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NEWS RELEASE
FOR IMMEDIATE RELEASE
August 14, 2024

Dentsu Group Inc.
Q2 FY2024 Consolidated Financial Results

(The second quarter ended June 30, 2024 – reported on an IFRS basis)

- **Dentsu Group returned to growth in the second quarter, reporting an improvement of 0.2% organic revenues* yoy.**
- **The second quarter showed continued sequential quarterly improvement driven by a higher client pitch win rate across all four regions year to date. The One dentsu strategy is driving the improvement in client wins as the Group operates as a unified global network. The Group reiterates FY2024 organic growth* guidance of c.1% and c.15% operating margin*.**
- **Second quarter operating margin improved 290bp, reaching 11.5% yoy as improving revenues delivered operating leverage and cost management ensured margin delivery.**
- **Second quarter basic EPS is reported at 65.02 yen per share and the interim dividend is reported at 69.75 yen, with the full-year dividend guidance remaining at 139.50 yen.**
- **Dentsu Group's client offer, positioned at the convergence of marketing, technology and consulting supports the of delivery of Integrated Growth Solutions for clients and driving collaboration across the Group.**

Japan recorded historical high H1 net revenues with continued recovery in internet advertising with double-digit growth. There is visibility on continued strong growth in H2, supported by improving client win rates. Americas has continued its recovery, recording a number of new client wins. Momentum in the region continues with a return to growth expected in the second half. EMEA saw a significant easing of comparables vs Q1, together with stronger than expected Media performance in some local markets. The strength in Media is expected to continue in the second half. APAC continues to focus on long term recovery within the region, with full year performance in line with internal expectations.

Dentsu's BX (Business Transformation) offering, supporting the business and growth transformation of clients, will be extended out of Japan to deliver services such as business strategy consulting, sales transformation, culture and sustainability consulting. Additionally, Dentsu Lab, the Groups' Creativity and Innovation proposition will be expanded globally.

In the second half of 2024, focus remains on the continued improvement in organic growth, delivering solutions that connect brand potential to business impact to support our clients' growth.

Q2 FY2024 Financial Results Summary

** See page 8 for definitions / ** Statutory results include Russia*

Consolidated Group (bn yen)	Q2 FY2024**	Q2 FY2023**	yoy change, %
Net Revenue*	**287.4**	**258.8**	11.0%
Underlying results*			
• operating profit	**33.2**	**22.4**	47.9%
• operating margin	**11.5%**	**8.7%**	290bp
• net profit (attributable to owners of the parent)	**17.1**	**11.6**	46.7%
• basic EPS	**65.02yen**	**44.02yen**	47.7%
Statutory results			
• operating profit (loss)	**11.2**	**(4.3)**	-
• net profit (loss) (attributable to owners of the parent)	**0.0**	**3.4**	(99.7)%

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Q2 FY2024 (April – June) Results: Key Financials

Group net revenue JPY 287.4bn (YoY 11.0%)

- On a constant currency basis Japan reported 1.8% growth in net revenue in the second quarter, the Americas a decline of 0.2%, EMEA an increase of 13.9% and APAC growth of 2.6%.
- Reported net revenue increased 11.0% with currency positively impacting by JPY 18.7 bn and M&A contributing JPY 9.3 bn.

Group organic growth 0.2%

- Q2 in Japan, organic growth continued to be robust supported by double-digit growth in Internet media and increased client spend from existing clients plus new client wins. The Americas reported Q2 organic revenue decline of 3.7%, showing continued quarterly recovery from Q423. EMEA reported organic growth of 7.8%, mainly due to one-off negative impact of prior year. Media performance in local markets was stronger than expected in Q2, and is expected to remain steady in H2. APAC reported organic revenue decline of 6.2% as CT&T (Customer Transformation and Technology) remains challenging, particularly in Australia due to client losses. However, full-year forecast is in line with expectations with continued initiatives to support turnaround of the business.

Group underlying operating profit increased 47.9% yoy to JPY 33.2 bn. Operating margin increased by 290bp to 11.5%.

- The rise in operating profit yoy is due to improving revenues delivering operating leverage. Cost management ensured margin delivery and is on track to deliver the FY2024 guidance of c. 15%

Group underlying net profit (attributable to owners of the parent) increased by 46.7% yoy to JPY 17.1 bn

- The Group reiterates the forecasted annual dividend of 139.50 yen per share, as the guidance of 381.96 yen of FY2024 underlying basic EPS is maintained. The Group today reports an interim dividend of 69.75 yen per share.

Group statutory operating profit and net profit (attributable to owners of the parent) were respectively JPY 11.2 bn and JPY 0.0 bn.

- The Group today announces a 16.5bn impairment loss in the first half of the year, mainly related to intangible asset write-downs in the APAC region. This has impacted the FY2024 guidance for statutory net profit. Combined with charges associated with the completion of the Russian disposal taken in the third quarter, the full year statutory net profit is now guided to 36.7 bn yen (see page 7 - table)

Group net debt / underlying EBITDA* (LTM) 1.45x which is within 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. One further stake was sold in the second quarter, taking the total for H124 to six.

  The Group completed the JPY 20bn buyback announced in February, with 4,890,200 shares bought as of August 5.

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

The second quarter saw a return to growth, with the Group reporting organic revenue growth of 0.2% yoy. The Group has seen continued sequential quarterly improvement with momentum in our client pitch win rate. We reiterate our full-year guidance of approximately 1% organic growth and c. 15% operating margin.

Over the last six months, we have made decisive progress in aligning our people, brand, and market presence to strengthen our dentsu proposition. We have unlocked our collective power and potential by operating as One dentsu, which is beginning to show a positive impact on performance.

Our H1 net new media wins across Americas, EMEA and APAC are the highest for the past five half years and Japan has seen a recovery in pitch win rates. We can see the implementation of One dentsu is affecting positive change within our organization.

We have accelerated the delivery of Integrated Growth Solutions at a global scale as One dentsu by expanding the Group's outstanding capabilities. We are expanding our BX (business transformation) practice globally, supporting client growth and transformation with our unique consulting approach. This expansion will support our differentiated positioning by offering solutions to our clients at the convergence of marketing, technology and consulting.

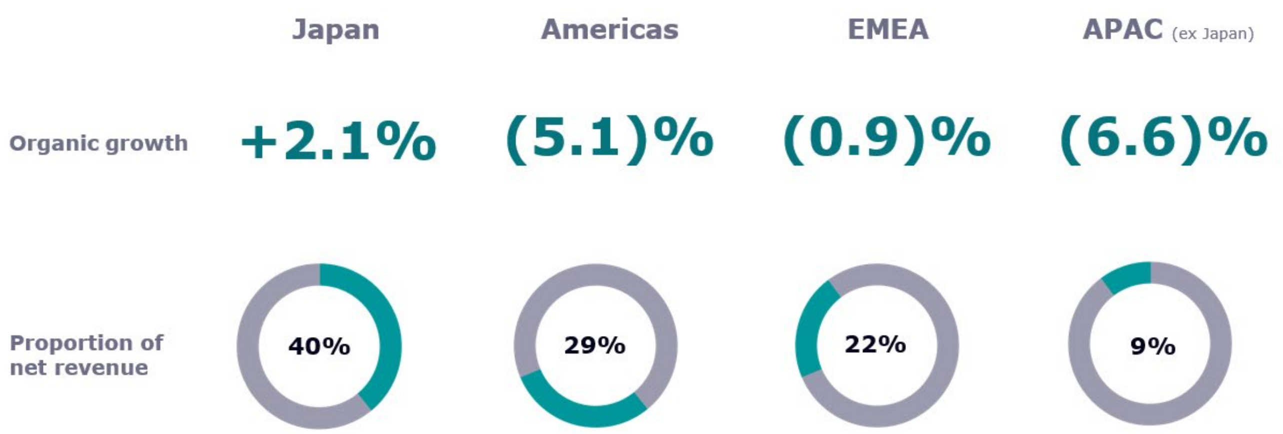
Clients continue to invest in marketing – seeing it as a driver for growth. Whilst we remain conscious of the less certain macro environment within which we are operating, with a less confident consumer, we believe clients are continuing to invest in innovation and marketing to drive volume growth within their businesses. Now more than ever clients need Integrated Growth Solutions, integration of data and media - One dentsu ensures we can create differentiated solutions for our clients to drive their business growth.

As always, I would like to show my deep appreciation all our employees across the Group as we continue to grow the value of our Group.

H1 FY2024 Business Updates

- Total net revenue from CT&T (Customer Transformation and Technology) is reported at 29% of Group net revenues in H1 FY2024 (yoy -440bp, -430bp on a constant currency basis).
- Approximately half of this decrease is due to the impact of internal realignment of revenues – highlighted last quarter – and this impact will continue for the rest of this year. The revenue re-alignment supports our simplified structure under One dentsu.

Regional proportion of net revenues and organic growth for H1 2024



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

	Dentsu Group		
	2024*	2023*	2022*
Jan - Mar	(3.7)	(1.6)	+9.6
Apr - Jun	+0.2	(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	+1.8	+3.4	+7.9	(3.7)	(7.4)	+9.6	+7.8	(12.7)	+8.5	(6.2)	(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, Q2 organic revenue +1.8%, H1 organic revenue +2.1%**
  In Japan, growth remained robust and net revenue reached a record high for the first half of the year. This was mainly due to growth in the advertising business, particularly in internet media, which outpaced market growth and led the area with double-digit growth in the second quarter following the first quarter. We saw increased client spend from existing clients and new client wins.
  CT&T, on the other hand, was largely flat, with the CX (Customer Transformation) area impacted by high comparisons from the prior year, BX (Business Transformation) grew by double digit and the larger business DX (Digital Transformation) by high single-digit growth.
  Overall, Japan remains in line with full year forecast with the same steady growth in the second half of the year as in the first half - boosted by an increase in client win rates.

- **Americas Q2 organic revenue -3.7%, H1 organic revenue -5.1%**
  In Americas, organic growth rate continues to show quarterly recovery after reaching a trough in the fourth quarter of 2023. In media, the pipeline of opportunities is abundant, of which the majority are offensive, capitalizing on this momentum will drive future performance. In the creative area, our client win rate continued to improve, driven by our compelling full funnel offering, covering consumer awareness, purchasing and commerce capabilities backed up by consumer data and our CXM offer.
  CT&T continues to face challenges due to the prolonged sales cycle. However, there is momentum towards recovery as we continue to develop the service infrastructure we provide to clients, including the new launch of Merkury in April, the main product of our data platform. The continued double-digit growth in strategy work remains encouraging as a leading indicator of future projects.
  Our performance in the first half of the year is within initial forecasts. High client retention rates, the highest client satisfaction levels in the past two years and new client acquisitions will support delivery of full-year forecasts.

- **EMEA Q2 organic revenue +7.8%, H1 organic revenue -0.9%**
  EMEA experienced positive organic growth in the second quarter, a significant recovery of more than 10 percentage points compared to the first quarter. However, this is partly due to the low comparative due to one-off financial impact in the DACH cluster last year.
  For each practice, media, which accounts for a particularly large proportion of business, performed better than expected, offsetting declines in other areas. In Southern and Eastern Europe, where performance has been strong since the first quarter, particularly in Spain and Poland, due to local client wins, resulting in growth in the media business. Creative also saw new wins in the Netherlands and an increase in the deals with existing clients in Spain.
  In CT&T, recovery is slower than expected. However, the pipeline is improving, indicating that future demand from clients is expected to be strong.
  Regarding the full year forecast, we maintain internal forecasts and expect the positive trend in media to continue in the second half of the year.

- **APAC Q2 organic revenue -6.2%, H1 organic revenue -6.6%**
  In APAC excluding Japan, organic growth rate improved from the first quarter, despite client losses from last year continuing to impact results.
  In media, the East Asian region is performing well, particularly in Thailand and Indonesia, our ability to build strong relationships with local clients has led to stable performance.
  Creative reported largely steady spending by large clients, with increment of client spend in sectors such as automotives.
  CT&T continues to face challenging conditions, with client losses in Australia. There are some encouraging signs including positive organic growth in all practices in India after a long period of

underperformance, as client loss have bottomed out. China is performing better than internal expectations.

In the second half of the year, we will focus on strengthening cross-selling across the region as we roll out the One Dentsu strategy in the region and continue to expect results to be in line with initial forecasts.

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Forecast of Consolidated Financial Results for FY2024 (IFRS)

Dentsu Group Inc. reiterates guidance issued in February 2024 for Group organic growth forecast c. 1% for FY2024 with operating margin c. 15%.
Statutory operating profit and Statutory net profit guidance has been lowered due to impairment charges in the first half and charges related to the disposal of the Russian business taken in the third quarter.

The Board guides to a minimum dividend of 139.50 yen per share, flat yoy.

Consolidated Group (million yen)	FY2024** August Forecasts (A)	FY2024** February Forecasts (B)	Variance (A-B)	Variance (%)
Revenue	1,356,700	1,356,700	—	—
Net Revenue	1,189,300	1,189,300	—	—
Underlying operating profit	180,000	180,000	—	—
Operating margin	15.1%	15.1%	—	—
Underlying net profit*	101,000	101,000	—	—
Underlying basic EPS (Yen)*	381.96	381.96	—	—
Operating profit (loss)	107,100	135,400	(28,300)	(20.9)
Net profit (loss)*	36,700	61,700	(25,000)	(40.5)
Basic EPS (Yen)*	140.20	233.34	(93.14)	(39.9)

*Attributable to owners of the parent
**Statutory results include Russia.

Currency	Av. Jan-Jul. 2024	Av. Jan 2024		
JPY/USD	153.0	146.1	+6.9	+4.7
JPY/GBP	194.0	185.5	+8.4	+4.5

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 –

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 Inc. (Tokyo: 4324; ISIN: JP3551520004) 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 an integrated growth and transformation partner to the world's leading organizations. Founded in 1901 in Tokyo, Japan, and now present in approximately 120 countries, it has a proven track record of nurturing and developing innovations, combining the talents of its global network of leadership brands to develop impactful and integrated growth solutions for clients. Dentsu delivers end-to-end experience transformation (EX) by integrating its services across Media, CXM and Creative, while its business transformation (BX) mindset pushes the boundaries of transformation and sustainable growth for brands, people and society.

Dentsu, Innovating to Impact.

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Find out more:
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