

FOR IMMEDIATE RELEASE

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## **Dentsu Reports Consolidated Financial Results for the Three Months Ended June 30, 2013 (Japanese GAAP)**

Dentsu Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Tadashi Ishii; Head Office: Tokyo; Capital: 71,204.7 million yen) today convened a meeting of its Board of Directors at its Head Office in Tokyo at which it finalized its consolidated and non-consolidated financial results for the three months ended June 30, 2013 (April 1–June 30, 2013).

The Dentsu Group posted consolidated billings (net sales) of 514,229 million yen (14.9% year-on-year increase); gross profit of 122,882 million yen (60.7% increase); operating loss of 717 million yen (operating income of 9,571 million yen was posted for the same period of the previous fiscal year); operating income before amortization of goodwill and intangible assets of 10,032 million yen (4.9% decrease); ordinary income of 1,450 million yen (87.4% decrease); and net loss of 3,698 million yen (net income of 5,886 million yen was posted for the same period of the previous fiscal year).

Since the results for the first quarter were generally in line with expectations, no changes have been made to the forecast of consolidated financial results for the first half ending September 30, 2013 and fiscal year ending March 31, 2014, which was announced on May 14, 2013.

### **Summary of financial results for the three months ended June 30, 2013**

During the first quarter of the fiscal year ending March 31, 2014, the global economy remained uncertain due to concerns about the prolonged European government debt crisis as well as the slowdown in economic growth seen in China, although economic recovery is picking up steam in the United States. With regard to Japan, thanks to economic measures taken by the government which led to a rapid weakening of the yen and higher stock prices, Japan's business and consumer confidence showed signs of improvement.

Under such circumstances, following the completion of the acquisition of Aegis Group plc

(hereinafter "Aegis") in March 2013, which marked a new beginning for the expanded Dentsu Group as a truly global player operating in 110 countries across the globe, the Group set a new medium-term management plan "Dentsu 2017 and Beyond" which starts from FY2013 and goes through to FY2017. The Group aims to become a next-generation agency network that provides unparalleled value through its unique capabilities, creating new marketing communications that go beyond the framework of existing advertising business. In addition to building a network that supports its clients' businesses worldwide, the Group will develop and provide integrated solutions that lead the digital age, as well as achieve sustainable growth and increase profitability in the Japanese market, the Group's strongest base.

From the first quarter of the fiscal year ending March 31, 2014, Aegis's results have been included in the Dentsu Group's Consolidated Statements of Income. As a result, for the three months ended June 30, 2013, the Group posted consolidated billings (net sales) of 514,229 million yen, an increase of 14.9% compared with the same period of the previous fiscal year, and gross profit of 122,882 million yen, an increase of 60.7%. From a seasonal perspective, the consolidated billings and gross profit for the first and third quarters tend to be lower than those for the second and fourth quarters, and since the amounts assigned to goodwill and intangible assets are amortized in equal proportions each quarter, for the first quarter the Group posted operating loss of 717 million yen (operating income of 9,571 million yen was posted for the same period of the previous fiscal year); ordinary income of 1,450 million yen, a decrease of 87.4%; and net loss of 3,698 million yen (net income of 5,886 million yen was posted for the same period of the previous fiscal year). Operating income before amortization of goodwill and intangible assets came to 10,032 million yen, a decrease of 4.9%. Operating income before amortization of goodwill and intangible assets comprises the operating income figure to which has been added the amortization of goodwill incurred through acquisitions (including the acquisition of Aegis) and other intangible assets.

Since the purchase price allocation relating to the acquisition of Aegis had not been completed by June 30, the last day of the first quarter, the goodwill that was amortized for the first quarter was the amount calculated on a provisional basis using the straight-line method over a period of 20 years.

Looking at the results by business segment, in the Advertising segment net sales of 501,221 million yen, an increase of 15.3% compared with the same period of the previous fiscal year; gross profit of 118,595 million yen, an increase of 68.2%; and segment loss of 652 million yen (segment income of 9,172 million yen was posted for the same period of the previous

fiscal year) were posted. In the Information Services segment, net sales of 14,134 million yen, an increase of 0.4%; gross profit of 3,948 million yen, a decrease of 5.0%; and segment loss of 742 million yen (segment loss of 486 million yen was posted for the same period of the previous fiscal year) were posted. In the Other Business segment, net sales of 3,660 million yen, a decrease of 12.2%; gross profit of 872 million yen, a decrease of 8.4%; and segment income of 221 million yen, a decrease of 39.0%, were posted.

By geographic area, gross profit of 67,150 million yen, an increase of 6.3% compared with the same period of the previous fiscal year, and operating income of 9,507 million yen, an increase of 7.5%, were posted in Japan. In other countries, gross profit of 56,102 million yen, an increase of 320.1%, and operating loss of 10,078 million yen (operating income of 590 million yen was posted for the same period of the previous fiscal year) were posted.

From the 2013 fiscal year onward, gross profit has been specified as one of the Group's business management indicators. Accordingly, gross profit figures will be used in its disclosures of results by business segment and geographical area from the first quarter onward.

Regarding Dentsu Group companies with a December 31 closing date, including subsidiaries in countries other than Japan, their financial results for the three months from January 1 to March 31, 2013 are, as a general rule, incorporated in the consolidated financial results for the three months ended June 30, 2013.

Dentsu posted non-consolidated billings (net sales) of 350,246 million yen, an increase of 4.4% compared with the same period of the previous fiscal year; gross profit of 47,889 million yen, an increase of 7.2%; operating income of 8,060 million yen, an increase of 3.3%; ordinary income of 15,578 million yen, an increase of 20.1%; and net income of 10,619 million yen, an increase of 31.5%.

#### **Reference: Scope of Consolidated Financial Results**

As of June 30, 2013, the Dentsu Group includes 658 consolidated subsidiary companies and 56 affiliated companies accounted for by the equity method. 93 of these companies are located in Japan and 621 in countries other than Japan. By business segment, 692 of these companies fall into the Advertising segment, 16 into the Information Services segment, and 6 into the Other Business segment.

### Outlook for the first half ending September 30, 2013 and the fiscal year ending March 31, 2014

Since the results for the first quarter were generally in line with expectations, no changes have been made to the forecast of consolidated financial results for the first half ending September 30, 2013 and fiscal year ending March 31, 2014, which was announced on May 14, 2013.

Millions of yen

FY 2013 (from April 1, 2013 to March 31, 2014)	Three months ended June 30, 2013	YoY change (%)	Forecast for the six months ending Sept. 30, 2013	YoY change (%)	FY2013 forecast (from April 1, 2013 to March 31, 2014)	YoY change (%)
Net sales	514,229	14.9	1,081,400	17.4	2,283,400	17.6
Gross profit	122,882	60.7	266,000	63.5	571,800	65.3
Operating income (loss)	(717)	–	13,800	(37.6)	58,500	0.1
Ordinary income	1,450	(87.4)	12,700	(35.8)	58,700	(0.6)
Net income (loss)	(3,698)	–	(2,300)	–	19,100	(47.4)

### For reference

Millions of yen

FY 2013 (from April 1, 2013 to March 31, 2014)	Three months ended June 30, 2013	YoY change (%)	Forecast for the six months ending Sept. 30, 2013	FY2013 forecast (from April 1, 2013 to March 31, 2014)
Operating income before amortization of goodwill and intangible assets	10,032	(4.9)	34,500	100,100

### Cautionary statement with respect to forward-looking statements

These business results forecasts have been made by Dentsu on the basis of currently available information, and hence involve potential risks and uncertainties. Consequently, actual business results may differ from the forecasts due to changes in various factors.

## Consolidated Financial Results for the Three Months Ended June 30, 2013

### 1. Summary of Consolidated Balance Sheets

(Millions of yen: Rounded down to the nearest one million yen)

	As of March 31, 2013	<b>As of June 30, 2013</b>	% Change
<b>ASSETS</b>			
Current assets	1,122,602	<b>1,067,926</b>	(4.9)
Noncurrent assets	1,082,966	<b>1,134,003</b>	4.7
Total assets	<u>2,205,569</u>	<u><b>2,201,930</b></u>	<u>(0.2)</u>
<b>LIABILITIES</b>			
Current liabilities	1,317,554	<b>1,167,293</b>	(11.4)
Noncurrent liabilities	279,377	<b>382,151</b>	36.8
Total liabilities	<u>1,596,931</u>	<u><b>1,549,445</b></u>	<u>(3.0)</u>
<b>NET ASSETS</b>			
Shareholders' equity	570,419	<b>562,727</b>	(1.3)
Accumulated other comprehensive income	14,076	<b>66,368</b>	371.5
Minority interests	24,141	<b>23,388</b>	(3.1)
Total net assets	<u>608,637</u>	<u><b>652,484</b></u>	<u>7.2</u>
Total liabilities and net assets	<u>2,205,569</u>	<u><b>2,201,930</b></u>	<u>(0.2)</u>

## 2. Summary of Consolidated Statements of Income

(Millions of yen: Rounded down to the nearest one million yen)

	Three months ended June 30, 2012	<b>Three months ended June 30, 2013</b>	% Change
Net sales	447,469	<b>514,229</b>	14.9
Gross profit	76,481	<b>122,882</b>	60.7
Operating income (loss)	9,571	<b>(717)</b>	-
Non-operating income	3,001	<b>6,033</b>	101.0
Non-operating expenses	1,076	<b>3,866</b>	259.3
Ordinary income	11,497	<b>1,450</b>	(87.4)
Extraordinary income	21	<b>18</b>	(16.1)
Extraordinary loss	1,262	<b>1,880</b>	49.0
Income (loss) before income taxes and minority interests	10,256	<b>(412)</b>	-
Net income (loss)	5,886	<b>(3,698)</b>	-

## 3. Summary of Consolidated Statements of Comprehensive Income

(Millions of yen: Rounded down to the nearest one million yen)

	Three months ended June 30, 2012	<b>Three months ended June 30, 2013</b>	% Change
Income (loss) before minority interests	5,890	<b>(3,851)</b>	-
Other comprehensive income	(434)	<b>52,573</b>	-
Comprehensive income	5,455	<b>48,721</b>	793.0

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