, including environment, based on the "Dentsu Group Medium-term CSR Strategy 2020" defined in 2015. Such measures have been well-received, and the Company was selected for the first time during the fiscal year under review as an index component of the Dow Jones Sustainability Indices for the Asia Pacific region (DJSI Asia Pacific), a global investment index measuring social responsibility.

Additionally, in June 2016, at the suggestion of UN Secretary-General, in cooperation with five major global advertising groups, the Company declared that it would work toward Sustainable Development Goals (SDGs). This campaign, known as the Common Ground, is beyond competitive business relationships and a revolutionary initiative to approach global social issues.

Moving forward, the Group, as a global leading group in the communications sector, will strengthen appropriate activities and continue to improve its corporate value.

For details on individual activities, see the Dentsu Integrated Report (http://www.dentsu.com/csr).

3. Basic Stance Concerning Choice of Accounting Standards

The Group acquired Aegis Group plc, a large UK-based advertising company, in March 2013. The Group currently has business operations in over 120 countries and territories, achieving steady, continuous growth. Amid such circumstances, with the intent of improving the ability of financial information to be compared in international context in capital markets, in addition to the previous Japanese GAAP, the Group has applied IFRS from the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015).

4. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	263,322	242,410
Trade and other receivables	1,263,317	1,275,044
Inventories	18,724	18,862
Other financial assets	20,945	17,814
Other current assets	46,201	60,621
Subtotal	1,612,510	1,614,753
Non-current assets classified as held for sale	5,513	3,357
Total current assets	1,618,024	1,618,111
NON-CURRENT ASSETS:		
Property, plant and equipment	196,782	193,757
Goodwill	656,862	718,717
Intangible assets	256,991	274,074
Investment property	41,642	37,837
Investments accounted for using the equity method	50,281	55,691
Other financial assets	218,083	224,723
Other non-current assets	11,515	13,183
Deferred tax assets	15,893	19,133
Total non-current assets	1,448,051	1,537,118
TOTAL ASSETS	3,066,075	3,155,230

(Millions of yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
LIABILITIES AND EQUITY		
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	1,207,347	1,230,496
Borrowings	66,805	130,490
Other financial liabilities	44,988	26,781
Income tax payables	11,177	34,248
Provisions	1,819	1,179
Other current liabilities	156,156	176,030
Subtotal	1,488,294	1,599,226
Liabilities directly associated with non-current assets classified as held for sale	307	8
Total current liabilities	1,488,602	1,599,235
NON-CURRENT LIABILITIES		
Borrowings	286,977	273,108
Other financial liabilities	72,735	166,216
Liability for retirement benefits	30,557	31,377
Provisions	3,096	4,295
Other non-current liabilities	11,350	20,141
Deferred tax liabilities	70,011	78,893
Total non-current liabilities	474,729	574,033
Total liabilities	1,963,331	2,173,269
EQUITY		
Share capital	74,609	74,609
Share premium account	99,751	99,751
Treasury shares	(20,155)	(20,168)
Other components of equity	261,039	121,346
Retained earnings	652,972	657,203
Total equity attributable to owners of the parent	1,068,216	932,742
Non-controlling interests	34,526	49,218
Total equity	1,102,743	981,961
TOTAL LIABILITIES AND EQUITY	3,066,075	3,155,230

(2) Consolidated Statement of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY2015 (Year ended December 31, 2015)	FY2016 (Year ended December 31, 2016)
Turnover (Note 1)	4,513,955	4,924,933
Revenue	706,469	838,359
Cost	36,979	49,316
Gross profit	669,489	789,043
Selling, general and administrative expenses	566,487	659,885
Other income	13,030	16,588
Other expenses	8,766	8,063
Operating profit	107,265	137,681
Share of results of associates	3,911	3,362
Profit before interest and tax	111,177	141,044
Finance income	4,926	5,104
Finance costs	10,059	13,230
Profit before tax	106,043	132,918
Income tax expense	28,339	43,572
Profit for the year	77,704	89,345
Profit attributable to:		
Owners of the parent	72,653	83,501
Non-controlling interests	5,051	5,844
Earnings per share		
Basic earnings per share (Yen)	254.05	292.85
Diluted earnings per share (Yen)	254.03	292.84

Reconciliation from operating profit to underlying operating profit

(Millions of yen)

	FY2015 (Year ended December 31, 2015)	FY2016 (Year ended December 31, 2016)
Operating profit	107,265	137,681
Amortization of intangible assets incurred from acquisitions	22,798	24,506
Other adjusting items (selling, general and administrative expenses)	2,454	8,762
Other adjusting items (Other income)	(4,565)	(7,522)
Other adjusting items (Other expenses)	5,376	3,137
Underlying operating profit (Note 2)	133,328	166,565

(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 Consolidated Statement of Income since management has concluded the information is useful for users of financial statements.

2 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 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.

Consolidated Statement of Comprehensive Income

	FY2015 (Year ended December 31, 2015)	FY2016 (Year ended December 31, 2016)
		(Millions of yen)
PROFIT FOR THE YEAR	77,704	89,345
OTHER COMPREHENSIVE INCOME		
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		
Net change in financial assets designated as fair value through other comprehensive income	3,354	17,571
Remeasurements of defined benefit plans	2,849	(3,655)
Share of other comprehensive income of investments accounted for using the equity method	411	(454)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:		
Exchange differences on translation of foreign operations	(35,439)	(133,674)
Effective portion of the change in the fair value of cash flow hedges	(1,950)	(3,101)
Share of other comprehensive income of investments accounted for using the equity method	(589)	(268)
Other comprehensive income, net of tax	(31,363)	(123,582)
COMPREHENSIVE INCOME FOR THE YEAR	46,340	(34,237)
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:		
Owners of the parent	42,077	(39,851)
Non-controlling interests	4,263	5,614

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Total equity attributable to owners of the parent					
				Other components of equity		
	Share capital	Share premium account	Treasury shares	Share options	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
As of April 1, 2015	74,609	99,906	(131)	48	205,902	12,131
Profit for the year						
Other comprehensive income					(34,769)	(1,909)
Comprehensive income for the year	—	—	—	—	(34,769)	(1,909)
Repurchase of treasury shares		(154)	(20,024)			
Dividends						
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control						
Transfer from other components of equity to retained earnings						
Other changes						
Transactions with owners—total	—	(154)	(20,024)	—	—	—
As of December 31, 2015	74,609	99,751	(20,155)	48	171,132	10,222
Profit for the year						
Other comprehensive income					(133,729)	(3,101)
Comprehensive income for the year	—	—	—	—	(133,729)	(3,101)
Repurchase of treasury shares			(13)			
Disposal of treasury shares		(0)	0			
Dividends						
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control						
Transfer from other components of equity to retained earnings						
Other changes				(0)		
Transactions with owners—total	—	(0)	(12)	(0)	—	—
As of December 31, 2016	74,609	99,751	(20,168)	48	37,403	7,120

(Millions of yen)

	Total equity attributable to owners of the parent						
	Other components of equity						
	Net change in financial assets designated as fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of April 1, 2015	81,382	(6,813)	292,652	613,327	1,080,364	30,699	1,111,063
Profit for the year			—	72,653	72,653	5,051	77,704
Other comprehensive income	3,293	2,809	(30,576)		(30,576)	(787)	(31,363)
Comprehensive income for the year	3,293	2,809	(30,576)	72,653	42,077	4,263	46,340
Repurchase of treasury shares			—		(20,179)		(20,179)
Dividends			—	(20,072)	(20,072)	(3,164)	(23,236)
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			—	(13,972)	(13,972)	2,743	(11,229)
Transfer from other components of equity to retained earnings	(1,037)		(1,037)	1,037	—		—
Other changes			—		—	(15)	(15)
Transactions with owners－total	(1,037)	—	(1,037)	(33,008)	(54,224)	(436)	(54,660)
As of December 31, 2015	83,639	(4,003)	261,039	652,972	1,068,216	34,526	1,102,743
Profit for the year			—	83,501	83,501	5,844	89,345
Other comprehensive income	17,109	(3,630)	(123,352)		(123,352)	(229)	(123,582)
Comprehensive income for the year	17,109	(3,630)	(123,352)	83,501	(39,851)	5,614	(34,237)
Repurchase of treasury shares			—		(13)		(13)
Disposal of treasury shares			—		0		0
Dividends			—	(22,811)	(22,811)	(4,581)	(27,392)
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control			—	(72,798)	(72,798)	13,658	(59,139)
Transfer from other components of equity to retained earnings	(16,339)		(16,339)	16,339	—		—
Other changes			(0)		(0)		(0)
Transactions with owners－total	(16,339)	—	(16,339)	(79,270)	(95,622)	9,077	(86,545)
As of December 31, 2016	84,409	(7,634)	121,346	657,203	932,742	49,218	981,961

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2015 (Year ended December 31, 2015)	FY2016 (Year ended December 31, 2016)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	106,043	132,918
ADJUSTMENTS FOR:		
Depreciation and amortization	41,453	45,860
Impairment loss	2,489	522
Interest and dividend income	(4,136)	(4,326)
Interest expense	6,840	7,491
Share of results of associates	(3,911)	(3,362)
Increase (decrease) in liability for retirement benefits	1,670	(3,055)
Other—net	1,838	2,481
Cash flows from operating activities before adjusting changes in working capital and others	152,288	178,528
CHANGES IN WORKING CAPITAL:		
(Increase) decrease in trade and other receivables	(73,141)	(49,992)
(Increase) decrease in inventories	7,367	649
(Increase) decrease in other current assets	(4,179)	(19)
Increase (decrease) in trade and other payables	28,483	41,035
Increase (decrease) in other current liabilities	4,578	13,175
Change in working capital	(36,891)	4,847
Subtotal	115,396	183,376
Interest received	2,044	1,776
Dividends received	5,722	5,137
Interest paid	(6,781)	(7,623)
Income taxes paid	(46,828)	(39,080)
Net cash flow from operating activities	69,554	143,585

	FY2015 (Year ended December 31, 2015)	FY2016 (Year ended December 31, 2016)
		(Millions yen)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of property, plant and equipment, intangible assets and investment property (Note)	(19,652)	(22,234)
Proceeds from sale of property, plant and equipment, intangible assets and investment property (Note)	869	12,006
Net cash (paid) received on acquisition of subsidiaries	(41,996)	(170,419)
Net cash (paid) received on disposal of subsidiaries	25	121
Payments for purchases of securities	(6,755)	(13,610)
Proceeds from sales of securities	9,469	40,430
Other—net	(3,163)	(2,456)
Net cash flow from investing activities	(61,203)	(156,161)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in short-term borrowings	(12,949)	99,683
Proceeds from long-term borrowings	91	28,511
Repayment of long-term borrowings	(29,246)	(89,257)
Repayments of bonds	(11,936)	—
Payment for acquisition of interest in a subsidiary from non-controlling interests	(2,735)	(6,093)
Proceeds from sales of interest in a subsidiary to non-controlling interests	2,952	—
Payments for purchase of treasury shares	(20,024)	(13)
Dividends paid	(20,072)	(22,811)
Dividends paid to non-controlling interests	(2,917)	(4,121)
Other—net	1,171	(3,359)
Net cash flow from financing activities	(95,666)	2,539
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(14,741)	(10,874)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(102,057)	(20,911)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	365,379	263,322
CASH AND CASH EQUIVALENTS AT END OF PERIOD	263,322	242,410

(5) Notes on the Consolidated Financial Statements

(Notes on Premise of Going Concern)

No items to report

(Change in Fiscal Year End)

Effective from the previous fiscal year, the Company and its subsidiaries with fiscal year ends other than December 31 changed their fiscal year ends to December 31 in order to enhance and improve the efficiency of the account closing and management system on a Group-wide basis by unifying the fiscal year end with the Group's overseas consolidated subsidiaries.

As a result of this change of fiscal year end from March 31 to December 31, the previous fiscal year was the nine-month period from April 1, 2015 to December 31, 2015.

The fiscal year end date of Dentsu Aegis Network Ltd. and its subsidiaries under control (hereinafter, collectively "Dentsu Aegis Network"), which operate the Group's international advertising business, continues to be December 31 as before, hence the Group consolidates financial results of Dentsu Aegis Network for the twelve-month period from January 1, 2015 to December 31, 2015 into the consolidated financial results for the nine-month period ended December 31, 2015.

If the previous fiscal year had been the twelve-month period from January 1, 2015 to December 31, 2015, revenue, gross profit, operating profit, underlying operating profit and profit attributable to owners of the parent in the consolidated statement of income for the period would have been 818,566 million yen, 761,996 million yen, 128,212 million yen, 160,438 million yen, and 83,090 million yen, respectively.

(Segment and Other Information)

<Segment Information>

1. Description of reportable segments

The Group’s reportable segments are those for which discrete financial information is available and the Board of Directors conducts regular reviews to make decisions about resources to be allocated and assess its 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: its 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 from acquisitions” and “Other adjusting items” adjusted.

Intersegment revenues are based on the prevailing market price.

FY2015: Year ended December 31, 2015

(Millions of yen)

	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	1,369,732	3,156,328	4,526,061	(12,105)	4,513,955
Revenue (Note 2)	302,237	416,337	718,574	(12,105)	706,469
Gross profit (Note 3)	255,746	414,066	669,812	(323)	669,489
Segment profit (underlying operating profit) (Note 3)	63,293	70,156	133,450	(121)	133,328
(Adjusting items)					
Amortization of intangible assets incurred from acquisitions	—	—	—	—	(22,798)
Other adjusting items (selling, general and administrative expenses) (Note 5)	—	—	—	—	(2,454)
Other adjusting items (Other income) (Note 5)	—	—	—	—	4,565
Other adjusting items (Other expenses) (Note 5)	—	—	—	—	(5,376)
Operating profit	—	—	—	—	107,265
Share of results of associates	—	—	—	—	3,911
Finance income	—	—	—	—	4,926
Finance costs	—	—	—	—	10,059
Profit before tax	—	—	—	—	106,043
(Other income and expense items)					
Depreciation and amortization (excluding amortization of intangible assets incurred from acquisitions)	8,951	9,702	18,654	—	18,654
Segment assets (Note 4)	1,212,941	1,957,884	3,170,825	(104,749)	3,066,075
(Other asset items)					
Investments accounted for using the equity method	46,819	3,461	50,281	—	50,281
Capital expenditures	4,136	15,516	19,652	—	19,652

FY2016: Year ended December 31, 2016

(Millions of yen)

	Japan business	International business	Total	Reconciliations	Consolidated
Turnover (Note 1)	1,890,445	3,046,532	4,936,977	(12,044)	4,924,933
Revenue (Note 2)	420,387	430,016	850,404	(12,044)	838,359
Gross profit (Note 3)	363,242	426,014	789,257	(213)	789,043
Segment profit (underlying operating profit) (Note 3)	97,362	69,059	166,421	143	166,565
(Adjusting items)					
Amortization of intangible assets incurred from acquisitions	—	—	—	—	(24,506)
Other adjusting items (selling, general and administrative expenses) (Note 5)	—	—	—	—	(8,762)
Other adjusting items (Other income) (Note 5)	—	—	—	—	7,522
Other adjusting items (Other expenses) (Note 5)	—	—	—	—	(3,137)
Operating profit	—	—	—	—	137,681
Share of results of associates	—	—	—	—	3,362
Finance income	—	—	—	—	5,104
Finance costs	—	—	—	—	13,230
Profit before tax	—	—	—	—	132,918
(Other income and expense items)					
Depreciation and amortization (excluding amortization of intangible assets incurred from acquisitions)	10,805	10,547	21,353	—	21,353
Segment assets (Note 4)	1,224,733	2,083,491	3,308,224	(152,993)	3,155,230
(Other asset items)					
Investments accounted for using the equity method	53,879	1,812	55,691	—	55,691
Capital expenditures	7,081	15,152	22,234	—	22,234

(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 Consolidated Statement of Income since management has concluded the information is useful for users of financial statements.
2. Reconciliations for revenue are due to eliminations of intersegment transactions.
3. Reconciliations for gross profit 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. The breakdown of “Other adjusting items (selling, general and administrative expenses),” “Other adjusting items (other income)” and “Other adjusting items (other expenses)” are as follows:

(Millions of yen)

	FY2015 (Year ended December 31, 2015)	FY2016 (Year ended December 31, 2016)
Other adjusting items (selling, general and administrative expenses)		
Early retirement benefits	813	5,183
Costs associated with merger and acquisitions	1,610	3,579
Other	29	0
Total	2,454	8,762
Other adjusting items (Other income)		
Gain on sale of property, plant and equipment, intangible assets and investment property	700	6,506
Gain on sale of subsidiaries and associates shares	954	664
Other	2,910	351
Total	4,565	7,522
Other adjusting items (Other expenses)		
Loss on sale of property, plant and equipment, intangible assets and investment property	50	130
Impairment loss	2,489	522
Other	2,836	2,483
Total	5,376	3,137

Impairment loss by segment is 46 million yen (Japan business) and 2,442 million yen (International business) for the year ended December 31, 2015 and 216 million yen (Japan business) and 306 million yen (International business) for the fiscal year under review.

3. Information by Product and Service

"Advertising" refers to business activities related to the development and execution of advertising via a wide range of media including newspapers, magazines, radio, television, the Internet, sales promotions, movies, outdoor, transit and all other media plus strategy planning, creative, marketing, PR, content and other services. "Information Services" refers to business activities related to the provision of information services and sales of information-related merchandise and others. "Other Business" refers to business activities related to the leasing of office space, building maintenance services, accounting and other services.

Revenue from clients outside the Group for each of the products and services is as follows:

(Millions of yen)

	FY2015 (Year ended December 31, 2015)	FY2016 (Year ended December 31, 2016)
Advertising	655,161	767,867
Information Services	47,099	66,443
Other Business	4,208	4,048
Total	706,469	838,359

4. Information by region for non-current assets (Property, Plant and Equipment, Goodwill, Intangible Assets and Investment Property)

(Millions of yen)

	FY2015 (As of December 31, 2015)	FY2016 (As of December 31, 2016)
Japan	226,159	213,617
International (mainly the United Kingdom)	926,119	1,010,768
Total	1,152,278	1,224,386

(Note) Non-current assets are allocated according to the location of each Group entity.

5. Information by major client

Information is omitted since none of the clients outside the Group contribute 10% or more to the Group's revenue included in the Consolidated Statement of Income.

(Business Combinations)

Fiscal year ended December 31, 2016 (from January 1 to December 31, 2016)

Acquisition of Merkle Group Inc.

(1) Outline of the business combination

1) Name of acquired company: Merkle Group Inc.

2) Line of business: advertising and marketing business

3) Reason for the business combination:

Merkle Group Inc. (hereinafter referred to as “Merkle”) is a leading independent firm specializing in the provision of data-driven and technology-enabled marketing solutions, based in the U.S., and offers services to clients who pursue enhancement of customer engagement, strengthening of competitiveness and maximization of marketing return on investment (ROI). The Company has determined Merkle’s scale of business and capability would help Dentsu Aegis Network Ltd. significantly strengthen its competitiveness and ability to propose solutions to clients in the business fields of strategic consulting, data analytics, CRM and customer experience.

4) Date of the business combination: September 1, 2016

5) Percentage of voting equity interests acquired: 68.3%

(Note) The remaining stake may be acquired partially or wholly.

6) Legal form of the business combination: share acquisition by cash

(2) Period for which the operating results of the business acquired are included in the consolidated statements of income

The operating results from September 1 to December 31, 2016 were included.

(3) Acquisition cost of the acquired business and the breakdown thereof

Acquisition cost of the acquired business: 101,218 million yen

Breakdown of the acquisition cost:

Consideration (cash) for shares 101,218 million yen

(4) Acquisition-related costs and the line item

The amount of acquisition-related costs incurred in said business combination was 1,526 million yen, recognized in "selling, general and administrative expenses" in the consolidated statement of income.

(5) Fair values of assets and liabilities, consideration paid, non-controlling interests, and goodwill at the date of the business combination

(Millions of Yen)

	Date of acquisition of control (September 1, 2016)
Current assets *1	22,092
Non-current assets	63,288
Total assets	85,380
Current liabilities	18,723
Non-current liabilities	53,133
Total liabilities	71,856
Fair value of identifiable net assets	13,523
Consideration paid	101,218
Non-controlling interests *2	11,778
Goodwill *3	99,472

*1 Cash and cash equivalents of 2,986 million yen were included. In addition, fair values of acquired trade and other receivables were 16,730 million yen, the gross contractual amounts receivable was 16,889 million yen, while the amount not expected to be collected is 158 million yen.

*2 Non-controlling interests were measured by multiplying the fair values of identifiable net assets of the acquired company at the date of acquisition of control, excluding the portion individually attributable to non-controlling shareholders, by the shareholding ratio after the business combination.

*3 Goodwill reflected the expected future excess earning power. The total amount of goodwill that is expected to be deductible for tax purposes is 3,315 million yen.

(6) Amount allocated to intangible assets other than goodwill, the breakdown and amortization period

(Millions of Yen)

Type	Amount	Amortization period (year)
Brand	24,911	15
Relationship with clients	22,465	10
Others	11,505	6 to 7
Total	58,882	

(7) Impact of the business combination on cash flows

Payment of acquisition costs: (101,218) million yen

Cash and cash equivalents accepted at the date of the business combination: 2,986 million yen

Payment for share acquisition: (98,231) million yen

(8) Revenue and profit of the acquired business

Revenue and profit of Merkle for the period after the date of acquisition of control included in the consolidated statement of income are 23,588 million yen and 195 million yen, respectively.

(Pro forma information)

Assuming that the business combination was executed at the beginning of the current fiscal year, revenue and loss included in the consolidated statement of income for the year ended December 31, 2016 would be 62,722 million yen and (2,124) million yen, respectively.

This pro forma information has not received audit certification. Furthermore, the information herein does not necessarily indicate possible future events, nor reflect the operating results of the Group should the actual equity investment have occurred as of the beginning of the fiscal year under review.

(Per Share Information)

1. Basic earnings per share and diluted earnings per share

	FY2015 (Year ended December 31, 2015)	FY2016 (Year ended December 31, 2016)
Basic earnings per share (Yen)	254.05	292.85
Diluted earnings per share (Yen)	254.03	292.84

2. Basic earnings per share and diluted earnings per share

	FY2015 (Year ended December 31, 2015)	FY2016 (Year ended December 31, 2016)
Profit for the year used for calculation of basic earnings per share and diluted earnings per share		
Profit for the year attributable to owners of the parent (Millions of yen)	72,653	83,501
Amounts not attributable to ordinary equity holders (Millions of yen)	—	—
Profit for the year used for calculation of basic earnings per share (Millions of yen)	72,653	83,501
Adjustment		
Share-based payment held by associates (Millions of yen)	(5)	(2)
Profit for the year used for calculation of diluted earnings per share (Millions of yen)	72,647	83,499
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)	285,984	285,138
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)	285,984	285,138

(Significant Subsequent Events)

Purchase of treasury shares

The Company resolved at the Board of Directors' meeting held on February 14, 2017 to authorize a share repurchase 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.

(1) Reason for the repurchase of treasury shares

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

(2) Details of matters related to the repurchase

1) Class of shares to be repurchased:	Common shares of the Company
2) Total number of shares to be repurchased:	5,000,000 shares (maximum)
3) Total repurchase cost:	20 billion yen (maximum)
4) Repurchase Period:	February 20, 2017 to May 31, 2017
5) Method of repurchase:	Open market purchase on the Tokyo Stock Exchange