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November 11, 2015

Dentsu Inc.
H1 FY2015 Consolidated Financial Results

Dentsu continued to deliver double-digit growth, from the top line to the bottom line
Ongoing positive momentum across the Group

Consolidated Group (million yen) – reported on an IFRS basis	H1 FY2015	H1 FY2014	Change, %
Revenue	**373,947**	329,272	**13.6**
Gross profit	**349,207**	305,319	**14.4**
Statutory results			
• operating profit	**43,829**	39,201	11.8
• net profit (attributable to owners of the parent)	**26,054**	21,038	23.8
• basic EPS (yen)	**90.97**	72.96	24.7
Underlying results*			
▪ operating profit	**56,110**	48,951	14.6
▪ operating margin	**16.1%**	16.0%	10 bps
▪ net profit (attributable to owners of the parent)	**36,831**	30,065	22.5
▪ basic EPS (yen)	**128.6**	104.3	23.3
EBITDA	**65,372**	58,018	12.7

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

Highlights of H1 FY2015 results:

- Delivered double-digit growth in revenue, gross profit, operating profit and earnings per share
- Dentsu Group organic gross profit growth† of 6.9%
  - Gross profit of the Group's business in Japan in the first half surpassed the record high of the prior year period, with organic gross profit growth of 1.6%
  - At Dentsu Aegis Network, the international business, organic gross profit growth was 11.8%
    - With organic gross profit growth of 6.6% for Q3 CY2015‡, contributing to organic gross profit growth of 10.0% for the first nine months of CY2015
  - Ratio of gross profit from international (non-Japanese) business reached 53.8% (from 48.2% as at H1 FY2014)
  - Ratio of gross profit from digital now stands at 33% (from 29% as at H1 FY2014)
- Group underlying operating margin was 16.1% (H1 FY2014: 16.0%)
  - Impact of strong cost containment across the Group and planned reduction in investment in global functional transformation programs, offset by a one-off bad debt provision in Japan
- 25 acquisitions signed during first nine months of CY2015, around half of which are digital businesses
- Underlying basic earnings per share were 128.6 yen, a 23.3% increase over the prior year period
- Dividend per share for H1 FY2015 was 35 yen, an increase from 20 yen for the prior year period
- The Dentsu Group reiterates its forecasts for FY2015

† *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 report, CY2015 refers to the 2015 calendar year, ending December 31, 2015, while FY2015 refers to Dentsu Inc.'s financial year, the transitional one-time only nine-month period from April 1 to December 31, 2015.*

Reconciliation from underlying to statutory operating profit

Consolidated Group (million yen) – reported on an IFRS basis	H1 FY2015	H1 FY2014	Change, %
Underlying operating profit*	**56,110**	**48,951**	**14.6**
Adjustment items:	(12,280)	(9,750)	
Amortization of M&A related intangible assets	(11,066)	(9,075)	
Acquisition costs	(711)	(281)	
Gain (loss) on sales and retirement of non-current assets	585	(360)	
Gain on sales of shares of subsidiaries and associates	954	306	
Loss on liquidation of subsidiaries and associates	(2,617)	–	
Others	575	(340)	
Statutory operating profit	**43,829**	**39,201**	**11.8**

** 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.*

Basis of preparation of Dentsu Inc.'s H1 FY2015 Consolidated Financial Results

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 H1 FY2015 incorporate Dentsu Inc.'s results, including subsidiaries in Japan, for the six months ended September 30, 2015, and Dentsu Aegis Network's results for the six months ended June 30, 2015. Dentsu Aegis Network's results for the third quarter of the 2015 calendar year, ended September 30, 2015, (Q3 CY2015) are therefore not included in the Dentsu Group's results for H1 FY2015, but are outlined below as part of the commentary on Dentsu Aegis Network's performance overall for the first nine months of the 2015 calendar year (CY2015).

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 mid-February, 2016.

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Dentsu Inc.'s H1 FY2015 Consolidated Financial Results

Overview

The Dentsu Group's gross profit, defined as revenue less direct costs, in H1 FY2015 was 349,207 million yen, up 14.4% from the prior year period. Organic growth for the period, based on gross profit, for the Group was 6.9%.

Group underlying operating profit was 56,110 million yen, an increase of 14.6% from the prior year period. The Group's underlying operating margin for H1 FY2015 was 16.1%, a 10 basis point increase, with the impact of strong cost containment across the Group and the planned decrease in investment in global functional transformation programs being offset by a one-off bad debt provision in Japan. Underlying basic earnings per share were 128.6 yen, a 23.3% increase over the prior year period.

Performance review

The Group's operations in Japan delivered organic gross profit growth of 1.6% in H1 FY2015, despite the tough prior year period comparator due to the FIFA World Cup™. In particular, key promotion and digital subsidiaries such as Dentsu Tec, cci and ISID showed a strong performance.

The operating margin for the Group's business in Japan declined by 40 basis points to 21.0% as a result of a one-off bad debt provision (excluding this one-off impact, the operating margin for the Group's business in Japan was higher than the prior year period).

The Group's international business, Dentsu Aegis Network, delivered further peer group-leading organic gross profit growth of 10.0% in the first nine months of CY2015. This included organic gross profit growth of 11.8% in H1 FY2015, and 6.6% in Q3 CY2015, during which each region, Asia Pacific (APAC, excluding Japan), the Americas and Europe, Middle East and Africa (EMEA), faced the most challenging quarterly comparator of the year.

During H1 FY2015, Dentsu Aegis Network produced a 160 basis point improvement in operating margin to 11.9%, as a result of strong operating leverage and the planned decrease in investment in global functional transformation programs, which peaked in 2014.

Each of Dentsu Aegis Network's regions delivered strong organic gross profit growth during the period, as follows:

- APAC (excluding Japan): 11.5% in the first nine months of CY2015, including:
    - 12.8% in H1 FY2015 and 9.3% in Q3 CY2015
- Americas: 6.0% in the first nine months of CY2015, including:
    - 9.1% in H1 FY2015 and 0.1% in Q3 CY2015
- EMEA: 12.9% in the first nine months of CY2015, including:
    - 13.8% in H1 FY2015 and 11.0% in Q3 CY2015

In APAC, excluding Japan, Dentsu Aegis Network achieved excellent organic gross profit growth of 11.5% for the first nine months of CY2015. In China, Dentsu Aegis Network remains well positioned, delivering double-digit organic growth for the first nine months of the year and the Group remains positive about the long-term outlook for that market. Elsewhere in Asia Pacific, Dentsu Aegis Network also produced double-digit organic growth in the first nine months of 2015 in a number of other important markets, including Australia, India, Thailand, Malaysia and Vietnam.

The Americas produced solid organic gross profit growth of 6.0% for the first nine months of CY2015, despite particularly tough comparators in Q3 CY2015. New leadership in the U.S. will support the further development of the Group there, while a number of recent new business wins have helped to drive forward the business in Canada. In Latin America, several markets delivered significant organic growth in the first nine months of 2015, in particular Argentina, Chile, Mexico and Columbia, while the environment in Brazil remains volatile and challenging.

Dentsu Aegis Network in EMEA delivered outstanding growth of 12.9% for the first nine months of 2015. All major markets across Western Europe (UK, Germany, France, Italy and Spain), as well as a number of smaller markets across the wider EMEA region, delivered very strong organic growth. This was a consequence of regional management executing a clear, consistent strategy, supported by a market-leading product, thereby driving positive momentum. The geopolitical environment remains uncertain in Russia, where management continues to ensure any impact on the business is contained.

Dentsu Aegis Network's performance so far in 2015 has been driven by further momentum in new business. Total net new business won so far in 2015 is in excess of US$2 billion in billings. Dentsu Aegis Network is actively participating in a number of other major media reviews. The business has already achieved a number of successful outcomes from these reviews and management remains confident about prospects for the remaining reviews currently underway.

Balance sheet position and capital utilization strategy

The Group's balance sheet remains robust and its leverage position enables flexibility for the Group to continue to invest in growth. Net debt, as at September 30, 2015, was 118.5 billion yen. Its leverage position, as at September 30, 2015, on a Net Debt: EBITDA basis was 0.65 times. The Group's strategy for capital utilization is focused on:

- Prioritizing the deployment of capital to drive the growth of the business, by investing in growth in Japan and globally and through value-enhancing acquisitions which provide scale, in-fill and innovation. To this end, the Group signed 25 acquisitions in the January–September 2015 period, which is the same as the number of acquisitions signed during the entire 2014 calendar year.

- Focusing on capital returns and dividends, with the objectives of improving capital efficiency and increasing Return on Equity over time. With this in mind, the Group's directors are recommending a dividend per share for H1 FY2015 of 35 yen, an increase of 75% from the prior year period. Dentsu also repurchased 3,218,400 shares during the period, at a cost of almost 20 billion yen.

FY2015 – outlook and forecasts

The pace of change for the global advertising and media industry over the next five years will be faster than the change over the last fifteen years. This change is being driven by the "digital economy," which will drive convergence at scale, as well as globalization and disruption, supported by the continued momentum of smartphone penetration. Despite the increasingly complex nature of this environment, the Dentsu Group remains optimistic about the market outlook, and its own prospects, in 2015 and beyond.

Global advertising expenditure is expected to grow by 4.0% in 2015, according to Carat's most recent adspend forecasts, published in September 2015, with continued optimism driven by the relatively high growth expected in digital. This strength of digital is evident through its expected growth rate of 15.7% in 2015, helping its predicted share of advertising spend to reach 24.3%. This is driven by the high demand for mobile and online video advertising, especially across social media platforms. TV is expected to remain resilient with a steady 42.0% market share forecast for 2015. Carat anticipates ongoing positive momentum in 2015 for most regions although volatility is expected to occur in those markets being impacted by ongoing geopolitical uncertainty. Western Europe is expected to see continued positive growth, while Asia Pacific is also expected to remain robust in 2015. North America is expected to remain stable, and Latin America remains a high growth region, despite moderated forecasts for Brazil.

With this market background in mind, the Dentsu Group's expectations for 2015, based on the twelve months from January to December 2015, (on a pro forma basis), are that it will deliver a performance ahead of the market in 2015, with a forecast increase in gross profit of 8.6% to 735.1 billion yen. The Group's underlying operating profit is expected to increase by 11.5% to 148.8 billion yen in 2015, with underlying operating margin expected to be 20.2%. These forecasts for 2015 are unchanged from the Group's original expectations, published in May 2015.

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Further information:

Details of Dentsu Inc.'s H1 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.

The quarterly organic gross profit growth figures for 2014 and 2015 for Dentsu Aegis Network are as follows:

	Total		APAC		Americas		EMEA	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Q1	13.7%	9.6%	22.5%	14.8%	10.4%	4.7%	11.1%	10.6%
Q2	10.2%	8.5%	5.4%	15.2%	7.9%	5.0%	16.1%	6.9%
Q3	6.6%	12.8%	9.3%	15.5%	0.1%	12.8%	11.0%	10.8%
Q4	-	10.5%	-	12.8%	-	8.3%	-	10.6%

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 nine global network brands—Carat, Dentsu, Dentsu media, iProspect, Isobar, mcgarrybowen, MKTG, 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