FY2019 Annual Results

February 13, 2020

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DENTSU GROUP INC.
Director and Executive Officer

* 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.

Key Points

- FY 2019 organic growth rate of revenue less cost of sales was negative (1.0)%
  - Japan business: realized higher growth with success relating to large-scale events in Q4
  - International business: continued underperformance in a number of key markets

- FY 2019 operating margin was 60bp higher than forecast issued in December
  - Japan business: successful cost management improved OPM yoy in Q4
  - International business: flat OPM yoy, despite a underperformance in the top line in Q4

- Impairment recognition in APAC, reflecting the continued underperformance and uncertainty of the region, in particular China and Australia

- The buyback announced in August is almost complete JPY 30 billion

- In FY2020, we forecast growth in Japan, leveraging TOKYO 2020. In addition, margin improvements are expected in the International business as the result of the business restructuring previously announced

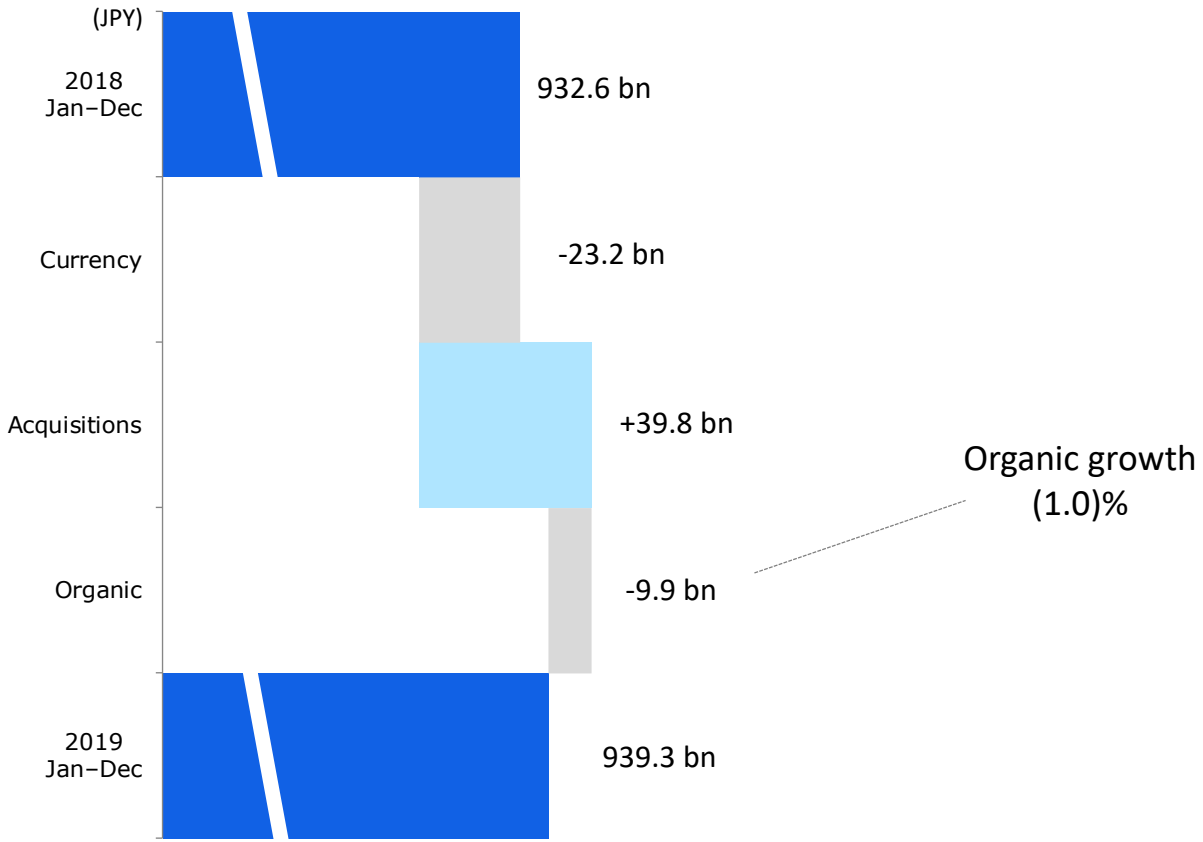
Summary

(JPY mn)

	2019 Jan–Dec	2018 Jan–Dec	YoY %	Constant currency basis %	Forecast (announced in Dec 2019)	Forecast variance %
Turnover	5,146,802	5,357,278	(3.9)	-	-	-
Revenue	1,047,881	1,018,512	+2.9	-	1,034,800	+1.3
Revenue less cost of sales	939,385	932,680	+0.7	+3.3	943,300	(0.4)
Digital domain ratio	47.5%	46.1%	+1.4	+1.7	-	-
International business ratio	59.5%	60.4%	(0.9)	+0.1	59.4%	+0.2
Underlying operating profit	140,751	153,229	(8.1)	(6.4)	135,500	+3.9
Operating margin	15.0%	16.4%	(1.4)	(1.6)	14.4%	+0.6
Underlying net profit	76,120	97,419	(21.9)	-	81,000	(6.0)
Underlying basic EPS	270.94 yen	345.59 yen			287.43 yen	
Operating profit(loss)	(3,358)	111,638	-	-	60,900	-
Net profit(loss)	(80,893)	90,316	-	-	6,200	-
EBITDA	160,280	171,406	(6.5)	-		
Underlying ROE	7.5%	9.1%	(1.6)	-		
Currency					Av. Jan-Nov in 2019	
JPY/USD	109.1 yen	110.4 yen	(1.2)	-	109.0 yen	+0.0
JPY/GBP	139.3 yen	147.5 yen	(5.6)	-	138.9 yen	+0.3

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

Movement of Revenue less cost of sales



Regional Information – Japan

(JPY mn)

	2019 Jan–Dec	2018 Jan–Dec	YoY %	Constant currency basis %	Organic growth %
Revenue less cost of sales	380,366	369,258	+3.0	+3.0	+0.4
Digital domain ratio	29.3%	23.9%	+5.4	+5.4	
Underlying operating profit	72,488	80,268	(9.7)	(9.7)	
Operating margin	19.1%	21.7%	(2.6)	(2.6)	

Regional Information – International

(JPY mn)

	2019 Jan–Dec	2018 Jan–Dec	YoY %	Constant currency basis %	Organic growth %
EMEA	212,401	213,029	(0.3)	+6.1	(0.7)
Americas	240,086	226,257	+6.1	+8.3	+2.4
APAC	107,287	124,573	(13.9)	(9.7)	(12.3)
Revenue less cost of sales total	559,772	563,852	(0.7)	+3.5	(1.9)
Digital domain ratio	59.9%	60.6%	(0.7)	(0.9)	
Underlying operating profit	68,361	72,963	(6.3)	(2.5)	
Operating margin	12.2%	12.9%	(0.7)	(0.8)	

Reconciliation from Underlying OP to Statutory OP

(JPY mn)

	2019 Jan–Dec	2018 Jan–Dec	YoY #	YoY %
Underlying operating profit	140,751	153,229	(12,477)	(8.1)
Adjustment items	(144,110)	(41,590)	(102,519)	
Amortization of M&A related intangible assets	(34,806)	(35,123)	+ 317	
Acquisition costs	(1,414)	(1,554)	+ 140	
Share-based compensation expenses related to acquired companies	(9,568)	(4,314)	(5,255)	
One-off items	(98,322)	(599)	(97,722)	
Business restructuring cost	(19,682)	-	(19,682)	
Impairment loss	(73,670)	(27)	(73,642)	
Others	(4,969)	(572)	(4,398)	
Operating profit (loss)	(3,358)	111,638	(114,997)	-

Statutory Operating Profit to Net Profit (Loss)

(JPY mn)

	2019 Jan–Dec	2018 Jan–Dec	YoY #	YoY %
Operating profit (loss)	(3,358)	111,638	(114,997)	-
Share of results of associates	517	2,699	(2,181)	(80.8)
Gain on sales of shares of associates	-	52,127	(52,127)	-
Revaluation gain on step acquisition	2,175	-	+ 2,175	-
Profit (loss) before interest and tax	(665)	166,465	(167,131)	-
Net finance income (costs)	(42,103)	(17,713)	(24,390)	-
Finance income	6,819	6,839	(20)	(0.3)
Finance costs	48,922	24,553	+ 24,369	+99.3
Profit (loss) before tax	(42,769)	148,751	(191,521)	-
Income tax expense	30,136	51,250	(21,113)	(41.2)
Net profit (loss)	(72,905)	97,501	(170,407)	-
Attributable to owners of the parent	(80,893)	90,316	(171,209)	-
Attributable to non-controlling interests	7,987	7,185	+ 802	+11.2

International Business Restructuring

- International business is simplifying into three Lines of Business: Creative / CRM / Media
- Restructuring enables accelerated implementation of the new business model in 7 key, challenged markets
  - Australia, Brazil, China, France, Germany, Singapore (Regional HQ) & UK (inc. HQ)
- Total cost: £177m (JPY 24.6bn)
  - FY 2019 £141m (JPY 19.6bn) recognized / FY 2020 £36m (JPY 5.0bn) to be recognized
- Total saving: £100m (JPY 14.2bn*) of headcount related costs to be saved on an annual basis
  - FY 2020 total saving, estimated to be £45m (JPY 6.4bn*)
- Restructuring is progressing as planned

*Jan 2020 average exchange rate. The others in this slide are based on FY2019 average exchange rate.

FY2020 Forecast

(JPY mn)

	2020 Jan–Dec	2019 Jan–Dec	YoY %	Constant currency basis %
Revenue	1,077,100	1,047,881	+2.8	-
Revenue less cost of sales	970,300	939,385	+3.3	+2.9
Underlying operating profit	149,200	140,751	+6.0	+5.8
Operating margin	15.4%	15.0%	+0.4	+0.4
Underlying net profit	86,500	76,120	+13.6	-
Underlying basic EPS	312.57 yen	270.94 yen		
Operating profit (loss)	108,200	(3,358)	-	-
Net profit (loss)	46,700	(80,893)	-	-
Currency	Av. Jan in 2020	Av. Jan–Dec in 2019		
JPY/USD	109.4 yen	109.1 yen	+0.3	-
JPY/GBP	142.9 yen	139.3 yen	+2.6	-

By region	Oraganic growth	Operating margin
Japan	c. 5 %	from (30)bp to +30bp, YoY
International	positive	from +70bp to +100bp, YoY

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

Group Medium-term Direction Guidelines up to 2020

Organic growth rate
(Revenue less cost of sales)

3-year CAGR up to 2020

3% or higher

Operating margin

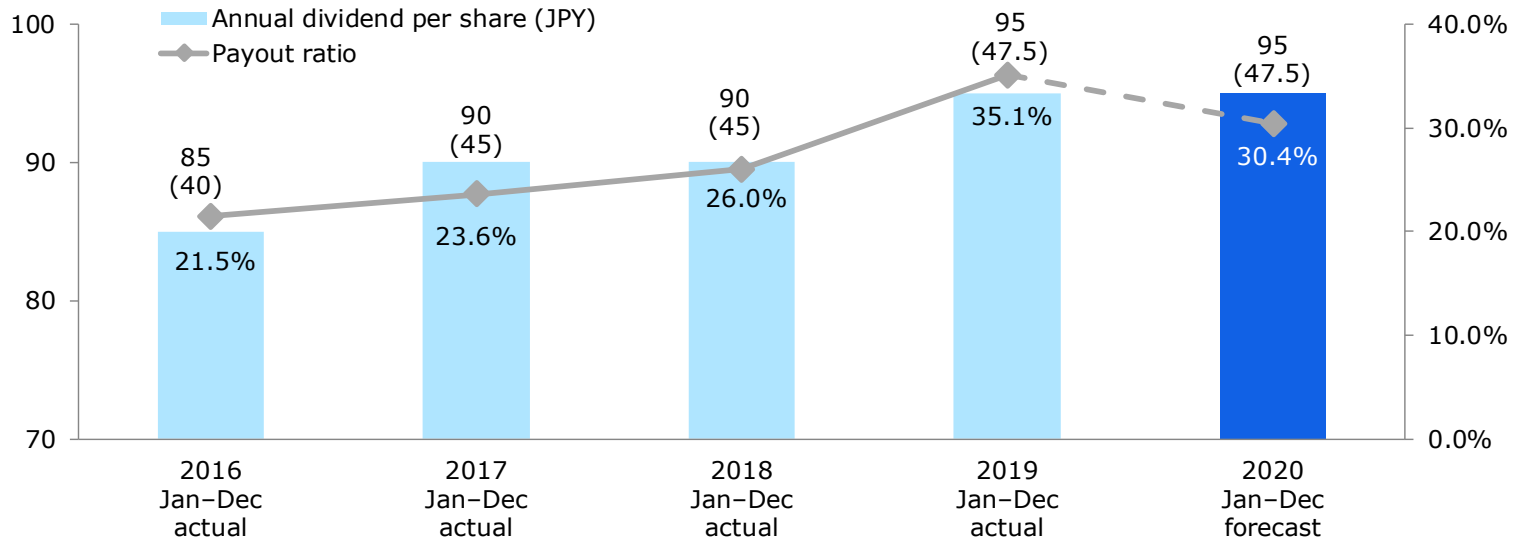
Improvement in margin from 2018

Shareholder returns

Steady dividend policy
Consider returns tracking earnings and CF performance

Dividend

Unit: JPY



Notes:
Payout ratio… Based on underlying net profit attributable to owners of the parent
( )… Interim dividend per share

Capital Management Strategy

Objective: to deliver an improvement in Shareholder Value over time

Growth of the business – priority for capital deployment:

- Investing in Japan and globally, and realization of future profit growth

Focus on shareholder return (dividends and share repurchase): steady improvement

- Combination of stable capital returns and flexible share repurchase

Achieve ROE higher than capital cost in the long term

Disclaimer

Forward-Looking Statements

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

IFRS15 “Revenue from Contracts with Customers”:

IFRS15 “Revenue from Contracts with Customers” is applied from January 1st, 2018.
In this presentation file, IFRS15 is also applied to the past years and presented as pro forma information.

IFRS 16 “Leases”:

IFRS 16 “Leases” is applied from January 1st, 2019. The cumulative effect of initially applying IFRS 16 is recognized at the date of initial application (modified retrospective approach). Past results are not restated under IFRS 16.

Appendices

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, share-based compensation expenses related to acquired companies and one-off items such as impairment loss and gain/loss on sales of non-current assets
- Operating margin: Underlying operating profit divided by Revenue less cost of sales
- 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, gain/loss on sales of shares of associates, 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 revenue less cost of sales at reported currency to prior period revenue less cost of sales 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 growth: 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 revenue less cost of sales to prior period revenue less cost of sales, adjusted for the pre-acquisition or pre-disposal revenue less cost of sales as applicable, and stated at constant exchange rate, in order to derive like-for-like growth

Quarterly Results

(JPY mn)

	2019 Oct–Dec	YoY %	2019 Jul–Sep	YoY %	2019 Apr–Jun	YoY %	2019 Jan–Mar	YoY %
Turnover	1,481,705	(2.6)	1,186,396	(5.0)	1,263,985	(5.5)	1,214,714	(2.9)
Revenue	301,271	+2.7	249,542	+2.5	246,489	+2.9	250,578	+3.5
Revenue less cost of sales	265,179	+0.3	224,962	+1.1	221,268	+1.0	227,974	+0.6
Japan	103,922	+7.6	89,950	+4.3	84,932	+1.0	101,561	(0.8)
International	161,630	(3.8)	135,232	(0.8)	136,427	+1.0	126,482	+1.7
Underlying operating profit	65,173	+2.3	30,580	+6.7	20,525	(27.0)	24,472	(25.3)
Japan	21,986	+17.1	14,866	(6.8)	10,980	(27.3)	24,655	(19.0)
International	43,282	(3.7)	15,713	+23.8	9,549	(26.6)	(183)	-
Operating margin	24.6%	+0.5	13.6%	+0.7	9.3%	(3.6)	10.7%	(3.7)
Japan	21.2%	+1.7	16.5%	(2.0)	12.9%	(5.0)	24.3%	(5.4)
International	26.8%	+0.0	11.6%	+2.3	7.0%	(2.6)	(0.1%)	(2.0)
Underlying net profit	36,688	(25.8)	16,568	+0.9	10,312	(24.3)	12,551	(30.2)
Operating profit (loss)	(40,408)	-	18,974	+8.7	8,781	(51.6)	9,294	(58.5)
Net profit (loss)	(85,636)	-	6,017	(87.3)	1,308	-	(2,583)	-
EBITDA	55,263	(20.1)	41,367	+28.0	31,446	(4.3)	32,201	(13.0)

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

Quarterly Organic Growth

	Dentsu consolidated total (%)			Japan (%)			International total (%)		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Jan–Mar	(1.6)	+2.1	+3.7	(2.7)	+1.9	+4.3	(0.7)	+2.2	+3.1
Apr–Jun	(1.3)	+5.9	(4.6)	(1.4)	+8.4	(7.6)	(1.3)	+4.5	(2.7)
Jul–Sep	(0.1)	+5.4	(2.1)	+1.7	+2.7	(4.8)	(1.0)	+7.0	(0.2)
Oct–Dec	(1.1)	+0.9	+2.8	+4.0	(3.0)	+5.5	(4.0)	+3.4	+1.2

	International – EMEA			International – Americas			International – APAC		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Jan–Mar	(0.4)	+2.7	+5.8	+0.1	+4.6	+0.6	(3.0)	(2.9)	+4.5
Apr–Jun	+0.7	+4.8	(0.3)	+2.8	+6.5	(4.1)	(12.3)	+0.8	(3.8)
Jul–Sep	(1.0)	+8.2	+5.9	+5.0	+5.3	(2.0)	(12.3)	+8.2	(5.5)
Oct–Dec	(1.8)	+12.0	+1.3	+1.5	+3.5	(0.0)	(17.9)	(9.6)	+2.6

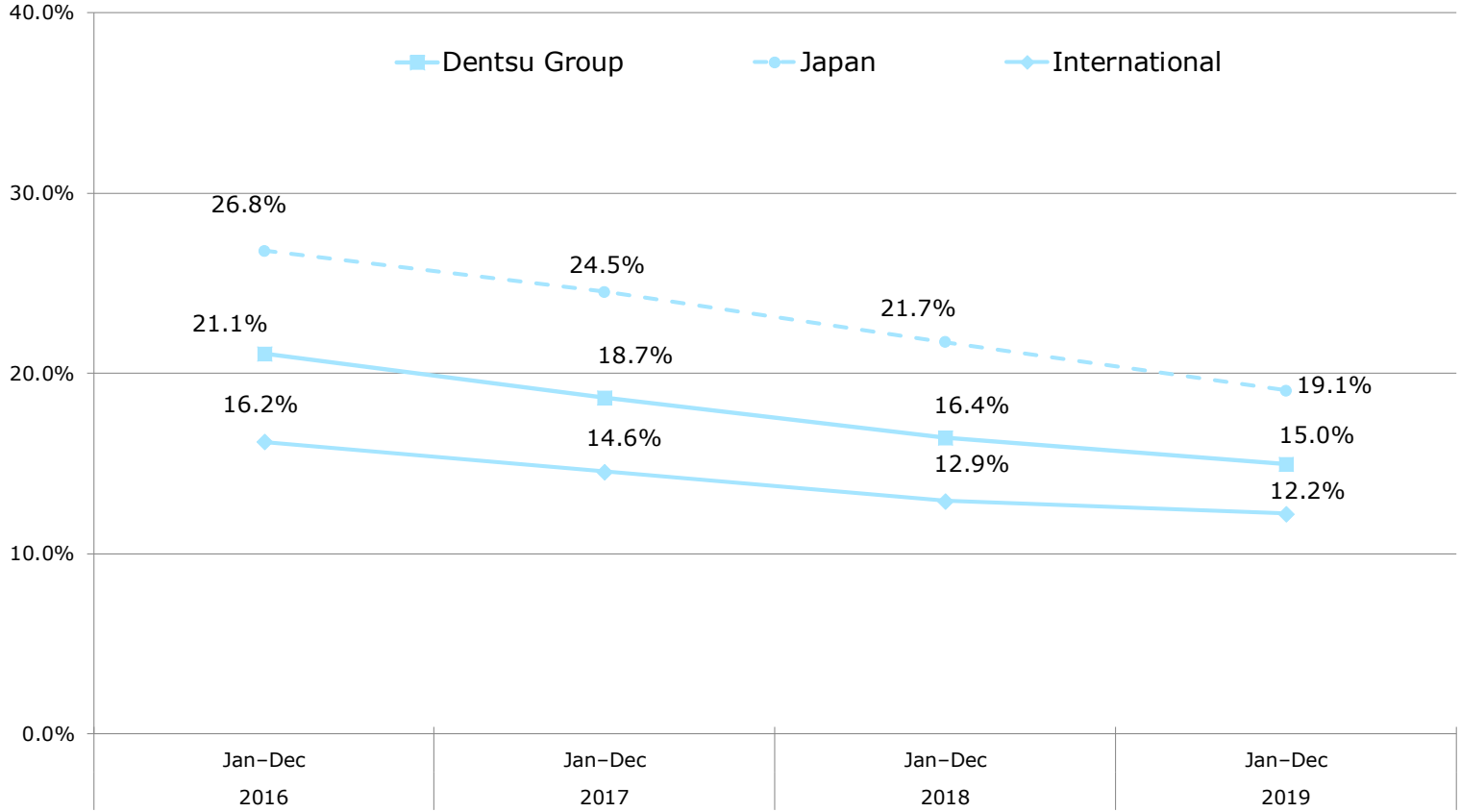
Organic Growth of Major Markets

2019 Jan–Dec Organic Growth %	Markets
"5% or more" to "less than 10%"	Russia, Spain, Switzerland
"0% or more" to "less than 5%"	Denmark, Germany, India, Italy, Japan, Netherlands, USA
"Less than 0%"	Australia, Brazil, Canada, China, France, Norway, Poland, Sweden, Taiwan, Thailand, UK

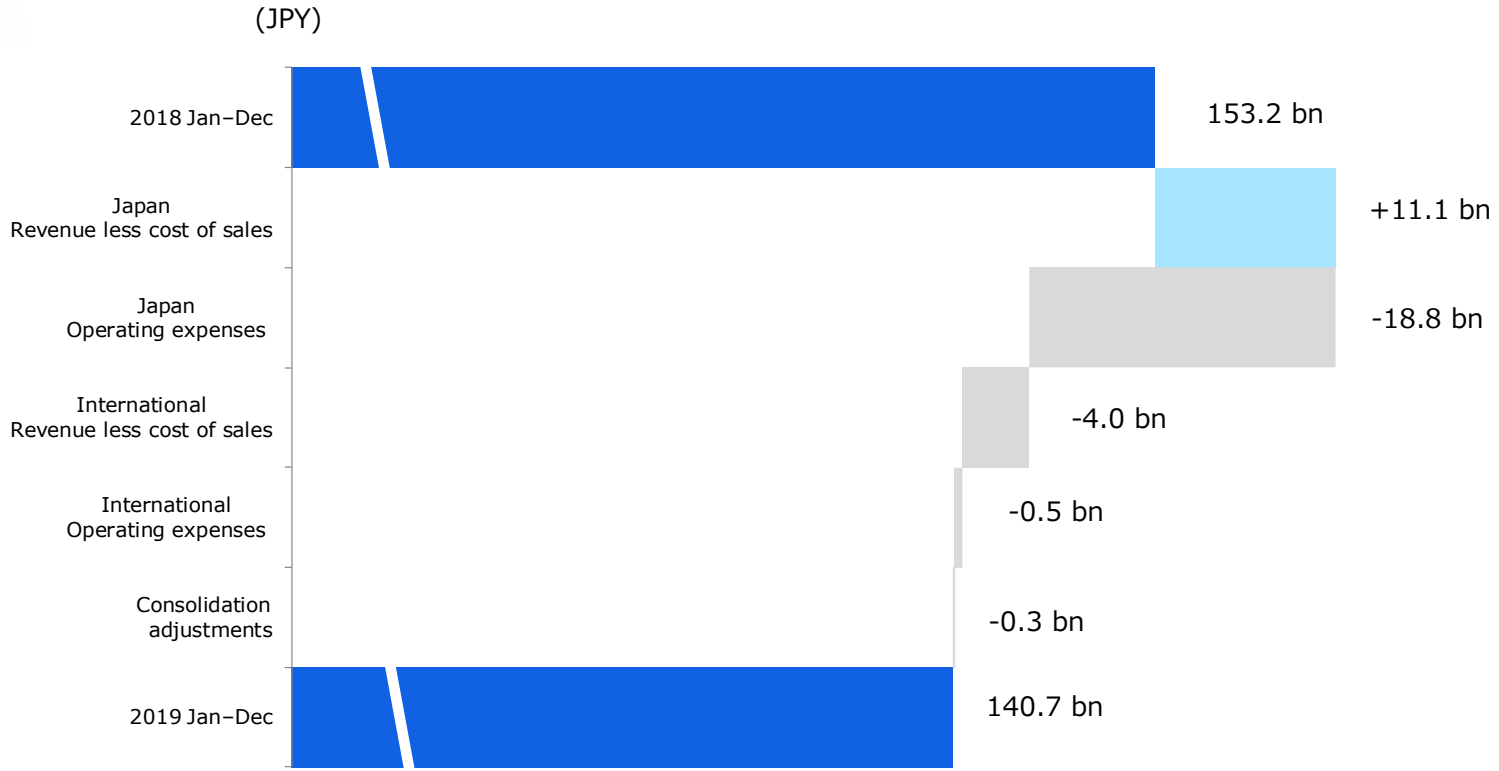
Change in Underlying Operating Margin



Operating Margin



Analysis of Underlying Operating Profit



Operating expenses: selling, general & administrative expenses, other income and other expenses

Reconciliation from Underlying NP to Statutory NP

(JPY mn)

	2019 Jan–Dec	2018 Jan–Dec	YoY #	YoY %
Underlying net profit	76,120	97,419	(21,299)	(21.9)
Adjustment items	(157,014)	(7,103)	(149,910)	
Operating profit adjustments	(144,110)	(41,590)	(102,519)	
Gain(Loss) on revaluation of earnout liabilities and M&A related put-option liabilities	(26,718)	(10,744)	(15,973)	
Gain on sales of shares of associates	-	+ 52,127	(52,127)	
Revaluation gain on step acquisition	+ 2,175	-	+ 2,175	
Related income tax expense	+ 9,094	(9,612)	+ 18,706	
Adjustments attributable to non-controlling interests	+ 2,544	+ 2,716	(172)	
Net profit (loss)	(80,893)	90,316	(171,209)	-

Operating profit adjustments: Please refer to "Reconciliation from Underlying OP to Statutory OP"
Underlying net profit and net profit: Excluding attribution to non-controlling interests

Cash Flow

(JPY mn)

	2019 Jan–Dec	2018 Jan–Dec	YoY #
Profit before tax	(42,769)	148,751	(191,521)
Share of results of associates	(517)	(2,699)	2,181
Depreciation and amortization	89,967	59,739	30,228
Impairment loss	73,670	27	73,642
Others	62,320	(34,667)	96,988
Income taxes paid	(74,460)	(45,968)	(28,492)
Cash flow from operations before change in working capital	108,211	125,183	(16,971)
Change in working capital	(28,254)	7,865	(36,120)
Net cash flow from operating activities i	79,957	133,049	(53,092)

Cash Flow

(JPY mn)

	2019 Jan–Dec	2018 Jan–Dec	YoY #
Net cash flow from operating activities i	79,957	133,049	(53,092)
Payments/proceeds for PPE, intangible assets and investment property (net)	(31,000)	(31,322)	321
Net cash (paid) received on acquisition and disposal of subsidiaries and securities (A)	(44,241)	(29,129)	(15,112)
Others (B)	(809)	(931)	122
Net cash flow from investing activities ii	(76,051)	(61,382)	(14,668)
Net increase (decrease) in borrowings	80,514	19,577	60,937
Proceeds from issuance of corporate bonds	-	79,739	(79,739)
Repayments of lease obligations	(32,580)	(1,431)	(31,149)
Payment/proceeds for acquisition/sales of interest in a subsidiary from/to non-controlling interests (net) (C)	(5,418)	(9,917)	4,499
Payments for purchase of treasury shares	(20,009)	(12)	(19,996)
Dividends	(30,032)	(32,056)	2,024
Others	(277)	1,624	(1,901)
Net cash flow from financing activities iii	(7,803)	57,522	(65,325)
Effect of exchange rate changes iv	1,490	(18,281)	19,771
Net increase (decrease) in cash and cash equivalents i + ii + iii + iv	(2,407)	110,907	(113,315)
Reference:			
Payments for investing activities (net) (A)+(B)+(C)	(50,469)	(39,977)	(10,491)
Acquisition payments (net), included in above	(53,074)	(72,059)	18,985

Acquisition payments (net): Net cash (paid) received on acquisition and disposal of subsidiaries + Payment for acquisition of interest in subsidiary from non-controlling interests

Financial Position

(JPY mn)

	2019 End of Dec	2018 End of Dec	Var. #	Var. %
Current assets	1,933,691	1,935,586	(1,894)	(0.1)
Non-current assets	1,862,037	1,702,902	+ 159,135	+9.3
Goodwill	754,796	786,851	(32,055)	(4.1)
Intangible assets	245,517	249,921	(4,404)	(1.8)
Total assets	3,795,729	3,638,488	+ 157,240	+4.3
Current liabilities	1,859,224	1,785,608	+ 73,616	+4.1
Non-current liabilities	883,970	742,130	+ 141,840	+19.1
Total liabilities	2,743,195	2,527,738	+ 215,456	+8.5
Owners' interests	974,977	1,047,619	(72,642)	(6.9)
Non-controlling interests	77,556	63,129	+ 14,426	+22.9
Total equity	1,052,533	1,110,749	(58,215)	(5.2)
Total liabilities and equity	3,795,729	3,638,488	+ 157,240	+4.3
Currency				
JPY/USD	109.6 yen	111.0 yen	-	(1.3)
JPY/GBP	143.5 yen	140.5 yen	-	+2.2

Repayment Schedule of Debt

(JPY mn)

2019 End of Dec	FY2020	FY2021	FY2022	FY2023 onwards	Total
Japan	36,365	32,720	41,026	109,958	220,070
Short-term debt	3,455	-	-	-	3,455
Long-term debt	32,909	32,720	41,026	109,958	216,615
International	148,451	1,253	21,514	232,637	403,857
Short-term debt	57,489	-	-	-	57,489
Long-term debt	90,962	1,253	21,514	232,637	346,367
Dentsu consolidated total	184,816	33,973	62,540	342,596	623,927
***reference**					
M&A related debt	29,951	109,094	46,518	23,391	208,958
Deferred consideration	22,491	16,524	21,886	7,567	68,470
M&A related put-option liabilities	7,460	92,570	24,632	15,824	140,488

Net Debt

(JPY mn)

	2019 End of Dec	2018 End of Dec	Var. #
Total debt	623,927	538,859	+ 85,067
Cash and cash equivalents	414,055	416,668	(2,612)
Net debt	209,872	122,191	+ 87,680
Total debt (LTM average)	589,141	472,460	+ 116,680
Cash and cash equivalents (LTM average)	343,727	282,648	+ 61,079
Net debt (LTM average)	245,413	189,812	+ 55,600
EBITDA (LTM)	160,280	171,406	(11,126)
Net debt / EBITDA (LTM)	1.31	0.71	
Net debt (LTM average) / EBITDA (LTM)	1.53	1.11	

The above Total debt is sum of loans and bonds. Lease obligation (JPY 133,063 mn as of December 31, 2019) is not included
LTM average: Average of latest twelve months
LTM: Latest twelve months

Turnover of Japan Business by Business Category (IFRS basis)

(JPY mn)

	2019 Jan–Dec	YoY %	2019 Oct–Dec	YoY %	2019 July–Sep	YoY %	2019 Apr–June	YoY %	2019 Jan–Mar	YoY %
Newspapers	72,477	(6.3)	18,306	(10.3)	15,822	+5.5	14,986	(9.4)	23,361	(8.0)
Magazines	18,834	(19.3)	5,214	(21.3)	4,467	(14.6)	4,198	(19.0)	4,954	(21.4)
Radio	14,813	(6.1)	3,691	(9.4)	3,808	(5.4)	3,463	(2.0)	3,849	(6.8)
Television	670,874	(4.0)	170,854	(5.4)	158,809	(2.6)	166,231	(4.5)	174,979	(3.3)
Internet*1	242,876	+26.6	66,208	+18.4	55,469	+31.8	53,479	+20.6	67,718	+36.7
OOH Media	50,111	(7.3)	12,333	(12.5)	10,776	(5.4)	12,974	(1.2)	14,025	(9.3)
Creative	202,346	(3.5)	49,927	(6.5)	47,545	(5.6)	48,478	+4.0	56,394	(4.8)
Marketing/Promotion	286,422	+10.6	93,814	+29.4	67,054	+13.6	63,609	+13.6	61,944	(13.5)
Content Services (Japan GAAP)*2	208,813	+0.6	50,468	+49.0	34,291	(37.2)	28,735	(1.6)	95,318	+6.0
Others	147,966	+3.4	37,704	(2.5)	35,763	+4.6	36,713	+7.4	37,784	+4.8
Consolidation adjustments and others*3	12,621	-	21,602	-	19,302	-	16,566	-	(44,850)	-
Internet included in mass media*4	(6,848)	-	(1,904)	-	(1,556)	-	(1,343)	-	(2,044)	-
Total	1,921,309	+2.2	528,222	+6.8	451,554	+1.9	448,096	(0.2)	493,435	(0.0)

*1 The aggregate of Internet (previous calculation) and Internet turnover which is included in mass media (2019 Jan to December: JPY 6,848 mn)
*1 Excluding the increase from the consolidation of VOYAGE GROUP, Inc., Internet YoY% increase would be +9.4% for 2019 Jan to December period, and +1.7% for 2019 Oct to December period.
*2 There is a difference in revenue recognition timing between IFRS and Japan GAAP. In the table, Japan GAAP, applied by Dentsu Inc., is used for this section. The difference between IFRS and Japan GAAP is recorded in "Consolidation adjustments and others."
*3 Turnover to group companies in International business, GAAP difference and others are included.
*4 Amounts included in both "Internet" and mass media.

Japan Business Digital Domain (IFRS basis)

(JPY mn)

	2019 Jan–Dec	YoY %
Digital domain turnover	404,628	+14.9
Digital domain revenue less cost of sales	111,341	+26.4
Digital domain revenue less cost of sales: Digital domain ratio in Japan business*1	29.3%	+5.4

*1 Digital domain: Internet and data related marketing service, and development and sales of IT system

Results of Dentsu Inc. (J-GAAP)

(JPY mn)

	2019 Jan–Dec	YoY %	Oct–Dec	YoY %	Jul–Sep	YoY %	Apr–Jun	YoY %	Jan–Mar	YoY %
Net sales (Turnover)	1,526,241	(0.9)	398,793	+4.3	344,512	(5.0)	344,145	(0.1)	438,789	(2.6)
Revenue less cost of sales	215,568	(6.9)	53,282	(4.7)	50,398	(12.7)	46,455	(1.0)	65,432	(7.8)
Revenue less cost of sales margin	*14.1%*	*(0.9)*	*13.4%*	*(1.3)*	*14.6%*	*(1.3)*	*13.5%*	*(0.1)*	*14.9%*	*(0.9)*
SG&A	178,524	(2.4)	44,699	(8.2)	43,386	(3.2)	43,300	+3.4	47,136	(0.8)
Operating income	37,044	(23.8)	8,582	+19.1	7,011	(45.8)	3,154	(37.4)	18,295	(21.9)
vs. Revenue less cost of sales	*17.2%*	*(3.8)*	*16.1%*	*+3.2*	*13.9%*	*(8.5)*	*6.8%*	*(3.9)*	*28.0%*	*(5.0)*
Ordinary income	54,303	(28.0)	9,516	(36.3)	8,111	(47.7)	5,529	(32.8)	31,146	(15.2)
Income before income taxes	80,482	(38.4)	8,508	(24.8)	35,446	(52.0)	5,492	(37.3)	31,034	(15.3)
Net income	58,294	(38.5)	5,249	(42.0)	25,503	(50.6)	4,017	(40.7)	23,524	(14.1)

SG&A: Selling, general & administrative expenses

Net Sales (Turnover) of Dentsu Inc. by Business Category (J-GAAP)

(JPY mn)

	2019 Jan–Dec	YoY %	Oct–Dec	YoY %	Jul–Sep	YoY %	Apr–Jun	YoY %	Jan–Mar	YoY %
Newspapers	63,495	(7.3)	16,336	(9.8)	13,485	+2.8	13,189	(10.9)	20,483	(8.6)
Magazines	17,357	(19.5)	4,729	(22.6)	4,177	(12.0)	3,842	(20.3)	4,608	(21.7)
Radio	12,434	(5.8)	3,120	(8.1)	3,162	(6.7)	2,949	(0.9)	3,202	(6.7)
Television	630,955	(3.9)	161,119	(5.5)	150,028	(1.7)	156,225	(4.7)	163,581	(3.5)
Internet*1	137,200	+11.9	37,400	+8.0	30,809	+13.4	30,922	+10.2	38,068	+16.4
OOH Media	46,683	(9.4)	11,656	(11.9)	10,368	(4.6)	11,846	(6.4)	12,812	(13.2)
Creative	181,628	(4.1)	44,174	(6.0)	43,222	(6.4)	43,670	+3.7	50,561	(6.6)
Marketing/Promotion	204,828	+11.8	62,946	+30.9	49,534	+15.0	48,100	+19.1	44,246	(14.4)
Content Services	199,963	(0.1)	48,650	+46.9	31,813	(40.1)	26,099	(1.5)	93,400	+6.9
Others	38,543	(1.8)	10,565	+6.8	9,467	(2.0)	8,641	(10.5)	9,869	(1.7)
Internet included in mass media*2	(6,848)	-	(1,904)	-	(1,556)	-	(1,343)	-	(2,044)	-
Total	1,526,241	(0.9)	398,793	+4.3	344,512	(5.0)	344,145	(0.1)	438,789	(2.6)

*1 The aggregate of Internet (previous calculation) and Internet turnover which is included in mass media (2019 Jan to December: JPY 6,848mn)
*2 Amounts included in both "Internet" and mass media.
Please refer to the Appendices "Turnover of Japan Business by Business Category (IFRS basis)" slide for the turnover of Japan business which includes subsidiaries (including Dentsu Inc.) in Japan.

Net Sales (Turnover) of Dentsu Inc. by Industry (J-GAAP)

(JPY mn)

	2019 Jan–Dec	YoY %	Oct–Dec	YoY %	Jul–Sep	YoY %	Apr–Jun	YoY %	Jan–Mar	YoY %
Information/Communications	202,244	(13.3)	54,861	+0.8	44,652	(40.7)	41,596	+0.7	61,134	(2.0)
Finance/Insurance	151,404	+1.7	34,672	(7.7)	33,140	+3.9	32,190	+3.9	51,402	+6.2
Beverages/Cigarettes	143,252	+1.1	33,978	+10.5	31,481	(2.8)	38,902	(7.2)	38,888	+6.1
Cosmetics/Toiletries	130,330	(5.8)	34,563	(8.2)	29,030	(12.9)	37,995	(1.3)	28,741	(0.2)
Government/Organizations	102,800	+79.0	33,722	+102.1	25,658	+118.7	24,085	+126.3	19,333	+5.3
Foodstuffs	100,463	(5.6)	22,837	(9.7)	21,760	(7.8)	26,332	(5.7)	29,532	(0.3)
Food Services/Other Services	96,166	(3.8)	26,306	(6.0)	23,232	+15.6	20,133	(1.5)	26,493	(15.6)
Automobiles/Related Products	82,331	(4.6)	23,593	+19.8	18,802	+2.1	14,857	(12.3)	25,077	(19.9)
Transportation/Leisure	77,526	+6.4	18,009	+11.0	19,278	+17.5	15,332	+3.6	24,905	(2.2)
Distribution/Retailing	76,974	(1.8)	21,809	+9.4	17,855	(0.5)	19,361	(10.2)	17,948	(5.3)
Pharmaceuticals/Medical Supplies	69,191	(1.0)	20,876	+1.6	16,391	(4.6)	15,346	(1.5)	16,576	(0.0)
Real Estate/Housing Facilities	61,212	+0.8	13,707	+18.1	13,573	+6.0	11,334	(6.7)	22,597	(6.6)
Hobbies/Sporting Goods	43,845	(6.3)	11,597	(5.4)	11,111	+5.9	8,284	(16.6)	12,852	(8.9)
Energy/Materials/Machinery	40,598	+12.5	10,924	+10.3	8,637	+14.4	7,014	+19.3	14,021	+10.0
Apparel/Fashion, Accessories/Personal Items	33,313	+1.0	9,870	+0.3	6,946	(2.7)	7,259	(5.3)	9,236	+10.8
Others	114,585	(11.7)	27,462	(14.3)	22,956	(13.2)	24,118	(14.6)	40,047	(7.0)
Total	1,526,241	(0.9)	398,793	+4.3	344,512	(5.0)	344,145	(0.1)	438,789	(2.6)

Currency Exchange Rates Information

	Average rate			Period end rate		
	2019 Jan–Dec	2018 Jan–Dec	Var. %	2019 End of Dec	2018 End of Dec	Var. %
JPY/USD	109.1 yen	110.4 yen	(1.2)	109.6 yen	111.0 yen	(1.3)
JPY/EUR	122.1 yen	130.4 yen	(6.4)	122.5 yen	127.0 yen	(3.5)
JPY/CNY	15.8 yen	16.7 yen	(5.6)	15.7 yen	16.2 yen	(3.0)
JPY/GBP	139.3 yen	147.5 yen	(5.6)	143.5 yen	140.5 yen	+2.2
JPY/AUD	75.8 yen	82.6 yen	(8.2)	76.5 yen	78.2 yen	(2.1)

Revenue less cost of sales ratio by currency (%)

	JPY	USD	EUR	GBP	CNY	AUD	Others	Total
2019 Jan–Dec	40.5	22.5	9.7	6.1	3.5	1.8	15.9	100.0

Dentsu Aegis Network Ad Spend

(%)

	2020 Jan to Dec Market growth forecast	2019 Jan to Dec Market growth forecast
Japan	2.0	1.2
EMEA	2.7	1.7
UK	6.0	6.1
Germany	(1.5)	(1.1)
France	5.1	5.0
Spain	(1.3)	(1.0)
Americas	4.4	3.4
USA	3.8	3.1
Canada	5.5	5.4
Brazil	8.9	4.0
APAC (excluding Japan)	5.0	2.7
China	5.6	3.1
Australia	3.8	1.8
India	10.9	9.4
Global	3.9	2.6

Source: "Dentsu Aegis Network - Ad Spend Forecasts January 2020"