

August 14, 2025

## **Message from the Global CEO Regarding the FY2025 Second Quarter Financial Results**

Dentsu Group Inc. (Tokyo: 4324; ISIN: JP3551520004; President & Global CEO: Hiroshi Igarashi; Head Office: Tokyo; Capital: 74,609.81 million yen; hereinafter referred to as “the Company”) today announced its FY2025 second quarter financial results. Hiroshi Igarashi, Representative Executive Officer, President & Global CEO, dentsu, had the following message regarding the announcement.

### **Message from Hiroshi Igarashi, Representative Executive Officer, President & Global CEO, dentsu**

“In the first half of the fiscal year, our Japan business achieved record-high net revenue and underlying operating profit. It also grew for the ninth consecutive quarter and achieved an organic growth of over 5% for the third consecutive quarter. Additionally, through cost control, consolidated underlying operating profit increased by 7.2%, and the operating margin rose by 1%. In contrast, the international business continued to experience negative growth in all three regions, resulting in an extremely challenging performance.

For the second half, while the Japan business is expected to maintain its growth, the three international regions are expected to continue facing challenges. While the Media business remains relatively stable with new business wins, the CXM business is recovering more slowly than previously anticipated with continued challenging business environment, and the Creative business continues to face a tough performance due to losses in some ongoing projects, mainly caused by shifts in the client's marketing approach. Additionally, considering the ongoing uncertainty in the macroeconomic environment, the guidance for the consolidated organic growth for FY2025 has been revised downward from circa 1% to circa 0%. Finally, we expect to see positive effects from our cost control measures and benefits from the rebuilding of our business foundation, ongoing since the beginning of the year. As a result, we will continue to aim for an operating margin of circa 12% for FY2025.

Today, in addition to the results for the first half of the fiscal year, we announced goodwill impairment losses in the Americas and EMEA of a total of 86 billion yen due to a downward revision of the forecast for the international business, a downward revision of growth rate assumptions used for goodwill impairment tests from 2026 to 2029 for the Americas, and the weakening of the US dollar against the British pound. Accordingly, we have revised our full-year consolidated earnings forecast for FY2025, projecting an operating loss of 3.5 billion yen and a net loss of 75.4 billion yen.

Regarding the international business, the Company has been implementing various initiatives, with this year's main focus on rebuilding the business foundation and reevaluating

underperforming businesses to achieve a faster recovery in profitability.

Regarding the rebuilding of the business foundation, we have identified initiatives that are steadily progressing toward achieving annual operating cost reductions of approximately 52 billion yen for 2027, compared to a target budget of approximately 50 billion yen. We have already identified all necessary measures, including the headcount reduction of approximately 8% (approximately 3,400 people) in the international business. The one-time expense of 50 billion yen for 2025 to implement these measures announced in February will be reduced this year as a result of a more detailed review of the items and timing of recognition, but the effects are expected to materialize as planned.

As part of the reevaluation of underperforming businesses, we have completed the identification of underperforming markets and entities and have begun taking the appropriate countermeasures. Going further, we will explore and implement strategic alternatives including comprehensive and strategic partnerships, aiming to enhance corporate value by proceeding with these measures as soon as possible. We will announce further progress on them as it becomes available.

In addition, Dentsu Group Inc. announced today that it has recorded a loss on valuation of shares of subsidiaries and associates of 168.1 billion yen in the Company's non-consolidated financial statements. This loss is an accounting item and has no impact on cash. However, due to this loss on valuation, the retained earnings of the Company have significantly decreased. Given these circumstances, we will suspend the interim dividend of 69.75 yen per share and revise the year-end dividend forecast to a value to be determined, from the previously announced 69.75 yen per share.

Regarding the year-end dividend whose value is yet to be determined, we will consider appropriate levels based on asset sales and others, in addition to profits from operations. We will announce our decision as soon as it is made, taking into account future capital allocation from a medium-term business perspective. We will strive to achieve stable dividends as soon as possible from 2026 onwards.

The group business will focus internal investment on key data & technology programs, talent to drive forward our integrated growth capabilities, connecting the organization through the development of proprietary AI solutions and enhancing our delivery operations powered by on Dentsu Global Services.

Additionally, as outlined in February, we will continue to focus on the expansion of our unique Sports & Entertainment offerings, taking a medium-to-long-term growth perspective. We will connect key regional hubs in Japan, the United States, the United Kingdom, Asia, and the Middle East/North Africa to form a single global network.

With regards to the current mid-term management plan, to achieve sustainable corporate value enhancement, it will be revised as we consider more fundamental improvement

measures in our international business

I am acutely aware that reforming the international business is an urgent issue. We have recorded an impairment loss on goodwill in the second quarter, following the one at the end of FY2024, which has led to a downward revision of our full-year earnings forecast and made it necessary to suspend the interim dividend as previously mentioned. I deeply regret this situation and offer my sincere apologies on behalf of the Company.

Our Japan business, founded 124 years ago, achieved a record-high net revenue and underlying operating profit in the first half of the fiscal year, and further growth is expected in the future. In our international business, we will focus on fundamental improvement measures to restore its profitability and competitive advantage while striving to enhance the corporate value of the entire group, growing as One dentsu.

In more positive news, in recent months, we were entrusted with a myriad of new client work both globally and regionally. In terms of industry recognition, we won 26 awards at Cannes Lions, as well as numerous other advertising awards such as the One Show and D&AD. As such, the presence and value of our offerings continue to be recognized and trusted by many clients and groups around the world.

We will overcome this challenging situation, solve issues together with our clients and partners, and grow alongside them. In doing so, we will realize our Group's vision: 'To be at the forefront of people-centered transformations that shape society.'

We recognize the concern this may cause for our stakeholders. We are focused on fulfilling the expectations of our clients by working with the utmost dedication. I kindly ask for your continued support and understanding as we make swift decisions from a medium- to long-term perspective and fully commit ourselves to their success."

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For further details, please refer to the disclosure materials released on the same day.

News <https://www.group.dentsu.com/en/news/>

- "Notice Regarding the Revision of the Full-Year Consolidated Financial Forecast for the Fiscal Year Ending March 2025 and the Distribution of Surplus (Decision on Interim Dividend and Revision of Final Dividend Forecast)"
- "Notice Regarding the Recognition of Goodwill Impairment Losses in the Americas and EMEA Regions and the Recognition of Valuation Losses on Affiliated Company Shares in Our Individual Financial Statements"
- "Progress on business restructuring in International business (Interim Disclosure)"

IR <https://www.group.dentsu.com/en/ir/> "2025 Fiscal Year Second Quarter Financial Results Briefing" and others

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**Contacts :**

Media Inquiries

Jumpei Kojima, Sho Sugiura

Group Corporate Communications Office

Dentsu Group, Inc.

Email: [group-cc@dentsu.com](mailto:group-cc@dentsu.com)