

November 14, 2016

**Dentsu Inc.**

**Consolidated Financial Results for the First Nine Months of FY2016**

*Robust performance continues*

Consolidated Group (million yen) – reported on an IFRS basis	First Nine Months of FY2016	First Nine Months of FY2015	YoY Change, %	Constant currency basis, %
<b>Revenue</b>	<b>588,278</b>	584,972	0.6	–
<b>Gross profit*</b>	<b>552,107</b>	542,642	1.7	9.2
<b>Statutory results</b>				
• operating profit	<b>83,998</b>	71,663	17.2	–
• net profit (attributable to owners of the parent)	<b>51,151</b>	43,600	17.3	–
• basic EPS (yen)	<b>179.39</b>	151.89	18.1	–
<b>Underlying results**</b>				
▪ operating profit	<b>102,233</b>	95,344	7.2	11.7
▪ operating margin	<b>18.5%</b>	17.6%	90 bps	40 bps
▪ net profit (attributable to owners of the parent)	<b>63,958</b>	60,235	6.2	–
▪ basic EPS (yen)	<b>224.31</b>	209.84	6.9	–
<b>EBITDA</b>	<b>115,350</b>	105,745	9.1	–
<b>Average JPY/USD rate</b>	<b>108.7 yen</b>	120.9 yen	(10.1)	–
<b>Average JPY/GBP rate</b>	<b>151.8 yen</b>	185.3 yen	(18.1)	–

\* 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 First Nine Months of FY2016:**

- The Dentsu Group delivered total gross profit growth of 9.2% (constant currency basis) during the first nine months of FY2016:
  - 5.5% gross profit growth at the Group's operations in Japan, and 13.0% gross profit growth (at constant currency) at Dentsu Aegis Network, its international business
- The Group produced organic gross profit growth of 5.7% during the first nine months of FY2016, including 2.7% in Q3 FY2016, ahead of the peer group average:
  - The Group's operations in Japan produced organic gross profit growth of 5.7% during the first nine months of FY2016, including 0.3% in Q3 FY2016, driven by sponsorship sales associated with the Tokyo 2020 Olympic and Paralympic Games and strong performance of subsidiaries in Japan
  - Dentsu Aegis Network delivered organic gross profit growth of 5.7% during the first nine months of FY2016, including 5.2% in Q3 FY2016
- Gross profit contribution from digital businesses reached 35.5%, including 19.7% in Japan and 50.5% at Dentsu Aegis Network
- Group underlying operating margin was 18.5% (first nine months of FY2015: 17.6%), primarily driven by margin improvement in Japan
- 27 acquisitions and investments signed in the first nine months of FY2016 helped to accelerate the Group's strategic objectives
- Dentsu remains confident about its prospects for the remainder of the year, with the Group's forecasts for FY2016 reiterated today

## Reconciliation from underlying to statutory operating profit

Consolidated Group (million yen) – reported on an IFRS basis	First Nine Months of FY2016	First Nine Months of FY2015	Change, %
<b>Underlying operating profit*</b>	<b>102,233</b>	95,344	7.2
Adjustment items:	(18,234)	(23,680)	
Amortization of M&A related intangible assets	(15,743)	(16,943)	
Acquisition costs	(2,926)	(1,088)	
One-off items	435	(5,648)	
Gain (loss) on sales and retirement of non-current assets	1,691	(793)	
Gain on sales of shares of subsidiaries and associates	676	954	
Revaluation gain (loss) on investment reclassification	349	1,926	
Impairment loss	(69)	(1,205)	
Special retirement expenses	(1,012)	(3,812)	
Loss on liquidation of subsidiaries and associates	–	(2,628)	
Others	(1,200)	(90)	
<b>Statutory operating profit</b>	<b>83,998</b>	71,663	17.2

\* 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 Consolidated Financial Results for the First Nine Months of FY2016

### Results overview

Gross profit for the Dentsu Group for the first nine months of the 2016 fiscal year was 552,107 million yen, up 9.2% on a constant currency basis, from the same period of the previous fiscal year. Organic growth, based on gross profit, for the Group was 5.7%, ahead of the peer group average, including 2.7% in Q3 FY2016.

Group underlying operating profit was 102,233 million yen, an increase of 11.7% on a constant currency basis, from the same period of the previous fiscal year. The Group's underlying operating margin improved by 40 basis points, on a constant currency basis, to 18.5%, mainly as a result of margin improvement in Japan.

Underlying basic earnings per share increased by 6.9% to 224.31 yen, up from 209.84 yen in the same period of the previous fiscal year.

### Performance review

The Group's operations in Japan produced organic gross profit growth of 5.7% in the first nine months of FY2016, including 0.3% in Q3 FY2016, as a result of sponsorship sales associated with the Tokyo 2020 Olympic and Paralympic Games and strong performance of subsidiaries in Japan. Underlying operating margin in Japan improved by 350 bps to 27.6%. This was because of operating leverage from the top-line growth and due to one-off bad debt provision which was recorded in the last year.

Dentsu Aegis Network delivered organic gross profit growth of 5.7% during the first nine months of FY2016, including 5.2% in Q3 FY2016, ahead of the peer group average. Underlying operating margin at Dentsu Aegis Network declined by 200 basis points, in constant currency, to 9.9%. This was the result of a planned increase in investment in digital tools, talent and capabilities.

In APAC, excluding Japan, Dentsu Aegis Network delivered organic gross profit growth of 9.1% for the first nine months of FY2016, including 5.3% in Q3 FY2016. There were strong performances from two of our major markets, India and Australia, with key agencies in China also performing very well.

In the Americas, Dentsu Aegis Network produced organic gross profit growth of 2.3% for the first nine months of FY2016, with an on-going quarter-by-quarter improvement in organic growth throughout the year, to achieve 5.4% in Q3 FY2016. The performance in the US was supported by some positive impact from new business wins achieved over the last 12 months. Brazil, however, remains a challenging environment.

Dentsu Aegis Network in EMEA delivered organic gross profit growth of 6.7% in the first nine months of FY2016, including 5.0% in Q3 FY2016. There were very strong performances in Spain, Italy, Russia, the Nordics and Poland.

The Dentsu Group signed 27 acquisitions and investments during the first nine months of FY2016, many of which were digital businesses, based across all three key regions. The most significant acquisition was an investment in a majority stake in Merkle Group Inc., the largest independent agency in the US for CRM, digital, and search, completed during Q3 FY2016.

### Forecast for FY2016 full year performance

Dentsu remains confident about its prospects for the final quarter of the year and continues to expect to deliver a performance ahead of the market in FY2016. Consequently, the Group reiterates its consolidated financial forecasts for FY2016, as outlined in May 2016, but has incorporated changes in the forecasts for the parent company, announced separately today.

- Ends -

## 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 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)	2.7%	4.2%	-	0.3%	1.4%	-	5.2%	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)	5.3%	9.3%	15.5%	5.4%	0.1%	12.8%	5.0%	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 ten global network brands—Carat, Dentsu, Dentsu media, 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 50,000 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](http://www.dentsu.com)