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FY2016 Half Year Results

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* 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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Highlights

- Gross profit increased by 9.6% (YoY, constant currency basis)
- Organic gross profit growth: +7.2%
  (Japan +8.5% / International +6.0%)
- Underlying operating profit increased by 13.5% (constant currency basis)
- Underlying operating margin: 18.6%, +60 bps (constant currency basis)
- Underlying basic EPS increased by 8.2%

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Summary

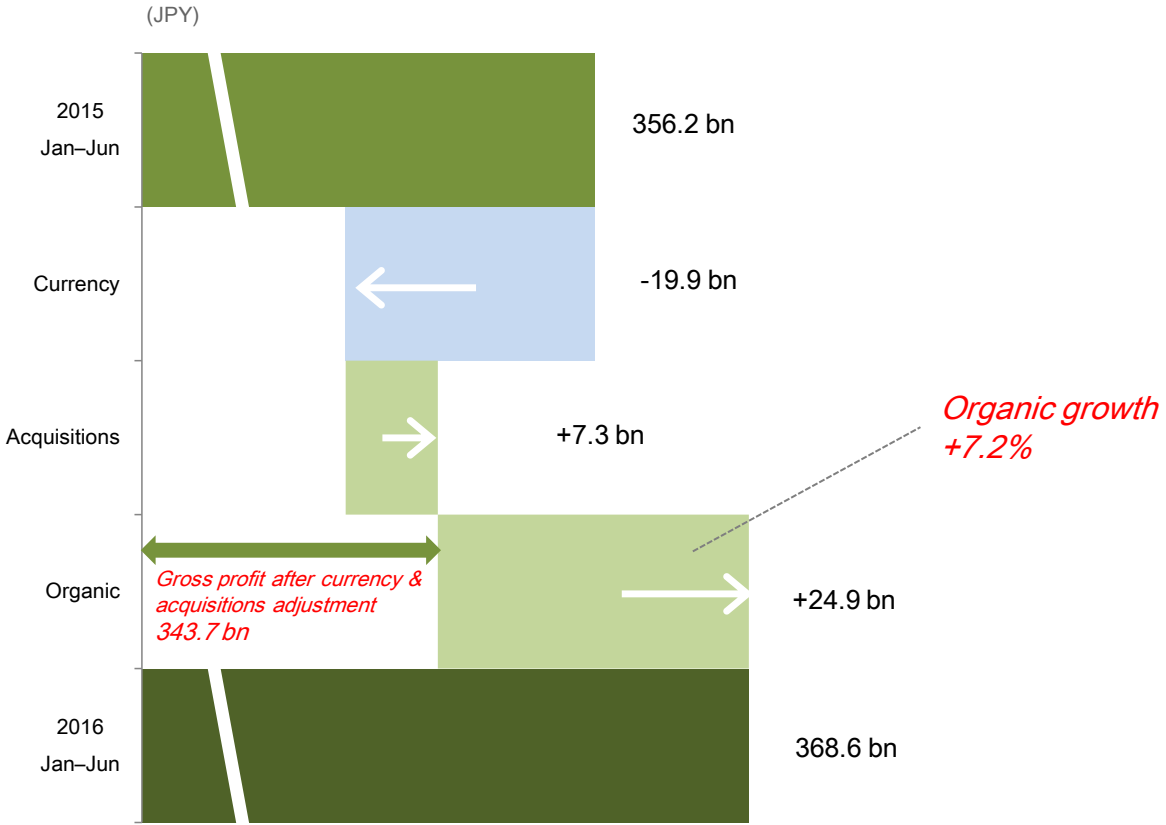
(JPY mn)

	2016 Jan–Jun	2015 Jan–Jun	YoY %	Constant currency basis %
Turnover	2,371,963	2,389,473	(0.7)	-
Revenue	393,167	384,248	+2.3	-
Gross profit	368,619	356,266	+3.5	+9.6
Underlying operating profit	68,612	63,201	+8.6	+13.5
Operating margin	18.6%	17.7%	+0.9	+0.6
Underlying net profit	43,559	40,644	+7.2	-
Underlying basic EPS	152.77 yen	141.13 yen	+8.2	-
Operating profit	58,651	43,548	+34.7	-
Net profit	35,785	23,240	+54.0	-
EBITDA	79,662	66,279	+20.2	-
Currency				
JPY/USD (Jan–Jun average)	111.9 yen	120.2 yen	(7.0)	-
JPY/GBP (Jan–Jun average)	160.3 yen	183.3 yen	(12.5)	-

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

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Gross Profit Growth



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Regional Information – Gross Profit –

(JPY mn)

	2016 Jan–Jun	2015 Jan–Jun	YoY %	Constant currency basis %	Organic growth %
Japan	182,467	168,389	+8.4	+8.4	+8.5
Digital domain ratio	19.7%	18.6%	+1.1	+1.1	
EMEA	71,169	69,329	+2.7	+14.8	+7.6
Americas	63,435	67,667	(6.3)	+3.6	+0.3
APAC	51,627	51,110	+1.0	+14.9	+11.5
International total	186,231	188,106	(1.0)	+10.7	+6.0
Digital domain ratio	50.1%	45.7%	+4.4	+4.2	
Consolidation adjustments	(79)	(229)	-	-	-
Dentsu consolidated total	368,619	356,266	+3.5	+9.6	+7.2
Digital domain ratio	35.0%	32.9%	+2.1	+2.8	
International business ratio	50.5%	52.8%	(2.3)	+0.5	

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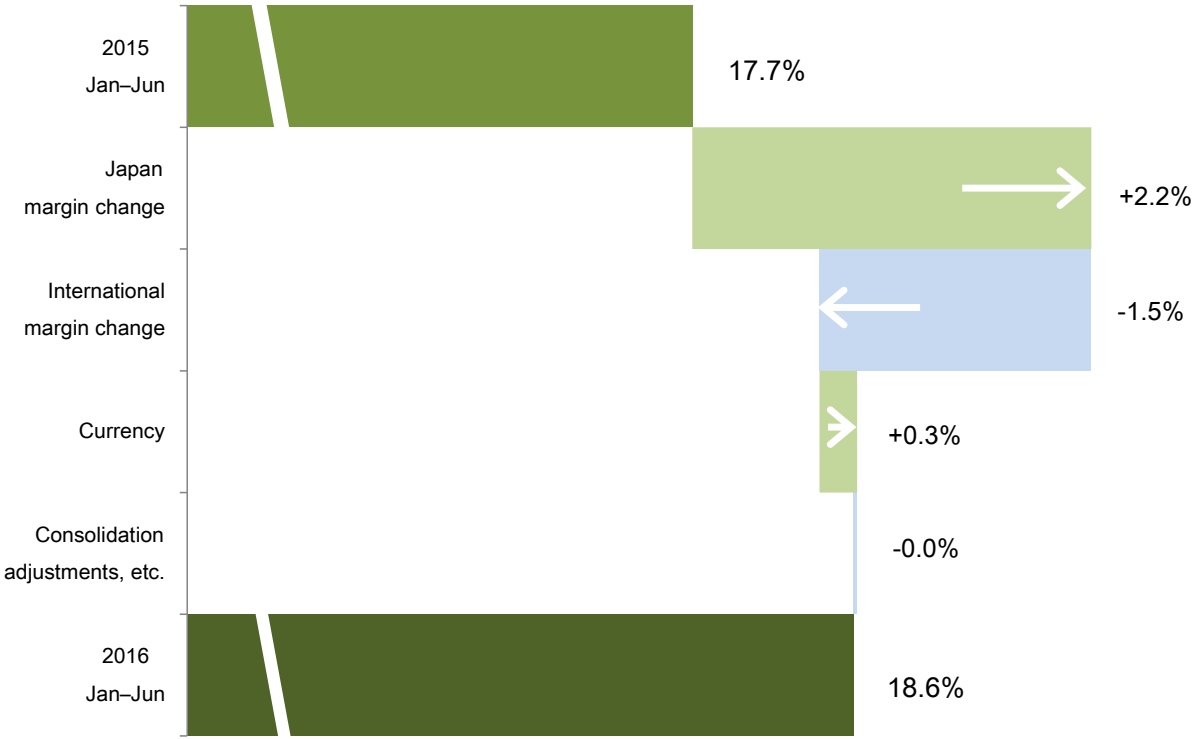
Regional Information – Underlying Operating Profit –

(JPY mn)

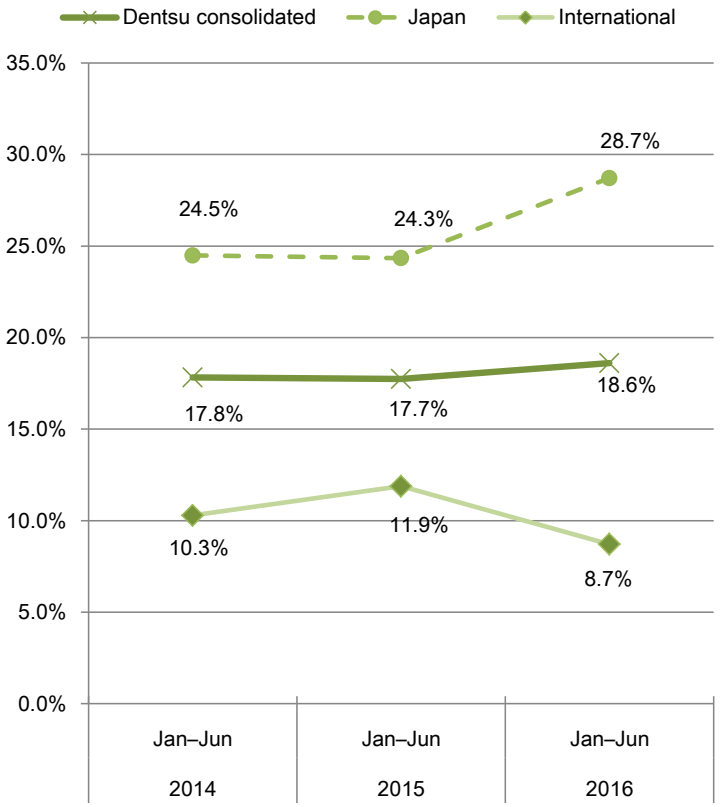
	Underlying operating profit				Operating margin			
	2016 Jan–Jun	2015 Jan–Jun	YoY %	Constant currency basis %	2016 Jan–Jun	2015 Jan–Jun	YoY %	Constant currency basis %
Japan	52,399	40,989	+27.8	+27.8	28.7%	24.3%	+4.4	+4.4
International total	16,222	22,345	(27.4)	(16.8)	8.7%	11.9%	(3.2)	(2.9)
Consolidation adjustments	(9)	(132)	-	-	-	-	-	-
Dentsu consolidated total	68,612	63,201	+8.6	+13.5	18.6%	17.7%	+0.9	+0.6

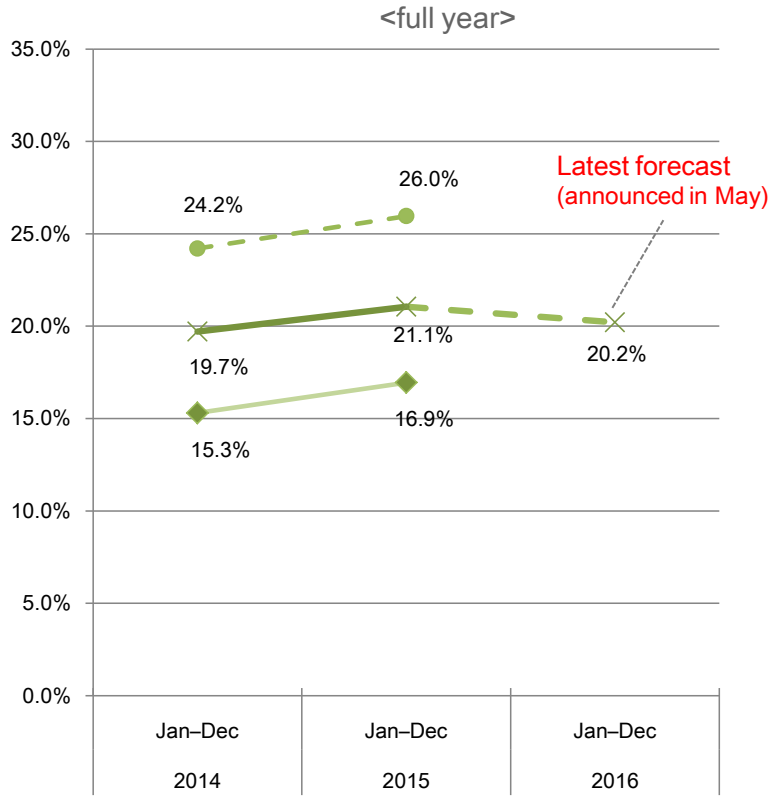
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Change in Underlying Operating Margin



Operating Margin





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Reconciliation from Underlying OP to Statutory OP

(JPY mn)

	2016 Jan–Jun	2015 Jan–Jun	YoY #	YoY %
Underlying operating profit	68,612	63,201	+ 5,410	+8.6
Adjustment items	(9,961)	(19,653)	+ 9,692	
Amortization of M&A related intangible assets	(10,736)	(11,065)	+ 329	
Acquisition costs	(637)	(718)	+ 81	
One-off items	+ 1,412	(7,868)	+ 9,281	
Gain (loss) on sales and retirement of non-current assets	+ 1,446	(1,416)	+ 2,862	
Gain on sales of shares of subsidiaries and associates	+ 747	+ 868	(121)	
Revaluation gain (loss) on investment reclassification	+ 384	+ 610	(226)	
Impairment loss	(56)	(1,185)	+ 1,128	
Special retirement expenses	(83)	(3,751)	+ 3,667	
Loss on liquidation of subsidiaries and associates	-	(2,617)	+ 2,617	
Others	(1,026)	(377)	(649)	
Operating profit	58,651	43,548	+ 15,102	+34.7

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Statutory Operating Profit to Net Profit

(JPY mn)

	2016 Jan–Jun	2015 Jan–Jun	YoY #	YoY %
Operating profit	58,651	43,548	+ 15,102	+34.7
Share of results of associates	1,437	1,948	(511)	(26.2)
Profit before interest and tax	60,088	45,496	+ 14,591	+32.1
Net finance income (costs)	(3,280)	(4,310)	+ 1,030	-
Finance income	4,029	4,191	(162)	(3.9)
Finance costs	7,309	8,502	(1,192)	(14.0)
Profit before tax	56,808	41,185	+ 15,622	+37.9
Income tax expense	17,753	15,384	+ 2,369	+15.4
Net profit	39,054	25,800	+ 13,253	+51.4
Attributable to owners of the parent	35,785	23,240	+ 12,544	+54.0
Attributable to non-controlling interests	3,269	2,560	+ 708	+27.7

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Cash Flow

(JPY mn)

	2016 Jan–Jun
Profit before tax	56,808
Share of results of associates	(1,437)
Depreciation and amortization	20,954
Impairment loss	56
Gain (loss) on sales and retirement of non-current assets	(1,446)
Others	244
Income taxes paid	(18,614)
Cash flow from operations before change in WC i	56,566

Use of Cash

(JPY mn)

	2016 Jan–Jun
Change in WC ii	22,503
Payments for PPE, intangible assets and investment property (net)	(5,396)
Payments for investing activities (net)	(27,055)
Dividends paid to shareholders	(11,405)
Dividends paid to non-controlling shareholders	(2,734)
Use of cash iii	(46,591)
Effect of exchange rate changes and others iv	10,551
Change in net cash i (preceding slide)+ii+iii+iv	43,030
(Acquisition payments)	
Initial payments	(7,392)
Earn-out payments / Additional acquisition payments	(21,759)
Proceeds from sales	5,277

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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Net Debt

(JPY mn)

	2016 End of Jun	2015 End of Dec	Var. #
Total debt	327,639	353,783	(26,143)
Cash and cash equivalents	280,209	263,322	+ 16,886
Net debt	47,430	90,460	(43,030)
Total debt (LTM average)	357,984	380,689	(22,705)
Cash and cash equivalents (LTM average)	260,995	271,719	(10,723)
Net debt (LTM average)	96,988	108,970	(11,981)
EBITDA (LTM)	188,837	175,454	+ 13,383
Net debt / EBITDA (LTM)	0.25	0.52	
Net debt (LTM average) / EBITDA (LTM)	0.51	0.62	

Note: LTM… Last twelve months

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Dividend

	2016 Jan–Dec forecast	2015 Jan–Dec actual	FY2015 actual	FY2014 actual
Annual dividend per share (Interim dividend)	80.00 yen (40.00 yen)	75.00 yen (35.00 yen)	75.00 yen (35.00 yen)	55.00 yen (20.00 yen)
Payout ratio	21.8%	19.0%	22.7%	17.1%

Note:
Payout ratio… Based on underlying net profit attributable to owners of the parent

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FY2016 Forecast (no changes from May 16th)

(JPY mn)

	2016 Jan–Dec	2015 Jan–Dec	YoY %	Constant currency basis %
Revenue	817,200	818,566	(0.2)	-
Gross profit	768,700	761,996	+0.9	+8.4
Underlying operating profit	155,000	160,438	(3.4)	+2.1
Operating margin	20.2%	21.1%	(0.9)	(1.2)
Underlying net profit	104,500	113,388	(7.8)	-
Underlying basic EPS	366.5 yen	395.7 yen	(7.4)	-
Operating profit	132,400	128,212	+3.3	-
Net profit	81,200	83,090	(2.3)	-
Currency	At May 4, 2016	Av. Jan–Dec in 2015		
JPY/USD	106.1 yen	121.0 yen	(12.3)	-
JPY/GBP	155.4 yen	185.1 yen	(16.0)	-

Notes:
Net profit, underlying net profit and underlying basic EPS … Excluding attribution to non-controlling interests
Rate on May 4, 2016 … Exchange rate on the day when the JPY was the strongest against major currencies around the time of the most recent announcement (May 16th)

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Disclaimer

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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

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Previous year’s figures in the Consolidated Statement of Income

The previous year’s figures are provided on a December year-end basis, although the fiscal year-end had not yet changed in the same period of the previous year.

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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, acquisition costs and one-off items such as impairment loss and gain/loss on sales of non-current assets
- 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
- Constant currency basis: Comparison with the current period where the previous year's numbers are recalculated using the currency exchange rate which is used for the current year's numbers
- Currency: Currency movements comparing prior period reported gross profit at reported currency to prior period gross profit at constant currency (reported currency of the current year)
- 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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Quarterly Results

(JPY mn)

	2016 Apr–Jun	YoY %	2016 Jan–Mar	YoY %
Turnover	1,176,393	(1.6)	1,195,570	+0.1
Revenue	193,625	+4.0	199,542	+0.7
Gross profit	181,628	+3.7	186,990	+3.2
Japan	83,159	+12.1	99,308	+5.4
International	98,528	(2.6)	87,702	+0.9
Underlying operating profit	32,843	+11.1	35,769	+6.3
Japan	19,180	+44.6	33,218	+19.8
International	13,677	(16.8)	2,545	(56.9)
Operating margin	18.1%	+1.2	19.1%	+0.5
Underlying net profit	22,007	+12.0	21,552	+2.6
Operating profit	26,854	+24.5	31,796	+44.7
Net profit	18,569	+45.3	17,215	+64.6
EBITDA	37,374	+15.1	42,287	+25.1

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

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Quarterly Gross Profit Organic Growth

(%)

	Dentsu consolidated total			Japan			International total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Jan–Mar	+5.1	+6.2	-	+5.6	+0.0	-	+4.5	+13.7	+9.6
Apr–Jun	+9.5	+6.5	-	+12.2	+1.9	-	+7.2	+10.2	+8.5
Jul–Sep	-	+4.2	-	-	+1.4	-	-	+6.6	+12.8
Oct–Dec	-	+10.6	-	-	+12.9	-	-	+8.2	+10.5

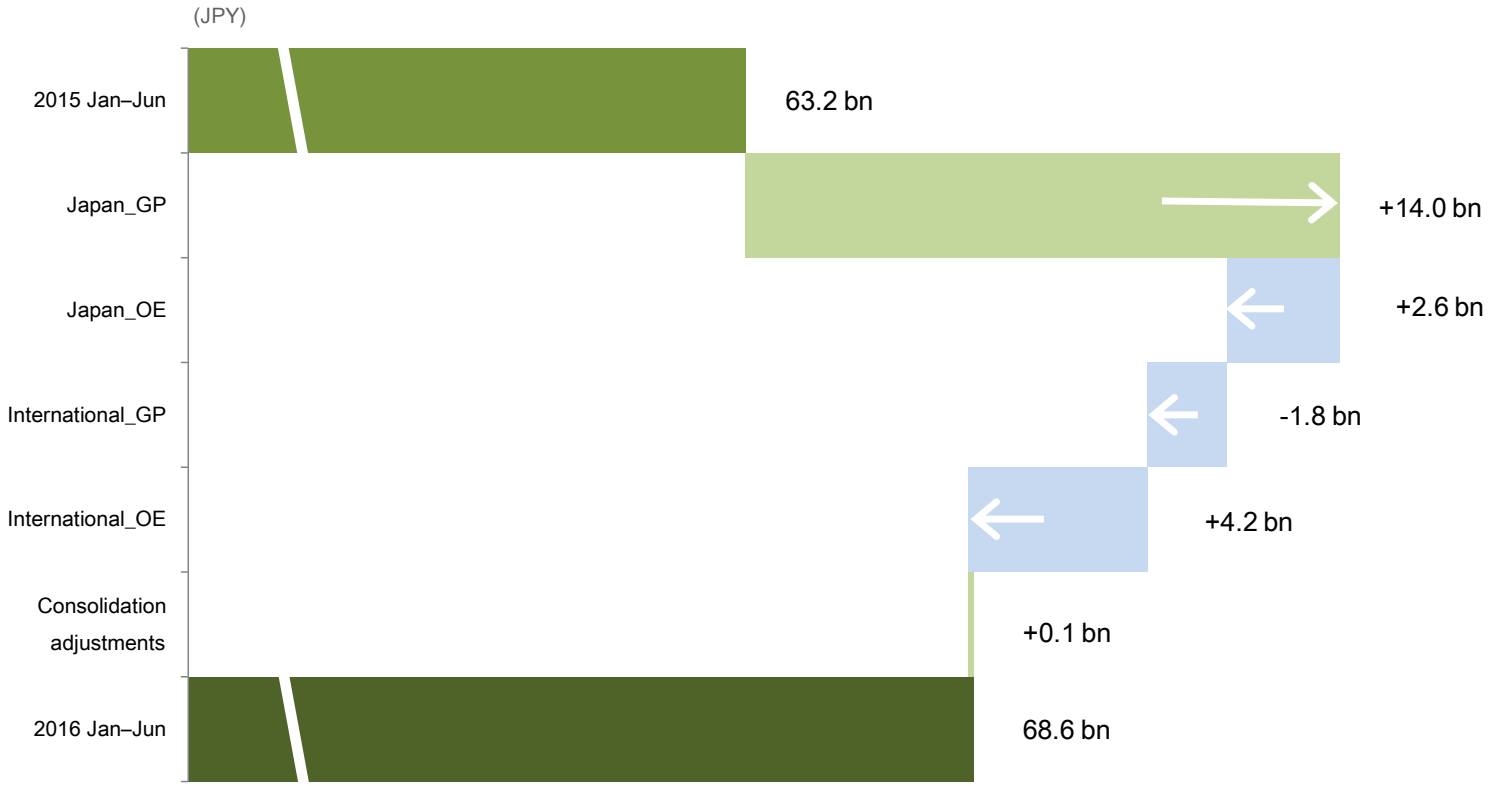
	International – EMEA			International – Americas			International – APAC		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Jan–Mar	+10.7	+11.1	+10.6	(2.0)	+10.4	+4.7	+5.2	+22.5	+14.8
Apr–Jun	+5.0	+16.1	+6.9	+2.4	+7.9	+5.0	+16.8	+5.4	+15.2
Jul–Sep	-	+11.0	+10.8	-	+0.1	+12.8	-	+9.3	+15.5
Oct–Dec	-	+11.0	+10.6	-	+2.1	+8.3	-	+11.0	+12.8

Note:

Given the different year-ends of Dentsu in Japan and Dentsu Aegis Network previously, and the fact that Dentsu in Japan previously reported under J-GAAP, 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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Analysis of Underlying Operating Profit



Notes:
GP… Gross profit
OE… Operating expenses (selling, general & administrative expenses, other income and other expenses)

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Reconciliation from Underlying NP to Statutory NP

(JPY mn)

	2016 Jan–Jun	2015 Jan–Jun	YoY #	YoY %
Underlying net profit	43,559	40,644	+ 2,915	+7.2
Adjustment items	(7,774)	(17,404)	+ 9,629	
Operating profit adjustments	(9,961)	(19,653)	+ 9,692	
Loss on revaluation of earnout liabilities and M&A related put option liabilities	(1,920)	(3,664)	+ 1,743	
Loss on early redemption of private placement bonds	-	(906)	+ 906	
Related income tax expense	+ 3,713	+ 6,280	(2,566)	
Adjustments attributable to non-controlling interests	+ 393	+ 538	(145)	
Net profit	35,785	23,240	+ 12,544	+54.0

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

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Financial Position

(JPY mn)

	2016 End of Jun	2015 End of Dec	Var. #	Var. %
Current assets	1,435,766	1,618,024	(182,257)	(11.3)
Non-current assets	1,266,120	1,448,051	(181,930)	(12.6)
Total assets	2,701,887	3,066,075	(364,187)	(11.9)
Current liabilities	1,307,121	1,488,602	(181,481)	(12.2)
Non-current liabilities	430,269	474,729	(44,459)	(9.4)
Total liabilities	1,737,391	1,963,331	(225,940)	(11.5)
Owners' interests	933,196	1,068,216	(135,020)	(12.6)
Non-controlling interests	31,299	34,526	(3,227)	(9.3)
Total equity	964,496	1,102,743	(138,247)	(12.5)
Total liabilities and equity	2,701,887	3,066,075	(364,187)	(11.9)
JPY/USD	102.9 yen	120.6 yen	-	(14.7)
JPY/GBP	138.4 yen	178.8 yen	-	(22.6)

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H1 FY2016 Results of Parent Company (J-GAAP)

(JPY mn)

	2016 Jan–Jun	2015 Jan–Jun	YoY %
Net sales	808,936	768,939	+5.2
Gross profit	120,455	110,384	+9.1
gross profit margin	*14.9%*	*14.4%*	*+0.5*
SG&A	84,786	83,776	+1.2
Operating income	35,668	26,608	+34.1
vs. gross profit	*29.6%*	*24.1%*	*+5.5*
Ordinary income	62,096	46,925	+32.3
Income before income taxes	64,290	41,285	+55.7
Net income	51,739	32,510	+59.1

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

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Quarterly Results of Parent Company (J-GAAP)

(JPY mn)

	2016 Apr–Jun	YoY %	2016 Jan–Mar	YoY %
Net sales	372,917	+2.2	436,019	+7.9
Gross profit	53,527	+9.0	66,927	+9.3
gross profit margin	*14.4%*	*+0.9*	*15.3%*	*+0.2*
SG&A	41,299	+5.8	43,487	(2.8)
Operating income	12,228	+20.9	23,440	+42.1
vs. gross profit	*22.8%*	*+2.2*	*35.0%*	*+8.1*
Ordinary income	16,421	(41.2)	45,674	+140.4
Income before income taxes	18,172	(39.0)	46,118	+301.0
Net income	13,744	(45.4)	37,994	+417.8

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

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Net Sales of Parent Company by Business Category
(J-GAAP)

(JPY mn)

	2016 Jan–Jun	YoY %	2016 Apr–Jun	YoY %	2016 Jan–Mar	YoY %
Newspapers	47,452	(6.9)	19,422	(5.6)	28,029	(7.8)
Magazines	13,194	(13.6)	6,017	(13.4)	7,177	(13.8)
Radio	6,856	+1.7	3,407	+4.9	3,449	(1.3)
Television	339,658	+1.7	172,135	+0.5	167,523	+3.1
Time	141,311	+1.2	68,850	+1.1	72,461	+1.3
Spot	198,347	+2.1	103,285	+0.1	95,062	+4.4
Interactive Media *	45,215	+6.2	22,254	+12.3	22,960	+1.0
OOH Media	30,040	(1.2)	14,563	(8.7)	15,477	+7.1
Creative	100,664	(4.1)	44,675	(3.6)	55,988	(4.5)
Marketing/Promotion	102,744	+10.5	50,105	+19.0	52,638	+3.5
Content Services	101,979	+45.3	29,497	+4.8	72,481	+72.4
Others	21,130	+0.6	10,837	+2.9	10,293	(1.8)
Total	808,936	+5.2	372,917	+2.2	436,019	+7.9

Note:
* Scale of digital domain operations in Japan (including parent company)… Please refer to the “Regional Information – Gross Profit –” slide

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Net Sales of Parent Company by Industry
(J-GAAP)

(JPY mn)

	2016 Jan–Jun	YoY %	2016 Apr–Jun	YoY %	2016 Jan–Mar	YoY %
Information/Communications	108,201	+6.4	45,574	+8.5	62,626	+4.9
Finance/Insurance	80,468	+21.5	31,613	+0.6	48,855	+40.3
Beverages/Cigarettes	78,386	(0.5)	42,382	+3.0	36,004	(4.3)
Cosmetics/Toiletries	66,770	+16.2	37,297	+16.0	29,472	+16.5
Foodstuffs	60,931	+20.3	28,487	+5.9	32,444	+36.6
Distribution/Retailing	45,459	(6.8)	23,112	(6.5)	22,347	(7.0)
Automobiles/Related Products	43,020	(21.0)	19,464	(20.4)	23,556	(21.5)
Food Services/Other Services	42,363	(5.9)	18,335	(13.8)	24,028	+1.2
Government/Organizations	40,043	+13.9	18,042	+26.3	22,000	+5.4
Transportation/Leisure	39,268	+14.4	18,480	+12.4	20,788	+16.3
Pharmaceuticals/Medical Supplies	28,305	(9.4)	15,448	(10.0)	12,856	(8.6)
Hobbies/Sporting Goods	28,126	+8.1	13,241	(5.2)	14,884	+23.5
Real Estate/Housing Facilities	27,514	+12.2	9,855	(14.3)	17,659	+35.6
Home Electric Appliances/AV Equipment	24,592	+12.3	10,423	+18.8	14,169	+8.0
Apparel/Fashion, Accessories/Personal Items	20,537	(5.0)	9,587	(8.3)	10,950	(1.9)
Others	74,944	+5.4	31,571	+11.4	43,373	+1.4
Total	808,936	+5.2	372,917	+2.2	436,019	+7.9

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Effects of Currency Exchange Rates

	Average rate			Period end rate		
	2016 Jan–Jun	2015 Jan–Jun	Var. %	2016 End of Jun	2015 End of Dec	Var. %
JPY/USD	111.9 yen	120.2 yen	(7.0)	102.9 yen	120.6 yen	(14.7)
JPY/EUR	124.7 yen	134.2 yen	(7.1)	114.4 yen	131.8 yen	(13.2)
JPY/GBP	160.3 yen	183.3 yen	(12.5)	138.4 yen	178.8 yen	(22.6)
JPY/CNY	17.1 yen	19.3 yen	(11.6)	15.5 yen	18.4 yen	(15.8)
JPY/AUD	81.9 yen	94.0 yen	(12.9)	76.8 yen	87.9 yen	(12.7)

Gross profit ratio by currency

(%)	JPY	USD	EUR	GBP	CNY	AUD	Others	Total
FY2016 Jan–Jun	49.5	14.2	9.0	6.0	5.3	3.8	12.2	100.0

dentsu

Important Subsequent Event

Dentsu announced the acquisition of Merkle Group Inc. on August 8, 2016 (EST), and along with announcing the acquisition in Japan on August 9 filed an extraordinary report at the Japanese Financial Services Agency's EDINET (Electronic Disclosure for Investors' NETwork) on August 12. Information regarding this acquisition has also been included in the Company's latest quarterly financial report, both in Japanese only. A similar set of information has therefore been provided here.

1. Purpose of acquisition and profile of Merkle: Please refer to the press release
2. Additional financial information

[BS: as of Dec 31, 2015]

(USD mn)

Share capital	0
Total equity	123
Total assets	436

[PL: Last 3 years]

(USD mn)

	2013/12	2014/12	2015/12
Revenue	314	382	435
Operating profit	28	35	21
Adjusted EBITDA*	47	67	66
Net profit	14	19	6

*Adjusted EBITDA is a KPI to measure recurring business performance which is calculated as Net profit plus interest, tax, amortization of tangible and intangible assets, stock basis compensation expenses, M&A related costs and other non-operating profit (loss).

3. Consideration for the acquiring Merkle: USD 979 million for 68.3% excluding other M&A costs such as advisory fees as they are not fixed. There is a possibility that Dentsu will acquire all or a part of the remaining shares.