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May 16, 2016

Dentsu Inc.
Q1 FY2016 Consolidated Financial Results and Changes to the Forecast of Financial Results for the Fiscal Year Ending December 31, 2016

A strong start to the year drives continued peer group outperformance

Consolidated Group (million yen) – reported on an IFRS basis	Q1 FY2016	Q1 FY2015	YoY Change, %	Constant currency basis, %
Revenue	**199,542**	198,157	0.7	–
Gross profit*	**186,990**	181,121	3.2	7.2
Statutory results				
• operating profit	**31,796**	21,976	44.7	–
• net profit (attributable to owners of the parent)	**17,215**	10,459	64.6	–
• basic EPS (yen)	**60.38**	36.27	66.5	–
Underlying results**				
▪ operating profit	**35,769**	33,651	6.3	7.4
▪ operating margin	**19.1%**	18.6%	50 bps	0 bps
▪ net profit (attributable to owners of the parent)	**21,552**	21,003	2.6	–
▪ basis EPS (yen)	**75.58**	72.84	3.8	–
EBITDA	**42,287**	33,808	25.1	–

** 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 of Q1 FY2016:

- The Dentsu Group delivered total gross profit growth of 7.2% (constant currency basis) in Q1 FY2016:
  - 5.4% gross profit growth at the Group's operations in Japan, and 9.2% gross profit growth (constant currency basis) at Dentsu Aegis Network, its international business
- The Group produced organic gross profit growth of 5.1% during the period, ahead of the peer group average:
  - The Group's operations in Japan produced organic gross profit growth of 5.6%, driven by Dentsu Inc.'s sponsorship sales associated with the Tokyo 2020 Olympic and Paralympic Games
  - Dentsu Aegis Network delivered organic gross profit growth of 4.5%, building on a sector-leading organic growth performance of 13.7% in the prior year period
- Group underlying operating margin was 19.1% (Q1 FY2015: 18.6%), driven by operating leverage and cost containment across the organization
- 10 acquisitions and investments signed in Q1 FY2016 helped to accelerate the Group's strategic objectives
- Dentsu remains confident about its prospects for the remainder of the year; however the Group's forecasts for FY2016 have been moderately reduced, due to the impact of a strengthened yen in the year to date

Reconciliation from underlying to statutory operating profit

Consolidated Group (million yen) – reported on an IFRS basis	Q1 FY2016	Q1 FY2015	Change, %
Underlying operating profit*	**35,769**	33,651	6.3
Adjustment items:	(3,972)	(11,675)	
Amortization of M&A related intangible assets	(5,460)	(5,354)	
Acquisition costs	(284)	(137)	
One-off items	1,772	(6,184)	
Gain (loss) on sales and retirement of non-current assets	1,419	(1,374)	
Gain on sales of shares of subsidiaries and associates	1,445	–	
Revaluation gain (loss) on investment reclassification	–	355	
Impairment loss	(5)	(1,161)	
Special retirement expenses	(44)	(3,751)	
Others	(1,043)	(253)	
Statutory operating profit	**31,796**	21,976	44.7

** 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.*

Dentsu Inc.'s Q1 FY2016 Consolidated Financial Results

Overview of Q1 FY2016 results

Gross profit for the Dentsu Group in the first quarter of the 2016 fiscal year was 186,990 million yen, up 7.2% on a constant currency basis, from the same period of the previous fiscal year. Organic growth, based on gross profit, for the Group was 5.1%, ahead of the peer group average for the period.

On a reported basis, there was a 3.7% impact on gross profit from foreign exchange movements, particularly driven by the strengthening of the JPY against the USD and GBP during the period, compared to Q1 FY2015. The average JPY/USD rate strengthened by 3.1% to 115.4 yen during Q1 FY2016, from 119.1 yen in the prior year period, while the average JPY/GBP rate strengthened by 8.4% to 165.2 yen during Q1 FY2016, from 180.5 yen in the prior year period.

Group underlying operating profit was 35,769 million yen, an increase of 6.3% (constant currency basis, 7.4%) from the same period of the previous fiscal year. The Group's underlying operating margin was 19.1%, as a result of operating leverage and cost containment across the organization.

Underlying basic earnings per share increased by 3.8% to 75.58 yen, from 72.84 yen in the same period of the previous fiscal year.

Regional performance review

The Group's operations in Japan produced organic gross profit growth of 5.6%, driven by Dentsu Inc.'s sponsorship sales associated with the Tokyo 2020 Olympic and Paralympic Games.

Dentsu Aegis Network delivered organic gross profit growth of 4.5% in Q1 FY2016, building on a sector-leading organic growth performance of 13.7% in Q1 FY2015, during which each region delivered double-digit organic gross profit growth.

APAC, excluding Japan, delivered organic gross profit growth of 5.2% in Q1 FY2016. There were strong performances across the region, in particular in Australia, India, Thailand, Indonesia and Hong Kong. China also performed well during the period, following a particularly strong organic growth performance in the prior year period.

There was an organic gross profit decline of 2.0% in the Americas in Q1 FY2016. While Dentsu Aegis Network's business in Canada performed well, the US was impacted by 2015 account losses at mcgarrybowen, as previously disclosed, but this impact will be alleviated after the second quarter of 2016. In addition, Brazil remains a challenging environment, although the Rio Olympics in the summer will help to support the advertising market in the short term.

Dentsu Aegis Network delivered excellent organic gross profit growth of 10.7% in the EMEA region in Q1 FY2016. There were very strong performances across key major markets in Western Europe, in particular the UK, Italy, Spain and the Nordics. In Eastern Europe, Russia performed very well despite continuing ongoing geopolitical uncertainties there.

The Dentsu Group signed 10 acquisitions and investments in Q1 FY2016, many of which were digital businesses, based across all three key regions.

Forecast for FY2016 full year performance

Dentsu remains confident about its prospects for the remainder of the year and continues to expect to deliver a performance ahead of the market in FY2016.

However the Group's forecasts for FY2016 have been moderately reduced, due to the impact of a strengthened yen so far this year, compared to the time period (January to September 2015) on which the previous FY2016 forecasts (published at the time of the Group's FY2015 results announcement in February 2016) were based.

Compared to the January to September 2015 time period, the JPY/USD rate on May 4, 2016 (on which the Group's latest forecasts for FY2016 are based) strengthened by 12.2% to 106.1 yen, and the JPY/GBP rate strengthened by 16.2% to 155.4 yen.

As a result of this impact, the Group is now forecasting gross profit of 768.7 billion yen for 2016, an increase of 8.4% in constant currency, and 0.9% at reported rates, from the prior year.

Underlying operating profit is now expected to be 155.0 billion yen in 2016, an increase of 2.1% in constant currency, and a decrease of 3.4% at reported rates, from the prior year.

Underlying operating margin is now expected to be 20.2%, a decrease of 120 basis points in constant currency, and 90 basis points at reported rates, from the prior year. This decrease in underlying operating margin is due to the planned increase in strategic investment in digital capabilities and talent, both in Japan and globally in 2016, as outlined at the time of the Group's FY2015 results announcement in February 2016.

This is expected to lead to underlying basic EPS of 366.5 yen for 2016, a 7.4% decrease from the prior year.

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Further information:

Details of Dentsu Inc.'s Q1 FY2016 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 2015 and 2016 to date for the Dentsu Group and Dentsu in Japan, and the figures for 2014, 2015 and 2016 to date for Dentsu Aegis Network, are as follows:

	Dentsu Group Total			Dentsu in Japan			Dentsu Aegis Network Total		
	2016	2015	2014*	2016	2015	2014*	2016	2015	2014
Q1 (Jan – Mar)	5.1%	6.2%	-	5.6%	0.0%	-	4.5%	13.7%	9.6%
Q2 (Apr – June)	-	6.5%	-	-	1.9%	-	-	10.2%	8.5%
Q3 (Jul – Sept)	-	4.2%	-	-	1.4%	-	-	6.6%	12.8%
Q4 (Oct – Dec)	-	10.6%	-	-	12.9%	-	-	8.2%	10.5%

The quarterly organic gross profit growth figures for 2014, 2015 and 2016 to date for Dentsu Aegis Network in each geographic region are as follows:

	Dentsu Aegis Network APAC			Dentsu Aegis Network Americas			Dentsu Aegis Network EMEA		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Q1 (Jan – Mar)	5.2%	22.5%	14.8%	(2.0)%	10.4%	4.7%	10.7%	11.1%	10.6%
Q2 (Apr – June)	-	5.4%	15.2%	-	7.9%	5.0%	-	16.1%	6.9%
Q3 (Jul – Sept)	-	9.3%	15.5%	-	0.1%	12.8%	-	11.0%	10.8%
Q4 (Oct – Dec)	-	11.0%	12.8%	-	2.1%	8.3%	-	11.0%	10.6%

**Given the different year-ends of Dentsu in Japan and Dentsu Aegis Network previously, and the fact that Dentsu in Japan previously reported under JGAAP, the quarterly organic gross profit growth figures for FY2014 for the Dentsu Group and Dentsu in Japan are not directly comparable to the figures for FY2015 and FY2016, which are reported on a December year-end basis under IFRS. Therefore, the FY2014 quarterly organic gross profit growth numbers for the Dentsu Group and Dentsu in Japan are not included in the table above.*

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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 48,000 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