

FOR IMMEDIATE RELEASE

May 13, 2014

**Dentsu Reports Consolidated Financial Results  
for the Fiscal Year Ended March 31, 2014  
(Japanese GAAP) and Announces Increased Dividend**

*—Strong results from both the domestic and overseas businesses; net sales, gross profit and ordinary income reach record highs—*

*Posts 2,309.3 Billion Yen in Consolidated Billings (Net Sales) (19.0% year-on-year increase); 594.0 Billion Yen in Gross Profit (71.7% increase); 114.1 Billion Yen in Operating Income before Amortization of Goodwill and Other Intangible Assets (81.7% increase); 71.4 Billion Yen in Operating Income (22.3% increase); 82.5 Billion Yen in Ordinary Income (39.8% increase) and 38.8 Billion Yen in Net Income (6.8% increase)*

Dentsu Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Tadashi Ishii; Head Office: Tokyo; Capital: 74,609.81 million yen) today convened a meeting of its Board of Directors at its Head Office in Tokyo at which it finalized its consolidated and non-consolidated financial results for the fiscal year ended March 31, 2014 (April 1, 2013–March 31, 2014; hereinafter “the fiscal year under review”). The Company also passed a resolution concerning an increase in the cash dividends applicable to the fiscal year ended March 31, 2014. The resolution is expected to be brought to the General Meeting of Shareholders which is scheduled to be held on June 27, 2014.

**Summary of Financial Results for the Fiscal Year Ended March 31, 2014**

During the fiscal year under review, the Japanese economy slowly recovered against a backdrop of monetary easing measures and bold economic policies, with signs of an upturn in capital investment and improved corporate performance, particularly in export-oriented enterprises. Meanwhile, although a gradual recovery is continuing in the United States and the European economy has finally started to show signs of bottoming out, the global economy remained uncertain due to concerns about the growing economic slowdown seen in China and other emerging economies.

According to Dentsu’s “Advertising Expenditures in Japan 2013” report, advertising expenditures in Japan for the 2013 calendar year totaled 5,976.2 billion yen, an increase of

1.4% over the previous year. Spending on advertising posted year-on-year gains for a second straight year thanks to the sustained economic recovery brought about by Prime Minister Shinzo Abe's "Abenomics" policies and a late surge in demand ahead of the consumption tax rate increase which came into effect on April 1, 2014. In the March 2014 worldwide advertising expenditure forecasts provided by the Dentsu Group's media communications agency Carat, the figures for calendar year 2013 included a 3.3% year-on-year increase in global advertising expenditures, a 9.9% increase in Latin America, a 5.0% increase in the Asia-Pacific region, a 4.8% increase in Central and Eastern Europe, a 3.5% increase in North America, and a 1.7% decrease in Western Europe.

The completion of the acquisition of major U.K. media and digital communications agency Aegis Group plc (hereinafter "Aegis") in March 2013 marked a new beginning for the expanded Dentsu Group as a truly global player. Post-acquisition integration is proceeding smoothly, and has already led to several new account wins. In response to growing client needs in the Japanese market, Dentsu has been providing integrated solutions including the utilization of big data. Initiatives such as these combined with the last-minute demand ahead of the April 1, 2014 consumption tax rate increase resulted in a performance that exceeded the expectations held at the beginning of the fiscal year under review. Non-consolidated ordinary and net income in particular reached record highs.

In the fiscal year under review the Group posted consolidated billings (net sales) of 2,309,359 million yen, an increase of 19.0% compared with the fiscal year ended March 31, 2013, and gross profit of 594,072 million yen, an increase of 71.7%. Operating income before amortization of goodwill and other intangible assets<sup>\*1</sup> came to 114,186 million yen, an increase of 81.7%. Amortization of goodwill and other intangible assets incurred through acquisitions (including the acquisition of Aegis) was calculated as 27,029 million yen for goodwill and 15,666 million yen for other intangible assets. As a result, the Group posted operating income of 71,490 million yen, an increase of 22.3%; ordinary income of 82,538 million yen, an increase of 39.8%; and net income of 38,800 million yen, an increase of 6.8%.

Following the acquisition of Aegis and the change of the company's registered name to Dentsu Aegis Network Ltd. on March 26, 2013, Dentsu Aegis Network Ltd.'s results have been included in the Dentsu Group's Consolidated Statements of Income from the first quarter of the fiscal year ended March 31, 2014.

<sup>\*1</sup> *Operating income before amortization of goodwill and other intangible assets comprises the*

*operating income figure to which has been added the amortization of goodwill and other intangible assets incurred through acquisitions.*

### **Actual Results against the New Medium-Term Management Plan Objectives**

"Dentsu 2017 and Beyond," the Group's new medium-term management plan, was announced on May 14, 2013. The plan's numerical targets for fiscal 2017 and the results for the fiscal year under review are provided below.

- Gross profit organic growth rate CAGR: 3–5%  
Results for the fiscal year under review: 7.7%
- Ratio of gross profit generated from markets outside of Japan: 55% or higher  
Results for the fiscal year under review: 48%
- Ratio of gross profit generated from digital businesses: 35% or higher  
Results for the fiscal year under review: 28%
- Operating margin before amortization of goodwill and other intangible assets<sup>\*2</sup>: 20% or higher  
Results for the fiscal year under review: 19.2%

<sup>\*2</sup> *Operating margin before amortization of goodwill and other intangible assets = Operating income before amortization of goodwill and other intangible assets ÷ gross profit*

### **Results by Business Segment**

In the Advertising segment, net sales of 2,246,505 million yen, an increase of 19.6% compared with the previous fiscal year; gross profit of 571,315 million yen, an increase of 76.6%; and segment income of 65,788 million yen, an increase of 24.5%, were posted.

In the Information Services segment, net sales of 74,865 million yen, an increase of 5.3%; gross profit of 22,855 million yen, an increase of 4.0%; and segment income of 4,017 million yen, an increase of 31.5%, were posted. All of the companies in the group headed by Information Services International-Dentsu, Ltd. fall into this segment.

In the Other Business segment, net sales of 15,862 million yen, a decrease of 4.1%; gross profit of 3,512 million yen, a decrease of 5.4%; and segment income of 792 million yen, a decrease of 14.3%, were posted.

### **Results by Geographic Area**

Gross profit of 311,416 million yen, an increase of 8.9% compared with the previous fiscal year, and operating income before amortization of goodwill and other intangible assets of 72,409 million yen, an increase of 33.4%, were posted in Japan. In other countries, gross profit of 283,630 million yen, an increase of 369.9%, and operating income before amortization of goodwill and other intangible assets of 41,434 million yen, an increase of 399.0%, were posted.

From the 2013 fiscal year onward, gross profit has been specified as one of the Group's business management indicators. Accordingly, gross profit figures have been used in its disclosures of results by business segment and geographic area from the first quarter onward.

Regarding Dentsu Group companies with a December 31 closing date, including subsidiaries in countries other than Japan, their financial results for the twelve months from January 1 to December 31, 2013 are, as a general rule, incorporated in the consolidated financial results for the fiscal year ended March 31, 2014.

Dentsu posted non-consolidated billings (net sales) of 1,515,062 million yen, an increase of 7.3% compared with the previous fiscal year; gross profit of 219,393 million yen, an increase of 10.9%; operating income of 50,579 million yen, an increase of 41.4%; ordinary income of 69,667 million yen, an increase of 78.2%; and net income of 46,953 million yen, an increase of 66.6%.

For more details regarding the consolidated and non-consolidated results, please see the presentation slides (will be uploaded on May 16, 2014) in the Presentation Materials section of the company website at: <http://www.dentsu.com/ir/>

### **Reference: Scope of Consolidated Financial Results**

As of March 31, 2014, the Dentsu Group includes 657 consolidated subsidiary companies and 59 affiliated companies accounted for by the equity method. 94 of these companies are located in Japan and 622 in countries other than Japan. By business segment, 693 of these companies fall into the Advertising segment, 16 into the Information Services segment, and 7 into the Other Business segment.

### **Outlook for the Fiscal Year Ending March 31, 2015**

Carat's latest global advertising expenditure forecast (March 2014) shows global advertising

revenues accelerating by 4.8% in 2014. From a regional perspective, an increase in advertising expenditure is forecast across all regions: 12.8% in Latin America, 5.6% in the Asia-Pacific region, 5.0% in Central and Eastern Europe, 4.3% in North America, and 1.8% in Western Europe.

For the fiscal year ending March 31, 2015, on a consolidated basis, Dentsu forecasts billings (net sales) of 2,371.2 billion yen, an increase of 2.7% year on year; gross profit of 623.0 billion yen, an increase of 4.9%; operating income before amortization of goodwill and other intangible assets of 115.5 billion yen, an increase of 1.2%; operating income of 72.5 billion yen, an increase of 1.4%; ordinary income of 77.9 billion yen, a decrease of 5.6%; and net income of 31.1 billion yen, a decrease of 19.8%.

Calculations were made using the average exchange rate of GBP 1 = JPY 152.7 for the January–December 2013 period.

Going forward, Dentsu is considering the voluntary adoption of IFRS for the fiscal year ending March 2015 in order to increase comparability in international capital markets.

On a non-consolidated basis, Dentsu forecasts billings (net sales) of 1,567.2 billion yen, an increase of 3.4% year on year; gross profit of 223.1 billion yen, an increase of 1.7%; operating income of 51.9 billion yen, an increase of 2.6%; ordinary income of 61.0 billion yen, a decrease of 12.4%; and net income of 35.0 billion yen, a decrease of 25.5%.

#### **Increase in Cash Dividends Applicable to the Fiscal Year Ended March 31, 2014**

Based on a comprehensive view of such factors as business results for the fiscal year under review, the medium- to long-term results outlook and the Group's funding situation, cash dividends per share of common stock are expected to be 33.00 yen, including an interim dividend of 16.00 yen and a year-end dividend of 17.00 yen, an increase of one yen from the February 13, 2014 forecast of 16.00 yen per share.

Cash dividends per share of common stock applicable to the fiscal year ending March 31, 2015, are expected to be 34.00 yen, including an interim dividend of 17.00 yen and a year-end dividend of 17.00 yen.

#### **Cautionary Statement with Respect to Forward-Looking Statements**

These business results forecasts have been made by Dentsu on the basis of currently

available information, and hence involve potential risks and uncertainties. Consequently, actual business results may differ from the forecasts due to changes in various factors.

## Consolidated Financial Results for the Fiscal Year Ended March 31, 2014

### 1. Summary of Consolidated Balance Sheets

(Millions of yen: Rounded down to the nearest one million yen)

	As of March 31, 2013	<b>As of March 31, 2014</b>	% Change
<b>ASSETS</b>			
Current assets	1,122,602	<b>1,368,385</b>	21.9
Noncurrent assets	1,082,966	<b>1,269,933</b>	17.3
Total assets	<u>2,205,569</u>	<u><b>2,638,319</b></u>	<u>19.6</u>
<b>LIABILITIES</b>			
Current liabilities	1,317,554	<b>1,253,263</b>	(4.9)
Noncurrent liabilities	279,377	<b>476,560</b>	70.6
Total liabilities	<u>1,596,931</u>	<u><b>1,729,824</b></u>	<u>8.3</u>
<b>NET ASSETS</b>			
Shareholders' equity	570,419	<b>715,828</b>	25.5
Accumulated other comprehensive income	14,076	<b>167,289</b>	1088.4
Minority interests	24,141	<b>25,377</b>	5.1
Total net assets	<u>608,637</u>	<u><b>908,495</b></u>	<u>49.3</u>
Total liabilities and net assets	<u>2,205,569</u>	<u><b>2,638,319</b></u>	<u>19.6</u>

## 2. Summary of Consolidated Statements of Income

(Millions of yen: Rounded down to the nearest one million yen)

	Fiscal year ended March 31, 2013	Fiscal year ended <b>March 31, 2014</b>	% Change
Net sales	1,941,223	<b>2,309,359</b>	19.0
Gross profit	345,940	<b>594,072</b>	71.7
Operating income	58,466	<b>71,490</b>	22.3
Non-operating income	10,016	<b>22,593</b>	125.6
Non-operating expenses	9,455	<b>11,545</b>	22.1
Ordinary income	59,027	<b>82,538</b>	39.8
Extraordinary income	13,854	<b>7,795</b>	(43.7)
Extraordinary loss	9,571	<b>9,161</b>	(4.3)
Income before income taxes and minority interests	63,310	<b>81,172</b>	28.2
Net income	36,336	<b>38,800</b>	6.8

## 3. Summary of Consolidated Statements of Comprehensive Income

(Millions of yen: Rounded down to the nearest one million yen)

	Fiscal year ended March 31, 2013	Fiscal year ended <b>March 31, 2014</b>	% Change
Income before minority interests	38,748	41,430	6.9
Other comprehensive income	20,856	163,263	682.8
Comprehensive income	59,605	204,694	243.4



#### 4. Summary of Consolidated Statements of Cash Flows

(Millions of yen: Rounded down to the nearest one million yen)

	Fiscal year ended March 31, 2013	<b>Fiscal year ended March 31, 2014</b>
Net cash provided by operating activities	83,295	<b>97,540</b>
Net cash used in investing activities	(51,236)	<b>(318,087)</b>
Net cash provided by (used in) financing activities	(5,349)	<b>226,526</b>
Effect of exchange rate change on cash and cash equivalents	3,905	<b>13,569</b>
Net increase in cash and cash equivalents	30,616	<b>19,549</b>
Cash and cash equivalents at beginning of period	175,956	<b>207,578</b>
Increase in cash and cash equivalents from newly consolidated subsidiary	1,006	-
Cash and cash equivalents at end of period	207,578	<b>227,128</b>

## Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2014

### 1. Summary of Non-Consolidated Balance Sheets

(Millions of yen: Rounded down to the nearest one million yen)

	As of March 31, 2013	As of <b>March 31, 2014</b>	% Change
<b>ASSETS</b>			
Current assets	538,121	<b>539,204</b>	0.2
Noncurrent assets	871,265	<b>943,456</b>	8.3
Total assets	<u>1,409,387</u>	<u><b>1,482,661</b></u>	<u>5.2</u>
<b>LIABILITIES</b>			
Current liabilities	819,679	<b>549,354</b>	(33.0)
Noncurrent liabilities	97,202	<b>281,676</b>	189.8
Total liabilities	<u>916,881</u>	<u><b>831,031</b></u>	<u>(9.4)</u>
<b>NET ASSETS</b>			
Shareholders' equity	478,475	<b>637,762</b>	33.3
Valuation and translation adjustments	14,029	<b>13,867</b>	(1.2)
Total net assets	<u>492,505</u>	<u><b>651,629</b></u>	<u>32.3</u>
Total liabilities and net assets	<u>1,409,387</u>	<u><b>1,482,661</b></u>	<u>5.2</u>

## 2. Summary of Non-Consolidated Statements of Income

(Millions of yen: Rounded down to the nearest one million yen)

	Fiscal year ended March 31, 2013	Fiscal year ended <b>March 31, 2014</b>	% Change
Net sales	1,412,376	<b>1,515,062</b>	7.3
Gross profit	197,867	<b>219,393</b>	10.9
Operating income	35,766	<b>50,579</b>	41.4
Non-operating income	12,549	<b>26,207</b>	108.8
Non-operating expenses	9,224	<b>7,118</b>	(22.8)
Ordinary income	39,091	<b>69,667</b>	78.2
Extraordinary income	13,301	<b>5,639</b>	(57.6)
Extraordinary loss	9,903	<b>6,945</b>	(29.9)
Income before income taxes	42,489	<b>68,361</b>	60.9
Net income	28,189	<b>46,953</b>	66.6

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