

# Summary of 1st Half of Fiscal 2013 and Management Strategy

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This presentation material contains forecasts based on assumptions, prospects and plans about the future of the management as of November 15, 2013.  
Actual results may significantly differ from the forecasts, depending on risks and uncertainties related to the economic situation.

November 15, 2013

I'm Tadashi Ishii, President & CEO of the Dentsu Group.

I must say that we have made a very good start, including financially, in the first half of fiscal 2013.

The integration of Aegis is going very well. It has supported a strong set of financial results for the first half.

Including that, I would like to explain future strategy with topics relating to the first half.

## To evolve into a truly global network at the forefront of marketing convergence Innovation × Reinvention

- Diversifying the portfolio on a global basis
- Evolution and expansion of the digital domain
- Re-engineering business processes and improving profitability
- Further reinforcing the business platform in the core Japanese market

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Before I get into details, I would like to reiterate our goal, which is set under our new medium-term plan, Dentsu 2017 and Beyond.

We would like to achieve the goal of “evolving into a truly global network at the forefront of marketing convergence” by fiscal 2017.

In order to achieve that goal, we have set four basic strategies as you can see in this slide.

Each theme is set for the medium- to long-term, and therefore, we may not see immediate results from these strategies.

I would like to explain the strategies, particularly what we are focusing on now.

### 3 speed world



**North America**

**Asia + Emerging Markets**

**Western  
Europe + Japan**

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Our new medium-term plan divides the world's advertising markets into three targets based on the speed of market growth, level of market maturity and the position of the Dentsu Group, and sets growth strategies for these respective markets.

So, for each market, I would like to brief you on the topics for the first half of fiscal 2013 and on future strategy.

## North America

- Integration between Dentsu Network and Aegis resulted in winning some new accounts.
- Clients we won in the previous year drove our growth.

Increase market share  
by integration between  
the two fast-growing networks.

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North America remains the world's largest advertising market and also a market in which a vast amount of the world's innovation is generated.

Combined with Aegis, the Dentsu Group has become a strong network which has the scale and high quality of services required by global clients.

In the first half we secured some accounts through integration between the two networks.

At the same time, large accounts that Aegis secured in the previous year are contributing to growth in the first half.

Recently both Dentsu Network and Aegis have achieved the highest growth in the region compared to the peer group. Carat, macgarrybowen, and 360i have all attained market-leading reputations in North America.

With integration progressing between the two strong networks, we would like to make a big leap forward.

## Asia + Emerging Markets

- Made acquisitions in China, Russia, India, Thailand, etc.
- In the important global hub China, acquisitions since last year and recovery in the existing business contributed to growth.

Expand the scale through  
M&A and secure the leading position.

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Let me move on to Asia and emerging countries. The Dentsu Group has also made important investments in these markets in order to take advantage of the high rates of economic growth to boost our performance.

In the first half of fiscal 2013, we made acquisitions in China one of the most important countries, as well as in Russia, India, Thailand, and so on.

In China, it was seen that the economy changed its pace at the beginning of the year as well as Japanese companies restrained their activities, although these things seem to be getting under control.

In other regions, we are steadily expanding our business in general.

We will continue to expand our scale through acquisitions and secure the leading position in these markets ahead of our competitors.

### 3 speed world

## Western Europe

- Despite the severe market environment, we performed relatively better with the help of a strong client base.
- Enhanced the business platform around investment in the digital domain and so on.

Maintain and enhance business platform.

Aggressively attain profit opportunities with economic recovery.

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Next, Western Europe. The advertising market saw negative growth and the business environment was very severe.

In this tough environment we performed relatively better due to strong client bases in the UK and Germany which have relatively stable economies and due to our limited exposure to the more challenging region of Southern Europe.

Next to Japan, Western Europe is a key region where the Dentsu Group has maintained the highest level of competitiveness. We will therefore further enhance our business platform around investment in the digital domain and so on to aggressively secure profit opportunities, which will come with future economic recovery.

I will explain separately about the Japanese market later.

# Mergers + Acquisitions

October	Russia	Traffic LLC	Digital agency
September	China	TRIO Digital Integrated	Digital creative
September	Spain	Wink TTD S.L. / Ymedia S.L.	Digital and Media agency
July	Italy	Simple Agency	Digital agency
May	India	Webchutney Studio Private Limited	Digital creative
May	Netherlands	Social Embassy B.V.	Social media agency
May	Romania	Kinecto International SRL	Digital agency
May	Belgium	NewWorld	Brand promotion
May	Canada	NVI solutions	Digital agency
April	Thailand	Brandscape Company Limited	Brand consulting
April	China	Beijing Wonder Advertising Co., Ltd.	Digital media agency

Scale

Infill

Innovation

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We have been actively utilizing M&A as a means to enhance our business foundation outside Japan.  
We made acquisitions in the first half of 2013 as listed in this slide.

In making investment decisions, we focus on three points:

- Scale—that is, whether the investment can contribute to the expansion of our network;
- Infill, which means whether it can lead to cross-selling with our existing network; and
- Innovation, which refers to acquisition of new capabilities, including technology.

As a result, most of the companies we have acquired are related to the digital business.

With this policy and strict investment criteria, we will continue to make aggressive investments.

## Core Business

### Japan

- Dentsu Inc. in particular made a significant contribution to the consolidated results.
- Gross profit exceeded market growth.
- Cost control led to improved profitability.

Further improve profitability.  
Create and secure new growth opportunities  
by reinforcing the business platform.

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Finally, I would like to talk about Japan as the core market of the Dentsu Group.

Sales in Japan as a single market account for the greatest percentage of sales of the Group. At the same time, Japan is the market where we have the richest business platform and customer base.

In the first half of fiscal 2013, our gross profit, primarily that of Dentsu Inc., exceeded market growth, and significantly contributed to consolidated earnings.

We also improved profitability as a result of our continued efforts toward cost control.

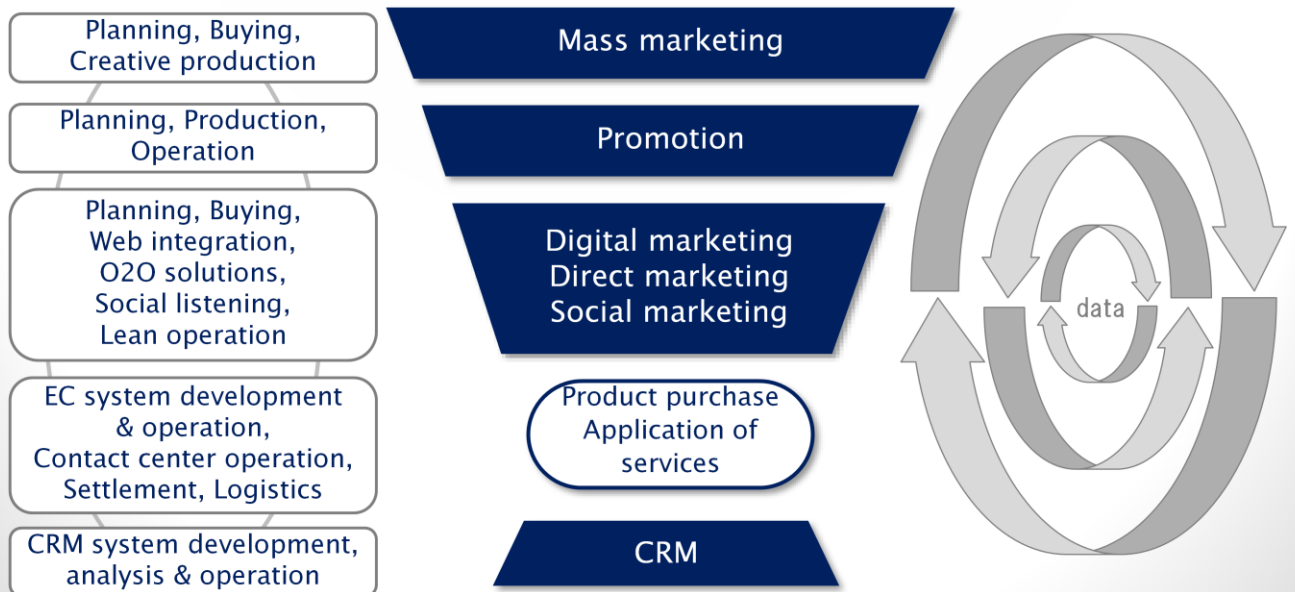
We will continue to work on reinforcing our business platform and improving profitability while making the most of abundant resources and a wide customer base to create new growth opportunities.



# Marketing Convergence

## Integrated marketing services

## Data Management Platform



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I believe such growth opportunities lie in the “Development of Marketing Convergence.”

The center of the slide shows the process of marketing.

While optimization based on marketing data has been carried out in terms of each of these individual processes, the Dentsu Group intends to take on the challenge of optimizing overall marketing activities and improving ROI.

In order to do so, it will be necessary to enable the analysis of various data related to marketing, build a platform that links the vast amount of data, and to operate the platform at a low cost.

In addition to the domains of mass marketing and promotions, which have been the source of Dentsu’s competitiveness, we have fostered the digital and direct domains as our new strengths.

Furthermore, we have also implemented a streamlined set of services including the selling scheme and post-sale CRM.

We believe that these initiatives will optimize marketing activities and improve ROI to the next high level through comprehensively supporting the overall business of a client.

These far-sighted challenges will lead to expansion of our services and of the revenue stream.

We believe that is exactly where the potential lies for the Dentsu Group to continue growing in a mature market like Japan.

We have produced concrete results that we carried out with major clients in a variety of industries including automobile, communication, beverage and toiletries and the other many clients have interest in it.

We will accumulate the results to establish a role model and use this as our unique strength in securing a global competitive advantage.

# Key Performance Indicator

	FY2012 <sup>※1</sup>	FY2013/1h	FY2017 target
Gross Profit Organic Growth Rate		<b>3.5%</b>	→ <b>3% - 5%</b> <sup>※2</sup>
Gross Profit Overseas Ratio	<b>44%</b>	→ <b>46.9%</b>	→ <b>55%</b> or higher
Gross Profit Digital Domain Ratio	<b>23%</b>	→ <b>26.5%</b>	→ <b>35%</b> or higher
Operating Margin before Amortization of Goodwill	<b>18%</b>	→ <b>14.9%</b>	→ <b>20%</b> or higher
	(full year prediction <b>18.6%</b> )		

※1) Calculated by simple combined consolidated total of gross profit or operating income for Dentsu and the Aegis Group in fiscal 2012.  
 ※2) Compound average growth rate through five years . Please refer to "Definition" in the following Appendix for others definitions.

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Last but not least, the progress of our KPIs set in our medium-term plan is shown in the slide.

The progress of each indicator is steady and I would like to explain just two points regarding the operating margin.

The first point is that the operating margin tends to be lower in the first half of the year than in the second half.

The second point is that Dentsu Aegis Network is running a number of global transformation projects in IT and other, ensuring that we have a functional backbone to support our business expansion. In addition to the one off integration investment we are making this year and next, This means that we are taking short term costs for important benefits over the longer term.

I would like to emphasize that the margin of Japanese business is improving and so we expect to have a higher margin than the previous year on a full year consolidated basis.

I would like to conclude my presentation by stating my appreciation for your continued support of the development of the new Dentsu Group. Thank you.