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FY2014 First Quarter Results

Please be reminded that the figures shown in this presentation may be different from those shown in the financial statements as this presentation has been prepared for investors to understand our businesses. Please refer to the annotations in the Appendices for each definition of the indicators.

August 12, 2014

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Disclaimer

Forward-Looking Statements

This presentation contains statements about Dentsu that are or may be forward-looking statements. All statements other than statements of historical facts included in this presentation may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words “targets”, “plans”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “estimates”, “projects” or, words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include statements relating to the following: information on future capital expenditures, expenses, revenues, earnings, synergies, economic performance, and future prospects.

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i Risk related to fluctuations in the economic and business environment

ii Risk related to structural changes in the media

iii Risk related to our ability to realize our financial targets

iv Risk related to common business practices

v Risk related to competition among advertising agencies

vi Risk related to the development of systems and databases

vii Risk related to legal or regulatory changes

viii Risk of litigation

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1. Summary

JPY mn	FY2014 Q1	FY2013 Q1	YoY %
Turnover	1,023,263	905,713	+13.0
Net sales	538,256	514,229	+4.7
Gross profit	134,916	122,882	+9.8
Operating income (loss)	(153)	(717)	-
Net income (loss)	(735)	(3,698)	-
EBITDA	16,648	14,021	+18.7
Adjusted operating income	12,062	10,032	+20.2
Operating margin	8.9%	8.2%	+0.8
Adjusted EPS	39.8 yen	28.4 yen	+40.4
Currency			
JPY/USD (Jan-Mar average)	102.8 yen	92.4 yen	+11.2
JPY/GBP (Jan-Mar average)	170.1 yen	143.2 yen	+18.8

Note: Adjusted operating income and adjusted EPS… Amortization of goodwill and M&A related intangible assets needs to be added back

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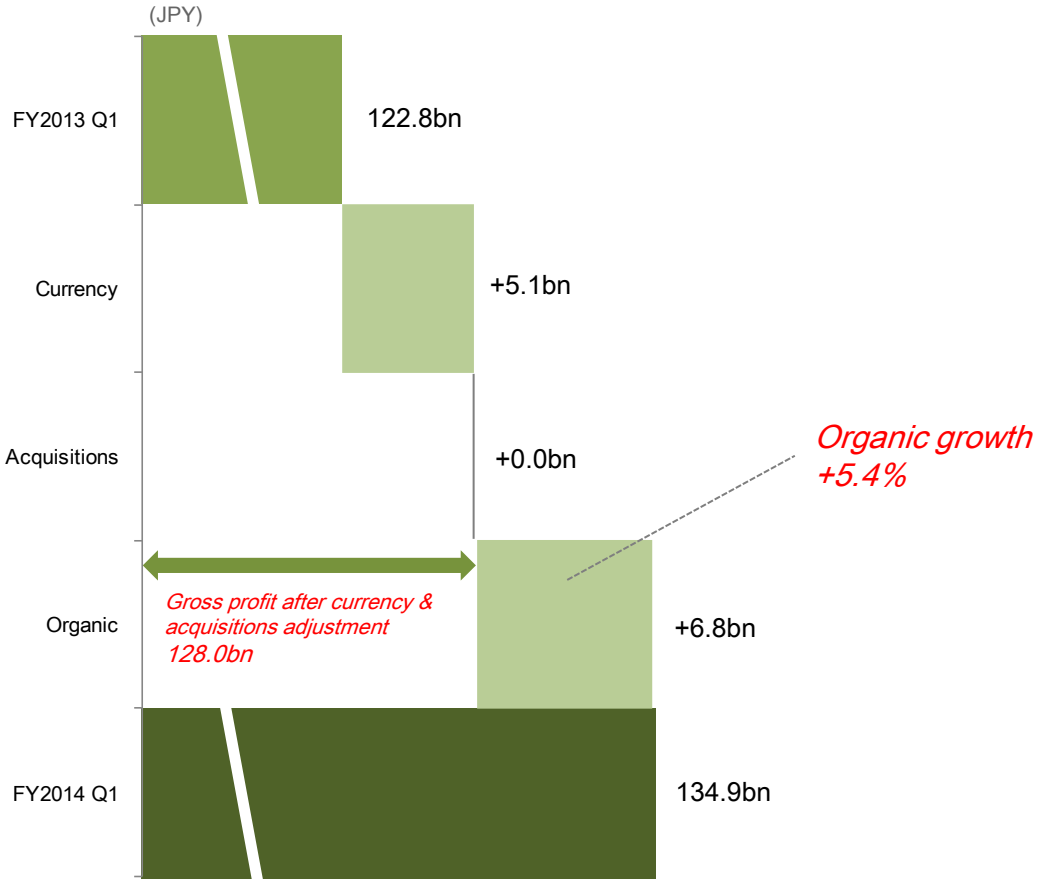
2 . Gross Profit Growth



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3 . Gross Profit by Region

FY2014 Q1 JPY mn	Gross profit	YoY%	Adjusted operating income	YoY%	Organic growth %
Japan	68,614	+2.2	11,270	+16.1	+2.4
operating margin			*16.4%*	*+2.0*	
EMEA	27,196	+29.0	-	-	+10.6
Americas	22,435	+8.3	-	-	+4.7
APAC	16,554	+16.8	-	-	+14.8
Dentsu Aegis Network (DAN) total	66,186	+18.3	771	+57.2	+9.6
operating margin			*1.2%*	*+0.3*	
Consolidated adjustment & others	116	-	20	-	-
Dentsu consolidated total	134,916	+9.8	12,062	+20.2	+5.4
operating margin			*8.9%*	*+0.8*	

Note: Organic growth in Dentsu Aegis Network is based on IFRS

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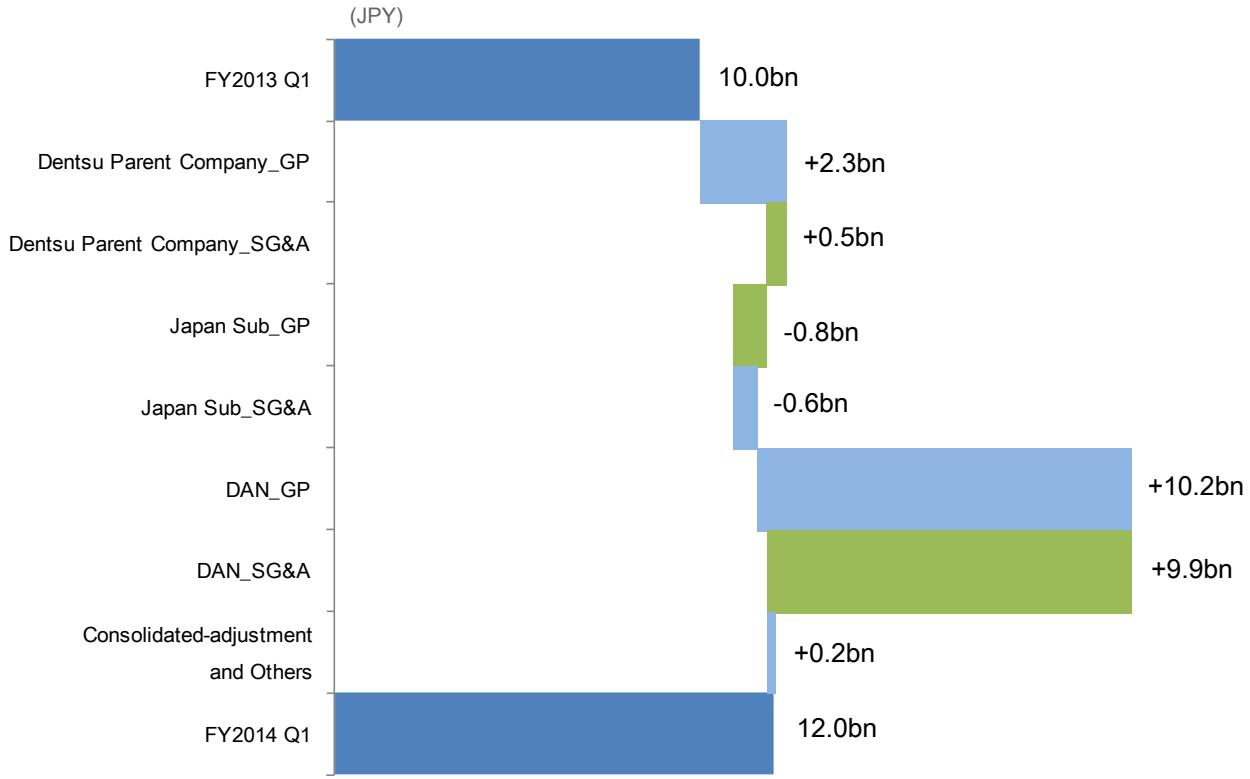
4 . Analysis of Adjusted Operating Income



Notes: Figures of Japan Sub (subsidiaries) and DAN are after eliminations of internal transactions
GP… Gross profit
SG&A… Selling, general & administrative expenses

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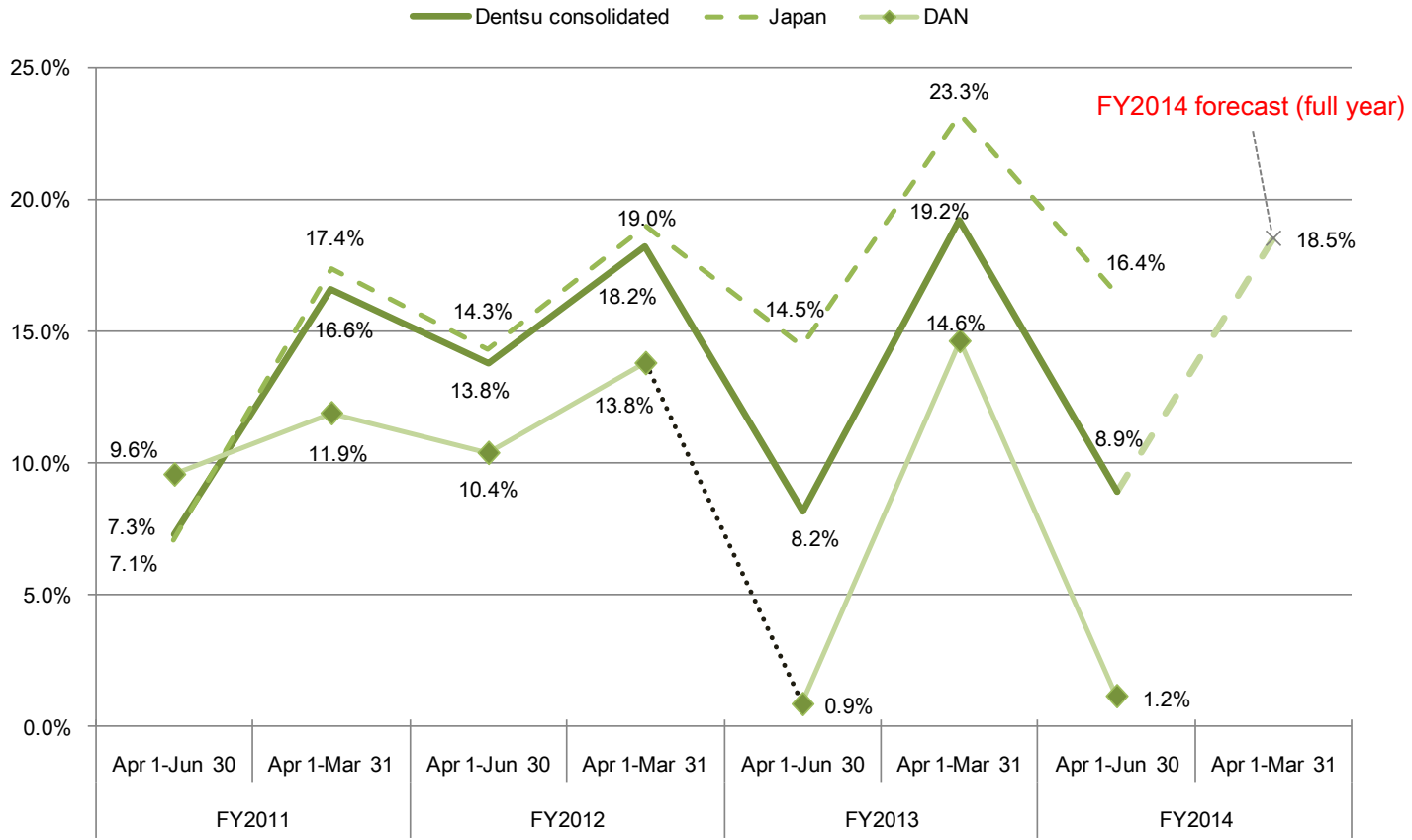
5 . Operating Margin (Adjusted Operating Income Base)



Note: DAN… From FY2013, DAN includes Aegis

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6 . Operating Income to Net Income

JPY mn	FY2014 Q1	FY2013 Q1	YoY +/-	YoY %
Operating income (loss)	(153)	(717)	+ 563	-
Net non-operating income	3,616	2,167	+ 1,449	+66.9
Non-operating income	6,410	6,033	+ 376	+6.2
Non-operating expenses	2,793	3,866	(1,072)	(27.7)
Ordinary income	3,463	1,450	+ 2,013	+138.8
Net extraordinary income (loss)	1,036	(1,862)	+ 2,899	-
Extraordinary income	1,404	18	+ 1,386	-
Extraordinary loss	368	1,880	(1,512)	(80.4)
Income (loss) before income taxes and minority interests	4,500	(412)	+ 4,912	-
Income taxes	5,150	3,439	+ 1,711	+49.8
Minority interests in income (loss)	85	(152)	+ 238	-
Net income (loss)	(735)	(3,698)	+ 2,962	-

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7 . Balance Sheet

JPY mn	2014 End of June	2014 End of March	YoY +/-	YoY %
Current assets	1,226,080	1,368,385	(142,305)	(10.4)
Noncurrent assets	1,245,273	1,269,933	(24,659)	(1.9)
Total assets	2,471,354	2,638,319	(166,965)	(6.3)
Current liabilities	1,107,191	1,253,263	(146,072)	(11.7)
Noncurrent liabilities	475,992	476,560	(567)	(0.1)
Total liabilities	1,583,183	1,729,824	(146,640)	(8.5)
Shareholders' equity	708,698	715,828	(7,129)	(1.0)
Accumulated other comprehensive income	155,290	167,289	(11,999)	(7.2)
Minority interests	24,181	25,377	(1,195)	(4.7)
Total net assets	888,170	908,495	(20,324)	(2.2)
Total liabilities and net assets	2,471,354	2,638,319	(166,965)	(6.3)
JPY/USD	102.9 yen	105.4 yen	-	(2.3)
JPY/GBP	171.3 yen	173.8 yen	-	(1.4)

Note: Currency… B/S (End of June): as of March 31, 2014, B/S (End of March): as of Dec 31, 2013

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8 . Net Debt

JPY mn	2014 End of June	2014 End of March	YoY +/-
Total debt	365,232	342,502	+ 22,730
Cash and marketable securities	206,107	228,641	(22,534)
Net debt	159,125	113,861	+ 45,264
Total debt (LTM average)	390,952	361,076	+ 29,876
Cash and marketable securities (LTM average)	186,142	186,615	(473)
Net debt (LTM average)	204,810	174,461	+ 30,349
EBITDA (LTM)	133,445	130,818	+ 2,626
Net debt / EBITDA (LTM)	1.19	0.87	
Net debt (LTM average) / EBITDA (LTM)	1.53	1.33	
Net debt equity ratio	0.18	0.13	

Note: LTM… Last twelve months

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9 . Dentsu Aegis Network Jan-Jun Gross Profit Growth (unaudited)

	Organic growth % (Jan–Jun)	Organic growth % (Apr–Jun)
EMEA	+8.6	+6.9
Americas	+4.9	+5.0
APAC	+15.1	+15.2
DAN total	+9.0	+8.5

Note: Based on IFRS (unaudited)

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1 0 . Fiscal Year 2014 (April to March) Forecast

(same as the forecast as of May 13, 2014)

JPY mn	FY2014 forecast (full year)	FY2014 H2 Oct-Mar forecast	FY2014 H1 Apr-Sept forecast
Net sales	2,371,200	1,240,300	1,130,900
YoY %	+ 2.7	+ 1.1	+ 4.5
Gross profit	623,000	332,700	290,300
YoY %	+ 4.9	+ 2.4	+ 7.8
Adjusted operating income	115,500	74,800	40,700
YoY %	+ 1.2	+ 1.0	+ 1.5
Operating income	72,500	53,500	19,000
YoY %	+ 1.4	+ 2.5	(1.5)
Ordinary income	77,900	56,300	21,600
YoY %	(5.6)	(3.7)	(10.2)
Net income	31,100	26,500	4,600
YoY %	(19.8)	(7.6)	(54.6)

Note: Currency… Average rate of FY2013

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Appendices

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1 . Definition

Turnover:	DAN turnover (equivalent to Dentsu's net sales) + Dentsu Group net sales (unaudited)
EBITDA:	Operating profit before amortization of goodwill and depreciation
Adjusted operating income:	Operating profit before amortization of goodwill and M&A related intangible assets
Operating margin:	Adjusted operating income divided by gross profit
Adjusted EPS:	Net income before amortization of goodwill and M&A related intangible assets divided by the average number of shares outstanding (impact on income tax related to these amortization not taken into account)
Currency:	Currency movements comparing prior period reported gross profit at reported currency to prior period gross profit at constant currency
Acquisitions:	The effect of business acquired or disposal since the beginning of the prior year
Organic:	Organic growth represents the constant currency year-on-year growth after adjusting for the effect of business acquired or disposal of since the beginning of the prior year. This is calculated by comparing current period reported gross profit to prior period gross profit, adjusted for the pre-acquisition or pre-disposal gross profit as applicable, and stated at constant exchange rate, in order to derive like-for-like growth

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2 . FY2014 Q1 Results

JPY mn	FY2014 Q1	FY2013 Q1	YoY %
Net sales	538,256	514,229	+ 4.7
Gross profit	134,916	122,882	+ 9.8
SG&A	135,070	123,599	+ 9.3
Operating income (loss)	(153)	(717)	-
vs. Gross profit	*(0.1%)*	*(0.6%)*	*+0.5*
Ordinary income	3,463	1,450	+ 138.8
Income (loss) before income taxes and minority interests	4,500	(412)	-
Net income (loss)	(735)	(3,698)	-
Adjusted operating income	12,062	10,032	+ 20.2

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3 . Amortization of Goodwill and Other Intangible Assets

JPY mn	B/S amount 2014 End of Jun	FY2014 Q1 amortization
Amortization of goodwill	549,492	7,817
Amortization of other intangible assets	229,205	4,398
Amortization of goodwill and other intangible assets		12,216
Currency JPY/GBP	171.3 yen	170.1 yen

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4 . FY2014 Q1 Results (Non-consolidated)

JPY mn	FY2014 Q1	FY2013 Q1	YoY %
Net sales	356,896	350,246	+1.9
Gross profit	50,243	47,889	+4.9
gross profit margin	*14.1%*	*13.7%*	*+0.4*
SG&A	40,388	39,829	+1.4
Operating income	9,854	8,060	+22.3
vs. gross profit	*19.6%*	*16.8%*	*+2.8*
Ordinary income	26,979	15,578	+73.2
Income before income taxes	27,260	14,760	+84.7
Net income	22,514	10,619	+112.0

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5 . Net Sales by Business Category (Non-consolidated)

JPY mn	FY2014 Q1	YoY %	% of total
Newspapers	22,855	(6.9)	6.4
Magazines	7,051	(10.1)	2.0
Radio	3,391	(8.1)	1.0
Television	183,458	+4.0	51.4
Time	78,784	+9.5	22.1
Spot	104,673	+0.2	29.3
Interactive Media	16,573	+19.3	4.6
OOH Media	13,142	(3.3)	3.7
Creative	46,262	+1.2	13.0
Marketing/Promotion	36,462	(3.0)	10.2
Content Services	17,603	+0.7	4.9
Others	10,094	+6.5	2.8
Total	356,896	+1.9	100.0

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6 . Net Sales by Industry Category (Non-consolidated)

JPY mn	FY2014 Q1	YoY %	% of total
Information/Communications	48,397	+5.0	13.6
Beverages/Cigarettes	46,816	+0.7	13.1
Cosmetics/Toiletries	30,895	+0.9	8.7
Finance/Insurance	27,777	(1.5)	7.8
Foodstuffs	25,393	+12.2	7.1
Automobiles/Related Products	24,060	+11.7	6.7
Distribution/Retailing	23,815	+1.7	6.7
Food Services/Other Services	17,330	(8.1)	4.9
Pharmaceuticals/Medical Supplies	16,260	(1.0)	4.6
Transportation/Leisure	15,055	+3.3	4.2
Hobbies/Sporting Goods	14,672	+13.6	4.1
Home Electric Appliances/AV Equipment	11,453	(14.5)	3.2
Real Estate/Housing Facilities	9,520	(11.7)	2.7
Apparel/Fashion, Accessories/Personal Items	8,879	(18.2)	2.5
Government/Organizations	8,783	(0.2)	2.5
Others	27,783	+13.0	7.8
Total	356,896	+1.9	100.0

7 . Effects of Currency

Currency movements against JPY

	Average			Period end		
	FY2014 Q1	FY2013 Q1	YoY %	2014 June	2014 March	YoY %
JPY/USD	102.8	92.4	+11.2	102.9	105.4	(2.3)
JPY/EUR	140.8	122.0	+15.4	141.7	145.1	(2.3)
JPY/GBP	170.1	143.2	+18.8	171.3	173.8	(1.4)
JPY/CNY	16.8	14.7	+14.1	16.7	17.3	(3.1)

Gross profit ratio by currency

(%)	JPY	USD	EUR	GBP	CNY	Others	Total
FY2014 Q1	50.8	13.8	9.8	5.3	4.4	15.9	100.0