August 12, 2016

Dentsu Inc.
H1 FY2016 Consolidated Financial Results

Ongoing peer group outperformance, driven by continued investment in digital economy capability

Consolidated Group (million yen) – reported on an IFRS basis	H1 FY2016	H1 FY2015	YoY Change, %	Constant currency basis, %
Revenue	**393,167**	384,248	2.3	–
Gross profit*	**368,619**	356,266	3.5	9.6
Statutory results				
• operating profit	**58,651**	43,548	34.7	–
• net profit (attributable to owners of the parent)	**35,785**	23,240	54.0	–
• basic EPS (yen)	**125.50**	80.70	55.5	–
Underlying results**				
▪ operating profit	**68,612**	63,201	8.6	13.5
▪ operating margin	**18.6%**	17.7%	90 bps	60 bps
▪ net profit (attributable to owners of the parent)	**43,559**	40,644	7.2	–
▪ basic EPS (yen)	**152.77**	141.13	8.2	–
EBITDA	**79,662**	66,279	20.2	–
Average JPY/USD rate	**111.9 yen**	120.2 yen	(7.0)	–
Average JPY/GBP rate	**160.3 yen**	183.3 yen	(12.5)	–

** 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 H1 FY2016:

- The Dentsu Group delivered total gross profit growth of 9.6% (constant currency basis) in H1 FY2016:
    - 8.4% gross profit growth at the Group's operations in Japan, and 10.7% gross profit growth (at constant currency) at Dentsu Aegis Network, its international business
- The Group produced organic gross profit growth of 7.2% during H1 FY2016, including 9.5% in Q2 FY2016, ahead of the peer group average:
    - The Group's operations in Japan produced organic gross profit growth of 8.5% in H1 FY2016, including 12.2% in Q2 FY2016, 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 6.0% in H1 FY2016, including 7.2% in Q2 FY2016
- Gross profit contribution from digital businesses reached 35.0%, including 19.7% in Japan and 50.1% at Dentsu Aegis Network
- Group underlying operating margin was 18.6% (H1 FY2015: 17.7%), primarily driven by margin improvement in Japan
- 15 acquisitions and investments signed in H1 FY2016 helped to accelerate the Group's strategic objectives, with further acquisitions made since the period end, including investment in a majority stake in Merkle Group Inc.

- Dentsu remains confident about its prospects for the remainder of the year; with the Group's forecasts for FY2016, updated in May 2016, reiterated today
- As announced on February 15, 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 (an increase from 35 yen for the prior year period) and a year-end dividend of 40 yen (the same as the prior year period)

Reconciliation from underlying to statutory operating profit

Consolidated Group (million yen) – reported on an IFRS basis	H1 FY2016	H1 FY2015	Change, %
Underlying operating profit*	**68,612**	63,201	8.6
Adjustment items:	(9,961)	(19,653)	
Amortization of M&A related intangible assets	(10,736)	(11,065)	
Acquisition costs	(637)	(718)	
One-off items	1,412	(7,868)	
Gain (loss) on sales and retirement of non-current assets	1,446	(1,416)	
Gain on sales of shares of subsidiaries and associates	747	868	
Revaluation gain (loss) on investment reclassification	384	610	
Impairment loss	(56)	(1,185)	
Special retirement expenses	(83)	(3,751)	
Loss on liquidation of subsidiaries and associates	-	(2,617)	
Others	(1,026)	(377)	
Statutory operating profit	**58,651**	43,548	34.7

** 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.*

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

"Dentsu has performed very well so far in 2016, despite some macro-economic uncertainties in key regions. We have continued to outperform the peer group, in organic top-line growth and on an operating margin basis, and we have made further progress in delivering on our medium-term strategic objectives. Despite being at the epicenter of a marketing industry which is undergoing significant change, at an increasingly fast pace, the Group has continued to build a track record of strong performance, mainly due to our strategic focus on the digital economy. We will therefore continue to invest in integrating digital capabilities across the organization, so that we remain ahead of the peer group and to ensure we retain the ability to provide our clients with best-in-class solutions. This will support us in continuing to outperform the market for the remainder of this year and beyond."

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Dentsu Inc.'s H1 FY2016 Consolidated Financial Results

Overview of H1 FY2016 results

Gross profit for the Dentsu Group in the first half of the 2016 fiscal year was 368,619 million yen, up 9.6% on a constant currency basis, from the same period of the previous fiscal year. Organic growth, based on gross profit, for the Group was 7.2%, including 9.5% in Q2 FY2016, ahead of the peer group average for the period.

On a reported basis, there was a 5.6% negative 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 H1 FY2015 (as outlined in the table on page 1 of this announcement).

Group underlying operating profit was 68,612 million yen, an increase of 13.5% on a constant currency basis, from the same period of the previous fiscal year. The Group's underlying operating margin improved by 60 basis points, on a constant currency basis, to 18.6%, mainly as a result of margin improvement at the Group's business in Japan.

Underlying basic earnings per share increased by 8.2% to 152.77 yen, from 141.13 yen in the same period of the previous fiscal year.

Performance review

The Group's operations in Japan produced excellent organic gross profit growth of 8.5% in H1 FY2016, including 12.2% in Q2 FY2016, driven by Dentsu Inc.'s sponsorship sales associated with the Tokyo 2020 Olympic and Paralympic Games.

Underlying operating margin in Japan improved from the prior year period by 440 basis points, in constant currency, to 28.7%, as a result of operating leverage and continuing cost containment.

Dentsu Aegis Network delivered organic gross profit growth of 6.0% in H1 FY2016, including 7.2% in Q2 FY2016, a good progression from Q1 FY2016, and well ahead of the peer group average for both Q2 and H1 FY2016. Underlying operating margin at Dentsu Aegis Network declined by 290 basis points, in constant currency, to 8.7%. This was the result of a planned increase in investment in digital tools, talent and capabilities.

In APAC, excluding Japan, Dentsu Aegis Network delivered excellent organic gross profit growth of 11.5% in H1 FY2016, including 16.8% in Q2 FY2016. There were strong performances across the region in the second quarter, in a number of markets including China, Australia, India, Vietnam, the Philippines, Taiwan and South Korea.

In the Americas, Dentsu Aegis Network produced organic gross profit growth of 0.3% in H1 FY2016, including 2.4% in Q2 FY2016. Canada continued to perform well, while the US remained impacted by FY2015 account losses at mcgarrybowen, as previously disclosed, but this impact will be alleviated in the second half of the year. In Argentina, Chile, Colombia and Mexico there were very strong performances, while Brazil remains a challenging environment, despite some short-term positive impact on that market from the Rio Olympics.

Dentsu Aegis Network in EMEA delivered organic gross profit growth of 7.6% in H1 FY2016, including 5.0% in Q2 FY2016. There were very strong performances in key major markets across Europe, in particular Italy, Spain, Russia, the UK and the Nordics.

The Dentsu Group signed 15 acquisitions and investments in H1 FY2016, many of which were digital businesses, based across all three key regions. Since the end of the period, the Group has signed a number of additional acquisitions, including investment in a majority stake in Merkle Group Inc., the largest independent agency in the US for CRM, digital, and search.

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.

The Group reiterates its forecasts for FY2016, as outlined in May 2016, with gross profit expected to be 768.7 billion yen, an increase of 8.4% in constant currency, and 0.9% at reported rates, from the prior year.

Underlying operating profit is 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 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.

- Ends -

Further information:

Details of Dentsu Inc.'s H1 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)	9.5%	6.5%	-	12.2%	1.9%	-	7.2%	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)	16.8%	5.4%	15.2%	2.4%	7.9%	5.0%	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 115 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