

November 14, 2017

Dentsu Inc.

Consolidated Financial Results for the First Nine Months of FY2017 (IFRS)

Consolidated Group (million yen)	First Nine Months of FY2017	First Nine Months of FY2016	YoY Change, %	Constant currency basis, %
Revenue	657,143	588,278	11.7	-
Gross profit*	620,371	552,107	12.4	11.0
Statutory results				
• operating profit	63,774	83,998	(24.1)	-
• net profit (attributable to owners of the parent)	44,513	50,929	(12.6)	-
• basic EPS (yen)	157.31	178.61	(11.9)	-
Underlying results**				
▪ operating profit	94,835	102,233	(7.2)	(9.2)
▪ operating margin	15.3%	18.5%	(3.2)	(3.4)
▪ net profit (attributable to owners of the parent)	59,740	63,958	(6.6)	-
▪ basic EPS (yen)	211.12	224.31	(5.9)	-
EBITDA	106,873	115,350	(7.3)	-
Average JPY/USD rate (January – September 2017)	111.9 yen	108.7 yen	3.0	-
Average JPY/GBP rate (January – September 2017)	142.7 yen	151.8 yen	(6.0)	-

* 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 First Nine Months of FY2017:

- The Dentsu Group delivered total gross profit growth of 11.0% (constant currency basis) in the first nine months of FY2017:
 - 2.4% gross profit decline at the Group's operations in Japan, and 23.5% gross profit growth (constant currency basis) at Dentsu Aegis Network, its international business.
- The Dentsu Group delivered organic gross profit decline of 1.0% in the first nine months of FY2017, a decline of 60bps on H1 FY2017. In Q3 FY2017, organic gross profit decline was 2.1%, an improvement of 270bps on the Q2 FY2017 growth rate:
 - The Group's operations in Japan delivered organic gross profit decline of 2.4% in the first nine months of FY2017, including a decline of 5.0% in Q3 FY2017. This was due, in part, to the absence of large-scale events, including the 2016 Summer Olympics and Paralympic Games in Rio de Janeiro, and affects related to Working Environment Reform implementation in Dentsu Japan.
 - Dentsu Aegis Network delivered flat organic gross profit growth of 0.0% in the first nine months of FY2017, a decline of 10bps on H1 FY2017. In Q3 FY2017, organic gross profit decline was 0.2%, an improvement of 250bps on the Q2 FY2017 growth rate with performance stabilizing over Q3 FY2017.
 - The first nine months of FY2017 saw major new business wins at Dentsu Aegis Network generating net new media billings of US\$3.5 billion, up US\$2.1 billion from the same period of the previous fiscal year. Some of these wins will not impact the business until FY2018.
- Gross profit contribution from Dentsu Aegis Network reached 57.6%, up 640bps from the same period of the previous fiscal year.

- Gross profit contribution from digital businesses reached 43.0% at a Dentsu Group level, including 21.5% in Japan and 58.8% in Dentsu Aegis Network, up 830bps from the same period of the previous fiscal year.
- Group underlying operating profit decreased by 9.2% on a constant currency basis.
- Group underlying operating margin was 15.3%, down by 340bps on a constant currency basis from the same period of the previous fiscal year, mainly due to the decline in organic gross profit, investments related to Working Environment Reform implementation in Japan, and an increase in the international business ratio.
- Group underlying basic EPS decreased by 5.9 % to 211.12 yen.
- 17 acquisitions and investments signed in the first nine months of FY2017 contributed to the Group's strategic objectives.
- The Dentsu Group continues working towards its full year forecast and makes no changes to its full year financial forecast disclosed on August 9, 2017.

Reconciliation from underlying to statutory operating profit

Consolidated Group (million yen) – reported on an IFRS basis	First Nine Months of FY2017	First Nine Months of FY2016	Change, %
Underlying operating profit*	94,835	102,233	(7.2)
Adjustment items:	(31,060)	(18,234)	
Amortization of M&A related intangible assets	(25,066)	(15,743)	
Acquisition costs	(1,333)	(2,926)	
Share-based compensation expenses related to acquired companies	(1,883)	-	
One-off items	(2,778)	435	
Payment related to working hours**	(2,367)	-	
Gain (loss) on sales and retirement of non-current assets	629	1,691	
Gain (loss) on sales of shares of subsidiaries and associates	593	460	
Impairment loss	(705)	(69)	
Special retirement expenses	(335)	(1,012)	
Others	(593)	(635)	
Statutory operating profit	63,774	83,998	(24.1)

*Underlying operating profit: KPI to measure recurring business performance which is calculated as operating profit added with amortization of M&A related intangible assets, acquisition costs, share-based compensation expenses related to acquired companies and one-off items such as impairment loss and gain/loss on sales of non-current assets

** This is an allowance for a lump sum payment based on the results of a survey the Parent Company in Japan carried out on employees' individual testimonies in order to confirm the unregistered time which an individual employee may have been engaged in work over the past two years.

Toshihiro Yamamoto, President and CEO, Dentsu Inc., said:

“The Dentsu Group saw improvement in organic gross profit growth in Q3 versus Q2 FY2017, driven by both Dentsu in Japan and the international business, Dentsu Aegis Network. Although market conditions remain challenging, the Group has continued to deliver strong new business momentum with some key global wins for Dentsu Aegis Network, which will be realized through Q4 FY2017 and FY2018.”

“The Group continues to make strong progress against its digital ambitions, in Japan this includes our People Driven Marketing (PDM) initiative. Dentsu Aegis Network delivered almost 60% of gross profit from digital and remains focused on delivering leading data driven marketing solutions to real people through the rollout of

Merkle's M1 data platform. This approach is helping to drive a strong new business pipeline through the remainder of 2017 and beyond."

"The Group continues to invest in talent and is working steadily to implement Working Environment Reform in Japan in line with the plan announced in July 2017. Across Dentsu Aegis Network the business continues to strengthen its management team across key markets with strong and proven leadership appointments in 2017, including the US and the UK. These appointments will continue to progress the company's digital ambitions and deliver on the company vision to innovate the way brands are built."

"As we enter the final quarter of the year we continue to invest to deliver long term growth in future years and we remain focused on the achievement of our FY2017 targets."

The First Nine Months of FY2017 Consolidated Financial Results

Overview

Gross profit for the Dentsu Group in the first nine months of the 2017 fiscal year was 620,371 million yen, up 11.0% on a constant currency basis from the same period of the previous fiscal year. Organic gross profit decline for the Group was 1.0% in the first nine months of FY2017, a decline of 60bps on H1 FY2017. In Q3 FY2017, organic gross profit decline was 2.1%, an improvement of 270bps on the Q2 FY2017 growth rate.

On a reported basis, there was a 6.6 billion yen increase in gross profit from foreign exchange movements as the JPY weakened slightly against the USD, compared to the first nine months of FY2016 (as outlined in the table on page 1 of this announcement). There was also a 67.9 billion yen increase in gross profit from M&A, including the acquisition of Merkle in autumn 2016.

Group underlying operating profit was 94,835 million yen, a decrease of 9.2% on a constant currency basis, from the same period of the previous fiscal year. The Group's underlying operating margin declined 340bps, on a constant currency basis, to 15.3%, mainly due to an unexpected slower growth in gross profit and an increase in the international business ratio.

Group underlying basic EPS decreased by 5.9% to 211.12 yen, from 224.31 yen in the same period of the previous fiscal year.

Regional performance review

The Group's operations in Japan produced organic gross profit decline of 2.4% in the first nine months of FY2017, including a decline of 5.0% in Q3 FY2017. This was due, in part, to the absence of large-scale events, including the 2016 Summer Olympics and Paralympic Games in Rio de Janeiro, and affects related to Working Environment Reform implementation in Japan.

Dentsu Aegis Network delivered strong total gross profit growth of 23.5% on a constant currency basis in the first nine months of FY2017. Organic gross profit growth was 0.0% over the first nine months. In Q3 FY2017, organic gross profit decline was 0.2%, an improvement of 250bps on the Q2 FY2017 growth rate with performance stabilizing over Q3 FY2017. The network faces strong comparable periods, with Q3 aggregate organic gross profit growth of more than 5% over the past two fiscal years. The network continued its strong new business momentum into Q3 FY2017; with year to date net new media billings reaching US\$3.5 billion, up US\$2.1 billion

from the same period of the previous fiscal year. In addition to this new business success, the business retained several key accounts, extended a number of existing contracts and expanded existing clients into new geographies.

In EMEA, Dentsu Aegis Network delivered total gross profit growth of 21.1% on a constant currency basis and organic gross profit growth of 3.9% in the first nine months of FY2017, including 5.9% organic gross profit growth in Q3 FY2017. Performance was robust across the region, with stand-out performances from Russia, the Nordics and Southern Europe.

In the Americas, Dentsu Aegis Network delivered total gross profit growth of 40.6% on a constant currency basis with organic gross profit decline of 2.0% in the first nine months of FY2017, including organic gross profit decline of 2.0% in Q3 FY2017. Although Canada and Mexico delivered strong performances, the performance in the Americas was affected by continued challenging conditions in Brazil, and weaker performances by the project-led businesses in the US. Recent management changes in the region and strong new business wins in the US and Brazil will strengthen its position going forward.

In APAC, excluding Japan, Dentsu Aegis Network delivered total gross profit growth of 4.2% on a constant currency basis with organic gross profit decline of 2.0% in the first nine months of FY2017, including organic gross profit decline of 5.5% in Q3 FY2017. There were strong performances from India, Thailand and Taiwan, the latter posting strong double-digit growth following management changes earlier in the year. Australia and China experienced a period of weaker performance, China in particular experiencing reduced spend by local clients while global client spend remained solid.

The Dentsu Group signed 17 acquisitions and investments during the first nine months of FY2017; accelerating its strategy motivated by growing scale, geographic and capability in-fill with a focus on digital capability. Merkle was launched in APAC with the acquisition of Sokrati in India, and Merkle's proposition was supported in EMEA with the acquisition of Aquila Insights in the UK. In New Zealand, Little Giant, a digital creative agency joined Isobar.

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Further information:

Further details of these 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 to date for the Dentsu Group and Dentsu in Japan, and the figures for 2015 to date for Dentsu Aegis Network, are as follows:

	Dentsu Group Total			Dentsu in Japan			Dentsu Aegis Network Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Q1 (Jan – Mar)	3.9%	5.1%	6.2%	4.7%	5.6%	0.0%	3.1%	4.5%	13.7%
Q2 (Apr – June)	(4.8%)	9.5%	6.5%	(8.1%)	12.2%	1.9%	(2.7%)	7.2%	10.2%
Q3 (Jul – Sept)	(2.1%)	2.7%	4.2%	(5.0%)	0.3%	1.4%	(0.2%)	5.2%	6.6%
Q4 (Oct – Dec)	-	3.9%	10.6%	-	1.0%	12.9%	-	5.8%	8.2%

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

	Dentsu Aegis Network EMEA			Dentsu Aegis Network Americas			Dentsu Aegis Network APAC		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Q1 (Jan – Mar)	5.8%	10.7%	11.1%	0.6%	(2.0%)	10.4%	4.5%	5.2%	22.5%
Q2 (Apr–June)	(0.3%)	5.0%	16.1%	(4.1%)	2.4%	7.9%	(3.8%)	16.8%	5.4%
Q3 (Jul – Sept)	5.9%	5.0%	11.0%	(2.0%)	5.4%	0.1%	(5.5%)	5.3%	9.3%
Q4 (Oct – Dec)	-	7.5%	11.0%	-	4.4%	2.1%	-	5.6%	11.0%

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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 116 years of innovation, the Dentsu Group provides a comprehensive range of client-centric brand, integrated communications, media and digital services through its ten global network brands—Carat, Dentsu, dentsu X, iProspect, Isobar, mcgarrybowen, Merkle, 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 55,000 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