



Q&A regarding Bond-Type Class Shares

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INNOVATING TO IMPACT

dentsu

Disclaimer

This document has been prepared solely for the benefit of the holders of common shares of DENTSU GROUP INC. (the “Company”) in evaluating the proposal of the Company for a partial amendment to the Articles of Incorporation scheduled to be submitted to the Company’s Ordinary General Meeting of Shareholders planned to be held on March 27, 2026 and not for the purpose of soliciting investment or engaging in any other similar activities in Japan or any foreign country.

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Q&A regarding Bond-Type Class Shares

1. What is the purpose of Amendment to the Articles of Incorporation relating to Bond-Type Class Shares?

Under the “Mid-Term Management Plan 2025-2027”, Dentsu (hereinafter, the Company and its group companies are collectively referred to as “Dentsu”) positions the restoring of competitiveness and profitability, primarily in its International business, as the vital management issue and seeks to continuously improve its corporate value based on a management policy that emphasizes capital efficiency. Dentsu is currently promoting “rebuilding the business foundation” and “reevaluating underperforming businesses” with the aim of restoring profitability and conducting internal investments to restore competitiveness. For fiscal year 2025, while the organic growth rate, a key performance indicator, was slightly higher than our expectations and the operating margin slightly exceeded its forecast, many financial metrics, including the equity ratio, were impacted primarily due to the recognition of substantial and consecutive impairment losses, mainly in International business.

We intend to prepare for investments for future growth and secure flexible options in advance to enhance capital adequacy and improve financial soundness through the Amendment to Articles of Incorporation.

2. What are the features of Bond-Type Class Shares?

Bond-Type Class Shares are treated as shares under the Companies Act, and are one of the instruments for hybrid financing with an intermediate characteristic between shares and bonds, and the product nature is similar to that of hybrid bonds.

Bond-Type Class Shares do not have voting rights and are not convertible into common shares, and we expect the product nature to be similar to corporate bonds. In addition, Bond-Type Class Shares have priority over common shares in terms of the order of distribution of dividends and residual assets, and are non-participating class shares, meaning that no dividend will be paid more than the amount of the preferred dividend to be determined at the time of issuance.

We plan to apply for listing of the Bond-Type Class Shares (in addition to common shares) on the Prime Market of the Tokyo Stock Exchange, with the intention of providing investment opportunities to a wide range of investors, including retail investors.

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<p>3. What is the expected role of Bond-Type Class Shares in the financial strategy and its position in the capital structure?</p>	<p>Bond-Type Class Shares realize an increase in equity capital, while limiting the dilution of voting rights of common shareholders and the impact on ROE and EPS for common shares as may be caused by the issuance of common shares (*). Further, the Bond-Type Class Shares may obtain equity credits by a rating agency for the part of its issuance amount.</p> <p>In addition, the Bond-Type Class Shares mainly target retail investors and contribute to the diversification of financing methods. As above, the Bond-Type Class Shares are considered to be a useful method in pursuing the appropriate option of financing based on our business and financial strategies.</p>
<p>4. Will there be any disadvantages to common shareholders?</p>	<p>Bond-Type Class Shares do not have voting rights and are not convertible into common shares, so there will be no dilution of voting rights of common shareholders.</p> <p>Bond-Type Class Shares are “non-participating”, meaning that no dividend is paid more than the amount of the preferred dividend to be determined at the time of issuance, and only common shareholders have the right to participate in dividends other than the preferred dividend.</p> <p>Unlike public offering of common shares, this is a financing method without dilution of voting rights and gives more consideration to the impact on ROE, EPS, etc. for common shares. (*)</p>
<p>5. What form of issuance is planned?</p>	<p>The specific issuance has not yet been determined at this time. However, when issued, it is planned that the Bond-Type Class Shares will be offered to a wide range of investors, including retail investors, through domestic public offerings.</p> <p>We plan to make the Bond-Type Class Shares also available for investment by common shareholders of the Company.</p>

* Assuming that the relevant amounts of the Bond-Type Class Shares (i.e., the paid-in amount and preferred dividends) are deducted from the net assets and net income when calculating ROE and EPS for common shares.

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<p>6. What is the planned timing and amount of Series 1 Bond-Type Class Shares?</p>	<p>Details of the issuance, including the specific timing and amount of the issuance, have not yet been determined at this time. However, if the proposal for the Amendment to Articles of Incorporation for the Bond-Type Class Shares is approved at the general meeting of shareholders, we will consider the appropriate timing and amount based on our group's business and financial strategies, while taking account of market conditions.</p> <p>In addition, the maximum issuance amount has been set at 200 billion yen in the shelf registration statement for the Series 1 Bond-Type Class Shares filed on February 13, 2026.</p>
<p>7. What is the reason for expecting the fixed annual preferred dividend rate of the Series 1 Bond-Type Class Shares to be 5% or less?</p>	<p>We expect the fixed annual preferred dividend rate after comprehensively taking into account the market price of similar bond-type class shares and hybrid bonds and other factors based on the product nature of its position between equity and debt.</p> <p>Please note that this expected rate is based on the market conditions as of February 13, 2026 and other factors, and is subject to change as a result of any future developments in the market conditions and other factors.</p>
<p>8. What is the reason for considering listing the Bond-Type Class Shares on the Prime Market of the Tokyo Stock Exchange?</p>	<p>In order to make the Bond-Type Class Shares available for investment by a wide range of investors including retail investors, we believe it is important to increase recognition of the Bond-Type Class Shares and provide trading opportunities by listing them on the Prime Market of the Tokyo Stock Exchange.</p>

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<p>9. Does the Company plan to acquire (call) the Series 1 Bond-Type Class Shares in exchange for cash after five years from the issuance?</p>	<p>We will determine whether to acquire (call) the Series 1 Bond-Type Class Shares (if and when issued) in exchange for cash five years after the date of issuance or later, taking into consideration our business and finance, market conditions and other factors at that time. We are well aware that, in accordance with the market practice in hybrid financing, many investors expect us to acquire (call) the shares from five years after the date of issuance and before the time when the dividend rate steps-up.</p>
<p>10. While multiple series of the Bond-Type Class Shares are provided under the proposed Articles of Incorporation, what are the thoughts of the Company on the specific issuances?</p>	<p>The specific issuance including the timing of the issuance has not yet been determined at this time, including that of the Series 1. We propose to have the authorized share capital of up to sixth series for the flexible issuance according to the future needs for financing and capital increase and other factors.</p> <p>In addition, since capital financing of equal or greater equity credit shall be required in principle if we acquire (calls) the Series 1 Bond-Type Class Shares in exchange for cash, another series of the Bond-Type Class Shares may be issued for such replacement.</p>
<p>11. Is there any possibility that the Bond-Type Class Shares could be used as a takeover protection measure?</p>	<p>Bond-Type Class Shares do not have voting rights and are not convertible into common shares. Accordingly, they are not suitable for takeover protection measures and we do not expect to use them as such.</p> <p>We do not expect to allot the Bond-Type Class Shares to common shareholders by gratis allotment or otherwise.</p>