MID-TERM MANAGEMENT PLAN UPDATE

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INNOVATING TO IMPACT

dentsu

Summary of the Mid-Term Management Plan Update

The Mid-Term Management Plan retains its current core policy and has been updated for FY2026–FY2028, with restoring profitability and improving financial soundness as the highest priorities

Mid-Term Management Plan FY2025–FY2027	Achievements to Date and Outlook	Updated Plan
• Restore profitability by rebuilding the business foundation (Reduce costs by JPY 35—50bn by FY2027)	• More than **JPY 50bn** in operating cost reductions expected by FY2027 • **The number of international entities was halved** between January 2021 and January 2026, from over 1,000	• Reduce Global HQ costs by **around 30%** by FY2028 (vs. FY2026 plan) • Reduce the number of international entities by **around 70—80** in FY2026 and consider a further reduction of **around 50—80** by FY2028
• FY2026: No markets operating at a loss* through a review of underperforming businesses • FY2027: All four regions contribute to enhancing shareholder value	• **Structural transformation** progressing, including the partial divestment of the ANZ CXM business • China and Australia **achieved profitability** on an underlying operating profit basis in FY2025 • Despite progress, macro uncertainty is expected to leave some markets loss-making in FY2026	• FY2027: **No markets operating at a loss*** and **our International business** contributes to enhancing shareholder value • Assess restructuring and exit costs for unprofitable markets and prioritize reforms, regardless of invested capital • FY2028: **All four regions** contribute to enhancing shareholder value
• Invest JPY 45bn over three years in priority markets and areas • Pursue selective M&A in line with business recovery	• Investment focused on **Media, AI, and Data & Technology**, including JPY 3.7bn of internal investments in H1 2026 • Focused on **internally driven growth** with a selective and disciplined approach to M&A	• Integrate internal investments into ongoing business operations from FY2027 • Allocate a portion of Global HQ cost savings to **AI and Data & Technology** investment • Maintain a selective and disciplined approach to M&A
• Prioritize Japan and the US • Focus on increasing the value of the international Media business	• Japan achieved **positive organic growth for 13 consecutive quarters.** The US CXM business is expected to turn to positive growth in FY2026 • The international Media business delivered **positive organic growth for two consecutive years and remained positive** in H1 2026	• Maintain priority areas and markets while clarifying **the strategy for each region** • Strengthen **AI partnerships through an open ecosystem** as the core strategic principle

*Refers to markets that have seen over JPY 10bn of cumulative investment as of February 2025

Our Ambition

The Growth Partner that drives the greatest impact for clients, partners, and society

01 Transform the Business & Improve Profitability

Strengthen profitability through business and organizational restructuring

- Optimize the business portfolio and cost structure
- Strengthen cash generation capabilities to support growth investment

02 Invest for Growth in Priority Areas

Strengthen and expand capabilities through focused investment in priority areas

- Expand investment in AI and Data & Technology
- Select and focus on markets based on growth potential and our competitive advantage

03 Improve Productivity per Employee

Achieve industry-leading productivity per employee

- Deliver sustained productivity gains through an AI-native operating model
- Achieve industry-leading net revenue and operating profit per employee

04 Strengthen Our Ability to Attract and Retain Talent

Attract diverse talent with deep expertise and enable them to thrive

- Strengthen the acquisition and development of diverse, highly skilled talent
- Build a high-performance culture grounded in transparency and accountability

05 Create Greater Value for Clients, Partners, and Society

Contribute to the business growth of clients and partners, and to value creation for society

- Drive clients and partners growth through services beyond marketing
- Enable every client we serves to outperform its industry average

Our Journey Toward Our Ambition

Current Challenges

- **Organic growth below market growth**
- **Complex Operating Model**
- **Fragmented investment across markets and capabilities**

2026-2028

Improve Financial Soundness and Strengthen the Foundation for Sustainable Competitiveness

Priority Agenda

Drive Structural Transformation

Strengthen the business foundation for sustainable growth

- Simplify the organization and optimize the business portfolio
- Rebuild the financial foundation
- Enhance governance and talent management

Improve Profitability

Build a more agile and profitable operating model

- Streamline the cost structure and operations
- Review underperforming businesses
- Improve productivity per employee

Focus Resources on Priority Areas

Concentrate investment on priority areas and growth markets

- Invest in growth, centered on Media
- Expand proprietary offerings and products
- Develop new revenue models

Strengthen Alliances

Standardize AI-embedded delivery

- Strengthen alliances with leading partners
- Leverage partners’ AI platforms and tools
- Embed AI across client touchpoints and business processes

Right to Win – Sources of Competitive Advantage

Why Clients Choose dentsu

Expertise and Network

- Delivering greater value through distinctive leadership brands
- Best-fit capabilities provided through our global network

Trusted Partnerships

- Long-standing relationships with clients and partners
- Trust and transparency rooted in our Japanese heritage

Open and Client-Centric

- Best-of-breed partnerships through an open ecosystem
- Flexible solutions that respect client data ownership

Expertise, trust, and open collaboration

Focus Where We Have the Right to Win

Priority Client Segments

- Focus on segments where we have a clear right to win
- Build and expand priority areas by market
  Example: Strength in B2B and technology in the US and the UK

Focus Markets

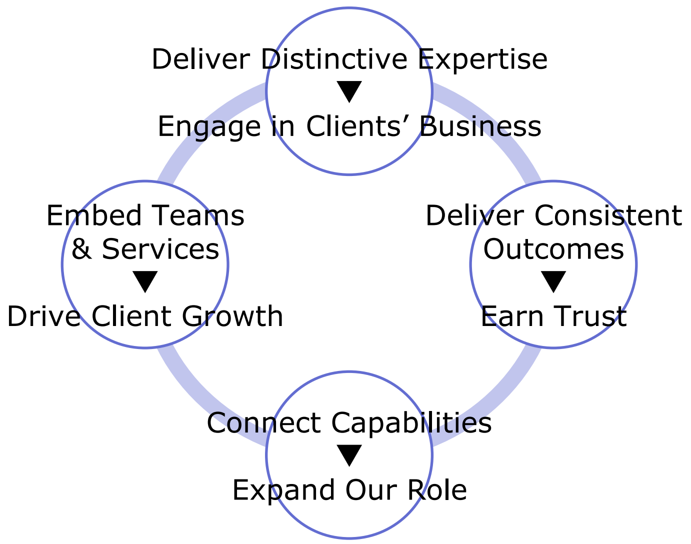
- Focus on markets with sufficient scale and sustainable growth potential
- Accelerate investment and business expansion in high-growth markets
  Examples: Accelerating growth in Japan and restoring growth in priority APAC markets

Focus management resources based on growth potential and competitive advantage

How We Drive Client Growth

Evolving into a Growth Partner

- Consistently deliver expertise, build trust, and establish comprehensive partnerships



Deliver Sustained Outcomes and Drive Client Growth

Growth Architecture – Delivering Value for Client Growth

Value We Deliver to Clients

- Building Brand Relevance to People
- Driving Client Growth through Customer Acquisition and Retention
- Transforming Marketing & Business Architecture

Our Growth Drivers

Human Engagement

Culture & Community Innovation

Sports

Entertainment

Gaming

Customer Experience Transformation

Content Supply Chain

Modern CRM

Our Global Core | Anchored in Media

Our Strategic Core

Client Growth Strategy

Proprietary Data & AI

Predictive Analytics & Measurement

AI-Enabled Execution

Content & production

Media activation

Engagement & loyalty

Digital Experiences

Growth-Accelerating Capabilities

Social

Commerce

AI Adoption

Business and Technology Transformation

Brand Transformation

Brand & New Product Innovation

AI Transformation

AI-driven business & technology transformation

Selected Markets
Leveraging Distinctive Assets

Highest-Priority Area | Scaled Across All Markets

Selected Markets
Leveraging Creative & Technology Strength

Build a Growth Model with AI × Data × Execution × Partnerships

Creating Value with AI and Data

Client AI Enablement

- AI-powered marketing transformation
- Adopt agentic workflows
- Embed AI into operating models

Proprietary Data & AI Products

AI For Growth DENTSU • CONNECT

- Develop proprietary AI solutions
- Enhance & monetize data assets

AI-Enabled Operations

- Apply AI to planning and decision-making
- Automate content activation
- Enable AI-driven project management

Drive AI Innovation with **Clients and Partners**, Building on Our Proprietary Assets

Co-Creation Alliances and Partner Ecosystem

Partner-Enabled Model

- Drive Joint Pilots ("Customer Zero")
- Develop solutions with proprietary assets
- Continuous innovation through co-creation

Open Ecosystem

- Build open and interoperable design
- Collaborate transparently with partners
- Leverage Japan's strengths and innovation across our global network

Multi-Dimensional Partnership

- Engage each partner as a client, partner, and user
- Accelerate the co-create–validate–scale cycle

Roles and Strategy by Region

Our ambition to be a Growth Partner is shared across all regions

The path to achieving it will be tailored to each region's competitive environment

Japan	Americas	EMEA	APAC
Group Core	**Growth Engine**	**Turnaround Focus**	**Next Growth Base**
Strengthen the Group's largest profit base and create new value across the entire client value chain	Accelerate global growth — scaling our client base through the Media Flywheel & driving AI transformation anchored in CXM	Restore market share and improve profitability through integrated, Media-led solutions and a simplified operating model	Strengthen competitiveness and improve profitability through cross-market collaboration and focused investment in growth opportunities

Each region plays a distinct role, working together to drive sustainable growth across the Group

Current Position and Strategy by Region

Japan：Group Core

Strengthen the Group's largest profit base and create new value across the entire client value chain

Current Position

- A solid profit base centered on marketing and communications, underpinned by trusted, long-standing relationships with clients and partners
- BX and DX offer further growth potential, with significant headroom to expand both within existing clients and through new client acquisition
- Further opportunities to broaden service offerings through stronger Group collaboration and the use of AI

Strategy Going Forward

01

Expand across Clients' Entire Value Chains

Broaden service offerings, centered on business transformation and technology

02

Develop Growth Areas and Client Segments

Expand the business foundation by strengthening engagement with growth areas and small and medium-sized enterprises (SMEs)

03

Accelerate Growth in Sports & Entertainment

Expand high-value-added businesses by leveraging Japan-originated IP and collaborating with the global Sports & Entertainment

Current Position and Strategy by Region

Americas：Growth Engine

Accelerate global growth —
scaling our client base through the Media Flywheel & driving AI transformation anchored in CXM

Current Position

- The Media business pipeline is not robust
- Intensifying competition for major pitches is putting pressure on revenue growth and margins
- Investment in high-growth areas and cross-practice propositions spanning Media, Creative, and CXM needs to be strengthened

Strategy Going Forward

01
Strengthen Consultative Selling

Expand the pipeline through earlier engagement in growth industries and stronger consultative selling

02
Expand Capabilities in High-Growth Areas

Strengthen and expand capabilities in areas such as commerce and social through proactive partner collaboration

03
Scale the AI Transformation Business

Drive CXM-led AI transformation. Improve profitability through service standardization and diversified commercial models

Current Position and Strategy by Region

EMEA：Turnaround Focus

Restore market share and improve profitability through integrated, Media-led solutions and a simplified operating model

Current Position

- Declining market share across key markets
- Margin pressure from fragmented delivery and intensifying competition for major pitches
- Need for an optimal operating model to strengthen client and partner relationships and scale services across markets

Strategy Going Forward

01

Advance Integrated, Media-Led Propositions

Scale efficiently by deploying standardized, Media-led solutions across markets

02

Focus Investment on Priority Markets

Concentrate investment in gateway markets, retain global-clients, and expand multi-market engagements

03

Consolidate Operations and Streamline Delivery

Improve profitability by consolidating similar operations and streamlining services and cost management

APAC：Next Growth Base

Improve competitiveness and profitability through stronger cross-market collaboration and focused investment in growth opportunities

Current Position

- Strengthen competitiveness and differentiation in data, social, and commerce
- Rationalize the portfolio to fund growth investment
- There is room to win more business and improve operational efficiency through stronger client and partner relationships and cross-market collaboration

Strategy Going Forward

01

Focus Investment on Growth Markets

Increase investment in high-growth markets, enhance and expand capabilities, and establish competitive advantage

02

Strengthen Cross-Market and Cross-Practice Collaboration

Restore growth through integrated Media, Creative, CXM, and BX propositions across markets

03

Rationalize the Business Portfolio

Create capacity for investment in growth markets by rationalizing the business portfolio and operations

KPIs for FY2028

Committed to building a strong business foundation and client base for growth by 2028, by prioritizing restoration of profitability and improving financial soundness

Operating Margin
16%

Rebuilding the Business Foundation	Further Reduce Global HQ Costs	No Markets Operate at a Loss* through Reevaluating Underperforming Businesses	Improve Productivity through AI and D&T	Deliver Steady Organic Growth
More than JPY 50bn operating cost reductions by FY2027	**c. 30% reduction in Global HQ costs by FY2028** (vs. FY2026 plan)	FY2027: **No loss-making markets*** FY2028: **All four regions contribute to increasing shareholder value**	**Improve productivity through investment in priority areas and human capital** **Higher productivity per employee**	**FY2028 Organic Growth** **2-3%**

*Refers to markets that have seen over JPY 10bn of cumulative investment as of February 2025

Financial Policy and Capital Allocation

Strengthen the financial foundation to return to balanced capital allocation, including the early resumption of dividends, and a sustainable growth trajectory

Financial Policy	Shareholder Returns	Investment and M&A
Prioritize balance sheet improvement and cash flow management in order to accelerate the rebuilding of our financial foundation to secure capacity for future growth investments	Strengthen profitability and implement available measures to resume dividends at the earliest timeline	Prioritize investment in AI, Data & Technology, and structural transformation, while maintaining a selective and disciplined approach to M&A in the near term

Approach to Human Capital Management, Governance, and Sustainability

The Group will continue to uphold the policies of the Mid-Term Management Plan announced in February 2025, and maintain its commitments across all areas

Human Capital Management	• Plan to Publish a Human Capital Report in FY2026, in addition to the Integrated Report • Provide opportunities to develop talent while implementing market-specific programs to attract and retain talent • Continuously monitor engagement scores to build an organization where people feel engaged and energized
Governance	• Advance effective corporate governance in line with the policies established in FY2025 • Continue efforts to embed an integrity-first culture • Strengthen risk management and further enhance internal controls
Sustainability	• Continue addressing the Group's material themes as our sustainability strategy • Enhance the Group's corporate value through further integration of financial and non-financial aspects

Strong Recognition from Leading Global Rating Organizations

ESG Ratings

- Recognized as a Regional ESG Leader by Sustainalytics
- MSCI ESG Rating upgraded AA

Index Inclusion

- FTSE Blossom Japan Index: six consecutive years; Japan Sector Relative Index: three consecutive years
- Dow Jones Best-in-Class World Index: three consecutive years; Asia Pacific Index: ten consecutive years
- SOMPO Sustainability Index: two consecutive years

Media Recognition

- Included in TIME's "World's Most Sustainable Companies" ranking for two consecutive years

Our Commitment to 2028, Accelerating Growth Beyond

Where We Started

- Market growth opportunities not fully captured
- Complex operations
- Insufficient focus and execution discipline

Build the Foundation for Accelerated Growth

- **Simplify the organization and operations to become truly client-centric**
- **Commit to improving financial soundness, efficiency, and profitability**
- **Focus where we have the Right to Win and strengthen our capabilities**
- **Deliver consistent growth through disciplined execution**

Drive Sustainable Growth

- Become a Growth Partner that Drives Sustained, Multi-Dimensional Client Growth
- Build efficient operations optimized for the AI era
- Build Global Growth Momentum by Leveraging Our Japanese Heritage and Ecosystem

2026 2027 2028