February 15, 2015

Dentsu Inc.
FY2015 Consolidated Financial Results

(Fiscal year ended December 31, 2015 – reported on an IFRS basis)

Peer group outperformance in organic growth and operating margin continues

Consolidated Group (million yen) – reported on an IFRS basis	FY2015*	FY2014	Change, %
Revenue	**818,566**	725,886	**12.8**
Gross profit	**761,996**	676,882	**12.6**
Statutory results			
• operating profit	**128,212**	137,558	(6.8)
• net profit (attributable to owners of the parent)	**83,090**	81,409	2.1
• basic EPS (yen)	**289.95**	282.31	2.7
Underlying results**			
▪ operating profit	**160,438**	133,402	20.3
▪ operating margin	**21.1%**	19.7%	140 bps
▪ net profit (attributable to owners of the parent)	**113,388**	89,179	27.1
▪ basic EPS (yen)	**395.67**	309.26	27.9
EBITDA	**175,454**	178,883	(1.9)

** FY2015 was a transitional one-time only nine-month period from April 1 to December 31, 2015. Figures for both FY2015 and FY2014 are provided on a pro forma calendar year basis to enable year-on-year performance comparison.*
*** Throughout this announcement, results are stated on an underlying basis unless otherwise indicated. See page 2 for definition of "underlying."*

Highlights of FY2015 results:

- Dentsu Group organic gross profit growth† of 7.0%
    - Organic gross profit growth of the Group's business in Japan was 3.9%
    - At Dentsu Aegis Network, the international business, organic gross profit growth was 9.4%, including 8.2% in Q4 FY2015
    - Ratio of gross profit from international (non-Japanese) business reached 54.3% (from 50.7% in FY2014)
    - Ratio of gross profit from digital now stands at 34% (from 30% in FY2014)
- Group underlying operating margin was 21.1% (FY2014: 19.7%)
    - Impact of strong cost containment across the Group, planned reduction in investment in global functional transformation programs during the year
- A record number of acquisitions signed during FY2015, around half of which are digital businesses
- Underlying basic earnings per share were 395.67 yen, a 27.9% increase over the prior year
- Dividend per share for FY2015 was 75 yen, an increase from 55 yen for the prior year, equating to a dividend payout ratio of 22.7% (based on underlying net profit attributable to owners of the parent)
- The Dentsu Group expects to continue delivering market outperformance in 2016

† 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.

Reconciliation from underlying to statutory operating profit

Consolidated Group (million yen) – reported on an IFRS basis	FY2015	FY2014	Change, %
Underlying operating profit*	**160,438**	**133,402**	**20.3**
Adjustment items:	(32,226)	4,156	
Amortization of M&A related intangible assets	(22,798)	(19,784)	
Acquisition costs	(1,624)	(954)	
Gain (loss) on sales and retirement of non-current assets	(874)	28,828	
Gain on sales of shares of subsidiaries and associates	954	307	
Revaluation gain (loss) on investment reclassification	3,260	161	
Impairment loss	(3,650)	(1,919)	
Special retirement expenses	(4,564)	(362)	
Loss on liquidation of subsidiaries and associates	(2,617)	(1,288)	
Others	(313)	(833)	
Statutory operating profit	**128,212**	**137,558**	**(6.8)**

** Underlying operating profit and underlying net profit are operating profit 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 ("adjustment items"). In the opinion of the Group, such adjustment 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.*

Tadashi Ishii, President and Chief Executive Officer of Dentsu Inc., said:

"In 2015, the third year of our medium-term management plan 'Dentsu 2017 and Beyond,' we continued to make steady progress in delivering on our strategic objectives, while producing another peer group-leading performance. Looking ahead, in addition to further growth in the Group's core Japanese market, we will leverage our extensive global network to its fullest potential in order to contribute to the growth of all our clients. We will continue to invest in our business, particularly in integrating our digital capabilities, to ensure we take advantage of the opportunities that will arise in an increasingly fast-paced digital economy. With this in mind, and supported by our continued focus on our strategic objectives, we expect to continue outperforming the market in the year ahead and beyond."

Basis of preparation of Dentsu Inc.'s 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. Historically, the entities have had different year-ends, with Dentsu Inc., including subsidiaries in Japan, having a March year-end, and Dentsu Aegis Network having a December year-end. However, the year-ends of both Dentsu Inc. and Dentsu Aegis Network have been aligned for the FY2015 fiscal year, so that the Group's pro forma FY2015 results have been consolidated and reported in this press release on a December year-end basis. Details of Dentsu Inc.'s results for the nine-month period from April 1 to December 31, 2015 can be found in the Investor Relations section of the Dentsu Inc. website.

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Dentsu Inc.'s FY2015 Consolidated Financial Results

1. The Dentsu Group's strategic objectives and progress made against them in FY2015

The Dentsu Group's long-term ambition is to evolve into a truly global network at the forefront of marketing convergence. To support this ambition, the Group has four key strategic focus areas:

- Diversifying the portfolio on a global basis
- Evolving and expanding in the digital domain
- Re-engineering business processes and improving profitability
- Further reinforcing the business platform in the core Japanese market

As part of the Group's medium-term plan to FY2017, originally communicated in FY2013, management set four key performance indicators, against which its success across these strategy focus areas is measured. The Group continued to deliver against these KPIs in FY2015:

KPI to be achieved by FY2017	KPI status in FY2015 (January to December 2015)	KPI status in FY2014 (April 2014 to March 2015
Organic gross profit growth of 3–5% (5 year CAGR)	**7.0%**	5.8%
Ratio of gross profit from international (non-Japanese) business of 55% or higher	**54.3%**	50.7%
Ratio of gross profit from the digital domain of 35% or higher	**34%**	30%
Underlying operating margin* of 20% or higher	**21.1%**	19.5%

**Underlying operating margin under IFRS is defined as underlying operating profit as a percentage of gross profit.*

2. FY2015 results overview

The Dentsu Group's gross profit, defined as revenue less direct costs, in FY2015 was 761,996 million yen, up 12.6% from the prior year. Organic growth for the year, based on gross profit, for the Group was 7.0%.

Group underlying operating profit was 160,438 million yen, an increase of 20.3% from FY2014. The Group's underlying operating margin for FY2015 was 21.1%, a 140 basis point increase, due to the impact of strong cost containment across the Group, the planned decrease in investment in global functional transformation programs during the year. Underlying basic earnings per share were 395.67 yen, a 27.9% increase over the prior year.

3. FY2015 performance review

The Group's operations in Japan delivered organic gross profit growth of 3.9% in FY2015, supported by business opportunities related to the 15th IAAF World Championships Beijing 2015, the 44th Tokyo Motor Show 2015, and sponsorship sales associated with the Tokyo 2020 Olympic and Paralympic Games. Three key subsidiaries delivered strong performances: digital subsidiary CCI through its programmatic buying business; IT subsidiary ISID through its development of systems for financial institutions; and promotional subsidiary Dentsu Tec through business associated with large-scale exhibitions and government policy measures.

The operating margin for the Group's business in Japan increased by 180 basis points to 26.0% as a result of cost controls and restructuring of the value chain.

The Group's international business, Dentsu Aegis Network, delivered further peer group-leading organic gross profit growth of 9.4% in FY2015, including 8.2% in Q4 FY2015, supported by an ongoing focus on:

- Increasing exposure to faster growing regions and segments;
- Building capability in the digital economy;
- Broadening its service offering across clients;
- Growing its international client and new business profile;
- Building leading positions in the top 20 markets, prioritizing the USA and China; and
- Continuing to develop a market-leading, scalable organization that is clearly differentiated.

During FY2015, Dentsu Aegis Network produced a 160 basis point improvement in operating margin to 16.9%, as a result of strong operating leverage and the planned decrease in investment in global functional transformation programs.

Each of Dentsu Aegis Network's regions delivered strong performances during FY2015.

In APAC, excluding Japan, Dentsu Aegis Network achieved very strong organic gross profit growth of 11.4% in FY2015, including 11.0% in Q4 FY2015. China, Dentsu Aegis Network's largest market in the region, remains an important part of the long-term future success of the Group. Dentsu Aegis Network produced double-digit organic growth in China during the year, despite some market volatility during the course of the year. Elsewhere in Asia, there were double-digit organic growth performances from India, Thailand, Vietnam and Hong Kong, among others, as revenue and talent synergy benefits between Dentsu Inc. and Dentsu Aegis Network continue to develop across the region.

The Americas produced solid organic gross profit growth of 4.9% in FY2015, including 2.1% in Q4 FY2015. North America delivered stable growth, with a step-up in performance expected in 2016, as a result of the bolstering of management teams at some of Dentsu Aegis Network's key agencies in the US as well as the impact of major media wins there in 2015. In Latin America, important markets like Mexico and Argentina produced double-digit growth. In Brazil, there are initial signs of a turnaround in the market, with a further positive impact expected this year from additional advertising expenditure around the Olympic Games in the summer of 2016.

Dentsu Aegis Network in EMEA delivered outstanding growth of 12.2% in FY2015, including 11.0% in Q4 FY2015, the sixth consecutive quarter of double-digit growth in the region. This was a strong performance, given the relatively low growth environment in a number of markets, particularly in Western Europe, where all of the major markets delivered double-digit growth during the year. There were also strong performances from the Middle East and Africa. The situation in Russia remains relatively uncertain, but the Group remains optimistic about its prospects there, given its strong position in that market.

Dentsu Aegis Network's performance in 2015 was driven by further momentum in new business. Total net new business won in 2015 was US$3.6 billion in billings, including several successful outcomes from the major media reviews announced during the year, while management successfully retained client accounts worth around US$4 billion in billings.

4. 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 December 31, 2015, was 90.4 billion yen. Its leverage position, as at December 31, 2015, on a Net Debt: EBITDA basis remains comfortable at 0.52 times. The Group's strategy for capital utilization continues to be focused on:

- Prioritizing the deployment of capital to drive the growth of the business, by investing in growth through value-enhancing acquisitions which provide scale, in-fill and innovation. To this end, Dentsu signed 36 acquisitions in FY2015, which is the highest number signed by the Group to date; and
- Focusing on capital returns and dividends, with the objective of improving capital efficiency. With this in mind, the Group's directors are recommending a dividend per share for FY2015 of 75 yen, an increase of 36.4% from the prior year. This equates to a dividend payout ratio of 22.7% based on underlying net profit attributable to owners of the parent.

5. FY2016 – a continued focus on digital integration at the Dentsu Group

The fast-paced digital economy continues to drive marketing convergence at scale, and is now a major element in the growth of overall advertising expenditure. According to Carat's forecasts, global advertising expenditure is expected to grow by 4.7% in 2016, primarily driven by the continued solid growth of digital media, at 14.3%, and evident through the upsurge in its predicted share of advertising spend of 26.5% in 2016. For 10 key markets, including the UK, Ireland, Canada and Australia, digital is now the principal media channel used, based on spend.

Digital advertising expenditure continues to be driven by the high demand for mobile and online video advertising, especially across social media platforms, as well as the rise of programmatic buying. Television is expected to remain resilient with a steady 41.3% market share forecast for 2016, as the upcoming Olympic Games and US elections are expected to drive considerable viewership. Importantly, advertisers continue to place significant emphasis on the integration of their marketing plans across a range of media platforms.

In this rapidly evolving and complex environment, the Dentsu Group will continue to be innovative for its clients, to ensure they have the best platforms from which to succeed. The Group's key focus therefore is to integrate digital capabilities and skills into its business. This ensures that Dentsu can continue to offer its clients a fully integrated offering, with specialist capabilities ingrained in that offering.

With this in mind, the Group will further invest in its digital capabilities, in particular in ensuring these capabilities are integrated, at scale, within its operating model and across its product suite. In Japan, Dentsu Inc. has established the Dentsu Digital Marketing Center digital solutions business division which provides a total package for clients across digital channels and platforms. This division collaborates with other key business units to ensure Dentsu's clients have a full suite of capabilities to access. At Dentsu Aegis Network, management will continue to add to its digital capability portfolio through acquisitions and by continuing to invest internally in hiring digital talent and supplementing its product suite with cutting-edge digital tools.

These actions and investments will ensure the Group remains at the leading edge of the digital economy in 2016 and beyond. With this in mind, the Dentsu Group expects to continue delivering a performance ahead of the market in 2016, with the Group forecasting an increase in gross profit of 7.2% to 817.1 billion yen for 2016. Underlying operating profit is expected to increase by 2.4% to 164.3 billion yen in 2016, but the underlying operating margin is expected to be down 100 basis points to 20.1%, due to the planned increase in strategic investment in digital capabilities and talent, both in Japan and globally in 2016, as outlined above. This is expected to lead to a 2.1% decrease in underlying basic eps of 387.18 yen for 2016.

Cash dividends per share of common stock applicable to the fiscal year ending December 31, 2016 are expected to be 80 yen, including an interim dividend of 40 yen and a year-end dividend of 40 yen.

Further information:

Details of Dentsu Inc.'s 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	8.2%	10.5%	11.0%	12.8%	2.1%	8.3%	11.0%	10.6%

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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 over 140 countries across five continents, and employs more than 47,000 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