

FOR IMMEDIATE RELEASE
May 14, 2024

Dentsu Group Inc. Q1 FY2024 Consolidated Financial Results

(The first quarter ended March 31, 2024 – reported on an IFRS basis)

- **Dentsu Group reports Q1 organic growth of -3.7%. The soft start to the year was in line with internal expectations.**
- **Looking forward, the Group reiterates FY2024 organic growth guidance of c. 1% and margin guidance of c. 15%. The Group continues to expect the recovery in organic growth to be second half weighted, with confidence underpinned by new client wins and the easing of existing headwinds.**
- **Momentum in the Japanese market remains strong with a continued recovery in advertising and improved client pitch win rates. The region also benefits from a number of tailwinds later in the year. The Americas has also seen momentum in client wins, which are expected to start to benefit from the latter part of year, along with the annualization of client accounts lost in 2023. EMEA sees a significant easing of comparables from the second quarter and APAC has seen an improvement in a number of markets including China.**
- **First quarter operating margin* is reported at 10.4% (-380bp yoy) due to high comparables across the business and the delayed system implementation in Japan. The first quarter margin is in line with internal forecasts.**
- **Underlying basic EPS* guidance of 381.96 yen is re-confirmed.**

Customer Transformation & Technology (CT&T) is reported at 30% of Group revenues, lower yoy given the cyclical downturn within the segment, strength in the media businesses and a realignment of revenues internally into other practise areas as we look to ensure our services and offerings are globally consistent. This had an impact on our revenue ratio and will continue to impact throughout this year.

In 2024, focus remains on internal investments and returning the Group to growth. The Group continues to accelerate the shift to One dentsu to create a unified global network, further integrating the group’s diverse capabilities.

Q1 FY2024 Financial Results Summary* *See page 7 for definitions / ** Statutory results include Russia*

| Consolidated Group (bn yen) | Q1 FY2024** | Q1 FY2023** | YoY change, % | Constant currency % |
|--|-----------------|-----------------|------------------|---------------------------|
| Net Revenue* | 286.4 | 269.4 | 6.3% | (1.0%) |
| Underlying results* | | | | |
| • operating profit | 29.8 | 38.3 | (22.1%) | (23.6%) |
| • operating margin | 10.4% | 14.2% | (380bp) | (310bp) |
| • net profit (attributable to owners of the parent) | 15.8 | 23.0 | (31.1%) | - |
| • basic EPS | 59.84yen | 86.89yen | - | - |
| Statutory results | | | | |
| • operating profit (loss) | 14.5 | 25.8 | (43.8%) | - |
| • net profit (loss) (attributable to owners of the parent) | 5.6 | 11.9 | (53.2%) | - |

Q1 FY2024 (Jan – Mar) Results: Key Financials

Group net revenue JPY 286.4bn (YoY 6.3%, -1.0% at constant currency)

- On a constant currency basis Japan reported 2.3% growth in net revenue in the first quarter, the Americas a decline of -1.4%, EMEA a decline of -4.2% and APAC growth of 0.6%.
- Reported net revenue increased 6.3% with currency positively impacting by JPY 18.1 bn and M&A contributing JPY 9.9 bn.

Group organic revenue decline -3.7%

- Q1 in Japan, organic growth was robust and ahead of expectation with a continued recovery in advertising, double-digit growth in Internet media and a healthy TV spot market. The Americas reported Q1 organic revenue decline of -6.6%, a soft start to the year due to continued cyclical pressures in CT&T, although Q1 results were in line with internal forecasts. EMEA reported organic revenue decline of -9.4%, but with a mixed performance across the region. APAC reported organic revenue decline of -7.1%, in line with expectations with improvements in some markets, including China.

Group underlying operating profit declined 23.6% (cc) yoy to JPY 29.8 bn. Operating margin declined by 310bp to 10.4% (cc)

- The fall in operating profit yoy is due to a lower revenue figure, but first quarter operating profit is in line with internal expectations and on track to deliver the FY24 guidance of c. 15%

Group underlying net profit (attributable to owners of the parent) decreased by 31.1% yoy to JPY 15.8 bn due to the fall in underlying operating profit.

Group statutory operating profit and net profit (attributable to owners of the parent) were respectively JPY 14.5 bn and JPY 5.6 bn.

Group net debt / underlying EBITDA* (LTM) 1.77x. Seasonality affects the first quarter with the targeted range of 1.0x to 1.5x a year-end target (non IFRS 16 basis).

- Progress on balance sheet simplification continues with the sale of security assets. Five further stakes were sold in the first quarter.
- The Group is progressing with the JPY 20bn buyback announced in February, with 1,175,800 shares bought as of April 30.

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



The first quarter delivered an organic revenue decline of -3.7%, in line with our internal forecasts and leaving us on track to deliver our guidance of c. 1% organic growth for the full year 2024.

Our confidence comes from a stronger outlook in the second half of the year. The Group will benefit from momentum in client wins, yet to impact revenues, from cycling out of accounts lost in 2023 and a significant easing of comparables.

We believe the future of our industry is driven by client demands for greater integration of services. Clients are searching for a marketing transformation partner that can deliver true integration of media, dynamic content and data insights via solutions that seamlessly connect brand potential to business impact. This aligns perfectly with our strategy of growing our clients' businesses through integrated growth solutions.

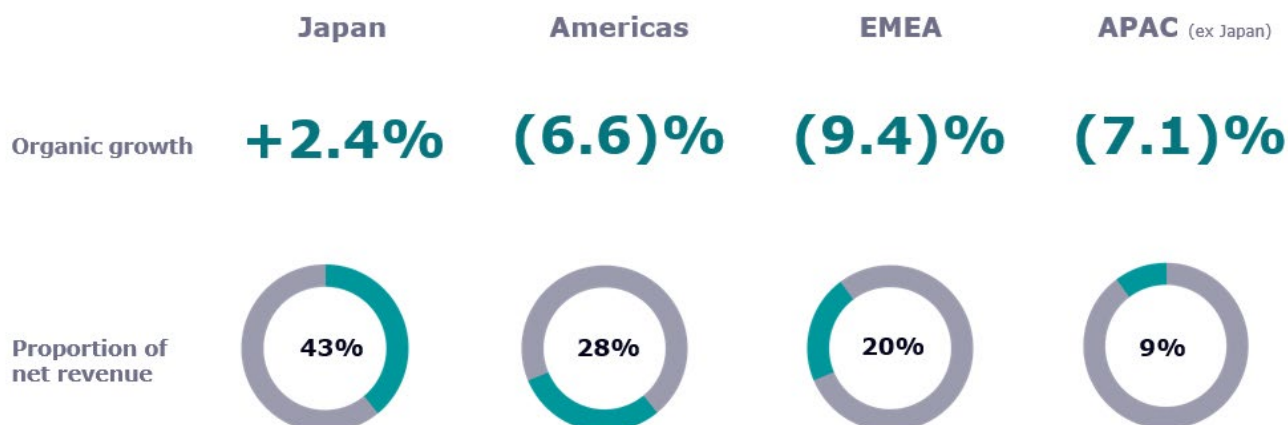
Our promise to clients is that we are innovating to impact. By simplifying and integrating our offerings into an ecosystem which makes sense to clients, we can continue to push the boundaries of what's possible through experience and business transformation.

As always, I would like to thank all our employees across the Group for their continued dedication. Together, we look to continue to grow corporate value through our vision of people centred transformation.

Q1 FY24 Business Updates

- Total net revenue from Customer Transformation and Technology is reported at 30% of Group net revenues in Q1 FY24 (YoY -490bp, -530bp on a constant currency basis).

Regional proportion of net revenues and organic growth for Q1 2024



Quarterly Organic Revenue Performance *(*Figures reported ex Russia)*

| | Dentsu Group | | |
|---------|--------------|-------|-------|
| | 2024* | 2023* | 2022* |
| Jan-Mar | (3.7) | (1.6) | +9.6 |
| Apr-Jun | - | (4.7) | +8.2 |
| Jul-Sep | - | (6.0) | (3.7) |
| Oct-Dec | - | (6.6) | +3.5 |

| | Japan | | | Americas | | | EMEA* | | | APAC (ex Japan) | | |
|---------|-------|-------|--------|----------|-------|-------|-------|--------|-------|-----------------|-------|-------|
| | 2024 | 2023 | 2022 | 2024 | 2023 | 2022 | 2024* | 2023* | 2022* | 2024 | 2023 | 2022 |
| Jan-Mar | +2.4 | (0.2) | +10.0 | (6.6) | (4.9) | +13.4 | (9.4) | +3.4 | +4.7 | (7.1) | (7.8) | +5.2 |
| Apr-Jun | - | +3.4 | +7.9 | - | (7.4) | +9.6 | - | (12.7) | +8.5 | - | (7.0) | +4.5 |
| Jul-Sep | - | +3.0 | (15.1) | - | (6.6) | +0.7 | - | (17.2) | +15.4 | - | (9.1) | (1.1) |
| Oct-Dec | - | +0.9 | +1.7 | - | (9.3) | +2.3 | - | (13.6) | +9.1 | - | (8.6) | +2.1 |

- **Japan, Q1 organic revenue +2.4%**

- In Japan, net revenue reached a record high in Q1 FY2024, with robust growth ahead of expectations. Results were boosted by improving pitch win rates and increased client spend due to a strong macro environment. The advertising businesses saw continued recovery with double-digit growth in Internet media, led by Septeni and Dentsu Digital. A healthy TV spot market saw strong client spend in the automotive, beverage and FMCG sectors.

CT&T slightly below the prior year, partly due to internal revenue re-alignment. BX (Business Transformation) and DX (Digital Transformation) achieved steady growth on the back of strong market demand led by solutions in the manufacturing and finance sectors. CX (Customer Transformation) was impacted by challenging comparables from the prior year that ease into the second quarter.

- **Americas Q1 organic revenue -6.6%**

- In the Americas the first quarter performance was in line with internal expectations. Media saw the continued return of spend from technology clients that began in December 2023. Net new business wins in media are robust with a number of wins in the first quarter that are yet to impact revenues. The media pipeline is largely offensive. The region has also benefited from expansion of scope from a number of existing clients. Creative is also reporting improving win rates with an increasing number of scaled wins, that the Group will benefit from later in the year.

Customer Transformation & Technology continues to be impacted by the cyclical downturn in client spend. Pitch win rates have improved yoy and a significant growth in strategy work is considered a leading indicator.

Looking ahead, the cycling out of client accounts lost in 2023 will benefit second half performance and the improving win rate remains encouraging.

- **EMEA Q1 organic revenue -9.4%**

- In EMEA, there was a mixed performance across markets, with Eastern & Southern European markets, such as Spain and Italy, performing well. However, performance in Northern Europe, UK and DACH was softer. Media was largely flat yoy with particular strength in Spain with local clients showing resilience. CT&T reported sequential quarterly improvement in net revenues. The pipeline remains solid with average deal size 10% higher vs prior year, although the sales cycle remains extended at this time.

The yoy comparables for the EMEA region ease significantly into the second quarter.

- **APAC Q1 organic revenue -7.1%**

- APAC ex Japan reported organic decline, although results were ahead of internal forecasts. Media reported momentum in client spend in China. Creative reported a reduction in client spend in a number of markets, but has momentum with client wins in India & China which are yet to impact revenues. India is still impacted by the annualization of client losses in media from Q2 2023. In Southeast Asia, there was a modest improvement in organic growth in Thailand as TV spend continued to resume post government formation in Q3 last year. The Philippines saw continued momentum following strong new business wins at the end of Q4.

The region is on track to deliver forecasted results for the full year with the cycling out of clients lost in 2023 and an easing of comparables into the second half.

Forecast of Consolidated Financial Results for FY2024 (IFRS)

Dentsu Group Inc. reiterates guidance issued in February 2024. Group organic growth is forecast c. 1% for FY2024 with operating margins c. 15%.

The Board guides to a minimum dividend of 139.5 yen per share, flat yoy.

| Consolidated Group (million yen) | FY2024 Forecasts (A) | FY2023** Results (B) | Variance (A-B) | Variance (%) |
|--|-------------------------|-------------------------|-------------------|-----------------|
| Revenue | 1,356,700 | 1,289,302 | +67,398 | +5.2 |
| Net Revenue | 1,189,300 | 1,129,569 | +59,731 | +5.3 |
| Underlying operating profit | 180,000 | 163,515 | +16,485 | +10.1 |
| Operating margin | 15.1 | 14.5 | +60bp | — |
| Underlying net profit* | 101,000 | 89,839 | +11,161 | +12.4 |
| Underlying basic EPS (Yen)* | 381.96 | 339.79 | — | — |
| Operating profit (loss)* | 135,400 | 45,312 | +90,088 | +198.8 |
| Net profit (loss)* | 61,700 | (10,714) | +72,414 | — |
| Basic EPS (Yen)* | 233.34 | (40.52) | — | — |

*Attributable to owners of the parent

**Statutory results include Russia.

| Currency | Av. Jan-March. 2024 | Av. Jan-March 2023 | |
|----------------|---------------------|--------------------|-------|
| JPY/USD | 148.4 | 132.4 | +12.2 |
| JPY/GBP | 188.2 | 160.9 | +17.0 |

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

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

The accounts are, in line with usual practice, unaudited and subject to final audit.

– Ends –

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Definitions

- **Net revenue:** The metric by which the Group's organic growth is measured. Organic growth and organic revenue decline represent the constant currency year-on-year growth/decline after adjusting for the effect of businesses acquired or disposed of since the beginning of the previous year.
- **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 expenses related to acquired companies, 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).
- **Underlying EBITDA:** Underlying operating profit before depreciation and amortization (excluding depreciation adjustments under IFRS 16).

Further details of these results, including all related financial statements, can be found in the Investor Relations section of Dentsu Group Inc. website: <https://www.group.dentsu.com/en/ir/>

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

Dentsu is the network designed for what's next, helping clients predict and plan for disruptive future opportunities and create new paths to growth in the sustainable economy. Taking a people-centered approach to business transformation, we use insights to connect brand, content, commerce and experience, underpinned by modern creativity. As part of Dentsu Group Inc. (Tokyo: 4324; ISIN: JP3551520004), we are headquartered in Tokyo, Japan and our 71,000-strong employee-base of dedicated professionals work across four regions (Japan, Americas, EMEA and APAC). Dentsu combines Japanese innovation with a diverse, global perspective to drive client growth and to shape society.

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