

FOR IMMEDIATE RELEASE

November 12, 2014

Dentsu Reports Consolidated Financial Results for the Six Months Ended September 30, 2014 (Japanese GAAP)

*2.4% (year-on-year) increase in Dentsu's non-consolidated net sales in Japan
9.0% organic gross profit growth in the Dentsu Group's overseas business
Operating income before amortization of goodwill and other intangible assets
based on the deduction of revaluation of deferred consideration liabilities of 44,903 million yen
(18.5% 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 six months ended September 30, 2014 (April 1–September 30, 2014).

Summary of Financial Results for the Period

Although the Japanese economy maintained a gradual recovery overall in the first half of the current fiscal year thanks to factors such as an increase in capital investment against a background of improved corporate earnings as well as higher wages and better employment opportunities, there were some signs of weakness as consumption fell after the consumption tax hike in April. Meanwhile, although the U.S. economy is making steady progress, the global economy remained uncertain due to concerns about the continuing political unrest.

Under such circumstances, Dentsu's non-consolidated net sales in Japan showed an increase of 2.4% compared with the same period of the previous fiscal year. Despite the impact of the consumption tax increase, business opportunities created by the 2014 FIFA World Cup Brazil™ enabled the Group's results to exceed those of the first six months of the previous fiscal year. Moreover, the acquisition of new clients in markets outside of Japan allowed the Group's global business headquarters Dentsu Aegis Network Ltd. to record close-to-double-digit organic gross profit growth of 9.0% compared with the same period of the previous fiscal year. By geographic region, the year-on-year growth was 8.6% in the Europe, Middle East and Africa region, 4.9% in the Americas and 15.1% in the Asia-Pacific region.

As a result, for the six months ended September 30, 2014, the Dentsu Group posted consolidated billings (net sales) of 1,136,878 million yen, an increase of 5.0% compared with the same period of the previous fiscal year and gross profit of 295,674 million yen, an increase of 9.8%. The increase in the deferred consideration liabilities (see Note 1) that must be paid in the future to companies acquired by the Dentsu Group that have shown a strong performance together with the increase in the amortization of goodwill and other intangible assets on a yen basis caused by the depreciation of the yen led to an increase in the selling, general and administrative expenses, which in turn resulted in operating income before amortization of goodwill and other intangible assets of 39,225 million yen (2.2% decrease); operating income of 14,606 million yen (24.3% decrease); ordinary income of 20,952 million yen (12.9% decrease); and net income of 2,822 million yen (72.1% decrease).

The operating income before amortization of goodwill and other intangible assets based on the deduction of revaluation of deferred consideration liabilities came to 44,903 million yen (an increase of 18.5% compared with the same period of the previous fiscal year) (see Note 2). 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.

Note 1

In a deferred consideration or an earnout, a certain portion of the total purchase price is not paid at the time of the acquisition. There is an obligation, however, to pay this portion at a later date when the acquired business meets certain conditions. In general, the acquirer and the seller specify the conditions for the performance of the acquired business after a certain period of time, and the amount of the earnout varies according to the actual results of the acquired business during the agreed period of time. An earnout estimate based on the future expected performance of the acquired business is calculated at the time of the acquisition, and if the actual performance is better than was expected at the time of the acquisition, the estimated future earnout consideration increases. The acquirer is expected to recognize this as an expense. Conversely, if the actual performance of the acquired business is worse than was expected at the time of the acquisition, the estimated future earnout consideration decreases. The acquirer is required to recognize this as revenue income.

Note 2

Comparison with the same period of the previous fiscal year has also been made based on the deduction of revaluation of deferred consideration liabilities.

The results by business segment are as follows.

a. Advertising segment

In the Advertising segment, net sales of 1,104,896 million yen, an increase of 4.9% compared with the same period of the previous fiscal year; gross profit of 285,508 million yen, an increase of 10.5%; and segment income of 12,655 million yen, a decrease of 26.8% were posted.

b. Information Services segment

In the Information Services segment, net sales of 36,532 million yen, an increase of 6.5% compared with the same period of the previous fiscal year; gross profit of 9,999 million yen, a decrease of 3.7%; and segment income of 805 million yen, an increase of 10.7% were posted. All of the companies in the group headed by Information Services International-Dentsu, Ltd. fall into this segment.

c. Other Business segment

In the Other Business segment, net sales of 7,884 million yen, a decrease of 0.9% compared with the same period of the previous fiscal year; gross profit of 1,640 million yen, a decrease of 7.7%; and segment income of 363 million yen, a decrease of 13.6%, were posted.

Regarding Group companies with a December 31 closing date, including subsidiaries in countries other than Japan, their financial results for the six months from January 1 to June 30, 2014 are, as a general rule, incorporated in the consolidated financial results for the six months ended September 30, 2014.

Dentsu's non-consolidated financial results had a significant impact on the Group's consolidated financial results. For the six months ended September 30, 2014, the Company posted non-consolidated billings (net sales) of 734,808 million yen, an increase of 2.4% compared with the same period of the previous fiscal year; gross profit of 107,413 million yen, an increase of 6.7%; operating income of 23,226 million yen, an increase of 26.3%; ordinary income of 43,332 million yen, an increase of 45.8%; and net income of 33,375 million yen, an increase of 44.3%.

For more details regarding the consolidated and non-consolidated results, please see the presentation slides in the Presentation Materials section of the company website at: <http://www.dentsu.com/ir/data/setsumeikai/index.html>

Reference: Scope of Consolidated Financial Results

As of September 30, 2014, the Dentsu Group includes 681 consolidated subsidiary

companies and 56 affiliated companies accounted for by the equity method. 94 of these companies are located in Japan and 643 in countries other than Japan. By business segment, 713 of these companies fall into the Advertising segment, 17 into the Information Services segment, and 7 into the Other Business segment.

At the meeting of its Board of Directors convened today, Dentsu resolved to adopt the International Financial Reporting Standards (IFRS) in place of the Japanese GAAP used to date for its Consolidated Financial Report and Consolidated Financial Statements. The transition to IFRS from Japanese GAAP will take effect from the Company's consolidated financial results for the fiscal year ending March 2015 (fiscal 2014). The IFRS-based forecast of consolidated financial results for the fiscal year ending March 2015 is shown in the chart below. An amendment has also been made to the dividend forecast. For further details, please refer to the separate press release "Increased Interim Dividend and Amendment to Year-End Dividend Forecast" also issued today.

Millions of yen

	Revenue	Gross profit	Operating income	Net income attributable to the parent company	Net income per share (Yen)
Current forecast	702,500	655,700	104,700	60,000	208.07
(Reference) Previously announced forecast	669,300	626,600	101,700	58,700	203.56
(Reference) Actual results for prior year (Fiscal year ended March 31, 2014)	643,284	598,166	108,599	66,507	230.63

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 Six Months Ended September 30, 2014 (From April 1 to September 30, 2014)

1. Summary of Consolidated Balance Sheets

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

	As of March 31, 2014	As of September 30, 2014	% Change
ASSETS			
Current assets	1,368,385	1,259,260	(8.0)
Noncurrent assets	1,269,933	1,250,749	(1.5)
Total assets	<u>2,638,319</u>	<u>2,510,010</u>	<u>(4.9)</u>
LIABILITIES			
Current liabilities	1,253,263	1,160,522	(7.4)
Noncurrent liabilities	476,560	461,097	(3.2)
Total liabilities	<u>1,729,824</u>	<u>1,621,619</u>	<u>(6.3)</u>
NET ASSETS			
Shareholders' equity	715,828	704,267	(1.6)
Accumulated other comprehensive income	167,289	157,510	(5.8)
Subscription rights to shares	-	48	-
Minority interests	25,377	26,563	4.7
Total net assets	<u>908,495</u>	<u>888,390</u>	<u>(2.2)</u>
Total liabilities and net assets	<u><u>2,638,319</u></u>	<u><u>2,510,010</u></u>	<u><u>(4.9)</u></u>

2. Summary of Consolidated Statements of Income

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

	Six months ended September 30, 2013	Six months ended September 30, 2014	% Change
Net sales	1,082,360	1,136,878	5.0
Gross profit	269,193	295,674	9.8
Operating income	19,284	14,606	(24.3)
Non-operating income	11,458	12,329	7.6
Non-operating expenses	6,694	5,984	(10.6)
Ordinary income	24,049	20,952	(12.9)
Extraordinary income	3,224	1,495	(53.6)
Extraordinary loss	3,325	1,308	(60.6)
Income before income taxes and minority interests	23,948	21,139	(11.7)
Net income	10,134	2,822	(72.1)

3. Summary of Consolidated Statements of Comprehensive Income

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

	Six months ended September 30, 2013	Six months ended September 30, 2014	% Change
Income before minority interests	10,700	5,306	(50.4)
Other comprehensive income	83,328	(9,869)	-
Comprehensive income	94,028	(4,562)	-

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Contact: Shusaku Kannan
Senior Manager
Corporate Communications Division
Telephone: (813) 6216-8042
E-mail: s.kannan@dentsu.co.jp