

August 11, 2015

Dentsu Inc. Q1 FY2015 Consolidated Financial Results

Dentsu delivered double-digit growth in revenue, gross profit, operating profit and earnings per share, and remains on track to achieve its financial forecasts for FY2015

Consolidated Group (million yen), reported on an IFRS basis	Q1* FY2015	Q1* FY2014	Change, %
Revenue	172,027	149,763	14.9
Gross profit**	161,111	139,616	15.4
Statutory results			
• operating profit	12,254	9,930	23.4
• net profit (attributable to owners of the parent)	6,838	3,911	74.8
• basic EPS (yen)	23.77	13.56	75.3
Underlying results***			
▪ operating profit	19,282	14,025	37.5
▪ operating margin	12.0%	10.0%	200 bps
▪ net profit (attributable to owners of the parent)	13,653	9,686	41.0
▪ basis EPS (yen)	47.47	33.59	41.3
EBITDA	22,831	19,198	18.9

* For Dentsu's business operations in Japan, Q1 refers to the three months from April to June. For its international business, Dentsu Aegis Network, Q1 refers to the three months from January to March.

** Gross profit, defined as revenue less direct costs, is the metric by which the Group's organic growth is measured. Organic growth represents the constant currency year-on-year growth after adjusting for the effect of businesses acquired or disposed of since the beginning of the prior year.

*** Throughout this announcement, results are stated on an underlying basis unless otherwise indicated. See page 2 for definition of "underlying."

Highlights:

- The Dentsu Group produced double-digit gross profit growth of 15.4% in Q1 FY2015:
 - 2.3% gross profit growth at the Group's operations in Japan, and 29.7% gross profit growth at Dentsu Aegis Network, its international business
- Group organic gross profit growth of 8.1% in Q1 FY2015:
 - The Group's operations in Japan produced organic gross profit growth of 1.9% in Q1 FY2015, partly due to the support provided by Dentsu Inc. to clients in activities around the Tokyo 2020 Olympic and Paralympic Games, as well as solid performances from a number of key subsidiary companies
 - Dentsu Aegis Network delivered organic gross profit growth of 13.7% in Q1, 10.2% in Q2, and 11.8% in H1 FY2015, supported by on-going positive momentum
 - Ratio of gross profit from international (non-Japanese) business was 54.0%, from 48.0% in Q1 FY2014
- Group underlying operating margin was 12.0% (Q1 FY2014: 10.0%), with improved profitability on the back of a strong top line performance
- 7 acquisitions and investments signed in Q1 and 10 in Q2, for a total of 17 in the first six months of the 2015 calendar year, helped to accelerate the Group's strategic objectives
- Dentsu's forecasts for FY2015 remain unchanged, based on Q1 FY2015 performance and expectations for the remainder of the year
- Share repurchase announced on May 14, 2015 was completed as planned on July 24, 2015, with 3,218,400 shares repurchased at a cost of almost 20 billion yen

Reconciliation from underlying to statutory operating profit

Consolidated Group (million yen)	Q1 FY2015	Q1 FY2014	Change, %
Underlying operating profit*	19,282	14,025	37.5
Adjustment items:	(7,027)	(4,094)	
Amortization of M&A related intangible assets	(5,354)	(4,398)	
Acquisition costs	(124)	(149)	
Gain (loss) on sales and retirement of non-current assets	(56)	(102)	
Gain on sales of shares of subsidiaries and associates	868	306	
Loss on liquidation of subsidiaries and associates	(2,561)	—	
Others	200	249	
Statutory operating profit	12,254	9,930	23.4

* Underlying operating profit, underlying profit for the year and underlying net profit are operating profit, profit for the year and net profit respectively, stated before those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying performance achieved by the Group and its businesses ("adjusting items"). In the opinion of the Group, such adjusting items are material by nature or amount and may include impairment charges, profits and losses on disposals of investments and property or on retirement of non-current assets, amortization of purchased intangible assets (being amortization charged on separately identifiable intangible assets in acquired businesses), special retirement expenses and one-off items which are material by nature or amount in the opinion of the Group, and any related tax thereon, as appropriate.

Dentsu Inc.'s Q1 FY2015 Consolidated Financial Results

Basis of preparation

The Dentsu Group operates through two major entities: Dentsu Inc. manages the Group's operations in Japan and Dentsu Aegis Network operates its international businesses.

Given the different year-ends of each entity, the Dentsu Group's results for Q1 FY2015 incorporate Dentsu Inc.'s results, including subsidiaries in Japan for the three months ended June 30, 2015, and Dentsu Aegis Network's results for the three months ended March 31, 2015. Dentsu Aegis Network's results for the second quarter of 2015, ended June 30, 2015, are therefore not included in the Dentsu Group's results for Q1 FY2015, but are outlined separately below, with commentary on Dentsu Aegis Network's performance overall for the first half of 2015.

The year-ends of Dentsu Inc., subsidiaries in Japan and Dentsu Aegis Network will be aligned for the FY2015 financial year, so that the Group's FY2015 results will be consolidated on a December year-end basis, and will be reported in the first quarter of 2016.

Overview of the Dentsu Group's Q1 FY2015 results

Gross profit for the Dentsu Group in the first quarter of the 2015 fiscal year was 161,111 million yen, up 15.4% from the same period of the previous fiscal year. Organic growth, based on gross profit, for the Group was 8.1%, supported by on-going momentum across the Group's businesses.

Group underlying operating profit was 19,282 million yen, an increase of 37.5% from the same period of the previous fiscal year. The Group's underlying operating margin was 12.0%. This 200 basis point increase from the prior year period was partly as a result of a reduction in the Group's year-on-year investment in its global functional transformation programs, as expected.

Underlying basic earnings per share increased by 41.3% to 47.47 yen, from 33.59 yen in the same period of the previous fiscal year.

Regional performance review

The Group's operations in Japan delivered solid organic gross profit growth of 1.9% in Q1 FY2015 (ended June 30, 2015) despite the strong comparator of the same period of the previous fiscal year due to the 2014 FIFA World Cup™. This was partly driven by Dentsu's continued success in supporting clients in the development of marketing plans and sponsorship sales around the Tokyo 2020 Olympic Games, as the Company continues to fulfil its role as the Tokyo Organising Committee's exclusive marketing partner. In addition, there were strong performances from a number of Dentsu's key subsidiary companies in Japan, supporting growth in the market during the period.

Internationally, Dentsu Aegis Network delivered excellent organic gross profit growth of 10.2% in Q2 FY2015, and 11.8% in H1 FY2015, (both periods ended June 30, 2015) well ahead of the peer group. Each region delivered a strong performance, with organic gross profit growth of:

- 5.4% in Q2 FY2015, and 12.8% in H1 FY2015, in APAC (excluding Japan)
- 7.9% in Q2 FY2015, and 9.1% in H1 FY2015 in the Americas
- 16.1% in Q2 FY2015, and 13.8% in H1 FY2015 in EMEA

In APAC, excluding Japan, there were strong performances throughout H1 FY2015 from Australia, India and across the major markets in South East Asia. China also delivered strong growth, driven in particular by a number of significant one-off marketing campaigns undertaken by major automotive clients at the start of the year.

In the Americas region, Dentsu Aegis Network's businesses across North America produced further strong growth in H1 FY2015, and there were good performances across most of Latin America. However, Brazil faced some economic challenges during the period, and a tough comparator (which included the 2014 FIFA World Cup™).

Dentsu Aegis Network also delivered strong growth in the EMEA region in H1 FY2015. There were excellent performances across all major markets in Western Europe, although, in Eastern Europe, Russia continues to face on-going geo-political uncertainties.

Dentsu Aegis Network's performance in the first half of FY2015 was driven by a continued run of new business success, with total net new business of US\$1.4 billion in billings achieved for the six-month period. Dentsu Aegis Network is participating in a number of the major global and regional media agency reviews which are currently underway. The majority of these reviews are expected to be finalized during the fourth quarter of 2015 and the first quarter of 2016.

The Dentsu Group signed 17 acquisitions and investments in the first six months of the 2015 calendar year, most of which were digital businesses, based in APAC and EMEA.

Forecast for FY2015 full year performance

Dentsu's forecasts for FY2015 remain unchanged, since results for the first quarter were generally in line with expectations. The Company continues to expect to deliver a performance ahead of the market in 2015, while maintaining its forecast of an increase in gross profit of 8.6% to 735.1 billion yen for 2015.

The Company's expectations for underlying operating profit also remain unchanged, with an increase of 11.5% to 148.8 billion yen expected for FY2015, with underlying operating margin expected to be up 50 basis points to 20.2%. This is expected to lead to an 11.0% increase in underlying basic EPS of 343.32 yen for 2015, as previously forecast.

These forecasts for FY2015 are on a pro forma basis for the twelve months from January to December 2015, (with the % changes outlined above on the same pro forma basis, based on figures for the twelve months from January to December 2014).

- Ends -

Further information:

Details of Dentsu Inc.'s Q1 FY2015 results, including all related financial statements, can be found in the Investor Relations section of the Dentsu Inc. website: <http://www.dentsu.com/ir>.

For additional enquiries:

	Tokyo	London
Media – Please contact Corporate Communications:	Shusaku Kannan: +81 3 6216 8042 s.kannan@dentsu.co.jp	Kirsten Doddy: +44 7979 537 995 kirsten.doddy@dentsuaegis.com
Investors & analysts – Please contact Investor Relations:	Masa Okuzono: +81 3 6216 8015 mokuzono@dentsu.co.jp	Rob Gurner: +44 7825 189088 rob.gurner@dentsuaegis.com

About the Dentsu Group

Dentsu is the world's largest advertising agency brand. Led by Dentsu Inc. (Tokyo: 4324; ISIN: JP3551520004), a company with a history of 114 years of innovation, the Dentsu Group provides a comprehensive range of client-centric brand, integrated communications, media and digital services through its eight global network brands—Carat, Dentsu, Dentsu media, iProspect, Isobar, mcgarrybowen, Posterscope and Vizeum—as well as through its specialist/multi-market brands.

The Dentsu Group has a strong presence in 124 countries across five continents, and employs more than 43,000 dedicated professionals. Dentsu Aegis Network Ltd., its global business headquarters in London, oversees Dentsu's agency operations outside of Japan. The Group is also active in the production and marketing of sports and entertainment content on a global scale. www.dentsu.com