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FY2015 Half Year Results

November 11, 2015

* 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.

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1. Highlights

- Gross profit increased by 14.4% (YoY)
- Organic gross profit growth: +6.9% (YoY)
  (Japan +1.6% / International +11.8%)
- Underlying operating profit increased by 14.6% (YoY)
- Underlying operating margin: 16.1%, +10 bps (YoY)
- Underlying basic EPS increased by 23.3% (YoY)
- Completion of share repurchase: JPY 20.0 bn

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2. Summary

(JPY mn)

	FY2015 H1	FY2014 H1	YoY %
Turnover	2,351,646	2,137,965	+10.0
Revenue	373,947	329,272	+13.6
Gross profit	349,207	305,319	+14.4
Operating profit	43,829	39,201	+11.8
Net profit	26,054	21,038	+23.8
Underlying operating profit	56,110	48,951	+14.6
Operating margin	16.1%	16.0%	+0.1
Underlying net profit	36,831	30,065	+22.5
Underlying basic EPS	128.6 yen	104.3 yen	+23.3
EBITDA	65,372	58,018	+12.7
Currency			
JPY/USD (Jan–Jun average)	120.2 yen	102.5 yen	+17.3
JPY/GBP (Jan–Jun average)	183.3 yen	171.0 yen	+7.2

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

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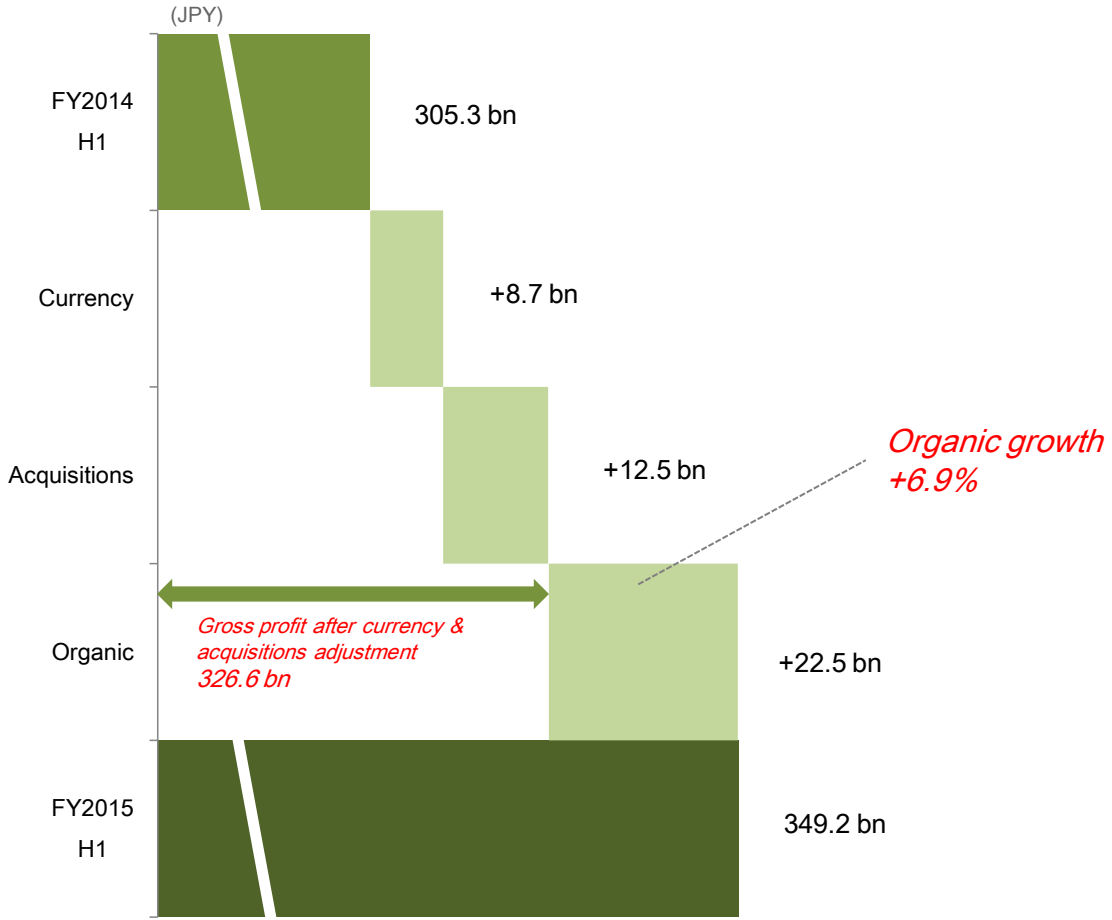
3. Gross Profit Growth



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4. Regional Information

(JPY mn)

FY2015 H1	Gross profit	YoY %	Underlying operating profit	YoY %	Organic growth %
Japan	161,330	+1.9	33,897	+0.2	+1.6
operating margin			*21.0%*	*(0.4)*	
EMEA	69,329	+14.0	-	-	+13.8
Americas	67,667	+43.6	-	-	+9.1
APAC	51,110	+30.3	-	-	+12.8
International total	188,106	+27.8	22,345	+47.7	+11.8
operating margin			*11.9%*	*+1.6*	
Consolidation adjustments	(229)	-	(132)	-	-
Dentsu consolidated total	349,207	+14.4	56,110	+14.6	+6.9
operating margin			*16.1%*	*+0.1*	

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5. Change in Underlying Operating Margin



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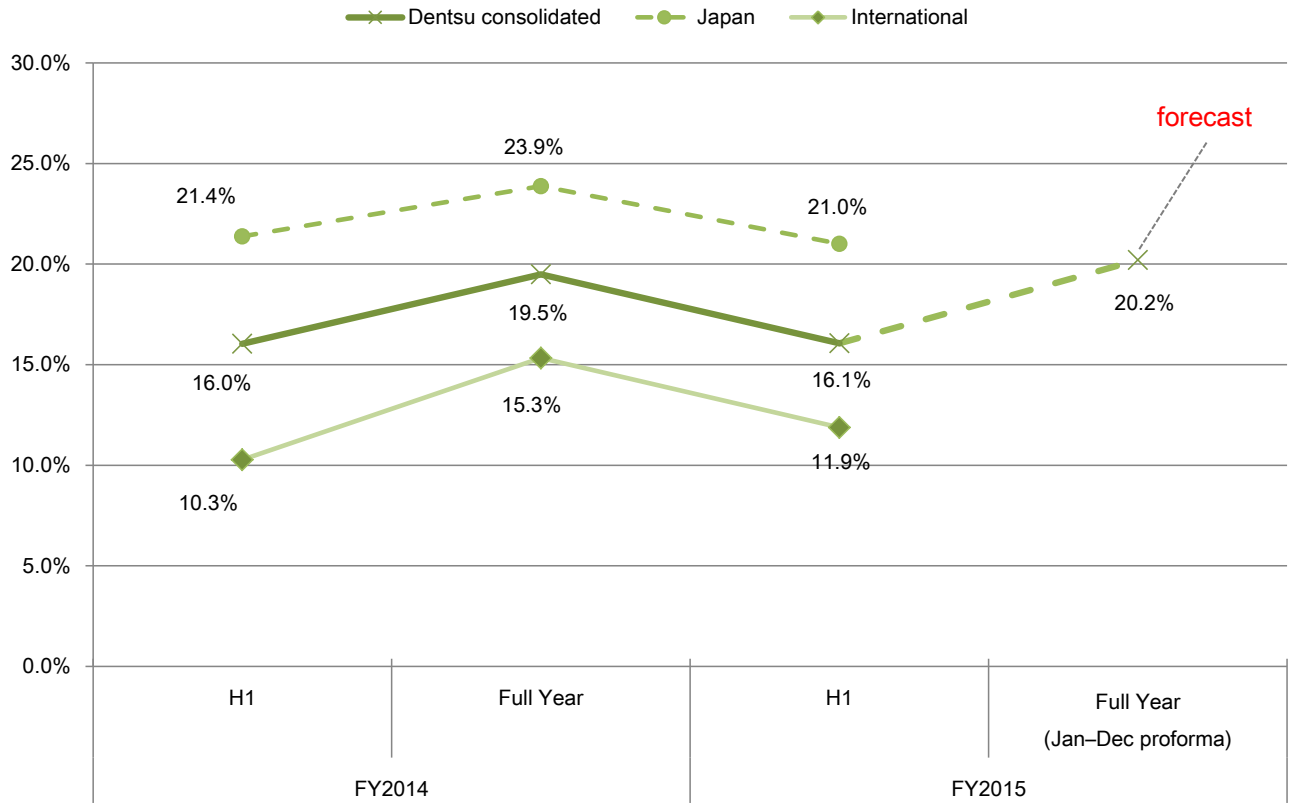
6. Operating Margin



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7. Reconciliation from Underlying OP to Statutory OP

(JPY mn)

	FY2015 H1	FY2014 H1	YoY #	YoY %
Underlying operating profit	56,110	48,951	+ 7,158	+14.6
Adjustment items	(12,280)	(9,750)	(2,529)	
Amortization of M&A related intangible assets	(11,066)	(9,075)	(1,990)	
Acquisition costs	(711)	(281)	(429)	
Gain (loss) on sales and retirement of non-current assets	+ 585	(360)	+ 945	
Gain on sales of shares of subsidiaries and associates	+ 954	+ 306	+ 648	
Loss on liquidation of subsidiaries and associates	(2,617)	-	(2,617)	
Others	+ 575	(340)	+ 915	
Operating profit	43,829	39,201	+ 4,628	+11.8

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8. Statutory Operating Profit to Net Profit

(JPY mn)

	FY2015 H1	FY2014 H1	YoY #	YoY %
Operating profit	43,829	39,201	+ 4,628	+11.8
Share of results of associates	2,235	4,900	(2,665)	(54.4)
Profit before interest and tax	46,065	44,101	+ 1,963	+4.5
Net finance income (costs)	(4,564)	(6,362)	+ 1,798	-
Finance income	3,395	2,642	+ 752	+28.5
Finance costs	7,959	9,004	(1,045)	(11.6)
Profit before tax	41,500	37,739	+ 3,761	+10.0
Income tax expense	12,995	14,173	(1,178)	(8.3)
Net profit	28,505	23,566	+ 4,939	+21.0
Attributable to owners of the parent	26,054	21,038	+ 5,015	+23.8
Attributable to non-controlling interests	2,451	2,527	(76)	(3.0)

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9. Financial Position

(JPY mn)

	2015 End of Sep	2015 End of Mar	Var. #	Var. %
Current assets	1,503,287	1,681,861	(178,573)	(10.6)
Non-current assets	1,501,971	1,477,673	+ 24,297	+1.6
Total assets	3,005,259	3,159,534	(154,275)	(4.9)
Current liabilities	1,408,750	1,511,256	(102,505)	(6.8)
Non-current liabilities	478,806	537,214	(58,407)	(10.9)
Total liabilities	1,887,557	2,048,470	(160,913)	(7.9)
Owner's interests	1,087,615	1,080,364	+ 7,251	+0.7
Non-controlling interests	30,086	30,699	(613)	(2.0)
Total equity	1,117,701	1,111,063	+ 6,638	+0.6
Total liabilities and equity	3,005,259	3,159,534	(154,275)	(4.9)
JPY/USD	122.5 yen	120.6 yen	-	+1.6
JPY/GBP	192.7 yen	187.0 yen	-	+3.0

Note: Currency… 2015 B/S (End of Sep): as of Jun 30, 2015, 2015 B/S (End of Mar): as of Dec 31, 2014

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10. Net Debt

(JPY mn)

	2015 End of Sep	2015 End of Mar	Var. #	2014 End of Sep	Var. #
Total debt	372,160	409,618	(37,458)	348,395	+ 23,764
Cash and cash equivalents	253,632	365,379	(111,747)	231,899	+ 21,733
Net debt	118,527	44,238	+ 74,288	116,496	+ 2,031
Total debt (LTM average)	379,612	367,484	+ 12,127	-	-
Cash and cash equivalents (LTM average)	265,434	247,886	+ 17,548	-	-
Net debt (LTM average)	114,177	119,598	(5,421)	-	-
EBITDA (LTM)	181,874	174,520	+ 7,354	-	-
Net debt / EBITDA (LTM)	0.65	0.25		-	
Net debt (LTM average) / EBITDA (LTM)	0.63	0.69		-	

Note: LTM… Last twelve months

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11. Cash Flow

(JPY mn)

	FY2015 H1	FY2014 H1	YoY #	YoY %
Profit before tax	41,500	37,739	+ 3,761	+10.0
Share of results of associates	(2,235)	(4,900)	+ 2,665	(54.4)
Depreciation and amortization	21,498	18,817	+ 2,680	+14.2
Others	3,699	9,379	(5,679)	(60.6)
Income taxes paid	(28,044)	(30,681)	+ 2,636	(8.6)
Cash flow from operations before change in WC i	36,418	30,355	+ 6,064	+20.0

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12. Use of Cash

(JPY mn)

	FY2015 H1	FY2014 H1	YoY #	YoY %
Change in WC ii	(22,776)	756	(23,533)	-
Payments for PPE, intangible assets and investment property (net)	(8,279)	(9,358)	+ 1,078	(11.5)
Payments for investing activities (net)	(38,202)	(17,919)	(20,282)	+113.2
Dividends paid to shareholders	(10,092)	(4,902)	(5,190)	+105.9
Dividends paid to non-controlling shareholders	(2,111)	(2,066)	(44)	+2.2
Payments for share repurchase	(20,015)	(9)	(20,006)	-
Use of cash iii	(78,701)	(34,255)	(44,445)	+129.7
Effect of exchange rate changes and others iv	(9,229)	(1,740)	(7,489)	-
Change in net cash i+ii+iii+iv	(74,288)	(4,884)	(69,404)	-
(Acquisition payments)				
Initial payments	(13,206)	(6,427)	(6,778)	+105.5
Earn-out payments/ Additional acquisition payments	(16,500)	(9,651)	(6,848)	+71.0
Proceeds from sales	1,342	906	+ 436	+48.1

Notes: “Payments for PPE (property, plant and equipment), intangible assets and investment property (net)” and “Payments for investing activities (net)” 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. 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	26.1%	31.4%	19.9%	13.7%
Share repurchase	JPY 20 bn			
Total payout ratio	52.3%			

Notes:
FY2015… Japan: Apr–Dec (9 months), International: Jan–Dec (12 months)
Payout ratio… Based on statutory net profit attributable to owners of the parent

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14. International Jan–Sep Gross Profit Growth (unaudited)

	Organic growth % (Jan–Sep)	Organic growth % (Jul–Sep)
EMEA	+12.9	+11.0
Americas	+6.0	+0.1
APAC	+11.5	+9.3
International total	+10.0	+6.6

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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: 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, 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. Quarterly Results

(JPY mn)

	FY2015 Q2	YoY %	FY2015 Q1	YoY %
Net sales	1,215,032	+8.9	1,136,613	+11.2
Revenue	201,920	+12.5	172,027	+14.9
Gross profit	188,095	+13.5	161,111	+15.4
Operating profit	31,575	+7.9	12,254	+23.4
Net profit	19,216	+12.2	6,838	+74.8
Underlying operating profit	36,828	+5.4	19,282	+37.5
Operating margin	19.6%	(1.5)	12.0%	+2.0
Underlying net profit	23,178	+13.7	13,653	+41.0
EBITDA	42,541	+9.6	22,831	+18.9

Note:
Net profit, underlying net profit… Excluding attribution to non-controlling interests

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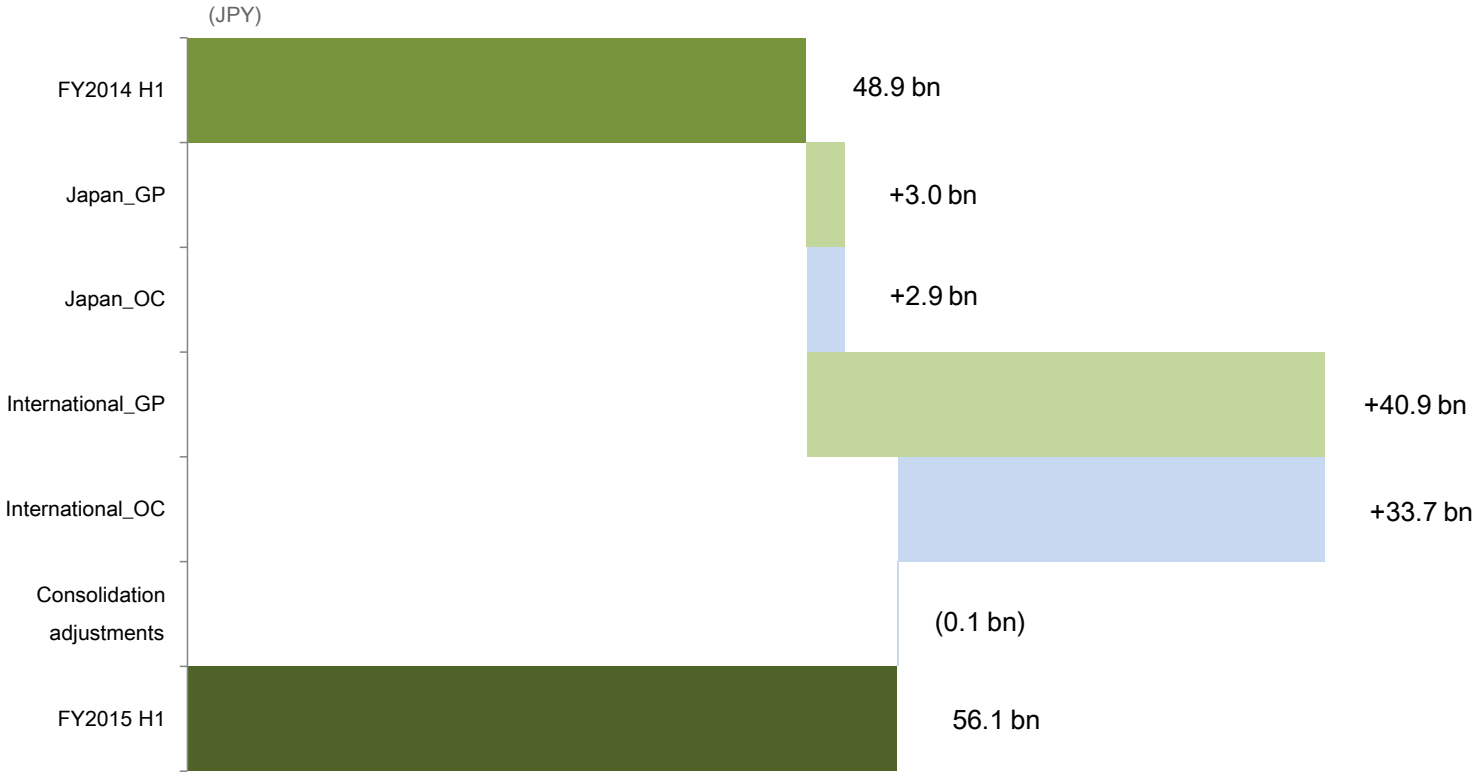
3. Quarterly Gross Profit Organic Growth

(%)

	FY2015 Q3	FY2015 Q2	FY2015 Q1
Japan	-	+1.4	+1.9
EMEA	+11.0	+16.1	+11.1
Americas	+0.1	+7.9	+10.4
APAC	+9.3	+5.4	+22.5
International total	+6.6	+10.2	+13.7
Dentsu consolidated total	-	+5.9	+8.1

4. Analysis of Underlying Operating Profit



Notes:
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)

	FY2015 H1	FY2014 H1	YoY #	YoY %
Underlying net profit	36,831	30,065	+ 6,766	+22.5
Adjustment items	(10,777)	(9,026)	(1,750)	
Operating profit adjustments	(12,280)	(9,750)	(2,529)	
Amortization of associate purchased intangibles	-	(167)	+ 167	
Loss on revaluation of earnout liabilities and M&A related put option liabilities	(3,223)	(5,037)	+ 1,814	
Loss on early redemption of private placement bond	(906)	-	(906)	
Related income tax expense	+ 5,138	+ 5,616	(478)	
Adjustments attributable to non-controlling interests	+ 494	+ 312	+ 181	
Net profit	26,054	21,038	+ 5,015	+23.8

Note: Underlying net profit and net profit… Excluding attribution to non-controlling interests

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6. Debt profile (balance)

(JPY mn)

	2015 End of Sep
Short-term borrowings	42,465
Long-term borrowings (*1)	329,694
Bonds (*2)	-
Total debt	372,160
Cash and cash equivalents	253,632
Net debt	118,527

Notes:
*1 Including current portion
*2 No balance due to early redemption

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7. FY2015 H1 Results (parent company, J-GAAP)

(JPY mn)

	FY2015 H1	FY2014 H1	YoY %
Net sales	740,822	734,808	+0.8
Gross profit	105,121	107,413	(2.1)
gross profit margin	*14.2%*	*14.6%*	*(0.4)*
SG&A	82,928	84,186	(1.5)
Operating income	22,192	23,226	(4.5)
vs. gross profit	*21.1%*	*21.6%*	*(0.5)*
Ordinary income	41,046	43,332	(5.3)
Income before income taxes	45,361	43,316	+4.7
Net income	36,144	33,375	+8.3

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

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8. Quarterly Results (parent company, J-GAAP)

(JPY mn)

	FY2015 Q2	YoY %	FY2015 Q1	YoY %
Net sales	375,832	(0.6)	364,989	+2.3
Gross profit	55,991	(2.1)	49,130	(2.2)
gross profit margin	*14.9%*	*(0.2)*	*13.5%*	*(0.6)*
SG&A	43,910	+0.3	39,018	(3.4)
Operating income	12,080	(9.7)	10,111	+2.6
vs. gross profit	*21.6%*	*(1.8)*	*20.6%*	*+1.0*
Ordinary income	13,121	(19.8)	27,924	+3.5
Income before income taxes	15,576	(3.0)	29,784	+9.3
Net income	10,972	+1.0	25,171	+11.8

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

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9. Net Sales by Business Category
(parent company, J-GAAP)

(JPY mn)

	FY2015 Q2	YoY %	FY2015 Q1	YoY %
Newspapers	19,903	(17.1)	20,569	(10.0)
Magazines	7,842	(3.3)	6,949	(1.4)
Radio	3,516	+0.7	3,249	(4.2)
Television	162,810	(1.4)	171,329	(6.6)
Time	73,525	(3.4)	68,111	(13.5)
Spot	89,285	+0.3	103,217	(1.4)
Interactive Media	18,860	+8.4	19,818	+19.6
OOH Media	13,998	+21.9	15,942	+21.3
Creative	49,537	(2.5)	46,355	+0.2
Marketing/ Promotion	56,160	+16.7	42,111	+15.5
Content Services	32,647	(17.1)	28,136	+59.8
Others	10,554	+5.0	10,526	+4.3
Total	375,832	(0.6)	364,989	+2.3

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10. Net Sales by Industry
(parent company, J-GAAP)

(JPY mn)

	FY2015 Q2	YoY %	FY2015 Q1	YoY %
Information/Communications	51,254	(28.9)	41,896	(13.0)
Beverages/Cigarettes	38,469	(1.1)	41,305	(5.1)
Cosmetics/Toiletries	29,085	+0.8	31,740	+2.5
Finance/Insurance	29,013	+3.7	31,550	+15.6
Foodstuffs	27,092	+17.8	26,806	+1.3
Automobiles/Related Products	24,750	+3.1	24,439	+1.6
Distribution/Retailing	21,929	+5.6	23,706	+0.7
Food Services/Other Services	23,042	+18.9	21,766	+14.0
Pharmaceuticals/Medical Supplies	16,697	(3.0)	18,573	+0.1
Transportation/Leisure	16,162	+13.6	16,497	+9.5
Government/Organizations	16,602	+29.2	14,170	+52.0
Hobbies/Sporting Goods	16,684	+8.5	13,979	+1.0
Real Estate/Housing Facilities	11,900	(1.0)	11,496	+20.9
Apparel/Fashion, Accessories/Personal Items	9,355	+8.8	10,359	+16.1
Home Electric Appliances/AV Equipment	9,103	(21.1)	8,769	(17.9)
Others	34,690	+11.5	27,929	+0.0
Total	375,832	(0.6)	364,989	+2.3

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11. Effects of Currency

	Average rate			Period end rate		
	FY2015 H1	FY2014 H1	Var. %	2015 End of Sep	2015 End of Mar	Var. %
JPY/USD	120.2 yen	102.5 yen	+17.3	122.5 yen	120.6 yen	+1.6
JPY/EUR	134.2 yen	140.4 yen	(4.5)	137.2 yen	146.5 yen	(6.4)
JPY/GBP	183.3 yen	171.0 yen	+7.2	192.7 yen	187.0 yen	+3.0
JPY/CNY	19.3 yen	16.7 yen	+15.7	19.7 yen	19.4 yen	+2.0

Gross profit ratio by currency

(%)	JPY	USD	EUR	GBP	CNY	Others	Total
FY2015 H1	46.2	16.2	9.0	6.2	5.9	16.5	100.0

Note: Period end rate… 2015 End of Sep: as of Jun 30, 2015
2015 End of Mar: as of Dec 31, 2014