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FY2014 Earnings Presentation

May 18,2015

DENTSU INC.

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FY2014 Annual Results and FY2015 Forecast

Shoichi Nakamoto,

Director, Senior Executive Vice President & CFO

* 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.
* This presentation is based on IFRS unless otherwise specified.

May 18, 2015

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1. Highlights

- Gross profit increased by 10.1%(YoY) to 676.9 billion yen
- Organic gross profit growth: +5.8%(YoY) (Japan +2.2% / International +10.3%)
- Underlying operating profit increased by 5.1%(YoY) to 131.9 billion yen
- Underlying operating margin: 19.5%, -90bps(YoY), mainly due to investment in global functions, which peaked in FY2014
- Underlying basic EPS increased by 5.1%(YoY) to 322.1 yen
- Completed 25 acquisitions (total cash payments: 36.1 billion yen)
- Dividend increased by 67%(YoY) to 55 yen per share
- Share repurchase announced

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2. Summary

(JPY mn)

	FY2014	FY2013	YoY %	Forecast (announced in Feb 2015)	Forecast variance %
Turnover	4,642,390	4,177,278	+11.1	-	-
Revenue	728,626	659,772	+10.4	719,100	+1.3
Gross profit	676,925	614,654	+10.1	672,300	+0.7
Operating profit	132,305	107,283	+23.3	131,700	+0.5
Net profit	79,846	66,507	+20.1	75,900	+5.2
Underlying operating profit	131,937	125,593	+5.1	128,700	+2.5
Operating margin	19.5%	20.4%	(0.9)	19.1%	+0.4
Underlying net profit	92,875	84,395	+10.0		
Underlying basic EPS	322.1 yen	306.4 yen	+5.1		
EBITDA	174,520	142,623	+22.4		
ROE	8.1%	9.1%	(1.0)		
Currency					
JPY/USD (Jan–Dec average)	105.8 yen	97.6 yen	+8.4	105.8 yen	-
JPY/GBP (Jan–Dec average)	174.2 yen	152.7 yen	+14.1	174.2 yen	-

Notes:
Net profit, underlying net profit and underlying basic EPS… Excluding attribution to non-controlling interests

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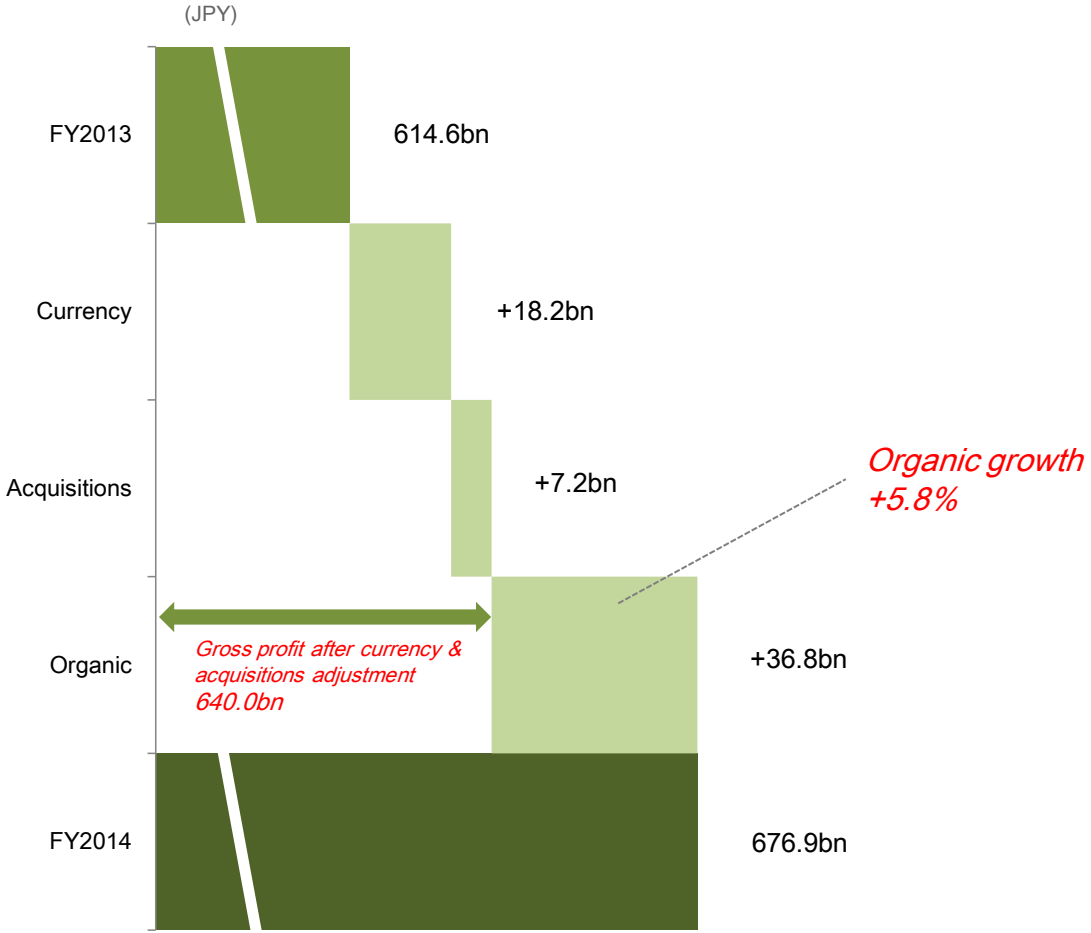
3. Gross Profit Growth



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4. Regional Information

(JPY mn)

FY2014	Gross profit	YoY %	Underlying operating profit	YoY %	Organic growth %
Japan	333,995	+1.7	79,735	+2.8	+2.2
operating margin			*23.9%*	*+0.2*	
EMEA	136,158	+21.4	-	-	+9.7
Americas	111,852	+19.5	-	-	+7.9
APAC	95,221	+16.9	-	-	+14.4
International total	343,232	+19.6	52,618	+9.6	+10.3
operating margin			*15.3%*	*(1.4)*	
Consolidation adjustments	(303)	-	(416)	-	-
Dentsu consolidated total	676,925	+10.1	131,937	+5.1	+5.8
operating margin			*19.5%*	*(0.9)*	

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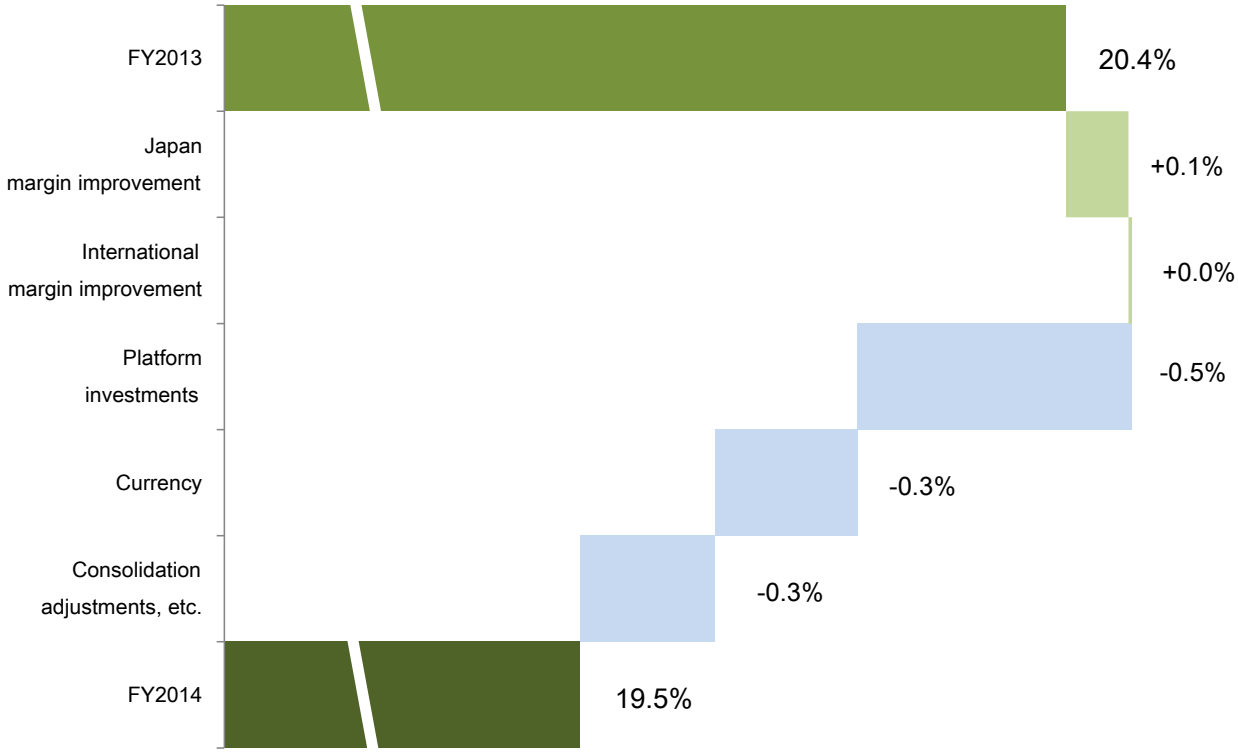
5. Change in Underlying Operating Margin



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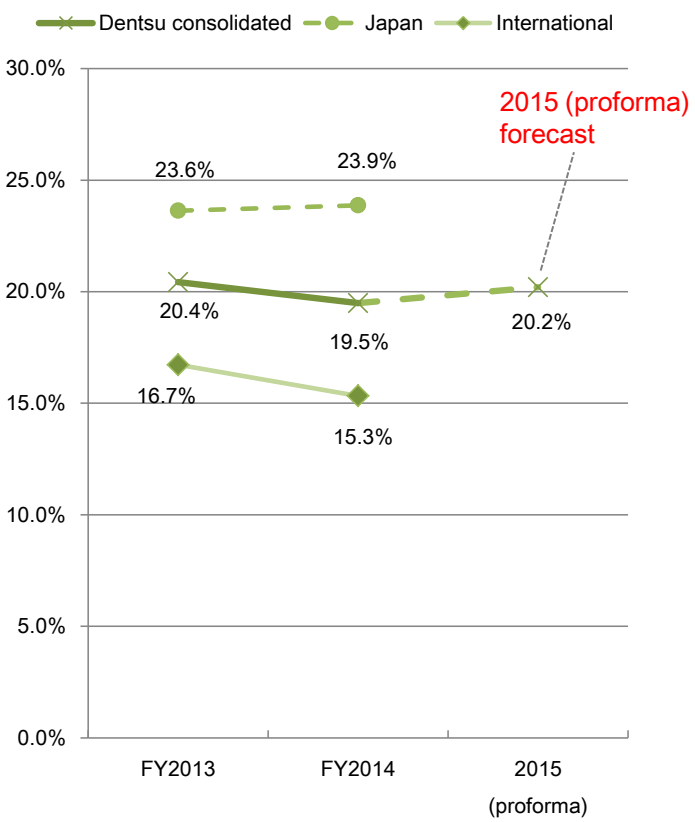
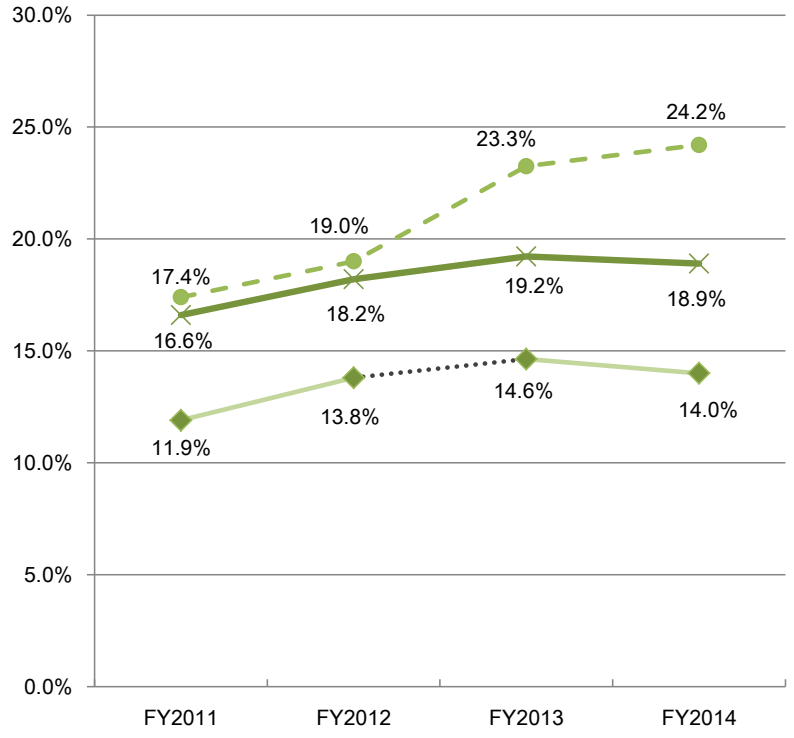
6. Operating Margin

IFRS (Underlying operating profit base)



J-GAAP (Adjusted operating income base)



Note: International… From FY2013, International includes Aegis

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7. Reconciliation from Underlying OP to Statutory OP

(JPY mn)

	FY2014	FY2013	YoY #	YoY %
Underlying operating profit	131,937	125,593	+ 6,343	+5.1
Adjustment items	+ 367	(18,310)	+ 18,678	
Amortization of M&A related intangible assets	(19,784)	(15,666)	(4,117)	
Acquisition costs	(967)	(809)	(158)	
Gain (loss) on sales and retirement of non-current assets	+ 27,653	+ 1,444	+ 26,209	
Gain on sales of subsidiaries and affiliates' stocks	+ 306	+ 1,939	(1,633)	
Impairment loss	(1,824)	(2,005)	+ 181	
Special retirement expenses	(3,947)	(1,908)	(2,038)	
Loss on liquidation of subsidiaries and affiliates	(670)	(618)	(52)	
Others	(400)	(687)	+ 287	
Operating profit	132,305	107,283	+ 25,022	+23.3

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8. Statutory Operating Profit to Net Profit

(JPY mn)

	FY2014	FY2013	YoY #	YoY %
Operating profit	132,305	107,283	+ 25,022	+23.3
Share of results of associates	7,178	4,745	+ 2,433	+51.3
Profit before interest and tax	139,483	112,028	+ 27,455	+24.5
Net finance income (costs)	(5,188)	(1,230)	(3,958)	-
Finance income	7,067	7,115	(47)	(0.7)
Finance costs	12,255	8,345	+ 3,909	+46.8
Profit before tax	134,295	110,797	+ 23,497	+21.2
Income tax expense	49,649	41,864	+ 7,785	+18.6
Net profit	84,645	68,933	+ 15,712	+22.8
Attributable to owners of the parent	79,846	66,507	+ 13,338	+20.1
Attributable to non-controlling interests	4,799	2,426	+ 2,373	+97.8

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9. Financial Position

(JPY mn)

	2015 End of Mar	2014 End of Mar	Var. #	Var. %
Current assets	1,681,861	1,386,946	+ 294,914	+21.3
Non-current assets	1,477,673	1,298,986	+ 178,686	+13.8
Total assets	3,159,534	2,685,933	+ 473,601	+17.6
Current liabilities	1,511,256	1,284,477	+ 226,779	+17.7
Non-current liabilities	537,214	475,734	+ 61,480	+12.9
Total liabilities	2,048,470	1,760,211	+ 288,259	+16.4
Owner's interests	1,080,364	901,012	+ 179,351	+19.9
Non-controlling interests	30,699	24,709	+ 5,989	+24.2
Total equity	1,111,063	925,722	+ 185,341	+20.0
Total liabilities and equity	3,159,534	2,685,933	+ 473,601	+17.6
JPY/USD	120.6 yen	105.4 yen	-	+14.4
JPY/GBP	187.0 yen	173.8 yen	-	+7.6

Note: Currency… 2015 B/S (End of Mar): as of Dec 31, 2014, 2014 B/S (End of Mar): as of Dec 31, 2013

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10. Net Debt

(JPY mn)

	2015 End of Mar	2014 End of Mar	Var. #
Total debt	409,618	364,966	+ 44,651
Cash and cash equivalents	365,379	253,354	+ 112,025
Net debt	44,238	111,612	(67,373)
Total debt (LTM average)	367,484	-	-
Cash and cash equivalents (LTM average)	247,886	-	-
Net debt (LTM average)	65,855	-	-
EBITDA	174,520	142,623	+ 31,896
Net debt / EBITDA	0.25	0.78	
Net debt (LTM average) / EBITDA	0.38	-	

Note: LTM… Last twelve months

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11. Cash Flow

(JPY mn)

	FY2014	FY2013	YoY #	YoY %
Profit before tax	134,295	110,797	+ 23,497	+21.2
Share of results of associates	(7,178)	(4,745)	(2,433)	+51.3
Depreciation and amortization	40,390	33,334	+ 7,055	+21.2
Impairment loss	1,824	2,005	(181)	(9.1)
Gain (loss) on sales and retirement of non-current assets	(27,654)	(1,444)	(26,209)	-
Others	(5,686)	(2,494)	(3,192)	-
Income taxes paid	(49,531)	(37,948)	(11,582)	+30.5
Cash flow from operations before change in WC i	86,461	99,506	(13,044)	(13.1)

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12. Use of Cash

(JPY mn)

	FY2014	FY2013	YoY #	YoY %
Change in WC ii	25,927	(7,519)	+ 33,446	-
Payments for PPE, intangible assets and investment property (net)	14,404	(16,709)	+ 31,114	-
Payments for investing activities (net)	(42,926)	(298,561)	+ 255,635	(85.6)
Dividends paid to shareholders	(10,669)	(8,600)	(2,069)	+24.1
Dividends paid to non-controlling shareholders	(2,527)	(2,195)	(332)	+15.1
Use of cash iii	(41,719)	(326,066)	+ 284,348	(87.2)
Proceeds from issue of new stocks and sales of treasury stocks iv	0	120,008	(120,008)	(100.0)
Effect of exchange rate changes and others v	(3,296)	7,294	(10,591)	-
Change in net cash i+ii+iii+iv+v	67,373	(106,777)	+ 174,149	-
(Acquisition payments)				
Initial payments	(19,651)	(303,751)	+ 284,100	(93.5)
Earn-out payments/ Additional acquisition payments	(16,458)	(17,977)	+ 1,519	(8.5)
Proceeds from sales	162	16,487	(16,324)	(99.0)

Note: “Payments for PPE (property, plant and equipment), intangible assets and investment property (net)” and “Payments for investing activities” are shown as net figures of payments and proceeds by disposal of PPE/intangible assets/ investment property and businesses/subsidiaries
Effect of exchange rate changes and others… Including effect of exchange rate changes from debt

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13. International Jan–Mar Gross Profit Growth (unaudited)

	Organic growth % (Jan–Mar)
EMEA	+11.1
Americas	+10.4
APAC	+22.5
International total	+13.7

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14. FY 2015 Forecast (accounting period)

(Comparison guideline for the transition period to a unified accounting period)

■ Financial reporting base – item 16 in the Appendices (page-35)

Japan … FY2014 Apr–Mar (12 months), FY2015 Apr–Dec (9 months)
International… FY2014 Jan–Dec (12 months), FY2015 Jan–Dec (12 months)

	2014				2015			
	Jan–Mar	Apr–Jun	Jul–Sep	Oct–Dec	Jan–Mar	Apr–Jun	Jul–Sep	Oct–Dec
Japan								
International	FY2014				FY2015			

■ Proforma – Jan-Dec (12 months) basis – Next page

Japan … FY2014 Jan–Dec (12 months), FY2015 Jan–Dec (12 months)
International… FY2014 Jan–Dec (12 months), FY2015 Jan–Dec (12 months)

	2014				2015			
	Jan–Mar	Apr–Jun	Jul–Sep	Oct–Dec	Jan–Mar	Apr–Jun	Jul–Sep	Oct–Dec
Japan								
International	FY2014				FY2015			

Note: Japan: Planning to change its accounting period to the end of Dec from the end of Mar in FY2015

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15. FY 2015 Forecast (proforma)

(JPY mn)

	2015 Jan–Dec	2014 Jan–Dec	YoY %
Revenue	776,400	725,886	+7.0
Gross profit	735,100	676,882	+8.6
Operating profit	120,300	137,558	(12.5)
Net profit	76,400	81,409	(6.2)
Underlying operating profit	148,800	133,402	+11.5
Operating margin	20.2%	19.7%	+0.5
Underlying net profit	99,000	89,179	+11.0
Underlying basic EPS	343.3 yen	309.3 yen	+11.0

Notes:
Currency… FY2015 forecast: Average rate of Jan–Feb, 2015, FY2014 actual: Average rate of Jan–Dec, 2014
Net profit, underlying net profit and underlying basic EPS… Excluding attribution to non-controlling interests

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16. Capital Management Strategy

Objective: to deliver an improvement in Shareholder Value over time



Growth of the business – priority for capital deployment:

- Investing in growth in Japan and globally
- Deliver value-enhancing acquisitions - scale, in-fill & innovation



Focus on Capital Returns and Dividends

- Improve capital efficiency
- Increase ROE over time

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17. Return to Shareholders (dividend and share repurchase)

	2015 Jan–Dec forecast	FY2015 forecast	FY2014 actual	FY2013 actual
Annual dividend per share (Interim dividend)	70.00 yen (35.00 yen)	70.00 yen (35.00 yen)	55.00 yen (20.00 yen)	33.00 yen (16.00 yen)
Payout ratio	26.4%	31.8%	19.9%	13.7%
Share repurchase	JPY 20bn			
Total payout ratio	52.6%			

Notes:
Payout ratio… Based on statutory net profit
Share repurchase… Up to the maximum amount of JPY 20bn
Total payout ratio… Excluding the impact of share repurchase on the number of outstanding issues and assuming shares are repurchased up to the maximum amount

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Summary of FY2014 and Management Strategy

Tadashi Ishii
President & CEO

This presentation material contains forecasts based on management's assumptions, projections and plans for the future as of May 14, 2015.
Actual results may significantly differ from the forecasts, depending on risks and uncertainties related to the economic situation.

May 2015

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Dentsu 2017 and Beyond

To evolve into a truly global network
at the forefront of marketing convergence

- Innovation x Reinvention -

1. Diversifying the portfolio on a global basis
2. Evolving and expanding in the digital domain
3. Re-engineering business processes and improving profitability
4. Further reinforcing the business platform in the core Japanese market

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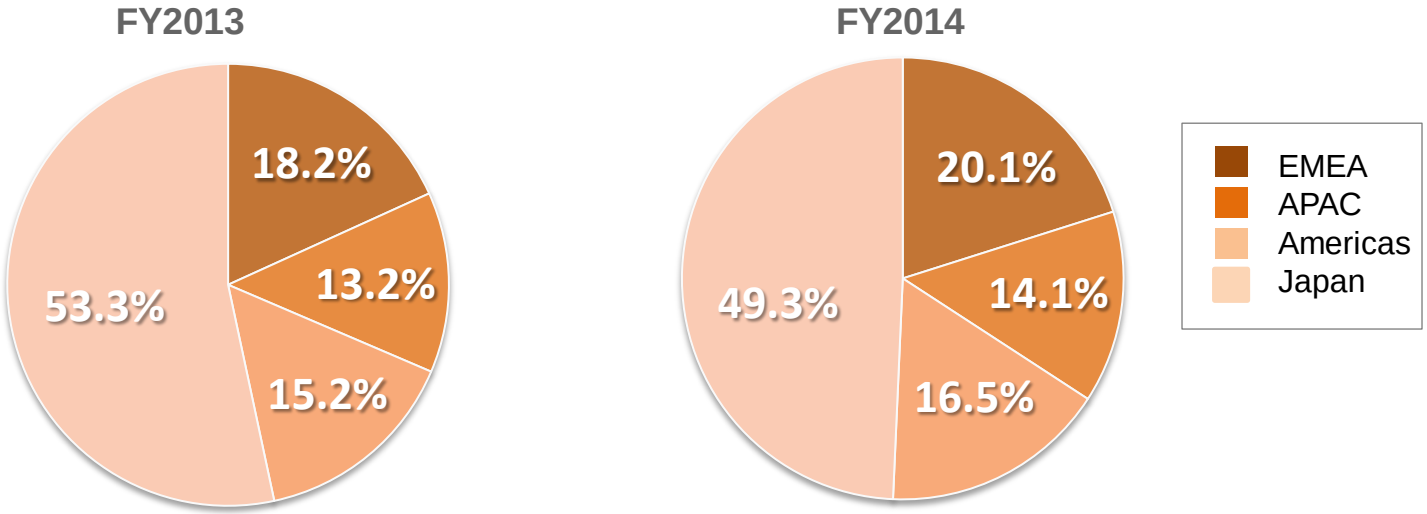
1 Diversifying the portfolio on a global basis

Gross profit by region



Gross Profit International Ratio

46.7% (FY2013) ▶ **50.7%** (FY2014) ▶ **55% or higher** (FY2017)

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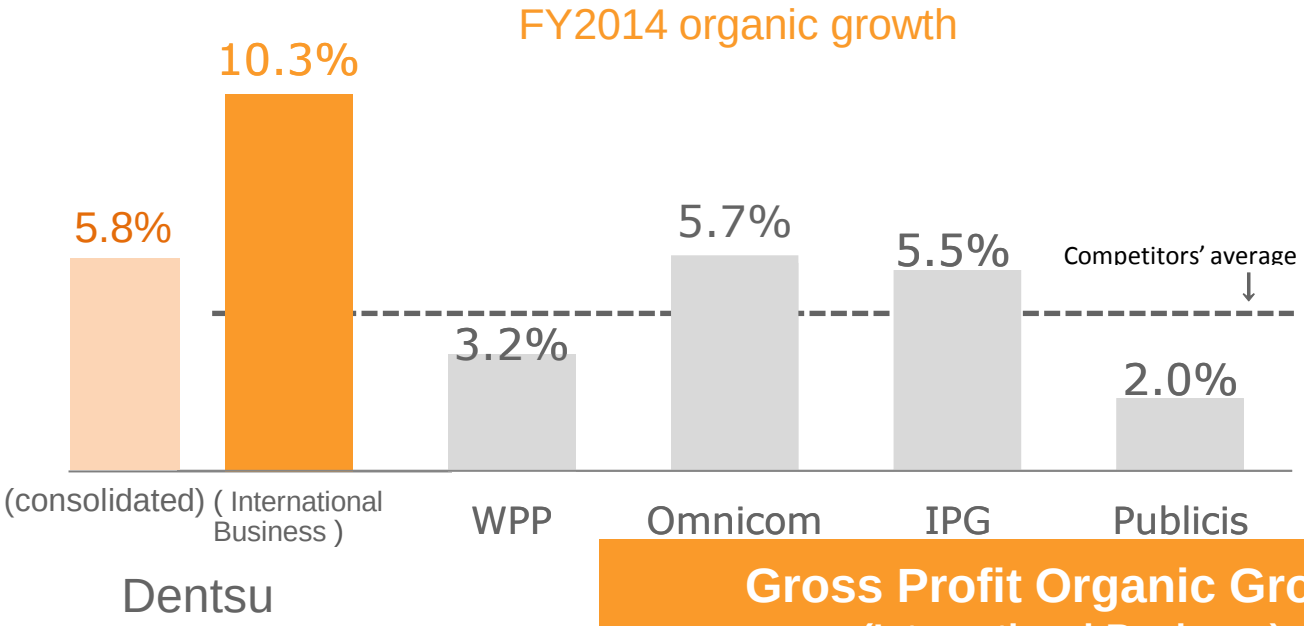
1 Diversifying the portfolio on a global basis

- Organic growth far exceeding that of competitors



Gross Profit Organic Growth
(International Business)
10.3%
FY2014

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1 Diversifying the portfolio on a global basis: APAC (excluding Japan)

- Double-digit organic growth exceeding the favorable performance in the previous year
- The strong Chinese market is driving the growth of the entire APAC region
- Australia is showing steady performance by taking advantage of its leading position
- Emerging markets achieved strong growth by acquiring global clients

APAC Organic Growth

8.9% FY2013 ⏩ **14.4%** FY2014

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1 Diversifying the portfolio on a global basis: the Americas

- Capability enhancement/integration through acquisitions has contributed to growth
- Strong new businesses, including global accounts, are driving growth
- Strong performance in North America
- Substantial growth in Latin America, particularly Brazil and Argentina

Americas Organic Growth

7.8% FY2013 ⏭ **7.9%** FY2014

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1 Diversifying the portfolio on a global basis: EMEA

- More substantial growth than the previous year despite the slow economic growth
- The UK, Italy, France, Spain, the Netherlands and Northern European countries are showing favorable performance
- Russia achieved strong performance even amid the unpredictable economic environment
- The Middle East and Africa are showing steady growth due to global clients' marketing investment

EMEA Organic Growth

2.3% ⏩ **9.7%**

FY2013 **FY2014**

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2 Evolving and expanding in the digital domain

- Gross profit in the digital domain in Japan grew by 12.2% in FY2014
- Number of M&As in the digital domain: 11 in 2014; 5 as of April in 2015
- International programmatic trading desk (AMNET) doubled its sales in FY2014
- Digital domain ratio of our international business increased to 43% in FY2014

Gross Profit Digital Domain Ratio

27% (FY2013) ▶ **30%** (FY2014) ▶ **35% or higher** (FY2017)

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2 Evolving and expanding in the digital domain

- Won many prestigious global advertising industry awards

dentsu	**ADFEST 2015** Advertising Agency of the Year / Interactive Agency of the Year
	CLIO Awards 2014 Agency of the Year Digital/Social: 1 Gold, Digital/Social Technique: 1 Silver
	Spikes Asia Festival of Creativity 2014 Agency of the Year / Digital: 1 Grand Prix, 3 Gold, 2 Silver, 3 Bronze
	2014 D&AD Awards Most Awarded Digital Agency
isobar	**2014 Campaign Asia-Pacific Agency of the Year Awards** Digital Network of the Year
iProspect	**RECMA** 1st globally in the “Search & Activation” category
360i	**Advertising Age** A-List 2013 to 2015 The only agency to make the top3 for three years in a row

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3 Re-engineering business processes and improving profitability

- Operating margin in FY2014 turned out as planned
- Operating margin of both our Japan and international businesses will improve in and after FY2015
- Aiming to achieve and maintain consolidated operating margin at 20% or higher

Underlying Operating Margin

FY2013	FY2014	FY2017
20.4%	19.5%	20% or higher

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4 Further reinforcing the business platform in the core Japanese market

- Gross profit in FY2014 was a record high even on top of significant growth achieved in FY2013
- Further market share increase, benefitting from business confidence and taking on opportunities as the advertiser base broadens
- Enhancing our digital capabilities with aggressive use of the global network's resources

Japan Business Organic Growth		
9.2%	⏩	2.2%
FY2013		FY2014

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4 Further reinforcing the business platform in the core Japanese market

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Growth results and outlook in major advertising markets

	2014	2015	2016
Global (59 countries)	4.6%	4.6%	5.0%
Japan	2.9%	0.9%	1.2%
EMEA	2.6%	2.6%	3.3%
Americas	5.2%	5.2%	5.4%
APAC Excluding Japan	6.2%	7.0%	7.5%
Digital	17.4%	15.7%	13.8%

Source: Carat, "*Global Advertising Expenditure Forecasts — March 2015*"
(Figures are on a calendar year basis)

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Dentsu 2017 and Beyond

To evolve into a truly global network
at the forefront of marketing convergence

- Innovation x Reinvention -

1. Diversifying the portfolio on a global basis
2. Evolving and expanding in the digital domain
3. Re-engineering business processes and improving profitability
4. Further reinforcing the business platform in the core Japanese market

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Appendices

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1. Definition 1/2

- Turnover: The gross amounts billable to clients handled by the Group on behalf of clients, with net of discounts, VAT and other sales-related taxes.
- Underlying operating profit: KPI to measure recurring business performance which is calculated as operating profit added with amortization of M&A related intangible assets, impairment loss, gain/loss on sales of non-current assets, acquisition costs and other one-off items
- Operating margin: Underlying operating profit divided by gross profit
- Underlying net profit (attributable to owners of the parent): KPI to measure recurring net profit attributable to owners of the parent which is calculated as net profit (attributable to owners of the parent) added with adjustment items related to operating profit, revaluation of earnout liabilities/ M&A related put-option liabilities, tax-related and NCI profit-related and other one-off items
- Underlying basic EPS: EPS based on underlying net profit (attributable to owners of the parent)
- EBITDA: Operating profit before depreciation, amortization and impairment losses
- 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
- 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

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2. Definition 2/2

The following items are based on J-GAAP

- Adjusted operating income (J-GAAP): Operating profit before amortization of goodwill and M&A related intangible assets
- Operating margin (J-GAAP): Adjusted operating income divided by gross profit
- Adjusted EPS (J-GAAP): 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)

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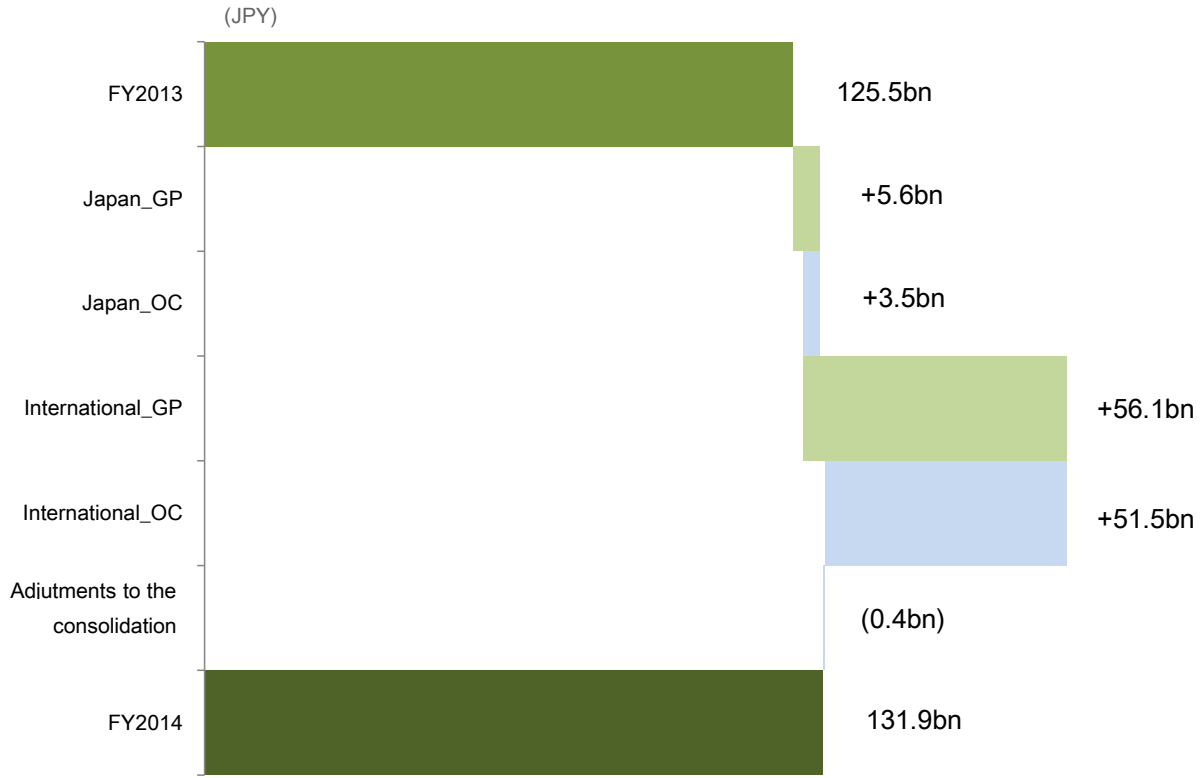
3. Quarterly Results

(JPY mn)

	FY2014 Q4	FY2014 Q3	FY2014 Q2	FY2014 Q1
Net sales	1,389,795	1,114,629	1,115,853	1,022,111
Revenue	222,248	177,105	179,509	149,763
Gross profit	207,069	164,535	165,702	139,616
Operating profit	42,027	51,077	29,270	9,930
Net profit	27,451	31,355	17,127	3,911
Underlying operating profit	54,458	28,527	34,926	14,025
Operating margin	26.3%	17.3%	21.1%	10.0%

Notes:
Net profit… Excluding attribution to non-controlling interests
Some numbers have been restated from past disclosure (unaudited at that time)

4. Analysis of Underlying Operating Profit



Notes: Figures of Japan subsidiaries and International are after eliminations of internal transactions
GP… Gross profit
OC… Operating costs (selling, general & administrative expenses, other income and other expenses)

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5. Reconciliation from Underlying NP to Statutory NP

(JPY mn)

	FY2014	FY2013	YoY #	YoY %
Underlying net profit	92,875	84,395	+ 8,479	+10.0
Adjustment items	(13,029)	(17,888)	+ 4,859	
Operating profit adjustments	+ 367	(18,310)	+ 18,678	
Loss on revaluation of earnout liabilities and M&A related put option liabilities	(2,682)	(671)	(2,010)	
Amortization of associate purchased intangibles	(348)	(320)	(28)	
Other one-off items	-	+ 1,398	(1,398)	
Related income tax expense	(7,249)	+ 528	(7,778)	
Change in income tax rate (Japan)	(3,847)	(695)	(3,151)	
Adjustments attributable to non-controlling interests	+ 731	+ 183	+ 548	
Net profit	79,846	66,507	+ 13,338	+20.1

Notes:
Underlying net profit and net profit… Excluding attribution to non-controlling interests
Change in income tax rate (Japan)… PL Impact of reduction of deferred tax assets caused by Japanese tax rate change

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6. J-GAAP Summary

(JPY mn)

	FY2014	FY2013	YoY %	Forecast (announced in Feb 2015)	Forecast variance %
Turnover	4,642,390	4,177,278	+11.1	-	-
Net sales	2,419,278	2,309,359	+4.8	2,432,100	(0.5)
Gross profit	656,454	594,072	+10.5	651,700	+0.7
Operating income	72,695	71,490	+1.7	66,900	+8.7
Net income	45,818	38,800	+18.1	40,900	+12.0
Adjusted operating income	124,343	114,186	+8.9	117,800	+5.6
Operating margin	18.9%	19.2%	(0.3)	18.0%	+0.9
Adjusted EPS	338.0 yen	295.9 yen	+14.2	-	-
Currency					
JPY/USD (Jan–Dec average)	105.8 yen	97.6 yen	+8.4	105.8 yen	-
JPY/GBP (Jan–Dec average)	174.2 yen	152.7 yen	+14.1	174.2 yen	-

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7. Reconciliation from J-GAAP to IFRS in FY2014

(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	2,419,278	(1,690,651)	-	-	-	-	(1,690,651)	728,626
Gross profit	656,454	+ 20,555	-	-	(84)	-	+ 20,471	676,925
Operating income	72,695	+ 21,708	+ 31,693	+ 1,170	(1,010)	+ 6,047	+ 59,609	132,305
Net income	45,818	-	+ 31,693	+ 1,256	(437)	+ 1,515	+ 34,027	79,846

Notes:

Net sales: “Revenue” on IFRS
Operating income: “Operating profit” on IFRS
Net income: “Net profit attributable to owners of the parent” on IFRS

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8. Reconciliation from J-GAAP to IFRS in FY2013

(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	2,309,359	(1,649,587)	-	-	-	-	(1,649,587)	659,772
Gross profit	594,072	+ 20,728	-	-	(145)	-	+ 20,582	614,654
Operating income	71,490	+ 6,899	+ 26,836	+ 947	(1,033)	+ 2,140	+ 35,792	107,283
Net income	38,800	-	+ 26,836	+ 1,312	(661)	+ 217	+ 27,706	66,507

Notes:

Net sales: “Revenue” on IFRS
Operating income: “Operating profit” on IFRS
Net income: “Net profit attributable to owners of the parent” on IFRS
Some numbers have been restated from past disclosure (unaudited at that time)

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9. Debt profile (1) (balance)

(JPY mn)

	2015 End of Mar
Short-term borrowings	39,214
Long-term borrowings (*1)	358,035
Bonds (*1)	12,368
Total debt	409,618
Cash and cash equivalents	365,379
Net debt	44,238
Commitment-line contract (*2)	195,783

Notes:
*1 Including current portion
*2 JPY 15,825mn was withdrawn as of FYE2014

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10. Debt profile (2) (repayment schedule)

2015 End of Mar	less than a year	1 year to 2 years	2 years to 3 years	after 3 years	Total
Dentsu Inc.					
Current portion of long-term borrowings	JPY 30,026mn	-	-	-	JPY 30,026mn
Long-term borrowings	-	JPY 33,495mn	JPY 2,720mn	JPY 180,283mn	JPY 216,498mn
Total	JPY 30,026mn	JPY 33,495mn	JPY 2,720mn	JPY 180,283mn	JPY 246,524mn
Overseas					
Short-term debts					
Local currency borrowings (JPY equivalent)	JPY 39,214mn	-	-	-	JPY 39,214mn
Long-term debts					
Private Placement bonds (USD)	USD 35mn	-	USD 50mn	USD 15mn	USD 100mn
Long-term borrowings (GBP)	-	-	-	GBP 180mn	GBP 180mn
Long-term borrowings (USD)	-	-	-	USD 592mn	USD 592mn
Other local currency borrowings (JPY equivalent)	-	JPY 3,655mn	-	-	JPY 3,655mn
Total (JPY equivalent)	JPY 43,627mn	JPY 3,655mn	JPY 6,027mn	JPY 109,785mn	JPY 163,094mn

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11. FY2014 Annual Results (non-consolidated, J-GAAP)

(JPY mn)

	FY2014	FY2013	YoY %	Forecast (announced in Feb 2015)	Forecast variance %
Net sales	1,535,105	1,515,062	+1.3	1,544,700	(0.6)
Gross profit	223,165	219,393	+1.7	222,600	+0.3
gross profit margin	*14.5%*	*14.5%*	*+0.0*	*14.4%*	*+0.1*
SG&A	170,743	168,813	+1.1	171,200	(0.3)
Operating income	52,421	50,579	+3.6	51,400	+2.0
vs. gross profit	*23.5%*	*23.1%*	*+0.4*	*23.1%*	*+0.4*
Ordinary income	76,458	69,667	+9.7	73,000	+4.7
Income before income taxes	88,424	68,361	+29.3	88,300	+0.1
Net income	63,950	46,953	+36.2	60,400	+5.9

Note: SG&A… Selling, general & administrative expenses

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12. Quarterly Results (non-consolidated, J-GAAP)

(JPY mn)

	FY2014 Q4	YoY %	FY2014 Q3	YoY %	FY2014 Q2	YoY %	FY2014 Q1	YoY %
Net sales	403,949	(0.9)	396,346	+1.6	377,912	+2.9	356,896	+1.9
Gross profit	61,253	(3.1)	54,498	(1.8)	57,170	+8.3	50,243	+4.9
gross profit margin	*15.2%*	*(0.3)*	*13.8%*	*(0.5)*	*15.1%*	*+0.8*	*14.1%*	*+0.4*
SG&A	44,757	(0.9)	41,799	+1.0	43,797	+3.2	40,388	+1.4
Operating income	16,496	(8.8)	12,698	(9.9)	13,372	+29.4	9,854	+22.3
vs. gross profit	*26.9%*	*(1.9)*	*23.3%*	*(2.1)*	*23.4%*	*+3.8*	*19.6%*	*+2.8*
Ordinary income	19,000	(4.9)	14,132	(27.5)	16,353	+15.5	26,979	+73.2
Income before income taxes	11,500	(39.4)	33,608	+79.8	16,056	+0.9	27,260	+84.7
Net income	7,338	(26.4)	23,236	+67.8	10,860	(13.2)	22,514	+112.0

Note: SG&A… Selling, general & administrative expenses

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13. Net Sales by Business Category
(non-consolidated, J-GAAP)

(JPY mn)

	FY2014	YoY %	FY2014 Q4	YoY %	FY2014 Q3	YoY %	FY2014 Q2	YoY %	FY2014 Q1	YoY %
Newspapers	107,916	(7.7)	30,400	(16.4)	30,658	(2.1)	24,002	(2.5)	22,855	(6.9)
Magazines	33,643	(3.0)	8,321	(8.3)	10,162	+12.4	8,107	(6.9)	7,051	(10.1)
Radio	14,112	(6.3)	3,495	(8.0)	3,734	(3.7)	3,491	(5.3)	3,391	(8.1)
Television	690,700	(1.3)	162,529	(7.7)	179,657	(0.9)	165,055	(0.7)	183,458	+4.0
Time	300,313	(1.3)	71,510	(9.6)	73,942	(3.1)	76,074	(1.1)	78,784	+9.5
Spot	390,387	(1.4)	91,019	(6.1)	105,714	+0.6	88,980	(0.4)	104,673	+0.2
Interactive Media	78,036	+15.0	22,743	+10.9	21,312	+18.7	17,406	+12.2	16,573	+19.3
OOH Media	52,550	(3.7)	14,449	(7.9)	13,480	(0.9)	11,479	(2.0)	13,142	(3.3)
Creative	201,801	(1.0)	58,625	(3.2)	46,123	(4.5)	50,790	+3.1	46,262	+1.2
Marketing/Promotion	186,238	(2.3)	50,848	+5.1	50,792	(0.3)	48,134	(10.4)	36,462	(3.0)
Content Services	128,656	+42.2	42,054	+60.5	29,605	+33.8	39,392	+59.7	17,603	+0.7
Others	41,448	+1.2	10,480	(3.5)	10,820	(5.5)	10,053	+9.5	10,094	+6.5
Total	1,535,105	+1.3	403,949	(0.9)	396,346	+1.6	377,912	+2.9	356,896	+1.9

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14. Net Sales by Industry Category
(non-consolidated, J-GAAP)

(JPY mn)

	FY2014	YoY %	FY2014 Q4	YoY %	FY2014 Q3	YoY %	FY2014 Q2	YoY %	FY2014 Q1	YoY %
Information/Communications	238,242	+20.0	59,513	+11.0	58,472	+9.9	72,116	+55.9	48,141	+5.9
Beverages/Cigarettes	153,629	+4.7	37,454	+10.4	34,301	(1.5)	38,574	+5.9	43,299	+4.4
Finance/Insurance	122,396	+1.9	35,470	+6.0	30,910	+12.8	28,231	(8.9)	27,783	(1.5)
Cosmetics/Toiletries	113,080	(4.0)	25,086	(10.3)	27,945	(5.4)	28,913	(1.8)	31,134	+0.8
Automobiles/Related Products	109,619	+0.7	30,014	(4.1)	31,529	+2.3	24,016	(4.7)	24,059	+11.7
Foodstuffs	97,249	+1.7	23,742	(5.1)	23,817	+5.4	23,158	(2.3)	26,531	+9.0
Distribution/Retailing	95,920	(1.5)	23,270	(0.5)	27,701	(1.5)	21,187	(5.9)	23,761	+1.9
Food Services/Other Services	84,695	(1.4)	23,862	+9.1	23,251	+5.9	19,002	(13.6)	18,579	(7.5)
Pharmaceuticals/Medical Supplies	72,546	(5.3)	15,190	(14.9)	21,929	(1.4)	17,025	+0.3	18,400	(5.7)
Transportation/Leisure	60,934	(6.2)	17,950	(6.5)	13,566	(9.5)	14,321	(10.5)	15,096	+2.4
Government/Organizations	59,046	+0.4	20,597	+6.7	17,053	+8.9	12,611	(16.3)	8,783	(0.2)
Hobbies/Sporting Goods	57,492	(13.0)	12,484	(21.1)	14,582	(16.8)	15,880	(19.2)	14,545	+11.5
Home Electric Appliances/AV Equipment	49,673	(11.8)	12,839	(30.4)	14,664	+4.9	11,508	+2.9	10,660	(16.2)
Real Estate/Housing Facilities	44,875	(4.3)	13,020	(7.2)	10,331	(7.2)	12,011	+9.8	9,511	(11.8)
Apparel/ Fashion, Accessories/ Personal Items	40,013	(7.7)	10,988	(3.3)	11,530	(7.4)	8,583	+0.1	8,909	(18.6)
Others	135,689	+3.4	42,462	+3.7	34,759	+3.8	30,769	(5.0)	27,697	+13.6
Total	1,535,105	+1.3	403,949	(0.9)	396,346	+1.6	377,912	+2.9	356,896	+1.9

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15. Effects of Currency

	Average			Period end		
	FY2014	FY2013	Var. %	2015 End of Mar	2014 End of Mar	Var. %
JPY/USD	105.8	97.6	+8.4	120.6	105.4	+14.4
JPY/EUR	140.4	129.7	+8.3	146.5	145.1	+1.0
JPY/CNY	17.2	15.8	+9.3	19.4	17.3	+12.0
JPY/GBP	174.2	152.7	+14.1	187.0	173.8	+7.6

Gross profit ratio by currency

(%)	JPY	USD	EUR	CNY	GBP	Others	Total
FY2014	49.3	13.2	9.3	6.0	5.6	16.6	100.0

Note: Currency of period end… 2015 End of Mar: as of Dec 31, 2014, 2014 End of Mar: as of Dec 31, 2013

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16. FY 2015 Forecast (financial reporting base)

(JPY mn)

	FY2015 forecast	FY2014 actual
Revenue	664,900	728,626
Gross profit	643,300	676,925
Operating profit	100,000	132,305
Net profit	63,500	79,846
Underlying operating profit	122,300	131,937
Underlying net profit	81,900	92,875

Notes:
Refer to “14. FY 2015 Forecast (accounting period)” (page-14)
Currency… FY2015 forecast: Average rate of Jan–Feb, 2015, FY2014 actual: Average rate of Jan–Dec, 2014
Net profit, underlying net profit… Excluding attribution to non-controlling interests

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17. Summary of Carat Ad Spend

(%)

	2016 Market growth forecast	2015 Market growth forecast	2014 Market growth actual
Japan	1.2	0.9	2.9
EMEA	3.3	2.6	2.6
UK	5.8	6.4	6.8
Germany	1.8	1.6	1.4
France	0.2	0.0	(0.9)
Russia	4.5	(7.1)	3.8
Americas	5.4	5.2	5.2
USA	4.7	4.6	4.5
Brazil	8.4	6.6	9.5
APAC （excluding Japan）	7.5	7.0	6.2
China	8.1	7.9	7.6
Australia	1.5	1.0	0.3
Taiwan	4.5	2.5	(0.3)
Global	5.0	4.6	4.6

Source: Carat, *"Global Advertising Expenditure Forecasts — March 2015"*

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Such forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof.

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

Dentsu disclaims any obligation to update any forward-looking or other statements contained herein, except as required by applicable law.

FY2013 actual numbers and FY2014 forecast numbers announced in Feb 2015:

Some numbers of FY2013 actual (unaudited at that time) disclosed in Nov 2014 and FY2014 forecast announced in Feb 2015 have been restated due to change of Dentsu accounting policy on IFRS and audit.