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FY2016 Third Quarter Results

November 14, 2016

* 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 9.2% (YoY, constant currency basis)
- Organic gross profit growth: +5.7%
  (Japan +5.7% / International +5.7%)
- Underlying operating profit increased by 11.7% (constant currency basis)
- Underlying operating margin: 18.5%, +40 bps (constant currency basis)
- Underlying basic EPS increased by 6.9%

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Summary

(JPY mn)

	2016 Jan–Sep	2015 Jan–Sep	YoY %	Constant currency basis %
Turnover	3,493,053	3,557,430	(1.8)	-
Revenue	588,278	584,972	+0.6	-
Gross profit	552,107	542,642	+1.7	+9.2
Underlying operating profit	102,233	95,344	+7.2	+11.7
Operating margin	18.5%	17.6%	+0.9	+0.4
Underlying net profit	63,958	60,235	+6.2	-
Underlying basic EPS	224.31 yen	209.84 yen	+6.9	-
Operating profit	83,998	71,663	+17.2	-
Net profit	51,151	43,600	+17.3	-
EBITDA	115,350	105,745	+9.1	-
Currency				
JPY/USD (Jan–Sep average)	108.7 yen	120.9 yen	(10.1)	-
JPY/GBP (Jan–Sep average)	151.8 yen	185.3 yen	(18.1)	-

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

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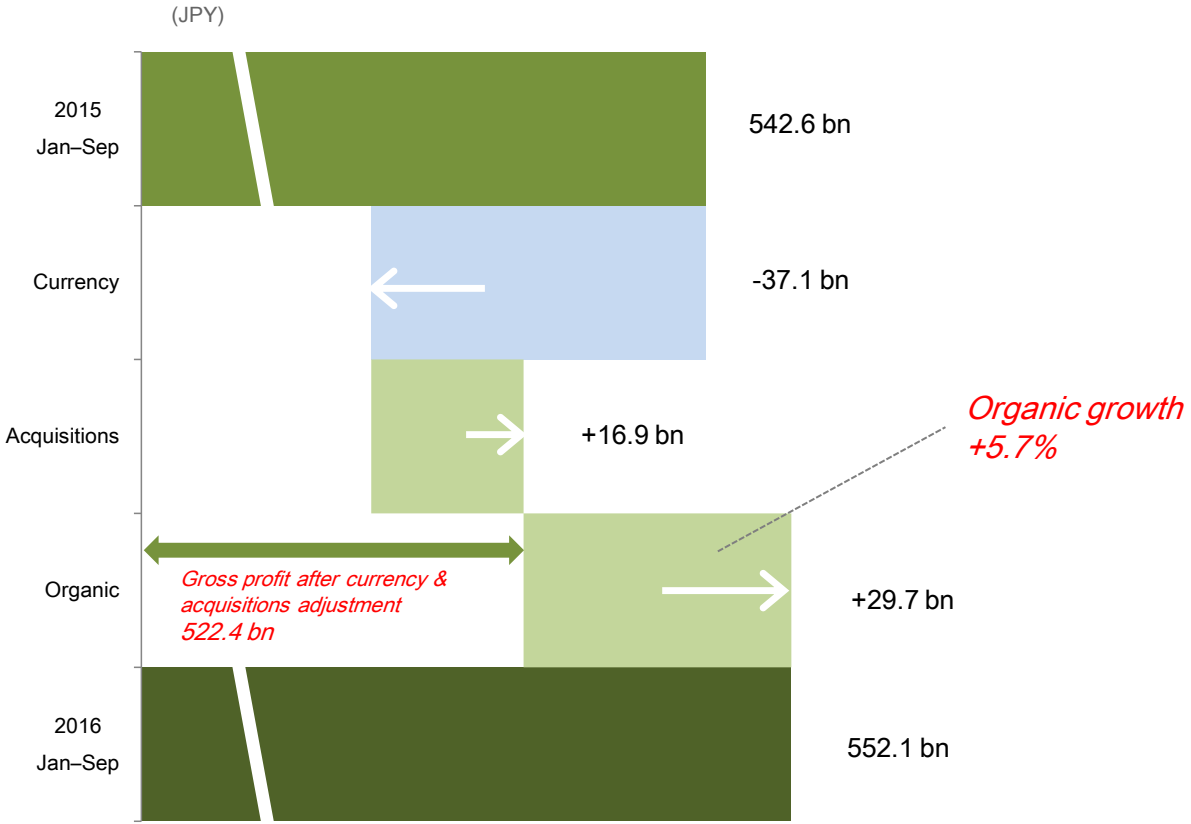
Gross Profit Growth



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Regional Information – Gross Profit –

(JPY mn)

	2016 Jan–Sep	2015 Jan–Sep	YoY %	Constant currency basis %	Organic growth %
Japan	269,616	255,530	+5.5	+5.5	+5.7
Digital domain ratio	19.7%	18.9%	+0.8	+0.8	
EMEA	102,865	106,051	(3.0)	+12.7	+6.7
Americas	101,912	101,477	+0.4	+13.4	+2.3
APAC	77,834	79,677	(2.3)	+12.9	+9.1
International total	282,612	287,206	(1.6)	+13.0	+5.7
Digital domain ratio	50.5%	46.3%	+4.2	+4.0	
Consolidation adjustments	(121)	(94)	-	-	-
Dentsu consolidated total	552,107	542,642	+1.7	+9.2	+5.7
Digital domain ratio	35.5%	33.4%	+2.1	+3.0	
International business ratio	51.2%	52.9%	(1.7)	+1.7	

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Regional Information – Underlying Operating Profit –

(JPY mn)

	Underlying operating profit				Operating margin			
	2016 Jan–Sep	2015 Jan–Sep	YoY %	Constant currency basis %	2016 Jan–Sep	2015 Jan–Sep	YoY %	Constant currency basis %
Japan	74,300	61,534	+20.7	+20.7	27.6%	24.1%	+3.5	+3.5
International total	27,926	33,711	(17.2)	(6.0)	9.9%	11.7%	(1.8)	(2.0)
Consolidation adjustments	5	98	-	-	-	-	-	-
Dentsu consolidated total	102,233	95,344	+7.2	+11.7	18.5%	17.6%	+0.9	+0.4

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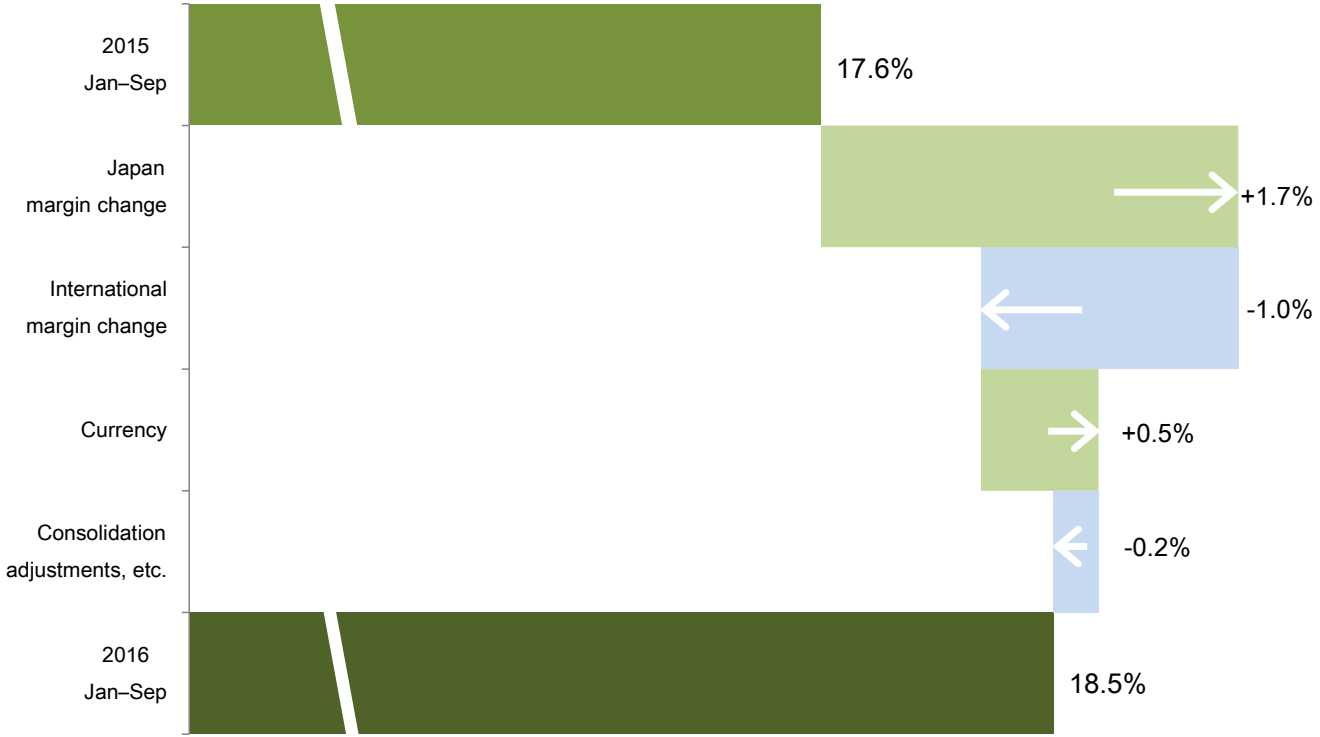
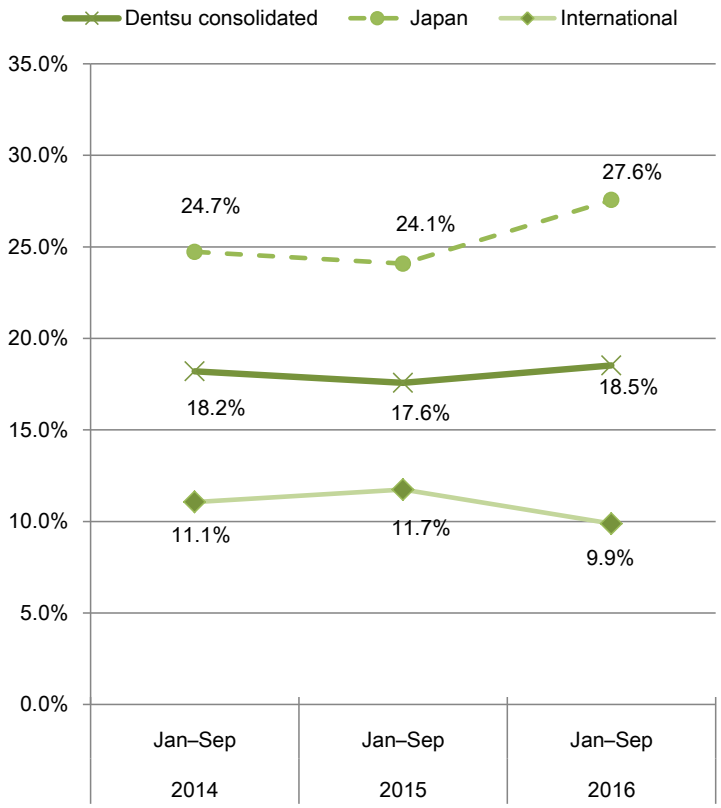
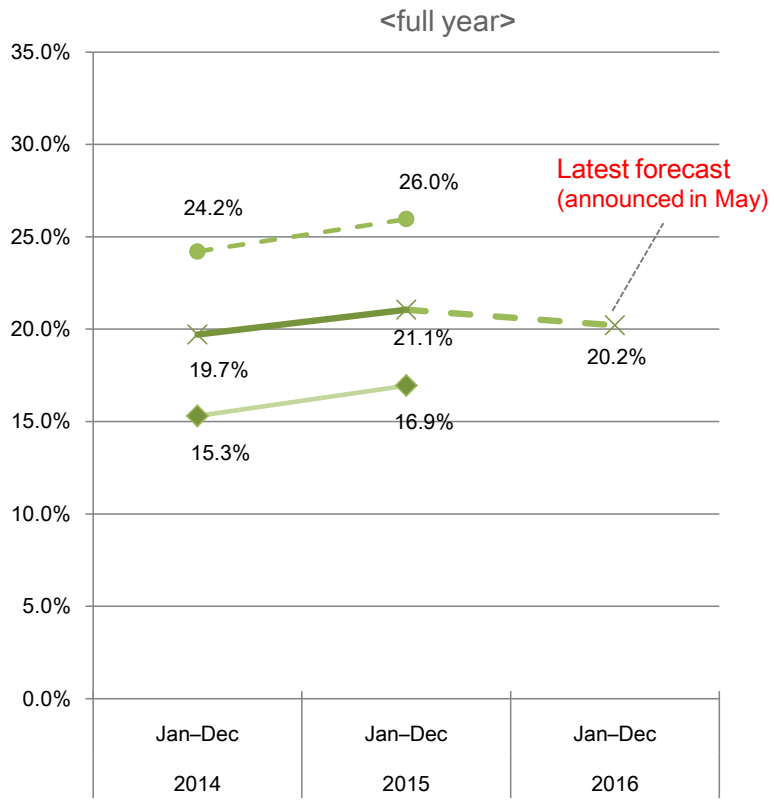
Change in Underlying Operating Margin



Operating Margin





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Reconciliation from Underlying OP to Statutory OP

(JPY mn)

	2016 Jan–Sep	2015 Jan–Sep	YoY #	YoY %
Underlying operating profit	102,233	95,344	+ 6,888	+7.2
Adjustment items	(18,234)	(23,680)	+ 5,446	
Amortization of M&A related intangible assets	(15,743)	(16,943)	+ 1,200	
Acquisition costs	(2,926)	(1,088)	(1,837)	
One-off items	+ 435	(5,648)	+ 6,084	
Gain (loss) on sales and retirement of non-current assets	+ 1,691	(793)	+ 2,484	
Gain on sales of shares of subsidiaries and associates	+ 676	+ 954	(278)	
Revaluation gain (loss) on investment reclassification	+ 349	+ 1,926	(1,577)	
Impairment loss	(69)	(1,205)	+ 1,135	
Special retirement expenses	(1,012)	(3,812)	+ 2,800	
Loss on liquidation of subsidiaries and associates	-	(2,628)	+ 2,628	
Others	(1,200)	(90)	(1,110)	
Operating profit	83,998	71,663	+ 12,335	+17.2

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Statutory Operating Profit to Net Profit

(JPY mn)

	2016 Jan–Sep	2015 Jan–Sep	YoY #	YoY %
Operating profit	83,998	71,663	+ 12,335	+17.2
Share of results of associates	2,248	3,059	(810)	(26.5)
Profit before interest and tax	86,247	74,722	+ 11,525	+15.4
Net finance income (costs)	(4,145)	(6,311)	+ 2,166	-
Finance income	3,985	4,939	(954)	(19.3)
Finance costs	8,130	11,251	(3,121)	(27.7)
Profit before tax	82,102	68,410	+ 13,691	+20.0
Income tax expense	26,608	20,564	+ 6,044	+29.4
Net profit	55,493	47,846	+ 7,647	+16.0
Attributable to owners of the parent	51,151	43,600	+ 7,551	+17.3
Attributable to non-controlling interests	4,341	4,245	+ 95	+2.3

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Cash Flow

(JPY mn)

	2016 Jan–Sep
Profit before tax	82,102
Share of results of associates	(2,248)
Depreciation and amortization	31,281
Impairment loss	69
Gain (loss) on sales and retirement of non-current assets	(1,691)
Others	685
Income taxes paid	(33,233)
Cash flow from operations before change in WC i	76,967

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Use of Cash

(JPY mn)

	2016 Jan–Sep
Change in WC ii	(44,623)
Payments for PPE, intangible assets and investment property (net)	(9,597)
Payments for investing activities (net)	(136,631)
Dividends paid to shareholders	(22,811)
Dividends paid to non-controlling shareholders	(3,625)
Use of cash iii	(172,665)
Effect of exchange rate changes and others iv	8,655
Change in net cash i (preceding slide)+ii+iii+iv	(131,666)
(Acquisition payments)	
Initial payments	(139,524)
Earn-out payments / Additional acquisition payments	(26,007)
Proceeds from sales	4,944

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. “Payments for investing activities (net)” includes proceeds from sales of securities of JPY 39.4bn such as Recruit HD.
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 Sep	2015 End of Dec	Var. #
Total debt	400,910	353,783	+ 47,127
Cash and cash equivalents	178,782	263,322	(84,539)
Net debt	222,127	90,460	+ 131,666
Total debt (LTM average)	360,908	380,689	(19,781)
Cash and cash equivalents (LTM average)	244,111	271,719	(27,608)
Net debt (LTM average)	116,797	108,970	+ 7,827
EBITDA (LTM)	185,059	175,454	+ 9,605
Net debt / EBITDA (LTM)	1.20	0.52	
Net debt (LTM average) / EBITDA (LTM)	0.63	0.62	

Note: LTM… Last twelve months

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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

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.

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.

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 Jul–Sep	YoY %	2016 Apr–Jun	YoY %	2016 Jan–Mar	YoY %
Turnover	1,121,089	(4.0)	1,176,393	(1.6)	1,195,570	+0.1
Revenue	195,111	(2.8)	193,625	+4.0	199,542	+0.7
Gross profit	183,488	(1.5)	181,628	+3.7	186,990	+3.2
Japan	87,148	+0.0	83,159	+12.1	99,308	+5.4
International	96,381	(2.7)	98,528	(2.6)	87,702	+0.9
Underlying operating profit	33,620	+4.6	32,843	+11.1	35,769	+6.3
Japan	21,901	+6.6	19,180	+44.6	33,218	+19.8
International	11,703	+3.0	13,677	(16.8)	2,545	(56.9)
Operating margin	18.3%	+1.1	18.1%	+1.2	19.1%	+0.5
Underlying net profit	20,398	+4.1	22,007	+12.0	21,552	+2.6
Operating profit	25,347	(9.8)	26,854	+24.5	31,796	+44.7
Net profit	15,366	(24.5)	18,569	+45.3	17,215	+64.6
EBITDA	35,688	(9.6)	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	+2.7	+4.2	-	+0.3	+1.4	-	+5.2	+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	+5.0	+11.0	+10.8	+5.4	+0.1	+12.8	+5.3	+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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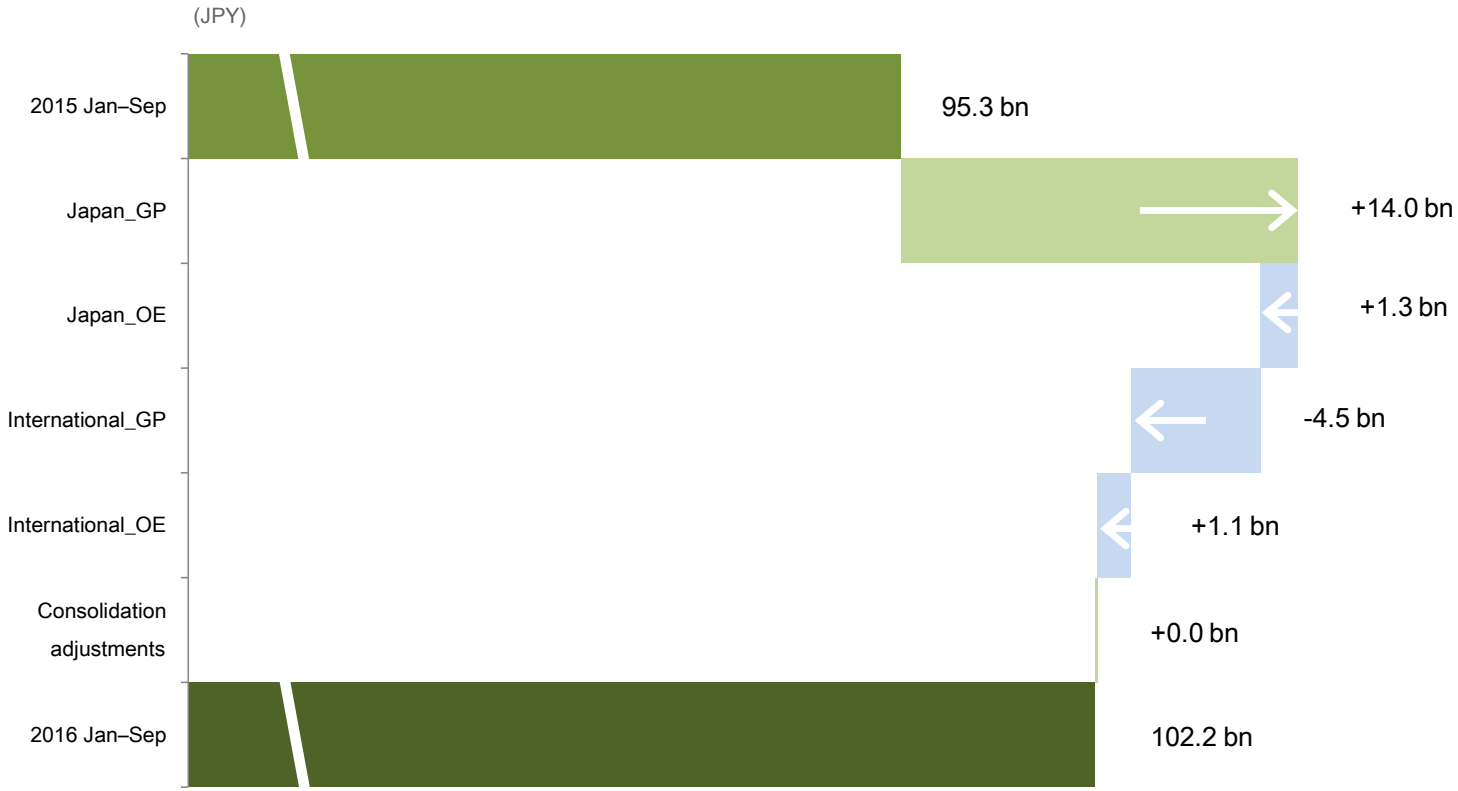
Analysis of Underlying Operating Profit



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–Sep	2015 Jan–Sep	YoY #	YoY %
Underlying net profit	63,958	60,235	+ 3,722	+6.2
Adjustment items	(12,806)	(16,635)	+ 3,829	
Operating profit adjustments	(18,234)	(23,680)	+ 5,446	
Loss on revaluation of earnout liabilities and M&A related put option liabilities	(1,677)	(4,596)	+ 2,918	
Loss on early redemption of private placement bonds	-	(815)	+ 815	
Related income tax expense	+ 6,453	+ 11,730	(5,277)	
Adjustments attributable to non-controlling interests	+ 652	+ 725	(73)	
Net profit	51,151	43,600	+ 7,551	+17.3

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

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Financial Position

(JPY mn)

	2016 End of Sep	2015 End of Dec	Var. #	Var. %
Current assets	1,333,651	1,618,024	(284,372)	(17.6)
Non-current assets	1,362,216	1,448,051	(85,834)	(5.9)
Total assets	2,695,868	3,066,075	(370,206)	(12.1)
Current liabilities	1,305,063	1,488,602	(183,539)	(12.3)
Non-current liabilities	573,136	474,729	+ 98,407	+20.7
Total liabilities	1,878,199	1,963,331	(85,131)	(4.3)
Owners' interests	791,639	1,068,216	(276,577)	(25.9)
Non-controlling interests	26,029	34,526	(8,497)	(24.6)
Total equity	817,668	1,102,743	(285,075)	(25.9)
Total liabilities and equity	2,695,868	3,066,075	(370,206)	(12.1)
JPY/USD	101.1 yen	120.6 yen	-	(16.2)
JPY/GBP	131.0 yen	178.8 yen	-	(26.7)

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Results of Parent Company (J-GAAP)

(JPY mn)

	2016 Jan–Sep	YoY %	2016 Jul–Sep	YoY %	2016 Apr–Jun	YoY %	2016 Jan–Mar	YoY %
Net sales	1,185,891	+3.6	376,954	+0.3	372,917	+2.2	436,019	+7.9
Gross profit	176,598	+6.1	56,143	+0.3	53,527	+9.0	66,927	+9.3
gross profit margin	*14.9%*	*+0.4*	*14.9%*	*(0.0)*	*14.4%*	*+0.9*	*15.3%*	*+0.2*
SG&A	126,018	(1.3)	41,231	(6.1)	41,299	+5.8	43,487	(2.8)
Operating income	50,580	+30.7	14,911	+23.4	12,228	+20.9	23,440	+42.1
vs. gross profit	*28.6%*	*+5.3*	*26.6%*	*+5.0*	*22.8%*	*+2.2*	*35.0%*	*+8.1*
Ordinary income	80,040	+33.3	17,944	+36.8	16,421	(41.2)	45,674	+140.4
Income before income taxes	105,289	+85.2	40,999	+163.2	18,172	(39.0)	46,118	+301.0
Net income	80,082	+84.2	28,343	+158.3	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–Sep	YoY %	2016 Jul–Sep	YoY %	2016 Apr–Jun	YoY %	2016 Jan–Mar	YoY %
Newspapers	66,582	(6.1)	19,130	(3.9)	19,422	(5.6)	28,029	(7.8)
Magazines	19,939	(13.7)	6,744	(14.0)	6,017	(13.4)	7,177	(13.8)
Radio	10,315	+0.5	3,459	(1.6)	3,407	+4.9	3,449	(1.3)
Television	507,523	+2.2	167,864	+3.1	172,135	+0.5	167,523	+3.1
Time	221,017	+3.7	79,706	+8.4	68,850	+1.1	72,461	+1.3
Spot	286,505	+1.1	88,157	(1.3)	103,285	+0.1	95,062	+4.4
Interactive Media	68,122	+10.9	22,907	+21.5	22,254	+12.3	22,960	+1.0
OOH Media	42,875	(3.4)	12,834	(8.3)	14,563	(8.7)	15,477	+7.1
Creative	145,848	(5.6)	45,183	(8.8)	44,675	(3.6)	55,988	(4.5)
Marketing/Promotion	157,584	+5.7	54,840	(2.4)	50,105	+19.0	52,638	+3.5
Content Services	135,402	+31.7	33,423	+2.4	29,497	+4.8	72,481	+72.4
Others	31,697	+0.4	10,566	+0.1	10,837	+2.9	10,293	(1.8)
Total	1,185,891	+3.6	376,954	+0.3	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–Sep	YoY %	2016 Jul–Sep	YoY %	2016 Apr–Jun	YoY %	2016 Jan–Mar	YoY %
Information/Communications	164,702	+7.6	57,476	+12.3	45,304	+7.7	61,921	+3.6
Beverages/Cigarettes	112,015	(4.4)	33,629	(12.4)	42,382	+3.0	36,004	(4.3)
Finance/Insurance	110,970	+16.6	30,501	+5.6	31,613	+0.6	48,855	+40.3
Cosmetics/Toiletries	100,128	+15.1	33,336	+12.9	37,319	+16.1	29,472	+16.4
Foodstuffs	88,860	+14.6	27,927	+2.8	28,577	+6.7	32,355	+37.0
Automobiles/Related Products	68,821	(13.1)	25,801	+4.2	19,463	(20.4)	23,556	(21.5)
Distribution/Retailing	65,851	(8.4)	20,187	(11.5)	23,101	(6.9)	22,561	(7.2)
Food Services/Other Services	63,300	(6.3)	19,895	(11.8)	18,619	(12.4)	24,785	+4.4
Transportation/Leisure	58,177	+8.1	16,801	(4.3)	19,416	+11.5	21,959	+16.6
Government/Organizations	55,271	+13.6	17,374	+12.7	17,097	+27.9	20,799	+4.6
Hobbies/Sporting Goods	44,269	+3.9	16,137	(3.6)	13,242	(4.8)	14,889	+24.2
Pharmaceuticals/Medical Supplies	42,309	(9.1)	14,248	(7.8)	15,348	(10.6)	12,712	(8.7)
Real Estate/Housing Facilities	41,373	+13.6	13,857	+16.5	9,855	(14.3)	17,659	+35.6
Home Electric Appliances/AV Equipment	34,988	+12.9	10,403	+14.2	10,423	+18.8	14,161	+8.0
Apparel/Fashion, Accessories/Personal Items	28,636	(7.5)	8,098	(13.4)	9,587	(8.3)	10,950	(1.9)
Others	106,216	+0.1	31,276	(10.7)	31,566	+11.4	43,373	+1.4
Total	1,185,891	+3.6	376,954	+0.3	372,917	+2.2	436,019	+7.9

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Effects of Currency Exchange Rates

	Average rate			Period end rate		
	2016 Jan–Sep	2015 Jan–Sep	Var. %	2016 End of Sep	2015 End of Dec	Var. %
JPY/USD	108.7 yen	120.9 yen	(10.1)	101.1 yen	120.6 yen	(16.2)
JPY/EUR	121.2 yen	134.8 yen	(10.1)	113.4 yen	131.8 yen	(14.0)
JPY/GBP	151.8 yen	185.3 yen	(18.1)	131.0 yen	178.8 yen	(26.7)
JPY/CNY	16.5 yen	19.3 yen	(14.6)	15.1 yen	18.4 yen	(17.5)
JPY/AUD	80.5 yen	92.3 yen	(12.8)	77.0 yen	87.9 yen	(12.4)

Gross profit ratio by currency

(%)	JPY	USD	EUR	GBP	CNY	AUD	Others	Total
FY2016 Jan–Sep	48.8	15.4	8.7	5.7	5.4	3.7	12.3	100.0