Date of commencement of measures for electronic provision: March 9, 2023

Other Items Provided Electronically for the Notice of Convocation of the 174th Ordinary General Meeting of Shareholders (Items Omitted from the Paper Copy)

Dentsu Group Inc.

II Shares and Subscription Rights to Shares

1. Items Related to Shares

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

(2) Types of issued shares and total number of shares Common shares **270,165,354** shares
(Of which treasury shares **4,748,379** shares)

(3) Number of shareholders **36,196** persons

(4) Major Shareholders (Top 10)

Shareholder	No. of Shares Held	Percentage of Total Shares Issued
	(Shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust accounts)	**53,609,400**	**20.20**
Kyodo News	**18,988,800**	**7.15**
Jiji Press, Ltd.	**16,028,680**	**6.04**
Custody Bank of Japan, Ltd. (Trust accounts)	**10,408,700**	**3.92**
SMBC Nikko Securities Inc.	**8,330,600**	**3.14**
Group Employees' Stockholding Association	**5,314,052**	**2.00**
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	**5,277,400**	**1.99**
Yoshida Hideo Memorial Foundation	**4,984,808**	**1.88**
Recruit Holdings Co., Ltd.	**4,929,900**	**1.86**
Tokyo Broadcasting System Television, Inc.	**4,000,000**	**1.51**

(Notes) 1. The number of shares held by each trust bank includes shares related to trust services.
2. The Company holds 4,748,379 treasury shares but is excluded from the major shareholders listed above.
3. The Percentage of Total Shares Issued is calculated excluding treasury shares.

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

	Type and No. of Shares	No. of Recipients
Directors (excluding Directors who are members of the Audit and Supervisory Committee and Outside Directors)	Ordinary shares 4,300 shares	5

(Notes) 1. In accordance with the Company's performance-based stock compensation (medium- to long-term bonus) system, the Company issued the shares above to persons who concurrently served as Executive Officer and Director who is not a member of the Audit and Supervisory Committee in fiscal 2019 during the fiscal year as compensation for duties as an Executive Officer during the same fiscal year, as outlined in III. 2. (2) 2) d. "Performance-based stock compensation (medium- and long-term bonus)".
2. The above includes grants to 3 retired directors who are not members of the Audit and Supervisory Committee.

(6) Other Important Items Related to Shares

(i) At the meeting of the Board of Directors on February 14, 2022, the Company resolved to conduct a share repurchase of its common stock via an open market purchase on the Tokyo Stock Exchange with a maximum repurchase of 20 million shares and a maximum repurchase cost of 40 billion yen, from the period between February 15, 2022, to December 23, 2022, and conducted the share repurchase as follows.

a. Repurchase Period: From February 15, 2022, to September 1, 2022 (transaction date basis)

b. Total Number of Shares Repurchased: 8,989,700 shares

c. Total Repurchase Price: 39,999,847,503 yen

(ii) At the meeting of the Board of Directors on November 14, 2022, the Company resolved to cancel treasury shares based on Article 178 of the Companies Act, and cancelled the shares as follows.

a. Class of Shares Cancelled: Common shares of the Company

b. Total Number of Shares Cancelled: 18,244,646 shares (equivalent to 6.33% of the total number of issued shares prior to the cancellation)

c. Date of Cancellation: November 30, 2022

(iii) At the meeting of the Board of Directors on November 14, 2022, the Company resolved to dispose of treasury shares through third-party allotment under the operation of the performance-based stock compensation plans of the Company and its subsidiaries Dentsu Inc. and Dentsu Corporate One Inc., and executed the disposition as follows.

1) Disposal Date: November 30, 2022

2) Class and Number of Shares Disposed of: 700,000 common shares

3) Disposition Value: 4,610 yen per share

4) Total Disposition Value: 3,227,000,000 yen

5) Recipient of the Disposition: The Master Trust Bank of Japan, Ltd. (trust account E)

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

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

No items to report.

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

No items to report.

(3) Other important items regarding subscription rights to shares

No items to report.

III Items Related to the Company Executives

6. Situation of Important Concurrent Posts

Name	Organization of Concurrent Post	Position
Directors who are not members of the Audit and Supervisory Committee		
Hiroshi Igarashi	Dentsu International Limited	Non-Executive Chairman of the Board
Arinobu Soga	Dentsu International Limited	Non-Executive Director
	CARTA HOLDINGS, INC.	Corporate Auditor
Nick Priday	Dentsu International Limited	Executive Director, CFO
Wendy Clark	Dentsu International Limited	Executive Director, Global CEO
Norihiro Kuretani	Dentsu Inc.	Representative Director, President and CEO
Directors who are members of the Audit and Supervisory Committee		
Gan Matsui	Yaesu Sogo Law Office	Attorney
	Orient Corporation	Outside Director (Member of the Audit and Supervisory Committee)
	Nagase & Co., Ltd.	Outside Corporate Auditor
	Totetsu Kogyo Co.	Outside Corporate Auditor
	Globeride, Inc.	Outside Director, member of the audit and supervisory committee
Paul Candland	YAMAHA CORPORATION	Outside Director
Andrew House	Viaplay Group AB	Non-Executive Director
	Nissan Motor CO., Ltd.	Outside director
Mihoko Sogabe	Sogabe Certified Public Accountant Office	Representative
	Mitsui DM Sugar Holdings Co., Ltd.	Outside director (Audit and Supervisory Committee member)

(Notes)

1. The above chart shows the situation of concurrent posts as of December 31,2022.
2. There are no items to report for Director who is not a member of the Audit and Supervisory Committee Takahashi Yuko, Director who is a member of the Audit and Supervisory Committee Izumi Okoshi, and Director who is a member of the Audit and Supervisory Committee Keiichi Sagawa.
3. Director who is not a member of the Audit and Supervisory Committee Timothy Andree resigned as Executive Chairman of Dentsu International Limited, a wholly-owned subsidiary of the Company that controls the Group's overseas business operations, on February 18, 2022.
4. Director who is not a member of the Audit and Supervisory Committee Hiroshi Igarashi resigned as Representative Director of Dentsu Inc., an important subsidiary of the Company, on March 30, 2022. He served as a Non-Executive Director of Dentsu International Limited, a wholly-owned subsidiary of the Company that controls the Group's overseas business operations, and was appointed Non-Executive Chairman of the Board of that company on February 18, 2022.
5. Director who is not a member of the Audit and Supervisory Committee Arinobu Soga will resign as Corporate Auditor of CARTA HOLDINGS, an important subsidiary of the Company, on March 25, 2023.
6. Director who is not a member of the Audit and Supervisory Committee Wendy Clark resigned as Executive Director, Global CEO of Dentsu International Limited, a wholly-owned subsidiary of the Company that controls the Group's overseas business operations, on December 31, 2022.
7. Director who is not a member of the Audit and Supervisory Committee Norihiro Kuretani was appointed Director, President and CEO of Dentsu Inc. on January 1, 2022, and Representative Director, President and CEO of that company on March 30, 2022.
8. Director who is a member of the Audit and Supervisory Committee Gan Matsui served as Outside Corporate Auditor of Orient Corporation, and was appointed Outside Director (Member of the Audit and Supervisory Committee) of that company on June 24, 2022, following the company's transition to a company with an audit committee, etc.
9. Director who is a member of the Audit and Supervisory Committee Paul Candland resigned as CEO of Age of Learning Japan, Inc. and CEO of Age of Learning, Inc. on April 25, 2022.

7. Items Related to Outside Directors

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

Category / Name	Meetings attended	Remarks and Overview of Duties Performed Related to the Roles Expected of an Outside Director
Outside Director Gan Matsui	Board of Directors: 15 out of 15 Audit and Supervisory Committee: 10 out of 10	Actively provided advice and suggestions, especially regarding issues such as strengthening Group compliance and governance systems and raising awareness of crisis management from his many years of expertise as a prosecutor and his expert insight as an attorney.
Outside Director Paul Candland	Board of Directors: 11 out of 11 Audit and Supervisory Committee: 10 out of 10	Actively provided advice and suggestions, especially regarding issues such as business operations based on global economic trends and strengthening competitiveness from the perspective of global management, utilizing his abundant experience and extensive insight in corporate management.
Outside Director Andrew House	Board of Directors: 11 out of 11 Audit and Supervisory Committee: 10 out of 10	Actively provided useful advice and suggestions from a variety of perspectives, especially regarding issues such as Group governance and business operations, based on examples for global management, utilizing his abundant experience and extensive insight as a manager at global companies.
Outside Director Keiichi Sagawa	Board of Directors: 11 out of 11 Audit and Supervisory Committee: 10 out of 10	Actively provided accurate advice and suggestions, contributing especially to enhancing management governance, the promotion of business transformation, and strengthening global competitiveness, utilizing his abundant knowledge of finance at a holding company and many years of experience as a manager.
Outside Director Mihoko Sogabe	Board of Directors: 11 out of 11 Audit and Supervisory Committee: 10 out of 10	Actively provided useful advice and suggestions from diverse perspectives, contributing especially to enhancing the Company's financial governance, promoting internal control, and strengthening the supervisory function, from her expert insight and abundant practical experience as a CPA.

(2) Important Concurrent Posts and Relationship with Dentsu

Category / Name	Organization of Con-current Post / Description	Relationship with Said Organization
Outside Director Gan Matsui	Yaesu Sogo Law Office Attorney	There is no special relationship with Yaesu Sogo Law Office.
	Orient Corporation Outside Director (Audit & Supervisory Committee Member)	There is no special relationship with Orient Corporation.
	Nagase & Co., Ltd. Outside Corporate Auditor	There is a business relationship between Nagase & Co., Ltd. and Dentsu Inc., an important subsidiary of the Company.
	Totetsu Kogyo Co. Outside Corporate Auditor	There is no special relationship with Totetsu Kogyo Co.
	Globeride, Inc. Outside Director, member of the audit and supervisory committee	There is no special relationship with Globeride, Inc.
Outside Director Paul Candland	YAMAHA CORPORATION Outside Director	There is a business relationship between YAMAHA CORPORATION and Dentsu Inc., an important subsidiary of the Company.
	Age of Learning, Inc. CEO	There is no special relationship with Age of Learning, Inc.
	Age of Learning Japan, Inc. CEO	There is no special relationship with Age of Learning Japan, Inc.
Outside Director Andrew House	Viaplay Group ABNon-Executive Director	There is no special relationship with Viaplay Group AB.
	Nissan Motor CO., Ltd. Outside Director	There is a business relationship between Nissan Motor CO., Ltd. and Dentsu Inc., an important subsidiary of the Company.
Outside Director Mihoko Sogabe	Sogabe Certified Public Accountant Office Representative	There is no special relationship with Sogabe Certified Public Accountant Office.
	Mitsui DM Sugar Holdings Co., Ltd. Outside director (Audit and Supervisory Committee member)	There is no special relationship with Mitsui DM Sugar Holdings Co., Ltd.

(Notes) Mr. Gan Matsui, an outside director, served as Outside Corporate Auditor of Orient Corporation, and was appointed Outside Director (Audit & Supervisory Committee Member) of that company on June 24, 2022, following the company's transition to a company with an audit committee, etc.

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IV Items Related to the Accounting Auditor

1. Name of the Accounting Auditor

KPMG AZSA LLC

2. Remuneration to the Accounting Auditor

(1) Fee for Accounting Auditor relating to this fiscal year **167**million yen

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

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

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

627 million yen

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

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

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

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

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

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

V Company System and Policy

1. Basic Policy on the Internal Control System

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

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

(1) System to Ensure the Appropriateness of Operations throughout the Group

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

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

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

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

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

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

(2) Compliance System for Directors, Executive Officers and Employees

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

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

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

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

⑤If the Audit and Supervisory Committee of the Company or the Audit Committees or Audit Officers of each subsidiary states opinions on the compliance system or require steps to improve the system, directors and executive officers of the Group must respond without delay and make the recommended improvements.

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

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

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

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

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

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

(5) Risk Management System

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

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

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

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

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

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

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

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

④ Pursuant to laws and regulations, a policy will be defined to account for expenses, etc., incurred during the course of execution of duties by the Audit and Supervisory Committee, and this information will be disseminated to concerned parties.

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

(8) System to Ensure Appropriateness of Financial Reporting

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

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

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

2. Summary of Operational Status of the Internal Control System

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

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

(2) With regard to the compliance system for directors, executive officers and employees, The Group Compliance Meeting has been established under the Group Executive Management Meeting to expand the Group's compliance measures and monitor their implementation. In 2022, the Dentsu Group established the Anti-Bribery & Corruption Policy, Dentsu Group Legal Policy, Group Insider Trading Policy, and Global Data Protection Principles as policies for the entire Dentsu Group, and the Company is working to disseminate them. In addition, the Dentsu Japan Network distributes a booklet covering the entire range of laws and regulations governing advertising activities, conducts online training, and updates its compliance website to provide information on important compliance topics. Dentsu International also continues to strengthen its compliance system through mandatory ethics compliance training, compliance risk assessments in pilot markets, and a revamped internal reporting platform.

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

(4) Regarding structures to ensure the appropriateness of financial reporting, in May 2022, in response to the “Internal Control Reporting System" stipulated in Article 24-4-4 of the Financial Instruments and Exchange Act, the Company formulated the “Basic Plan" which provides the companies and business processes applicable for evaluation and the evaluation system, etc., upon discussion with the Accounting Auditor. Following the Basic Plan, the departments executing the business applicable for evaluation and applicable group companies confirm that internal control is implemented appropriately and functioning effectively in daily operations and such companies make reports on such confirmation to the Company.

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

Notes to Consolidated Financial Statements

1. Significant matters for preparing consolidated financial statements

(1) Basis of preparation of consolidated financial statements

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

(2) Scope of consolidation

Number of consolidated subsidiaries, including Dentsu International Limited, is 881.

(3) Scope of equity method

Number of associates, including Video Research Ltd., accounted for using the equity method is 89.

(4) Accounting policies

1) Basis and method of valuation for significant assets

i Non-derivative financial assets

a. Financial assets measured at amortized cost

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

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

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

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

Determination of significant increase in credit risk

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

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

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

Expected credit loss approach

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

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

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

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

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

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

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

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

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

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

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

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

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

ii Derivative financial instruments and hedge accounting

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

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

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

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

a. Cash flow hedge

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

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

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

b. Hedge of net investment in foreign operations

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

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

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

c. Derivative financial instruments not designated as hedges

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

iii Inventories

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

2) Depreciation method for significant depreciable assets

i Property, plant and equipment

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

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

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

ii Intangible assets

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

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

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

3) Goodwill

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

4) Recognition of significant provisions

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

5) Post-employment benefits

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

Service costs and interest costs of defined benefit plans are recognized in profit or loss, and net interest is determined using the discount rate described above. Remeasurements of defined benefit plans are recognized in other comprehensive income in the period when they are incurred, and are immediately transferred to retained earnings. Past service costs are recognized in profit or loss in the period incurred.

The cost for retirement benefits for defined contribution plans is recognized in profit or loss in the period in which the employees render the related services.

6) Foreign currency translation

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

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

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

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

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

7) Revenue

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

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

Revenue from advertisement placement to various media is recognized primarily when the advertisement is placed to the media because the control over the service is transferred to a client, and the performance obligation of the Group is satisfied at that point of time.

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

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

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

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

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

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

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

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

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

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

2. Changes in presentation

Notes to consolidated statement of financial position

"Investment property," which was independently disclosed in the fiscal year ended December 31, 2021, has been included in "Other non-current assets" from the fiscal year ended December 31, 2022 due to a decrease in its monetary significance.

"Income tax receivables," which was included in "Other current assets" in the fiscal year ended December 31, 2021, has been independently disclosed from the fiscal year ended December 31, 2022 due to an increase in its monetary significance.

Notes to consolidated statement of income

“Provision of allowance for doubtful accounts,” which was independently disclosed in the fiscal year ended December 31, 2021, has been included in “Selling, general and administrative expenses” from the fiscal year ended December 31, 2022 due to a decrease in its monetary significance.

3. Notes on accounting estimates

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

(1) Valuation of goodwill

1. Amount recorded in consolidated financial statements

Goodwill	758,907 million yen

The above includes goodwill of 192,121 million yen in the EMEA region, 482,887 million yen in the Americas region and 51,460 million yen in the APAC region in the international business.

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

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

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

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

(2) Valuation of right-of-use assets

1. Amount recorded in the consolidated financial statements

Right-of-use assets	143,379 million yen

The above includes right-of-use assets of 24,688 million yen related to the lease agreement of an office building in New York, the U.S., which was signed by the Group as a lessee in November 2019 and which is slated for future subleasing. The book value of the right-of-use assets is the balance less accumulated impairment losses, which were recorded as provisions related to unfavorable real estate lease agreements in the fiscal year ended December 31, 2021.

Right-of-use assets are included in “property, plant and equipment” and “intangible assets” in the consolidated statement of financial position.

2. Information regarding details of significant accounting estimates relating to identified items
   The Group is optimizing real estate as part of its structural reforms, and is projecting the use of subleasing for some real estate lease agreements. The balance of right-of-use assets of such lease agreements is calculated on the assumptions of the basic sublease fee, the expected rate of increase in lease payments during the lease period, the lease incentive, and the vacancy period. In the case where it becomes necessary to revise the aforementioned assumptions for reasons such as changes in the market environment and the conclusion of sublease agreement, the addition or decrease of right-of-use assets may occur in the following fiscal year.

4. Changes in accounting estimates

Change in estimates related to deferred tax assets

The Company and some of its domestic subsidiaries applied for approval of the group tax sharing system in the fiscal year ended December 31, 2022, and the group tax sharing system will be applied from the fiscal year ending December 31, 2023. Accordingly, from the fiscal year ended December 31, 2022, the tax-effect accounting is based on the premise of the application of the group tax sharing system.

As a result, “deferred tax assets” increased by 10,913 million yen, “income tax expense” decreased by 9,627 million yen, and “other comprehensive income” increased by 1,286 million yen during the fiscal year ended December 31, 2022.

5 Notes to consolidated statement of financial position

(1) Assets pledged as collateral

Other financial assets (current assets)	**880** million yen

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

(2) Allowance for doubtful accounts directly deducted from assets

Trade and other receivables	**5,305** million yen
Other financial assets (non-current assets)	**10,037** million yen

(3) Accumulated depreciation and impairment losses of property, plant and equipment (except for right-of-use assets)	**89,081** million yen

(4) Contingent liabilities

Guarantees of loans and other liabilities

Liabilities on guarantees resulting from a loan scheme for housing funds for employees	**10** million yen
Liabilities for guarantees of bank loans and others	**6,843** million yen
Total	**6,854** million yen

Contingent liabilities, etc. in India

During the fiscal year ended December 31, 2021 certain matters related to transactions entered into by one of the group's Indian subsidiaries were brought to the attention of the group Board. These matters required detailed investigation with the assistance of external legal and professional advisors and have resulted in the group reporting details of transactions recorded by a specific subsidiary to the appropriate regulatory authorities in India.

Related to the matters reported, the group has received claims totaling 5,599 million India Rupee (9,014 million yen) from parties seeking payment for goods and services which those parties allege have been provided to the subsidiary in question.

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

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

In relation to the contingent considerations arising from the acquisition of a consolidated subsidiary during the previous fiscal year, which was conducted as part of efforts to expand its international business, the Group has received a claim for additional earnout amounts of 99 million dollars (13,200 million yen) in excess of dentsu's proposed earnout calculation. The sellers have alleged that the Group took actions that negatively affected their earnout performance. The Group's position is that actions were permitted under the purchase agreement and it is contesting sellers' claim. Under the purchase agreement the parties must attempt in good faith to resolve the amounts in dispute, however the sellers have indicated that they intend to seek arbitration if a negotiated solution is not reached.

The contingent considerations arising from the acquisition of the acquired company were recorded as "Other financial liabilities" in the consolidated statement of financial position. In the fiscal year ended December 31, 2022, no material adjustment to the earnout calculation has been made and no further amounts have been provided for in respect of the claim. This will be reassessed at future reporting dates based on the latest status of the dispute.

6. Notes to consolidated statement of income

(1) Business restructuring expenses

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

The primary components of business restructuring expenses incurred in the Japan business are real estate optimization expenses, corporate functions sophistication and efficiency expenses, and expenses arising from other related initiatives.

(2) Impairment losses

Impairment loss in international business related to the sale of the Russian joint venture to local partners

In March 2022, the Group began reviewing its business in Russia to ensure compliance with Dentsu Group policies and applicable laws. As a result, a resolution was passed at the meeting of the Board of Directors of the Company on November 14, 2022 and concluded the sale agreement.
In accordance with this situation, in the fiscal year ended December 31, 2022, assets and liabilities related to the business in Russia were classified as held for sale and the Group recorded an impairment loss of 23,372 million yen.

Impairment loss on goodwill related to the Asia Pacific (APAC) region
This is an impairment loss of goodwill related to the Asia Pacific (APAC) region in the international business. As a result of the annual impairment test on goodwill related to the international business based on the latest business plan in accordance with the most recent results, an impairment loss on goodwill of 9,262 million yen for the Asia Pacific (APAC) was recorded.

7. Notes to consolidated statement of changes in equity

(1) Class and total number of issued shares as of December 31, 2022

Ordinary shares: 270,165,354 shares

(2) Cash dividends

1) Dividends paid

Resolution	Class of shares	Total dividends (million yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors (February 14, 2022)	Ordinary shares	**18,359**	**67.00**	December 31, 2021	March 16, 2022
Board of Directors (August 12, 2022)	Ordinary shares	**18,726**	**70.25**	June 30, 2022	September 9, 2022
Total		**37,085**			

(Notes)

1. The total dividends paid based on the resolution of the Board of Directors' meeting held on February 14, 2022 include the dividends of 25 million yen paid out to the shares in the Company held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.
2. The total dividends paid based on the resolution of the Board of Directors' meeting held on August 12, 2022 include the dividends of 24 million yen paid out to the shares in the Company held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

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

Dividends paid based on the resolution of the Board of Directors' meeting held on February 14, 2023

a. Total dividends 22,471million yen
b. Dividends per share 85.00 yen
c. Record date December 31, 2022
d. Effective date March 16, 2023

(Notes)

The total dividends paid based on the resolution of the Board of Directors' meeting held on February 14, 2023 exclude the dividends of 88 million yen paid out to the shares in the Company held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

Retained earnings are reserved as a source of dividends.

8. Notes to revenue

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

(1) Disaggregation of revenue

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

(Unit: Million yen)

	Reporting segment			Intercompany transaction adjustments	Total
	Japan Business	International Business	Subtotal		
Major services					
Advertising business	421,126	714,948	1,136,075	-	-
Information service business	106,954	-	106,954	-	-
Other business	2,052	-	2,052	-	-
Total	530,133	714,948	1,245,082	(1,198)	1,243,883
Breakdown by regions					
Japan	530,133	-	530,133	-	-
EMEA (Europe, Middle East and Africa)	-	275,411	275,411	-	-
Americas (Americas)	-	324,013	324,013	-	-
APAC (Asia Pacific)	-	115,523	115,523	-	-
Total	530,133	714,948	1,245,082	(1,198)	1,243,883

(2) Contract balance

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

Notes and accounts receivable-trade	1,497,687 million yen
Others	8,673 million yen
Receivables arising from contracts with customers	1,506,360 million yen
Contract assets	12,437 million yen
Contract liabilities	72,099 million yen

The beginning balance of contract liabilities is 65,099 million yen, of which 62,384 million yen was recognized as revenue in the fiscal year ended December 31, 2022. The amount of revenue recognized in the fiscal year ended December 31, 2022 from performance obligations that were satisfied (or partially satisfied) in previous periods is immaterial, and there is no significant change in the balance of contract liabilities.

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

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

Within 1 year	4,060 million yen
Over 1 year and below 2 years	3,545 million yen
Over 2 years and below 3 years	2,964 million yen
Over 3 years	6,154 million yen
Total	16,724 million yen

The only performance obligations in the Group that are not part of contracts with an original expected term of one year or less are related to the rights business, and in such cases, IFRS 15 121(a) is applied and the amount represents transaction prices allocated to the remaining performance obligations (related to the rights business) expected to exceed one year on individual contract basis.

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

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

9. Financial instruments

(1) Status of financial instruments

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

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

1. Credit risk management

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

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

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

2. Liquidity risk management

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

   The Group raises working capital from internal reserves, loans from financial institutions, corporate bonds, commercial paper, receivables securitization, etc. Since the receivables securitization transaction is a non-recourse agreement, securitized receivables were derecognized. The Group has also established commitment lines to ensure liquidity, if required, and has established additional, temporary loan commitments from financial institutions to ensure liquidity to mitigate the impact from rapid changes in the external environment.

3. Foreign currency risk management

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

   In addition, with respect to those that are important among transactions denominated in foreign currencies exceeding certain amounts and foreign exchange fluctuation risks, forward foreign exchange contracts and borrowings and others are used to hedge them in accordance with internal management rules.

4. Interest rate risk management

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

(2) Fair value of financial instruments

2. Financial liabilities measured at amortized cost

The carrying amount on the consolidated statement of financial position and the fair value as of December 31, 2022 are as follows. The fair value of financial assets and financial liabilities measured at amortized cost other than long-term borrowings and bonds approximates their carrying amount.

(Unit: Million yen)

	Carrying amount	Fair value
(Financial liabilities)		
Long-term borrowings	**304,016**	**299,380**
Corporate bonds	**199,660**	**197,535**

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

The fair value of long-term borrowings is determined by discounting the total of the principal and interest by the interest rate assumed in a case where the same loan is newly made.
The fair value hierarchy of long-term borrowings is categorized as Level 3.
The fair value of bonds is determined based on quoted market prices. The fair value hierarchy is categorized as Level 2.

3. Financial liabilities measured at fair value

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

The fair value hierarchy is defined as follows:

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

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

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

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

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

There was no transfers between Level 1 and Level 2 for the fiscal year ended December 31, 2022.

The followings table includes put option liabilities.

(Unit: Million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	-	26,679	-	26,679
Equity securities	53,973	-	39,606	93,580
Other	488	3,395	31,427	35,311
Total	54,462	30,074	71,034	155,571
Financial liabilities				
Derivative liabilities	-	5,828	-	5,828
Put option liabilities	-	-	21,493	21,493
Other (mainly contingent consideration)	-	-	38,425	38,425
Total	-	5,828	59,918	65,746

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 valuated using price estimates obtained from financial institutions or observable market data.

The fair values of stocks included in equity securities and other (financial assets) for which active markets exist are categorized within Level 1 as they are determined based on market prices. For stocks in which active markets do not exist, the stocks whose fair value is measured using observable market data are categorized within Level 2, while stocks measured based mainly on two income approaches (one using the DCF method by which the perpetual value is calculated using the exit multiple method and the other using a DCF method) and the market approach (the comparable companies analysis or comparable transaction multiple method) using unobservable inputs are categorized within Level 3.

In the income approach (the DCF method by which the perpetual value is calculated using the exit multiple method), significant unobservable inputs are mainly the level of future revenue and exit multiple (enterprise value/revenue), and discount rate. The fair value increases (decreases) as the level of future revenue increases (decreases); the fair value increases (decreases) as the exit multiple increases (decreases); the fair value decreases (increases) as the discount rate increases (decreases). The exit multiples (enterprise value/revenue) and discount rates used for the fiscal year ended December 31, 2022, was 2.6 and 30%.

In the income approach (DCF method), significant unobservable inputs are mainly the discount rate. The fair value decreases (increases) as the discount rate increases (decreases). The discount rates used for the fiscal year ended December 31, 2022, was 6.7%.

Significant unobservable inputs in the market approach (comparable company method) mainly include valuation multiples such as enterprise value/revenue, enterprise value/operating profit. The fair value increases (decreases) as the valuation multiples increase (decrease). Enterprise value/operating profit multiples 9.01 was used as valuation multiples in the fiscal year ended December 31, 2022.

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

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

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

(Unit: Million yen)

	Financial assets	Financial liabilities
Balance at the beginning of the year	87,437	83,475
Other comprehensive income (Note)	(35,228)	-
Profit or loss	10,897	12,163
Purchases or acquisition	10,438	6,253
Sales or settlements	(1,422)	(43,001)
Other	(1,088)	1,027
Balance at the end of the year	71,034	59,918

(Note) "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."

10. Per share information

(1) Equity attributable to owners of the parent per share **3,329.62** yen

(2) Basic profit per share (attributable to owners of the parent) **223.33** yen

Notes to Nonconsolidated Financial Statements

1. Summary of significant accounting policies

(1) Valuation basis and method for securities

1) Subsidiaries' and associates' shares

Stated at cost determined by the moving-average method

2) Other securities of subsidiaries and associates

Stated at cost determined by the moving-average method

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

3) Other securities

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

Stated at fair value

(Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined by the moving-average method.)

Shares, etc. that do not have a market price

Stated mainly at cost determined by the moving-average method

(2) Valuation basis and method for derivative instruments

Stated at fair value

(3) Depreciation method for non-current assets

1) Property, plant and equipment

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

The range of useful lives is principally as follows:

Buildings:	8-50 years
Vehicles:	5 years
Tools, furniture and fixtures:	3-20 years

2) Intangible assets

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

(4) Accounting policy for provisions

1) Allowance for doubtful accounts

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

2) Provision for directors' bonuses

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

3) Provision for share-based remuneration

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

4) Provision for loss on guarantees

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

(5) Derivatives and hedging activities

1) Hedge accounting methods

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

2) Hedging instruments and hedged items

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

3) Hedging policy

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

4) Method of evaluating hedge effectiveness

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

(6) Accounting method for revenue and expenses

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

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

2. Notes in changes in accounting politics

(Application of "Accounting Standard for Revenue Recognition," etc.)

The "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan (ASBJ)

Standard No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards are applied from the beginning of the fiscal year under review. The Company recognizes revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. As a result, there is no change to profit or loss in the fiscal year ended December 31, 2022.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The application of the accounting standard has no impact on profit or loss and the beginning balance of retained earnings for the fiscal year ended December 31, 2022. As a result of the application of the accounting standard, “Dividend income”, “Management fee income”, and “Real estate rental income”, which were included in “Operating revenue” in the fiscal year ended December 31, 2021, have been independently disclosed from the fiscal year ended December 31, 2022.

(Application of “Accounting Standard for Fair Value Measurement,” etc.)

The “Accounting Standard for Fair Value Measurement”(ASBJ Standard No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards are applied from the beginning of the fiscal year under review, and the Company will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Standard No. 10, July 4, 2019). The application has no significant impact.

3. Changes in presentation

(Nonconsolidated statement of income)

1 “Provision of allowance for doubtful accounts” (3,102 million yen for the fiscal year ended December 31, 2021), which was independently disclosed under “Non-operating expenses” in the fiscal year ended December 31, 2021, has been included in “Other” under “Non-operating expenses” from the fiscal year ended December 31, 2022 due to a decrease in its monetary significance. For the fiscal year ended December 31, 2022, the Company recorded “Provision of allowance for doubtful accounts” of 96 million yen.

2 “Gain on sales of investment securities” (627 million yen for the fiscal year ended December 31, 2021), which was included in “Other” under “Extraordinary income” in the fiscal year ended December 31, 2021, has been independently disclosed from the fiscal year ended December 31, 2022 due to an increase in its monetary significance.

3 “Business restructuring expenses” (1,273 million yen for the fiscal year ended December 31, 2021) and “Loss on sales of investment securities” (815 million yen for the fiscal year ended December 31, 2021), which were independently disclosed under “Extraordinary loss” in the fiscal year ended December 31, 2021, have been included in “Other” under “Extraordinary loss” from the fiscal year ended December 31, 2022 due to a decrease in their monetary significance. For the fiscal year ended December 31, 2022, the Company recorded “Business restructuring expenses” of 338 million yen and “Loss on sales of investment securities” of 6 million yen.

4. Notes on significant accounting estimates

Of the amounts recorded in the nonconsolidated statement of income for the fiscal year ended December 31, 2022 based on accounting estimates, items that may have a significant impact on the nonconsolidated statement of income for the fiscal year ending December 31, 2023 are as follows.

(Evaluation of investments in subsidiaries and associates)

1 Amount recorded in nonconsolidated financial statements

Shares of subsidiaries and associates*	340,957 million yen
Investments in other securities of subsidiaries and associates	27,755 million yen
Investments in capital of subsidiaries and associates	15,481 million yen

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

Shares of subsidiaries	294,158 million yen
Shares of associates	13,991 million yen

The above 340,957 million yen in shares of subsidiaries and associates includes 198,090 million yen investment in Dentsu International Limited (hereinafter, "DI") an unlisted subsidiary that controls international business, and the above 27,755 million yen in Investments in other securities of subsidiaries and associates includes 7,440 million yen investment in Global Sports Investments (hereinafter, "GSI"), a limited liability company that is a specific purpose company established for the purpose of investing in investees that are globally expanding the distribution business, etc. of sports-related digital contents.

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

Investments in unlisted subsidiaries and shares, etc. that do not have a market price is shown on the balance sheet as the acquisition price. However, if the actual value falls significantly due to the deterioration of the issuing company's financial situation, unless the recoverability is supported by sufficient evidence, the amount shall be impaired to the actual value.

i. DI investments

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

The Company uses the amount of value in use that is calculated in the annual impairment test of goodwill recorded as a result of the acquisition of DI in the consolidated financial statements, as the amount of DI's business value. The estimate of the value in use in the goodwill impairment test is stated in "3. Notes on Accounting Estimates (1) Valuation of goodwill" in the consolidated financial statements, and includes the key assumptions of operating margin, net working capital, medium-term growth rate of revenue less cost of sales, continuous growth rate, discount rate, and allocation rate of companywide expenses to each cash-generating unit group.

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

ii. GSI investments

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

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

As a result, since the actual value of GSI investments has decreased significantly, and recovery in the actual value cannot be expected in a short time based on the future business plan, the Company recorded loss on valuation of investments in capital of subsidiaries and associates of 32,309 million yen in the fiscal year ended December 31, 2022. In the event that it becomes necessary to revise the above assumptions for reasons such as changes in the business strategy and changes in the market environment of the investee companies of GSI, or depending on the market price in the event that an investee company is listed in the future, it is possible that the additional loss will be incurred in the next fiscal year due to the impairment of GSI investments.

5. For nonconsolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment	**7,062** million yen

(2) Contingent liabilities

Guarantee obligations outstanding

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

Dentsu International Limited and Dentsu International Treasury Limited	**80,000** million yen
(Line of credit for operating funds: GBP 500 million)	
Total of 5 companies including iProspect Japan	**7,022** million yen
Total	**87,022** million yen

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

Short-term monetary claims	**7,944** million yen
Short-term monetary obligations	**194,174** million yen

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

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

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

Date of revaluation	**March 31, 2001**

Total fair values of revaluated properties as of the end of the fiscal year ended December 31, 2022 were not below the book value after the revaluation.

6. For nonconsolidated statement of income

Volume of transactions with associated companies

Operating revenue	**61,651** million yen
Operating expenses	**22,220** million yen
Other than operating transactions	**1,708** million yen

(Note) Operating expenses include advance payments made for subsidiaries which are offset in the income statement presentation.

7. For nonconsolidated statement of changes in net assets

Classes and number of treasury shares at the end of the fiscal year ended December 31, 2022

Common stock	**5,790,279** shares

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

8. Tax effect accounting

The main factor resulting in deferred tax assets are investment securities and shares of subsidiaries and associates.

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

The Company applied for approval of the group tax sharing system in the fiscal year ended December 31, 2022, and the group tax sharing system will be applied from the fiscal year ending December 31, 2023. Accordingly, the Company applied the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No.42, August 12, 2021) early from the fiscal year ended December 31, 2022, and the Company applied the tax effect accounting which is based on the premise of the application of the group tax sharing system.

9. Transactions with related parties

Subsidiaries and associates

Category	Name of company	Ratio of voting rights	Relationship with affiliated entity	Description of transactions	Transaction sum (mil. yen)	Item	Ending balance (mil. yen)
Subsidiary company	Dentsu International Limited	Dentsu Group has voting rights Direct; **100%**	Entrusted management of international business operation and guarantee of bank line of credit Concurrently serving officers	Guarantee of bank line of credit[1]	**80,000**	-	-
				Loans receivable via cash management system[5]	-	Short-term loans receivable from subsidiaries and associates	**55,077**
Subsidiary company	Dentsu International Treasury Limited	Dentsu Group has voting rights Indirect; **100%**	Lending of working capital and guarantee of bank line of credit and bank loans	-	**-**	Short-term loans receivable from subsidiaries and associates	**44,000**
				Loans receivable[2]	**23,000**	Long-term loans receivable from subsidiaries and associates	**179,500**
				Receipt of loans interest[2]	**1,242**	Other (Accrued income)	**574**
				Guarantee of bank line of credit[1]	**80,000**	-	**-**

Category	Name of company	Ratio of voting rights	Relationship with affiliated entity	Description of transactions	Transaction sum (mil. yen)	Item	Ending balance (mil. yen)
Subsidiary company	Dentsu Inc.	Dentsu Group has voting rights Direct; **100%**	Lease of real estate Providing and receiving services Concurrently serving officers	Lease of real estate[3]	**5,187**	Other receivables	**2**
				Outsourcing corporate management operations[4]	**3,777**	Other payables	**1,021**
				Loans payable via cash management system[5]	**-**	Short-term loans payable	**51,938**
				Payment of loans interest[5]	**7**	Accrued expenses	**0**
Subsidiary company	Dentsu Corporate One Inc.	Dentsu Group has voting rights Direct; **100%**	Lending operational fund for factoring operations Providing and receiving services	Loans receivable[6]	**-**	Short-term loans receivable from subsidiaries and associates	**15,117**
				Receipt of loans interest[6]	**9**	Other (Accrued income)	**0**
				Loans payable via cash management system[5]	**-**	Short-term loans payable	**19,692**
				Payment of loans interest[5]	**2**	Accrued expenses	**0**
				Outsourcing of corporate management operations[4]	**3,131**	Other payables	**579**
Subsidiary company	Information Services International-Dentsu, Ltd.	Dentsu Group has voting rights Direct; **61.8%**	Providing and receiving services	Loans payable via cash management system[5]	**-**	Short-term loans payable	**48,846**
				Payment of loans interest[5]	**6**	Accrued expenses	**0**

Category	Name of company	Ratio of voting rights	Relationship with affiliated entity	Description of transactions	Transaction sum (mil. yen)	Item	Ending balance (mil. yen)
Subsidiary company	Dentsu Promotion Plus Inc.	Dentsu Group has voting rights Direct; **100%**	Providing services	Loans payable via cash management system[5] Payment of loans interest[5]	- 1	Short-term loans payable Accrued expenses	**11,390** **0**
Subsidiary company	Dentsu Digital Inc.	Dentsu Group has voting rights Direct; **75%** Indirect; **25%**	Providing and receiving services	Loans payable via cash management system[5] Payment of loans interest[5]	**-** **1**	Short-term loans payable Accrued expenses	**10,658** **0**
Subsidiary company	Septeni Holdings Co., Ltd.	Dentsu Group has voting rights Direct; **52.01%**	Providing services	Share exchange[7] Underwriting of capital increase[7] Share transfer[7]	**6,218** **32,605** **31,250**	- - -	- - -

Remarks

1) A guarantee was made for a bank line of credit (GBP 500 million, maturing on June 14, 2025 with a possible extension of one-year) with Dentsu International Limited and Dentsu International Treasury Limited as counterparties.
2) The interest rates for the loaned funds are determined reasonably with reference to market interest rates. No collateral has been accepted.
3) The transaction amount stated is the gross amount received from the subsidiary, which is deducted from amounts paid by the Company in advance to outside parties, and the net amount is presented as operating expense in the income statements.
4) Terms and conditions for outsourcing of corporate management operations were determined with reference to details of the outsourced operations. The transaction sum excludes consumption tax. The ending balance includes consumption tax.
5) Because the balance for the loans payable and receivable via cash management system fluctuates daily based on the basic contract, only the ending balance is stated here. Interest rates are determined with reference to market interest rates.
6) Because the balance of the loaned funds fluctuates daily based on the basic contract, only the ending balance is stated here. Interest rates are determined with reference to market interest rates.
7) When making Septeni Holdings Co., Ltd. (hereinafter referred to as “Septeni HD”) into a consolidated subsidiary of the Company, the Company conducted a share exchange making Dentsu Direct Inc., which had been a consolidated subsidiary of the Company, into a wholly-owned subsidiary of Septeni HD,

subscribed to the issuance of new shares through a third-party allocation by Septeni HD, and partially transferred shares of Dentsu Digital Inc., which is a consolidated subsidiary, to Septeni HD. The share exchange ratio and transaction price were determined reasonably upon consultation based on a price calculated by an independent third-party institution.

10. Per share information

(1) Net assets per share	**2,304.69 yen**
(2) Net income per share	**13.24 yen**

(Note) As the shares in the Company held by the trust account associated with the performance-based stock compensation plan are accounted for as treasury shares, 1,041,900 shares and 411,198 shares were deducted from the number of shares at the end of the fiscal year ended December 31, 2022 and the average number of shares during the fiscal year ended December 31, 2022, respectively, at the calculation of the per share information.

11. Notes Regarding Revenue Recognition

Basic information for understanding revenue from contracts with customers

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

12. Significant subsequent events

Disposal of the general reserve fund

The Company resolved at the Board of Directors' meeting held on February 14, 2023 to authorize disposal of the general reserve fund pursuant to Article 452 of the Companies Act and Article 459, Paragraph 1 of the Act.

(1) Items of retained earnings to decrease and their amount	General reserve 100,000 million yen
(2) Items of retained earnings to increase and their amount	Retained earnings brought forward 100,000 million yen
(3) Purpose	To realize the sustainable dividend payment.
(4) Effective date	March 16, 2023

Annexed schedules to financial statements

(From January 1, 2022 to December 31, 2022)

1. Table of tangible fixed assets and intangible fixed assets

(JPY million)

Classification	Types of assets	Balance at beginning of year	Increase during current term	Decrease during current term	Ending balance	Year-end Accumulated amortization or Accumulated amortization	Amortization for the year	Net year-end book value
Tangible fixed assets	Buildings	5,177	27	282	4,922	2,347	186	2,574
	Structures	29	-	29	-	-	0	-
	Vehicles	33	10	16	26	20	4	6
	Tools, furniture and fixtures	5,322	12	15	5,319	4,694	134	624
	Land	4,629	-	845	3,784	-	-	3,784
	Total	15,191	50	1,189	14,053	7,062	325	6,990
Intangible assets	Software	307	141	-	449	79	66	370
	Others	3	-	-	3	2	-	1
	Total	311	141	-	453	82	66	371

2. Detailed Schedule of provisions

(JPY million)

Item	Balance at beginning of current period	Increase during the year	Decrease during the year	Balance at end of current period
Allowance for doubtful accounts	3,364	1,931	2,937	2,358
Provision for loss on guarantees	-	245	-	245
Provision for directors' bonuses	124	48	124	48
Provision for share-based remuneration	1,666	2,917	1,233	3,349

3. Detailed schedule of general administrative expenses

(JPY million)

Item	Amount	Summary
Salaries and allowances	4,911	
Provision for directors' bonuses	48	
Provision for share-based remuneration	2,587	
Welfare expenses	379	
Total Personnel Expenses	7,927	
Business consignment expenses	9,760	
Taxes and dues	911	
Rental fee	3,863	
Utility costs	466	
Contribution	161	
Investigation expenses	180	
Repair expenses	36	
Communication/transportation expenses	264	
Advertising expenses	154	
Entertainment expenses	76	
Insurance premiums	17	
Equipment costs	14	
Supplies expenses	21	
Books and subscription costs	4	
Printing costs	1	
Handling and planning expenses	0	
Miscellaneous expenses	3,830	
Provision of allowance for doubtful accounts	10	
Total operating expenses	19,766	
Depreciation	397	
Total depreciation	397	
Total General Administrative Expenses	28,101	