

FOR IMMEDIATE RELEASE
November 14, 2022

Dentsu Group Inc.

Q3 FY2022 Consolidated Financial Results

(The third quarter ended September 30, 2022 – reported on an IFRS basis)

Dentsu Group reports a solid third quarter, in line with expectations, with organic revenue decline of -3.7%* impacted by the exceptional prior year one-off comparable in Japan. Dentsu Japan Network reported -15.1%, with the third quarter growth rate vs 2019 improving against the second quarter - demonstrating the underlying demand in the Japanese market. Dentsu International reported 5.4%* organic growth, led by continued demand for digital experience and customer focused transformation services.

The structural growth area of Customer Transformation & Technology grew over 20% (cc) in the first nine months, reaching 32.6% of Group revenues, +380bp yoy as demand for technology implementation, data services and activation through media remains robust.

Group operating margins fell 230 bp yoy, also impacted by the third quarter comparables in Japan in FY2021 but Group margins remain 520 bp ahead of FY2019 due to the continued simplification and transformation the Group has undertaken over the past three years.

The Group today announces the One dentsu leadership team. One dentsu will simplify the Group structure, allowing the business to foster agile decision-making, strategic focus and clarity across the group whilst driving operational excellence across all functions. The global leadership team will ensure further integration of the Group's diverse capabilities to deliver top line growth for our clients while allowing Dentsu Group to realize sustainable growth in of corporate value. Please see separate release for full details, a list of the new management team can be found on page 8 and 9 of this release.

The Group expects 4 to 5% organic growth for FY2022, with margins expected at 18.0% excluding Russia. Under the assumption current FX rates hold until year end, FY2022 underlying basic EPS guidance of JPY 439.70 would rise by 10%.

The Group retains confidence in the medium-term targets of 4 to 5% Group organic growth, with 18% margins with the dividend pay-out ratio reaching 35% by FY2024.

The Group today announces the cancellation of 6.33% of total shares outstanding.

** Including the impact of the Russian business Group organic revenue decline Q3 was -4.7%, -15.1% at Dentsu Japan Network and 3.4% at Dentsu International. Group operating margins were 14.7%, -880 bp; Dentsu Japan Network reported 19.5% and Dentsu International 13.2%. All figures in the rest of the release refer to results including the impact from Russia.*

Q3 (July to September) FY2022 Financial Results Summary

| Consolidated Group (million yen) | Q3 FY2022 | Q3 FY2021 | YoY change, % |
|-----------------------------------------------------|----------------|--------------|------------------|
| Net Revenue* | 275,409 | 255,826 | +7.7 |
| Underlying results | | | |
| • Operating profit | 40,489 | 60,214 | (32.8) |
| • Operating margin | 14.7% | 23.5% | (880 bp) |
| • Net profit (attributable to owners of the parent) | 26,601 | 36,751 | (27.6) |
| Statutory results | | | |
| • Operating profit | 24,679 | 127,496 | (80.6) |
| • Net profit (attributable to owners of the parent) | 15,932 | 65,641 | (75.7) |

9m (January to September) FY2022 Financial Results Summary

| Consolidated Group (million yen) | 9m FY2022 | 9m FY2021 | YoY change, % | Constant currency basis, % |
|-----------------------------------------------------|-------------------|--------------|---------------------|----------------------------------|
| Net Revenue* | 794,356 | 696,396 | +14.1 | +6.6 |
| Underlying results | | | | |
| • Operating profit | 130,407 | 131,826 | (1.1) | (6.7) |
| • Operating margin | 16.4% | 18.9% | (250 bp) | (230 bp) |
| • Net profit (attributable to owners of the parent) | 85,567 | 79,937 | +7.0 | - |
| • Basic EPS | 317.87 yen | 285.39 yen | | |
| Statutory results | | | | |
| • Operating profit | 91,470 | 211,876 | (56.8) | |
| • Net profit (attributable to owners of the parent) | 58,415 | 101,746 | (42.6) | |

*Notation of "Revenue less cost of sales" was changed to "Net revenue" from the first quarter

9m (January to September) FY2022 Results: Key Financials

Group net revenue JPY 794.3 bn (YoY +14.1%, +6.6% on a constant currency basis)

- 4.7% growth in net revenue at Dentsu Japan Network, and 21.4% (7.9% on a constant currency basis) at Dentsu International.
- Net revenue increased due to organic growth of JPY 26.3 bn, currency positively impacted by JPY 48.9 bn, and M&A contributed JPY 22.6 bn.

Group organic growth was 3.4%. (4.3% excluding Russia)

- -0.1% organic growth at Dentsu Japan Network despite the one-time comparables from the prior year, and 6.0% at Dentsu International (7.6% excluding Russia).

Group underlying operating profit decreased by 1.1% (-6.7% on a constant currency basis) yoy to JPY 130.4 bn. Operating margin declined by 250 bp (230 bp on a constant currency basis) to 16.4%. The Group continues efforts to reduce operating costs through simplification.

- At Dentsu Japan Network, underlying operating profit was JPY 77.3 bn (YoY -5.7%); operating margin of 24.2% (YoY -270 bp)
- At Dentsu International, underlying operating profit was JPY 58.8 bn (YoY +9.8%, -4.4% on a constant currency basis); operating margin excluding Russia of 13.1% and operating margin including Russia of 12.4% (YoY -130 bp, -160 bp on a constant currency basis).

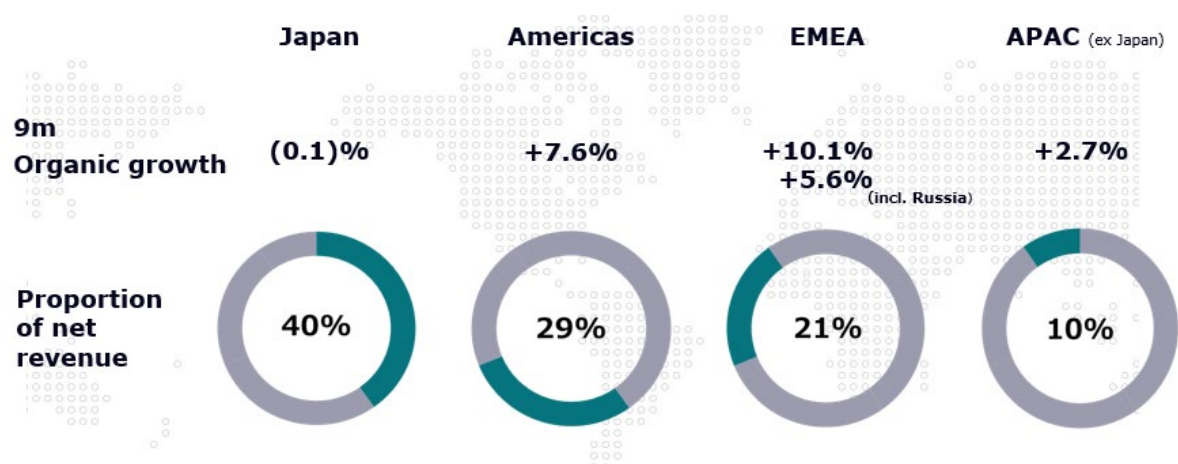
Group underlying net profit (attributable to owners of the parent) increased by 7.0% yoy to JPY 85.5 bn.

- The underlying basic EPS of JPY 317.87 (9m FY2021: JPY 285.39).

Group statutory operating profit and net profit (attributable to owners of the parent) are of JPY 91.4 bn and JPY 58.4 bn.

- Statutory operating profit is lower yoy due to a one-off increase in FY2021 on the gain on sale of non-current assets.

9m (January to September) FY2022 Organic growth & Proportion of net revenue by region



Quarterly Organic Revenue Performance

| | Dentsu Group Total | | | Dentsu Japan Network | | | Dentsu International | | |
|-----------------------|--------------------|-------|--------|----------------------|-------|--------|----------------------|-------|--------|
| | 2022*1 | 2021 | 2020 | 2022 | 2021 | 2020 | 2022*2 | 2021 | 2020 |
| Q1 (Jan – Mar) | 9.1 | (2.4) | (0.8) | 10.0 | (0.9) | 2.1 | 8.4 | (3.5) | (3.3) |
| Q2 (Apr – Jun) | 7.3 | 15.0 | (17.3) | 7.9 | 12.0 | (12.6) | 7.0 | 17.0 | (20.0) |
| Q3 (Jul – Sep) | (4.7) | 27.8 | (14.8) | (15.1) | 49.7 | (14.7) | 3.4 | 13.4 | (14.6) |
| Q4 (Oct – Dec) | - | 14.2 | (11.6) | - | 17.3 | (9.9) | - | 12.1 | (13.2) |
| Fiscal Year | - | 13.1 | (11.1) | - | 17.9 | (8.4) | - | 9.7 | (13.0) |

Quarterly Organic Revenue Performance for Dentsu International by Region

| | Americas | | | EMEA | | | APAC (ex Japan) | | |
|-----------------------|----------|-------|--------|--------|-------|--------|-----------------|-------|--------|
| | 2022 | 2021 | 2020 | 2022*3 | 2021 | 2020 | 2022 | 2021 | 2020 |
| Q1 (Jan – Mar) | 13.4 | (4.1) | 1.2 | 3.3 | (2.9) | (0.4) | 5.2 | (3.1) | (19.5) |
| Q2 (Apr – Jun) | 9.6 | 15.5 | (17.1) | 4.9 | 22.0 | (20.2) | 4.5 | 10.2 | (26.4) |
| Q3 (Jul – Sep) | 0.7 | 16.3 | (15.3) | 9.2 | 12.9 | (12.9) | (1.1) | 7.6 | (16.4) |
| Q4 (Oct – Dec) | - | 15.4 | (13.0) | - | 12.6 | (14.4) | - | 3.8 | (10.9) |
| Fiscal Year | - | 10.6 | (11.3) | - | 11.1 | (12.4) | - | 4.7 | (18.0) |

*1 Dentsu Group Total excluding Russia - Q1: 9.6% / Q2: 8.2% / Q3: (3.7%)

*2 Dentsu International Total excluding Russia - Q1 : 9.2% / Q2: 8.4% / Q3: 5.4%

*3 EMEA excluding Russia - Q1: 5.3% / Q2: 8.9% / Q3: 15.7%

Hiroshi Igarashi, President and CEO, Dentsu Group Inc., said:



"The nine month results delivered a strong performance across all service areas, despite results impacted by exceptional prior year comparables in Q3 2021. Dentsu Japan Network was flat at the nine month stage, while Dentsu International delivered 7.6% (ex Russia) organic growth.

In Customer Transformation & Technology we continue to establish a winning position at the convergence of advertising, technology & consulting. Revenues from this fast growth segment now contribute 32.6% to our Group. Our focus remains on raising the value of our service offering to clients towards high value-added solutions through consulting services.

We see a multi-year runway of growth as data proliferation accelerates, supported by growth in data channels, a digitally native population and the increased need for corporates to build direct-to-consumer relationships. We help our clients transform their data, technology, and organizational capabilities to deliver differentiated customer experiences, building loyal customers over time.

Today marks an exciting moment for Dentsu Group as we look to bring all 65,000 dedicated talents together under our One dentsu structure. Led by one global leadership team, One dentsu will further simplify our Group, driving integration of our diverse capabilities across the Group to deliver top line growth for our clients.

Whilst the macro-outlook may remain uncertain, our improved revenue mix, our deep client relationships, strong balance sheet underpinned by the transformation the Group has undertaken over the past two years positions us well for the future.

As always, I would like to express my deep gratitude to all our talented individuals across the Group for their continued dedication to our clients and to Dentsu Group."

9m (January to September) FY2022 Business Updates

Customer Transformation & Technology ratio of net revenues

- Net revenue from Customer Transformation & Technology reached 32.6% of Group net revenue (YoY +390 bp, +380 bp on a constant currency basis), 27.9% (YoY +460 bp) from Dentsu Japan Network and 35.7% (YoY +280 bp, +320 bp on a constant currency basis) from Dentsu International.

Japan business (Dentsu Japan Network)

- In Japan, 9m organic growth was -0.1%.
Japan, the largest region accounting for 40% of the Group's total net revenue, was supported by robust demand for digital solutions and an increase in net revenue from Customer Transformation & Technology. Despite the exceptionally strong performance in the third quarter of last year, Japan revenues declined only 0.1% at the 9m. The digital solutions and consulting business maintained momentum throughout the quarter, supporting clients' ever-growing needs for business and digital transformation. By company, ISID and Dentsu Digital reported 20.4% and 7.1% organic growth, respectively. ISID continues to forecast strong demand from clients for digital transformation toward their business and operations. SEPTENI HOLDINGS, consolidated in the first quarter, reported 10.0% organic growth, consistent with the 6 months performance and cements the Group's position as the leader in digital advertising in Japan.

Dentsu Digital and Data Artist Inc., which has strengths in Artificial Intelligence (AI) development, will be integrated into one company on April 1, 2023, further simplifying our group structure. Through this integration, Group will further strengthen the digital marketing field of its business in Japan and accelerate the evolution of the DX domain.

International business (Dentsu International)

By region:

- **In Americas, 9m organic growth was 7.6%.**
The US market grew over 7% in the first 9 months of year, with growth slower into the third quarter mainly due to lower growth in the Creative business. Media benefited from spend from new client wins and the US market and Canada benefited from increased scope from existing clients. CXM in the US market slowed vs the H1, yet still reported 9.5% growth at the 9 months stage. Collaboration with Extentia, acquired in August, will deliver revenue synergies in the coming recent quarters. Weakness in the Brazilian market was largely offset by higher growth seen in Canada +6.1% and Mexico +9.8%.
- **In EMEA, 9m organic growth was 5.6%, excluding Russia was 10.1%.**
In Europe the organic growth rate continued its acceleration in the third quarter, reaching over 15% organic growth supported by a well-diversified portfolio of capabilities and clients across industries. CXM posted over 20% organic growth boosted by our strong alliances with technology partners that continue to deliver revenue opportunities. Media and Creative services both posted mid-single digit organic growth. Denmark, France, Germany, Switzerland and the UK all delivered double digit organic growth in the quarter.

- **In APAC (excluding Japan), 9m organic growth was 2.7%.**

APAC saw organic revenue decline in the third quarter due to the continued impact of the COVID19 pandemic in China. CXM grew double digit across the region and outlook for growth remains strong. The South East Asian cluster continues to perform well with both Indonesia and Taiwan growing high single digit. India reported over 10% organic growth driven by new client wins and increased scope from existing media clients. The APAC leadership team was strengthened with the appointment of Rob Gilby as CEO of the region.

Forecast of Consolidated Financial Results for the FY2022 (IFRS)

The Group guides to 4 to 5% organic growth with 18.0 % operating margin (ex Russia). Under the assumption current FX rates hold until year end, FY2022 underlying basic EPS guidance of JPY 439.70 would rise by 10%.

| Consolidated Group (million yen) | FY2022 August Forecasts | FY2021 Results | Variance |
|---------------------------------------|-------------------------------|--------------------|----------|
| Revenue | 1,240,800 | 1,085,592 | +14.3% |
| Net Revenue | 1,098,300 | 976,577 | +12.5% |
| Underlying operating profit | 194,400 | 179,028 | +8.6% |
| Operating margin | 17.7% | 18.3% | (60 bp) |
| Underlying net profit* | 118,000 | 109,203 | +8.1% |
| Underlying basic EPS (Yen)* | 439.70 | 391.71 | +12.3% |
| Operating profit | 155,700 | 241,841 | -35.6% |
| Net profit* | 94,500 | 108,389 | -12.8% |
| Basic EPS (Yen)* | 352.14 | 388.79 | -9.4% |
| *Attributable to owners of the parent | | | |
| Currency | Av. Jan.-Jul. 2022 | Av. Jan.-Dec. 2021 | |
| JPY/USD | 124.9 | 109.8 | +13.7% |
| JPY/GBP | 160.1 | 151.1 | +6.0% |

The Group aims to progressively raise the dividend payout ratio to 35.0% of underlying basic EPS in FY2024, under the dividend policy in the Medium-term Management Plan. In FY2022 the payout ratio is expected to be 32.0% of underlying basic EPS.

CANCELLATION OF TREASURY SHARES

The Group today convened a meeting of its Board of Directors. The Board resolved to authorize the cancellation of the Company's own shares pursuant to its Articles of Incorporation in accordance with Article 178 of the Companies Act.

- Class of shares to be retired: Common stock of the Company
- Number of shares to be retired: 18,244,646 shares (6.33% of total shares outstanding)
- Scheduled retirement date: November 30, 2022

DISPOSAL OF TREASURY SHARES FOR THE PERFORMANCE-BASED STOCK COMPENSATION PLAN

- The Group today announces the disposal of its treasury shares through a third-party allotment in accordance with the operation of the performance-based stock compensation plan.
- The number of shares to be disposed of is equivalent to the total number of shares (700,000 shares) expected to be granted to the executive officers of the Company and its two subsidiaries (Dentsu Inc. and Dentsu Corporate One Inc.) for the execution of their duties through the end of December 2022, in accordance with the executive officers stock benefit regulations established by the respective boards of directors of the Company and each of such subsidiaries. The ratio to the total number of 288,410,000 outstanding shares of the Company as of the end of June 2022 is 0.24% (0.26% to the total number of 2,662,989 voting rights of the Company as of the same date). Both percentages are rounded to two decimal places).

Summary of Disposal :

| | |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Disposal date | Wednesday, November 30, 2022 |
| (2) Type and number of shares to be disposed of | 700,000 ordinary shares |
| (3) Disposal value | 4,610 yen per share |
| (4) Total amount disposed | 3,227,000,000 yen |
| (5) Party to be disposed to | Custody Bank of Japan, Ltd. (Trust Account E) |
| (6) Other | The disposal will be made on the condition that the Securities Registration Statement filed under the Financial Instruments and Exchange Act takes effect. |

SALE OF THE RUSSIAN JOINT VENTURE TO LOCAL PARTNERS

The Group today announces the passing of a resolution at today's meeting of its Board of Directors on the equity sale of the Group's Russian business to local partners. The sale is subject to approvals by the Russian state authorities, including by the Russian Governmental Commission. Completion of the sale of the business remains dependent on approvals. Please see separate release for further details.

GROUP MANAGEMENT TEAM

The members of the Group Management Team (36 Group Management in total, including 21 Group Executive Management) as of January 1, 2023 are as follows. The Group Management Team will be responsible for the execution of the whole of dentsu, which consists of approximately 900 companies, doing business in 145 countries, not just the Dentsu Group Inc.

(1) Appointment of 21 Group Executive Management (effective January 1, 2023)

| Position | Name | Current position |
|-------------------------------------------------------------------------------------|------------------|-------------------------------------------------------------------------------------------|
| President & CEO, Dentsu Group Inc. | Hiroshi Igarashi | President & CEO, Dentsu Group Inc. |
| Executive Vice President & Chief Governance Officer, Dentsu Group Inc. | Arinobu Soga | Executive Vice President (CFO), Dentsu Group Inc. |
| Executive Vice President & Chief Corporate Affairs Officer, Dentsu Group Inc. | Haruhiko Hirate | Executive Vice President (CCAO), Dentsu Group Inc. |
| Chief Financial Officer, Dentsu Group Inc. | Nick Priday | Executive Officer, Dentsu Group Inc. and CFO, Dentsu International Limited |
| Chief Strategy Officer & Chief Integration Officer, Dentsu Group Inc. | Soichi Takahashi | Executive Officer, Dentsu Group Inc. |
| Chief HR Officer, Dentsu Group Inc. | Miho Tanimoto | Japan HR Leader, Google Japan |
| Chief Culture Officer, Dentsu Group Inc. | Jean Lin | Executive Officer, Dentsu Group Inc. |
| Chief Communications Officer, Dentsu Group Inc. | Jeremy Miller | Global Chief Communications & Marketing Officer, Dentsu International Limited |
| Chief Information Officer, Dentsu Group Inc. | Dominic Shine | Chief Technology Officer, Dentsu International Limited |
| General Counsel, Dentsu Group Inc. | Alison Zoellner | General Counsel, Dentsu International Limited |
| Chief Integrated Solutions Officer, dentsu | Masaya Nakamura | Executive Officer, Dentsu Group Inc. and CEO, Dentsu International Global Solutions |
| CEO, Business Transformation, dentsu | Takeshi Sano | Executive Officer, Dentsu Japan Network |
| CEO, dentsu Americas & Chief Global Client Officer, dentsu | Jacki Kelley | CEO, Dentsu International Americas |

| | | |
|----------------------------------------------------------|--------------------|--------------------------------------------------------------------------------|
| CEO, dentsu Japan | Norihiro Kuretani | Executive Officer, Dentsu Group Inc. and President & CEO, Dentsu Japan Network |
| CEO, dentsu EMEA | Giulio Malegori | CEO, Dentsu International EMEA |
| CEO, dentsu APAC | Rob Gilby | CEO, Dentsu International APAC |
| CEO, CXM, International markets, dentsu | Michael Komasinski | Global CEO, Merkle/CXM, Dentsu International Limited |
| CEO, Media, International markets, dentsu | Peter Huijboom | Global CEO, Media & Global Clients, Dentsu International Limited |
| Global Chief Creative Officer, dentsu. (excluding Japan) | Fred Levron | Global Chief Creative Officer, Dentsu International Limited |
| Chief Operating Officer, dentsu Japan | Yoshimasa Watahiki | Executive Officer, Assistant to President, Dentsu Japan Network |
| Chief Operating Officer, International markets, dentsu | Nnenna Ilomechina | Global Chief Operating Officer, Dentsu International Limited |

As of January 1, 2023, Hiroshi Igarashi and Arinobu Soga will remain as Representative Directors, and Nick Priday and Norihiro Kuretani will remain as Directors.

(2) Appointment of 15 Group Management (effective January 1, 2023)

| Strategy Planning & Business Area | | Corporate Area | |
|-----------------------------------------------------|------------------|-------------------------------------------------------------------------|--------------------|
| Position | Name | Position | Name |
| Chief of Staff, Dentsu Group Inc. | Yoshiki Ishihara | Head of Internal Audit, Dentsu Group Inc. | Nobuo Uehara |
| Deputy Chief Strategy Officer, Dentsu Group Inc. | Yoshinobu Ise | Deputy Chief HR Officer, Dentsu Group Inc. | Jun Shibata |
| Deputy Chief Integration Officer, Dentsu Group Inc. | So Aoki | Deputy Chief Financial Officer, Dentsu Group Inc. | Toshiyuki Hirasawa |
| Deputy Chief Integration Officer, Dentsu Group Inc. | Tom Higgins | Head of Corporate Secretary & Deputy General Counsel, Dentsu Group Inc. | Tadashi Nagae |
| Deputy Chief of Staff, Dentsu Group Inc. | Manus Wheeler | Chief Corporate Affairs Officer, dentsu Japan | Nobutaka Hayashi |
| Deputy Chief of Staff, Dentsu Group Inc. | Noritaka Omi | Chief Financial Officer, dentsu Japan | Hiroshi Chino |
| CEO, Creative, dentsu Japan | Yasuharu Sasaki | Chief Sustainability Officer, dentsu Japan | Yuko Kitakaze |
| | | Chief Sustainability Officer, International markets, dentsu | Anna Lungley |

– Ends –

For further details please see the presentation on Dentsu Group Inc. website.

URL: <https://www.group.dentsu.com/en/ir/>

Definitions

- **Underlying operating profit:** KPI 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, share-based compensation expense issued following the acquisition of 100% ownership of a subsidiary.
 - One-off items: items such as impairment loss and gain/loss on sales of non-current assets.
- **Operating margin:** Underlying operating profit divided by Net revenue.
- **Underlying net profit (attributable to owners of the parent):** KPI to measure recurring net profit attributable to owners of the parent which is calculated as net profit added with adjustment items related to operating profit, gain/loss on sales of shares of associates, revaluation of earnout liabilities / M&A related put-option liabilities, tax-related, NCI profit-related and other one-off items.
- **Underlying basic EPS:** EPS based on underlying net profit (attributable to owners of the parent).

Forward-Looking Statements

This material contains statements about Dentsu Group that are or may be forward-looking statements. All statements other than statements of historical facts included in this presentation may be forward-looking statements. Without limitation, any statements preceded or followed by or that include the words “targets”, “plans”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “estimates”, “projects” or, words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements include statements relating to the following: information on future capital expenditures, expenses, revenues, earnings, synergies, economic performance, and future prospects.

Such forward-looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward-looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof.

About Dentsu Group (dentsu)

Led by Dentsu Group Inc. (Tokyo: 4324; ISIN: JP3551520004), a pure holding company established on January 1, 2020, the Dentsu Group encompasses two operational networks: Dentsu Japan Network, which oversees dentsu’s agency operations in Japan, and Dentsu International, its international business headquarters in London, which oversees dentsu’s agency operations outside of Japan.

With a strong presence in approximately 145 countries and regions across five continents and with 65,000 dedicated professionals, the Dentsu Group provides a comprehensive range of client-centric integrated communications, media and digital services through its five leadership brands—Carat, dentsu X, iProspect, Dentsu Creative, and Merkle—as well as through Dentsu Japan Network companies, including Dentsu Inc., the world’s largest single brand agency with a history of innovation. The Group is also active in the production and marketing of sports and entertainment content on a global scale.

Dentsu Group Inc. website: <https://www.group.dentsu.com/en/>

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