Current Status

CFO Message

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Consolidated Results

Net sales from groupwide operations in fiscal 2013 increased 19.0% over the previous fiscal year, to 2,309.3 billion yen.

Gross profit, benefiting from the increase in net sales, significantly increased 71.7%, to 594.0 billion yen. The organic growth rate was 7.7%. Looking at gross profit by segment, the Advertising segment posted an increase of 76.6%, to 571.3 billion yen, buoyed by the inclusion of revenue from Aegis Group plc ("Aegis") in fiscal 2013 after it joined the Group in the previous fiscal year. The Information Services segment saw growth of 4.0%, to 22.8 billion yen, primarily due to favorable demand for the financial solutions of Information Services International-Dentsu, Ltd. The Other Business segment showed a 5.4% decrease, to 3.5 billion yen.

Selling, general and administrative expenses significantly increased, by 81.8%, to 522.5 billion yen, owing to the addition of Aegis to the Dentsu Group as well as an increase in amortization of goodwill and other intangible assets.

Operating income climbed 22.3%, to 71.4 billion yen, as the increase in gross profit exceeded that of selling, general and administrative expenses, and net income rose 6.8%, to 38.8 billion yen.

Consolidated Financial Highlights

Millions of yen	FY2012	FY2013	Year on year
Net sales	1,941,223	2,309,359	+19.0%
Gross profit	345,940	594,072	+71.7%
Advertising	323,596	571,315	+76.6%
Information Services	21,980	22,855	+4.0%
Other Business	3,711	3,512	-5.4%
Gross profit margin	17.8%	25.7%	+7.9ppt
Operating income	58,466	71,490	+22.3%
Net income	36,336	38,800	+6.8%
EBITDA	74,734	130,818	+75.0%
Operating income before amortization of goodwill and other intangible assets[1]	62,841	114,186	+81.7%
Operating margin[2]	18.2%	19.2%	+1.1ppt
Net income per share (before amortization of goodwill and other intangible assets)	163.4yen	295.9yen	+81.1%

[1] Operating income + amortization of goodwill + amortization of other intangible assets (excl. depreciation of software)

[2] Operating income before amortization of goodwill and other intangible assets ÷ gross profit x 100

Geographic Breakdown

By region, gross profit from operations in Japan rose 8.9% over the previous fiscal year, to 311.4 billion yen, and operating income before amortization of goodwill and other intangible assets jumped 33.4%, to 72.4 billion yen. Gross profit from operations in Europe, the Middle East and Africa (EMEA) surged exponentially—3036.0%—to 108.6 billion yen, while operations in the Americas delivered a 176.8% increase in gross profit, to 93.6 billion yen, and the Asia Pacific (APAC), excluding Japan, achieved 256.0% growth, to 80.7 billion yen. Gross profit for Dentsu Aegis Network came to 282.8 billion yen overall, climbing 372.0% year on year, and operating income before amortization of goodwill and other intangible assets soared 397.3%, to 41.3 billion yen.

The organic growth rate trended low, at 2.3%, in EMEA, where the macro environment was extremely challenging during the first and second quarters. In the Americas and APAC, however, rates were 7.8% and 8.9%, respectively, leading to an overall rate of 5.9% for the Dentsu Aegis Network. Combined with an organic growth rate of 9.2% for Japan, the consolidated growth rate was 7.7% for the year for the Dentsu Group.

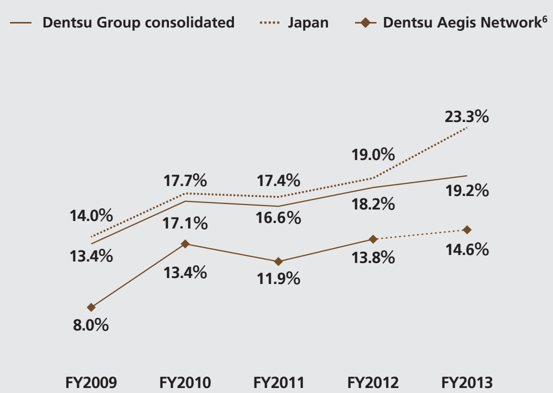
The operating margin before amortization of goodwill and other intangible assets (adjusted operating margin) reached a very high level in Japan—23.3%. Dentsu Aegis Network's adjusted operating margin also showed good results, moving from around 13% into the 14% range. In total, the Dentsu Group's consolidated adjusted operating margin settled at 19.2%.

Geographic Breakdown

	Gross profit			Operating income before amortization of goodwill and other intangible assets		
Millions of yen	FY2012	FY2013	Year on year	FY2012	FY2013	Year on year
Japan	285,991	311,416	+8.9%	54,292	72,409	+33.4%
EMEA[3]	3,465	108,683	+3036.0%	–	–	–
Americas[4]	33,826	93,623	+176.8%	–	–	–
APAC[5]	22,670	80,719	+256.0%	–	–	–
Dentsu Aegis Network total	59,921	282,857	+372.0%	8,324	41,393	+397.3%
Dentsu Group consolidated total	345,940	594,072	+71.7%	62,841	114,186	+81.7%

[3] Europe, Africa and Middle East
[4] North, Central and South America
[5] Asia Pacific

Operating Margin Before Amortization of Goodwill and Other Intangible Assets



[6] From fiscal 2013, the former Aegis was consolidated

Proforma Supplementary Information

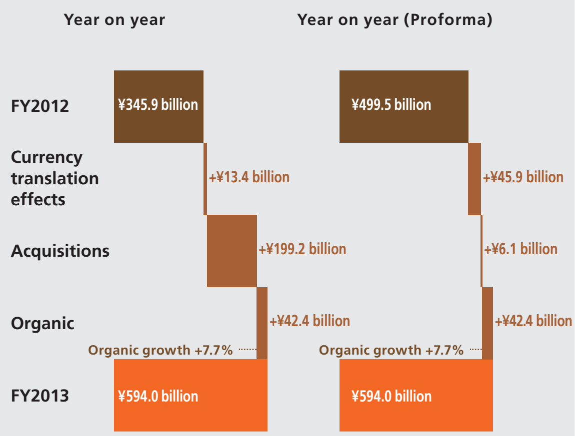
Fiscal 2013 consolidated results are considerably different from a year ago, as they include full-year contribution from Aegis following its acquisition and integration into the Dentsu Group. Compared with proforma data calculated on the assumption that Aegis had been acquired and consolidated in the previous fiscal year, net sales were 9.9% higher year on year and gross profit was 18.9% higher. Operating income was 36.6% higher and net income was 58.7% higher, indicating that we would have been able to achieve a high growth rate even on a proforma basis[7].

[7] Assuming Aegis was acquired on January 1, 2012, Aegis's results for 2012 (January to December) were consolidated in the Dentsu Group's fiscal 2012 results under Japanese GAAP, after the deduction of acquisition-related costs and adjustment by amortization of goodwill and M&A-related intangible assets in an amount equivalent to the fiscal year under review. The exchange rate for the previous fiscal year has been used in the calculation. (Unaudited)

Consolidated Financial Highlights (vs. Proforma)

Millions of yen	FY2012 Proforma	FY2013	vs. Proforma
Net sales	2,102,122	2,309,359	+9.9%
Gross profit	499,505	594,072	+18.9%
Gross profit margin	23.8%	25.7%	+2.0ppt
Operating income	52,318	71,490	+36.6%
Net income	24,445	38,800	+58.7%
EBITDA	101,014	130,818	+29.5%
Operating income before amortization of goodwill and other intangible assets[8]	85,846	114,186	+33.0%
Operating margin[9]	17.2%	19.2%	+2.0ppt
Net income per share (before amortization of goodwill and other intangible assets)	232.7yen	295.9yen	+27.2%

Gross Profit Growth



[8] Operating income + amortization of goodwill + amortization of other intangible assets (excl. depreciation of software)

[9] Operating income before amortization of goodwill and other intangible assets ÷ gross profit x 100

Financial Position

The consolidated balance sheet for fiscal 2013, ended March 31, 2014, reflects a huge impact from the acquisition of Aegis.

Current assets settled at 1,368.3 billion yen, up 21.9%, with trade receivables, including Aegis's notes receivable–trade, comprising nearly the entire amount. Total fixed assets amounted to 1,269.9 billion yen, up 17.3%, largely due to the effect of exchange rate fluctuations (weaker yen). The effect of exchange rate fluctuations is presented in the line item "foreign currency translation adjustments" in the equity section of the consolidated balance sheet.

Current liabilities reached 1,253.2 billion yen, down 4.9%, as the payables for the Aegis acquisition, which were booked at the end of the previous fiscal year, was paid in April 2013 against the addition of Aegis's operating debts. Long-term liabilities jumped 70.6%, to 476.5 billion yen, mainly due to a significant increase in debts to cover the Aegis acquisition.

Total shareholders' equity came to 715.8 billion yen, up 25.5%, primarily because of a capital increase.

In the end, total assets were considerably higher than a year earlier—up 19.6%—to 2,638.3 billion yen, largely reflecting exchange rate fluctuations and the consolidation of Aegis.

Interest-bearing debt stood at 342.5 billion yen at March 31, 2014, but with 228.6 billion yen from cash and deposits and marketable securities, net interest-bearing debt was 113.8 billion yen. Applying fiscal 2013 EBITDA of 130.8 billion yen, the net interest-bearing debt/EBITDA ratio was 0.87; and applying equity of 908.4 billion yen, as of March 31, 2014, the net debt/equity ratio was 0.13.

Consolidated Balance Sheet (Summary)

Millions of yen	End-March 2013	End-March 2014	Year on year
Current assets	1,122,602	1,368,385	+21.9%
Fixed assets	1,082,966	1,269,933	+17.3%
Total assets	2,205,569	2,638,319	+19.6%
Current liabilities	1,317,554	1,253,263	-4.9%
Long-term liabilities	279,377	476,560	+70.6%
Total liabilities	1,596,931	1,729,824	+8.3%
Shareholders' equity	570,419	715,828	+25.5%
Accumulated other comprehensive income	14,076	167,289	+1088.4%
Minority interests	24,141	25,377	+5.1%
Total shareholders' equity	608,637	908,495	+49.3%
Total liabilities and equity	2,205,569	2,638,319	+19.6%

Net Debt

Millions of yen	End-March 2013	End-March 2014	Year-on-year difference
Debt	215,852	342,502	+126,650
Cash and deposits, and marketable securities	208,473	228,641	+20,168
Net debt	7,379	113,861	+106,481
EBITDA	74,734	130,818	+56,084
Net debt/EBITDA	0.10times	0.87times	+0.77times
Net debt/equity ratio	0.01times	0.13times	+0.12times

Cash Flows

In fiscal 2013, net cash provided by operating activities amounted to 97.5 billion yen. Vigorous investing activities, particularly the Aegis acquisition, led to a high level of net cash used in investing activities—318.0 billion yen. Net cash provided by financing activities rose 231.8 billion yen, to 226.5 billion yen, primarily due to proceeds from long-term debt, disposal of treasury shares and issuance of common shares.

Dividends

Dividends were raised 1 yen compared with the previous fiscal year, for an annual dividend of 33 yen per share. The payout ratio improved to 23.4%.