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FY2014 Third 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.

February 12, 2015

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1. Summary

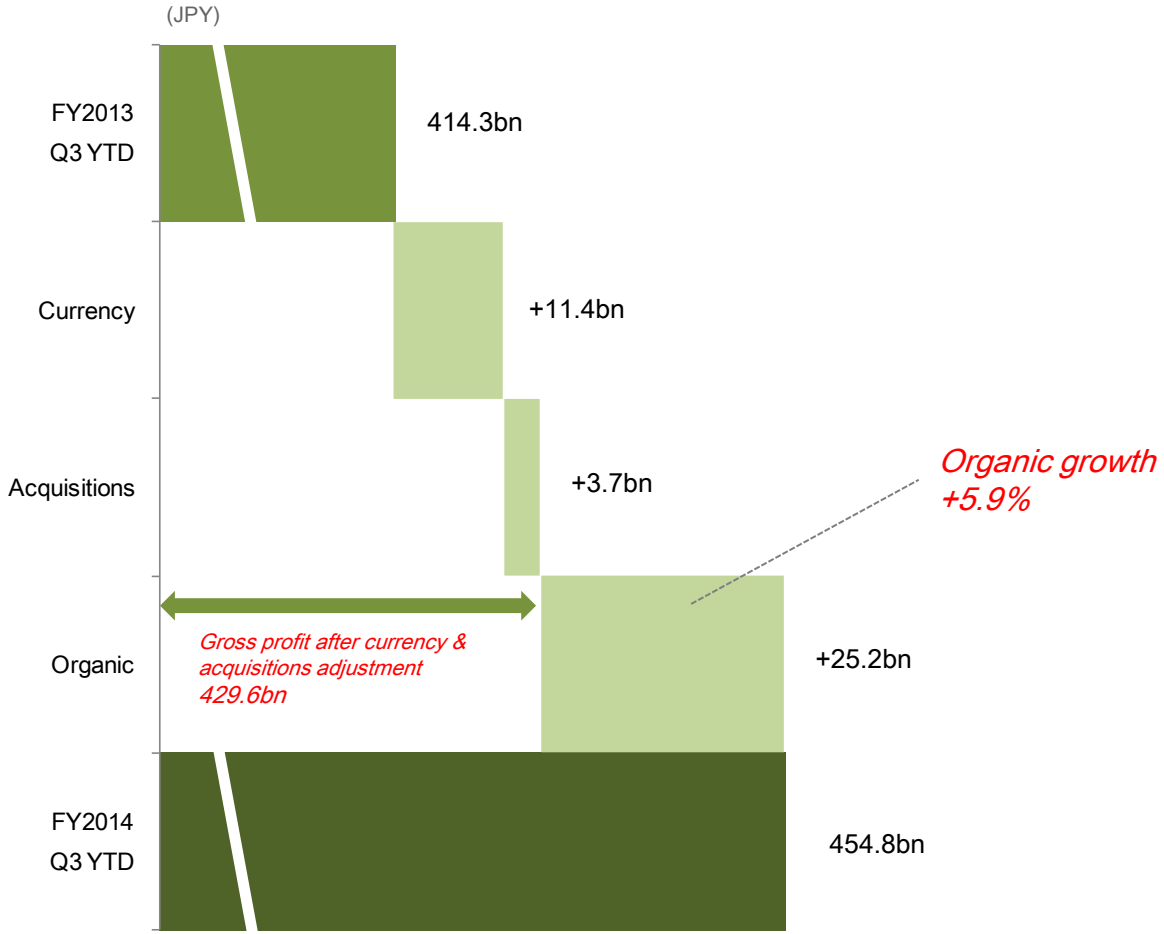
(JPY mn)

	FY2014 Q3 YTD	FY2013 Q3 YTD	YoY %
Turnover	3,250,374	2,945,048	+10.4
Net sales	1,743,593	1,662,485	+4.9
Gross profit	454,842	414,373	+9.8
Operating income	29,664	34,739	(14.6)
Net income	25,619	20,694	+23.8
EBITDA	81,857	78,311	+4.5
Adjusted operating income	67,100	66,322	+1.2
Operating margin	14.8%	16.0%	(1.2)
Adjusted EPS	218.7 yen	192.8 yen	+13.4
Excluding gain/loss on revaluation of earnout liabilities			
Adjusted operating income	71,434	64,287	+11.1
Operating margin	15.7%	15.5%	+0.2
Currency			
JPY/USD (Jan–Sep average)	103.0 yen	96.7 yen	+6.5
JPY/GBP (Jan–Sep average)	171.9 yen	149.4 yen	+15.0

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

(JPY mn)

FY2014 Q3 YTD	Gross profit	YoY %	Adjusted operating income	YoY%	Organic growth %
Japan	226,991	+2.5	49,153	+8.6	+2.7
operating margin			*21.7%*	*+1.2*	
EMEA	88,820	+23.8	-	-	+9.3
Americas	75,696	+11.9	-	-	+7.7
APAC	63,015	+16.3	-	-	+15.2
Dentsu Aegis Network (DAN) total	227,532	+17.6	17,239	(18.3)	+10.3
operating margin			*7.6%*	*(3.3)*	
Consolidated adjustment & others	318	-	707	-	-
Dentsu consolidated total	454,842	+9.8	67,100	+1.2	+5.9
operating margin			*14.8%*	*(1.3)*	

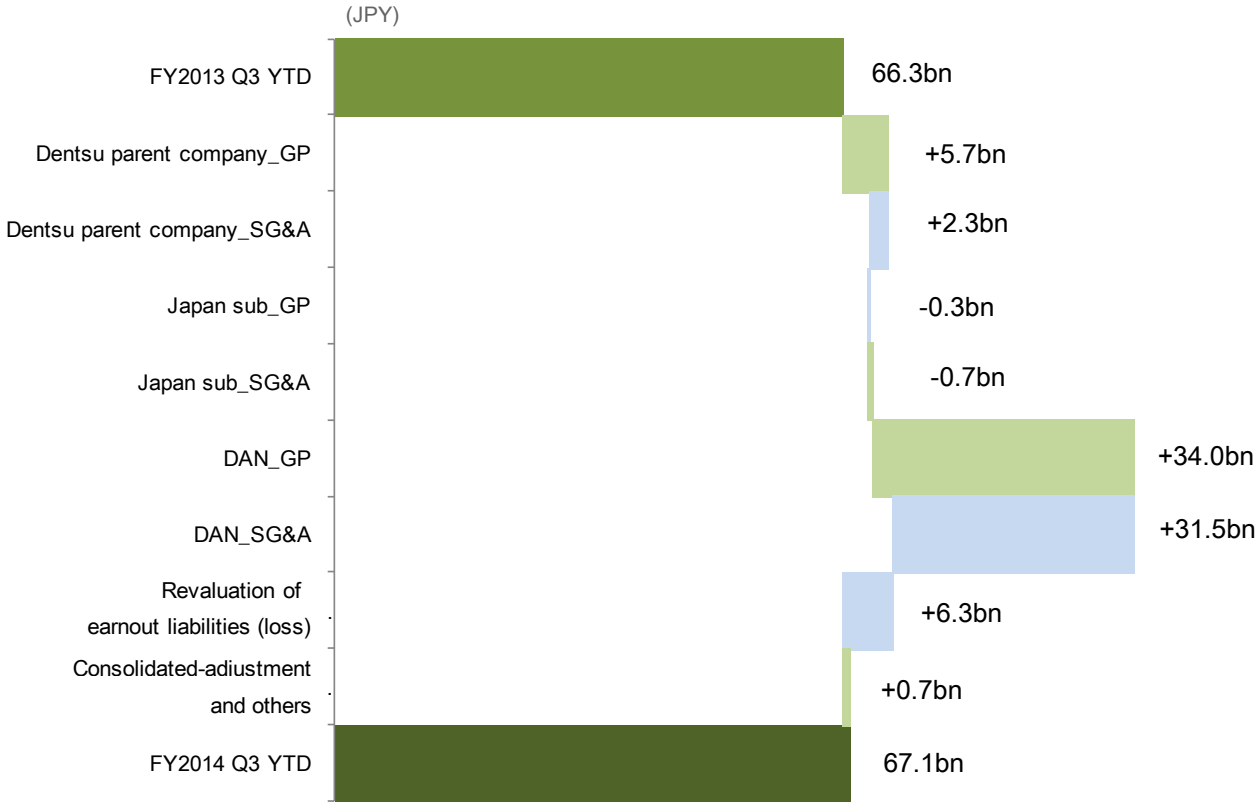
Excluding gain/loss on revaluation of earnout liabilities

21,572	+13.1
9.5%	*(0.4)*

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

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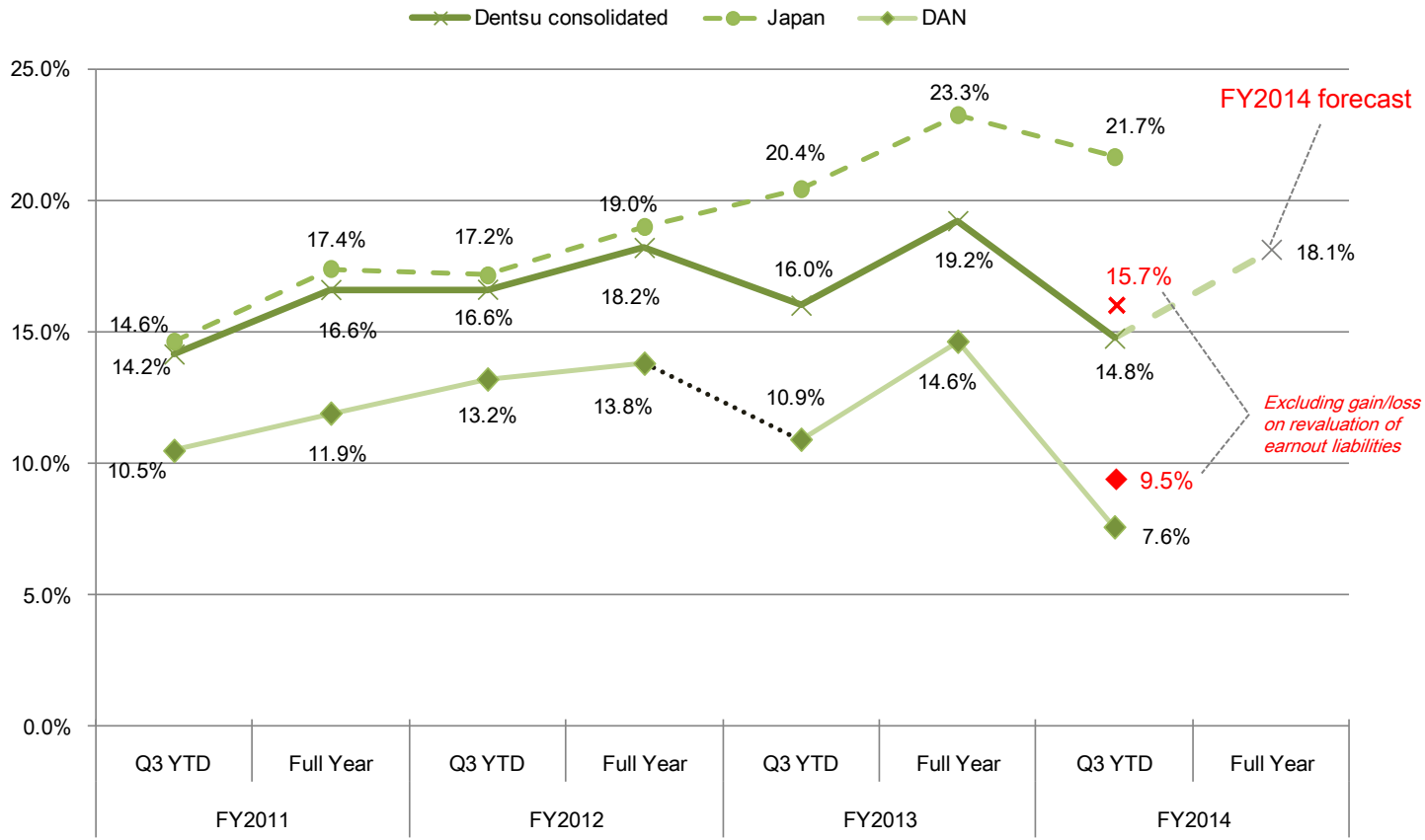
4. Analysis of Adjusted Operating Income



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

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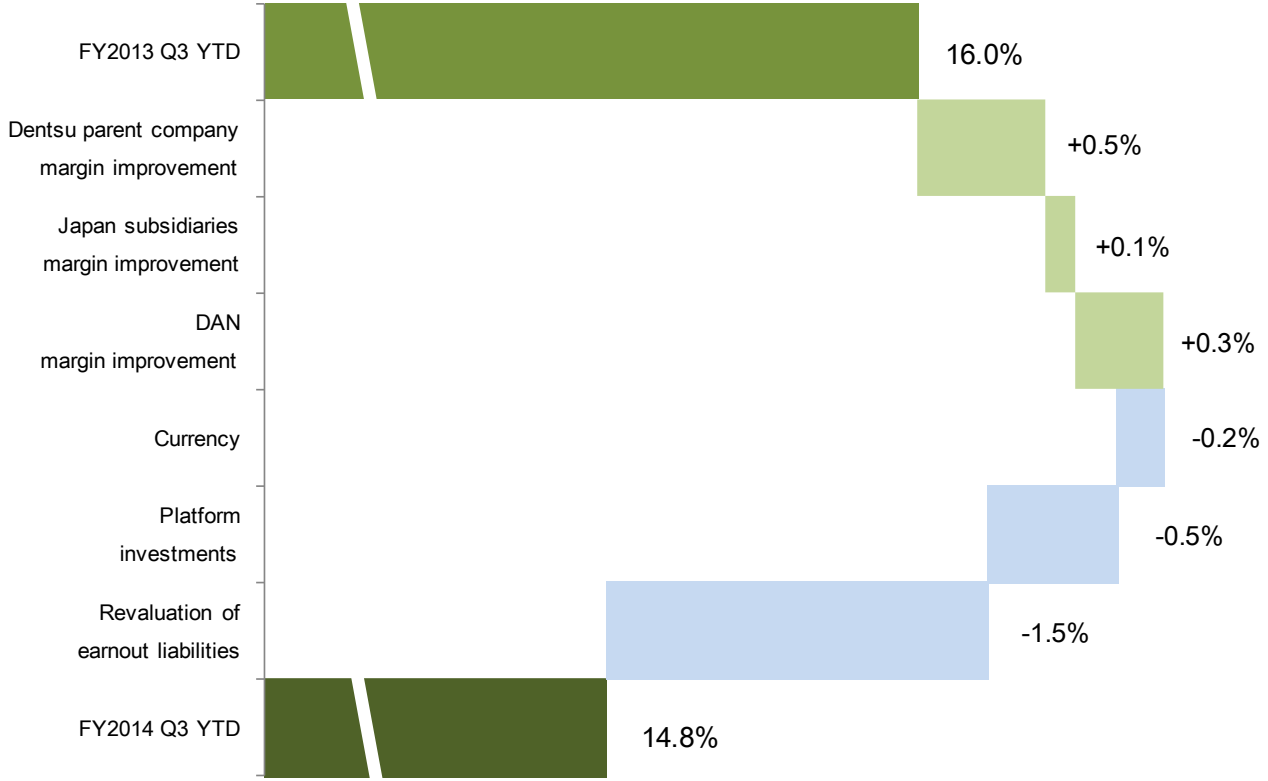
5. Operating Margin (Adjusted Operating Income Base)



Note: DAN… From FY2013, DAN includes Aegis

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6. Change in Operating Margin (Adjusted Operating Income Base)



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7. Operating Income to Net Income

(JPY mn)

	FY2014 Q3 YTD	FY2013 Q3 YTD	YoY +/-	YoY %
Operating income	29,664	34,739	(5,075)	(14.6)
Net non-operating income	8,180	8,251	(71)	(0.9)
Non-operating income	16,630	17,432	(801)	(4.6)
Non-operating expenses	8,449	9,180	(730)	(8.0)
Ordinary income	37,845	42,991	(5,146)	(12.0)
Net extraordinary income	22,997	1,455	+ 21,541	-
Extraordinary income	27,940	5,034	+ 22,905	+455.0
Extraordinary loss	4,943	3,579	+ 1,364	+38.1
Income before income taxes and minority interests	60,842	44,446	+ 16,395	+36.9
Income taxes	32,446	22,592	+ 9,854	+43.6
Minority interests in income	2,775	1,159	+ 1,615	+139.3
Net income	25,619	20,694	+ 4,924	+23.8

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8. Balance Sheet

(JPY mn)

	2014 End of Dec	2014 End of Mar	Var. #	Var. %
Current assets	1,337,440	1,368,385	(30,945)	(2.3)
Non-current assets	1,332,076	1,269,933	+ 62,142	+4.9
Total assets	2,669,517	2,638,319	+ 31,197	+1.2
Current liabilities	1,224,668	1,253,263	(28,595)	(2.3)
Non-current liabilities	464,821	476,560	(11,739)	(2.5)
Total liabilities	1,689,489	1,729,824	(40,334)	(2.3)
Shareholders' equity	722,971	715,828	+ 7,143	+1.0
Accumulated other comprehensive income	226,871	167,289	+ 59,581	+35.6
Subscription rights to shares	48	-	+ 48	-
Minority interests	30,135	25,377	+ 4,758	+18.8
Total net assets	980,027	908,495	+ 71,532	+7.9
Total liabilities and net assets	2,669,517	2,638,319	+ 31,197	+1.2
JPY/USD	109.5 yen	105.4 yen	-	+3.9
JPY/GBP	177.7 yen	173.8 yen	-	+2.3

Note: Currency… B/S (End of Dec): as of Sep 30, 2014, B/S (End of Mar): as of Dec 31, 2013

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9. Net Debt

(JPY mn)

	2014 End of Dec	2014 End of Mar	Var. #
Total debt	359,074	342,502	+ 16,571
Cash and marketable securities	188,433	228,641	(40,208)
Net debt	170,641	113,861	+ 56,780
Total debt (LTM average)	353,221	361,076	(7,855)
Cash and marketable securities (LTM average)	195,777	186,615	+ 9,162
Net debt (LTM average)	157,444	174,461	(17,017)
EBITDA (LTM)	134,364	130,818	+ 3,545
Net debt / EBITDA (LTM)	1.27	0.87	
Net debt (LTM average) / EBITDA (LTM)	1.17	1.33	

Note: LTM… Last twelve months

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10. Dentsu Aegis Network Jan–Dec Gross Profit Growth (unaudited)

	Organic growth % (Jan–Dec)	Organic growth % (Oct–Dec)
EMEA	+9.7	+10.6
Americas	+7.9	+8.3
APAC	+14.4	+12.8
DAN total	+10.3	+10.5

Note: Based on IFRS (unaudited)

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11. Fiscal Year 2014 (April to March) Forecast

(JPY mn)

	FY2014 forecast (annual)	Previous forecast (Nov)	Previous forecast variance (%)	FY2013 actual	YoY %
Net sales	2,432,100	2,432,100	+0.0	2,309,359	+5.3
Gross profit	651,700	651,700	+0.0	594,072	+9.7
Operating income	66,900	69,300	(3.5)	71,490	(6.4)
Ordinary income	74,200	76,700	(3.3)	82,538	(10.1)
Net income	40,900	29,400	+39.1	38,800	+5.4
Adjusted operating income	117,800	118,300	(0.4)	114,186	+3.2

Note: Currency… New forecast: Average rate of Jan–Dec in 2014, Previous forecast: Average rate of Jan–Sep in 2014

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12. IFRS FY2014 Q3 YTD Results (unaudited)

(JPY mn)

	J-GAAP	Reclassifi-cations	Differences caused from recognition and measurement				Adjustment total	IFRS
			Amortization of Goodwill	Accounting for Post-employment benefits	Depreciation for PPE	Others		
Net sales	1,743,593	(1,249,499)	-	-	-	-	(1,249,499)	494,093
Gross profit	454,842	+ 2,795	-	-	(67)	-	+ 2,728	457,570
Operating income	29,664	+ 31,256	+ 23,329	+ 1,258	(800)	+ 5,570	+ 60,613	90,278
Net income	25,619	-	+ 23,329	+ 857	(512)	+ 3,100	+ 26,774	52,394

IFRS Operating profit	90,278
Adjustment items	(12,798)
Amortization of M&A related intangible assets	+ 14,055
Acquisition costs	+ 779
Gain on sales of non-current assets	(32,023)
Gain on sales of subsidiaries and affiliates' stocks	(306)
Loss on sales and retirement of non-current assets	+ 2,985
Impairment loss	+ 427
Special retirement expenses	+ 196
Loss on liquidation of subsidiaries and affiliates	+ 656
Office transfer expenses	+ 635
Others	(205)
IFRS Underlying operating profit	77,479

IFRS Underlying operating profit:
New KPI to measure recurring business performance which is calculated as IFRS operating profit excluding amortization of M&A related intangible assets, impairment loss, gain/loss on sales of non-current assets, acquisition costs and other one-off items

Notes:
Net sales: "Revenue" on IFRS
Operating income: "Operating profit" on IFRS
Net income: "Profit for the year attributable to the parent company" on IFRS

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13. IFRS FY2014 Forecasts

(JPY mn)

	J-GAAP	Reclassifi-cations	Differences caused from recognition and measurement				Adjustment total	IFRS
			Amortization of Goodwill	Accounting for Post-employment benefits	Depreciation for PPE	Others		
Net sales	2,432,100	(1,729,600)	-	-	-	-	(1,729,600)	702,500
Gross profit	651,700	+ 4,090	-	-	(90)	-	+ 4,000	655,700
Operating income	66,900	+ 26,951	+ 31,779	+ 1,845	(1,068)	+ 5,293	+ 64,800	131,700
Net income	40,900	-	+ 31,779	+ 1,255	(726)	+ 2,692	+ 35,000	75,900
IFRS Underlying operating profit								128,700

Notes:
Net sales: “Revenue” on IFRS
Operating income: “Operating profit” on IFRS
Net income: “Profit for the year attributable to the parent company“ on IFRS

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Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation

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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Appendices

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1. Definition

Turnover:	DAN turnover (equivalent to the net sales of the domestic business) + the net sales of the domestic business (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 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 disposed of since the beginning of the prior year (constant currency basis, excluding the organic growth of acquired companies)
Organic:	Organic growth represents the constant currency year-on-year growth after adjusting for the effect of business acquired or disposed 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
IFRS Underlying operating profit:	New KPI to measure recurring business performance which is calculated as IFRS operating profit excluding amortization of M&A related intangible assets, impairment loss, gain/loss on sales of non-current assets, acquisition costs and other one-off items

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2. FY2014 Q3 YTD Results

(JPY mn)

	FY2014 Q3 YTD	FY2013 Q3 YTD	YoY %
Net sales	1,743,593	1,662,485	+ 4.9
Gross profit	454,842	414,373	+ 9.8
SG&A	425,178	379,634	+ 12.0
Operating income	29,664	34,739	(14.6)
vs. Gross profit	*6.5%*	*8.4%*	*(1.9)*
Ordinary income	37,845	42,991	(12.0)
Income before income taxes and minority interests	60,842	44,446	+ 36.9
Net income	25,619	20,694	+ 23.8
Adjusted operating income	67,100	66,322	+ 1.2

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3. Quarterly Results

(JPY mn)

	FY2014 Q3	YoY %	FY2014 Q2	YoY %	FY2014 Q1	YoY %
Net sales	606,714	+4.6	598,621	+5.4	538,256	+4.7
Gross profit	159,168	+9.6	160,757	+9.9	134,916	+9.8
SG&A	144,110	+11.1	145,997	+15.6	135,070	+9.3
Operating income (loss)	15,057	(2.6)	14,760	(26.2)	(153)	-
vs. Gross profit	*9.5%*	*(1.1)*	*9.2%*	*(4.5)*	*(0.1%)*	*+0.5*
Ordinary income	16,892	(10.8)	17,489	(22.6)	3,463	+138.8
Income before income taxes and minority interests	39,702	+93.7	16,639	(31.7)	4,500	-
Net income (loss)	22,797	+115.9	3,558	(74.3)	(735)	-
Adjusted operating income	27,875	+6.4	27,163	(9.7)	12,062	+20.2

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4. Amortization of Goodwill and M&A Related Intangible Assets

(JPY mn)

	B/S amount 2014 End of Dec	FY2014 Q3 YTD amortization	FY2013 Q3 YTD amortization
Goodwill	573,474	23,380	19,845
M&A related intangible assets	235,753	14,055	11,737
Amortization of goodwill and M&A related intangible assets		37,436	31,582
Currency JPY/GBP	177.7 yen	171.9 yen	149.4 yen

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5. FY2014 Q3 YTD Results (Non-consolidated)

(JPY mn)

	FY2014 Q3 YTD	FY2013 Q3 YTD	YoY %
Net sales	1,131,155	1,107,536	+2.1
Gross profit	161,911	156,152	+3.7
gross profit margin	*14.3%*	*14.1%*	*+0.2*
SG&A	125,986	123,664	+1.9
Operating income	35,925	32,487	+10.6
vs. gross profit	*22.2%*	*20.8%*	*+1.4*
Ordinary income	57,460	49,681	+15.7
Income before income taxes	76,924	49,369	+55.8
Net income	56,612	36,982	+53.1

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6. Quarterly Results (Non-consolidated)

(JPY mn)

	FY2014 Q3	YoY %	FY2014 Q2	YoY %	FY2014 Q1	YoY %
Net sales	396,346	+1.6	377,912	+2.9	356,896	+1.9
Gross profit	54,498	(1.8)	57,170	+8.3	50,243	+4.9
gross profit margin	*13.8%*	*(0.5)*	*15.1%*	*+0.8*	*14.1%*	*+0.4*
SG&A	41,799	+1.0	43,797	+3.2	40,388	+1.4
Operating income	12,698	(9.9)	13,372	+29.4	9,854	+22.3
vs. gross profit	*23.3%*	*(2.1)*	*23.4%*	*+3.8*	*19.6%*	*+2.8*
Ordinary income	14,132	(27.5)	16,353	+15.5	26,979	+73.2
Income before income taxes	33,608	+79.8	16,056	+0.9	27,260	+84.7
Net income	23,236	+67.8	10,860	(13.2)	22,514	+112.0

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

(JPY mn)

	FY2014 Q3 YTD	YoY %	FY2014 Q3	YoY %	FY2014 Q2	YoY %	FY2014 Q1	YoY %
Newspapers	77,515	(3.7)	30,658	(2.1)	24,002	(2.5)	22,855	(6.9)
Magazines	25,321	(1.1)	10,162	+12.4	8,107	(6.9)	7,051	(10.1)
Radio	10,617	(5.7)	3,734	(3.7)	3,491	(5.3)	3,391	(8.1)
Television	528,171	+0.8	179,657	(0.9)	165,055	(0.7)	183,458	+4.0
Time	228,802	+1.6	73,942	(3.1)	76,074	(1.1)	78,784	+9.5
Spot	299,368	+0.2	105,714	+0.6	88,980	(0.4)	104,673	+0.2
Interactive Media	55,293	+16.7	21,312	+18.7	17,406	+12.2	16,573	+19.3
OOH Media	38,101	(2.1)	13,480	(0.9)	11,479	(2.0)	13,142	(3.3)
Creative	143,175	(0.1)	46,123	(4.5)	50,790	+3.1	46,262	+1.2
Marketing/Promotion	135,389	(4.8)	50,792	(0.3)	48,134	(10.4)	36,462	(3.0)
Content Services	86,602	+34.7	29,605	+33.8	39,392	+59.7	17,603	+0.7
Others	30,967	+2.9	10,820	(5.5)	10,053	+9.5	10,094	+6.5
Total	1,131,155	+2.1	396,346	+1.6	377,912	+2.9	356,896	+1.9

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

(JPY mn)

	FY2014 Q3 YTD	YoY %	FY2014 Q3	YoY %	FY2014 Q2	YoY %	FY2014 Q1	YoY %
Information/Communications	179,488	+22.9	58,651	+9.9	72,325	+54.7	48,511	+5.6
Beverages/Cigarettes	116,159	+3.1	34,297	(1.5)	38,565	+5.9	43,296	+4.4
Cosmetics/Toiletries	88,026	(2.1)	27,955	(5.4)	28,922	(1.8)	31,147	+0.9
Finance/Insurance	86,925	+0.4	30,910	+12.8	28,231	(8.9)	27,783	(1.5)
Automobiles/Related Products	79,604	+2.6	31,529	+2.3	24,016	(4.7)	24,058	+11.7
Foodstuffs	73,491	+4.0	23,811	+5.4	23,155	(2.3)	26,524	+9.0
Distribution/Retailing	72,779	(1.9)	27,769	(1.4)	21,209	(6.2)	23,800	+1.7
Food Services/Other Services	60,336	(5.1)	23,134	+6.0	18,827	(13.9)	18,374	(7.6)
Pharmaceuticals/Medical Supplies	57,368	(2.3)	21,929	(1.4)	17,038	+0.4	18,400	(5.7)
Hobbies/Sporting Goods	44,465	(10.2)	14,279	(18.1)	15,821	(18.0)	14,363	+12.4
Transportation/Leisure	42,974	(6.1)	13,567	(9.6)	14,307	(10.6)	15,099	+2.4
Government/Organizations	38,449	(2.7)	17,054	+9.0	12,611	(16.3)	8,783	(0.1)
Home Electric Appliances/AV Equipment	36,833	(2.8)	14,664	+4.9	11,508	+2.9	10,660	(16.2)
Real Estate/Housing Facilities	31,953	(2.8)	10,382	(6.8)	12,052	+10.1	9,517	(11.8)
Apparel/Fashion, Accessories/Personal Items	28,930	(9.0)	11,478	(7.7)	8,573	+1.0	8,879	(18.2)
Others	93,368	+3.5	34,930	+4.3	30,745	(5.0)	27,692	+13.6
Total	1,131,155	+2.1	396,346	+1.6	377,912	+2.9	356,896	+1.9

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9. Effects of Currency

Currency movements against JPY

	Average			Period end		
	FY2014 Q3 YTD	FY2013 Q3 YTD	Var. %	2014 Dec	2014 Mar	Var. %
JPY/USD	103.0	96.7	+6.5	109.5	105.4	+3.9
JPY/EUR	139.5	127.3	+9.6	138.9	145.1	(4.3)
JPY/CNY	16.8	15.6	+7.7	17.7	17.3	+2.7
JPY/GBP	171.9	149.4	+15.0	177.7	173.8	+2.3

Gross profit ratio by currency

(%)	JPY	USD	EUR	CNY	GBP	Others	Total
FY2014 Q3 YTD	49.9	13.0	9.2	5.9	5.5	16.5	100.0