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dentsu
NEWS RELEASE

FOR IMMEDIATE RELEASE
February 14, 2025

Dentsu Group Inc.
FY2024 Consolidated Financial Results

(The full year ended December 31, 2024 – reported on an IFRS basis)

- **In FY2024 net revenues* increased by 5.7% year on year (yoy), with organic growth* broadly flat at −0.1% yoy as guided in November 2024. Sequential quarterly improvement continued through the year with fourth quarter organic growth of 2.6% yoy.**
- **FY2024 operating margin* was 14.8%, +30bp yoy, with improvement in the fourth quarter driven by higher-than-expected margins in Japan.**
- **In the fourth quarter, a goodwill impairment of 210.1 billion yen was recorded in EMEA and the Americas, reflecting a more conservative outlook for the International business. As a result, on a statutory basis, we recorded an operating loss of 125.0 billion yen and a net loss of 192.2 billion yen.**
- **FY2024 annual dividend was held at JPY 139.5 per share, as guided at the beginning of the fiscal year. The dividend pay-out ratio has exceeded our long-term target of 35% for two consecutive years.**
- **FY2025 guidance; the Group organic growth is expected to be c.1%. We target operating margins at c.12%, a decline compared to FY2024, mainly due to upfront internal investments to restore competitiveness.**
- **In the new Mid-Term Management Plan announced today, we have set key financial targets for FY2027 of; 4% organic growth, 16-17% operating margin, operating cash flow of JPY 140bn and ROE in mid-teens. Our focus will be on boldly promoting necessary changes and reforms to once again achieve strong organic growth. Under the slogan "One dentsu," we will continue to enhance our corporate value and realize sustainable development for society and the Group.**

  Fourth quarter revenues in Japan came in ahead of expectations due to better especially in internet media. The Americas has seen sequential quarterly improvements, supported by some growth in Media, yet recovery of the CXM business is still taking time. In EMEA, Media grew at a mid-single digit, with solid performance in some local markets. APAC continues to be challenged with CXM, yet Media was flat yoy.

FY2024 (January – December) Financial Results Summary

** See page 9 for definitions / ** Statutory results include Russia / *** due to round down of figures*

Consolidated Group (bn yen)	FY2024**	FY2023**	yoy change, %
Net Revenue*	**1,194.1**	**1,129.6*** **	5.7%
Underlying results*			
• operating profit	**176.2**	**163.5**	7.8%
• operating margin	**14.8%**	**14.5%**	30bp
• net profit (attributable to owners of the parent)	**92.9**	**89.8**	3.4%
• basic EPS	**355.24yen**	**339.79yen**	4.5%
Statutory results			
• operating profit (loss)	**(125.0)**	**45.3**	-
• net profit (loss) (attributable to owners of the parent)	**(192.2)**	**(10.7)**	-

Q4 FY2024 (October – December) Financial Results Summary

Consolidated Group (bn yen)	Q4 FY2024	Q4 FY2023**	yoy change, %
Net Revenue*	**335.8**	**322.3*** **	4.2
Underlying results*			
• operating profit	**79.0**	**65.2**	21.1%
• operating margin	**23.5%**	**20.2%**	330bp
• net profit (attributable to owners of the parent)	**42.3**	**38.6*** **	9.5%
• basic EPS	**162.81yen**	**145.93yen**	11.6%
Statutory results			
• operating profit (loss)	**(153.9)**	**(3.0)**	-
• net profit (loss) (attributable to owners of the parent)	**(193.7)**	**(32.7)**	-

Key Financials: FY2024 and Q4 FY2024 Results

Group net revenue: FY2024 JPY 1,194.1 bn (5.7% yoy) / Q4 FY2024 JPY 335.8 bn (4.2% yoy)

- For FY2024, on a constant currency basis Japan reported 4.0% growth in net revenue, Americas a decline of -2.7%, EMEA an increase of 5.0% and APAC a decline of -3.4%.
- Q4 FY2024 on a constant currency basis, Japan reported 8.4% growth in net revenue, Americas a decline of -4.9%, EMEA an increase of 3.5%, and APAC a decline of -3.9%.

Group organic growth: FY2024 –0.1% / Q4 FY2024 2.6%

- FY2024 Japan reported organic growth of 4.0% with net revenue recording historical high for the fourth consecutive year. This was supported by increase in traditional and internet advertising business, together with strong growth in the Business Transformation and Digital Transformation domains. The Americas reported organic decline of -4.1% but showed continued quarterly recovery since Q4 FY2023. While Media showed some improvements, CXM remained challenging with reduced client spend throughout the year. EMEA reported organic growth of 2.2%, mainly due to one-off negative impact of prior year. APAC reported organic revenue decline of -7.0% particularly due to continued weakness in Australia and China which face difficult market conditions.
- Q4 FY2024, Japan recorded organic growth of 8.4%, Americas -2.9%, EMEA 3.5%, and APAC -3.9%.

Group underlying operating profit: FY2024 increased 7.8% yoy to JPY 176.2 bn. Operating margin increased by 30bp to 14.8% yoy

- FY2024 operating margin improved 30bp yoy, primarily due to an increase in net revenue which includes a good performance in Japan, and a reversal of the one-off financial impact of the DACH cluster in FY2023.
- In FY2024 we invested internally in areas such as data & technology, people & culture and business operations to increase our competitiveness. These investments were partly offset by management initiatives, together with efforts to better manage staff costs in the International businesses.

Group underlying net profit (attributable to owners of the parent) increased by 3.4% yoy to JPY 92.9 bn

- FY2024 underlying basic EPS increased to JPY 355.24, and the Group reiterates the forecasted annual dividend of JPY 139.5 per share.

Group statutory operating profit and net profit (attributable to owners of the parent) were respectively JPY –125.0 bn and JPY –192.2 bn

- This was mainly due to the recording of a goodwill impairment loss of JPY 210.1 bn in EMEA and the Americas in Q4 FY2024.

Group net debt / underlying EBITDA* (LTM) 0.92x

- The year-end targeted range was 1.0x to 1.5x (non IFRS 16 basis) and full year results are slightly below the bottom end of the range. Progress on balance sheet simplification continues with the sale of security assets. Six further stakes were sold in Q4, resulting in sixteen stakes sold in FY2024. In August 2024, the Group completed the JPY 20 bn buyback announced in February 2024, with 4,890,200 shares purchased in total. In October 2024, we completed the cancellation of 4,365,354 shares, 1.62% of total issued outstanding shares.

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	+0.3	(6.0)	(3.7)
Oct - Dec	+2.6	(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	+2.8	+3.0	(15.1)	(3.1)	(6.6)	+0.7	+6.9	(17.2)	+15.4	(11.6)	(9.1)	(1.1)
Oct - Dec	+8.4	+0.9	+1.7	(2.9)	(9.3)	+2.3	+3.5	(13.6)	+9.1	(3.9)	(8.6)	+2.1

Hiroshi Igarashi, President and Global CEO, dentsu, said:

The Group FY2024 results were in line with our November guidance with broadly flat organic revenues, and operating margins higher than expectations. We saw sequential quarterly improvement throughout the year, with strong performance in Japan. There were also some notable global new wins in the International business.

However, we have reported a significant goodwill impairment in the fourth quarter, reflecting a more conservative outlook in EMEA and the Americas. We believe that recognition of these uncertainties will contribute to a sounder balance sheet and a stronger platform upon which to implement the Mid-Term Management Plan announced today.

In our new Mid-Term Management Plan, which will run through the years of FY2025 and FY2027, we plan to achieve organic growth of 4%, and 16-17% in operating margin in FY2027. We will conduct a thorough review of our core business strengths, be more selective and focused on what we do, and adopt a differentiated strategy to meet our diversifying client needs. While we will continue to invest in data and technology and our people and culture, we will also invest into areas where we can increase our media capabilities in our key markets. At the same time, we will reevaluate our underperforming businesses and rebuild our business structure. Our ultimate goal is to regain competitiveness and return to a growth trajectory.

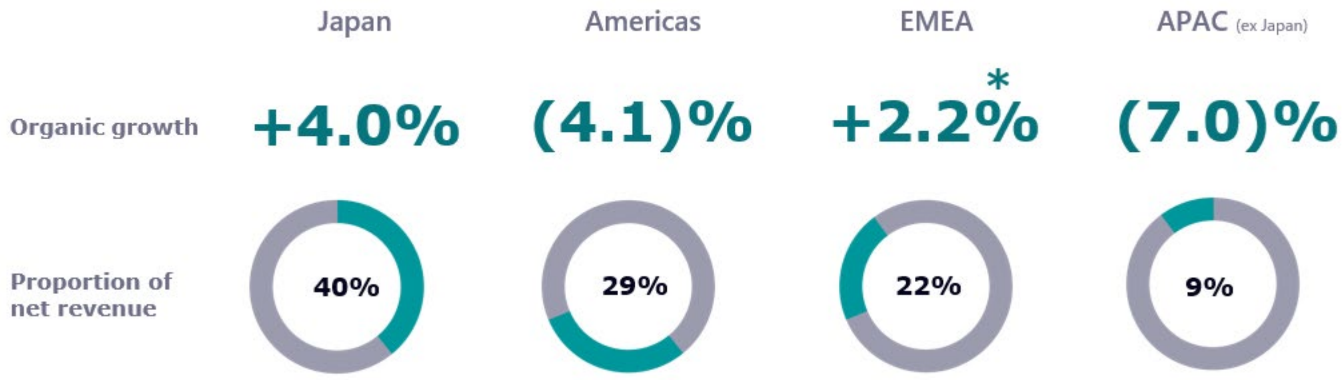
We remain focused on increasing our shareholder value and during the coming three years, we will maintain stable dividend payment. We also retain our long-term target dividend payout ratio at 35%.*

We reiterate our vision to be at the forefront of people-centred transformations that shape society. We will reinforce the One dentsu steps we have been taking and continue to strive forward to further enhance our Integrated Growth Solutions to contribute to our clients' growth.

As always, I would like to express my thanks to all our employees across the Group who have made tremendous efforts to maximise our corporate value throughout 2024 and will support our journey towards FY2027.

FY2024 (January - December) Business Updates

Regional proportion of net revenues and organic growth for FY2024



Excluding DACH financial impact, (1.5)%

- **Japan: Q4 organic revenue +8.4%, FY2024 organic revenue +4.0%**
  Japan, the largest region accounting for around 40% of Group net revenue, continued to show steady growth in the fourth quarter, with full-year net revenue reaching a record high for the fourth consecutive year. In addition, there was also a record profit.
  In FY2024, the Business Transformation domain continued to grow, resulting in double-digit growth. The Digital Transformation domain also performed well and our advertising business grew for the full year. In addition to TV's turnover returning to growth for the first time in three years, internet media continued to perform well, with the Group's strengths in integrated proposals that combine traditional and digital advertising an important factor, especially among major clients. In FY2024, our internet media turnover was number one in Japan.
  Internet media exceeded expectations during the three months of the fourth quarter, with double-digit turnover growth continuing from the previous quarter despite the high comparator of the prior year.

- **Americas: Q4 organic revenue -2.9%, FY2024 organic revenue -4.1%**
  The Americas, which accounts for around 30% of Group net revenue, remained negative for the full year, but results were generally in line with our expectations at the point of the November guidance. The organic growth rate has continued to show sequential improvement by quarter from the low of Q423, but the slow recovery in CXM is still weighing on our performance.
  In FY2024, CXM continued to face challenging business conditions, resulting in double-digit decline. This is due to a reduction in budgets by existing clients, new projects not being able to offset the reduction, and the negative impact of sales cycle delays due to persistently high interest rates.
  Meanwhile, in FY2024, Media stayed broadly flat year on year. The first half was still affected by the client losses in FY2023, but in the second half that impact subsided, and the performance remained relatively stable with good results across major clients.
  On the other hand, Creative remained negative for the full year despite the fact that synergies with Tag are beginning to produce results, including the Adobe global pitch win, as stated in our previous financial announcement.
  The three months of the fourth quarter showed a negative growth rate due to the slow recovery in CXM. Media, however, reported improvement year on year.

- **EMEA: Q4 organic revenue +3.5%, FY2024 organic revenue +2.2%**
  EMEA had a positive organic growth rate for the full year.

This reflects the one-off financial impact in the DACH cluster that occurred in the second and third quarters of FY2023, which resulted in a lower comparator. Excluding this one-off financial impact, the EMEA organic decline was -1.5%.
CXM had a slower recovery than expected throughout the year. Key markets such as the UK and Germany experienced continued client spend reduction against the backdrop of economic uncertainty.
Media in FY2024 remained positive, driven by Spain and Poland. Meanwhile, Creative was negative for the full year.
In the fourth quarter, although Creative continued to be soft, Media grew at a mid-single digit rate.

- **APAC: Q4 organic revenue -3.9%, FY2024 organic revenue -7.0%**
  APAC remained negative for the full year, below expectations despite implementation of intensive measures to re-establish growth. Although there has been improvement in the fourth quarter, the business environment remains challenging.
  CXM in particular continues to face difficult conditions, especially in Australia, which is suffering a decrease in local client spend. CXM recorded a double-digit organic decline for the full year.
  Media in FY2024 was slightly lower than the prior year. Although the performance continued to be soft, Taiwan and Thailand showed solid mid-single digit organic growth.
  Creative in FY2024 stayed negative due to lower client spends in China.
  In the three months of the fourth quarter, CXM continued to face challenges, but Media was flat year on year.

Impairments for FY2024
The group has recognized a goodwill impairment of JPY 210.1 bn in Q4 FY2024, which was not included in the full-year earnings guidance on November 14, 2024. The impairment losses on goodwill are in EMEA and the Americas; amounted to JPY 153.0 bn and JPY 57.1 bn, respectively.
The Group conducts a goodwill impairment test in the fourth quarter of each fiscal year. The results of the impairment tests were mainly due to a higher discount rate applied compared to the past in light of recent market interest rates and the various risks in overseas operations being conservatively reflected.

Outlook for FY2025
In 2025, we are aiming for positive revenue growth but expect a difficult year in terms of profits as we will prioritise necessary initiatives to achieve the key financial targets of the final year of the Mid-Term Management plan in FY2027.
We guide the Group organic growth rate at c.1% with net revenue remaining flat yoy. We expect operating margins at c.12%, mainly due to upfront internal investments to restore competitiveness.

In addition to this, we expect approximately JPY 50 bn of one-off restructuring costs. We intend to invest in optimizing headcount mainly in the International businesses, as well as implementing IT systems to further enhance efficiency in our operations.
With these restructuring charges, we guide our statutory operating profit and statutory net profit at JPY 66 bn and JPY 10 bn, respectively.
However, as we regard FY2025 as a transitional period for the recovery of our profitability, we have decided to maintain stable dividends and plan to retain the annual dividend per share at JPY 139.5.

Forecast of Consolidated Financial Results for FY2025 (IFRS)

Dentsu Group Inc. issued guidance for FY2025; Group organic growth c.1% and operating margin c.12%.

The Board guides to a dividend of JPY 139.5 per share.

Consolidated Group (million yen)	FY2025** Forecasts (A)	FY2024** Results (B)	Variance (A-B)	Variance (%)
Revenue	1,494,000	1,403,383	+90,617	+6.5
Net Revenue	1,215,000	1,194,070	+20,930	+1.8
Underlying operating profit	146,000	176,234	(30,234)	(17.2)
Operating margin	c.12%	14.8%	c.(280)bp	—
Underlying net profit*	71,000	92,936	(21,936)	(23.6)
Underlying basic EPS (Yen)*	273.53	355.24	(81.71)	(23.0)
Operating profit (loss)	66,000	(124,993)	+190,993	—
Net profit (loss)*	10,000	(192,173)	+202,173	—
Basic EPS (Yen)*	38.53	(734.56)	+773.09	—

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

Currency	Av. Jan. 2025	Av. Jan-Dec. 2024		
JPY/USD	156.5	151.4	+5.0	+3.3
JPY/GBP	193.3	193.5	(0.2)	(0.1)

Mid-Term Management Plan (from FY2025 to FY2027)
The Group announced today that its Board of Directors has formulated a Mid-Term Management Plan covering the period from FY2025 to FY2027.

The aim of this new Mid-Term Management Plan is to review its past M&A-focused growth strategy and return to strong organic growth. With the recognition that dentsu's position has relatively shifted in the face of intensifying competition with an emergence of highly-scaled players both within and outside the industry accompanied by large-scale investments made by tech and consulting companies, particularly in the field of AI, dentsu has reviewed the business portfolio, is focusing our capital and talents to regain competitiveness, and aims to return to a strong growth trajectory in three years.

In 2025, the first year of the new Mid-Term Management Plan, dentsu will focus on restoring profitability and competitiveness in its International business (Americas, EMEA, and APAC) through the reevaluation of underperforming businesses globally as well as by rebuilding the business foundation.

Dentsu's strengths are threefold:
1. Placing client-centricity at the heart of every part of the business in order to promote strong relationships of trust and a deep understanding of client needs.
2. Acting as a true innovation partner to clients as they seek exponential growth to gain an outsized

advantage in their market and to develop new categories and revenue streams.
3. Being intensely focused on achieving results through a skilled and talented team, whether it be boosting sales, transforming organizations, or fostering positive societal change.

By leveraging these strengths, dentsu aims to become a network that wins globally by growing locally via an allocation of capital and talent in the following areas:
1. Markets: Japan and the United States, where dentsu has a large revenue base with an abundance of business assets.
2. Clients: Large and medium-sized clients
3. Capability: the enhancement of the added value of the Media domain, which is the core of delivering Integrated Growth Solutions (IGS) in the International business.

Dentsu will grow globally by accumulating local successes.

To demonstrate this growth, dentsu has laid out the following key financial targets to be achieved by FY2027:
1. Organic growth: 4.0%
2. Operating margin: 16-17%
3. Operating cash flow for the year: 140 billion yen
4. ROE: mid-teens range

Dentsu will sustainably enhance corporate value by committing to achieve business growth as indicated by these targets, a sound financial policy and capital allocation, as well as corporate governance, sustainability, and talent management.

■Business Strategy

A network that wins globally by growing locally

Markets:
- Focus on Japan and the United States, where dentsu has a large revenue base with an abundance of business assets.
- Focus on other markets where we already have a strong position.

Clients:
- Target large and medium-sized clients in each market.
- Continue to prioritize Global and Regional Accelerator client initiatives.
- Strengthen the Client Management team.

Capabilities:
- In the International business, dentsu will focus on improving the added value of the Media domain, which is the key in delivering Integrated Growth Solutions (IGS), and restore business performance.
- In Japan, dentsu will further differentiate IGS by strengthening its capabilities such as Business Transformation (BX) and technology.

■Key Financial Targets for 2027
- Organic growth: 4.0%
- Operating margin: 16-17%
- Operating cash flow for the year: 140 billion yen
- ROE: mid-teens range

■Finance policy
- Restore a healthy balance sheet by recovering profitability and competitiveness.
- Continue disposal of non-operating assets, such as strategic shareholdings.

- Further strengthen investment discipline in cooperation with the Finance Committee.

■Capital allocation

- Rebuilding the business foundation: 50 billion yen will be spent as a one-off cost in FY2025 for the rebuilding.
- Internal investment: 45 billion yen is planned to be invested in key markets and businesses over the three years.
- Shareholder returns: Maintain policy of a 35% payout ratio as in the previous MTMP and will aim to pay stable dividends. In FY2025, while the investment will precede its outcome, the dividend will be maintained at the previous year's level as a transitional period.
- M&A, etc.: Carried out selectively in line with business performance recovery and under strengthened, disciplined management.

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.

– End –

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).
- **Dividend payout ratio**: Calculated based on underlying basic EPS

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.

Find out more:
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