

dentsu

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Financial Report

period covered: FY2024-2025

Part 1 Business Overview

1. Management Policies, Management Environment and Issues to be Addressed

(1) Continuing to advance initiatives under the Mid-Term Management Plan

Under the Mid-Term Management Plan announced in February 2025, we positioned a recovery in business performance of the International business of dentsu, the Group, as the most important issue. To that end, we are promoting “Reevaluating underperforming businesses and rebuilding the business foundation,” “The focus of our business strategies,” and “Management and financial policy emphasizing shareholder value and capital efficiency.” The medium-term initiatives for the most pressing issue of a recovery in profitability and competitiveness remain unchanged, and we will continue with these initiatives. Regarding the Mid-Term Management Plan, in light of changes in the business environment and the current business performance, we will update specific strategies and measures, withdraw certain key financial targets and financial policies for review, and re-establish them.

(2) Reevaluating underperforming businesses and rebuilding the business foundation

The reevaluation of underperforming businesses and rebuilding the business foundation are the initiatives the Group has been promoting to achieve the recovery of profitability.

As the first step, we are reevaluating markets continuing to operate at a loss among the markets that have seen over ¥10 billion of cumulative investment. Businesses in China and Australia had been posting operating losses from FY2023, and we successfully turned them profitable on an underlying operating profit basis through ensuring cost efficiency and reviewing compensation. Although both businesses remained in negative growth for the full FY2025, we saw an organic growth rate turning positive in China from the third quarter onward, which contributed to an improvement in profitability. The reevaluation of underperforming businesses is conducted on an ongoing basis based on the latest business results. Aiming to eliminate any markets operating at a loss during FY2026, we are taking steps to recover profitability. Meanwhile, we already started the processes of downsizing, withdrawing, or selling some businesses that were found to be underperforming, progress of which will be announced at an appropriate timing.

In rebuilding the business foundation, we aim to reduce costs by approximately ¥50 billion per year in FY2027. We are now reviewing the overlapping headquarters functions currently split between Tokyo and London, streamlining operations by redefining the role of each regional headquarters, engaging in market cost control, and improving efficiency, including the use of AI and outsourcing. Specifically, we launched 750 projects, and the statuses of more than 80% of the projects were either running or completed as of January 2026. This

resulted in the cost reduction of about ¥14 billion recognized per year in FY2025, and an additional ¥28 billion of cost reduction per year is expected to be recognized in FY2026. We had also been working to simplify the capital structure. By continuing with this effort, by January 2026 we successfully reduced by half the number of companies engaged in the International business that had reached more than 1,000 as of January 2021. This effort will continue in FY2026, with a view to achieving greater efficiency and realizing organizations that can offer values to our clients swiftly.

(3) The focus of our business strategies

The services that the Group provides to its clients are Integrated Growth Solutions that achieve sustainable growth for clients by integrating the Group's diverse range of unique capabilities in the area where marketing, technology, and consulting converge, as well as the sports and entertainment domain. Under the Mid-Term Management Plan, we aim to be a growth partner for our clients in each market. Through successive successes in each market, we will achieve global growth.

Under our markets strategy, we are strengthening our focus particularly on the large markets of Japan and the United States, where the Group boasts unique business assets. In Japan, the market accounting for about 40% of the Group's net revenue, we have achieved growth for the eleventh consecutive quarter. As this strong growth is expected to continue in FY2026, we will strengthen our competitiveness in the market as a driving force for the entire Group.

In the United States that showed negative growth in FY2025, we are making internal investments, such as tool development and AI utilization in the data & technology businesses, aiming to achieve growth driven by our core Media businesses. In addition, to recover business performance of the customer experience management (CXM) business, we are working to improve the conversion rates of pipelines (potential deals). As a recovery trend was seen in the third and fourth quarters in FY2025, we expect to bring the CXM business in the United States back to positive growth in FY2026, for the first time after FY2022.

In the International business, we are promoting initiatives to enhance added value in our core Media business, which accounts for over half of net revenue across our three overseas regions, and the organic growth rate of the Media business in FY2025 was positive. Although the Creative business and CXM business will continue to face a challenging business environment in some regions, we will continue to strengthen the capabilities of these businesses in areas with great affinity for the Media business.

We are simultaneously promoting initiatives to create businesses that will be potential pillars of growth for the future. In addition to business transformation (BX), we began full-scale global expansion of the sports and entertainment business in FY2025, which was focused on Japan until now. We will expand our business strategically in anticipation of large-scale sports events and other numerous business opportunities in FY2026.

(4) Management and financial policy emphasizing shareholder value and capital efficiency

Our financial base was affected by the recording of a significant impairment loss. In light of this situation, we will manage and operate our business under a more disciplined financial policy than in the past. We will strictly scrutinize the scale of funding needed and carefully manage the balance of capital and liabilities, as well as other aspects, to improve the soundness of our financial position.

On this basis, regarding capital allocation, we will continue prioritizing expenditure relating to rebuilding the business foundation, together with internal investments aimed at business growth, to recover profitability and competitive advantage. Meanwhile, as for business acquisitions and similar investments, we will selectively implement projects consistent with our business strategies, based on more stringent risk management than in the past.

With regard to shareholder returns, we regrettably decided to pay no year-end dividend for FY2025, following on from the interim dividend, and the dividend forecast for FY2026 is also set to zero. Going forward, the Company will work to restore its competitive advantage and profitability by concentrating management resources on priority markets and areas, rebuilding the business foundation, and reevaluating underperforming businesses. Through these initiatives, we aim to enhance earnings per share (EPS) and maximize total shareholder return (TSR), while also promoting efforts toward the resumption of dividend payments in the future.

(5) Strengthening governance and internal controls

We will continue to strive to improve the Group's governance and internal controls through measures such as building a Group-wide governance structure, strengthening the supervisory function on decision making in each region, clarifying those responsible for Group governance, and streamlining business operations to achieve appropriate and efficient implementation of the One dentsu Operating Model. Progress on these initiatives is regularly confirmed by the Board of Directors, the Audit Committee, and other bodies.

At dentsu Japan, all officers and employees are engaged in the Mindset and Behavior Reform aimed at preventing the recurrence of issues after the Company was indicted for a violation of the Antimonopoly Act in connection with the Tokyo 2020 Olympic and Paralympic Games. In FY2024, we completed all 17 initiatives established in FY2023. Building upon the previous efforts, from January 2025, we are addressing issues confirmed through an employee survey and evaluations by external advisors.

We were convicted by the Tokyo District Court on January 30, 2025, and received decisions dismissing our appeal from the Tokyo High Court on July 31, 2025, and from the Supreme Court on December 10, 2025. Taking these judgments and decisions seriously, the Company is pursuing further initiatives such as the improvement of governance and internal controls as represented by the Mindset and Behavior Reform, and we will implement business operations and corporate activities based on appropriate operational processes.

(6) Other issues

The Company recorded loss on valuation of other securities of subsidiaries and associates of ¥286,714 million and allowance for doubtful accounts of ¥171,858 million in the nonconsolidated financial statements for the fiscal year under review. This is because we confirmed a significant decline in the real value of Dentsu International Limited's shares, a holding company in the International business, as well as a rise in the risk of non-recovery of loans to overseas subsidiaries under Dentsu International Limited, both on a nonconsolidated basis for the fiscal year under review.

As a result, the Company has excessive liabilities in the nonconsolidated financial statements for the fiscal year under review, and this situation is causing significant doubts on the premise of a going concern. However, from the perspectives of the status of fund balance as of the end of the fiscal year under review, its diverse fundraising methods, cash flow management across the Group and other factors, no concern exists regarding the continuity of the business activities of the Company and the Group, and it was determined that no significant uncertainty is deemed to exist about the premise of a going concern.

2. Sustainability Approach and Initiatives

(1) Sustainability for the Group

For the Group, sustainability means the sustainable development of our clients and society, as set forth in our Purpose. In June 2025, we revised our 2030 Sustainability Strategy into the 2030 Value Creation Strategy, positioning it as the execution plan for our “B2B2S” management policy to build a more robust management foundation in response to changing social conditions. Under this strategy, we identify four material themes: Integrity, People & Culture, Innovation, and Environment. Addressing these material themes is our strategy for promoting sustainability.

2030 Value Creation Strategy

Purpose	an invitation to the never before. Through connecting diverse talents within and beyond our organization, we exist to create new solutions and new beginnings for the sustainable development of our clients and society.			
Vision	To be at the forefront of people-centered transformations that shape society			
Society to be realized	A vibrant society where people enjoy a fulfilling life			
Management Policy	B2B2S: Resolving social issues together with clients, and achieving sustainable growth for all			
2030 Value Creation Strategy	Generating ideas for the future to solve challenges facing society through business			
Material themes	INTEGRITY Putting integrity first	PEOPLE & CULTURE Valuing differences in people’s skills, strengths, and perspectives	INNOVATION Creating ideas for the future with the power of creativity and technology	ENVIRONMENT Embedding environmental risks, opportunities, and resilience into our business strategy

To achieve our Purpose and maximize corporate value for stakeholders, we have identified material issues based on a two-axes materiality assessment that considers “importance from management perspective” and “importance from stakeholder perspective.” During the formulation process, we analyzed the Group’s current and future-oriented strategies and business models, Group management risks overseen by the Group Risk Committee, Board materials and sustainability-related briefings, and information disclosure standards such as the SASB Standards. For details on the materiality formulation process, please refer to our website:

<https://www.group.dentsu.com/en/philosophy/materiality.html>

The relationship between our material themes and corporate value, based on the external environment, is presented below.

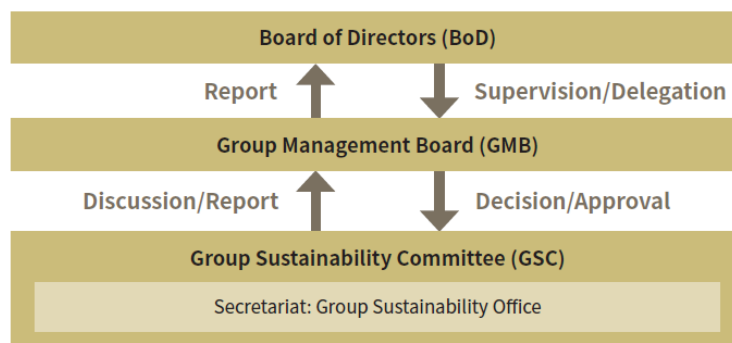
External environment	Material themes	Reasons for selection (risks, opportunities)	Relation to corporate value
<p>Intensifying business competition driven by changing business assumptions and challenges, as well as the evolving needs of consumers</p> <p>Escalating importance of a people-centric approach in response to changes in the values of consumers and society and increase in societal issues</p>	INTEGRITY	Our corporate activities are predicated on adherence to corporate ethics and compliance, as well as integrity with respect to society and all other stakeholders. There is a growing demand for respect for human rights, protection of data privacy, and cybersecurity. We will fulfill our responsibilities and establish a solid foundation for value creation by further evolving our corporate governance and risk management.	<p>*Reducing management risk</p> <p>*Mid- to long-term value creation</p>
	PEOPLE & CULTURE	As human capital is the core of the Group's competitiveness, its shortage is a major risk. We hire uniquely talented people, train them, and place them in nurturing work environments to bring out their best. Then we multiply the talents of our people to create new value. This leads directly to better service for our clients and society, energizes dentsu and the wider industry, and meets shareholder and investor expectations.	<p>*Performance improvement in the short term</p> <p>*Reducing management risk</p> <p>*Mid- to long-term value creation</p>
	INNOVATION	Our purpose and vision entail providing unprecedented ideas and solutions for clients and society to produce transformations. By collaborating with stakeholders, displaying thought leadership throughout our industry and society, and investing in the realization of new ideas, we expect to become a driving force for innovation aimed at solving challenging social issues.	<p>*Performance improvement in the short term</p> <p>*Mid- to long-term value creation</p>
	ENVIRONMENT	The environment is an issue that has a profound influence on our entire value chain. We ascertain the risks and opportunities related to the environment and incorporate those into our business strategy. This is of critical importance to the sustainable enhancement of dentsu's corporate value. By proactively addressing environmental issues, we can create business opportunities and sharpen our competitive edge, while enhancing our resilience and management efficiency.	<p>*Reducing management risk</p> <p>*Mid- to long-term value creation</p>

The progress of the 2030 Value Creation Strategy and the status of initiatives to address each material theme are managed through the Group Sustainability Committee (GSC). GSC members and the responsible departments work together to ensure that all action plans and KPIs are achieved.

The forward-looking statements contained herein are based on the judgment of the Group as of March 2026.

1) Governance

The Group's governance structure relating to sustainability is shown below.



- **Board of Directors (BoD)**
The BoD decides on basic policies concerning the Group's sustainability initiatives, receives reports on important management matters relating to sustainability that have been resolved or approved by the Group Management Board (GMB), and assumes responsibility for supervision.
- **Group Management Board (GMB)**
The GMB deliberates on reports from the Group Sustainability Committee (GSC) concerning strategies, KPIs, action plans, and other matters relating to sustainability formulated by the GSC, resolving and approving these matters. The GMB also assumes responsibility for reporting its cases and issues to the BoD and monitors the activities of the GSC.
- **Group Sustainability Committee (GSC)**
We have established the GSC as an executive body under the direct control of the GMB, based on our perception of sustainability as a core management theme. Chaired by the Company's Global Chief Sustainability Officer, the GSC is composed of eight members who are based in various regions and possess a wide range of expertise, including the Company's Global CEO. The GSC manages the progress of important management strategies, such as the 2030 Value Creation Strategy, as well as indicators that constitute components of our executive compensation system outside the United States, including reductions in greenhouse gas (GHG) emissions and the ratio of female leaders. Human rights topics are also treated as a standing agenda item.

Group Sustainability Committee members for 2025

Chair	Yuko Kitakaze	Global Chief Sustainability Officer
Member	Hiroshi Igarashi	Global CEO
	Arinobu Soga	Global Chief Governance Officer
	Alison Zoellner	Global General Council
	Jean Lin	Global President - Global Practices
	Jeremy Miller	Global Chief Communications Officer
	Manus Wheeler	Chief Brand & Culture Officer
	Miho Tanimoto	Global Chief HR Officer

The issues discussed and deliberated on by the BoD and the Group Sustainability Committee (GSC) in the fiscal year ended December 31, 2025, are shown below.

BoD (3 agenda items)	• Sustainability Report (Progress in FY2024 and priority issues for FY2025)
	• Measures by the Group in light of the global situation
	• Revision of the Sustainability Strategy
GSC (4 agenda items in FY2025)	• Updates to the 2030 Value Creation Strategy and progress toward KPIs and action plans
	• Analysis of current evaluations from third-party rating agencies and initiatives for improvement
	• Improving employee engagement
	• AI and sustainability

Linkage with executive compensation

Since FY2022, we have used sustainability metrics in the calculation of annual bonuses for the Group's executives. See Executive Compensation, below, for details.

2) Risk management

Risks relating to sustainability at the Group are identified based on the results of a materiality assessment that reflected risks to existing management strategies and businesses. The Group Sustainability Committee, at its meetings, held four times each year, assesses and manages the state of progress on the 2030 Value Creation Strategy, which is based on the material themes identified through that assessment.

The Group Management Team members who are also members of the Group Sustainability Committee are responsible for promoting this strategy in terms of each of the material themes. This is overseen by the Global Chief Sustainability Officer.

The Group Risk Committee assesses and manages the risk that the achievement of the targets set forth under this strategy will not progress in line with the plan.

3) Metrics and targets

The action plans and KPIs established for each material theme under the 2030 Value Creation Strategy are shown below, together with the progress made in FY2025.

Material themes and sponsors	Headline goals	Action plans and KPIs
<p>INTEGRITY</p> <p>Global Chief Governance Officer Arinobu Soga</p>	Putting integrity first	<ul style="list-style-type: none"> • Training: Establish operations to promote attendance; create and update content on each theme • Contact points: Establish an operational system in which specialist staff familiar with the six themes serve consultation and reporting contact points (such as SpeakUp@dentsu) • Third-party evaluations: Enhance the disclosure of information on efforts related to the six themes; improve evaluations and acquire certification (or maintain and improve a track record of no significant deficiencies)
<p>PEOPLE & CULTURE</p> <p>Global Chief HR Officer Miho Tanimoto</p>	Valuing differences in people's skills, strengths, and perspectives	<ul style="list-style-type: none"> • Form an organization composed of professionals with diverse backgrounds, expertise, and ideas (KPI: ratio of female leaders, target: 26.9%) • Promote the growth of each professional and create an environment where expertise is combined through collaboration (KPI: succession readiness rate for key roles, target: 100% / KPI: growth score, target: 66) • Create workplaces where everyone can work with high engagement while respecting each other's differences (KPI: engagement score, target: 66 / KPI: respect score, target: 77)
<p>INNOVATION</p> <p>Global President – Global Practices Jean Lin</p>	Creating ideas for the future with the power of creativity and technology	<ul style="list-style-type: none"> • Promote investment, research, and development aimed at a bright future for society • Provide proposals that demonstrate thought leadership and a call for action toward social transformation through research on visions and proposals related to the SDGs and the future of society • Promote the incubation of partnerships and ecosystems
<p>ENVIRONMENT</p> <p>Global Chief Sustainability Officer Yuko Kitakaze</p>	Embedding environmental risks, opportunities, and resilience into our business strategy	<ul style="list-style-type: none"> • By 2030, reduce Scope 1+2 absolute greenhouse gas (GHG) emissions by 46.2% compared to 2019. Also, reduce Scope 3 absolute GHG emissions from purchased products and services, business travel, and employee commuting, by 46.2% compared to 2019 • Achieve net zero absolute GHG emissions across the entire value chain by 2040 • Increase the ratio of renewable energy* to 100% by 2030 <p>* Renewable energy in the context of dentsu's Sustainability Strategy and commitments refers to electricity generated from renewable sources. This definition aligns with RE100.</p>

Progress in FY2025

INTEGRITY:

- Training: Created and updated content and conducted training for all employees (some of the themes were still at the planning and formulation stage)
- Contact points: Maintained an operational system where specialists respond to consultations and reports; regularly checked the number of reports and any reports of serious incidents
- Third-party evaluation: Confirmed evaluations remained unchanged or improved; conducted gap analysis

PEOPLE & CULTURE:

- Ratio of female leaders (excluding the U.S.): 25.4%
(In the grading system established by the Group, a "leader" is defined as Japan Job Level 55 or higher in Japan and Job Level 55 or higher outside Japan. The definition of a "leader" in Japan was revised in FY2025.)
- Group Executive Member succession readiness rate: 100% (including emergency coverage)
- Check In (CI) survey "Growth" score: No change (achieved target)
- Check In (CI) survey "Engagement" score: No change (achieved target)
- Check In (CI) survey "Respect" score: 2-point increase (achieved target)

INNOVATION:

- Investment and R&D for future innovation: 6 cases
- Thought-leadership content with a clear call to action for a more sustainable future for society: (the number of cases is not disclosed)
- Creation of social value through partnerships and ecosystems: 9 cases

ENVIRONMENT:

- Scope 1+2 GHG emissions: 10,937 tCO₂e (69.6% reduction from baseline)
- Scope 3 GHG emissions: 308,783 tCO₂e (43.0% reduction from baseline)
- Renewable energy rate: 87.4%

(2) Climate action

At the Group, we aim to incorporate environmental risks and opportunities, including climate change, as well as environmental resilience, into our business strategies, to enable stable business growth into the future. To this end, we have set a goal of net-zero GHG emissions. In October 2024, both our short-term and long-term targets were certified by the Science Based Targets initiative (SBTi) based on the SBTi's Corporate Net-Zero Standard. To achieve our net-zero goal, in FY2025, we undertook analysis and reporting with reference to IFRS Sustainability Disclosure Standard IFRS S2 (Climate-related Disclosures) published by the International Sustainability Standards Board (ISSB). In September 2025, based on these results, we formulated and disclosed our Net-zero Transition Plan. For details, please refer to

the Group's Climate-related Disclosures 2025 and Net-zero Transition Plan:

<https://www.group.dentsu.com/en/sustainability/common/pdf/climate-related-report2025.pdf>

<https://www.group.dentsu.com/en/sustainability/common/pdf/net-zero-transition-plan2025.pdf>

1) Climate governance

Climate change is one of the material themes under the 2030 Value Creation Strategy. The Group's climate governance structure is common to all aspects of sustainability.

2) Climate strategy

The Group Environmental Policy sets out our initiatives for mitigating the environmental impact from climate change (including physical risks to assets and supply chains, as well as transition risks to business operations due to regulatory changes). This policy is founded on the Group's strong sense of responsibility to comply, throughout its global operations, with environmental laws and regulations worldwide. It supports our overarching business purpose of creating new solutions and sustainable growth for our clients and society. For more details, please visit the Group Environmental Policy on our website:

https://www.group.dentsu.com/en/about-us/common/pdf/environmental-policy_en.pdf

1-1 Assessment of climate-related risks and opportunities across operations and value chain

We recognize that climate change is likely to impact our business over the short, medium, and long term, with potential effects on clients, suppliers, consumers, and other key stakeholders. Our assessment of climate risks includes (1) a 1.5°C-aligned pathway (Net Zero 2050), (2) a disorderly transition (Delayed Transition), and (3) a scenario with heightened physical risks (Current Policies), considering both upstream and downstream value chain impacts, using all reasonable and supportable information available, in a manner that is proportionate to the Group's nature, scale, and complexity.

The scenarios we selected are presented below.

	Physical Scenarios		Transition Risks and Opportunities	
High-carbon Emissions Scenario	IPCC SSP5-8.5	Follows a 'business as usual' trajectory, assuming no additional climate policy and seeing CO ₂ emissions triple by 2100. Warming expected to be > 3.8°C by the end of the century.	Current Policies (CP)	Assumes that only currently implemented policies are maintained and preserved. End of century global warming is estimated to be +3°C, leading to high physical climate risks.
Medium-carbon Emissions Scenario			Delayed Transition	Assumes that global annual emissions do not decrease until 2030. Post-2030 new climate policies are implemented, and the level of actions differs across countries and regions based on currently implemented policies. End of century global warming is estimated to be below 2°C.
Low-carbon Emissions Scenario	IPCC SSP1-2.6	Stays below 2°C warming by 2100, aligned to current commitments under the Paris Agreement. Net zero emissions in the second half of the century.	Net Zero Emissions 2050	Limits end of century global warming to +1.5°C due to stringent climate policies, innovation, and reaching net-zero GHG emissions by 2050.

The scenario analysis considers how climate-related risks and opportunities would impact the Group’s business over the following time horizons:

- Short term: 2025 to 2029. This captures near-term operational risks and immediate policy changes.
- Medium term: 2030 to 2039. This reflects the period in which most transition impacts – such as evolving market expectations, changing consumer behaviors, technological innovation, carbon pricing, and decarbonization efforts across our supply chain – are likely to intensify.
- Long term: 2040 to 2050. This represents systemic shifts in the economy, physical climate risks, and deep decarbonization trajectories that may fundamentally reshape the business environment.

The table below summarizes the results of our assessment of the financial impact allocated to each climate-related risk and opportunity under different climate scenarios. It also highlights how these impacts and assessments change as the time horizon shifts from the short term (2025-2029) to the long term (2040-2050).

Risk and opportunity categories:

		Category	Financial Thresholds (Underlying Operating Profit)
		Fundamental	>¥18.1 billion
		Major	¥9.1–18.1 billion
		Moderate	¥4.5–9.1 billion
		Minor	¥1.8–4.5 billion
		Insignificant	<¥1.8 billion

Evaluation of climate risks and opportunities across operations and value chain:

Financial Impact (billion yen)								
Net Zero (1.5°C)			Delayed Transition (2.0°C)			Current Policies (3.0°C)		
SHORT (2025-2029)	MED (2030-2039)	LONG (2040-2050)	SHORT (2025-2029)	MED (2030-2039)	LONG (2040-2050)	SHORT (2025-2029)	MED (2030-2039)	LONG (2040-2050)

Physical Risks

Increased energy costs due to long-term temperature changes	-0.01	-0.02	-0.03				-0.01	-0.03	-0.06
Revenue loss from extreme weather affecting employees' ability to work	-0.25	-0.91	-1.61				-0.37	-1.36	-2.98

Transition Risks

Decreased revenue due to global economic changes	-1.6	-4.9	-5.7	-1.5	-6.5	-9.2	-1.5	-6.1	-13.6
Inability to meet demand for sustainability-focused services	-0.2	-0.5	-0.7	-0.2	-0.5	-0.6	-0.2	-0.4	-0.5
Clients fail to adapt to changes in consumer behavior	-0.7	-2.6	-6.0	-0.6	-2.2	-5.1	-0.5	-1.7	-3.5
Cost of carbon taxes and other climate regulation	-2.9	-5.2	-4.9	-2.2	-3.9	-4.4	-1.7	-2.4	-2.4

Transition Opportunities

Access to new markets during the low-carbon transition	0.1	0.1	3.3	0.0	0.0	5.2	0.0	0.0	0.0
Adoption of technologies that reduce emissions intensity in services	0.0	9.3	0.0	0.0	4.3	0.0	0.0	3.1	3.2

Please refer to the Group's Climate-related Disclosures 2025 for the effects of identified risks on the Group's business model and details of these risks:

<https://www.group.dentsu.com/en/sustainability/common/pdf/climate-related-report2025.pdf>

1-2 Net-zero Transition Plan

Based on the scenarios described above, we have formulated our Net-zero Transition Plan to ensure the achievement of the relevant 2030 Value Creation Strategy KPIs, which include reducing GHG emissions and achieving 100% renewable energy. We will implement this plan sequentially, starting with the highest-priority issues in our regions and markets. For details, please refer to the Group's Net-zero Transition Plan:

<https://www.group.dentsu.com/en/sustainability/common/pdf/net-zero-transition-plan2025.pdf>

3) Risk management

As one of the risks and opportunities related to sustainability, climate change risk management is integrated into the overall management of sustainability risk as described above.

4) Targets and results

In addressing climate change, we focus on five actions that we believe have the greatest impact on the Group based on our analysis of climate-related risks and opportunities:

- Accelerating our own sustainable transformation
- Driving change in our industry
- Engaging in cross-industry partnerships
- Enabling society to make sustainable choices
- Advocating for change in social systems

1-1 Climate targets

The Group targets net-zero greenhouse gas (GHG) emissions in the value chain by 2040. Our science-based near- and long-term GHG emissions reduction targets have been certified by the Science Based Targets initiative (SBTi) based on the SBTi's Corporate Net-Zero Standard. The Group's GHG emissions reduction targets are shown below.

- Near-term target (by 2030)
Reduce absolute Scope 1 & 2 GHG emissions by 46.2% by 2030 from a 2019 baseline.
Reduce absolute Scope 3 GHG emissions across the Group from purchased goods and services, business travel, and employee commuting by 46.2% during the same period.
- Long-term target (by 2040)
Reduce absolute Scope 1 & 2 GHG emissions by 90% by 2040 from a 2019 baseline.
Reduce absolute Scope 3 GHG emissions by 90% during the same period.
The Group will implement additional emissions reduction activities to achieve net zero by 2040. The remaining emissions (less than 10%) will be reduced through reliable, verifiable GHG emissions reduction schemes.
- 100% renewable energy
The Group is committed to achieving a 100% renewable energy usage by 2030.

Our FY2025 results for GHG emission reductions and renewable energy usage are presented below. The scope of this data includes Dentsu Group Inc. and its consolidated subsidiaries in Japan and globally over which it exercises management control (the "Group"). Consolidated subsidiaries that can be judged to have negligible impact due to number of employees, types of use of bases, etc. are not included.

GHG emissions (tCO₂e)

	2030 (Consolidated target)	2019 (Baseline)	2025 Results	2025 (vs. baseline)
Scope 1+2	46.2% reduction compared to the baseline	36,017	10,937	(69.6)%
Scope 3		542,029	308,783	(43.0)%
Scope 1, 2 and 3		578,046	319,720	(44.7)%

(Notes) 1. The market-based approach is used for Scope 2.

2. We have obtained third-party assurance from KPMG AZSA Sustainability Co., Ltd. for the Scope 1, Scope 2, and Scope 3 totals included in the FY2025 results.

(<https://www.group.dentsu.com/en/sustainability/common/pdf/third-party-assurance.pdf>).

Renewable energy usage (kWh)

2030 (Consolidated target)	2025 Results		
100%	Total electricity consumption	Renewable energy usage	Renewable energy rate
	62,582,276	54,691,074	87.4%

(Notes) 1. Renewable energy in the context of the Group's sustainability strategy and commitments refers to electricity generated from renewable sources. This definition aligns with RE100, a global initiative of which the Group is a member.

2. Renewable energy usage is outside the scope of third-party assurance.

1-2 Business initiatives

Our main business initiatives in FY2025, based on the policies above, were as follows.

- Launched the joint development of a carbon calculator for Japan's advertising and marketing industry

In 2023, we launched the Decarbonization Initiative for Marketing (DIM), a marketing-focused decarbonization initiative aiming to visualize and reduce greenhouse gas emissions according to domestic advertising industry standards. In 2025, together with the Japan Advertising Agencies Association (JAAA), the Japan Ad. Contents Association (JAC), and the Japan Association for the Promotion of Creative Events (JACE), we participated in the joint development of a "carbon calculator," which enables the visualization and calculation of the carbon emissions associated with advertising production, events, and other advertising-related activities, with the aim to reduce carbon emissions in Japan's advertising and marketing industry. Currently, we are progressing with a design based on international calculation standards and domestic and international practices. Looking ahead, our goal is to refine and verify it while promoting practical use across the entire industry.

- Started a pilot workshop to help realize sustainability-oriented events

Dentsu Live Inc. has established the Sustainable Event Council, together with four other companies: TANSEISHA Co., Ltd., NOMURA Co., Ltd., HAKUHODO PRODUCT'S INC., and Murayama Co., Ltd. The council has been working to promote sustainability in the event industry and improve literacy across the entire industry. In FY2025, it developed an original workshop tool to encourage all people involved in events to consider sustainability-oriented events, contributing to the industry-wide promotion of sustainability.

- Launched a collaborative cross-industry service to promote regional and corporate growth through inter-company circularity initiatives among eight Group companies in Japan

Dentsu Inc. and eight Group companies in Japan (Dentsu Soken Inc., Dentsu Live Inc., Dentsu Hokkaido Inc., Dentsu East Japan Inc., Dentsu West Japan Inc., Dentsu Kyushu Inc., Dentsu Okinawa Inc., and Dentsu Meitetsu Communications Inc.) have launched a collaborative cross-industry service to support the circular economy for companies and local communities. This initiative identifies and matches opportunities for inter-industry collaboration where B2B companies can mutually utilize waste and by-products as resources, supporting corporate growth and revitalization of local economies. The Group companies in Japan leverage their expertise in the circular economy and business consulting to provide support aimed at addressing the challenges in realizing cross-industry synergies, such as identifying opportunities for collaboration and business matching, aiming to achieve a circular economy throughout society.

(3) Respect for human rights

Respect for human rights is a fundamental aspect of the Group's existence and is a vital part of our ethical and sustainable business activities. We will work to protect human rights based on the United Nations Guiding Principles on Business and Human Rights. We have created the Group Human Rights Policy (established in 2018 and revised in 2024) and we clearly document our adherence to international frameworks, including the United Nations Guiding Principles on Business and Human Rights. Details are disclosed on our website: (<https://www.group.dentsu.com/en/about-us/governance/human-rights.html>).

1) Strategy

We will promote Group-wide governance systems and cross-functional initiatives. We will ensure legal and regulatory compliance and have begun preparations to address requests from all our stakeholders. We will also ensure alignment with our 2030 Sustainability Strategy.

2) Governance

The Global Chief Governance Officer is responsible for overseeing the Group's human rights initiatives, with the Heads of Human Rights responsible for the day-to-day implementation of our human rights program (the Heads of Human Rights assigned to both the Japan business and International business collaborate to achieve Group-wide governance). The status of the human rights program is reported to the Board of Directors, including individual cases.

Human rights are a standing agenda item at the Group Sustainability Committee. Issues specific to Japan are addressed by the Group Human Rights Committee, which is composed of members of dentsu Japan management.

3) Risk management

In 2024, we conducted human rights due diligence with the involvement of external experts, to identify human rights issues across the Group. As a result, we identified the following six issues:

- (i) Equality and non-discrimination
- (ii) Freedom of thought, opinion, religion and belief, and freedom of expression and access to information
- (iii) Labor rights and harassment
- (iv) Privacy and data security
- (v) Child rights
- (vi) Right to a healthy environment

4) Metrics and targets

Our metrics and targets comprise the following two items:

- Further clarification of issues through the implementation of Group-wide human rights due

diligence and updates to human rights awareness activities that reflect these issues (human rights policy, training, etc.)

- Active disclosure of information on human rights initiatives and dialogue with external stakeholders. We also disclose our human rights initiatives on the Group's website (<https://www.group.dentsu.com/en/about-us/governance/human-rights.html>) which is regularly updated.

(4) Human capital policies and initiatives

1) Basic policy

The Group's vision "to be at the forefront of people-centered transformations that shape society" captures our passion for unleashing human potential and harnessing this energy to make meaningful contributions to society. To achieve this vision, we believe it is vital to unlock the power of our unique and diverse talent, our greatest assets, and to combine and multiply this power.

Based on this premise, people's desire to contribute and grow forms the foundation of the Group's approach to human capital. People feel joy in experiencing their own growth through their work. Through our belief in our people's ambition to grow, we will create environments where all employees have the opportunity to challenge and develop themselves, investing in human capital – the potential of "people" – and promoting management that expands their capabilities.

2) Strategy

To promote people-centered transformations and contribute to society, we will focus on Integrated Growth Solutions (IGS) that integrate our employees' diverse range of unique capabilities to achieve sustainable growth for our clients.

Expanding the potential of "people" is a major focus of our efforts to address this management strategy and the associated material issues. We believe that two crucial conditions are essential. The first is a state where diverse individuals interconnect, learn together, integrate and multiply each other's expertise, enabling high capabilities for both the organization and individuals. This is essential for providing the Group's unique "integrated" solutions. The second crucial condition is that each employee has a sense of integrity and a heightened awareness of contributing positively to the team: in other words, increased engagement. Achieving these two states globally is how One dentsu enhances the potential of "people" and supports the realization of management strategies, which is also our goal.

To achieve this, we have incorporated the One dentsu Operating Model, launched in FY2023, into the Group's human resources departments and formed a global HR leadership team around the Chief HR Officer (CHRO). Under this structure, we are building and executing a globally consistent strategic framework.

- HR mission and summary of strategies

The foundation of our global HR strategy is rooted in the mission defined by our HR leaders for their own work. "Coming together to unleash the power of our people." This is the

mission established through discussion among the HR leadership team. The HR mission clearly expresses our role in enabling each team in the human resources domain to contribute their strengths without organizational barriers, unlocking the potential of every individual employee and the organization as a whole. Under this HR mission, we have built an HR strategy framework consisting of three pillars that define specific focus areas to support management strategy and realize our vision.

Under this basic strategy, in FY2025, we determined prioritized areas to invest in and accelerated efforts in areas such as the development of potential global leaders, strengthening of capabilities in the Integrated Growth Solutions (IGS) field, and enhancement of productivity with the use of AI. Through these investments, we will promote the “expansion of the potential of our people” unique to the Group.

- HR strategy 1: People Growth

Personal growth is undoubtedly one of the key pillars of our HR strategy. The growth of each individual employee is important, but it is also essential for leaders to effectively drive that growth in order to transform the organization. An organization’s capabilities vary significantly based on the impact of the actions of the leaders who guide it.

At dentsu, we believe that the way leadership is practiced is key to accelerating both personal and organizational growth, and we prioritize human capital investment that supports these efforts.

- i) The dentsu Leadership Attributes

We perceive the identification and development of leadership attributes needed to drive the dentsu vision as a key issue, and we have articulated and defined the leadership behaviors that dentsu’s leaders should possess as the “dentsu Leadership Attributes (dLAs).” The dLAs consist of six elements that indicate what behaviors should be encouraged and valued as an organization, with integrity as the foundation of all.

Specifically, these elements include strategic thinking and innovation to pave the way for the future, talent development and fostering an organizational culture to build strong teams and client-focused, results-driven work practices. They can also be used as a tool to confirm how employees exhibit these behaviors. In FY2025, we reviewed and examined each element of the dLAs, enabling us to refine and complete them so that they can be incorporated as guidelines for talent selection, evaluation, and development. In FY2025, we incorporated the dLAs into various HR systems and promoted their use as a guideline to select, evaluate, and develop human resources, while simultaneously conducting global initiatives to embed the framework across our people.

- ii) Cultivating growth through People Discussions

We conduct People Discussions (forums for the review of talent and the discussion of talent development policy) within the Group and each region, based on the dLAs, to identify and develop future leadership candidates. FY2025 was the third year of this initiative, and we further expanded the employee layers subject to discussion, successfully embedding the process as a consistent organizational practice. Through this initiative, we have ensured that for FY2025, at least one potential successor (including

emergency coverage) has been identified for all of the Group's executive management positions. We are also identifying talented individuals within each department, selecting potential successors, and discussing investments for talent development to strengthen the talent pipeline.

With this process becoming increasingly established, we have been able to consistently incorporate leadership perspective into our talent identification processes across the Group. This has enabled us to realize a more comprehensive approach to talent evaluation and development, encompassing both performance and leadership attributes.

iii) Investing in high-potential talent and talent in strategic areas

To maximize the potential of the talent identified through People Discussions, we provide opportunities for employees to experience work that extends their capabilities in diverse global environments and development programs that broaden their skills and perspectives. Throughout the year, we appoint global leaders and implement organizational restructuring to more strongly embody the One dentsu Operating Model. In selecting new leaders, we also hope to provide experiences that will contribute to the growth of these key personnel. A new initiative launched this year aimed at supporting the global career development of Japanese talent, a priority region for the Group, is a prominent example of these initiatives. We also advanced allocation and dispatch of talented individuals aimed at cultivating talent for future Group management. In addition, to strengthen our ability to deliver Integrated Growth Solutions (IGS)—a core element of our management strategy—we focused on enhancing capabilities particularly in International regions. Investments were made in a localized manner, tailored to customer needs and capability maturity in each region and market.

At the same time, we are broadening employee career options to enable employees to build long-term careers. As a foundation for this, we are progressing with the induction of a framework of job families and levels unified across the Group, with perceptible progress, especially in the standardization of job levels. This has allowed us to identify talented individuals who should be defined as the "leadership tier" within the Group, and with the usage of this data, further clarify our talent development priorities. By reinforcing this foundation, we aim to promote talent mobility between regions and Group companies, supporting the career advancement of each employee.

iv) Establishing talent development systems and culture

The various measures described above are designed as a continuous cycle, and we aim to establish a culture where "leaders nurture leaders" through this process so that we can continue to achieve results into the future. Specifically, through the incorporation of the dLAs into various HR measures, the regular implementation of People Discussions, and the expansion of the scope of these discussions, we will not only focus on direct effects such as the identification of talent and strategic human resource allocation but also heighten the awareness of each leader participating in the discussions toward human resource development. Moving forward, we will monitor the process in terms of dialogue time and effect in terms of the proportion of positions for which we have identified

potential successors. At the same time, we will also measure employees' perceptions of their own growth through engagement surveys. We will use these multifaceted indicators to confirm the progress of People Growth.

- HR strategy 2: Winning as One Team

We believe that the Group's strength lies in its ability to combine and multiply the power of a diverse range of unique individuals, which gives rise to our own distinctive creativity and innovation. To realize the value of this ability, we focus not only on leveraging the strengths of each individual in our global workforce but also on collaboration – becoming one team – to achieve a goal. We believe that is built on the creation of a dentsu-style corporate culture based on integrity and an organization that is highly productive and vigorous. Our activities are focused on achieving this.

- i) Engagement surveys and initiatives to promote organizational culture

Engagement is one of the most important elements in fostering a culture where employees collaborate positively as a team. We conduct annual surveys and calculate 20 engagement scores from employee satisfaction and recommendation rates, identifying challenges at both the Group level and in regions or departmental units and making improvements accordingly. Engagement scores are also incorporated into the KPIs for executive compensation.

The survey results from FY2024 indicated that areas such as business strategy and the clarity and transparency of management messages were perceived as key issues. As a response, we focused on improving communication from senior management. Specifically, we established numerous opportunities for information sharing and direct interactions, such as messages from senior management and Town Hall Meetings, both in Japan and internationally.

On the other hand, we have consistently recorded high scores over the years in response to questions regarding the importance of individual integrity and compliance awareness from a governance perspective, both in Japan and internationally. We perceive this as a positive opportunity and will continue to further promote even greater awareness and upgrade our activities.

- ii) Creating environments for flexible and highly productive working styles

We are engaged in the ongoing reform of working conditions to create environments where our employees can perform their best. While maintaining the flexible working styles enabled by hybrid work, we recognize that real communication is also important to achieve our aim of people-centered transformations. We are considering the optimal balance of commuting and remote work for each region and department, and we are also boosting the number of opportunities for face-to-face communication between employees. The will to achieve productive working styles and the active integration of new methods that leverage technology are vital for employees to make maximum use of their abilities as one team. We will continue to emphasize support for learning and idea generation at the frontline level through the use of AI in daily operations.

In the context of continued labor environment reforms in Japan, we are continuing our activities aimed at sustainable growth in line with actual workplace conditions, including hybrid working styles, while maintaining a foundation of awareness and action regarding issues such as work management and employee monitoring.

iii) Employee awareness to enhance the collaboration of diverse talent

Employee awareness is crucial to fostering an organizational culture where diverse employees can leverage their abilities with confidence and collaborate to generate better solutions. Our focus is fostering awareness to enable employees with various differences to understand these differences and work together with mutual respect, and we also strive to create environments that will promote this awareness. We use the score for "Respect" included in the employee engagement survey as an indicator of the outcome of these efforts, paying close attention to whether each employee feels respected by others in the workplace.

Similarly, we monitor the engagement survey scores corresponding to awareness of collaboration and integrity. We will link these scores with the PDCA cycle for related measures. While no single indicator provides a quantitative measure of the status of organizational culture, we perceive the levels of mutual respect, collaboration awareness, and integrity awareness as elements that constitute our vision for the Group, and we will utilize them in pursuing our strategy of Winning as One Team, with a focus on their relationship with overall engagement.

- HR strategy 3: HR Service Excellence

When implementing the series of measures based on the strategies of People Growth and Winning as One Team, it is vital for the Group's HR departments to build high-quality partnerships with business areas. To achieve this, we are building a global framework that enhances the expertise and productivity of our HR departments to support management strategy and decision-making in terms of both people and organizations. Specifically, we are enhancing organizational capabilities with HR Business Partners (HRBPs) who closely engage with management and each business, together with Centers of Excellence (CoEs) composed of teams specializing in talent management and compensation design.

i) HRBP support to address business transformation

HRBPs, who provide various support functions from a standpoint closest to each business, are the key to HR partnerships. Enhancing their capabilities directly boosts the quality of HR services. In FY2025, we launched full-scale HRBP activities in Japan, centered around the Company, and expanded the breadth of services provided. We will continue to broaden the scope of comprehensive HR partnering and strive to embed HRBP functions in Japan.

ii) Upgrading HR survey infrastructure

We continue to invest and engage in activities relating to the field of human resources

data, which supports the activities and services provided by the Group's HR departments. Recently, we have focused specifically on improving data accuracy and establishing common Group-wide data items. It has been especially challenging, compared to other regions, to set common definitions for human resources data in Japan due to the large number of Group companies based there. Over the past few years, we have been developing a unified data template and promoting its implementation across each Group company, gradually establishing a database. As a result, in FY2025, we were able to enhance the accuracy of our monitoring of a range of HR KPIs and expand the range of information disclosed. Going forward, we will continue to improve the accuracy and coverage of the data, aiming to utilize the template as an information infrastructure that can contribute to strategic decision-making at the Group-wide level.

Another key focus is our continuing efforts to enhance the efficiency of day-to-day operations. We are pursuing process optimization and automation for labor-intensive operational tasks and the utilization of shared services in cost-effective nearshore and offshore regions. In FY2025, we worked on efficiency improvements, incorporating AI into processes in international regions and utilizing chatbots for inquiries from employees. Going forward, we will continue to review processes and systems for business operations that would benefit from overall optimization, and we hope to further boost productivity through global integration and standardization while taking into account regional differences.

3. Risk Factors

The major risks associated with the execution of the Group's strategies, businesses, and other activities that are considered material to investment decision-making by investors are set forth below. However, this does not represent a complete list of risks, and the Group may be affected in the future by risks that are not currently foreseen or regarded as significant.

The Group has identified the material themes for its sustainable growth and value creation. Please refer to "2. Sustainability Approach and Initiatives," above, for details of the material themes. In FY2024, the Group implemented a Group-wide Enterprise Risk Assessment (ERA) with the announced material themes in mind, as described below.

The forward-looking statements contained herein are based on the judgment of the Group as of March 2026.

The Group's risk management structure

The Group has established the Group Risk Committee to manage risks under the corporate governance system. Based on the Enterprise Risk Management (ERM) approach, the Group identifies and assesses material risks for the Group management, and in order to prevent the occurrence of risks and minimize the impact should they arise, the Group selects risk sponsors, responsible for risk response, to whom it delegates the formulation and implementation of risk response plans. The Group Risk Committee regularly reviews the risks that require response and their evaluation, and regularly reports on these risks and the status of response to the Group Management Board and the Board of Directors.

Beginning in FY2024, the CEOs of each of the four regions – Japan, the Americas, EMEA, and APAC – became additional members of the Group Risk Committee to strengthen the committee's governance as One dentsu. We have established four Regional Governance Committees under the Group Management Board to manage risks, compliance, internal controls, and other matters in each region. The Group Risk Committee has established a structure that allows it to oversee risk management across the Group by utilizing the four Regional Governance Committees. In addition, we have appointed a person responsible for global internal controls and risk from the Group Management Team to enhance the promotion of risk management activities.

Major risks and their countermeasures

As part of the ERA implemented in 2024, the Group conducted wide-ranging interviews concerning risk with the Group leaders, as well as the leaders of each region and major market and the Company's Outside Directors. The insights gained from these interviews were examined by the Group Risk Committee and the Group Management Board to update the Risk Register, a list of the risks considered material. In the subsequent update of the Risk Register for 2025, we newly identified Branding and Reputation Risk as a material risk area.

At the same time, we systematically reorganized risks, including terminology, to ensure comprehensive coverage of the Group's risks. This section presents the major risks that are

considered material, based on this system.

(1) Strategic risks

The Group has identified “business development and growth risk,” “business transformation risk,” and “sustainability risk” as risks associated with strategy, and is evaluating and responding to these risks. Specifically, these include risks relating to factors such as “competitiveness and long-term strategy,” “business transformation,” “branding and reputation,” and “failure to achieve the targets of the 2030 Value Creation Strategy.”

1) Competitiveness and long-term strategy

In February 2025, the Group established and announced the Group’s Mid-Term Management Plan spanning the three years from FY2025 to FY2027, our basic policy for achieving growth in the medium and long term. Under the plan, the Group has established the goals of restoring competitiveness and profitability. To achieve these goals, the Group will engage in focusing business strategy, rebuilding the business foundation, and reevaluating underperforming businesses. The first initiative planned by the Group is to recover earnings growth potential, centering on the reevaluation of underperforming businesses and the reconstruction of the business model. At the same time, the Group will also revise the business foundation and undertake systematic and continuing cost improvements.

The Group aims to be a growth partner for its clients in each market. Through repeated successes, the Group will achieve global growth. To this end, it has renewed its strategies for markets, clients, and capabilities, clarifying its competitive strengths to accelerate the implementation of focused business strategies.

At the same time, the Group is pursuing the creation of businesses that will be potential pillars of growth for the future. As part of these efforts, it aims for the global expansion of the sports and entertainment business, which was focused on Japan until now, to achieve continuous growth.

However, it is also expected that the Group’s position will relatively shift in the face of intensifying competition both within and outside the industry, with the emergence of media platforms and other highly-scaled players, accompanied by large-scale investments made by technology and consulting companies, particularly in the field of AI. In this environment, if the Group cannot maintain its competitiveness, then its ability to retain existing clients and acquire new clients will be affected. This may result in a failure to achieve its strategic goals and financial targets, loss of market share, a deterioration in the value of sponsorship rights, broadcasting rights, and content, as well as financial losses.

2) Business transformation

Beginning in January 2024, the Group has introduced the “One dentsu Operating Model,” a framework designed to maximize the service and value provided to clients, and the Group is progressively transforming into a streamlined organizational structure that will enable swifter

decision-making, clearer responsibilities, and the delegation of authority.

However, the Group's business results may be negatively affected if this business transformation does not progress as anticipated. There is also a risk that weaknesses in internal controls and defects in management systems may emerge if the Group's structural reforms are unable to keep pace with rapid changes in the business environment.

3) Branding and reputation

The Group recognizes that negative media coverage, scandals on social media, and public relations failures present risks related to branding and reputation, and considers their impact and response.

However, if these effects persist, there is a possibility that the Group's brand image could be damaged, leading to negative consequences such as loss of trust from clients, decreased revenue, lower employee motivation, increased staff turnover, and difficulty in hiring new employees.

4) Failure to achieve the targets of the 2030 Value Creation Strategy

In June 2025, aiming to build a robust business foundation in response to changing social conditions, we revised the Group's 2030 Sustainability Strategy to the 2030 Value Creation Strategy, identifying four material themes: Integrity, People & Culture, Innovation, and Environment.

The progress of the 2030 Value Creation Strategy and status of initiatives to address each material theme are managed through the Group Sustainability Committee (GSC), which meets four times each year. GSC members and the responsible departments work together to ensure that all action plans and KPIs are achieved. We have also appointed a Global Chief Sustainability Officer to manage the promotion of these initiatives.

However, if the initiatives to achieve the targets of this strategy do not progress as planned due to external socio-economic factors or other reasons, this could negatively affect the Group's reputation.

(2) Operational risks

The Group has identified "governance and supervision risk," "third-party risk," "resilience risk," "human capital risk," "data management risk," "technology risk," and "information security risk" as risks associated with operation, and is evaluating and responding to these risks. Specifically, these include risks relating to factors such as "securing, developing, and retaining talent" and "integrating and introducing Enterprise Technology."

1) Securing, developing, and retaining talent

Ever since its founding, the Group has recognized people as its greatest assets. We believe that the Group's diverse and talented teams around the world – with their client focus,

creativity, innovation, and execution ability – are the true drivers of its corporate value. Therefore, if it cannot secure and retain the necessary talent, then it may not be able to provide advanced services to clients, which would have a negative effect on its performance. The Group holds annual forums for discussing talent, referred to as People Discussions. In addition to identifying talent, these forums enable the discussion of measures to secure, develop, and retain talent according to the human resource challenges in each division. The Group accelerates the growth of potential talent identified as a result of this process through the strategic provision of opportunities for them to challenge themselves in a wide range of different global and local environments and programs to expand their skills and perspectives. The Group has also established and applied the “dentsu Leadership Attributes,” which define its vision for the leadership demanded by the Group, as the backbone of its talent management, and will invest in developing leadership talent in line with this vision.

The Group is especially focused on securing talent in International markets where talent mobility is high, and promotes the use of technology to enhance the efficiency and accuracy of recruitment operations. This has enabled it to achieve improvements, including shorter delays in filling advertised positions. The Group is promoting activities to accumulate recruitment expertise internally while curbing costs, including the establishment of a dedicated team specializing in headhunting for high-ranking positions. It has identified “People & Culture” as one of its material issues.

2) Integrating and introducing Enterprise Technology

Through the One dentsu Operating Model, the framework introduced in January 2024, the Group aims for stronger and more sophisticated Enterprise Technology and Business Operations. These are key to enabling organizational simplification, integration-led and cross-functional collaboration to drive operational excellence and create an agile organization, and momentum to invest in and scale our IT infrastructure to drive speed, agility, and flexibility in the organization.

However, the Group’s operational management and business growth may be negatively affected if it cannot make appropriate investments in technology solutions or if Group-wide IT management is not properly implemented.

3) Risks related to information security and cybersecurity

In the course of its business operations, the Group frequently receives information on the products, services, and businesses of its clients that has not been publicly disclosed. The Group has obtained certification under the international standard for information security management systems and takes every reasonable precaution in managing information. However, if an incident such as an information leak were to occur, the Group’s credibility would be damaged and its business results may be negatively affected.

Moreover, it is possible that unforeseen external cyberattacks or actions by employees or suppliers may threaten the confidentiality, integrity, and accessibility of important business systems and data, which cause significant operational, regulatory, financial, or reputational

issues for the Group and impact its clients.

The Group has established a Group security function encompassing the security divisions from its Japan and international networks to ensure a decisive response to security risks. It continually assesses the materiality of developing threats and evaluates the effectiveness of risk management and control in line with the ERM approach.

4) Risks related to personal and other information (data governance)

In the course of its business operations, the Group sometimes receives personal information regarding its clients' end-users. It also develops products and services utilizing personal data and provides these to its clients in the context of the rising demand from clients for marketing and communication customized for each individual end-user.

The Group complies with laws and regulations, both in Japan and internationally, including the Act on the Protection of Personal Information and the EU General Data Protection Regulation, and responds promptly to amendments to these laws and regulations. It has also established Group-wide Global Data Protection Guidelines, and does not, at present, anticipate that these laws, regulations, or rules will negatively affect the Group's business.

However, the Group's credibility may be damaged and its business results may be negatively affected if an incident such as a personal information leak were to occur. Moreover, the Group's businesses may be negatively affected if its utilization of personal data is constrained due to the amendment of laws, regulations, or rules, or from the standpoint of ethics, and it becomes unable to provide some products or services to its clients.

(3) Compliance & legal risks

The Group has identified "conduct and ethics risks" and "risks associated with adherence to contracts with clients" as compliance & legal risks, and is evaluating and responding to these risks. Specifically, these include risks relating to factors such as "corporate culture" and "compliance."

1) Corporate culture

The Group's people proactively address complex challenges, and with so many different personalities and backgrounds, we are adept at using teamwork to look at problems from different perspectives, generate new ideas, and find creative solutions to our clients' challenges. This corporate culture, which boosts innovation with an aim to realize a vibrant society where people enjoy a fulfilling life together with clients and other stakeholders, is in the Group's DNA and is deeply ingrained in its teams around the world.

However, the Group's corporate culture may be damaged and the motivation and productivity of its employees may be negatively affected if the leaders who manage the Group's talent do not fulfill their responsibilities, do not implement appropriate human capital management, or do not place ethics and integrity at the forefront of corporate value and strive to embed these values appropriately throughout the Group.

2) Compliance

The Group has identified “Integrity,” including business ethics and compliance, stronger data privacy and server security, stronger risk management, stronger corporate governance, and respect for human rights, as a material issue theme under its 2030 Value Creation Strategy. It has established the headline goal of “Putting integrity first” to address this issue. The Group’s corporate activities are predicated on adherence to corporate ethics and compliance, as well as integrity with respect to society and all other stakeholders.

However, the Group’s reputation may be degraded and its corporate value may be significantly damaged if actions occur in the Group’s businesses in disregard or violation of laws, regulations, rules, or company policy, whether through intention, negligence, or carelessness.

3) Risks related to litigation, etc.

The Group engages in business across a broad range of domains, both in Japan and internationally, which involves the risk of receiving claims and demands for surcharge payment, etc. from government bodies, clients, media companies, partner companies, and others based on investigations, litigation, media audits, etc.

In response to the incident related to the Tokyo 2020 Olympic and Paralympic Games, the Group established the dentsu Japan Reform Committee on May 15, 2023, and has engaged in Mindset and Behavior Reform. On December 18, 2024, it completed all 17 initiatives implemented under the committee to prevent recurrence. Since January 2025, the Group has been promoting an expanded version of these initiatives as the Mindset and Behavior Reform Project, with aims that include instilling an organizational culture that prioritizes integrity and ensuring a high level of compliance.

(4) External risks

1) Risks associated with cyclical changes in the global economy and social changes

The budgets of the Group's clients are often dependent on business conditions; therefore the Group's business results can be affected by cyclical changes in the economy. Although the global economy is in a moderate recovery trend, the situation remains uncertain due to factors such as the emergence of geopolitical risks and concerns over the re-emergence of inflation.

The impact of COVID-19 since 2020 has not been limited to the economy: it has accelerated changes in consumer perceptions and behavior patterns, through the digitalization of society. Companies, too, face the need to fundamentally transform their business activities in ways such as building Direct to Consumer (D2C) commerce channels, implementing digital transformation, and utilizing generative AI. In this context, the needs of the Group's clients are becoming increasingly advanced and complex, expanding beyond the conventional domains of advertising and communication to areas such as the design of customer experiences utilizing data and technology to create valuable personalized experiences. The Group's medium- to long-term business growth may be negatively affected if it is unable to respond appropriately to these needs.

2) Risks related to disasters, accidents, and geopolitical risks

The business activities of the Group or its trading partners may be negatively impacted and the Group's business results may be negatively affected in the event of a natural disaster, a disruption in electrical power or other social infrastructure, a breakdown in communications or broadcasting, a disruption in the distribution of goods, a large-scale accident, outbreak of plague, war, terrorism, political unrest, social unrest, or similar issue in a region where the Group carries out or develops its businesses.

The Group regularly reviews crisis management and business continuity plans (BCP) for the issues described above that are expected in each region, market, etc. In 2025, we formulated business continuity measures based on an assumed Nankai Trough earthquake.

(5) Significant events relating to the premise of a going concern

As a result of the impairment test for goodwill conducted by the Group for the fiscal year ended December 2025 (January 1, 2025 to December 31, 2025) (IFRS), reflecting various future risks based on recent economic conditions, the Group recorded an impairment loss on goodwill of ¥396,074 million in EMEA and the Americas, which are two of the Group's four regions worldwide. In connection with this, we confirmed a significant decline in the real value of Dentsu International Limited's shares, a holding company in the International business, as well as a rise in the risk of non-recovery of loans to overseas subsidiaries under Dentsu International Limited. Consequently, we recorded a loss on valuation of other securities of subsidiaries and associates of ¥286,714 million and allowance for doubtful accounts of ¥171,858 million in the Company's nonconsolidated financial statements for the fiscal year

ended December 2025.

As a result, the Company has excessive liabilities in the nonconsolidated financial statements for the fiscal year under review, and this situation is causing significant doubts on the premise of a going concern. However, from the perspectives of the status of fund balance as of the end of the fiscal year under review, its diverse fundraising methods, cash flow management across the Group, including the Company, and other factors, no concern exists regarding the continuity of the business activities of the Company and the Group, and it was determined that no significant uncertainty is deemed to exist about the premise of a going concern.

To resolve such a situation, the Company and the Group will improve profitability across the Group mainly through reevaluating underperforming businesses and rebuilding the business foundation, which are the initiatives set out in the Mid-Term Management Plan. At the same time, we will achieve profit growth by strengthening competitiveness through making necessary investments. Combined with other initiatives, we will work to ensure balance-sheet soundness to resolve the excessive liabilities in the nonconsolidated financial statements at the earliest possible time.

With the sale of a fixed asset conducted in January 2026, the Company will record gain on sale of fixed assets of ¥27.0 billion in the nonconsolidated financial statements in the next fiscal year. For further details, please refer to "Consolidated Financial Statements and Notes to Consolidated Financial Statements 37. SIGNIFICANT SUBSEQUENT EVENTS."

4. Management Analysis of Financial Condition, Operating Results and Cash Flows

Overview of financial condition and operating results

Business Overview

In 2025, the outlook for the global economy continued to remain uncertain due to factors including trade policies such as the United States' tariff increases and the prolonged instability.

In this environment, the business results of the Group during the fiscal year 2025 (from January 1 to December 31, 2025) were as presented in the table below. Although the net revenue organic growth rate was 0.5%, net revenue decreased by 0.3% year on year due to the inclusion of the results of the Russia business, which sales transaction was completed in July 2024, in the consolidated results for the previous fiscal year. Underlying operating profit decreased by 2.1%, resulting in an operating margin decrease of 40 bps, but underlying net profit attributable to owners of the parent increased by 0.7% year on year due to a decrease in corporate income tax. On the other hand, factors such as the postings of impairment loss led to an operating loss of ¥289,212 million (operating loss of ¥124,992 million for the previous fiscal year) and net loss attributable to owners of the parent of ¥327,601 million (net loss of ¥192,172 million for the previous fiscal year).

Underlying operating profit is a profit indicator to measure recurring business performance which is calculated as operating profit added with M&A related items and one-off items.

M&A related items: amortization of purchased intangible assets, acquisition costs and share-based compensation expenses issued following the acquisition of 100% ownership of a subsidiary

One-off items: items such as business transformation cost, impairment loss, gain/loss on sales of non-current assets, and extra retirement payments

Underlying net profit attributable to owners of the parent is an indicator to measure recurring profit attributable to owners of the parent which is calculated as profit (attributable to owners of the parent) added with adjustment items related to operating profit, change in fair value of contingent considerations (gain/loss on revaluation of earnout liabilities), remeasurements of share purchase liabilities (gain/loss on revaluation of M&A related put-option liabilities), tax-related, NCI profit related and other one-off items.

Consolidated Financial Results for the fiscal year ended December 31, 2025

Consolidated Financial Results for the fiscal year ended December 31, 2025

(Millions of yen with negative amounts shown in parentheses)

Item	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2024	YoY change
Revenue	1,435,245	1,410,961	1.7%
Net revenue	1,197,530	1,201,647	(0.3)%

Operating loss	(289,212)	(124,992)	—
Loss attributable to owners of the parent	(327,601)	(192,172)	—

Main profit indicators for the fiscal year ended December 31, 2025

(Millions of yen with negative amounts shown in parentheses)

Item	Fiscal year ended December 31, 2025	Fiscal year ended December 31, 2024	YoY change
Underlying operating profit	172,536	176,233	(2.1)%
Operating margin	14.4%	14.8%	(40)bps
Underlying net profit attributable to owners of the parent	93,548	92,936	0.7%

(Note) The sale of the Russia business was completed in July 2024. However, operating profit (loss) related to the Russia business that arose until the completion of the sale is classified as a one-off item and not included in the underlying operating profit.

Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2025

Although the net revenue organic growth rate was 0.5%, net revenue decreased by 0.3% year on year due to the inclusion of the results of the Russia business, which sales transaction was completed in July 2024, in the consolidated results for the previous fiscal year. Underlying operating profit decreased by 2.1%, and the operating margin decreased by 40 bps year on year to 14.4%.

On the other hand, the postings of goodwill impairment loss of ¥396,074 million in the second and the fourth quarter for the International business led to an operating loss of ¥289,212 million (operating loss of ¥124,992 million for the previous fiscal year) and net loss attributable to owners of the parent of ¥327,601 million (net loss of ¥192,172 million for the previous fiscal year).

In accordance with the Mid-Term Management Plan, during the current fiscal year, we focused on restoring profitability through the rebuilding of the business foundation and the reevaluating of underperforming businesses, in addition to the strong performance of our Japan business. As a result, despite a cost increase due to internal investments, the Group's consolidated operating margin remained at a level slightly below that of the previous fiscal year. In our Japan business, which accounts for more than 40% of the Group's net revenue, net revenue reached a record high for the fifth consecutive year and underlying operating profit reached a record high for the second consecutive year. Furthermore, the operating cash flow of our International business turned to positive.

Segment Overview

Japan

Japan saw a net revenue organic growth rate of 6.2% and net revenue of ¥495,592 million (6.2% increase year on year), with the growth in the Marketing business led by Internet advertising, Business Transformation (BX), and Digital Transformation (DX). Despite an increase in staff costs due to talent expansion, underlying operating profit was ¥121,105 million (6.1% increase year on year) and the operating margin was 24.4% (24.5% for the previous fiscal year) mainly due to topline growth.

Americas

The Americas saw a net revenue organic growth rate of negative 3.0%. By major market, results were challenging in the United States.

Due to a shift in the exchange rate toward a stronger yen against the United States Dollar and disposals of some subsidiaries, net revenue in the Americas was ¥315,746 million (5.6% decrease year on year). With the control of SG&A expenses mitigating the net revenue decrease, underlying operating profit was ¥72,310 million (3.8% decrease year on year), and the operating margin was 22.9% (22.5% for the previous fiscal year).

EMEA (Europe (excluding Russia), the Middle East, and Africa)

In EMEA, the net revenue organic growth rate was negative 1.8%. By major market, results were challenging in markets such as the United Kingdom, Germany, Italy, and the Netherlands, but markets such as Spain and Poland saw a solid performance.

Due to a shift in the exchange rate toward a weaker yen against the Great Britain Pound and the Euro, net revenue in EMEA was ¥271,942 million (1.0% increase year on year). However, due to factors such as a decrease in net revenue on a constant currency basis and internal investments, the underlying operating profit was ¥33,832 million (12.0% decrease year on year) and the operating margin was 12.4% (14.3% for the previous fiscal year).

APAC (Asia Pacific excluding Japan)

The net revenue organic growth rate in APAC was negative 6.8%. By major market, the results were challenging in Australia, but markets such as India, Thailand, and Taiwan saw a solid performance.

Net revenue in APAC was ¥107,262 million (7.9% decrease year on year). However, through highly disciplined control of SG&A expenses, underlying operating profit was ¥2,720 million (159.0% increase year on year), and the operating margin was 2.5% (0.9% for the previous fiscal year).

Organic growth rate by region (Figures in parentheses represent negative growth)

	FY2025 (Jan-Dec)	FY2025 Q4 (Oct-Dec)	FY2025 Q3 (Jul-Sep)	FY2025 Q2 (Apr-Jun)	FY2025 Q1 (Jan-Mar)
Japan	6.2%	4.5%	9.9%	5.1%	5.5%
Americas	(3.0)%	(1.8)%	(3.4)%	(1.6)%	(5.1)%
EMEA	(1.8)%	(1.5)%	(1.1)%	(3.8)%	(0.9)%
APAC	(6.8)%	0.3%	(12.5)%	(12.7)%	(4.6)%
Group Consolidated	0.5%	0.9%	1.4%	(0.7)%	0.2%

Progress on the Mid-Term Management Plan during FY2025

The main management targets established by the Group based on the Mid-Term Management Plan spanning the period from FY2025 to FY2027 are presented below.

1) Reevaluating underperforming businesses and rebuilding the business foundation (recovering profitability)

- Identify underperforming businesses based on capital efficiency and swiftly implement improvement measures or divestments to eliminate the risk of future performance deterioration. Aim for the entire International business to contribute to enhancing shareholder value by FY2026, and for all four business regions to contribute to enhancing shareholder value by FY2027
- Rebuild the business foundation by strongly promoting the simplification of the organization, as well as the standardization and sophistication of operations, to achieve

up to ¥50 billion in sustainable and planned operating cost reductions by 2027

2) Business strategy (recovering competitiveness)

- Aim to be the clients' growth partner in each market and grow globally. Specifically, focus on Japan and the United States, which are large-scale markets with an abundance of business assets
- In the International business, focus on enhancing the added value of the core Media business to provide Integrated Growth Solutions (IGS)

3) Key financial targets and capital allocation

- Aim for an operating margin of 16% toward FY2027
- Implement ¥45 billion in internal investment in key markets and areas over three years
Certain key financial targets established in the Mid-Term Management Plan announced in February 2025 were withdrawn as of February 13, 2026, in light of changes in the current business performance and the business environment, and we plan to establish new key financial targets.

4) Corporate governance, sustainability, and talent management

Please refer to "2. Sustainability Approach and Initiatives (1) Sustainability for the Group and 3) Metrics and targets" for details.

The results of initiatives to achieve the above management targets in FY2025 are presented below.

1) Reevaluating underperforming businesses and rebuilding the business foundation

- Returned China and Australia, which had recorded consecutive losses since FY2023, to profit on an underlying operating profit basis. Also initiated the process of downsizing, withdrawal, and divestment of certain underperforming businesses
- Carried out the reorganization of 2,100 personnel in FY2025 as part of our 3,400-person workforce reduction plan. Out of 750 measures established within the Group to rebuild the business foundation, more than 80% are either in progress or have been completed
- Reduced the number of companies in the International business, which exceeded 1,000 as of January 2021, to about half by January 2026, to simplify the organizational structure and improve management efficiency
- Made one-off expenditures of ¥20 billion to rebuild the business foundation, achieving a cost reduction effect of approximately ¥14 billion

2) Business strategy

- In our U.S. business, we are seeing momentum across four key pillars: growth as a transformation partner through strong relationships with global clients; integrated growth of U.S. local accounts leveraging both media and CXM; implementation and advancement of content supply chains centered on AI; and cutting-edge CRM enhancement that connects marketing and business operations, centering on the data held by clients. The

U.S. CXM business, which had experienced consecutive periods of significant negative growth since FY2023, showed signs of reaching bottom

- The International Media business achieved positive organic growth for two consecutive years, and also posted positive growth at the regional level in FY2025. Additionally, net wins of new media projects continued to be positive in both the first and second halves of FY2025

3) Key financial targets and capital allocation

- Operating margin was 14.4% in FY2025
- Regarding internal investment, we focused on executing the growth strategy centered on media and invested approximately ¥8 billion in FY2025 for the development of data and technology tools such as dentsu.Connect and the introduction of AI

4) Corporate governance, sustainability, and talent management

Please refer to “2. Sustainability Approach and Initiatives (1) Sustainability for the Group 3) Metrics and targets” for details.

Financial Position

Total assets at the end of the fiscal year decreased by ¥300,473 million from the end of the previous fiscal year to ¥3,206,787 million, primarily due to decreases in goodwill and other financial assets, despite an increase in trade and other receivables. Meanwhile, total liabilities increased by ¥20,607 million to ¥2,758,832 million, primarily due to increases in trade and other payables and liabilities directly associated with non-current assets held for sale, despite a decrease in bonds and borrowings. Total equity decreased by ¥321,080 million to ¥447,954 million, primarily due to a decrease in retained earnings resulting from the posting of a net loss.

Under the Mid-Term Management Plan announced in February 2025, the Group established a new financial policy to restore a healthy balance sheet by recovering profitability and competitiveness. At the same time, the Group plans to continue the disposal of non-operating assets, such as strategic shareholdings. In terms of capital allocation, while the Group will continue to prioritize expenditures related to rebuilding our business foundation and internal investments for business growth, investments such as acquisitions will be selectively implemented under even stricter risk management, as we selectively invest in projects that align with our business strategy.

Cash flow status for the fiscal year under review

As of December 31, 2025, cash and cash equivalents (hereinafter “cash”) amounted to ¥295,183 million, compared to the ¥371,989 million posted at the end of the previous fiscal

year. This decrease of ¥76,806 million was primarily due to cash used in financing activities.

Net cash flow from operating activities

Net cash provided by operating activities increased by ¥57,987 million compared to the previous fiscal year to ¥117,972 million, primarily due to a decrease of changes in working capital.

Net cash flow from investing activities

Net cash used in investing activities decreased by ¥28,052 million compared to the previous fiscal year to ¥2,856 million. This was primarily due to a decrease in net cash paid on acquisition of subsidiaries.

Net cash flow from financing activities

Net cash used in financing activities increased by ¥114,758 million compared to the previous fiscal year to ¥180,473 million. This was primarily due to an increase in repayment of long-term borrowings and an increase in redemption of bonds.

Status of production, orders received, and sales

Sales results

Sales results (revenue) for each segment in the fiscal year ended December 31, 2024 were as follows:

Segment	Revenue (Millions of yen)	YoY (%)
Japan	605,237	105.7
Americas	369,931	97.1
EMEA	338,964	105.9
APAC	111,668	92.0
Central	9,446	59.1
Total	1,435,245	101.7

(Note 1) Intersegment transactions have been offset and eliminated.

Analysis and discussion of operating results, etc. from the management perspective

The forward-looking statements contained herein are based on the judgment of the Group as of March 2026.

(1) Views, analysis, and discussion of financial position and operating results

Please refer to “Comprehensive Business Overview” for the Company’s views, analysis, and discussion of the financial position and operating results for the fiscal year ended December 31, 2025.

(2) Analysis and discussion of the status of cash flows and information regarding the sources of equity and the liquidity of funds

1) Basic approach to capital policy and financial strategy

Under the strategies and measures established under the Mid-Term Management Plan ending in FY2027, the Group aims to increase medium- and long-term shareholder value through profit growth.

To underpin this effort, specifically, we will strictly scrutinize the scale of funding needed, carefully manage the balance of capital and liabilities, improve balance-sheet soundness so that we can achieve high credit ratings, and engage in disciplined management and operations. We also ensure ample liquidity on hand through internal reserves, loans from financial institutions, corporate bonds, commercial paper, receivables securitization, commitment lines, and other sources of funds. Moreover, we maintain additional undrawn loan commitments with financial institutions to prepare for unexpected circumstances such as a rapid change in the external environment. In this way, we are endeavoring to maintain a high level of resilience to dramatic changes in the business environment and other risks.

Our investments will prioritize expenditure for rebuilding the business foundation and internal investment in business growth, progressively reestablishing the Group’s business performance.

We aim to return profits to shareholders by appropriately distributing profits gained through these activities and improving intrinsic corporate value. Our basic policy is to pay out stable and continuous dividends upon ensuring growth investment and financial soundness that are necessary for enhancing corporate value over the medium to long term. However, in our consolidated financial statements for FY2025, we recorded impairment losses on goodwill in the Americas and EMEA regions, and in our nonconsolidated financial statements, we recorded a loss on valuation of other securities of subsidiaries and associates, resulting in a decrease in retained earnings and a substantial negative amount of distributable profits under the Companies Act. Therefore, we have decided not to pay a year-end dividend for the fiscal year ended December 31, 2025, or an annual dividend for the fiscal year ending December 31, 2026.

2) Main demands on funds

The main demands on the Group's working capital include the payment of media fees and production expenses for advertising work, as well as personnel expenses and other selling, general, and administrative expenses.

Under the Mid-Term Management Plan concluding in FY2027, we also anticipate demands on funds for investments aimed at recovering competitiveness and profitability, as we will focus on recovering profitability by reevaluating underperforming businesses and rebuilding the business foundation.

3) Status of cash flows

Please refer to "Cash flows" for the status of cash flows for the fiscal year ended December 31, 2025.

4) Status of financing and liquidity

The Group procures funds based on the flexible selection of optimal methods of financing from a diverse range including internal reserves, loans from financial institutions, corporate bonds, commercial paper, receivables securitization, etc., based on a consideration of the market environment at the time and the annual amounts of long-term funds due for redemption. As a rule, long-term funds are procured centrally through the Company.

The Group has also established a syndicated commitment line of up to ¥100,000 million for the Company to ensure liquidity in times of emergency. Moreover, in order to prepare fully for any rapid changes in the external environment, we have also maintained additional loan commitments with financial institutions.

In addition, from the perspectives of centralizing the procurement of funds within the Group, improving capital efficiency, and ensuring liquidity, we have introduced a cash management system where the Group borrows funds from subsidiaries with surplus cash and lends them to subsidiaries experiencing a demand for funds.

The Group recognizes the maintenance and enhancement of our ability to stably procure external funds as an important management issue, and we have obtained a long-term credit rating of "AA-" and a short-term credit rating of "a-1+" from the rating agency Rating and Investment Information, Inc. (R&I). Moreover, based on the broad, positive relationships we have built up over many years with major financial institutions in Japan and internationally, we consider that there should be no problem in maintaining and expanding the Group's businesses, securing the necessary working capital, and procuring the funds needed to invest.

(3) Significant accounting estimates and assumptions used in such estimates

The Company prepares its consolidated financial statements based on the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board.

In preparing the consolidated financial statements, the Company's leadership must disclose the reported amounts of assets and liabilities and any contingent liabilities or other off-balance sheet transactions as of the end of the fiscal year, and make estimates that affect its financial

position and operating results during the reporting period. For example, the Company's leadership continually evaluates the outlook and determination of matters such as investments, business combinations, retirement payments, income tax, contingencies, and litigation. They make estimations and judgments based on various factors considered reasonable in view of past results and conditions. The results of these estimations and judgments form the basis for the carrying value of assets and liabilities and the reported amounts of revenue and expenses. Due to the uncertainty inherent in estimation, actual results may differ from estimates.

The significant estimates and assumptions that materially affect the amounts recognized on the Company's consolidated financial statements are as follows.

1) Impairment of property, plant and equipment, goodwill, and intangible assets

The Group assesses at the end of the reporting period whether there is any indication that a non-financial asset may be impaired except for inventories and deferred tax assets. If an indication of impairment exists, an impairment test is performed based on the recoverable amount of the asset. Goodwill is not amortized. Impairment tests for goodwill are performed once a year, irrespective of whether there is any indication that they may be impaired, or in cases where there is an indication of impairment. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal or its value in use. Where the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the asset is written down to its recoverable amount and impairment losses are recognized. The Group applies certain assumptions regarding factors such as the asset's useful life, future cash flows, growth, and discount rates when estimating value in use.

These assumptions are determined through the best estimates and judgments possible based on past results and the business plans approved by the Company's leadership. However, they may be affected by changes in business strategy or the market environment. If it becomes necessary to amend assumptions, this may have a material impact on the amount of impairment loss recognized.

Please refer to "Consolidated Financial Statements and Notes to the Consolidated Financial Statements 14. GOODWILL AND INTANGIBLE ASSETS (3) Impairment testing of goodwill" for the main assumptions used in the impairment testing of goodwill and details of sensitivity analysis.

2) Right-of-use assets

For leases in which the Group is the lessor, right-of-use assets and a lease obligation are recognized at the beginning of the lease. Right-of-use assets are measured at acquisition cost at the beginning of the lease. After the commencement date, the cost model is applied and measured at acquisition cost less accumulated depreciation and accumulated impairment losses.

The Group is optimizing real estate as part of its restructuring and is projecting the use of subleasing for some real estate lease agreements. The balance of right-of-use assets related to these real estate lease agreements is calculated on the assumptions of the basic sublease fee, the expected rate of increase in lease payments over the lease period, the lease incentive,

and void periods including the commencement date of subleasing. In the case where it becomes necessary to revise assumptions for reasons such as changes in the market conditions and the occurrence of unpredictable events, an additional impairment loss or reversal of an impairment on the right-of-use assets may occur in the following fiscal year.

3) Valuation of financial instruments (including contingent consideration and put option liabilities)

The Group holds financial assets such as securities and derivatives. It applies certain assumptions in the valuation of these financial assets. Fair value is determined based on measurement techniques such as the market approach and the income approach, in addition to market prices. Specifically, the fair value of stocks and other financial assets for which an active market exists is measured based on market prices, while the fair value of those for which there is no active market is evaluated using observable market data or methods based on unobservable inputs, mainly the income approach and the market approach.

The fair value of contingent consideration and put option liabilities arising as a result of business combinations is measured using the discounted cash flow method based on unobservable inputs.

The Company's leadership believes that the estimated fair value of financial instruments is reasonable. However, if it becomes necessary to amend these estimates due to factors such as unforeseeable changes in the assumptions applied, this may have a material impact on the amounts of fair value recognized.

4) Valuation of defined benefit obligations

Defined benefit obligations and retirement benefit expenses are measured based on actuarial assumptions, such as discount rates, future compensation levels, retirement rates, and mortality rates.

The Company's leadership believes these assumptions reasonable. However, if actual results differ from the assumptions, or if the assumptions are amended, this may have a material impact on the amounts of expenses and liabilities recognized.

5) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled, and a reliable estimate can be made for the amount of the obligation. Where the effect of the time value of money is material, provisions are measured based on the present value using a discount rate reflecting the risks specific to the liability.

These provisions are calculated based on the best estimates possible as of the end of the fiscal year, taking uncertainty into account. However, they may be affected by unforeseeable events or changes in circumstances, and if the actual results differ from the estimates, this may have a material impact on the amounts of liabilities recorded.

6) Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be

available against which carryforwards of unused tax losses, tax credit carryforwards, and deductible temporary differences can be utilized. Deferred tax assets are reassessed at the end of the fiscal year and reduced by the amount of any tax benefits that are not expected to be realized.

The Group records deferred tax assets based on future taxable income and careful, highly feasible, and continuing tax planning consideration, and it is judged that the estimates used in the valuation of recoverability are reasonable. However, they may be affected by unforeseeable events or changes in circumstances, and if the actual results differ from the estimates, this may have a material impact on the amounts of expenses recognized and assets recorded.

Part 2 Information About Reporting Company

Executive Compensation

1) Policy for Determining the Amount or Calculation Method of Compensation for Directors and Executive Officers

The Company's Compensation Committee has established the Policy for Determining the Amount or Calculation Method of Compensation for Directors and Executive Officers based on the provisions of the Companies Act with respect to a company with nominating, audit, and compensation committees.

i. Basic policy regarding executive compensation (Executive Compensation Policy)

Executive Compensation Policy

1. Executive compensation philosophy

In a business area where marketing, technology, and consulting are increasingly converging, we aim to evolve into a company that embodies "an invitation to the never before" and creates social impact by generating innovative ideas and solutions through outstanding creativity and technology.

To empower the executives who drive our success, our executive compensation is designed based on the following objectives and principles. We will continuously review and update our programs as our business transforms so that they reflect who we are and where we are going.

Attract and retain outstanding talent by providing attractive total rewards and environment	Achieve the Group's strategic goals by maximizing the performance of the globally integrated management team	Strengthen alignment with interests of shareholders and all other stakeholders
1) Competitive pay 2) Career growth opportunities	3) Pay for performance 4) Challenging goals	5) Creating value for society 6) Accountability

- 1) Set competitive and equitable compensation levels relative to global peers within affordable pay ranges, considering the individual's scope of responsibility and geographical location
- 2) Provide integrated opportunities that encompass not only pay but also compelling opportunities for career advancement and self-fulfillment, as well as a collaborative environment that stimulates creativity
- 3) Set appropriate variable pay ratios to reward the achievement of dentsu and individual goals, as well as demonstration of excellent leadership attributes
- 4) Set challenging yet achievable goals against global peers to accelerate global business growth and drive shareholder value
- 5) As a Business to Business to Society (B2B2S) company, emphasize long-term performance, especially the impact we have on our communities, client companies, business partners, and employees
- 6) Determine compensation based on transparent and objective procedures, taking integrity and compliance into consideration

2. Compensation levels

To secure outstanding talent for management on a global basis, the Company sets compensation levels based on roles, with reference to the levels of compensation among its business competitors and talent competitors with similar market capitalization, in the main regions where it operates (Japan, the United States, the United Kingdom, etc.). The Company uses compensation survey data supplied by an external consulting firm to confirm market compensation levels.

3. Structure of compensation

1) Directors

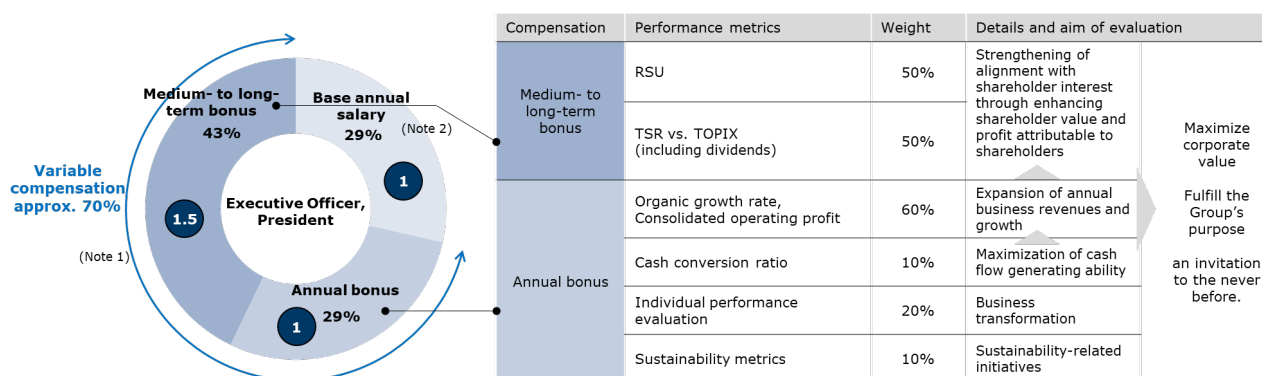
Compensation for Directors consists only of Director compensation as fixed compensation.

2) Executive Officers

Compensation for Executive Officers is composed of 1) base annual salary as fixed compensation, 2) annual bonus as variable compensation, and 3) medium- to long-term bonus as variable compensation, with a focus on medium- to long-term performance and the enhancement of corporate value. Representative Executive Officers receive additional fixed compensation for their role.

The ratio of compensation components for the President & CEO is set at approximately 1:1:1.5, respectively, for 1) base annual salary, 2) annual bonus (standard amount), and 3) medium- to long-term bonus (standard amount). The compensation ratios for the other Executive Officers are based on their responsibility for the Company's global management. Annual bonuses and medium- to long-term bonus payout ratios vary between 0% and 200% (target: 100%) and between 50% and 150% (target: 100%), respectively, based on the results of the performance metrics shown below.

(Compensation ratios when performance targets are met (for the President & CEO) and performance metrics for variable compensation)



- (Notes)
1. This represents the relative composition in amount if all of the performance targets of variable compensation are met.
 2. This represents base annual salary for Executive Officers. Representative Executive Officers receive additional fixed compensation. Executive Officers who concurrently serve as Directors also receive fixed compensation in the capacity of Director.

4. Compensation governance

1) Decision process

As a company with nominating, audit, and compensation committees, the Company deliberates and decides on matters such as the levels of compensation for the Directors and Executive Officers, the composition of compensation, and the targets for variable compensation in the Compensation Committee consisting of independent Outside Directors and chaired by an Outside Director.

2) Malus and clawback clauses

The Company may withdraw some or all of an Executive Officer's right to receive an annual bonus or medium- to long-term bonus (malus) or demand the return of some or all of cash or stock that has been paid from an Executive Officer (clawback), by resolution of the Compensation Committee, if the Executive Officer has caused serious damage to the Company through intent, negligence, inappropriate actions, etc., or where there is an error in financial information with the effect of decreasing the amount payable to the Executive Officer.

2) Content and calculation of compensation

(A) Fixed compensation

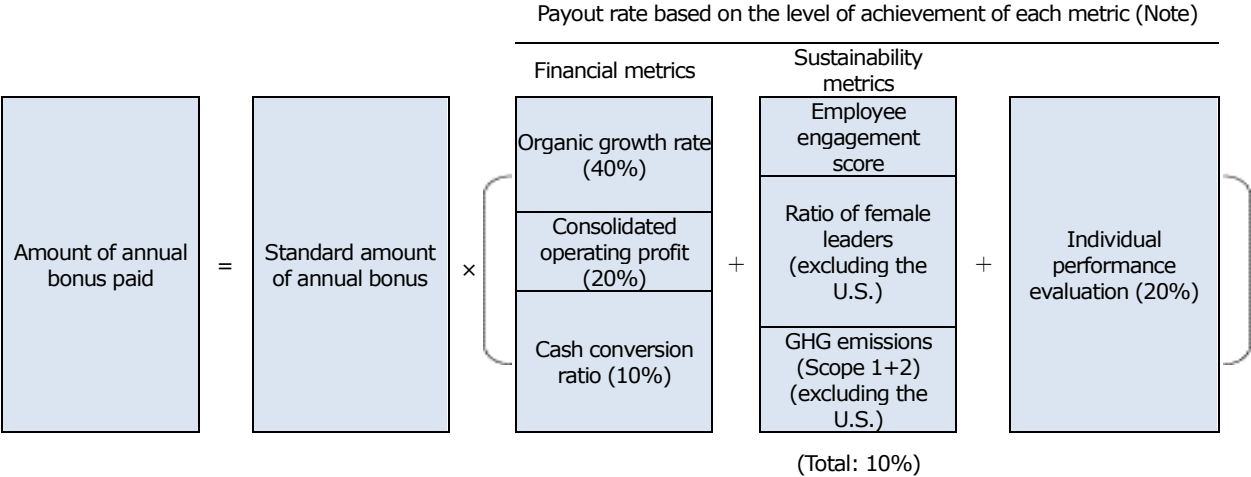
Director compensation, base annual salary and Representative Executive Officer compensation consist of a regular (monthly) fixed amount of monetary compensation, paid at a designated time each month. In the case of Director compensation, a fixed amount is paid according to the Director's duties. In the case of base annual salary for Executive Officers, the appropriate amount of compensation for each Executive Officer is set in accordance with the roles and responsibilities of his or her position, with reference to the levels of compensation among its business competitors and talent competitors with similar market capitalization, in the main regions where the Company operates (Japan, the United States, the United Kingdom, etc.). The Company uses compensation survey data supplied by an external consulting firm to confirm market compensation levels. In the case of Representative Executive Officer compensation, a fixed amount determined uniformly for all Representative Executive Officers is paid.

(B) Annual bonus

The annual bonus is performance-based monetary compensation paid to Executive Officers based on the Company's performance and each Executive Officer's individual performance in each fiscal year. The amount of bonus paid is determined using a formula, based on the figures for the financial metrics (the Group's organic growth rate, consolidated operating profit, and cash conversion ratio), sustainability metrics, and individual performance evaluation as well as their respective weights as shown below, varying within a range from 0% to 200%. The standard amount is calculated as a certain percentage of the base annual salary paid as compensation for Executive Officers. The computed amount is paid at a certain time after the Ordinary General Meeting of Shareholders for the relevant fiscal year. The upper limits, targets, and lower limits of metrics used to determine the range of individual compensation paid, within

0% to 200%, are decided by the Compensation Committee.

In addition to withdrawing an Executive Officer’s right to receive the annual bonus (malus) or demand the return of some or all of the bonus (clawback), the Compensation Committee may reduce the amount of the annual bonus on a case-by-case basis if it determines that actions have occurred that violate compliance or integrity.



(Note) The figures in parentheses represent the relative composition if all of the performance targets are met.

The reasons for selecting each metric used to calculate the annual bonus are as follows.

- Organic growth rate: This metric indicates business growth while eliminating the effect of exchange rate fluctuations and M&A activities. The Company believes that it is an appropriate metric for evaluating the business results for one year.
- Consolidated operating profit: The Company believes that this is an appropriate metric for maximizing corporate value through profit creation and promoting the generation of funds for future investments.
- Cash conversion ratio: This metric motivates the improvement of capital efficiency and the maximization of cash flow generation through the optimization of working capital.
- Sustainability metrics: These metrics promote the achievement of strategic targets related to corporate value that cannot be measured using financial metrics, based on the Mid-Term Management Plan 2025-2027 and issues in the current corporate environment.
- Individual performance evaluation: This metric facilitates the designation of management issues for each Executive Officer to contribute to achieving the Group’s mission, as well as evaluating the degree to which these issues are resolved

(C) Medium- to long-term bonus

The medium- to long-term bonus is made up of "performance share units (PSU)" and "restricted stock units (RSU)" (collectively referred to as the "Plan"), with the ratio of these components set at 50%:50%.

<Performance share units (PSU)>

PSU is based on corporate performance across three consecutive fiscal years paid to Executive Officers, with the aim of enhancing business performance and corporate value over the medium to long term.

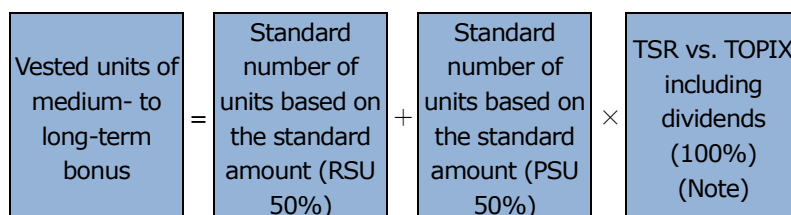
Executive Officers receive, on a certain date during each fiscal year (the "Unit Grant Date") while they are in office, a PSU standard number of units determined in accordance with each Executive Officer's management responsibilities (equivalent to the standard amount of PSU as part of medium- and long-term bonus, set in accordance with responsibility for the Company's global management, divided by the average closing value of the Company's shares during the month of January in the relevant fiscal year) as consideration for the execution of duties during the relevant fiscal year.

The PSU standard number of units is adjusted based on the total shareholder return (TSR) within a range of 50% to 150% after the passage of three consecutive fiscal years, the first of which is the fiscal year in which the Unit Grant Date falls (the "Three Fiscal Year Period"), taking into account the number of RSU units, described below (hereinafter, such adjusted units are referred to as "PSU Vested Units").

<Restricted stock units (RSU)>

RSU is performance-independent stock compensation aimed at motivating Executive Officers to improve the stock price over the medium to long term, and to recruit and retain outstanding key international personnel. Executive Officers receive, for the fiscal years of their tenure, the grant of units on the Unit Grant Date as compensation for their duties performed during the fiscal year. The number of units granted is determined in accordance with each Executive Officer's management responsibilities (equivalent to the standard amount of PSU as part of medium- and long-term bonus, set in accordance with responsibility for the Company's global management, divided by the average closing value of the Company's shares during the month of January in the relevant fiscal year).

Each Executive Officer, on a certain date (the "Vesting Date") after the Three Fiscal Year Period, may receive delivery of the Company's shares, etc. from the Trust, in accordance with the total number of PSU Vested Units and RSU units (in principle, the number of the Company's common shares calculated corresponding to half of the total number of PSU Vested Units and RSU units and an amount of cash equivalent to the market value of the number of the Company's common shares calculated corresponding to the remaining half, as of the Vesting Date). However, Executive Officers residing outside of Japan, who do not have a securities account that manages Japanese listed shares, may receive monetary payment of an equivalent amount in lieu of all of the vested shares.



(Note) The figures in parentheses represent the payout rate if the corresponding performance targets are met.

The reasons for selecting the metric used to calculate medium- to long-term bonus are as follows.

- TSR: The Company believes that this metric aligns Executive Officers' perspectives with those of shareholders and other stakeholders.

<Reference> Main changes in executive compensation in FY2025

(The payout rate and composition ratio represent the relative composition if the performance targets are met.)

Compensation for Executive Officers (including those serving concurrently as Directors)			
Item	FY2025	FY2026	Details of and reasons for changes
Annual bonus metrics and composition ratio	<ul style="list-style-type: none"> • Financial metrics: 70% (Organic growth rate 30%, Operating margin 30%, cost metrics 10%) • Sustainability metrics: 10% • Individual performance evaluation: 20% 	<ul style="list-style-type: none"> • Financial metrics: 70% (Organic growth rate 40%, Consolidated operating profit 20%, cash conversion ratio 10%) • Sustainability metrics: 10% • Individual performance evaluation: 20% 	(Financial metrics) <ul style="list-style-type: none"> • We have changed the metric from operating margin to consolidated operating profit to motivate the maximization of corporate value through profit creation and promote the generation of funds for future investments. Consolidated operating profit will be evaluated using unadjusted figures in accordance with International Accounting Standards to reflect the impact of extensive business activities. • We have changed from cost metrics to the cash conversion ratio to motivate improvements in capital efficiency and maximize cash flow generation through the optimization of working capital. • We have changed the ratio of the organic growth rate from 30% to 40% to further motivate a recovery to strong organic growth.
Content, metrics, and	<ul style="list-style-type: none"> • Phantom stock: 30% • PSU: 70% 	<ul style="list-style-type: none"> • RSU: 50% • PSU: 50% 	<ul style="list-style-type: none"> • We changed the content to RSU to motivate the continued

range of medium- to long-term bonus	(TSR vs. TOPIX (including dividends) 100%)	(TSR vs. TOPIX (including dividends) 100%)	alignment of interests with stakeholders, including shareholders, even after the rights are vested. <ul style="list-style-type: none"> We have changed the proportion of RSU to 50% to further motivate the continued alignment of interests with stakeholders, including shareholders, and strengthen the recruitment of outstanding talent and the retention of key international personnel.
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2) Executive Compensation for FY2025

- i. Total amount of compensation by class, total amount of compensation by type, and number of eligible persons

(Million yen)

Number of eligible persons			Total amount of compensation	Amount by type of compensation			
				Fixed compensation (monetary)	Variable compensation		
					Annual bonus (monetary)	Medium- to long-term bonus (phantom stock) (monetary)	Medium- to long-term bonus (PSU) (stock compensation)
Directors	Internal	3	18	18	-	-	-
	Outside	9	184	184	-	-	-
Executive Officers		4	996	401	336	92	166

- (Notes) 1. The table above includes one Director (internal) who retired upon the expiration of his/her term at the conclusion of the Ordinary General Meeting of Shareholders held on March 28, 2025.
2. For the Executive Officers concurrently serving as Directors, compensation in their capacity as a Director is included in the total compensation for Directors (internal), and compensation in their capacity as an Executive Officer is included in the total compensation for Executive Officers. The three Executive Officers concurrently serving as Directors are therefore counted in both Directors (internal) and Executive Officers.
3. The content, calculation method, etc. of the performance metrics for annual bonus and medium- and long-term bonus for FY2025 are as described in "(B) Annual bonus" and "(C) Medium- to long-term bonus" in "1) Policy for Determining the Amount or Calculation Method of Compensation for Directors and Executive Officers ii. Content and calculation of compensation." However, the points described as the FY2024 system in "<Reference> Main changes in executive compensation in FY2025" and the points described in "2) iii. Targets and results of metrics for FY2025," below, are as stated in each description.
4. The amount of annual bonus represents the sum of 1) the amount expensed in the fiscal year under review with respect to the annual bonus for performance in the same fiscal year and 2) the amount of annual bonus for performance in FY2024

actually paid in FY2025 less the amount expensed in FY2024 with respect to such annual bonus.

5. The amount of medium- to long-term bonus represents the amount expensed in the fiscal year under review with respect to the medium- to long-term bonus granted in the same fiscal year. The amount of medium- to long-term bonus (PSU) includes the amount to be paid corresponding to half of the number of vested units.
6. One Executive Officer who only received compensation from a subsidiary is not included in the table above.

ii. Total amounts of consolidated compensation for each executive of the Company

(Million yen)

Name	Class	Company	Consolidated compensation by type				Total amount of consolidated compensation
			Fixed compensation (monetary)	Variable compensation			
				Annual bonus (monetary)	Medium- to long-term bonus (phantom stock) (monetary)	Medium- to long-term bonus (PSU) (stock compensation)	
Hiroshi Igarashi	Director Executive Officer	The Company	139	104	42	77	364
Arinobu Soga	Director Executive Officer	The Company	92	75	20	37	225
Giulio Malegori	Executive Officer	Dentsu Italia S.p.A.	251	366	23	42	683
Takeshi Sano	Executive Officer	The Company	96	104	16	29	246
Shigeki Endo	Executive Officer	The Company	79	52	12	22	165

- (Notes) 1. Only executives receiving total compensation of ¥100 million or more are shown.
2. Variable compensation in the table above represents the amount expensed in the fiscal year under review, as described in Notes 4 and 5 to i., above. No annual bonus was paid to the Representative Executive Officer, President for performance in FY2025, and the bonus was reduced for the other Executive Officers in line with their responsibilities, as described in Note 2 to iii., below.

iii. Targets and results of metrics for FY2025

Targets for the metrics that determine variable compensation are set by the Compensation Committee based on the macro- and micro-economic environment, as well as the Company's management environment.

The targets and results of the metrics related to the annual bonus for FY2025 are presented below. The proportions of each metric represent the relative composition if all of the performance targets are met.

Metric	Weight	Target	Result	Payout rate	Weighted payout rate
Organic growth rate	30%	2.3%	0.5%	50.0%	15.0%
Operating margin	30%	11.7%	14.4%	200.0%	60.0%

Cost metrics	10%	£222.2 million	£279 million	150.0%	15.0%
Employee engagement score	10%	66 points	66 points	67.0%	6.7%
Ratio of female leaders (excluding the U.S.)		26.9%	25.4%		
GHG emissions (Scope 1+2) (excluding the U.S.)		11,925 tCO ₂ e	10,164 tCO ₂ e		
Individual performance evaluation	20%	—	—	(Note 1)	20.0%
				Annual bonus payout rate	116.7% (Note 2)

- (Notes) 1. The payout rate when the target is met (100%) has been shown for the individual performance evaluation, as the targets, results, and payout rates differ between individuals.
2. Based on a comprehensive consideration of the Company's business environment, no annual bonus was paid to the Representative Executive Officer, President for performance in FY2025, and the amounts of annual bonus calculated based on the payout ratio shown above were reduced for the other Executive Officers by 10% to 30%, in line with their responsibilities.

The targets and results for the performance-based stock compensation (medium- to long-term bonus) granted from FY2023 to FY2025 are shown below. Performance-based stock compensation (medium- to long-term bonus) is paid based on the results of metrics over a rolling period of three consecutive fiscal years. As three fiscal years have not yet passed for performance-based stock compensation (medium- to long-term bonus) granted in FY2024 onwards, there are no results for the metrics.

Performance-based stock compensation (medium- to long-term bonus) for FY2023
(Performance evaluation period: FY2023 to FY2025)

Metric	Weight	Target	Result	Payout rate	Weighted payout rate
Total shareholder return (TSR)	20%	Vs. Tokyo Stock Price Index (TOPIX) including dividends 100%	43.89%	0%	0%
	30%	Vs. Average TSR for 2nd and 3rd place in peer group 133.58%	80.92%	0%	0%
Consolidated underlying operating profit	50%	Compound annual growth rate (CAGR) 8.00%	(7.64)%	0%	0%
				Percentage vested	0%

Performance-based stock compensation (medium- to long-term bonus) for FY2024
(Performance evaluation period: FY2024 to FY2026)

Metric	Weight	Target
Total shareholder return (TSR)	20%	Vs. Tokyo Stock Price Index (TOPIX) including dividends 100%
	30%	Vs. Average TSR for 2nd and 3rd place in peer group
Consolidated underlying operating profit	50%	Compound annual growth rate (CAGR) 8.10%

Medium- to long-term bonus for FY2025 (Performance evaluation period: FY2025 to FY2027)

Metric (Note)	Weight	Target
Total shareholder return (TSR)	100%	Vs. Tokyo Stock Price Index (TOPIX) including dividends 100%

(Note) Due to the withdrawal of some of the key financial targets for FY2027 that were disclosed in the Mid-Term Management Plan, in the consolidated financial results announcement for FY2025, made in February 2026, we have retrospectively excluded consolidated ROE from the metrics for FY2025 at the time of grant and designated total shareholder return (TSR) as the only metric.

iv. Activities of the Compensation Committee

In FY2025, the Compensation Committee (consisting of one chair and two members, all three of whom are independent Outside Directors) met 10 times. The main matters deliberated and decided on by the Committee during FY2025 were as follows.

January to March	April to June	July to September	October to December, 2025
(4 times)	(3 times)	(once)	(twice)
<p>(FY2024 compensation)</p> <ul style="list-style-type: none"> • Deliberation on variable compensation amounts for Executive Officers and Group Executive Management • Decision on individual performance evaluation for Executive Officers and Group Executive Management <p>(FY2025 compensation)</p> <ul style="list-style-type: none"> • Revision of the incentive system for Executive Officers and Group Management Team Members • Establishment of targets, etc. for financial metrics and sustainability metrics for variable compensation for Executive Officers and Group Management Team Members 	<p>(Executive compensation in general)</p> <ul style="list-style-type: none"> • Revision of regulations related to executive compensation <p>(FY2025 compensation)</p> <ul style="list-style-type: none"> • Establishment of targets, etc. for financial metrics and sustainability metrics for variable compensation for Executive Officers and Group Management Team Members 	<p>(Executive compensation in general)</p> <ul style="list-style-type: none"> • Revision of regulations related to executive compensation 	<p>(FY2026 compensation)</p> <ul style="list-style-type: none"> • Resolution on individual compensation for newly appointed executives • Review of compensation for Outside Directors • Revision of the incentive system for Executive Officers and Group Management Team Members

• Establishment of individual performance targets for Executive Officers and Group Executive Management



The Compensation Committee has deliberated from a range of perspectives, including comparison with external entities and information supplied by an external consulting firm, and has confirmed that the content of compensation for the Directors and Executive Officers is consistent with the determination policy described in 1) above (following, however, the points outlined for FY2025 under "<Reference> Main changes in executive compensation in FY2025" and the points outlined in "2) iii. Targets and results of metrics for FY2025"). Therefore, the Committee has determined that the content of individual compensation for the Directors and Executive Officers for the fiscal year under review is in line with the said policy.

Part 3 Financial Information

1. Consolidated Statement

Consolidated Statement of Financial Position

		(Millions of Yen)	
	Notes	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	7, 34	¥371,989	¥295,183
Trade and other receivables	8, 24, 34	1,678,146	1,818,316
Inventories	9	6,095	9,492
Income tax receivables		36,629	41,514
Other financial assets	10, 18, 34	25,198	22,289
Other current assets	11	59,295	60,899
Subtotal		2,177,355	2,247,696
Non-current assets classified as held for sale	12	—	53,707
Total current assets		2,177,355	2,301,403
NON-CURRENT ASSETS:			
Property, plant and equipment	13	26,159	22,967
Goodwill	14	697,052	320,102
Intangible assets	14	203,692	178,219
Right-of-use assets	15	128,348	104,511
Investments accounted for using the equity method	6, 16	54,816	53,164
Other financial assets	10, 24, 34	146,188	107,661
Other non-current assets	21	36,734	65,690
Deferred tax assets	17	36,912	53,066
Total non-current assets		1,329,904	905,383
TOTAL ASSETS	6	¥3,507,260	¥3,206,787

		(Millions of Yen)	
	Notes	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
LIABILITIES AND EQUITY			
LIABILITIES:			
CURRENT LIABILITIES:			
Trade and other payables	18, 34	¥1,566,979	¥1,655,434
Bonds and borrowings	19, 34	173,646	122,067
Other financial liabilities	15, 19, 34, 36	87,438	71,037
Income tax payables		27,172	37,271
Provisions	20	13,447	18,864
Other current liabilities	24	198,711	210,390
Subtotal		2,067,395	2,115,065
Liabilities directly associated with non-current assets classified as held for sale	12	—	30,176
Total current liabilities		2,067,395	2,145,241
NON-CURRENT LIABILITIES:			
Bonds and borrowings	19, 34	373,627	346,174
Other financial liabilities	15, 19, 34	208,231	198,914
Liability for retirement benefits	21	17,373	15,868
Provisions	20	18,636	13,048
Other non-current liabilities	33	5,645	6,259
Deferred tax liabilities	17	47,314	33,325
Total non-current liabilities		670,828	613,590
Total liabilities		2,738,224	2,758,832
EQUITY:			
Share capital	22	74,609	74,609
Share premium account	22	75,373	75,862
Treasury shares	22	(26,559)	(26,494)
Other components of equity		216,481	201,359
Retained earnings	22	356,933	49,511
Total equity attributable to owners of the parent	34	696,838	374,849
Non-controlling interests		72,197	73,105
Total equity		769,035	447,954
TOTAL LIABILITIES AND EQUITY		¥3,507,260	¥3,206,787

Consolidated Statement of Income

		(Millions of Yen)	
	Notes	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Revenue	6, 24	¥1,410,961	¥1,435,245
Cost of sales	13, 14, 15, 21, 26	(209,313)	(237,715)
Net revenue	6	1,201,647	1,197,530
Selling, general and administrative expenses	13, 14, 15, 21, 25, 26, 33	(1,065,835)	(1,048,986)
Restructuring cost	13, 14, 15, 20, 26	(10,705)	(33,046)
Impairment loss	13, 14	(235,257)	(402,563)
Other income	27	7,605	882
Other expenses	28	(22,447)	(3,028)
Operating loss	6	(124,992)	(289,212)
Share of profit of investments accounted for using the equity method	16	3,009	3,868
Impairment loss of investments accounted for using the equity method	16	(688)	(958)
Gain (loss) on sale of investments in associates	16	(13)	254
Loss before interest and tax		(122,685)	(286,046)
Finance income	29	14,012	7,617
Finance expenses	15, 21, 26, 29	(31,085)	(28,359)
Loss before tax		(139,759)	(306,789)
Income tax expenses	17	(43,605)	(12,150)
Loss for the year		¥(183,364)	¥(318,939)
Loss attributable to:			
Owners of the parent		¥(192,172)	¥(327,601)
Non-controlling interests		¥8,808	¥8,661
Loss per share		(Yen)	(Yen)
Basic loss per share	31	¥(734.56)	¥(1,262.04)
Diluted loss per share	31	¥(734.56)	¥(1,262.04)
Reconciliation from operating loss to underlying operating profit (loss)			(Millions of Yen)
	Notes	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Operating loss		¥(124,992)	¥(289,212)
Amortization of intangible assets incurred in acquisitions		29,335	25,258
Selling, general and administrative expenses		3,873	(986)
Restructuring cost		10,705	33,046
Impairment loss	13, 14	235,257	402,563
Other income		(130)	(312)
Other expenses		22,184	2,179
Underlying operating profit (Note 1)	6	¥176,233	¥172,536

(Note 1) For the definition of underlying operating profit, refer to "3. MATERIAL ACCOUNTING POLICIES (20) Underlying Operating Profit."

Consolidated Statement of Comprehensive Income

		(Millions of Yen)	
	Notes	FY2024 (Year ended December 31, 2024) Restated (Note)	FY2025 (Year ended December 31, 2025)
LOSS FOR THE YEAR		¥(183,364)	¥(318,939)
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:			
Net change in financial assets measured at fair value through other comprehensive income	30, 34	17,380	2,885
Remeasurements of defined benefit plans	21, 30	13,073	23,534
Share of other comprehensive income (loss) of investments accounted for using the equity method	16, 30	(1)	14
ITEMS THAT ARE OR MAY BE RECLASSIFIED TO PROFIT OR LOSS:			
Exchange differences on translation of foreign operations	30	74,377	8,249
Effective portion of the change in the fair value of cash flow hedges	3, 30	(5,021)	(5,553)
Hedging Costs	3, 30	(188)	240
Share of other comprehensive income (loss) of investments accounted for using the equity method	16, 30	(71)	110
Other comprehensive income, net of tax		99,547	29,481
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		¥(83,816)	¥(289,458)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent		¥(93,032)	¥(297,939)
Non-controlling interests		¥9,215	¥8,481

(Note) Refer to "3.MATERIAL ACCOUNTING POLICIES (21) Change in Accounting Policy."

Consolidated Statement of Changes in Equity

(Millions of Yen)

	Notes	Total equity attributable to owners of the parent						
		Share capital	Share premium account	Treasury shares	Other components of equity			Net change in financial assets measured at fair value through other comprehensive income
					Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges	Hedging Costs	
As of January 1, 2024		¥74,609	¥75,072	¥(24,964)	¥77,604	¥22,268	—	¥48,306
Cumulative effect of a change in accounting policies	3					¥943	¥(943)	
Restated balance as of January 1, 2024		¥74,609	¥75,072	¥(24,964)	¥77,604	¥23,212	¥(943)	¥48,306
Profit (loss) for the year								
Other comprehensive income	30				73,994	(5,021)	(188)	17,282
Comprehensive income for the year		—	—	—	73,994	(5,021)	(188)	17,282
Repurchase of treasury shares	22			(20,006)				
Disposal of treasury shares	22		(163)	173				
Cancellation of treasury shares	22			18,238				
Dividends	23							
Transactions with non-controlling shareholders								2,900
Transfer from other components of equity to retained earnings								(20,666)
Other			464					
Transactions with owners—total		—	301	(1,594)	—	—	—	(17,766)
As of December 31, 2024		¥74,609	¥75,373	¥(26,559)	¥151,599	¥18,190	¥(1,131)	¥47,822
Profit (loss) for the year								
Other comprehensive income	30				8,393	(5,553)	240	3,047
Comprehensive income for the year		—	—	—	8,393	(5,553)	240	3,047
Repurchase of treasury shares	22			(2)				
Disposal of treasury shares	22		(17)	67				
Cancellation of treasury stock								
Dividends	23							
Transactions with non-controlling shareholders								
Transfer from other components of equity to retained earnings						(1,757)		(19,492)
Transfer to non-financial assets								
Other			506					
Transactions with owners—total		—	489	65	—	(1,757)	—	(19,492)
As of December 31, 2025		¥74,609	¥75,862	¥(26,494)	¥159,993	¥10,879	¥(890)	¥31,377

Consolidated Statement of Cash Flows

		(Millions of Yen)	
	Notes	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		¥(139,759)	¥(306,789)
ADJUSTMENTS FOR:			
Depreciation and amortization	6, 13, 14, 15, 25	81,449	74,610
Impairment loss	13, 14	235,257	402,563
Interest and dividend income	29	(7,444)	(4,731)
Interest expense	29	29,262	25,661
Share of (profit) loss of investments accounted for using the equity method		(3,009)	(3,868)
Impairment loss of investments accounted for using the equity method		688	958
Revaluation (gain) loss on contingent consideration and put option liabilities	29	(289)	(857)
(Gain) loss on valuation of securities	29	(1,532)	1,006
Increase (decrease) in liability for retirement benefits		2,158	3,580
Increase (decrease) in provision of restructuring cost		(7,096)	5,547
Other — net	28	30,221	11,543
Cash flows from operating activities before adjusting changes in working capital and others		219,905	209,223
CHANGES IN WORKING CAPITAL:			
(Increase) decrease in trade and other receivables		(63,482)	(101,423)
(Increase) decrease in inventories		707	(2,911)
(Increase) decrease in other current assets		(8,397)	(1,615)
Increase (decrease) in trade and other payables		(49,888)	64,429
Increase (decrease) in other current liabilities		6,161	12,871
(Increase) decrease in working capital		(114,899)	(28,649)
Subtotal		105,006	180,574
Interest received		6,510	4,277
Dividends received		2,718	3,600
Interest paid	15	(28,598)	(25,131)
Income taxes (paid) refund		(25,651)	(45,347)
Net cash flows from operating activities		59,984	117,972

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for purchase of property, plant and equipment and intangible assets (Note)	6	(25,684)	(26,916)
Proceeds from sale of property, plant and equipment and intangible assets (Note)		120	30
Net cash (paid) received on acquisition of subsidiaries		(24,550)	(5,854)
Net cash (paid) received on sale of subsidiaries		2,207	113
Payments for purchases of securities		(6,091)	(5,913)
Proceeds from sales of securities		23,331	33,607
Other – net		(242)	2,077
Net cash flows from investing activities		<u>(30,908)</u>	<u>(2,856)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net increase (decrease) in short-term borrowings	19	5,668	5,617
Proceeds from long-term borrowings	19	40,000	40,015
Repayments of long-term borrowings	19	(12)	(59,187)
Redemption of bonds	19	–	(70,000)
Repayments of lease obligations	15, 19	(39,482)	(37,040)
Payments for acquisition of interest in subsidiaries from non-controlling shareholders	19	(12,418)	(629)
Payments for repurchase of treasury shares	22	(20,006)	(2)
Dividends paid	23	(34,323)	(18,105)
Dividends paid to non-controlling shareholders		(4,242)	(6,717)
Payments for derivatives settlement	19	–	(34,178)
Other – net		(897)	(245)
Net cash flows from financing activities		<u>(65,714)</u>	<u>(180,473)</u>

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

		17,114	6,099
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(19,523)</u>	<u>(59,257)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	7	390,678	371,989
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS INCLUDED ASSETS CLASSIFIED AS HELD FOR SALE	12	834	(17,549)
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	7	<u>¥371,989</u>	<u>¥295,183</u>

(Notes)"Payments for purchase and proceeds from sale of property, plant and equipment and intangible assets " in "CASH FLOWS FROM INVESTING ACTIVITIES " are those for/from tangible and intangible assets.

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Dentsu Group Inc. (hereinafter referred to as the "Company") is a joint stock corporation under the Companies Act of Japan located in Japan.

The address of the Company's registered corporate headquarter is available on the Company's website (<https://www.group.dentsu.com/en/>).

The details of businesses and principal business activities of the Company and its subsidiaries (hereinafter referred to as the "Group") are stated in "Comprehensive Business Overview" and "Subsidiaries."

The consolidated financial statements of the Group for the fiscal year ended December 31, 2025 have been approved by Hiroshi Igarashi, Representative Executive Officer, President & Global CEO, and Shigeki Endo, Executive Officer, Global CFO, on March 26, 2026.

2. BASIS OF PREPARATION

(1) Compliance with the International Financial Reporting Standards (hereinafter referred to as "IFRS")

The Company's consolidated financial statements meet all of the requirements of Article 1-2-1 "Designated IFRS Specified Company" and are prepared in accordance with IFRS under the provisions of Article 312 of the Ordinance on Consolidated Financial Statements.

(2) Basis of Measurement

The consolidated financial statements are prepared on the historical cost basis, except for financial instruments and others stated in "3. MATERIAL ACCOUNTING POLICIES."

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. Amounts less than one million yen have been rounded down to the nearest million yen.

(4) Early Adoption of New Standards

There is no early adoption of standards.

3. MATERIAL ACCOUNTING POLICIES

(1) Basis of Consolidation

A. Subsidiaries

A subsidiary is an entity controlled by the Group. An entity is treated as a subsidiary if the Group is deemed, in principle, to have control over that entity when it holds a majority of the voting rights of that entity. An entity is treated as a subsidiary even if the Group holds less than a majority of the voting rights of the entity, where control is deemed to be achieved when

the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. In cases where the accounting policies adopted by a subsidiary are different from those adopted by the Group, adjustments are made to the subsidiary's financial statements, as necessary, to conform with the accounting policies adopted by the Group.

A change in the ownership interest in a subsidiary without a loss of control is accounted for as an equity transaction, and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity as equity attributable to owners of the Company.

When the Group loses control of a subsidiary, any resulting gain or loss is recognized in profit or loss.

B. Associates and Joint Ventures

An associate is an entity over which the Group has significant influence in respect to the financial and operating policies but does not have control. When the Group holds between 20% and 50% of the voting rights, the entity is, in principle, treated as an associate.

When the Group holds less than 20% of the voting rights of the entity but is determined to have significant influence over the entity, such as through delegation of officers, the entity is treated as an associate.

A joint venture is an entity in which two or more parties, including the Group, have contractually agreed to sharing of control of an arrangement and have rights to the net assets of the joint venture, and in which unanimous consent of the controlling parties is required to make decisions on relevant business activities.

The Group's investments in associates and joint ventures are accounted for using the equity method. The investments are measured as the carrying amount (including goodwill recognized upon acquisition) determined using the equity method less accumulated impairment losses.

The consolidated financial statements include the Group's share of changes in profit or loss and other comprehensive income of an associate and joint venture from the date of acquisition of significant influence or joint control until the date such influence or control is lost. In cases where the accounting policies adopted by an associate or joint venture are different from those adopted by the Group, adjustments are made to the associate or joint venture's financial statements, as necessary, to conform with the accounting policies adopted by the Group.

If application of the equity method ceases as a result of the loss of significant influence on associates or joint ventures, gain or loss on the sales of shares is recognized in profit or loss, and the valuation difference arising from remeasurement of the residual shares at fair value is recognized in profit or loss in the same period the significant influence is lost.

C. Transactions Eliminated Under Consolidation

All intragroup balances, transactions, and unrealized gains resulting from intragroup transactions are eliminated on consolidation. Unrealized gains resulting from transactions with associates and joint ventures are deducted from investments, to the extent it does not exceed

Company's share in an investee.

(2) Business Combinations

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured as the sum of the acquisition-date fair value of the assets transferred, the liabilities assumed and equity instruments issued by the Company in exchange for control over an acquiree and includes contingent consideration when appropriate.

At the acquisition date, the identifiable assets and liabilities are recognized at their fair value, except that:

- 1) Deferred tax assets or liabilities, and assets or liabilities, which are related to employee benefit arrangements, are recognized and measured in accordance with International Accounting Standards (hereinafter referred to as "IAS") 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively.
- 2) Assets or disposal groups that are classified as held-for-sale under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with such standard.

Any excess of the consideration of acquisition over the fair value of identifiable assets and liabilities is recognized as goodwill. If the consideration of acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is immediately recognized in profit.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts of incomplete items are measured based on best estimates. Provisional amounts are adjusted retrospectively to reflect new information obtained during the measurement period, within one year from the date of acquisition, that, if known, would have affected the amounts recognized at that date.

The contingent consideration is recognized at fair value at the time of acquisition and the change in fair value after acquisition is reflected as an adjustment to the consideration transferred when the change qualifies as adjustment during the measurement period, otherwise the change is recognized in profit or loss.

The Group elects to measure non-controlling interests at either fair value or based on the proportionate share in the recognized identifiable net asset amounts for each business combination transaction.

Acquisition-related costs incurred to achieve a business combination are recognized as expenses when incurred, with the exception of costs related to the issuance of debt instruments and equity instruments.

The Group continuously accounts for all business combinations under common control based on carrying amounts. A business combination under common control is a business combination in which all of the combining companies or businesses are ultimately controlled by the same company, both before and after the combination, and the control is not temporary.

(3) Foreign Currency Translation

A. Translation of Foreign Currency Transactions

Foreign currency transactions are translated into each functional currency of the group entity using the exchange rate at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign

currencies, and non-monetary assets and liabilities denominated in foreign currencies carried at fair value are translated into the functional currency at the closing rate, and the resulting exchange differences are recognized in profit or loss.

Non-monetary items denominated in foreign currencies are translated at the exchange rate at the date of transaction.

B. Translation of Foreign Operations

For financial statements of foreign operations such as subsidiaries, assets and liabilities are translated into Japanese yen using the closing rate of the reporting period, and revenue and expenses are translated into Japanese yen using the average rate of the reporting period unless there are significant changes in the exchange rate. Resulting translation differences are recognized in other comprehensive income, and cumulative differences are recognized in other components of equity.

When a foreign operation of the Group is disposed of, cumulative translation differences relating to that foreign operation are transferred to profit or loss.

(4) Financial Instruments

A. Non-derivative Financial Assets

(i) Initial Recognition and Measurement

The Group initially recognizes trade and other receivables on the date of occurrence. All other financial assets are initially recognized on the transaction date when the Group became the contracting party for the financial asset.

Trade and other receivables which do not include significant financial components are measured at transaction price upon initial recognition.

Non-derivative financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met at the time of initial recognition of financial assets. Otherwise, they are classified as financial assets measured at fair value.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value are classified as financial assets in which changes in fair value subsequent to initial recognition are recognized in profit or loss (hereinafter referred to as "financial assets measured at fair value through profit or loss") and financial assets in which changes in fair value subsequent to initial recognition are recognized in other comprehensive income (hereinafter referred to as "financial assets measured at fair value through other comprehensive income").

At the time of initial recognition, debt financial instruments that do not satisfy amortized cost criteria are classified as financial assets measured at fair value through profit or loss.

Equity financial instruments not held-for-sale, in principle, are designated as financial assets measured at fair value through other comprehensive income at the time of initial recognition.

All financial assets are measured at fair value plus transaction costs that are directly attributable to such financial assets, except for when they are classified as financial assets measured at fair value through profit or loss.

(ii) Subsequent Measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial Assets Measured at Amortized Cost

Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest rate method.

(b) Financial Assets Measured at Fair Value through Profit or Loss

Subsequent to initial recognition, financial assets are remeasured at fair value at each reporting period end. Changes in fair value and income such as dividends are recognized in profit or loss.

(c) Financial Assets Measured at Fair Value through Other Comprehensive Income

Changes in fair value subsequent to initial recognition are recognized in other comprehensive income, and are transferred to retained earnings if a financial asset is derecognized or the fair value declined significantly. Dividends derived from these financial assets are recognized in profit or loss.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows expire, or when substantially all risks and rewards of ownership are transferred to another entity.

B. Impairment of Financial Assets

The Group recognizes an allowance for doubtful accounts for expected credit losses on financial assets measured at amortized cost.

Determination of Significant Increase in Credit Risk

At each reporting date, the Group compares the risk of financial asset defaults as of the reporting date and the initial recognition date to assess whether the credit risk associated with the financial asset has increased significantly since the initial recognition.

The Group assesses whether there has been a significant increase in credit risk based on changes in the risk of default since the initial recognition. In assessing whether there has been a change in the risk of default, the Group considers overdue information, as well as the following factors.

- Significant changes in external credit ratings of financial assets
- Downgrade of internal credit ratings
- Deterioration in borrowers' operating results

Expected Credit Loss Approach

Expected credit losses are the present value of the difference between the contractual cash flows to be received by the Group under the contracts and the cash flows expected to be received. If the credit risk associated with a financial asset has increased significantly since the initial recognition, the allowance for doubtful accounts related to the financial asset is measured at an amount equal to the expected credit loss for the entire period, and if it has not increased significantly, it is measured at an amount equal to the expected credit loss for the 12-month period.

Notwithstanding the foregoing, for trade receivables and contract assets that do not include significant financial components, the allowance for doubtful accounts is always

measured at an amount equal to the expected credit losses for the entire period.

In measuring expected credit losses, the Group uses reasonable and corroborating information available at the reporting date that is relevant to historical events, current conditions and projections of future economic conditions. For individually significant financial assets, the Group evaluates expected credit losses individually, and for other financial assets, the Group establishes an allowance for doubtful accounts by grouping financial assets with similar credit risk characteristics based on location, number of days past due, security status, and external credit ratings.

Defaults are recognized when the obligor is unable to recover all or part of the financial assets or is determined to be extremely difficult to recover, such as when the obligor fails to make payments within 90 days after the due date.

In the event of default or significant financial difficulties of the issuer or the obligor, the Group determines that the credit impairment is deemed to exist.

Provisions for doubtful accounts related to financial assets are recognized in profit or loss. Reversal of the allowance for doubtful accounts is recognized in profit or loss.

Financial assets are written off directly when collection is not reasonably expected, such as the debtor's inability to execute the repayment plan agreed with the Group.

This typically applies when the Group determines that the borrower does not have an asset or revenue source that generates sufficient cash flow to repay the amount directly written off. The Group continues to enforce performance against directly written-off financial assets so that past due receivables can be collected.

C. Non-derivative Financial Liabilities (Including put option liabilities. Refer to "(2) Business combination" for contingent consideration.)

(i) Initial Recognition and Measurement

The Group initially recognizes debt securities on the date of issue. Contingent consideration arising from a business combination and put option liabilities to acquire interests from non-controlling interests are recognized on the date the Group acquires control of the acquired entity. All other financial liabilities are initially recognized on the transaction date when the Group becomes the contracting party for the financial liability.

Non-derivative financial liabilities are classified as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost at initial recognition.

All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at cost, net of transaction costs that are directly attributable to the financial liabilities. In addition, put option liabilities are measured based on the present value of future redemption amount.

(ii) Subsequent Measurement

After initial recognition, financial liabilities are measured based on the classification as follows. However, put option liabilities are measured at the present value of the redemption amount, with changes recognized as profit or loss.

(a) Financial Liabilities Measured at Amortized Cost

Subsequent to initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest rate method.

(b) Financial Liabilities Measured at Fair Value Through Profit or Loss

Subsequent to initial recognition, financial liabilities measured at fair value through profit or loss are remeasured at fair value at each reporting period end and changes in fair value are recognized in profit or loss.

(iii) Derecognition

A financial liability is derecognized when the obligation is fulfilled, discharged, or expired.

D. Derivative Financial Instruments and Hedge Accounting

The Group utilizes derivative financial instruments, such as foreign exchange contracts and interest rate swap contracts, to hedge its foreign currency risks and interest rate risks, respectively.

At the inception of the hedge, the Group designates and documents the relationship to which hedge accounting is adopted, as well as the objectives and strategies of risk management for undertaking the hedge. The documentation includes hedging relationships, the risk management objective, strategies for undertaking the hedge and assessments of hedge effectiveness.

These hedges are expected to be highly effective in offsetting changes in fair value or cash flows, however are assessed on an ongoing basis to determine whether hedge relationship have actually been highly effective throughout the hedging periods.

Derivative financial instruments are initially recognized at fair value. In addition, derivatives are measured at fair value after initial recognition and changes in fair value are accounted for as follows.

(i) Cash Flow Hedge

Regarding gains or losses on hedging instruments where hedges are effective, changes in fair value are recognized in other comprehensive income, and are reclassified from other comprehensive income to profit or loss when the cash flows from the hedged items affect profit or loss. The amounts recognized in other comprehensive income are included in the initial carrying amount of the relevant non-financial asset or non-financial liability if the hedging of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or if a hedged forecast transaction relating to a non-financial asset or non-financial liability becomes a firm commitment to which a fair value hedge is applied.

When applying cash flow hedge accounting to a currency swap agreement, the portion excluding the currency basis spread is designated as the hedging instrument, and the fair value fluctuation of the currency basis spread portion is recognized as hedging costs in other components of equity through other comprehensive income. When hedging costs are recognized for derivative transactions executed to hedge a time-period related hedged item, the cumulative amount of hedging costs accumulated in other components of equity is reclassified to profit or loss over the period during which the hedged item may affect profit or loss, based on a reasonable standard.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, when the hedge no longer meets the criteria for hedge accounting, or when the hedging designation is revoked. For any ineffective portion of hedges, changes in fair value are recognized in profit or loss.

(ii) Hedge of Net Investment in Foreign Operations

Translation differences resulting from the hedges of net investment in foreign operations are accounted for similarly to cash flow hedges.

Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while those for the ineffective portion are recognized in profit or loss.

Cumulative gains or losses recognized in equity as other comprehensive income are reclassified to profit or loss upon disposal of foreign operations.

(iii) Derivative Financial Instruments not Designated as Hedges

Changes in fair value of derivative financial instruments are recognized in profit or loss.

E. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and presented on a net basis if, and only if, there is a currently enforceable legal right to offset the recognized amounts, and if there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(5) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(6) Inventories

Inventories are mainly comprised of rights and contents related to sports and entertainment. Inventories are measured at the lower of cost or net realizable value. The cost of inventories is determined mainly by the specific identification method.

(7) Property, Plant and Equipment

Cost model is applied for subsequent measurement of property, plant and equipment, and is measured at acquisition cost less accumulated depreciation and accumulated impairment losses.

Acquisition cost includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs.

Except for assets such as land which are not depreciated, property, plant and equipment are depreciated mainly using the straight-line method over their estimated useful lives.

The estimated useful lives of major property, plant and equipment items are as follows:

- Buildings and structures: 6 to 100 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and changes are made as necessary.

(8) Goodwill and Intangible Assets

A. Goodwill

Goodwill is not amortized and is measured at acquisition cost less accumulated impairment losses.

B. Intangible Assets

Cost model is applied for subsequent measurement of intangible assets, and are measured at acquisition cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are measured at acquisition cost for initial recognition, and the costs of intangible assets acquired in business combinations are recognized at fair value at the acquisition date.

The acquisition cost for internally generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets all of the capitalization criteria.

Intangible assets are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives of major intangible asset items are as follows:

- Software: 2 to 5 years
- Customer relationships: Effective period (mainly 5 to 10 years)

Amortization methods and useful lives of intangible assets with finite useful lives are reviewed at the end of each reporting period and changes are made as necessary.

(9) Leases

A. Leases as a lessee

The Group determines upon inception of the contracts whether such contracts are leases or contain leases.

If the contracts transfer the right to control the use of the identified asset over a period of time in exchange for consideration, the contracts are leases or contain leases.

Right-of-use assets and a lease obligation are recognized at the beginning of the lease. Right-of-use assets are measured at cost the beginning of the lease. During the lease period, the cost model is applied and measured at cost less accumulated depreciation and accumulated impairment losses.

After initial recognition, right-of-use asset is depreciated on a straight-line basis from the beginning of the lease period to the useful life of the right-of-use asset or to the end of the lease period, whichever occurs first.

Lease obligations are measured at the present value of remaining lease payments of the beginning of the lease period.

During the lease period, the carrying amount of the lease obligation is adjusted to reflect the interest rate on the lease obligation and the lease payments made. If the lease obligations are revised or the lease terms are changed, lease obligations is remeasured and right-of-use assets are adjusted. For short-term leases and leases of low-value assets, IFRS 16 Paragraph 6 is applied, and lease payments are recognized as expenses over the lease period using the straight-line method.

B. Sale and Leaseback Transaction

The Group determines, based on IFRS 15, whether the transfer of an asset from the seller-lessee to the buyer-lessor is accounted for as a sale in a sale and leaseback transaction. When the transfer corresponds to a sale of an asset, the seller-lessee measures right-of-use asset arising from the leaseback by the proportion of the previous carrying amount of the asset

relating to the right of use retained by the seller-lessee, and recognizes only the gain or loss of the portion that was not leased back. When the transfer does not correspond to a sale of an asset, the seller-lessee continues to recognize the transferred asset, and financial liabilities equal to the amount of the transfer proceeds are recognized, and the transfer is accounted for as a financial transaction.

(10) Impairment of Non-financial Assets

Except for inventories and deferred tax assets, the Group assesses at the end of the reporting period whether there is any indication that a non-financial asset may be impaired. If such an indication exists, an impairment test is performed based on the recoverable amount of the asset.

Goodwill is not amortized. Impairment tests for goodwill are performed once a year, irrespective of whether there is any indication that they may be impaired, or in cases where there is an indication of impairment. Refer to Note "14. GOODWILL AND INTANGIBLE ASSETS" for details of impairment testing of goodwill.

Except for assets that generally do not generate independent cash flows from other assets or asset groups, the recoverable amount of an asset or a cash-generating unit is determined individually by asset at the higher of its fair value less costs of disposal or its value in use. Where the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the asset is written down to its recoverable amount and impairment losses are recognized.

An impairment loss recognized for goodwill is not reversed in a subsequent period. For assets excluding goodwill, an assessment is made at reporting period end to determine whether there is any indication that previously recognized impairment losses may no longer exist or have decreased. If any such indication exists, the recoverable amount of the asset is estimated. In cases that the recoverable amount exceeds the carrying amount of the asset, a reversal of impairment losses is recognized. The amount of the reversal of the impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized.

Because goodwill that forms part of the carrying amount of an investment accounted for using the equity method is not separately recognized, it is not tested for impairment separately. If there is any indication that an investment in equity-accounted investees may be impaired, the entire carrying amount of the investment is tested as a single asset.

(11) Non-current Assets Classified as Held for Sale

A non-current asset or asset group whose carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use is classified as held-for-sale if the non-current asset or asset group is available for immediate sale in its present condition, Group management is committed to a sales plan and its sale is expected to be completed within one year.

The Group measures a non-current asset or asset group classified as held-for-sale at the lower of its carrying amount and fair value less costs to sell.

(12) Employee Benefits

A. Post-employment benefits

The Group has set up defined benefit plans and defined contribution plans as employee retirement benefit plans.

For defined benefit plans, the Group recognizes the present value of defined benefit obligations less the fair value of any plan assets as liabilities or assets.

For defined benefit plans, the Group determines the present value of defined benefit obligations, related current service cost and past service cost using the projected unit credit method. The discount rate is determined based on high quality corporate bond yield rates at fiscal yearend for the corresponding discount period based on projected period until the expected benefit payment date.

Service costs and interest costs of defined benefit plans are recognized in profit or loss, and net interest is determined using the discount rate described above. Remeasurements of defined benefit plans are recognized in other comprehensive income in the period when they are incurred and reclassified to retained earnings immediately. Past service costs are recognized in profit or loss in the period incurred.

The cost for defined contribution plans is recognized in profit or loss in the period in which the employees render the related services.

B. Termination Benefits

The Group provides termination benefits if the Group terminates the employment of an employee before the normal retirement date along with restructuring, or if an employee of some domestic consolidated subsidiaries voluntarily retires in exchange for the benefits. If the Group has a detailed official plan for terminating an employee and there is no possibility for the plan to be cancelled, the termination benefit is recorded as an expense as of the time of the commitment of the termination of employment.

(13) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation will be required to be settled, and a reliable estimate can be made for the amount of the obligation.

Where the effect of the time value of money is material, provisions are measured based on the present value using a discount rate reflecting the risks specific to the liability.

Provision for restructuring is recognized when the Group has a detailed official plan for the restructuring and parties concerned who are expected to be affected are made to expect that restructuring will surely be implemented through the actual implementation or disclosure of the plan.

(14) Revenue

The Group recognizes revenue under the five-step approach described below.

Step 1: Identify contracts with customers,

Step 2: Identify performance obligations in a contract,

Step 3: Calculate the transaction price,

Step 4: Allocate the transaction price to the performance obligations in the contract,

Step 5: Recognize revenue when the entity satisfies its performance obligations.

The Group provides advertising, information services and other businesses to its customers.

In the advertising business, the Group mainly provides services such as placement of advertising into various media, production of advertising including creative services, and various content-related services. With regards to placement of advertising into various media, revenue is recognized when the media is placed, mainly because control of the service is transferred to the customer when the advertisement is placed on the media and the performance obligations of the Group are satisfied.

Regarding advertisement production, the performance obligation is to provide a series of management operations from planning, production, filming, editing through to completion. The performance obligation of such management operations is considered to be satisfied evenly due to its nature, and the performance obligation makes progress according to the elapsed period of time. Hence, the revenue is recognized for a certain period of time on a pro-rata basis over the contract period during which the performance obligation is satisfied.

Regarding provision of services such as various content services, the primary services are the rights business such as marketing rights of sporting events. In the rights business such as marketing rights of sporting events, the performance obligation is to make the rights such as marketing rights available to the client. Among such transactions, regarding those relating to complex rights in which the client obtains multiple rights at multiple points of time, the rights will become available to the client for a certain period of time, and the performance obligation is considered to be satisfied evenly due to its nature. Hence, the performance obligation is primarily satisfied over time during the contract period, and the revenue is recognized on a pro-rata basis over the contract period during which the performance obligation is satisfied. Regarding transactions other than those mentioned above, the right to use the right is transferred to the client at one point of time when the right becomes available to the client, and the performance obligation of the Group is satisfied. Hence, the revenue is recognized at that point in time.

The Group determines that it primarily acts as an agent considering the primary responsibility for the performance of commitments, inventory risk, pricing discretion and other factors in the transaction.

Transactions related to the advertising business are principally recorded based on the net amount of consideration received from customers, less related costs, or a certain amount of fee received as a commission, for services provided by the Group. For certain transactions which the Group determined that it is acting as a principal, consideration received from customers and costs are presented on a gross basis.

In each transaction, a judgment as to whether the Group acts as an agent or a principal and a judgment about the timing of revenue recognition have an impact on the amount of revenue. Accordingly, such judgments are categorized as judgments made in the application of accounting policies that may have a significant impact on the consolidated financial statements in "4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS"

Consideration for transactions in the advertising business is received primarily within one year of satisfying performance obligations and does not include significant financing components.

In the information services business, the Group is mainly involved in sales of software products, development of systems, and outsourcing/operation/maintenance services.

Regarding sales of software products and products, revenue is recognized at the point of delivery to the customer because control of the product is transferred to the customer and

the Group's performance obligations are satisfied. Regarding software development, the customer's asset will enhance as the development progresses, and the customer will gain control of the asset, and the Group's performance obligations are satisfied accordingly. Therefore, revenue is recognized based on the progress of development. Development progress is calculated based on the ratio of inputs used to satisfy performance obligations (costs incurred) to total expected inputs until such performance obligations are fully satisfied. As for the operation and maintenance services, performance obligations are satisfied as the contract period elapses, and revenue is recorded on a pro rata basis over the contract period in which the performance obligations are satisfied.

Revenues from the information service business are calculated by deducting discounts, etc., from the consideration in sales contracts. Considering the primary responsibility for fulfilling the commitments, inventory risk, pricing discretion and other factors, the Group is deemed to have a strong basis as a principal, therefore revenues and costs are recorded on a gross basis.

Consideration for transactions in the information services business is received mainly within one year after fulfillment of the performance obligation and does not include any significant financing components.

Other business refers to business activities such as the provision of specialized functions in corporate domains, the leasing of office space, and building maintenance services.

(15) Financial Income and Financial Expenses

Financial income mainly consists of interest and dividend income. Interest income is recognized as accrued using the effective interest rate method while dividend income is recognized when the shareholder's right to receive payment is established.

Financial expenses mainly consist of interest expenses on borrowings and bonds. Interest expenses are recognized as incurred using the effective interest rate method.

(16) Income Taxes

Income taxes consist of current income taxes and deferred income taxes. Income taxes are recognized in profit or loss, except for taxes arising from items that are recognized in other comprehensive income or directly in equity and taxes arising from business combinations.

Current income taxes are measured at the amount which is expected to be paid to or refunded from the taxation authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted, by the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amount of assets and liabilities in the Consolidated Statement of Financial Position and their tax basis amount. For specified transactions where equal amounts of assets and liabilities are recognized from a single transaction, deferred tax liabilities and deferred tax assets are initially recognized, for taxable temporary differences related to the recognized assets and deductible temporary differences related to the recognized liabilities, respectively. Deferred tax liabilities are not recognized for taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures. However, deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries,

associates and joint ventures to the extent the Group controls the timing of the reversal of the temporary difference and it is probable the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the reporting period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting period end.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which carryforwards of unused tax losses, tax credit carryforwards and deductible temporary differences can be utilized. Deferred tax assets are reassessed at the end of the fiscal year and reduced by the amount of any tax benefits that are not expected to be realized.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

(17) Equity

A. Share Capital and Share Premium Account

Equity instruments issued by the Company are recorded in share capital and share premium account. Transaction costs directly attributable to the issuance of an equity instrument are deducted from equity.

B. Treasury Shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of treasury shares.

When treasury shares are sold, any difference between their carrying amount and consideration received is recognized in the share premium account.

C. Put options written over non-controlling interests

Non-controlling interests are recognized when the Group writes a put option over equity shares held by non-controlling shareholders of a subsidiary, and are not included in the calculation of goodwill.

In addition, the written put option is initially recognized at the present value of the redemption amount as other financial liabilities, and the same amount is deducted from retained earnings.

(18) Earnings per Share

Basic earnings per share are calculated by dividing profit for the fiscal year attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the fiscal year, adjusted by the number of treasury shares. Diluted earnings per share are calculated by adjusting the effects of all potential ordinary shares with dilutive effect.

(19) Share-based Payments

The Company and certain subsidiaries grant equity-settled and cash-settled share-based payment plans.

For equity-settled share-based payments, services received and the corresponding increase in equity are measured at the fair value of the equity instruments at the date of grant and are recorded as an expense over the vesting period and recognized as an increase in equity.

For cash-settled share-based payments, services received, and the liability incurred are measured at the fair value of the liability. The Group recognizes expense and liability, as the employees render services during the vesting period. The fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss.

(20) Underlying Operating Profit

The underlying operating profit is calculated by eliminating M&A related items and one-off items from operating profit, and is used by management for the purpose of measuring constant business performance.

M&A related items: amortization of intangible assets incurred in acquisitions, acquisition costs, share-based compensation expense issued following the acquisition of 100% ownership of a subsidiary.

One-off items: items such as restructuring cost, impairment loss, gain/loss on sale of non-current assets and extra severance pay.

The underlying operating profit is not defined under IFRS, however, it is voluntarily disclosed in the Consolidated Statement of Income and Note "6. SEGMENT INFORMATION" since management has concluded that the information is useful for users of the financial statements.

(21) Change in Accounting Policy

In the previous fiscal year, the Group applied accounting treatment for hedge accounting based on IAS 39, in accordance with the transitional measures in IFRS 9. From the start of the fiscal year ended December 31, 2025, the Group has changed to accounting treatment based on IFRS 9.

As a result, the cumulative change in fair value associated with the foreign currency basis spread in interest rate and currency swaps, which was previously included in "Effective portion of the change in the fair value of cash flow hedges" in the Consolidated Statement of Changes in Equity, is now accounted for separately as "Hedging costs." On the Consolidated Statement of Changes in Equity for the fiscal year ended December 31, 2024, this change in accounting policy has resulted in the recording of "Hedging costs" of ¥(943) million and ¥(1,131) million as of January 1, 2024 and December 31, 2024, respectively, while the balance of "Effective portion of the change in the fair value of cash flow hedges" has increased by equivalent amounts as of the same respective dates. On the Consolidated Statement of Comprehensive Income for the fiscal year ended December 31, 2024, this change in accounting policy has resulted in the recording of "Hedging costs" of ¥(188) million and an equivalent increase in "Effective portion of the change in the fair value of cash flow hedges." This change in

accounting policy has no impact on the opening balance of retained earnings for the fiscal year ended December 31, 2024.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the adoption of accounting policies and the reported amounts of revenues, expenses, assets and liabilities. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of the fiscal year end date. However, given their nature, actual results may differ from those estimates and assumptions.

The estimate and underlying assumptions are continuously reviewed. The effects of a change in estimate are recognized in the period of the change and future periods.

Information relating to judgments carried out in the process of the application of accounting policies that have a material impact on the consolidated financial statements, is mainly as follows:

- Scope of subsidiaries, associates and joint ventures ("3. MATERIAL ACCOUNTING POLICIES (1) Basis of Consolidation")
- Judgments about the timing of revenue recognition, and judgments as to whether the Group acts as a principal or an agent in revenue recognition ("3. MATERIAL ACCOUNTING POLICIES (14) Revenue")
- Allocation of goodwill to cash-generating unit groups ("14. GOODWILL AND INTANGIBLE ASSETS")
- Sale and leaseback transaction: determination on whether the transfer of an asset from the seller-lessee to the buyer-lessor is a sale or not ("3. MATERIAL ACCOUNTING POLICIES (9) Leases B. Sale and Leaseback Transaction")

Estimates and assumptions that may have a material effect on the amounts recognized in the consolidated financial statements are as follows:

- Impairment of property, plant and equipment, goodwill and intangible assets ("13. PROPERTY, PLANT AND EQUIPMENT" "14. GOODWILL AND INTANGIBLE ASSETS")
- Right-of-use assets ("15. LEASES")
- Valuation of financial instruments (including contingent consideration and put option liabilities) ("34. FINANCIAL INSTRUMENTS")
- Valuation of defined benefit obligations ("21. POST-EMPLOYMENT BENEFITS")
- Provisions ("20. PROVISIONS")
- Recoverability of deferred tax assets ("17. INCOME TAXES")

5. NEW ACCOUNTING STANDARDS NOT YET ADOPTED BY THE GROUP

New accounting standards, amended standards and new interpretations that have been issued by the date of approval of the consolidated financial statements, but have not been subject to early adoption by the Group are as follows:

The impact of applying the new IFRS standards on the Group is currently being assessed and cannot be estimated at this time.

Standards	Name of standards	Mandatory (From the year beginning)	To be adopted by the Group	Description of new standards and amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending December 31, 2027	The new standard that replaces IAS 1, the current accounting standard relating to presentation and disclosure in financial statements

6. SEGMENT INFORMATION

(1) Description of reportable segments

The Group's reportable segments are those for which discrete financial information is available, and the Board of Directors conducts regular reviews to make decisions about resources to be allocated and assess their performance.

The Group is mainly engaged in providing communication-related services focusing on advertising, and manages its "Japan," "Americas," "EMEA" and "APAC" business separately. Accordingly, the Group has four reportable segments: "Japan," "Americas," "EMEA" and "APAC."

(2) Information on reportable segment

Accounting methods for reportable segments are identical to those described in "3. MATERIAL ACCOUNTING POLICIES."

Segment profit is based on operating profit, net of adjusting items such as M&A related items and one-off-items.

Intersegment revenues are based on the prevailing market price.

FY2024: Year ended December 31, 2024

	Japan	Americas	EMEA	APAC	Total	Eliminations/ Central	Consolidated
Revenue (Note 1)	¥574,548	¥380,533	¥319,250	¥122,816	¥1,397,148	¥13,812	¥1,410,961
Net revenue (Note 2)	466,746	334,642	269,254	116,413	1,187,056	14,591	1,201,647
Segment profit (underlying operating profit) (Note 3)	114,184	75,161	38,466	1,050	228,862	(52,628)	176,233
(Adjusting items)							
Amortization of intangible assets incurred in acquisitions	—	—	—	—	—	—	(29,335)
Selling, general and administrative expenses (Note 7)	—	—	—	—	—	—	(3,873)
Restructuring cost (Note 5)	—	—	—	—	—	—	(10,705)
Impairment loss (Note 6)	—	—	—	—	—	—	(235,257)
Other income	—	—	—	—	—	—	130
Other expenses	—	—	—	—	—	—	(22,184)
Operating loss	—	—	—	—	—	—	(124,992)
Share of profit of investments accounted for using the equity method	—	—	—	—	—	—	3,009
Impairment loss of investments accounted for using the equity method	—	—	—	—	—	—	(688)
(Loss) gain on sale of investments in associates	—	—	—	—	—	—	(13)
Finance income	—	—	—	—	—	—	14,012
Finance expenses	—	—	—	—	—	—	(31,085)
Loss before tax	—	—	—	—	—	—	(139,759)
Segment assets (Note 4)	1,199,299	1,414,899	719,650	345,344	3,679,193	(171,933)	3,507,260
(Other items)							
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	31,365	2,994	8,057	6,150	48,568	3,545	52,113
Investments accounted for using the equity method	53,348	—	—	206	53,555	1,260	54,816
Capital expenditures	19,447	750	3,071	1,694	24,964	719	25,684
Increase in right-of-use assets	8,485	78	5,872	2,991	17,428	490	17,919

	Japan	Americas	EMEA	APAC	Total	Eliminations/ Central	Consolidated
Revenue (Note 1)	¥608,310	¥369,666	¥338,401	¥112,199	¥1,428,577	¥6,668	¥1,435,245
Net revenue (Note 2)	495,592	315,746	271,942	107,262	1,190,544	6,986	1,197,530
Segment profit (underlying operating profit) (Note 3)	121,105	72,310	33,832	2,720	229,969	(57,432)	172,536
(Adjusting items)							
Amortization of intangible assets incurred in acquisitions	—	—	—	—	—	—	(25,258)
Selling, general and administrative expenses (Note 7)	—	—	—	—	—	—	986
Restructuring cost (Note 5)	—	—	—	—	—	—	(33,046)
Impairment loss (Note 6)	—	—	—	—	—	—	(402,563)
Other income	—	—	—	—	—	—	312
Other expenses	—	—	—	—	—	—	(2,179)
Operating loss	—	—	—	—	—	—	(289,212)
Share of profit of investments accounted for using the equity method	—	—	—	—	—	—	3,868
Impairment loss of investments accounted for using the equity method	—	—	—	—	—	—	(958)
(Loss) gain on sale of investments in associates	—	—	—	—	—	—	254
Finance income	—	—	—	—	—	—	7,617
Finance expenses	—	—	—	—	—	—	(28,359)
Loss before tax	—	—	—	—	—	—	(306,789)
Segment assets (Note 4)	1,219,046	1,142,949	667,523	351,634	3,381,153	(174,366)	3,206,787
(Other items)							
Depreciation and amortization (excluding amortization of intangible assets incurred in acquisitions)	29,613	3,203	8,021	5,446	46,284	3,066	49,351
Investments accounted for using the equity method	51,609	—	—	294	51,903	1,260	53,164
Capital expenditures	18,941	2,010	2,693	2,796	26,441	475	26,916
Increase in right-of-use assets	4,822	171	2,131	13,958	21,084	—	21,084

(Note 1) Eliminations/Central for revenue are due to revenue associated with the Russia business and central functions, and elimination of intersegment transactions. In the fiscal year ended December 31, 2024, revenue from the Russia business was ¥7,578 million and revenue from central functions was ¥8,402 million. In the fiscal year ended December 31, 2025, revenue from central functions was ¥9,446 million while there were no revenue from the Russia business.

(Note 2) Eliminations/Central for net revenue are due to net revenue associated with the Russia business and central functions, and elimination of intersegment transactions. In the fiscal year ended December 31, 2024, net revenue from the Russia business was ¥7,578 million and net revenue from central functions was ¥8,402 million. In the fiscal year ended December 31, 2025, net revenue from central functions was ¥9,068 million while there were no net revenue from the Russia business.

(Note 3) Eliminations/Central for segment profit (underlying operating profit) are primarily expenses associated with central functions.

(Note 4) Eliminations/Central for segment assets are due to central assets and elimination of intersegment transactions.

(Note 5) Restructuring cost by each segment was ¥1,745 million (Japan), ¥9,214 million (Americas), ¥(86) million (EMEA), ¥(83)million (APAC) and ¥(83) million (Eliminations/Central) for the fiscal year ended December 31, 2024, and ¥4,791 million (Japan), ¥12,762 million (Americas), ¥5,977 million (EMEA), ¥3,770 million (APAC) and ¥5,744 million (Eliminations/Central) for the fiscal year ended December 31, 2025. Impairment loss of ¥7,457 million (Americas) was included in the restructuring cost, while there were no impairment loss by "Japan," "EMEA," "APAC" and "Elimination/Central" for the fiscal year ended December 31, 2024. Impairment loss of ¥5,153 million (Americas) and 382 million (EMEA) were included in the restructuring cost, while there were no impairment loss by "Japan," "APAC" and "Elimination/Central" for the fiscal year ended December 31, 2025.

(Note 6) Impairment loss by each segment for the fiscal year ended December 31, 2024 was ¥534 million (Japan), ¥64,749 million (Americas), ¥155,459 million (EMEA), ¥14,427 million (APAC) and ¥86 million (Elimination/Central). Impairment loss by each segment for the fiscal year ended December 31, 2025 was ¥85 million (Japan), ¥301,362 million (Americas), ¥99,928 million (EMEA), ¥1,187 million (APAC), while there were no impairment loss by "Eliminations/Central."

(Note 7) The breakdown of selling, general and administrative expenses is as follows:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Selling, general and administrative expenses		
Extra retirement payments	¥2,729	¥3
M&A related cost	299	150
Depreciation and other adjustments	673	(1,145)
Other	172	5
Total	¥3,873	¥(986)

(3) Information about products and services

With regard to advertising services, the Group provides various advertising through media including newspapers, magazines, radio, television, internet, sales promotion, movies, out-of-home, public transportation, and others. The Group also provides clients with event marketing, creative services, marketing, public relations, contents services, and other services.

With regard to information services, the Group provides information services, sales of information-related products and other services.

The group also provides services such as the provision of specialized functions in corporate domains, the leasing of office space, and building maintenance.

Revenues from external customers for each product and service are as follows:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Advertising services	¥1,277,680	¥1,290,840
Information services	131,986	144,075
Other services	1,294	329
Total	¥1,410,961	¥1,435,245

(4) Regional information

A. Revenue from external customers

Revenue attributable to the United States among revenue from international is ¥330,240 million for the fiscal year ended December 31, 2024 and ¥315,907 million for the fiscal year ended December 31, 2025. In general, the amount is based on the customer's location.

B. Non-current assets (property, plant and equipment, goodwill, intangible assets and right-of-use assets)

(Millions of Yen)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Japan	¥175,314	¥160,106
International (mainly the United Kingdom and the United States)	879,939	465,695
Total	¥1,055,253	¥625,801

(Note 1) Non-current assets are allocated according to the location of each group entity.

(Note 2) Within the international, goodwill and intangible assets not tied to a specific country amounted to

¥671,592 million and ¥120,841 million, respectively, as of December 31, 2024, and ¥292,830 million and ¥97,121 million, respectively, as of December 31, 2025.

(5) Information about major customers

Information about major customers is omitted as the Group does not have a single external customer that contributes 10% or more to the Group revenue in the Consolidated Statement of Income.

7. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Cash and time deposits due within three months	¥371,989	¥295,183

Cash and cash equivalents are classified as financial assets measured at amortized cost.

The above amounts have been offset and eliminated from the amounts deposited in a cash pool account (As of December 31, 2024 ¥6,800 million, As of December 31, 2025 ¥12,234 million), which were accounted for as loans from Dentsu Group Inc. to Dentsu International Limited.

8. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Notes and accounts receivable—trade	¥1,656,861	¥1,791,035
Other	27,271	32,094
Allowance for doubtful accounts	(5,986)	(4,813)
Total	¥1,678,146	¥1,818,316

Trade and other receivables are presented net of allowance for doubtful accounts in the Consolidated Statement of Financial Position.

Trade and other receivables are classified as financial assets measured at amortized cost.

9. INVENTORIES

The breakdown of inventories is as follows:

(Millions of Yen)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Work-in-process	¥115	¥82
Other	5,980	9,410
Total	¥6,095	¥9,492

Other items include inventory of overseas media advertising space.

10. OTHER FINANCIAL ASSETS

(1) The breakdown of other financial assets is as follows:

(Millions of Yen)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Derivative assets	¥19,167	¥15,665
Equity securities□	94,944	64,192
Debt securities	2,592	371
Other	72,945	63,153
Allowance for doubtful accounts	(18,262)	(13,432)
Total	¥171,387	¥129,950
Current assets	25,198	22,289
Non-current assets	146,188	107,661
Total	¥171,387	¥129,950

Other financial assets are presented net of allowance for doubtful accounts in the Consolidated Statement of Financial Position.

In addition, derivative assets include those which hedge accounting is applied.

Derivative assets are classified as financial assets measured at fair value through profit or loss, equity securities are classified as financial assets measured at fair value through other comprehensive income. As for debt securities and the "Other," ¥20,214 million and ¥16,589 million, respectively as of December 31, 2024 and 2025 are classified as financial assets measured at fair value through profit or loss, ¥10,381 million and ¥10,160 million, respectively as of December 31, 2024 and 2025 are classified as financial assets measured at fair value through other comprehensive income, remainder is classified as financial assets measured at amortized cost.

(2) Major securities held as financial assets measured at fair value through other comprehensive income and their respective fair values are as follows:

(Millions of Yen)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Marketable stocks (Note 1)	¥73,685	¥40,587
Non-marketable stocks (Note 2)	29,403	33,766
Total	¥103,088	¥74,352

(Note 1) Major securities in each fiscal year are as follows:

(Millions of Yen)

Investees	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Recruit Holdings Co., Ltd.	¥19,782	—
TBS HOLDINGS, INC.	10,370	14,794
Digital Garage, Inc.	9,063	—
TV Asahi Holdings Corporation	2,027	2,944
TOEI COMPANY, LTD.	784	3,549

(Note 2) Major securities are those related to ballpark operation business. The fair values of them as of December 31, 2024 and 2025 are ¥3,879 million and ¥4,966 million, respectively.

Equity securities are designated as financial assets measured at fair value through other comprehensive income since they are held mainly for strengthening relationships with investees.

In order to enhance the efficiency of assets held and to use them effectively, sales (derecognition) of financial assets measured at fair value through other comprehensive income are being carried out.

The fair value and cumulative gain or loss that was recognized as other comprehensive income (before tax) at the date of sales within equity for each fiscal year is as follows:

FY2024: Fiscal Year ended December 31, 2024

(Millions of Yen)

Fair value	Cumulative gain or loss recognized in equity as other components of equity
¥23,317	¥20,644

FY2025: Fiscal Year ended December 31, 2025

(Millions of Yen)

Fair value	Cumulative gain or loss recognized in equity as other components of equity
¥31,008	¥24,648

The cumulative gain or loss recognized in equity as other components of equity are transferred to retained earnings when an equity instrument is sold or its fair value declined significantly. The cumulative gain or loss (after tax) transferred to retained earnings was ¥20,666 million and ¥19,492 million for the fiscal years ended December 31, 2024 and 2025, respectively.

11. OTHER CURRENT ASSETS

No advance payments included in other current assets are expected to be recognized in profit or loss after more than 12 months.

12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The breakdown of non-current assets and liabilities classified as held for sale as of December 31, 2025 is as follows. There were no such assets or liabilities as of December 31, 2024.

Components of non-current assets classified as held for sale:

(Millions of Yen)		
	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Non-current assets classified as held for sale		
Cash and cash equivalents	—	¥17,549
Trade receivables and other receivables	—	16,184
Inventories	—	106
Income tax receivables	—	412
Other financial assets (current)	—	1,972
Other current assets	—	1,210
Property, plant and equipment	—	3,237
Goodwill	—	1,860
Intangible assets	—	2,087
Right-of-use assets	—	1,564
Other financial assets (non-current)	—	6,973
Other non current assets	—	1
Deferred tax assets	—	546
Total	—	¥53,707
Liabilities directly associated with non-current assets classified as held for sale		
Trade and other payables	—	¥21,984
Other financial liabilities (current)	—	2,452
Income tax payables	—	1,198
Provisions	—	361
Other current liabilities	—	3,907
Other financial liabilities (non-current)	—	191
Liability for retirement benefits	—	5
Other non-current liabilities	—	77
Deferred tax liabilities	—	0
Total	—	¥30,176

Non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale as of December 31, 2025 mainly comprised assets and liabilities associated with CARTA HOLDINGS, INC. (hereinafter referred to as "CARTA") and its subsidiaries. On June 16, 2025, the Company entered into a business and capital alliance with CARTA and NTT DOCOMO, INC. (hereinafter referred to as "DOCOMO"). As a result, CARTA is expected to become an equity method affiliate after being converted into a joint venture with DOCOMO, and as of December 31, 2025, the assets and liabilities of CARTA and its subsidiaries have been classified as a disposal group held for sale.

13. PROPERTY, PLANT AND EQUIPMENT

The schedule of the carrying amount during the period is as follows:

FY2024: Year ended December 31, 2024

(Millions of Yen)

	Buildings and structures	Land	Other	Total
Balance at the beginning of the year	¥14,789	¥2,516	¥12,124	¥29,430
Acquisition due to purchases	3,284	—	2,884	6,168
Acquisitions through business combinations	64	—	8	73
Sales or disposals	(250)	(33)	(302)	(586)
Depreciation	(3,182)	—	(4,675)	(7,858)
Impairment losses (Note2)	(1,015)	—	(529)	(1,545)
Exchange differences on translation of foreign operations	342	75	594	1,012
Other	(43)	—	(492)	(535)
Balance at the end of the year	¥13,987	¥2,558	¥9,613	¥26,159

FY2025: Year ended December 31, 2025

(Millions of Yen)

	Buildings and structures	Land	Other	Total
Balance at the beginning of the year	¥13,987	¥2,558	¥9,613	¥26,159
Acquisition due to purchases	3,165	—	4,311	7,477
Acquisitions through business combinations	4	—	0	4
Sales or disposals	(854)	—	(235)	(1,090)
Transfer to assets classified as held for sale (Note1)	(1,399)	(1,166)	(671)	(3,237)
Depreciation	(2,813)	—	(4,118)	(6,932)
Impairment losses (Note2)	(2)	—	(0)	(2)
Exchange differences on translation of foreign operations	353	61	401	815
Other	(2)	—	(224)	(226)
Balance at the end of the year	¥12,436	¥1,453	¥9,077	¥22,967

(Note 1) For details, please see "12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE."

(Note 2) Impairment loss is recorded in the Consolidated Statement of Income as "Impairment loss."

The acquisition cost, accumulated depreciation and impairment losses, and carrying amount of property, plant and equipment are as follows:

(Millions of Yen)

	Buildings and structures	Land	Other	Total
FY2024 (As of December 31, 2024)				
Acquisition cost	¥37,711	¥2,563	¥51,587	¥91,862
Accumulated depreciation and impairment losses	23,724	5	41,973	65,702
Carrying amount	¥13,987	¥2,558	¥9,613	¥26,159
FY2025 (As of December 31, 2025)				
Acquisition cost	¥36,547	¥1,458	¥49,516	¥87,521
Accumulated depreciation and impairment losses	24,110	5	40,438	64,554
Carrying amount	¥12,436	¥1,453	¥9,077	¥22,967

There is no property, plant and equipment whose title is restricted or pledged as security for liabilities.

Depreciation is recorded in the Consolidated Statement of Income as "Cost of sales" and "Selling, general and administrative expenses."

14. GOODWILL AND INTANGIBLE ASSETS

(1) Schedule of goodwill and intangible assets

The schedule of the carrying amount during the period is as follows:

FY2024: Year ended December 31, 2024 (Millions of Yen)

	Goodwill	Customer relationships	Software	Other	Total
Balance at the beginning of the year	¥831,121	¥142,323	¥28,456	¥67,953	¥1,069,855
Acquisition due to purchases	—	—	10,147	9,175	19,323
Acquisitions through business combinations	3,789	2,822	1	90	6,702
Sales or disposals	(1,286)	—	(309)	(979)	(2,576)
Amortization	—	(23,277)	(9,760)	(12,670)	(45,709)
Impairment losses (Note 2)	(210,722)	(18,137)	(1,027)	(3,824)	(233,711)
Exchange differences on translation of foreign operations	74,150	8,455	459	3,850	86,916
Other	—	—	(119)	64	(55)
Balance at the end of the year	¥697,052	¥112,186	¥27,847	¥63,658	¥900,745

FY2025: Year ended December 31, 2025

(Millions of Yen)

	Goodwill	Customer relationships	Software	Other	Total
Balance at the beginning of the year	¥697,052	¥112,186	¥27,847	¥63,658	¥900,745
Acquisition due to purchases	–	–	10,305	8,996	19,302
Acquisitions through business combinations	2,189	–	665	4	2,859
Sales or disposals	–	–	(192)	(552)	(744)
Transfer to assets classified as held for sale (Note1)	(1,860)	–	(1,297)	(789)	(3,948)
Amortization	–	(19,626)	(9,579)	(11,873)	(41,078)
Impairment losses (Note 2)	(396,074)	(4,077)	(68)	(2,341)	(402,561)
Exchange differences on translation of foreign operations	18,795	3,897	434	808	23,936
Other	–	–	(18)	(170)	(188)
Balance at the end of the year	¥320,102	¥92,380	¥28,096	¥57,742	¥498,322

(Note 1) For details, please see "12. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE."

(Note 2) Impairment losses are recorded in the Consolidated Statement of Income as "Impairment loss."
Impairment losses were recognized in the fiscal year ended December 31, 2024, for Customer relationships in APAC and some subsidiaries.

The acquisition cost, accumulated amortization and impairment losses, and carrying amount of goodwill and intangible assets are as follows:

(Millions of Yen)

	Goodwill	Customer relationships	Software	Other	Total
FY2024 (As of December 31, 2024)					
Acquisition cost	¥1,207,423	¥297,314	¥138,497	¥143,548	¥1,786,783
Accumulated amortization and impairment losses	510,370	185,127	110,650	79,889	886,037
Carrying amount	¥697,052	¥112,186	¥27,847	¥63,658	¥900,745
FY2025 (As of December 31, 2025)					
Acquisition cost	¥1,204,583	¥303,466	¥137,518	¥150,179	¥1,795,748
Accumulated amortization and impairment losses	884,481	211,085	109,422	92,436	1,297,426
Carrying amount	¥320,102	¥92,380	¥28,096	¥57,742	¥498,322

There are no intangible assets whose title is restricted or pledged as security for liabilities.

Amortization is recorded in the Consolidated Statement of Income as "Cost of sales" and "Selling, general and administrative expenses."

(2) Significant goodwill and intangible assets

Significant goodwill as of December 31, 2025 is ¥27,272 million in Japan, ¥278,318 million in the Americas, ¥14,512 million in the EMEA.

Significant goodwill as of December 31, 2024 was ¥25,460 million in Japan, ¥569,614 million in the Americas, ¥101,978 million in the EMEA.

Significant intangible assets other than goodwill consist of customer relationships, which amount to ¥25,872 million in Japan, ¥27,546 million in the America, ¥38,962 million in the EMEA as of December 31, 2025. The carrying amount in APAC was nil. Customer relationships as of December 31, 2024 amounted to ¥28,855 million in Japan, ¥35,052 million in the Americas, ¥46,992 million in the EMEA and ¥1,286 million in the APAC. Among them, the customer relationships recognized when the Company acquired Dentsu Aegis Network Ltd.

(currently "Dentsu International Limited") in March 2013 was ¥53,110 million and ¥47,335 million as of December 31, 2024 and 2025, respectively, of which the remaining amortization period as of December 31, 2025 is 5 years.

(3) Impairment testing of goodwill

A. Results of impairment test of goodwill

Based on the latest business plan compiled reflecting the most recent results, the Company conducted an impairment test of goodwill. As a result, the Group recognized impairment loss on goodwill of ¥299,656 million (Americas) and ¥96,418 million (EMEA) in the cash-generating unit groups to which the goodwill had been allocated because the recoverable amounts fell to below the carrying amount. The recoverable amounts in the said cash-generating unit groups are ¥294,945 million and ¥48,300 million respectively for the fiscal year ended December 31, 2025.

In the fiscal year ended December 31, 2024, based on the latest business plan compiled reflecting the most recent results, the Company conducted an impairment test of goodwill. As a result, the Group recognized impairment loss on goodwill of ¥57,091 million (Americas) and ¥153,071 million (EMEA) in the cash-generating unit groups to which the goodwill had been allocated because the recoverable amounts fell to below the carrying amount. The recoverable amounts in the said cash-generating unit groups are ¥598,820 million and ¥159,533 million respectively for the fiscal year ended December 31, 2024.

B. Overview of impairment test of goodwill

In valuing goodwill, the Company conducts an impairment test for Japan, Americas, EMEA, and APAC with each acting as a separate cash-generating unit group and the Company furthermore conducts an impairment test on the entire international business and the entire Group.

The recoverable amounts are calculated using the value in use based on the forecast for the five subsequent years including the budget for the following fiscal year approved by the management. The key assumptions and inputs used to calculate the value in use are as follows:

	FY2024 (As of December 31, 2024)				FY2025 (As of December 31, 2025)			
	Japan	Americas	EMEA	APAC	Japan	Americas	EMEA	APAC
Operating Margin	22.0%	21.1% ~21.7%	16.7%	7.8% ~8.3%	22.0%	16.6% ~18.2%	12.5% ~13.5%	4.3% ~7.3%
Growth rates for net revenue (Note 1)	3.0%	1.7% ~4.0%	1.6% ~2.5%	0.6% ~2.7%	3.0%	(8.2)% ~1.5%	(2.0)% ~1.0%	(5.0)% ~2.0%
Perpetual growth rates (Note 2)	2.0%	2.0%	1.5%	2.0%	2.0%	1.5%	1.0%	2.0%
Pre-tax discount rates	6.7%	11.5%	13.0%	14.2%	7.0%	10.3%	10.7%	11.0%
Estimate of net working capital	In principle, the Company estimates the long-term expected net working capital based on the average of the past two years and the budget for the following financial year.							
Allocating ratio of central costs	In the impairment test of goodwill for each cash-generating unit group, central costs are allocated to each cash-generating unit group based on a rational and consistent calculation.							

(Note 1) The growth rate for net revenue for the five-year period from the following fiscal year is based on the latest business plan.

(Note 2) The perpetual growth rates set for cash flows for a period exceeding 5 years ranges.

C. Sensitivity analysis

The recoverable amounts of the cash-generating unit groups, to which the goodwill of the Americas and EMEA are allocated, and of the whole international business, after the recognition of impairment losses, are the same as their respective carrying amounts. Therefore, further impairments may arise if there is a deterioration in the key assumptions.

The recoverable amounts of the cash-generating unit groups, to which the goodwill of Japan is allocated, and of the entire Group, are well above their respective carrying amounts. It is therefore evaluated that the recoverable amount of the said cash-generating unit groups is unlikely to fall below their carrying amounts, even if the key assumptions are changed within a reasonable extent.

15. LEASES

(1) Schedule of Right-of-use assets

The carrying amount of right-of-use assets and changes during the period by type of underlying assets is as follows:

FY2024: Year ended December 31, 2024

(Millions of Yen)

	Right-of-use assets			
	Buildings and structures	Other (Property, plant and equipment)	Software	Total
Balance at the beginning of the year	¥134,356	¥4,057	¥837	¥139,252
Acquisition due to purchases	14,642	2,883	21	17,547
Acquisitions through business combinations	351	21	—	372
Amortization	(26,922)	(701)	(259)	(27,883)
Impairment losses and reversal (Note)	(7,457)	—	—	(7,457)
Exchange differences	6,040	48	—	6,089
Other	1,818	(1,303)	(84)	428
Balance at the end of the year	¥122,827	¥5,006	¥515	¥128,348

(Note) Impairment losses for FY2024 includes an impairment loss (¥6,690 million) on right-of-use assets associated with a lease contract for an office building in the Americas, which is recorded together with other impairment losses in the Consolidated Statement of Income as "Restructuring cost." The recoverable amount is based on the value in use, calculated using a pre-tax discount rate of 6.63%.

FY2025: Year ended December 31, 2025

(Millions of Yen)

	Right-of-use assets			
	Buildings and structures	Other (Property, plant and equipment)	Software	Total
Balance at the beginning of the year	¥122,827	¥5,006	¥515	¥128,348
Acquisition due to purchases	17,902	3,112	70	21,084
Acquisitions through business combinations	—	—	—	—
Transfer to assets classified as held for sale	(1,560)	(4)	—	(1,564)
Amortization	(25,766)	(1,132)	(253)	(27,152)
Impairment losses and reversal (Note)	(5,536)	—	—	(5,536)
Exchange differences	2,700	115	—	2,816
Other	(11,880)	(1,605)	(1)	(13,485)
Balance at the end of the year	¥98,687	¥5,492	¥331	¥104,511

(Note) Impairment losses for FY2025 include an impairment loss (¥5,602 million) on right-of-use assets associated with a lease contract for an office building in the Americas, which is recorded together with other impairment losses in the Consolidated Statement of Income as "Restructuring cost." The recoverable amount is based on the value in use, calculated using a pre-tax discount rate of 5.63%.

(2) Lease costs and cash flows

Lease costs and cash flows are as follows:

	(Millions of Yen)	
	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Interest expense on lease obligations	¥7,080	¥7,152
Expenses for short-term leases and leases of low-value assets	7,217	6,765
Total cash outflows related to leases	53,779	50,958

(3) Lease obligation

The maturity analysis of the lease obligation is described in "34. FINANCIAL INSTRUMENTS

(4) Liquidity risk."

(4) Nature of leasing activity

The Group leases buildings primarily as offices. The lease period for the building is between 1 and 20 years, in some cases, the lessee has the option to extend the term of the lease for one year or the same period as the original contract.

In the Japan business in particular, many lease contracts for buildings allow the lessee to repeatedly exercise the extension option, and the option to terminate the contract early if the written notice is given to the other party six months in advance. However, only lease payments for the period for which it is reasonably certain that the option will be exercised are included in the measurement of the lease obligation. These options are used as needed by the leasing entity to utilize the building for its business.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The financial information of associates and joint ventures is as follows. These amounts take the Group's ownership ratio into account. There are no associates and joint ventures significant to the Group.

	(Millions of Yen)	
	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Profit for the year	¥3,009	¥3,868
Other comprehensive income (loss)	(73)	124
Comprehensive income for the year	¥2,935	¥3,993

In addition to the above, an impairment loss on investments accounted for using the equity method of ¥688 million was recognized for the fiscal year ended December 31, 2024. An Impairment loss on investments accounted for using the equity method of ¥958 million and gain on sale of investments in associates of ¥254 million were recognized for the fiscal year ended December 31, 2025.

17. INCOME TAXES

(1) Deferred tax assets and deferred tax liabilities

The breakdown of deferred tax assets and deferred tax liabilities by major causes of their occurrence is as follows:

(Millions of Yen)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Deferred tax assets		
Liability for retirement benefits	¥13,547	¥3,194
Accrued expenses	15,185	16,133
Carryforwards of tax losses	4,983	4,442
Lease obligations	42,892	39,478
Other	45,919	53,571
Total deferred tax assets	¥122,527	¥116,820
Deferred tax liabilities		
Gain on establishment of retirement benefit trust	¥(9,467)	¥(9,626)
Unrealized gain on securities	(19,015)	(13,649)
Valuation differences on intangible assets	(63,345)	(37,292)
Right-of-use assets	(23,493)	(21,040)
Other	(17,608)	(15,471)
Total deferred tax liabilities	¥(132,929)	¥(97,080)
Net deferred tax assets (liabilities)	¥(10,402)	¥19,740

Changes in net deferred tax assets (liabilities) are as follows:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Net deferred tax assets (liabilities)		
Balance at the beginning of the year	¥847	¥(10,402)
Deferred income taxes	(6,598)	33,724
Deferred taxes related to components of other comprehensive income		
Effective portion of the change in the fair value of cash flow hedges	364	1,911
Hedging costs	62	(87)
Net change in financial assets measured at fair value through other comprehensive income	(8,814)	1,284
Remeasurements of defined benefit plans	(5,666)	(10,451)
Other changes	9,401	3,762
Balance at the end of the year	¥(10,402)	¥19,740

Taxable temporary differences, future taxable income determinations and tax planning are taken into account when recognizing deferred tax assets.

The breakdown of deductible temporary differences and carryforwards of tax losses, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

(Millions of Yen)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Deductible temporary differences	¥126,949	¥158,861
Carryforwards of tax losses	306,026	375,794

The breakdown of carryforwards of tax losses by expiry date as of December 31, 2024 and 2025, for which deferred tax assets are not recognized in the Consolidated Statement of Financial Position, is as follows:

(Millions of Yen)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Within 1 year	¥3,241	¥1,747
Within 2 years	2,697	1,826
Within 3 years	5,213	22,751
Within 4 years	22,602	9,610
Within 5 years	8,043	10,246
Over 5 years	106,397	115,517
Indefinite periods	157,831	214,093
Total	¥306,026	¥375,794

The total amount of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, for which deferred tax liabilities are not recognized amounted to ¥192,519 million and ¥214,500 million as of December 31, 2024 and 2025, respectively.

Deferred tax liabilities are not recognized for these differences since the Group is able to control the timing of the reversal of the temporary difference and it is probable the temporary difference will not reverse in the foreseeable future.

(2) Income tax expense

The breakdown of income tax expense is as follows:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Current income taxes	¥37,007	¥45,875
Deferred income taxes	6,598	(33,724)

(3) Reconciliation of effective tax rate

The breakdown of major items that caused differences between the effective statutory tax rate and income tax rate after applying tax effect accounting is as follows:

The Company is mainly subject to corporate tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes are 30.62% for the fiscal years ended December 31, 2024 and 2025. Foreign subsidiaries are subject to income taxes at their respective locations.

(%)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Effective statutory tax rate	30.62	30.62
(Reconciliation)		
Non-deductible items, such as entertainment expenses	(0.89)	(0.47)
Share of profit of investments accounted for using the equity method	0.66	0.38
Impairment loss of investments accounted for using the equity method	(0.15)	(0.09)
Changes in unrecognized deferred tax assets	(7.13)	(4.74)
Impairment of goodwill	(47.07)	(31.07)
Difference in tax rates of foreign subsidiaries	(1.43)	(0.08)
Tax credit under the wage increase promotion tax incentive	0.59	1.03
Other	(6.40)	0.46
Income tax rate after applying of tax effect accounting	(31.20)	(3.96)

(4) Top-up tax under the global minimum tax rules

The Group operates businesses in several countries that have established new laws on the application of top-up tax under the global minimum tax rules, such as Japan and the United Kingdom. Top-up tax is applied for the business of the Group in a few countries with statutory tax rates of 15% or less, or close to 15%. The Group applies a temporary, mandatory exception when accounting for deferred tax related to the impact of top-up tax, recognizing this impact in current tax as it occurs. The impact of applying top-up tax on Consolidated Financial Statement in the fiscal year ended December 31, 2025 is ¥1,141 million.

18. TRADE AND OTHER PAYABLES

(1) The breakdown of trade and other payables is as follows:

(Millions of Yen)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Notes and accounts payable—trade	¥1,506,809	¥1,594,871
Other	60,169	60,562
Total	¥1,566,979	¥1,655,434

Trade and other payables are classified as financial liabilities measured at amortized cost.

(2) Assets pledged as collateral for liabilities

Assets pledged as collateral and corresponding liabilities are as follows:

(Millions of Yen)

Assets pledged as collateral	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Other financial assets (current assets)	¥54	¥54

(Millions of Yen)

Corresponding liabilities	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Notes and accounts payable	—	—

In addition to the above, other financial assets (current assets) of ¥8 million are pledged as collateral for guarantee transactions related to the "Official Gazette" (Kanpou), sales etc. as of December 31, 2024 and 2025, respectively.

19. BONDS, BORROWINGS, AND OTHER FINANCIAL LIABILITIES

(1) Breakdown of financial liabilities

The breakdown of bonds, borrowings, and other financial liabilities are as follows:

	(Millions of Yen)		
	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)	Date of maturity redemption
Derivative liabilities	¥58,882	¥50,459	—
Put option liabilities	1,083	3,953	—
Current portion of bonds (Note)	69,977	99	—
Bonds (Note)	94,841	94,875	2027~2030
Short-term borrowings	44,566	54,739	—
Current portion of long-term borrowings	59,101	67,227	—
Long-term borrowings	278,785	251,298	2027~2033
Short-term lease obligations	36,463	34,828	—
Long-term lease obligations	171,037	156,078	2027~2042
Other (Contingent consideration, etc.)	28,203	24,632	—
Total	¥842,943	¥738,193	—
Current liabilities	¥261,085	¥193,104	
Non-current liabilities	581,858	545,088	
Total	¥842,943	¥738,193	

Derivative liabilities include those to which hedge accounting is applied.

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

Borrowings are classified as financial liabilities measured at amortized cost. The average interest rates of short-term borrowings and long-term borrowings (including the current portion of long-term borrowings) for the fiscal year ended December 31, 2025 are 5.56% and 1.15%, respectively.

Contingent consideration is calculated based on the performance of the acquired company and may range from a minimum of ¥5,299 to a maximum of ¥9,377 million and from a minimum of ¥105 million to a maximum of ¥5,025 million in the fiscal year ended December 31, 2024 and 2025, respectively.

"Other (contingent consideration, etc.)" includes financial liabilities measured at fair value through profit or loss of ¥5,302 million and ¥152 million as of December 31, 2024 and 2025, respectively. Remaining amounts are classified as financial liabilities measured at amortized cost.

(Note) A summary of the terms of the bonds issued is as follows:

(Millions of yen)

Company name	Bonds	Date of issue	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)	Interest rate (%)	Collateral	Date of redemption
Dentsu Group Inc.	Second unsecured bond	October 25, 2018	19,992	–	0.240	N/A	October 24, 2025
Dentsu Group Inc.	Third unsecured bond	October 25, 2018	24,965	24,974	0.424	N/A	October 25, 2028
Dentsu Group Inc.	Fourth unsecured bond	July 8, 2020	49,986	–	0.220	N/A	July 8, 2025
Dentsu Group Inc.	Fifth unsecured bond	July 8, 2020	9,987	9,992	0.320	N/A	July 8, 2027
Dentsu Group Inc.	Sixth unsecured bond	July 8, 2020	59,888	59,908	0.490	N/A	July 8, 2030
Consolidated Subsidiaries	Other	January 31, 2025	–	99	1.000	N/A	December 31, 2026
Total	–	–	¥164,819	¥94,975	–	–	–

(2) Changes in liabilities arising from financing activities

FY2024: Year ended December 31, 2024

(Millions of Yen)

	Balance at the beginning of the year	Changes from cash flows from financing activities	Non-cash changes				Balance at the end of the year
			Newly recognized	Changes from remeasurements	Increase due to business combination	Exchange differences and others	
Short-term borrowings	¥39,200	¥5,668	–	–	–	¥(301)	¥44,566
Long-term borrowings (Note 1)	290,498	39,987	–	–	–	7,402	337,887
Lease obligations (Note 1)	219,018	(39,482)	17,547	–	372	10,046	207,501
Put option liabilities (Note 1, 2)	14,359	(12,297)	1,444	(341)	–	(2,081)	1,083
Bonds (Note 1)	164,747	–	–	–	–	71	164,819
Derivative liabilities (assets) relating to financing activities (Note 1)	30,272	–	–	22,203	–	3,658	56,134
Total	¥758,096	¥(6,123)	¥18,991	¥21,861	¥372	¥18,794	¥811,992

(Note 1) The above includes current liabilities due within one year.

(Note 2) Changes from remeasurements include interest expense from the passage of time.

FY2025: Year ended December 31, 2025

(Millions of Yen)

	Balance at the beginning of the year	Changes from cash flows from financing activities	Non-cash changes				Balance at the end of the year
			Newly recognized	Changes from remeasurements	Increase due to business combination	Exchange differences and others	
Short-term borrowings	¥44,566	¥5,617	–	–	¥10	¥4,544	¥54,739
Long-term borrowings (Note 1)	337,887	(19,171)	–	–	324	(514)	318,526
Lease obligations (Note 1)	207,501	(37,040)	21,084	–	–	(637)	190,907
Put option liabilities (Note 1, 2)	1,083	(38)	–	(795)	3,937	(233)	3,953
Bonds (Note 1)	164,819	(70,000)	–	–	99	56	94,975
Derivative liabilities (assets) relating to financing activities (Note 1)	56,134	(34,178)	–	24,623	–	3,097	49,676
Total	¥811,992	¥(154,811)	¥21,084	¥23,827	¥4,372	¥6,313	¥712,778

(Note 1) The above includes current liabilities due within one year.

(Note 2) Changes from remeasurements include interest expense from the passage of time.

20. PROVISIONS

The breakdown and schedule of provisions are as follows:

FY2025: Year ended December 31, 2025

(Millions of Yen)

	Provisions for asset retirement obligations	Provision for restructuring	Other provisions	Total
Balance at the beginning of the year	¥5,597	¥17,376	¥9,109	¥32,083
Additional provisions in the year	824	10,709	11,859	23,393
Interest expense incurred over the discount period	8	—	—	8
Provisions used	(506)	(4,146)	(1,947)	(6,600)
Provisions released	(145)	(400)	(3,874)	(4,419)
Exchange differences on translation of foreign operations	181	500	590	1,272
Other	(366)	(10,707)	(2,748)	(13,821)
Balance at the end of the year	¥5,593	¥13,332	¥12,985	¥31,912
Current liabilities	¥1,301	¥7,380	¥10,182	¥18,864
Non-current liabilities	4,292	5,952	2,803	13,048
Total	¥5,593	¥13,332	¥12,985	¥31,912

(1) Provisions for asset retirement obligations

The probable amount to be paid in the future, taking past results in consideration is recognized in order to settle restoration obligations in lease contracts for offices that the Group uses.

These expenses are primarily expected to be paid after one year, however may change due to future events such as changes in business plan.

(2) Provision for restructuring

The provision for restructuring for Japan is ¥4,945 million as of December 31, 2025. It primarily consists of the provision for unavoidable costs to fulfill the obligations of an outsourcing agreement with retired employees who became sole proprietors through the early retirement program.

The Company's subsidiary, Dentsu Inc., implemented an early retirement program connected to the provision of new career options to the retiring employees in the year ended December 31, 2020. Employees retiring through this program became sole proprietors and entered into an outsourcing agreement for up to 10 years with Dentsu Inc's subsidiary, New Horizon Collective G.K. In connection with the early retirement program, the Company recorded provision for restructuring for unavoidable costs to fulfill obligations under the above outsourcing agreement expected to be incurred in the future (over a period of 5 years as of December 31, 2025).

The provision for restructuring for the Americas, EMEA, APAC and Central is ¥3,868 million, ¥1,783 million, ¥2,312 million and ¥422 million respectively as of December 31, 2025. It primarily consists of the provisions for workforce reduction expenses, property optimization expenses, and expenses arising from other related initiatives.

21. POST-EMPLOYMENT BENEFITS

The Group operates defined benefit corporate pension plans and retirement lump-sum payment plans as defined benefit plans.

The Group and asset managers are required by law to act in the best interests of the plan participants, and is responsible for managing the plan assets in accordance with the designated policy.

Certain domestic consolidated subsidiaries voluntarily operate a retirement benefits trust for defined benefit corporate pension plans and retirement lump-sum payment plans.

In addition, the Company and certain domestic consolidated subsidiaries operate defined contribution pension plans while certain overseas consolidated subsidiaries operate defined contribution retirement benefit plans.

(1) Reconciliation of defined benefit obligations and plan assets

The reconciliation of the defined benefit obligations and plan assets to the net defined benefit liabilities (assets) recognized in the Consolidated Statement of Financial Position is as follows:

(Millions of Yen)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Funded defined benefit obligations	¥92,899	¥91,924
Plan assets	(122,041)	(149,671)
Subtotal	¥(29,141)	¥(57,747)
Unfunded defined benefit obligations	10,053	8,375
Total	¥(19,088)	¥(49,372)
Balance recognized in the Consolidated Statement of Financial Position		
Liabilities for retirement benefits	¥17,373	¥15,868
Assets for retirement benefits	(36,461)	(65,240)
Net defined benefit liabilities (assets) recognized in the Consolidated Statement of Financial Position	¥(19,088)	¥(49,372)

(Note) "Assets for retirement benefits" are recorded in the Consolidated Statement of Financial Position as "Other non-current assets."

(2) Schedule of defined benefit obligations

The schedule of defined benefit obligations is as follows:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Balance at the beginning of the year	¥108,261	¥102,952
Current service cost (Note 1)	5,715	5,770
Interest expense (Note 1)	1,211	1,495
Actuarial gains and losses (Note 2)	(3,200)	(2,141)
Benefits paid	(10,728)	(8,407)
Exchange differences on translation of foreign operations	1,529	1,190
Others	163	(560)
Balance at the end of the year	¥102,952	¥100,299

(Note 1) Current service cost is recorded in the Consolidated Statement of Income as “Cost of sales” and “Selling, general and administrative expenses.” Interest expenses, net of interest income, are recorded as “Financial expenses.”

(Note 2) Actuarial gains and losses arise from changes in financial assumptions, etc.

The weighted average duration of defined benefit obligations as of December 31, 2024 and 2025 is primarily as follows:

	(Years)	
	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Weighted average duration	9.0	9.1

(3) Schedule of plan assets

The schedule of plan assets is as follows:

	(Millions of Yen)	
	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Balance at the beginning of the year	¥110,833	¥122,041
Interest income	1,210	1,813
Return on plan assets (excluding amounts included in interest income)	15,539	31,845
Contributions by the employer	161	186
Contributions associated with the transition to a defined contribution pension plan	(9)	(11)
Benefits paid	(6,622)	(6,870)
Exchange differences on translation of foreign operations	927	668
Balance at the end of the year	¥122,041	¥149,671

The Group plans to pay contributions of ¥127 million in the year ending December 31, 2026.

(4) Major breakdown of plan assets

The major breakdown of the total of plan assets is as follows:

	FY2024 (As of December 31, 2024)			FY2025 (As of December 31, 2025)		
	Plan assets with quoted market price in an active market	Plan assets without quoted market price in an active market	Total	Plan assets with quoted market price in an active market	Plan assets without quoted market price in an active market	Total
Equity instruments	¥74,331	—	¥74,331	¥101,870	—	¥101,870
Debt instruments	3,433	855	4,289	3,335	153	3,488
General account of life insurance companies	—	4,564	4,564	—	5,620	5,620
Other	—	38,855	38,855	—	38,691	38,691
Total	¥77,765	¥44,275	¥122,041	¥105,205	¥44,465	¥149,671

(Note) Plan assets above include retirement benefit trusts established for defined benefit corporate pension plans and retirement lump-sum payment plans of ¥86,556 million and ¥111,394 million, as of December 31, 2024 and 2025, respectively. As of December 31, 2024 and 2025, equity instruments are mainly those issued in Japan and debt instruments are mainly those issued in overseas.

The objectives of plan asset investments are to reduce long-term contribution obligations and improve benefits within a tolerable risk while securing sufficient assets to grant benefits. To achieve these objectives, medium- to long-term future estimates of pension finance are taken into account, and the effect of uncertainty in the plan asset management on plan assets financing (such as the possibility of fund shortages) and tolerable levels of uncertainty in the rates of return on plan assets are adequately reviewed.

To achieve these goals, asset investments are managed to achieve these objectives by establishing a policy for future optimal asset composition ratios (hereinafter referred to as "policy asset allocation"), selecting an asset manager and monitoring asset allocation, after setting forecasts of expected rates of returns on appropriate assets for investment. The policy asset allocation is verified annually and reviewed as necessary if any changes are made to the terms and conditions set at the time of the policy's establishment.

In addition, risk corresponding contributions have been made to prepare for future financial deterioration from the fiscal year ended December 31, 2020.

(5) Actuarial assumptions

The major items of actuarial assumptions are as follows:

(%)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Discount rate	1.6	2.5

(Note) The sensitivities of the defined benefit obligations due to changes in major assumptions as of each fiscal year are as follows. Each of these analyses assumes that other variables remain fixed; however, they do not always change independently. Negative figures indicate a decrease in defined benefit obligations, while positive figures indicate an increase.

(Millions of Yen)

	Change in assumptions	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Discount rate	Increase by 0.5%	¥(3,594)	¥(3,189)
	Decrease by 0.5%	¥3,868	¥3,425

(6) Defined contribution plans

Expenses recognized due to contributions to defined contribution plans by the Company and consolidated subsidiaries amounted to ¥16,546 million and ¥15,219 million for the fiscal years ended December 31, 2024 and 2025, respectively.

Such amounts are recorded in the Consolidated Statement of Income as "Cost of sales" and "Selling, general and administrative expenses."

22. EQUITY AND OTHER EQUITY ITEMS

(1) Share capital

A. Authorized shares

The number of authorized shares as of December 31, 2024 and 2025 is 1,100,000,000

ordinary shares.

B. Fully paid and issued shares

The number of issued shares is as follows:

	Number of ordinary shares issued (Shares)
FY2023 (As of December 31, 2023)	270,165,354
Increase (decrease) (Note 2)	(4,365,354)
FY2024 (As of December 31, 2024)	265,800,000

	Number of ordinary shares issued (Shares)
FY2024 (As of December 31, 2024)	265,800,000
Increase (decrease)	—
FY2025 (As of December 31, 2025)	265,800,000

(Note 1) All the shares issued by the Company are non-par value ordinary shares that have no restriction on any content of rights.

(Note 2) The change in the number of issued shares in the fiscal year ended December 31, 2024 is a decrease of 4,365,354 shares due to cancellation of treasury shares.

(2) Treasury shares

A. The number of treasury shares is as follows:

	Number of shares (Shares)
FY2023 (As of December 31, 2023)	5,741,899
Increase (decrease) (Note 1)	486,658
FY2024 (As of December 31, 2024) (Note 2)	6,228,557

	Number of shares (Shares)
FY2024 (As of December 31, 2024)	6,228,557
Increase (decrease) (Note 3)	(15,382)
FY2025 (As of December 31, 2025) (Note 4)	6,213,175

(Note 1) The increase and decrease during the fiscal year ended December 31, 2024 consisted of 4,890,200 shares acquired by resolution of the Board of Directors, 1,569 shares increased due to the repurchase of shares less than one unit, 2,100 shares decreased due to the sale of shares by a trust under the medium- to long-term bonus plan, 37,600 shares decreased due to the grant of shares by the trust under the medium- to long-term bonus plan, 57 shares decreased due to the sale of shares less than one unit, and 4,365,354 shares decreased due to cancellation of treasury shares.

(Note 2) The above includes 900,600 shares of the Company held by Trust E in relation to the medium- to long-term bonus plan as of December 31, 2024.

(Note 3) The increase and decrease during the fiscal year ended December 31, 2025 consisted of 830 shares increased due to the repurchase of shares less than one unit, 16,151 shares decreased due to the payment of restricted stock compensation, and 61 shares decreased due to the sale of shares less than one unit.

(Note 4) The above includes 900,600 shares of the Company held by Trust E in relation to the medium- to

long-term bonus plan as of December 31, 2025.

B. Repurchase of treasury shares

FY2024: Fiscal Year ended December 31, 2024

The Company executed the repurchase of treasury shares as follows for the fiscal year ended December 31, 2024, based on the resolution by the Board of Directors on February 14, 2024, in accordance with article 156 of the Companies Act applied with article 165, paragraph 3 of the Companies Act, and the articles of incorporation of the Company.

- (i) Type of shares repurchased: Ordinary shares of the Company
- (ii) Total number of repurchased shares: 4,890,200 shares
- (iii) Total amount of repurchased shares: ¥19,999 million
- (iv) Repurchase period: From April 1, 2024 to August 5, 2024
- (v) Repurchase method: Market purchase at Tokyo Stock Exchange

C. Cancellation of treasury shares

FY2024: Fiscal Year ended December 31, 2024

The Company executed the cancellation of treasury shares as follows for the fiscal year ended December 31, 2024, based on the resolution by the Board of Directors on September 26, 2024. In accordance with the provisions of Article 178 of the Companies Act, resolve to cancel the treasury stock owned by the Company.

- (i) Cancellation date: October 3, 2024
- (ii) Class and number of shares cancelled: 4,365,354 ordinary shares
- (iii) Cancellation price: ¥4,178 per share
- (iv) Total amount of cancellation price: ¥18,238 million

(3) Reserves

A. Share premium account

Under the Companies Act of Japan, at least 50% of the proceeds upon issuance of equity instruments shall be credited to share capital, while the remainder of the proceeds shall be credited to capital reserves included in share premium account.

B. Retained earnings

The Companies Act of Japan provides that 10% of the dividends paid shall be appropriated as capital reserves or as retained earnings reserves included in the retained earnings until their aggregate amount equals 25% of share capital.

23. DIVIDENDS

(1) Dividends paid

FY2024: Year ended December 31, 2024

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 14, 2024)	Ordinary shares	¥16,129	¥61.00	December 31, 2023	March 14, 2024
Board of Directors (August 14, 2024)	Ordinary shares	¥18,193	¥69.75	June 30, 2024	September 12, 2024

(Note) The total amount of dividends based on a resolution of the Board of Directors held on February 14,

2024 does not include a dividend of ¥57 million for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

The total amount of dividends based on a resolution of the Board of Directors held on August 14, 2024 does not include a dividend of ¥62 million for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

FY2025: Year ended December 31, 2025

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 14, 2025)	Ordinary shares	¥18,105	¥69.75	December 31, 2024	March 18, 2025

(Note) The total amount of dividends based on a resolution of the Board of Directors held on February 14, 2025 does not include a dividend of ¥62 million for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

(2) Dividends for which the basis date falls in the fiscal year end, while the effective date falls in the following fiscal year

FY2024 Year ended December 31, 2024

Resolution	Class of shares	Source of dividends	Total dividends (Millions of Yen)	Dividends per share (Yen)	Basis date	Effective date
Board of Directors (February 14, 2025)	Ordinary shares	Retained earnings	¥18,105	¥69.75	December 31, 2024	March 18, 2025

(Note) The total amount of dividends does not include a dividend of ¥62 million for the Company's shares held by the Trust E Unit in relation to the Directors' Stock Compensation Trust.

FY2025 Year ended December 31, 2025

There are no dividends for which the basis date falls in the fiscal year ended December 31, 2025.

24. Revenue

The Group provides advertising, information services and other businesses to our customers. Please refer to "3. MATERIAL ACCOUNTING POLICIES (14) Revenues" for details.

(1) Contract balance

The balances of receivables and contractual assets (before allowance for doubtful assets) and liabilities arising from contracts with customers are as follows:

	FY2024 (As of December 31, 2024)		FY2025 (As of December 31, 2025)	
	Balance at the beginning of the year	Balance at the end of the year	Balance at the beginning of the year	Balance at the end of the year
Receivables arising from contracts with customers	¥1,507,016	¥1,669,977	¥1,669,977	¥1,798,479
Notes and accounts receivable-trade	1,497,628	1,656,861	1,656,861	1,791,035
Others	9,388	13,116	13,116	7,443
Contract assets	¥19,874	¥19,459	¥19,459	¥22,824
Contract liabilities	¥63,963	¥63,386	¥63,386	¥61,635

Notes and accounts receivable-trade are included in trade and other receivables, others are included in other financial assets in non-current assets, contract assets are included in trade and other receivables and contract liabilities are included in other current liabilities, in

the Consolidated Statements of Financial Position.

The amount of revenue recognized in the fiscal years ended December 31, 2024 and 2025 that was included in contract liabilities at the beginning of the period was ¥51,581 million and ¥49,652 million, respectively. In addition, the amount of revenue recognized during the fiscal years ended December 31, 2024 and 2025 from performance obligations satisfied (or partially satisfied) in prior periods is immaterial. There were no material changes in the balance of contract liabilities during the fiscal years ended December 31, 2024 and 2025.

Contract assets are recognized as rights to consideration recorded through the recognition of revenue based on the progress towards completion in service contracts, mainly for advertisement production and system development. They are reclassified as receivables when rights to consideration become unconditional. Contract liabilities primarily relate to advances received from customers in the advertising business. Contract liabilities are transferred to revenue according to the satisfaction of performance obligations.

(2) Calculation of the transaction price allocated to the remaining performance obligations
As there are no significant transactions in the Group where the performance obligations in individual contracts are expected to exceed one year, the practical expedient has been used and information on residual performance obligations has been omitted. In addition, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

(3) Assets recognized from costs to obtain or fulfill contracts with customers

The Group has no assets recognized from costs incurred to obtain or fulfill contracts with customers.

25. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses for each fiscal year is as follows:

	(Millions of Yen)	
	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Employee benefit expenses	¥755,311	¥751,793
Depreciation and amortization	72,145	64,310
Other	238,378	232,881
Total	¥1,065,835	¥1,048,986

“Other” includes research and development expenses of ¥1,918 million and ¥2,533 million for the fiscal years ended December 31, 2024 and 2025, respectively.

26. EMPLOYEE BENEFIT EXPENSES

The breakdown of employee benefit expenses for each fiscal year is as follows:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Salaries, bonuses and allowances	¥675,286	¥679,282
Welfare expenses	103,067	105,087
Post-employment benefits costs	22,262	20,671
Termination benefits associated with restructuring	1,117	15,646
Stock-based compensation expenses (excluding those attributable to the acquiree)	1,370	1,532
Others	2,729	3
Total	¥805,833	¥822,222

Employee benefit expenses are recorded in the Consolidated Statement of Income as "Cost of sales" "Selling, general and administrative expenses," and "Restructuring cost" and "Financial expenses."

27. OTHER INCOME

The breakdown of other income for each fiscal year is as follows:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Foreign exchange gains (Note)	¥6,634	—
Gain on sale of investments in associates	—	101
Other	971	781
Total	¥7,605	¥882

(Note) "Foreign exchange gains" in the fiscal year ended December 31, 2024 include the amounts of other comprehensive income reclassified to profit or loss (¥5,664 million) because the future cash flow from the hedged item was no longer expected.

28. OTHER EXPENSES

The breakdown of other expenses for each fiscal year is as follows:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Foreign exchange losses	—	¥315
Loss on sale of investments in subsidiaries and associates (Note)	19,684	—
Other	2,762	2,713
Total	¥22,447	¥3,028

(Note) In March 2022, the Group began reviewing its business in Russia to ensure compliance with the Group policies and applicable laws. In November 2022, we entered into an agreement to transfer our entire stake in the local joint venture responsible for the Group's Russian operations, subject to approval by the Russian State Authorities, including the Russian Governmental Commission. After the approval was received, the sale transaction was completed on July 11, 2024, in full compliance with international sanctions. "Loss on sales of shares of associates" for the fiscal year ended 2024 was

preliminary incurred by this transaction.

Most related costs are non-cash losses related to the recycling of "Exchange differences on translation of foreign operations (other components of equity reclassified to profit or loss)" and are presented in "Other" of "Cash flows from Operating Activities" in the Consolidated Statement of Cash Flow. There is no impact on net revenue, underlying operating profit, operating margin, underlying net profit attributable to owners of the parent.

29. FINANCIAL INCOME AND FINANCIAL EXPENSES

(1) Breakdown of financial income

The breakdown of financial income for each fiscal year is as follows:

	(Millions of Yen)	
	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Interest income		
Financial assets measured at amortized cost	¥5,885	¥3,762
Dividend income		
Financial assets measured at fair value through other comprehensive income	1,558	969
Gain on valuation of securities		
Financial assets measured at fair value through profit or loss	1,525	—
Change in fair value of contingent consideration	—	62
Revaluation of put option liabilities	341	795
Dividend income and asset management gains from insurance	498	420
Foreign exchange gains (Note1)	349	873
Other (Note 2)	3,853	733
Total	¥14,012	¥7,617

(Note 1) Foreign exchange gains include valuation gain on currency derivatives.

(Note 2) "Other" above includes ¥3,220 million collected in the fiscal year ended December 31, 2024, from financial receivables written off as losses in previous fiscal years.

The breakdown of dividend income is as follows:

	(Millions of Yen)	
	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Financial assets derecognized during the fiscal year	¥180	¥247
Financial assets held at the end of the fiscal year	1,378	721
Total	¥1,558	¥969

(2) Breakdown of financial expenses

The breakdown of financial expenses for each fiscal year is as follows:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Interest expense		
Financial liabilities measured at amortized cost	¥22,173	¥18,818
Other	7,088	6,842
Loss on valuation of securities		
Financial liabilities measured at fair value through profit and loss	—	1,006
Changes in fair value of contingent consideration	51	—
Other	1,772	1,692
Total	¥31,085	¥28,359

30. OTHER COMPREHENSIVE INCOME

Amount arising during the fiscal year, reclassification adjustments to profit or loss and income tax effects for each component included in "Other comprehensive income" for each fiscal year are as follows:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Exchange differences on translation of foreign operations		
Amount arising during the year	¥53,459	¥8,233
Reclassification adjustments	20,918	15
Pre-tax effects	74,377	8,249
Tax effects	—	—
Exchange differences on translation of foreign operations	¥74,377	¥8,249
Effective portion of the change in the fair value of cash flow hedges (Note)		
Amount arising during the year	¥(10,123)	¥(22,180)
Reclassification adjustments	4,736	14,715
Pre-tax effects	(5,386)	(7,464)
Tax effects	364	1,911
Effective portion of the change in the fair value of cash flow hedges	¥(5,021)	¥(5,553)
Hedging costs (Note)		
Amount arising during the year	¥(1,696)	¥(1,024)
Reclassification Adjustments	1,445	1,352
Pre-tax effects	(251)	328
Tax effects	62	(87)
Hedging costs	¥(188)	¥240
Net change in financial assets measured at fair value through other comprehensive income		
Amount arising during the year	¥26,194	¥1,601
Pre-tax effects	26,194	1,601
Tax effects	(8,814)	1,284
Net change in financial assets measured at fair value through other comprehensive income	¥17,380	¥2,885
Remeasurements of defined benefit plans		
Amount arising during the year	¥18,740	¥33,986
Pre-tax effects	18,740	33,986
Tax effects	(5,666)	(10,451)
Remeasurements of defined benefit plans	¥13,073	¥23,534
Share of other comprehensive income of investments accounted for using the equity method		
Amount arising during the year	¥(73)	¥124
Share of other comprehensive income of investments accounted for using the equity method	¥(73)	¥124

(Note) For details, please see " 3. MATERIAL ACCOUNTING POLICIES (21) Change in accounting policy."

31. (LOSS) PER SHARE

(1) Basic (loss) per share and diluted (loss) per share

	(Yen)	
	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Basic (loss) per share	¥(734.56)	¥(1,262.04)
Diluted (loss) per share	¥(734.56)	¥(1,262.04)

(2) Basis of calculating basic (loss) per share and diluted (loss) per share

	(Millions of Yen)	
	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
(Loss) for the year used for calculation of basic (loss) per share and diluted (loss) per share		
(Loss) for the year attributable to owners of the parent	¥(192,172)	¥(327,601)
Amounts not attributable to ordinary equity holders of the parent	—	—
(Loss) for the year used for calculation of basic (loss) per share	¥(192,172)	¥(327,601)
Adjustment		
Share options issued by subsidiaries and associates	—	—
(Loss) for the year used for calculation of diluted earnings (loss) per share	¥(192,172)	¥(327,601)
Weighted average number of ordinary shares outstanding used for the calculation of basic (loss) per share and diluted (loss) per share		
Weighted average number of ordinary shares outstanding used for the calculation of basic (loss) per share (Thousands of shares)	261,616	259,581
Effect of dilutive potential ordinary shares (Thousands of shares)	—	—
Weighted average number of ordinary shares outstanding used for the calculation of diluted (loss) per share (Thousands of shares)	261,616	259,581
Financial instruments not included in calculation of diluted loss for the increase of antidilution effects (Thousands of shares)		
	Medium-to-long-term bonus plan 307	Medium-to-long-term bonus plan 414
	Restricted Stock Compensation Plan 2	Restricted Stock Compensation Plan 0

32. SIGNIFICANT NON-CASH TRANSACTIONS

Significant non-cash transactions (investments and financial activities without using cash and cash equivalents) in the fiscal year ended December 31, 2024 and 2025 were the increase of right-of-use assets from the leasing.

The increase of right-of-use assets is described in "15. Leases (1) Schedule of Right-of-use assets."

33. SHARE-BASED PAYMENTS

(1) Medium- to long-term bonus plan of the Company, Dentsu Inc., Dentsu Corporate One Inc., and Dentsu Digital Inc.

The Company, Dentsu Inc., Dentsu Corporate One Inc., and Dentsu Digital Inc. have

introduced a medium- to long-term bonus plan (hereinafter referred to as the "Plan") for executive officers (including directors and executive officers; the same applies hereinafter).

The Plan provides executive officers of the Company, Dentsu Inc., Dentsu Corporate One Inc., and Dentsu Digital Inc. with a number of units calculated in accordance with the formula specified in the officers' the medium- to long-term bonus plan established by the Compensation Committee (or the Board of Directors, prior to the Company's transition to a company with three committees) in consideration of the execution of duties in each fiscal year in office. The number will be determined according to the following indicators during the three consecutive fiscal years starting from the fiscal year to which the units were awarded.

The Group uses a combination of the total shareholder return (TSR), the consolidated adjusted operating income and the consolidated ROE of the Group as indicators for calculation, as follows:

The details of the indicators for 2023, 2024 and 2025 grants are as follows.

Performance Indicator	Benchmark Indicator	Composition (*1)		
		2023	2024(*2)	2025(*3)
Total shareholder return (TSR)	Tokyo Stock Price Index (TOPIX)	20%	15%	35%
	Average total shareholder return (TSR) among peer group (*4)	30%	20%	—
Consolidated underlying operating profit of the Group	Compound annual growth rate (CAGR)	50%	35%	—
Consolidated ROE of the Group(*5)	—	—	—	35%

*1 The ratios represent the percentage constituting performance-based stock compensation (medium- to long-term bonus) on the assumption that each performance indicator is identical to their benchmark indicators.

*2 A fixed payment portion of 30% was set for the 2024 grant.

*3 The stock price-based cash compensation (phantom stock) of 30% was set for the 2025 grant.

*4 Six companies comprising WPP plc, Omnicom Group Inc., Publicis Groupe S.A., THE INTERPUBLIC GROUP OF COMPANIES INC., (hereinafter referred to "IPG"), Accenture PLC and Hakuholdo DY Holdings Inc. were selected as peer companies of the Group. As IPG was absorbed in a merger in November 2025, after that TSR of IPG is substituted by using an average of five companies, those are WPP plc, Omnicom Group Inc., Publicis Groupe S.A., Accenture PLC and Hakuholdo DY Holdings Inc.

*5 For the 2025 grant, using ROE as a performance indicator was withdrawn at the Compensation Committee held in March 2026, while the calculation was made based on the indicator with the consolidated ROE of the group in the financial statements for the fiscal year ended 2025.

The Company's shares will be paid out for the number of shares calculated based on 50% of the vested units, and cash equivalent for the market value of the number of shares calculated based on the remaining 50% of the vested units, using the closing price per share on the Tokyo Stock Exchange on the day of the calculation (or the closing price on the day immediately before if there are no closing price). The former is accounted for as an equity-settled share-based payment, and the latter is accounted for as a cash-settled share-based payment.

Executive officers receive benefits of the Company's shares, etc., in principle, after three consecutive fiscal years have elapsed.

Regarding this Plan, the costs recognized for the equity-settled share-based payment plan

and cash-settled share-based payment plan were ¥258 million and ¥221 million for the fiscal year ended December 31, 2024, and ¥187 million and ¥34 million for the fiscal year ended December 31, 2025, respectively.

Regarding the cash-settled share-based payment plan, the liability balance as of December 31, 2024 was ¥324 million. The liability balance as of December 31, 2025 was ¥359 million.

An overview of the equity-settled share-based payment plan is as follows:

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	329,402	341,145
Granted	130,761	95,642
Exercised	119,018	—
Forfeited (Note 3)	—	92,249
Balance at the end of the year	341,145	344,538
Exercisable at the end of the year	—	—

(Notes) 1. There is no exercise price in the Plan.

2. The weighted-average remaining term of this plan is 1.3 years and 1.1 years for the fiscal years ended December 31, 2024 and 2025, respectively.

3. Including a decrease in the number of units resulting from the failure to meet the target values for each performance indicator.

The fair value for units granted during the fiscal year ended December 31, 2024 is ¥3,165 per unit. The fair value is measured by calculating the market value of the Company's shares using the valuation method and key inputs, as described below, and adjusting this based on the performance indicators during the business performance evaluation period.

The fair value for units granted during the fiscal year ended December 31, 2025 is ¥1,958 per unit. The fair value is measured by calculating the market value of the Company's shares using the valuation method and key inputs, as described below, and adjusting this based on the performance indicators during the business performance evaluation period.

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model
Key inputs and assumptions:		
Measurement date share price	¥4,168	¥3,324
Expected volatility (Note 1)	26.2%	30.8%
Option life	3.2 years	3.2 years
Dividend yield	3.4%	0%
Risk-free interest rate	0.4%	1.1%

(Notes) 1. Volatility of the stock price is calculated based on the past performance of the share price depending on the period until maturity.

2. The award date for the unit granted in the fiscal year ended December 31, 2025 has not yet been determined because each single target is not fixed. The fair value of units is measured on

December 31,2025 as the basis date.

An overview of the cash-settled share based payment plan is as follows:

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	329,402	341,145
Granted	130,761	95,642
Exercised	119,018	—
Forfeited (Note 3)	—	92,249
Balance at the end of the year	341,145	344,538
Exercisable at the end of the year	—	—

(Notes) 1. There is no exercise price in the Plan.

2. The weighted-average remaining term of this plan is 1.3 years and 1.1 years for the fiscal years ended December 31, 2024 and 2025, respectively.

3. Including a decrease in the number of units resulting from the failure to meet the target values for each performance indicator.

The fair value for units granted during the fiscal years ended December 31, 2024 and 2025 is ¥2,440 and ¥1,958 per unit, respectively. The fair value for unit is determined by calculating the market value of the Company's shares based on the following evaluation method and key inputs, and adjusting this based on the indicators during the performance evaluation period.

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model
Key inputs and assumptions:		
Measurement date share price	¥3,812	¥3,324
Expected volatility (Note)	27.1%	30.8%
Option life	2.2 years	3.2 years
Dividend yield	3.7%	0%
Risk-free interest rate	0.6%	1.1%

(Note) Volatility of the stock price is calculated based on the performance of the share price for the most recent period depending on the period to maturity.

(2) Medium- to long-term bonus plan for senior executives of foreign subsidiaries

The Company introduced a medium- to long-term bonus plan (the "Plan") for senior executives of foreign subsidiaries.

Under the Plan, senior executives of foreign subsidiaries are granted a number of units calculated in accordance with the calculation formula prescribed by the Company as compensation for the performance of their duties during each fiscal year while in office. The number of units is finalized depending on total shareholder return (TSR) and consolidated underlying operating profit and the consolidated ROE of the Group during a business performance evaluation period, which is three consecutive fiscal years, the first fiscal year of which is the fiscal year in which the units are granted.

The details of the indicators for FY2023, FY2024, and FY2025 grants are as follows.

Performance Indicator	Benchmark Indicator	Composition (*1)		
		2023	2024 (*2)	2025 (*3)
Total shareholder return (TSR)	Tokyo Stock Price Index (TOPIX)	20%	15%	35%
	Average total shareholder return (TSR) among peer group(*4)	30%	20%	—
Consolidated underlying operating profit of the Group	Compound annual growth rate (CAGR)	50%	35%	—
Consolidated ROE of the Group(*5)	—	—	—	35%

*1 The ratios represent the percentage constituting performance-based stock compensation (medium- to long-term bonus) on the assumption that each performance indicator is identical to their benchmark indicators.

*2 A fixed payment portion of 30% was set for the 2024 grant.

*3 The stock price-based cash compensation (phantom stock) of 30% was set for the 2025 grant.

*4 Six companies comprising WPP plc, Omnicom Group Inc., Publicis Groupe S.A., THE INTERPUBLIC GROUP OF COMPANIES INC., (hereinafter referred to "IPG"), Accenture PLC and Hakuhodo DY Holdings Inc. were selected as peer companies of the Group. As IPG was absorbed in a merger in November 2025, after that TSR of IPG is substituted by using an average of five companies, those are WPP plc, Omnicom Group Inc., Publicis Groupe S.A., Accenture PLC and Hakuhodo DY Holdings Inc.

*5 For the 2025 grant, using ROE as a performance indicator was withdrawn at the Compensation Committee held in March 2026, while the calculation was made based on the indicator with the consolidated ROE of the group in the financial statements for the fiscal year 2025.

The Plan is an equity-settled share-based payment plan under which a number of common shares of the Company calculated primarily based on the number of finalized units are granted. In principle, senior executives of foreign subsidiaries are granted common shares of the Company after a lapse of three consecutive fiscal years, the first fiscal year of which is the fiscal year in which the units are granted.

With respect to the equity settlement stock compensation plan of the Plan, expenses recognized in the fiscal year ended December 31, 2024 were ¥1,142 million and expenses recognized in the fiscal year ended December 31, 2025 were ¥396 million.

An overview of the equity-settled share-based payment plan is as follows:

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	2,038,343	1,231,279
Granted	1,361,465	1,245,012
Exercised	557,970	—
Forfeited (Note 5)	573,409	668,431
Transferred to cash-settled plan	1,037,150	—
Balance at the end of the year	1,231,279	1,807,860
Exercisable at the end of the year	—	—

(Notes) 1. There is no exercise price in the Plan.

2. The award date for the unit granted in the fiscal year ended December 31, 2025 has not yet been

determined because each single target is not fixed. The fair value of units is measured on December 31, 2025 as the base date.

3. The weighted average remaining maturity of the system is 2.2 years and 1.8 years as of December 31, 2024 and 2025, respectively.
4. A review of the payment method was implemented at the meeting of the Compensation Committee held on September 25, 2024, and the 2022 and 2023 grants were changed from an equity-settled payment plan to a cash-settled payment plan.
5. Including a decrease in the number of units resulting from the failure to meet the target values for each performance indicator.

The fair value of units is ¥2,876 per unit granted in the fiscal year ended December 31, 2024 and ¥1,959 per unit granted in the fiscal year ended December 31, 2025. The fair value of a unit is measured by calculating the market value of the Company's shares based on the following valuation techniques and basic figures, and adjusting it according to the indicators of the performance evaluation period.

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Valuation method	Monte Carlo simulation model	Monte Carlo simulation model
Key inputs and assumptions:		
Measurement date share price	¥4,168	¥3,324
Expected volatility (Note 1)	26.2%	30.8%
Option life	3.2 years	3.2 years
Dividend yield	3.4%	0%
Risk-free interest rate	0.4%	1.1%

- (Notes) 1. Volatility of the stock price is calculated based on the past performance of the share price depending on the period until maturity.
2. The award date for the unit granted in the fiscal year ended December 31, 2025 has not yet been determined because each single target is not fixed. The fair value of units is measured on December 31, 2025 as the basis date.

A review of the payment method was implemented at the meeting of the Compensation Committee held on September 25, 2024, and the 2022 and 2023 grants were changed from an equity-settled payment plan to a cash-settled payment plan. An expense of ¥(203) million was recognized in the fiscal year ended December 31, 2024, ¥4 million in the fiscal year December 31 2025, associated with the cash-settled share-based payment plan introduced as a result of this review. The weighted average fair value of the units transferred to the cash-settled payment plan was ¥27 per unit in the fiscal year ended December 31, 2024, and was ¥259 per unit in the fiscal year ended December 31, 2025.

An overview of the cash-settled share based payment plan is as follows:

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	—	1,055,519
Granted	55,666	41,093
Exercised	—	—
Forfeited (Note 4)	315,839	654,186
Transferred from equity-settled plan	1,037,150	—
Other	278,542	—
Balance at the end of the year	1,055,519	442,426
Exercisable at the end of the year	—	—

(Notes) 1. There is no exercise price in the Plan.

2. The weighted-average remaining term of this plan is 0.8 years for the fiscal year ended December 31, 2024, and 0.5 years for the fiscal year ended December 31, 2025.
3. A review of the payment method was implemented at the meeting of the Compensation Committee held on September 25, 2024, and the 2022 and 2023 grants were changed from an equity-settled payment plan to a cash-settled payment plan.
4. Including a decrease in the number of units as each of the performance indicator value was not achieved.

(3) Stock price-based cash compensation plan (Phantom Stock)

In the fiscal year ended December 31, 2025, the Company introduced a cash-settled compensation plan linked to the Company's stock price (hereinafter referred to as the "Plan") for Executive Officers of the Company, Dentsu Inc., Dentsu Corporate One Inc., and Dentsu Digital Inc. (hereinafter referred to as "recipients in Japan"), and senior executives of foreign subsidiaries (hereinafter referred to as "foreign subsidiary recipients"), with the aim of motivating recipients to improve the stock price over the medium to long term, and to recruit and retain outstanding talents. Recipients receive phantom stock grants for the number of shares (units) calculated by dividing the standard amount, which is calculated by multiplying the base annual salary by a factor set in accordance with each Executive Officer's management responsibility, by the share price on a certain day of the fiscal year in which they are in office. Units granted to recipients in Japan are all vested in one year. For foreign subsidiary recipients, one-third of the units are vested for each year that passes.

The fair value of the units granted in the fiscal year ended December 31, 2025 is ¥3,324 per unit. The fair value of units is calculated using a Monte Carlo simulation based on the market value of the Company's shares, in the same way as for the cash-settled share-based payment plan.

Regarding the stock price-based cash compensation plan, the costs recognized in the fiscal year ended December 31, 2025 were ¥272 million for Japan and ¥637 million for overseas. The liability balance as of December 31, 2025 was ¥272 million for Japan and ¥637 million for overseas.

An overview of the stock price-based cash compensation plan is as follows:

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
	Number of rights (Unit)	Number of rights (Unit)
Balance at the beginning of the year	–	–
Granted	–	357,566
Exercised	–	–
Forfeited	–	48,544
Balance at the end of the year	–	309,022

34. FINANCIAL INSTRUMENTS

(1) Capital management

The Group's basic policy for capital management aims to enhance capital efficiency by the long-term improvement of its value through business growth, while maintaining a sound financial structure.

(2) Basic policy on risk management associated with financial instruments

The Group is exposed to financial risks in the course of its business activities; and it manages risks based on a specific policy in order to avoid or reduce these risks.

Derivative transactions are conducted within the purpose of avoiding or reducing the above risks according to internal management rules.

(3) Credit risk

A. Credit risk management

Financial assets measured at amortized cost, including trade receivables, such as notes and accounts receivable, are exposed to customers' credit risk. The Group aims to reduce these risks based on credit management rules and guidelines.

The Group conducts review of new counterparties and credit management based on credit management rules and guidelines. Based on accounting rules and guidelines, the relevant controlling departments in each business unit, together with the accounting department, manage due dates and outstanding balances for each counterparty and regularly monitor the status of major counterparties to detect and reduce doubtful receivables due to deteriorating financial conditions or other reasons in a timely manner.

Consolidated subsidiaries perform credit management and receivables management and have management systems in place that require reporting and approval for certain significant transaction and events.

The Group does not have excess concentration of credit risk in specific counterparties.

B. Maximum exposure to credit risk

With the exception of guarantee obligations, maximum exposure to the Group's credit risk is as follows.

Maximum exposure to credit risk associated with guarantee obligations is the balance of the contingent liabilities described in "36. CONTINGENT LIABILITIES."

C. Analysis of trade receivables by due date

(Millions of Yen)

	FY2024 (As of December 31, 2024)				Total
	Financial assets whose allowance for doubtful accounts is measured at an amount equal to the 12-month expected credit loss	Financial assets whose allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses			
		Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	
None in arrears	¥39,335	—	—	¥1,543,928	¥1,583,264
Within 30 days	—	—	—	89,721	89,721
Over 30 days, within 90 days	—	—	—	29,952	29,952
Over 90 days	—	—	4,647	25,833	30,480
Total	¥39,335	—	¥4,647	¥1,689,436	¥1,733,419

(Millions of Yen)

	FY2025 (As of December 31, 2025)				Total
	Financial assets whose allowance for doubtful accounts is measured at an amount equal to the 12-month expected credit loss	Financial assets whose allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses			
		Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	
None in arrears	¥37,511	—	—	¥1,696,181	¥1,733,693
Within 30 days	—	—	—	82,490	82,490
Over 30 days, within 90 days	—	—	—	26,734	26,734
Over 90 days	—	—	5,943	15,896	21,839
Total	¥37,511	—	¥5,943	¥1,821,302	¥1,864,757

D. Analysis of changes in allowance for doubtful accounts

The Group establishes an allowance for doubtful accounts based on a review of the collectability of trade and other receivables considering the credit standing of the counterparties.

Changes in the allowance for doubtful accounts are as follows:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)				Total
	12-month expected credit losses	Lifetime expected credit losses			
		Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	
Balance at the beginning of the year	¥342	—	¥2,548	¥15,811	¥18,702
Addition	430	—	2,561	5,794	8,787
Decrease (intended use)	285	—	(420)	(3,228)	(3,363)
Decrease (reversal)	(143)	—	(2)	(798)	(945)
Other	79	—	(39)	1,028	1,068
Balance at the end of the year	¥994	—	¥4,647	¥18,607	¥24,249

(Millions of Yen)

	FY2025 (Year ended December 31, 2025)				Total
	12-month expected credit losses	Lifetime expected credit losses			
		Financial assets whose credit risk has increased significantly since initial recognition	Financial assets that are credit impaired	Receivables and contract assets arising from contracts with customers	
Balance at the beginning of the year	¥994	—	¥4,647	¥18,607	¥24,249
Addition	489	—	422	246	1,159
Decrease (intended use)	(127)	—	(25)	(2,372)	(2,525)
Decrease (reversal)	(323)	—	—	(5,386)	(5,710)
Other	(551)	—	898	726	1,073
Balance at the end of the year	¥481	—	¥5,943	¥11,821	¥18,246

The following table shows the contractual outstanding balance of financial assets that were directly amortized by the Group but subject to enforcement activities:

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Contractual outstanding balance	¥179	—

(4) Liquidity risk

A. Liquidity risk management

The Group manages liquidity risk by having the treasury division establish and update a finance plan based on information collected from each division and also by maintaining liquidity based on cash flow status.

The Group raises working capital from internal reserves, loans from financial institutions, corporate bonds, commercial paper, receivables securitization, etc. Since the receivables securitization transaction is a non-recourse agreement, securitized receivables were derecognized.

In order to take all possible measures to cope with rapid changes in the external environment, we continue to temporarily establish additional bank credit lines with financial institutions.

B. Balance of financial liability (including derivative financial instruments) by maturity

Balance of financial liability (including derivative financial instruments) by maturity as of December 31, 2024 and 2025 is as follows:

FY2024: As of December 31, 2024

(Millions of Yen)

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	¥1,566,979	¥1,566,979	¥1,566,979	—	—	—	—	—
Contingent consideration on acquisition and others	5,302	5,302	5,302	—	—	—	—	—
Put option liabilities	1,083	1,083	135	—	—	—	—	947
Borrowings	382,454	397,005	110,886	69,999	77,049	56,434	47,781	34,853
Bonds	164,819	167,234	70,536	432	10,418	25,382	294	60,171
Lease obligations	207,501	243,113	43,397	35,940	30,679	24,840	21,378	86,877
Subtotal	2,328,139	2,380,718	1,797,237	106,371	118,148	106,657	69,453	182,849
Derivative liabilities	58,882	58,882	35,564	6,576	6,469	—	—	10,271
Total	¥2,387,022	¥2,439,601	¥1,832,802	¥112,948	¥124,617	¥106,657	¥69,453	¥193,121

FY2025: As of December 31, 2025

(Millions of Yen)

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	¥1,655,434	¥1,655,434	¥1,655,434	—	—	—	—	—
Contingent consideration on acquisition and others	152	152	152	—	—	—	—	—
Put option liabilities	3,953	4,215	46	—	2,875	—	1,204	88
Borrowings	373,266	384,531	127,067	77,526	56,620	47,963	16,565	58,787
Bonds	94,975	96,799	532	10,418	25,382	294	60,171	—
Lease obligations	190,907	224,938	41,540	34,162	27,584	22,943	19,888	78,818
Subtotal	2,318,687	2,366,070	1,824,773	122,107	112,462	71,201	97,829	137,695
Derivative liabilities	50,459	50,459	24,694	8,314	—	—	17,450	—
Total	¥2,369,146	¥2,416,529	¥1,849,467	¥130,422	¥112,462	¥71,201	¥115,279	¥137,695

C. Undrawn committed facilities

Undrawn committed facilities amounted to ¥492,719 million and ¥489,553 million as of December 31, 2024 and 2025, respectively.

The undrawn committed facilities include commitment lines of credit and overdraft lines of credit.

(5) Foreign currency risk

A. Foreign currency risk management

Monetary receivables and payables denominated in foreign currencies are exposed to foreign exchange fluctuation risks. The Group uses forward foreign exchange contracts to hedge its foreign exchange fluctuation risks identified by each currency and by each month.

In addition, with respect to those that are important among transactions denominated in foreign currencies exceeding certain amounts and foreign exchange fluctuation risks, forward foreign exchange contracts and borrowings and others are used to hedge them in accordance with internal management rules.

B. Foreign currency sensitivity analysis

With respect to financial instruments held by the Group, in cases where the functional currency (Yen) increases by 10% in value against the U.S. Dollar or Euro assuming all other variables remain unchanged, the effect on profit after tax as of December 31, 2024 and 2025 is as follows:

The impact from the translation of financial instruments denominated in its functional currencies, as well as assets and liabilities of foreign operations into yen is not included.

(Millions of Yen)		
	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
U.S. Dollars	¥(20)	¥452
Euros	(153)	(54)

(6) Interest rate risk

A. Interest rate risk management

For a certain portion of the Group's borrowings, interest expenses are fixed using derivatives transactions (interest rate swap contracts, etc.) to avoid or reduce interest rate fluctuation risks.

B. Interest rate sensitivity analysis

Regarding the financial instruments held by the Group, the table below presents the effect of 300bps increase in interest rates on profit after tax in the Consolidated Statement of Income. The analysis includes the financial instruments (borrowings) that is subject to exchange rate fluctuation and assumes that all other factors, including exchange rate, are unchanged.

(Millions of Yen)		
	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Profit after tax	¥(1,631)	¥(1,186)

C. Interbank Offered Rate (IBOR) reform

GBP LIBOR and JPY LIBOR ceased on December 31, 2021. The Group continues hedge accounting by amending the contract terms of hedged items and hedging instruments that

had referenced them and starting to reference SONIA (Sterling Overnight Index Average) instead. USD LIBOR ceased on June 30, 2023. The Group continues hedge accounting by amending the contract terms of hedged items and hedging instruments that had referenced USD LIBOR and starting to reference SOFR (Secured Overnight Financing Rate) instead. The Group completed its transition to alternative reference benchmark rates in the fiscal year ended December 31, 2024. As of December 31, 2025, there is no effect of uncertainty arising from the IBOR reform. The Group holds financial instruments that reference interest rate benchmarks other than LIBOR. However, these are expected to remain benchmark interest rates for the time being, and at present, the Group has determined that these financial instruments will not be affected by the uncertainties associated with interest rate benchmark reform.

(7) Hedge accounting

The notional amounts and average prices of major hedging instruments were as follows:

		FY2024 (As of December 31, 2024)				
		Content	Notional Amount and Average Price	Within one year	Over one year Within five years	Over five years
Cash flow hedge	Interest rate risk	Interest rate swap	Notional Amount (Millions of U.S. Dollars)	–	100	–
			Average fixed rate	–	3.13%	–
		Interest rate swap	Notional Amount (Millions of sterling pound)	250	–	–
			Average fixed rate	2.10%	–	–
	Foreign exchange risk	Foreign exchange contracts (buy)	Notional Amount (Millions of U.S. Dollars)	34	130	–
			Average exchange rate (Yen/USD)	98.43	92.65	–
		Foreign exchange contracts (buy)	Notional Amount (Millions of EUR)	12	4	–
			Average exchange rate (Yen/EUR)	150.26	114.34	–
Cross currency swaps (Note)	Notional Amount (Millions of Yen)	85,222	51,050	45,996		
	Average exchange rate (Yen/GBP)	139.60	146.70	132.80		

		FY2025 (As of December 31, 2025)				
		Content	Notional Amount and Average Price	Within one year	Over one year Within five years	Over five years
Cash flow hedge	Interest rate risk	Interest rate swap	Notional Amount (Millions of U.S. Dollars)	100	–	–
			Average fixed rate	3.13%	–	–
		Interest rate swap	Notional Amount (Millions of sterling pound)	–	–	–
			Average fixed rate	–	–	–
	Foreign exchange risk	Foreign exchange contracts (buy)	Notional Amount (Millions of U.S. Dollars)	82	192	–
			Average exchange rate (Yen/USD)	101.23	96.67	–
		Foreign exchange contracts (buy)	Notional Amount (Millions of EUR)	0	4	–
			Average exchange rate (Yen/EUR)	115.26	114.26	–
Cross currency swaps (Note)	Notional Amount (Millions of Yen)	245,447	137,575	–		
	Average exchange rate (Yen/GBP)	184.91	139.57	–		

(Note) Cash flow hedges are applied to foreign currency items between consolidated companies while offsetting hedged items under the Consolidated Statement of Financial Position.

The carrying amounts of the hedging instruments of the Company and certain consolidated subsidiaries are as follows. The amount of ineffectiveness of hedges recognized

in profit or loss is not material for the fiscal years ended December 31, 2024 and 2025.

(Millions of yen)

	FY2024 (As of December 31, 2024)		FY2025 (As of December 31, 2025)		Item in the Consolidated Statements of Financial Position
	Carrying Amount		Carrying Amount		
	Assets	Liabilities ()	Assets	Liabilities ()	
Cash flow hedge					
Interest rate risk	¥1,642	—	¥146	—	(Note)
Foreign exchange risk	11,333	(49,668)	10,270	(41,362)	(Note)
Total-cash flow hedges	12,975	(49,668)	10,416	(41,362)	
Total financial instruments for which hedge accounting is applied	¥12,975	¥(49,668)	¥10,416	¥(41,362)	

(Note) Included in "Other financial assets (current)," "Other financial assets (non-current)," "Other financial liabilities (current)" and "Other financial liabilities (non-current)."

The amount of cash flow hedges of the Company and certain consolidated subsidiaries recorded in other comprehensive income (before tax effect) in the Consolidated Statements of Comprehensive Income for the fiscal year is as follows:

(Millions of Yen)

FY2024: Year ended December 31, 2024				
	Amount incurred	Reclassification adjustments from other comprehensive income to non-financial assets and others (Note)	Reclassification adjustments from other comprehensive income to net income	Item in the Consolidated Statement of Income
Cash flow hedge				
Interest rate risk	¥402	—	—	—
Foreign exchange risk	(10,525)	(2,899)	7,636	Finance income
Total-cash flow hedges	¥(10,123)	¥(2,899)	¥7,636	
Hedging Costs	¥(1,696)	—	¥1,445	Finance income

(Millions of Yen)

FY2025: Year ended December 31, 2025			
	Amount incurred	Reclassification adjustments from other comprehensive income to net income	Item in the Consolidated Statement of Income
Cash flow hedge			
Interest rate risk	¥(564)	—	—
Foreign exchange risk	(21,615)	14,715	Finance income
Total-cash flow hedges	¥(22,180)	¥14,715	
Hedging Costs	¥(1,024)	¥1,352	Finance income

(Note) In the fiscal year ended December 31, 2024, if a hedged item results in the recognition of non-financial assets or non-financial liabilities, the amounts recognized as other components of equity were reclassified through other comprehensive income to the initial carrying amount of the non-financial assets or non-financial liabilities. From the fiscal year ended December 31, 2025, the portion that adjusts the carrying amount of the hedged item (basis adjustment) within the fair value fluctuation of hedging instruments on the cash flow hedge is, in accordance with IFRS 9, directly reclassified to the initial carrying amount of the non-financial assets or non-financial liabilities, without applying the former method which is through other comprehensive income.

The components of changes in the amounts recorded in other components of equity in the Consolidated Statements of Financial Position for cash flow hedges and hedging costs during the fiscal year are as follows:

(Millions of Yen)

FY2024: Year ended December 31, 2024			
	Cash flow hedge		
	Interest rate risk	Foreign exchange risk	Hedging costs
Balance at the beginning of the year	¥2,015	¥21,196	¥(943)
Arising during the year	(1,546)	(7,533)	(1,272)
Reclassification adjustments to net income	—	6,067	1,084
Reclassification adjustments to non-financial assets and others	—	(2,010)	—
Balance at the end of the year	¥468	¥17,721	¥(1,131)

(Millions of Yen)

FY2025: Year ended December 31, 2025			
	Cash flow hedge		
	Interest rate risk	Foreign exchange risk	Hedging costs
Balance at the beginning of the year	¥468	¥17,721	¥(1,131)
Arising during the year	(108)	(16,481)	(773)
Reclassification adjustments to net income	—	11,036	1,014
Transfer to non-financial assets and others	—	(1,757)	—
Balance at the end of the year	¥359	¥10,520	¥(890)

¥5,664 million of reclassification adjustments to net income in the fiscal year ended December 31, 2024 is the amounts of the hedged item whose future cash flow was no longer expected.

(8) The carrying amount and fair value of financial instruments

The breakdown of the carrying amount and fair value of financial instruments as of December 31, 2024 and 2025 is as follows:

The fair value of financial assets and financial liabilities measured at amortized cost other than long-term borrowings and bonds approximates their carrying amount.

(Millions of Yen)

	FY2024 (As of December 31, 2024)		FY2025 (As of December 31, 2025)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	¥337,887	¥340,681	¥318,526	¥316,413
Bonds	¥164,819	¥162,095	¥94,975	¥90,404

(Note) Current portion that is scheduled for repayment within one year is included.

The fair value of long-term borrowings is determined by discounting the total of the principal and interest by the interest rate assumed in a case where the same borrowing is newly made.

The fair value hierarchy of long-term borrowings is categorized as Level 2.

The fair value of bonds is determined based on quoted market prices. The fair value hierarchy is categorized as Level 2.

(9) Fair value hierarchy of financial instruments

Financial instruments measured at fair value on a recurring basis after initial recognition are categorized into the three levels of the fair value hierarchy according to observability and significance of input used in measurements.

The fair value hierarchy is defined as follows:

Level 1: Fair value measured at the quoted price in the active market

Level 2: Fair value that is measured using the observable price other than categorized in Level 1 directly or indirectly

Level 3: Fair value that is measured based on unobservable inputs

When multiple inputs are used to measure fair value, fair value levels are determined based on the lowest level input that is significant to the entire fair value measurement.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of each quarter.

There were no transfers between Level 1 and Level 2 for the fiscal years ended December 31, 2024 and 2025. The followings table includes put option liabilities.

FY2024: As of December 31, 2024

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	—	¥19,167	—	¥19,167
Equity securities	55,031	—	21,533	76,564
Other	771	5,593	24,230	30,595
Total	¥55,803	¥24,761	¥45,763	¥126,328
Financial liabilities				
Derivative liabilities	—	¥58,882	—	¥58,882
Put option liabilities	—	—	1,083	1,083
Other (mainly contingent consideration)	—	—	5,302	5,302
Total	—	¥58,882	¥6,385	¥65,268

FY2025: As of December 31, 2025

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative assets	–	¥15,665	–	¥15,665
Equity securities	40,587	–	23,605	64,192
Other	2,000	5,022	19,727	26,750
Total	¥42,587	¥20,688	¥43,333	¥106,609
Financial liabilities				
Derivative liabilities	–	¥50,459	–	¥50,459
Put option liabilities	–	–	3,953	3,953
Other (mainly contingent consideration)	–	–	152	152
Total	–	¥50,459	¥4,105	¥54,564

The fair values of interest rate swap contracts and foreign exchange contracts included in derivative assets and derivative liabilities are categorized within Level 2 as they are valued using price estimates obtained from financial institutions or observable market data.

The fair values of stocks included in equity securities and other (financial assets) for which active markets exist are categorized within Level 1 as they are determined based on market prices. For stocks in which active markets do not exist, the stocks whose fair value is measured using observable market data are categorized within Level 2, while stocks measured based mainly on the income approach (using the DCF method by which the perpetual value is calculated using the exit multiple method or the perpetual growth rate method) and the market approach (using comparable company analysis or comparable transaction analysis) using unobservable inputs are categorized within Level 3.

In the income approach (DCF method by which the perpetual value is calculated using the exit multiple method or the perpetual growth rate method), the main significant unobservable input is the discount rate. The fair value decreases (increases) as the discount rate increases (decreases).

In the market approach (comparable company analysis or comparable transaction analysis), significant unobservable inputs are mainly valuation multiples, such as enterprise value/operating profit. The fair value increases (decreases) as the valuation multiples increase (decrease).

The fair values, etc. and others of put option liabilities and other (financial liabilities) are categorized within Level 3 as they are valued based on the discounted cash flow method using unobservable inputs. Significant unobservable inputs are level of future profitability and discount rate, etc. The fair values, etc. increases (decreases) as level of profitability increases (decreases).

The fair values of assets and liabilities categorized within Level 3 are measured using asset and liability valuation methods determined by the department in charge in accordance with fair value measurement valuation policies and procedures. Fair value measurement results are approved by the appropriate personnel in charge.

The schedule of financial instruments categorized within Level 3 is as follows:

(Millions of Yen)

Financial assets	FY2024	FY2025
	(Year ended December 31, 2024)	(Year ended December 31, 2025)
Balance at the beginning of the year	¥44,219	¥45,763
Other comprehensive income (Note 1)	(1,956)	2,556
Profit or loss (Note 2)	1,615	(1,186)
Purchases or acquisition	3,521	3,900
Sales or settlements	(253)	(1,051)
Other	(1,383)	(6,649)
Balance at the end of the year	¥45,763	¥43,333

(Millions of Yen)

Financial liabilities	FY2024	FY2025
	(Year ended December 31, 2024)	(Year ended December 31, 2025)
Balance at the beginning of the year	¥34,544	¥6,385
Profit or loss (Note 2)	(289)	(857)
Purchases	1,444	3,937
Sales or settlements	(28,000)	(5,447)
Other	(1,313)	87
Balance at the end of the year	¥6,385	¥4,105

(Note 1) "Other comprehensive income" is associated with financial assets measured at fair value through other comprehensive income and included in "Net change in financial assets measured at fair value through other comprehensive income."

(Note 2) "Profit or loss" is associated with financial assets and financial liabilities at fair value through profit or loss and included in financial income or expenses. Profit or loss arising from financial instruments held at fiscal year-end amounted to financial income of ¥1,400 million and financial expenses of ¥103 million for the fiscal year ended December 31, 2024, and financial income of ¥857 million and financial expenses of ¥1,318 million for the fiscal year ended December 31, 2025.

(10) Offsetting of financial assets and liabilities

The amounts of financial assets and liabilities as of December 31, 2024 and 2025, that are against the same counterparty and that are offset in accordance with the criteria for offset, are as follows.

(Millions of Yen)

	FY2024	FY2025
	(As of December 31, 2024)	(As of December 31, 2025)
	Cash and cash equivalents	Cash and cash equivalents
Total recognized financial assets	¥73,441	¥73,816
The amount of financial assets and liabilities offset in accordance with the criteria	(70,857)	(66,732)
Net amount recorded in Consolidated Statement of Financial Position	¥2,584	¥7,083

(Millions of Yen)		
	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
	Borrowings (current)	Borrowings (current)
Total recognized financial liabilities	¥70,857	¥66,732
The amount of financial assets and liabilities offset in accordance with the criteria	(70,857)	(66,732)
Net amount recorded in Consolidated Statement of Financial Position	—	—

The amounts of financial assets and liabilities that are under enforceable master netting agreements or similar contracts, but are not offset as they do not meet certain or all criteria of offsetting are not material.

35. RELATED PARTIES

(1) Transactions with related parties

The Company and its consolidated subsidiaries purchase advertising-related services from associates and also provide advertising placement and advertising-related services to them. Arm's length prices are applied in transactions with associates.

The balance of receivables and payables to associates as of December 31, 2024 and 2025 are as follows:

(Millions of Yen)		
	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
	Receivables	¥23,136
Payables	¥6,117	¥4,782

Transactions with associates for the fiscal year ended December 31, 2024 and 2025 are as follows.

Turnover and Cost of sales are shown in gross amount.

(Millions of Yen)		
	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
	Turnover	¥80,018
Cost of sales	25,966	22,181
Selling, general and administrative expenses	¥4,467	¥4,618

(2) Remuneration for the Group's senior leaders

Remuneration for the Group's senior leaders for each fiscal year is as follows:

(Millions of Yen)		
	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
	Remuneration and bonuses	¥1,516
Stock compensation	328	286
Total	¥1,844	¥1,844

(Note) Senior leaders are defined as the personnel with the direct and indirect authorities and responsibilities for planning the Group's activities, directing these activities, and controlling them.

(3) Subsidiaries and associates

The main subsidiaries of the Group are described in "Consolidated Subsidiaries."

Compared to as of December 31, 2024, the number of consolidated subsidiaries and equity-accounted investees decreased by 40 and 9, respectively.

36. CONTINGENT LIABILITIES

The contingent liabilities as of December 31, 2024 and 2025 are as follows

Guarantees of loans and other liabilities:

(Millions of Yen)		
	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Liabilities on guarantees resulting from a loan scheme for housing funds for employees	¥0	—
Liabilities for guarantees of bank loans and others	194	62
Total	¥194	¥62

The business that the group companies execute over a wide range of areas may be subject to claims, surcharge payment etc. based on investigations, lawsuits, media audits, etc. from government agencies, clients, media companies, partner companies, etc., in both Japan and overseas. As a result of our verification, including consultations with experts and others, we believe that even if obligations arise due to such claims, it would not have a significant impact on the financial position or operating results of the Group.

Contingent liabilities, etc. in India

The Group investigated certain matters related to transactions entered into by one of the Group's Indian subsidiaries in detail with the assistance of external legal and professional advisors, and reported the results to the appropriate regulatory authorities in India.

Related to the matters reported, the Group has received claims totaling INR5,228 million (¥9,114 million) from parties seeking payment for goods and services which those parties allege had been provided to the subsidiary in question.

Based on legal advice received to date, the Group has rejected these claims. The Group contests the substance of the underlying transactions and is of the view that no bona fide goods or services were actually provided. Consequently, the Group has not recorded a liability in association with these claims. While the Group continues to investigate the matters with the support of its external legal and professional advisors, it is vigorously defending its position with respect to the claims and continues to support the authorities with their enquiries.

The outcome of the legal proceedings and any action by the regulators remains uncertain.

37. SIGNIFICANT SUBSEQUENT EVENTS

(Transfer of assets)

The Board of Directors of the Company resolved to sell the asset (Dentsu Ginza Building) on December 24, 2025 and the transaction was made on January 30, 2026.

(1) Reason for this Transaction

The Company decided to sell the assets in order to secure funds necessary for the appropriate capital allocation.

In addition, by reducing costs associated with the aging of the building, including repair and maintenance expenses and fixed asset taxes, and by improving asset efficiency, the Company aims to achieve a simpler and more sustainable business structure in terms of both business operations and capital efficiency.

(2) Details of the transferred Asset

Asset details and location	*Gain on sale	Current Situation
Dentsu Ginza Building · Location: 101-1, Ginza 7-chome, Chuo-ku, Tokyo, Japan · Site Area: 696.64 m ² · Structure: Reinforced concrete block construction, with two basement levels, eight above-ground floors, a penthouse level, and a rooftop structure	Approximately 29.6 billions yen	Office building (Currently not in use)

*The gain arising from the transaction in the consolidated statement of income is an estimated amount.
The transfer price and the carrying amount are not disclosed at the request of the transferee.

(3) Overview of the transferee

Based on a confidentiality agreement with the transferee, the Company refrains from disclosing information regarding the transferee.

There are no capital, personnel, or other relationships between the Company and the transferee, and the transferee does not constitute a related party of the Company.

(4) Schedule of this Transaction

Date of resolution by the Board of Directors: December 24, 2025

Date of execution of the transfer agreement: December 24, 2025

Date of transfer and delivery: January 30, 2026

(5) Future Outlook

As a result of this transfer, the Group expects to record a gain on sale of approximately ¥29.6 billions in the consolidated statement of income (IFRS) for the fiscal year ending December 31, 2026.

2. Nonconsolidated Statement

Nonconsolidated Balance Sheet

		(Millions of Yen)	
	Notes	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
ASSETS			
CURRENT ASSETS:			
Cash and deposits		¥142,090	¥77,470
Short-term loans receivable from subsidiaries and associates		128,224	59,204
Prepaid expenses	1	1,356	1,199
Other	1	18,319	8,608
Allowance for doubtful accounts		(460)	(204)
Total current assets		289,530	146,277
NON-CURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT:			
Buildings, net		2,506	2,354
Vehicles, net		2	1
Tools, furniture and fixtures, net		581	603
Land		3,784	3,784
Total property, plant and equipment		6,874	6,743
INTANGIBLE ASSETS:			
Software		866	717
Other		1	4
Total intangible assets		867	722
INVESTMENTS AND OTHER ASSETS:			
Investment securities		92,134	58,712
Shares of subsidiaries and associates	3	430,660	141,476
Investments in other securities of subsidiaries and associates		12,150	12,686
Investments in capital of subsidiaries and associates		15,493	15,493
Long-term loans receivable		—	670
Long-term loans receivable from subsidiaries and associates		96,350	286,148
Deferred tax assets		—	5,198
Other		6,707	7,432
Allowance for doubtful accounts		(2,346)	(174,005)
Total Investments and other assets		651,149	353,815
Total non-current assets		658,891	361,280
TOTAL ASSETS		¥948,422	¥507,558

		(Millions of Yen)	
	Notes	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
LIABILITIES AND EQUITY			
LIABILITIES:			
CURRENT LIABILITIES:			
Short-term loans payable		—	¥10,000
Short-term loans payable from subsidiaries and associates		143,584	139,322
Current portion of bonds payable		70,000	—
Current portion of long-term loans payable		—	51,500
Other payables	1	7,290	6,882
Accrued expenses		1,077	2,225
Income taxes payable		615	—
Provision for directors' bonuses		53	293
Provision for share-based remuneration		86	51
Other	1	96	85
Total current liabilities		222,805	210,362
NON-CURRENT LIABILITIES:			
Bonds payable		95,000	95,000
Long-term loans payable		262,500	251,000
Long-term income taxes payable		—	1,141
Provision for share-based remuneration		1,153	1,537
Asset retirement obligation		863	863
Deferred tax liabilities		3,648	—
Deferred tax liabilities for land revaluation		844	834
Other		2,395	2,490
Total non-current liabilities		366,405	352,867
Total liabilities		589,211	563,230
NET ASSETS:			
SHAREHOLDERS' EQUITY:			
Capital stock		74,609	74,609
CAPITAL SURPLUS:			
Legal capital surplus		76,541	76,541
Total capital surplus		76,541	76,541
RETAINED EARNINGS:			
Legal retained earnings		722	722
OTHER RETAINED EARNINGS:			
General reserve		320,500	90,500
Retained earnings brought forward		(132,645)	(298,732)
Total other retained earnings		187,854	(208,232)
Total retained earnings		188,577	(207,510)
Treasury shares		(26,195)	(26,129)
Total shareholders' equity		313,534	(82,488)
VALUATION AND TRANSLATION ADJUSTMENTS:			
Valuation difference on available-for-sale securities		43,796	24,925
Revaluation reserve for land		1,880	1,890
Total valuation and translation adjustments		45,677	26,816
Total net assets		359,211	(55,672)
TOTAL LIABILITIES AND NET ASSETS		¥948,422	¥507,558

Nonconsolidated Statement of Income

		(Millions of Yen)	
	Notes	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Operating revenue			
Dividend income		¥88,714	¥86,539
Management fee income		2,638	6,806
Real estate rental income	1	329	288
Total operating revenue	1, 2	<u>91,683</u>	<u>93,634</u>
Operating expenses			
		<u>27,197</u>	<u>30,300</u>
Operating income		64,485	63,333
Non-operating income			
Interest and dividend income	1	2,635	3,507
Gain on investments in investment partnerships		1,605	—
Other	1	198	650
Total non-operating income		<u>4,439</u>	<u>4,158</u>
Non-operating expenses			
Interest expenses	1	2,738	3,905
Interest on bonds		586	528
Provision of allowance for doubtful accounts		22	—
Loss on investments in investment partnerships		—	2,032
Other	1	906	1,480
Total non-operating expenses		<u>4,254</u>	<u>7,946</u>
Ordinary income		64,670	59,545
Extraordinary income			
Gain on sales of investment securities		19,626	25,664
Reversal of provision for loss on guarantees	1	1,442	—
Other		32	205
Total extraordinary income		<u>21,101</u>	<u>25,870</u>
Extraordinary loss			
Loss on valuation of shares of subsidiaries and associates	3	301,562	286,826
Loss on valuation of investment securities		3,694	433
Loss on sales of investment securities		—	174
Provision of allowance for doubtful accounts	4	—	171,858
Business restructuring cost		175	4,765
Other		336	117
Total extraordinary loss		<u>305,767</u>	<u>464,176</u>
Loss before income tax		(219,995)	(378,760)
Income taxes			
Income taxes—current		(9,494)	(1,314)
Income taxes for global minimum tax		—	1,141
Income taxes—deferred		10,671	(685)
Total income taxes		<u>1,177</u>	<u>(858)</u>
Net loss		<u>¥(221,172)</u>	<u>¥(377,902)</u>

Nonconsolidated Statement of Changes in Net Assets

For the fiscal year ended December 31, 2024

(Millions of Yen)

	Shareholders' equity			
	Capital surplus			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus
As of January 1, 2024	¥74,609	¥76,541	—	¥76,541
Changes of items during the period				
Dividends from retained earnings				—
Net loss				—
Purchase of treasury shares				—
Disposal of treasury shares			(0)	(0)
Cancellation of treasury shares			(18,238)	(18,238)
Transfer of reductions in other capital surplus to retained earnings			18,238	18,238
Changes in items other than shareholders' equity during the period – net				—
Total changes of items during the period	—	—	—	—
As of December 31, 2024	¥74,609	¥76,541	—	¥76,541

(Millions of Yen)

	Shareholders' equity					
	Retained earnings					
	Other retained earnings			Total retained earnings	Treasury share	Total shareholders' equity
Legal retained earnings	General reserve	Retained earnings brought forward				
As of January 1, 2024	¥722	¥320,500	¥141,209	¥462,431	¥(24,600)	¥588,982
Changes of items during the period						
Dividends from retained earnings			(34,443)	(34,443)		(34,443)
Net loss			(221,172)	(221,172)		(221,172)
Purchase of treasury shares					(20,006)	(20,006)
Disposal of treasury shares					173	173
Cancellation of treasury shares					18,238	—
Transfer of reductions in other capital surplus to retained earnings			(18,238)	(18,238)		—
Changes in items other than shareholders' equity during the period – net						—
Total changes of items during the period	—	—	(273,854)	(273,854)	(1,594)	(275,448)
As of December 31, 2024	¥722	¥320,500	¥(132,645)	¥188,577	¥(26,195)	¥313,534

	(Millions of Yen)			
	Valuation and translation adjustments			
	Valuation difference on available-for- sale securities	Revaluation reserve for land	Total valuation and translation adjustments	Total net assets
As of January 1, 2024	¥40,246	¥1,880	¥42,126	¥631,108
Changes of items during the period				
Dividends from retained earnings			-	(34,443)
Net loss			-	(221,172)
Purchase of treasury shares			-	(20,006)
Disposal of treasury shares			-	173
Cancellation of treasury shares			-	-
Transfer of reductions in other capital surplus to retained earnings			-	-
Changes in items other than shareholders' equity during the period - net	3,550		3,550	3,550
Total changes of items during the period	3,550	-	3,550	(271,897)
As of December 31, 2024	¥43,796	¥1,880	¥45,677	¥359,211

For the fiscal year ended December 31, 2025

	(Millions of Yen)			
	Shareholders' equity			
	Capital surplus			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus
As of January 1, 2025	¥74,609	¥76,541	—	¥76,541
Changes of items during the period				
Dividends from retained earnings				—
Net loss				—
Reversal of general reserve				—
Purchase of treasury shares				—
Disposal of treasury shares			(17)	(17)
Transfer of reductions in other capital surplus to retained earnings			17	17
Changes in items other than shareholders' equity during the period – net				—
Total changes of items during the period	—	—	—	—
As of December 31, 2025	¥74,609	¥76,541	—	¥76,541

	(Millions of Yen)					
	Shareholders' equity					
	Retained earnings					
	Other retained earnings					
	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury share	Total shareholders' equity
As of January 1, 2025	¥722	¥320,500	¥(132,645)	¥188,577	¥(26,195)	¥313,534
Changes of items during the period						
Dividends from retained earnings			(18,167)	(18,167)		(18,167)
Net loss			(377,902)	(377,902)		(377,902)
Reversal of general reserve		(230,000)	230,000	—		—
Purchase of treasury shares				—	(2)	(2)
Disposal of treasury shares				—	67	50
Transfer of reductions in other capital surplus to retained earnings			(17)	(17)		—
Changes in items other than shareholders' equity during the period – net				—		—
Total changes of items during the period	—	(230,000)	(166,087)	(396,087)	65	(396,022)
As of December 31, 2025	¥722	¥90,500	¥(298,732)	¥(207,510)	¥(26,129)	¥(82,488)

	(Millions of Yen)			
	Valuation and translation adjustments			
	Valuation difference on available-for- sale securities	Revaluation reserve for land	Total valuation and translation adjustments	Total net assets
As of January 1, 2025	¥43,796	¥1,880	¥45,677	¥359,211
Changes of items during the period				
Dividends from retained earnings			-	(18,167)
Net loss			-	(377,902)
Reversal of general reserve			-	-
Purchase of treasury shares			-	(2)
Disposal of treasury shares			-	50
Transfer of reductions in other capital surplus to retained earnings			-	-
Changes in items other than shareholders' equity during the period - net	(18,871)	10	(18,860)	(18,860)
Total changes of items during the period	(18,871)	10	(18,860)	(414,883)
As of December 31, 2025	¥24,925	¥1,890	¥26,816	¥(55,672)

NOTES TO NONCONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Valuation basis and method for securities

1) Shares of subsidiaries and associates

Stated at cost determined by the moving-average method

2) Other securities of subsidiaries and associates

Stated at cost determined by the moving-average method

Investments in investment business limited liability partnerships and similar associations (those deemed as securities under Paragraph 2 of Article 2 of the Financial Instruments and Exchange Act) are stated at net amount equivalent to the Company's equity on the basis of the most recent financial statements available as of the financial reporting date stipulated in respective partnership contracts.

3) Other securities

Securities other than shares, etc. that do not have a market price

Stated at fair value

(Unrealized gains and losses are reported, net of applicable taxes, in a separate component of net assets. The cost of securities sold is determined by the moving-average method.)

Shares, etc. that do not have a market price

Stated mainly at cost determined by the moving-average method

(2) Valuation basis and method for derivative instruments

Stated at fair value

(3) Depreciation method for non-current assets

1) Property, plant and equipment

Depreciation of property, plant and equipment is calculated by the declining-balance method based on the fixed rates, while the straight-line method is applied to buildings (excluding building improvements) acquired on or after April 1, 1998 and building improvements and structures acquired on or after April 1, 2016.

The range of useful lives is principally as follows:

Buildings: 6-50 years

Vehicles: 5 years

Tools, furniture and fixtures: 3-20 years

2) Intangible assets

Amortization of intangible assets is calculated by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated useful lives (5 years).

(4) Accounting policy for provisions

1) Allowance for doubtful accounts

To prepare for losses from bad debts such as operating receivables, the Company provides an allowance for doubtful accounts at an amount corresponding to possible losses from uncollectible trade receivables based on the actual rate of losses from bad debt for ordinary receivables, and on the estimated recoverability for specific doubtful receivables.

2) Provision for directors' bonuses

The Company makes a provision for directors' bonuses based on the estimated amount payable.

3) Provision for share-based remuneration

The Company accounts for the liability for the future benefits for officers, etc. based on the amount of benefits corresponding to the projected number of units granted to officers, etc. in

accordance with the Officers Stock Benefit Regulations, etc.

(5) Derivatives and hedging activities

1) Hedge accounting methods

The Company uses the deferred-hedge accounting method. The interest rate swaps which qualify for hedge accounting and which meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

2) Hedging instruments and hedged items

Hedging instrument: Interest rate swaps
Hedged item: Interest on loans payable

3) Hedging policy

The Company uses derivative financial instruments to manage its exposures to interest rate fluctuations on loans payable. The Company does not enter into derivatives for trading or speculative purposes.

4) Method of evaluating hedge effectiveness

The evaluation of hedge effectiveness for interest rate swaps which qualify for hedge accounting and which meet specific matching criteria is omitted since the above exceptional treatment is adopted.

(6) Accounting method for revenue and expenses

The Company engages in the corporate management of the Group companies as a pure holding company, and the revenue it receives mainly consists of dividend income and management fee income from its consolidated subsidiaries. For dividend income, revenue is recognized as of the effective date of dividends. For management fee income, the Company's performance obligation is to provide contracted services according to the agreements with consolidated subsidiaries, and the Company's performance obligation is satisfied when the services are rendered. Revenue is therefore recognized at that point.

(7) All figures are rounded down to the nearest million yen.

2. NOTES ON SIGNIFICANT ACCOUNTING ESTIMATES

Of the amounts recorded in the financial statements for the fiscal year ended December 31, 2025 based on accounting estimates, items that may have a significant impact on the financial statements for the fiscal year ending December 31, 2026 are as follows.

(Evaluation of investments in and loans to subsidiaries and associates)

(1) Amount recorded in financial statements

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Shares of subsidiaries and associates	¥430,660	¥141,476
Investments in other securities of subsidiaries and associates	12,150	12,686
Investments in capital of subsidiaries and associates	15,493	15,493
Short-term loans receivable from subsidiaries and associates	128,224	59,204
Long-term loans receivable from subsidiaries and associates	¥96,350	¥286,148

Of the above, the balance of long-term loans receivable from subsidiaries and associates includes 284,500 million yen of long-term loans to Dentsu International Treasury Limited (hereinafter "DIT"), a subsidiary of Dentsu International Limited (hereinafter "DI"), which is an unlisted subsidiary overseeing the Company's international business. As a result of recording a

loss on valuation of shares of subsidiaries and associates in the current fiscal year, the investment in DI is recorded at a memorandum value.

(2) Information regarding details of significant accounting estimates relating to identified items

Investments in unlisted subsidiaries and shares, etc. that do not have a market price is shown on the balance sheet at the acquisition price. However, if the actual value falls significantly due to the deterioration of the issuing company's financial situation, unless the recoverability is supported by sufficient evidence, the amount shall be impaired to the actual value. Regarding long-term loans receivable from subsidiaries and associates, the Company individually evaluates collectability considering the financial situation and operating results of the subsidiaries and associates and records an allowance for doubtful accounts for the estimated uncollectible amount.

Evaluation of investment in DI and loans to DIT

When valuing DI investments, the Company calculates the actual value at a value that reflects the excess earnings capacity, etc. from the international businesses that DI controls, and the actual value that reflects the excess earnings capacity, etc. is calculated by deducting net interest-bearing debt, etc. from the business value. Furthermore, since DIT is a company, whose sole purpose is to provide financing to international operating companies through the intermediate holding company DI, the evaluation of loans to DIT is affected by the business plans of the international operating companies and the cash flows generated from those businesses. In evaluating the loans to DIT, collectability is determined by considering the estimated cash flows generated from the international business.

The Company calculates the business value of DI based on the amount of value in use derived from the impairment test of goodwill recorded in the consolidated financial statements due to the acquisition of the company. Furthermore, based on said business value, the Company reviews future solvency and calculates the recoverable amount of the loans to DIT. The estimate of the value in use in the goodwill impairment test is stated in "Consolidated Financial Statements and Notes to Consolidated Financial Statements 14. GOODWILL AND INTANGIBLE ASSETS (3) Impairment testing of goodwill."

3. NEW ACCOUNTING STANDARDS NOT YET ADOPTED

(Accounting Standard for Leases)

-Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)

-Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024)

(1) Overview

As part of its efforts to align Japanese GAAP with international standards, the Accounting Standards Board of Japan (ASBJ) has been discussing the development of a lease accounting standard that would require lessees to recognize assets and liabilities for all leases, in line with international standards. As a basic policy, the ASBJ has adopted the single accounting model of IFRS 16, but instead of incorporating all of its provisions, it has included only the key provisions. Accordingly, the new accounting standard was issued with the aim of creating a simple and practical framework that generally does not require any adjustments when the provisions of IFRS 16 are applied to nonconsolidated financial statements.

Regarding lessees' accounting treatment, a single accounting model is applied to the allocation of lease expenses, in the same manner as IFRS 16. Lessees are required to

recognize depreciation on right-of-use assets and interest expense on lease liabilities for all leases, regardless of whether the lease is a finance or an operating lease.

(2) Scheduled date of application

The Company plans to apply the aforementioned standard and guidance from the beginning of the fiscal year ending December 31, 2028.

(3) Effect of application

The impact of the application of the aforementioned standard and guidance is under review as of this time.

4. CHANGES IN PRESENTATION

(Nonconsolidated statement of income)

“Business restructuring cost” (175 million yen for the fiscal year ended December 31, 2024), which was included in “Other” under “Extraordinary loss” in the fiscal year ended December 31, 2024, has been independently disclosed from the fiscal year ended December 31, 2025 due to an increase in its monetary significance.

5. FOR NONCONSOLIDATED BALANCE SHEETS

※1 Monetary claims and obligations to associated companies

Monetary claims and obligations to the Company’s associated companies excluding those separately presented are as follows:

	(Millions of Yen)	
	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Short-term monetary claims	¥16,789	¥6,184
Short-term monetary obligations	¥6,512	¥5,645

2 Contingent liabilities

FY2024(As of December 31, 2024)

Guarantee obligations outstanding

Liabilities on guarantees of bank loans taken out by the following companies:

(Millions of Yen)

Dentsu International Treasury Limited (Line of credit for operating funds: USD 100 million)	¥15,818
Total of 5 companies including OOH Media Solution, Inc.	1,323
Total	¥17,141

FY2025(As of December 31, 2025)

Guarantee obligations outstanding

Liabilities on guarantees of bank loans taken out by the following companies:

(Millions of Yen)

Dentsu International Treasury Limited (Line of credit for operating funds: USD 100 million)	¥15,656
Total of 4 companies including OOH Media Solution, Inc.	921
Total	¥16,577

※3 Loan agreements

FY2024(As of December 31, 2024)

Shares of subsidiaries and associates amounting to 413 million yen have been lent under loan agreements.

FY2025(As of December 31, 2025)

Shares of subsidiaries and associates amounting to 413 million yen have been lent under loan agreements.

4 Loan commitment agreements

The Company has entered into loan commitment agreements under the Cash Management System (CMS) with certain subsidiaries and associates to facilitate efficient intra-group financing and cash management.

The balances of unexecuted loan commitments, including those under the said agreements, are as follows:

(Millions of Yen)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Total loans limits	¥46,547	¥85,931
Balance of executed loans	13,802	24,521
Balance of unexecuted loans	¥32,744	¥61,409

6. FOR NONCONSOLIDATED STATEMENT OF INCOME

※1 Volume of transactions with associated companies

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Operating revenue	¥91,683	¥93,634
Operating expenses	21,521	21,874
Other than operating transactions	¥3,444	¥3,497

※2 Main components of operating expenses

The entire amount is recorded as general and administrative expenses.

(Millions of Yen)

	FY2024 (Year ended December 31, 2024)	FY2025 (Year ended December 31, 2025)
Salaries and allowances	¥4,679	¥5,159
Business consignment expenses	10,292	9,310
Provision for share-based remuneration	700	411
Rental fee	3,321	2,799
Miscellaneous expenses	¥5,390	¥8,253

※3 Loss on valuation of shares of subsidiaries and associates

The Company recorded a loss on valuation of shares of subsidiaries and associates primarily because the estimated value of the shares of Dentsu International Limited (DI), a subsidiary of the Company, declined significantly compared to their book value. Further details are provided in "Nonconsolidated Financial Statements and NOTES TO NONCONSOLIDATED FINANCIAL STATEMENTS 2. NOTES ON SIGNIFICANT ACCOUNTING ESTIMATES, (Evaluation of investments in and loans to subsidiaries and associates), (2) Information regarding details of significant accounting estimates relating to identified items (Evaluation of investment in DI and loans to DIT)."

※4 Provision of allowance for doubtful accounts

The Company recorded a provision for allowance for doubtful accounts due to increased credit risk on loans to foreign subsidiaries of Dentsu International Limited (DI). Further details are provided in "Nonconsolidated Financial Statements and NOTES TO NONCONSOLIDATED FINANCIAL STATEMENTS 2. NOTES ON SIGNIFICANT ACCOUNTING ESTIMATES, (Evaluation of investments in and loans to subsidiaries and associates), (2) Information regarding details of significant accounting estimates relating to identified items (Evaluation of investment in DI and loans to DIT)."

7. SECURITIES

Shares of subsidiaries and associates

FY2024 (As of December 31, 2024)

(Millions of Yen)

Type	Carrying value	Fair value	Unrealized gains (losses)
Shares of subsidiaries	¥29,956	¥297,718	¥267,762
Shares of associates	2,851	7,378	4,526
Total	¥32,807	¥305,096	¥272,289

FY2025 (As of December 31, 2025)

(Millions of Yen)

Type	Carrying value	Fair value	Unrealized gains (losses)
Shares of subsidiaries	¥27,628	¥384,378	¥356,749
Shares of associates	3,308	6,107	2,798
Total	¥30,937	¥390,485	¥359,548

(Note) Carrying value of shares of subsidiaries and associates for which the fair value is not readily determinable

Type	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Shares of subsidiaries	¥385,591	¥98,868
Shares of associates	12,261	11,670
Total	¥397,853	¥110,539

Of the above, shares of subsidiaries declined in the current fiscal year primarily because the Company recorded a loss on valuation of shares of subsidiaries and associates of 286,714 million yen due to the recognition of an impairment loss on the estimated value of the shares of Dentsu International Limited which had constituted a significant portion of the Company's shares of subsidiaries.

8. TAX EFFECT ACCOUNTING

(1) The breakdown of deferred tax assets and deferred tax liabilities by major causes of their occurrence

(Millions of Yen)

	FY2024 (As of December 31, 2024)	FY2025 (As of December 31, 2025)
Deferred tax assets		
Allowance for doubtful accounts	¥870	¥54,905
Tools, furniture and fixtures	195	199
Shares of the successor company arising from a company split	15,500	15,760
Accrued expenses	111	268
Loss on valuation of securities	233,083	326,982
Gain on sale of shares of subsidiaries and associates	9,395	9,553
Carryforwards of tax losses	3,693	3,518
Other	3,350	3,610
Subtotal deferred tax assets	266,201	414,797
Valuation allowance for carryforwards of tax losses	(3,693)	(3,518)
Valuation allowance for total deductible temporary differences, etc.	(246,016)	(394,212)
Subtotal valuation allowance	(249,710)	(397,730)
Total deferred tax assets	16,491	17,067
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(19,717)	(11,470)
Other	(421)	(398)
Total deferred tax liabilities	(20,139)	(11,868)
Net deferred tax assets (liabilities)	¥(3,648)	¥5,198

(2) The breakdown of major items that caused differences between the effective statutory tax rate and income tax rate after applying tax effect accounting

For both the prior fiscal year and the current fiscal year, the Company recorded a loss before income taxes; therefore, this information is omitted.

(3) Adjustments to the amounts of deferred tax assets and deferred tax liabilities due to changes in corporate and other tax rates

Following the promulgation of the "Act for Partial Amendment to the Income Tax Act, etc." (Act No. 13 of 2025) on March 31, 2025, the Special Corporate Tax for Defense is scheduled to be imposed for fiscal years beginning on or after April 1, 2026. Accordingly, deferred tax assets and deferred tax liabilities relating to temporary differences expected to be reversed in or after the fiscal year beginning on January 1, 2027, have been measured

using the statutory tax rates revised to reflect these changes. The impact of this change on the Company's financial position and results of operations is immaterial.

(4) The accounting treatment for national and local corporate taxes, and the associated tax effect accounting

The Company has applied the group tax sharing system. The accounting treatment for national and local corporate taxes, the accounting treatment for the associated tax effect accounting, and the disclosure thereof are based on the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (ASBJ Practical Solution No. 42, August 12, 2021).

9. NOTES REGARDING REVENUE RECOGNITION

Basic information for understanding revenue from contracts with customers

Basic information for understanding revenue from contracts with customers is included in "Nonconsolidated Financial Statements and NOTES TO NONCONSOLIDATED FINANCIAL STATEMENTS 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (6) Accounting method for revenue and expenses."

10. SIGNIFICANT SUBSEQUENT EVENTS

(Reversal of General Reserve)

At the Board of Directors meeting held on February 13, 2026, the Company reversed the general reserve in accordance with the provisions of the Articles of incorporation, pursuant to Articles 452 and 459, Paragraph 1 of the Companies Act of Japan.

- (1) The item and amount of decreased surplus: General reserve 90,500 million yen
- (2) The item and amount of increased surplus: Retained earnings brought forward 90,500 million yen
- (3) Purpose of implementation: To cover deficits in retained earnings brought forward
- (4) Effective date: March 18th, 2026

(Transfer of fixed assets)

On December 24, 2025, the Board of Directors of the Company resolved to transfer the fixed asset (Dentsu Ginza Building) held by the Company, and the transfer of the said fixed asset was completed on January 30, 2026. As a result of this transfer, the Company expects to record a gain on sale of fixed assets of approximately 27,000 million yen in the nonconsolidated financial results for the fiscal year ending December 31, 2026.

For further details, please refer to "Consolidated Financial Statements and Notes to Consolidated Financial Statements 37. SIGNIFICANT SUBSEQUENT EVENTS (Transfer of the assets)."

SUPPLEMENTARY SCHEDULES

[Schedule of tangible fixed assets]

(Millions of Yen)						
Types of assets	Balance at beginning of year	Increase during current term	Decrease during current term	Amortization for the year	Net year-end book value	Year-end Accumulated amortization or Accumulated amortization
Tangible fixed assets						
Buildings	¥5,265	¥81	¥9	¥229	¥5,337	¥2,983
Vehicles	11	0	—	1	11	10
Tools, furniture and fixtures	5,218	115	17	93	5,316	4,713
Land	3,784	—	—	—	3,784	—
	(2,725)	—	(—)	—	(2,725)	—
Total	14,279	197	26	324	14,450	7,707
Intangible assets						
Software	1,205	73	—	222	1,278	561
Other	3	2	—	—	6	2
Total	¥1,208	¥76	—	¥222	¥1,285	¥563

(Notes) 1. The amount shown in parentheses represents the aggregate of the land revaluation surplus and the deferred tax liabilities related to the land revaluation conducted pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998).

2. "The Balance at beginning of year" and "the Net year-end book value" are stated at acquisition cost.

[Schedule of Provisions]

(Millions of Yen)				
Item	Balance at beginning of current period	Increase during the year	Decrease during the year	Balance at end of current period
Allowance for doubtful accounts	¥2,806	¥172,029	¥626	¥174,209
Provision for directors' bonuses	53	293	53	293
Provision for share-based remuneration	¥1,240	¥933	¥584	¥1,589

Major Assets and Liabilities

The Group prepares consolidated financial statements, and therefore the details of the major assets and liabilities are omitted.

Other

Not applicable.

Subsidiaries and Affiliates

As of December 31, 2025, the Group includes 684 consolidated subsidiaries and 67 affiliated companies accounted for by the equity method.

	Geography	Capital or Investment (millions of yen)	Main business	Ownership of voting rights (percentage owned)		Relationship
				Ownership percentage (%)	Percentage owned (%)	
Consolidated subsidiaries						
Dentsu Inc. ^{4,6}	Minato-ku, Tokyo	10,000 million yen	Japan	100.0	—	—
Dentsu East Japan Inc.	Minato-ku, Tokyo	450 million yen	Japan	100.0	—	—
Dentsu West Japan Inc.	Kita-ku, Osaka	300 million yen	Japan	100.0	—	—
Dentsu Kyushu Inc.	Chuo-ku, Fukuoka	400 million yen	Japan	100.0	—	—
Dentsu Runway Inc.	Minato-ku, Tokyo	150 million yen	Japan	100.0	—	Guarantee of obligations
Dentsu Meitetsu Communications Inc.	Nagoya, Aichi	96 million yen	Japan	50.0	—	—
Dentsu Ad-Gear Inc.	Chuo-ku, Tokyo	20 million yen	Japan	66.7	—	—
Dentsu Digital Inc.	Minato-ku, Tokyo	442 million yen	Japan	100.0 (25.0)	—	—
Dentsu Live Inc. ⁷	Chuo-ku, Tokyo	2,650 million yen	Japan	100.0	—	—
Dentsu Promotion Plus Inc. ⁸	Minato-ku, Tokyo	1,000 million yen	Japan	100.0	—	—
Carta Holdings, Inc. ⁹	Minato-ku, Tokyo	1,614 million yen	Japan	54.6	—	—
Septeni Holdings Co., Ltd. ^{3,4}	Shinjuku-ku, Tokyo	18,430 million yen	Japan	52.5	—	—
Dentsu Soken Inc. ^{3,4}	Minato-ku, Tokyo	8,180 million yen	Japan	61.8 (0.0)	—	Outsourcing of information processing services
Dentsu Corporate One Inc. ⁴	Minato-ku, Tokyo	100 million yen	Japan	100.0	—	Provision of specialized corporate functions, leasing and management of buildings, real estate sales and brokerage, and non-life insurance agency services
Dentsu Creative Advertising, LLC ⁴	United States of America, New York	GBP 194 million	Americas	100.0 (100.0)	—	—
Dentsu Creative, LLC ⁴	United States of America, Delaware	GBP 127 million	Americas	100.0 (100.0)	—	—
Dentsu International Americas, LLC ⁴	United States of America, Delaware	GBP 170 million	Americas	100.0 (100.0)	—	—
Carat USA, Inc.	United States of America, California	GBP 0 million	Americas	100.0 (100.0)	—	—
iProspect.com, Inc.	United States of America, Massachusetts	GBP 6 million	Americas	100.0 (100.0)	—	—
Dentsu US, Inc. ⁴	United States of America, New Jersey	GBP 1,222 million	Americas	100.0 (100.0)	—	—
Portman Square Acquisition Co. ⁵	United States of America, Delaware	GBP 0 million	Americas	100.0 (100.0)	—	—
Vizeum, LLC	United States of America, Delaware	GBP 0 million	Americas	100.0 (100.0)	—	—
Gyro, LLC ⁴	United States of America, Delaware	GBP 35 million	Americas	100.0 (100.0)	—	—

	Geography	Capital or Investment (millions of yen)	Main business	Ownership of voting rights (percentage owned)		Relationship
				Ownership percentage (%)	Percentage owned (%)	
Merkle Group, Inc.	United States of America, Maryland	GBP 0 million	Americas	100.0 (100.0)	—	—
Agenciadclick Midia Interativa Ltda. ⁴	Brazil, São Paulo	GBP 49 million	Americas	100.0 (100.0)	—	—
Dentsu Brasil Holdings Ltda.	Brazil, São Paulo	GBP 34 million	Americas	100.0 (100.0)	—	—
Tag Worldwide Holdings Limited	United Kingdom, London	GBP 5 million	EMEA	100.0 (100.0)	—	—
TAG EUROPE LIMITED ⁵	United Kingdom, London	GBP 0 million	EMEA	100.0 (100.0)	—	—
Dentsu Aegis Network Central Europe GmbH	Federal Republic of Germany, Frankfurt	GBP 1 million	EMEA	100.0 (100.0)	—	Guarantee of obligations
Dentsu Aegis Network Central Europe Holding GmbH ⁵	Federal Republic of Germany, Frankfurt	GBP 0 million	EMEA	100.0 (100.0)	—	—
Dentsu France ^{4,5}	French Republic, Paris	GBP 82 million	EMEA	100.0 (100.0)	—	—
Aegis Finance ⁴	French Republic, Paris	GBP 83 million	EMEA	100.0 (100.0)	—	—
Dentsu Spain, S.L.U. ⁴	Spain, Madrid	GBP 53 million	EMEA	100.0 (100.0)	—	—
Aegis International Holding Company B.V.	Kingdom of the Netherlands, Amsterdam	GBP 0 million	EMEA	100.0 (100.0)	—	—
Group Carat (Nederland) B.V. ⁴	Kingdom of the Netherlands, Amsterdam	GBP 130 million	EMEA	100.0 (100.0)	—	—
Merkle Switzerland AG ⁵	Swiss Confederation, Zurich	GBP 1 million	EMEA	100.0 (100.0)	—	—
Dentsu (Shanghai) Investment Co., Ltd. ⁴	China, Shanghai	GBP 89 million	APAC	100.0 (100.0)	—	—
Beijing Dentsu Advertising Co., Ltd.	China, Beijing	GBP 15 million	APAC	100.0	—	—
Dentsu Asia Pte. Ltd. ⁴	Singapore, Singapore	GBP 38 million	APAC	100.0 (100.0)	—	—
Dentsu Asia Pacific Pte. Ltd. ⁵	Singapore, Singapore	GBP 3 million	APAC	100.0 (100.0)	—	—
Dentsu Asia Pacific Holdings Pte. Ltd. ⁴	Singapore, Singapore	GBP 49 million	APAC	100.0 (100.0)	—	—
Dentsu Singapore Holdings Pte. Ltd. ⁴	Singapore, Singapore	GBP 48 million	APAC	100.0 (100.0)	—	—
Dentsu Aegis Network India Private Limited ⁴	India, Mumbai	GBP 91 million	APAC	100.0 (100.0)	—	—
Dentsu Australia Holdings Pty Ltd ⁴	Commonwealth of Australia, Cremorne	GBP 456 million	APAC	100.0 (100.0)	—	—
Dentsu International Australia Pty Ltd ⁴	Commonwealth of Australia, Cremorne	GBP 456 million	APAC	100.0 (100.0)	—	—
Dentsu Corporate Services Pty Ltd ⁴	Commonwealth of Australia, Cremorne	GBP 121 million	APAC	100.0 (100.0)	—	—
Dentsu International Limited ⁴	United Kingdom, London	GBP 78 million	Central	100.0	—	Concurrent service as an officer
Dentsu International Holdings Limited ⁴	United Kingdom, London	GBP 212 million	Central	100.0 (100.0)	—	Concurrent service as an officer
Dentsu International Group Participations Limited ^{4,5}	United Kingdom, London	GBP 336 million	Central	100.0 (100.0)	—	—

	Geography	Capital or Investment (millions of yen)	Main business	Ownership of voting rights (percentage owned)		Relationship
				Ownership percentage (%)	Percentage owned (%)	
Dentsu International Triton Limited	United Kingdom, London	GBP 0 million	Central	100.0 (100.0)	—	—
Dentsu International Treasury Limited	United Kingdom, London	GBP 30 million	Central	100.0 (100.0)	—	Guarantee of obligations
Dentsu International GPS Holdings Limited	United Kingdom, London	GBP 1 million	Central	100.0 (100.0)	—	—
Dentsu International Finance	United Kingdom, London	GBP 0 million	Central	100.0 (100.0)	—	—
Portman Square US Holdings Limited ⁴	United Kingdom, London	GBP 180 million	Central	100.0 (100.0)	—	—
Dentsu International Regents Place Finance Limited	United Kingdom, London	GBP 0 million	Central	100.0 (100.0)	—	—
and 629 other companies	—	—	—	—	—	—
Equity-accounted investees						
Video Research Ltd.	Chiyoda-ku, Tokyo	220 million yen	Japan	34.2	—	—
D2C Inc.	Minato-ku, Tokyo	3,480 million yen	Japan	46.0	—	—
and 65 additional companies	—	—	—	—	—	—

- Notes:
- The name of the segment is shown in the "Main business" column.
 - "Equity held by Dentsu" includes equity held indirectly.
 - These companies submit annual securities reports.
 - These companies are specified subsidiaries.
 - These companies have the following amounts of excessive liabilities as of December 31, 2025:

Portman Square Acquisition Co.	¥76,557 million	
TAG EUROPE LIMITED	¥22,516 million	
Dentsu Aegis Network Central Europe Holding GmbH		¥16,248 million
Dentsu France	¥15,347 million	
Merkle Switzerland AG	¥13,550 million	
Dentsu Asia Pacific Pte. Ltd.	¥11,517 million	
Dentsu International Group Participations Limited		¥90,152 million
 - Dentsu Inc.'s share of turnover (excluding internal turnover between consolidated companies) exceeds 10% of consolidated turnover. The following financial information on Dentsu Inc. has therefore been prepared in accordance with Japanese GAAP:

Main financial information	
1) Operating revenue	¥223,740 million
2) Ordinary income	¥66,054 million
3) Profit	¥45,460 million
4) Net assets	¥113,782 million
5) Total assets	¥499,527 million
 - Effective January 1, 2026, Dentsu Live Inc. relocated to Minato-ku, Tokyo.
 - Effective January 1, 2026, Dentsu Promotion Plus Inc. completed an absorption-type merger with Dentsu Promotion Exe Inc., Dentsu Retail Marketing Inc., and Dentsu tempo Inc. As the surviving company, Dentsu Promotion Plus Inc. has changed its trade name to "Dentsu Promotion Inc."

9. As a result of the partial transfer of shares of CARTA HOLDINGS, Inc. on January 15, 2026, the Company's ownership ratio decreased to 48.4%, and CARTA HOLDINGS, Inc. became an affiliated company accounted for by the equity method.

Information for shareholders (As of December 31, 2025)

Dentsu Group Inc.

Corporate Headquarters

1-8-1, Higashi-shimbashi, Minato-ku,
Tokyo 105-7050, Japan

Contact Info

Investor Relations Department,

Group IR Office,
1-8-1, Higashi-shimbashi, Minato-ku,
Tokyo 105-7050, Japan

https://contact.group.dentsu.com/m/en_ir

Stock Exchange Listing

Tokyo Stock Exchange, Prime Market. Securities code: 4324

Capital

¥ 74,609.81 million

Total Number of Shares Issued

265,800,000

General Meeting of Shareholders

The Ordinary General Meeting of Shareholders is held in Tokyo in March each year.

Transfer Agent

The Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
100-8212, Japan

Website

<https://www.group.dentsu.com/en/>