Mid-Term Management Plan update and business growth strategy

Summary of the Mid-Term Management Plan update and achievements to date

The Group intends to maintain the core policies outlined in February 2025 while updating the plan to cover 2026–2028, with restoring profitability and improving financial soundness as the highest priorities.

Our progress to date includes reducing the number of International entities from more than 1,000 as of January 2021 to approximately half by January 2026. We anticipate being able to achieve our target to reduce operating costs by more than 50 billion yen by 2027. We are making progress in structural transformation, including the partial divestment of the Customer Experience Management (CXM) business in Australia and New Zealand, while China and Australia achieved profitability on an underlying operating profit basis. We invested approximately 12 billion yen internally from the first half of 2025 through the first half of 2026 as growth investments, primarily in the areas of Media, AI, and Data & Technology.

In our priority markets of Japan and the US, Japan has continued to deliver positive organic growth for 13 consecutive quarters as of the second quarter of 2026. The US CXM business is expected to return to positive growth at an early stage for the full fiscal year. Our International Media business, where we have focused on increasing added value, has delivered positive organic growth for two consecutive years through 2025 and remained positive in the first half of 2026, and momentum for growth is steadily building across our businesses.

Priority agenda to improve financial soundness and strengthen the foundation for sustainable competitiveness

In the Mid-Term Management Plan update, we recognize current challenges such as organic growth below market growth rates, a complex operating model, and fragmented investment across markets and capabilities. Against this backdrop, the Group has set "improving financial soundness and strengthening the foundation for sustainable competitiveness" as its core themes and established four priority agenda items.

To drive structural transformation, we aim to simplify the organization, optimize the business portfolio, rebuild the financial foundation, and enhance governance and talent management to strengthen the business foundation for sustainable growth.

To improve profitability, we intend to streamline the cost structure and operations, review underperforming businesses, and improve productivity per employee, aiming to build a more agile and profitable operating model.

We plan to concentrate investment on priority areas and growth markets by investing in growth centered on Media, expanding proprietary offerings and products, and developing new revenue models.

Finally, to standardize AI-embedded delivery, we intend to strengthen alliances with leading partners, leverage partners' AI platforms and tools, and embed AI across client touchpoints and business processes.

FY2026-FY2028
Improve Financial Soundness and Strengthen the Foundation for Sustainable Competitiveness

Priority Agenda

Drive Structural Transformation	Improve Profitability	Focus Resources on Priority Areas	Strengthen Alliances
Strengthen the business foundation for sustainable growth	Build a more agile and profitable operating model	Concentrate investment on priority areas and growth markets	Standardize AI-embedded delivery

Dentsu's competitive advantage and value provided to clients

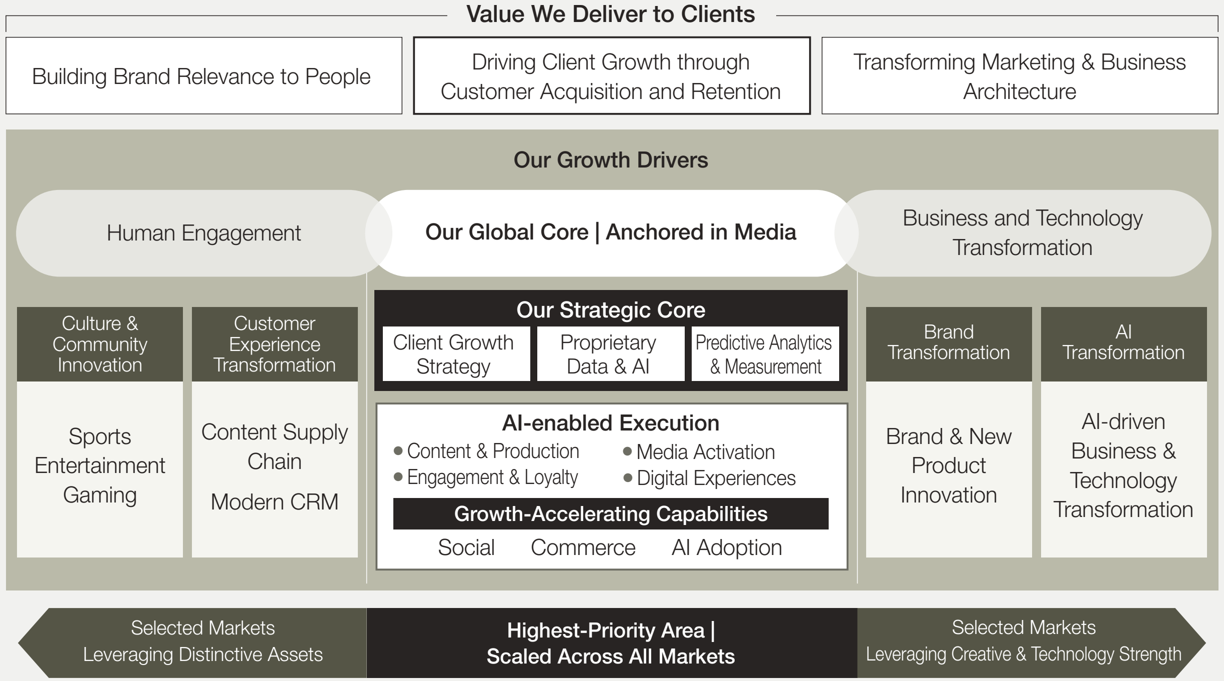
The sources of our competitive advantage include our expertise and global network, the trusted partnerships built on long-standing relationships with our clients and partners, and an open ecosystem that provides optimal solutions tailored to our clients' challenges and needs.

Based on these strengths, we plan to focus management resources on priority client segments where we can demonstrate a clear competitive advantage, as well as markets with sufficient scale and potential for sustained growth. We are also sharing our ambition to become a Growth Partner with our employees globally, and deploying the strategies and execution required to realize it based on the competitive environment and strengths of each region. The four regions will work together while capturing their respective market characteristics and growth opportunities, with the aim of driving long-term growth across the Group and increasing corporate value.

For our clients, we support the long-term growth of their businesses through customer acquisition and retention, building of brand value through connections with consumers, and transformation of marketing and business structures.

To strengthen the value we provide to our clients, while positioning Media as a strategic core, we will leverage proprietary Data & AI, predictive analytics, measurement capabilities, and AI-enabled execution capabilities to deliver consistent value globally. In selected markets, we also provide value by strengthening engagement with people through Sports & Entertainment and promoting AI-driven business and technology transformation by leveraging our creative and technological capabilities.

Growth Architecture – Delivering Value for Client Growth



Building a growth model with AI × Data × Execution × Partnerships

We are currently working to build a growth model that delivers AI- and data-driven value creation based on our co-creative partner ecosystem.

While promoting an open ecosystem based on co-creation with clients and partners, we are collaboratively developing solutions that integrate our proprietary assets through joint pilots (Customer Zero) to accelerate value creation.

We are also promoting open and transparent collaboration by leveraging the knowledge developed in the Japan market and our global network.

Through these efforts, we are advancing marketing transformation for clients, applying AI to operating models, and adopting agentic workflows.

At the same time, within our own organization, we are using proprietary AI solutions, data assets, and AI products to enhance planning and decision-making, automate content and activation, and drive AI-powered project management, thereby supporting the transformation and growth of our clients.

Our ambition: To be the Growth Partner that drives the greatest impact for clients, partners, and society

We aim to achieve sustainable growth and improved profitability through business and organizational transformation, investment in priority areas, productivity improvements, and strengthening our talent foundation.

We will optimize our business portfolio and cost structure, expand investment in AI and Data & Technology, establish an AI-native operating model, and make strategic investments in talent to strengthen our competitiveness.

Furthermore, by providing value beyond marketing, we will work to contribute to the business growth of our clients and to value creation for society, aiming to achieve sustained improvement in our corporate value.

Our ambition is to be the Growth Partner that drives the greatest impact for clients, partners, and society.

Japan

Takeshi Sano
Director, Representative Executive Officer, President & Global CEO, dentsu
CEO, dentsu Japan

Net revenue		Operating margin		Organic growth rate	
2024	2025	2024	2025	2024	2025
466.7 billion yen	495.6 billion yen	24.5%	24.4%	4.0%	6.2%

External environment and 2025 performance

Japan's organic growth rate was 6.2%, with both net revenue and underlying operating profit reaching record highs. Marketing continued to perform strongly, led by double-digit growth in internet advertising, while Business Transformation (BX) maintained double-digit growth. Work related to Expo 2025 Osaka-Kansai further contributed to results. Amid rapid advances in AI, the dentsu Japan AI Center was established with the aim of bringing together specialized expertise to accelerate AI development and adoption. A growing portfolio of AI products is helping clients to enhance the sophistication and efficiency of their operations, supporting the transformation of their businesses. As client demand for transformation continues to grow, strengthening dentsu Japan's capabilities and competitive position through proactive investment is becoming increasingly important.

Growth strategy for 2026–2028

As corporate transformation needs continue to increase, dentsu Japan will accelerate the integration of unique Group capabilities beyond marketing as an Integrated Growth Partner, expanding the areas where we can contribute across clients' entire value chains. We will also work alongside clients to transform the value chain itself and support their sustainable growth.

To achieve this, we will continue to actively invest in developing solutions, including AI, product development, and talent development, while strengthening competitiveness and advancing business transformation and operating model enhancement. Through these efforts, we aim to achieve further growth with strong, above-market momentum across Marketing, BX, and Sports & Entertainment.

Case Study

Nestlé Japan

In developing the marketing strategy for NESCAFÉ, a brand of Nestlé Japan Ltd, dentsu Japan utilized AI not merely to improve operational efficiency but also to facilitate deeper discussions between the two companies. Using AI agents built on "AI For Growth Canvas," developed by dentsu, the team supported the extraction of consumer insights, the design of target customer profiles, and the mapping of the consumer journey through to purchase. The process drew on dentsu Japan's proprietary consumer research data as well as research data provided by Nestlé Japan, enabling the AI agents to generate multiple personas and insights reflecting consumer realities. This approach reduced the time required for upfront preparation, allowing both companies to focus earlier on strategic discussions around target audiences and value propositions. Based on multiple proposals generated by the AI agents, both companies combined their respective knowledge and refined the outputs, thereby improving efficiency in the marketing process. The initiative received positive feedback in usefulness evaluations, particularly for its contribution to improving process efficiency. Going forward, the companies are considering expanding the scope to additional brands, further developing AI agents using dentsu Japan's proprietary data, and extending the approach to creative development. We will continue to develop these capabilities and explore how AI-enabled collaboration with clients can strengthen our competitive position.

Americas

Beth Ann Kaminkow
Chief Global Client Officer, dentsu
CEO, dentsu Americas

Net revenue

2024	2025
334.6 billion yen	315.7 billion yen

Operating margin

2024	2025
22.5%	22.9%

Organic growth rate by practice

	2024	2025
Media	(0.4)%	0.3%
Creative	(3.0)%	(5.3)%
CXM	(10.6)%	(6.4)%

External environment and 2025 performance

Across the Americas, clients increasingly consolidated agency rosters and sought partners that combine AI-enabled content, personalization, and efficiency with scaled execution and measurable business outcomes. This shift favored agencies with integrated capabilities, while intensifying competition, pricing pressure, and economic and political uncertainty constrained spending and slowed decision-making.

While Creative and Customer Experience Management (CXM) are on a path to recovery, Media remained stable. Meanwhile, as the US and Canada recorded negative organic growth, Latin America maintained stable growth. As a result, dentsu Americas improved an operating margin from 22.5% in 2024 to 22.9% in 2025.

Growth strategy for 2026–2028

In the Americas, dentsu is advancing toward a client-centered, outcome-led growth platform, organized around clients' business challenges and growth opportunities.

The region will deepen C-suite relationships, positioning frontline client leaders as solution architects who identify and convert opportunities into growth, while scaling productized solutions, repeatable playbooks, and continuous innovation. This is underpinned by differentiated expertise in commerce, social, and creator-led engagement; an AI-enabled content supply chain; and data-driven marketing.

Furthermore, through our proprietary next-generation intelligent operating system, "dentsu.Connect," which integrates the entire marketing lifecycle through a single AI-enabled system, we will connect data, AI and workflows across Media, Creative, CXM, and Production to enhance the speed of value delivery, execution quality, and the value we provide to clients.

EMEA

Giulio Malegori
Executive Senior Advisor, dentsu
Chairman, dentsu EMEA

Net revenue	2024	2025
	269.3 billion yen	271.9 billion yen

Operating margin	2024	2025
	14.3%	12.4%

Organic growth rate by practice	2024	2025
Media	1.7%	2.4%
Creative	(6.0)%	(6.8)%
CXM	8.8%	(9.1)%

External environment and 2025 results

Although organic growth in 2025 was negative 1.8%, Media, which accounts for over 60% of the region's business, remained stable despite fierce market competition and increasingly complex client demands. Spain performed strongly not only in Media but also across all practices, including Customer Experience Management (CXM) and Creative, achieving positive growth. In contrast, the UK continued to struggle due to negative growth in CXM, despite solid performance in Media and Creative. Throughout the broader EMEA region, we also engaged in continuous cost reductions to build a foundation for a return to growth.

Growth strategy for 2026–2028

In dentsu EMEA, with the aim of returning to growth from 2028 onwards, we will decisively execute structural reforms between 2026 and 2028. By enforcing strict cost discipline and restructuring the organization, we will work to rebuild an earnings foundation that leads to improved profitability.

By simplifying the cluster structure, we will accelerate decision-making and the deployment of capabilities across markets. In parallel, within Media—the core driver of our return to growth—we will strengthen integrated solutions that combine capabilities across Creative, CXM, and Data, delivering high-value-added proposals that contribute to our clients' growth and providing closely-aligned, collaborative support, including continuous improvement through PDCA.

Furthermore, through focused investments in key markets such as the UK and Germany, we aim to enhance capabilities that contribute to the competitive advantage of the region as a whole, and to build a foundation for sustainable growth by deploying these capabilities across other markets.

Case Study

Vodafone

Dentsu has expanded its role from a partner focused on media delivery to a partner supporting business growth, resulting in a third contract renewal. Beyond media execution, dentsu has also worked to address Vodafone's broader business challenges. For example, the two companies jointly developed a global Health & Safety program across the Out-of-Home (OOH) supply chain. This initiative embedded governance, accountability, and consistent standards across markets and suppliers. It was also highly commended, earning a Vodafone "Supplier of the Year" award.

Dentsu EMEA also introduced the Vodafone Media Brain, conceived as a decision-making layer connecting data, planning, and activation to enable faster, more precise investment choices. In parallel, a privacy-compliant data monetization initiative was piloted in the UK. Through the partnership with the Union of European Football Associations (UEFA), dentsu also helped redefine sponsorship as a platform for deeper customer engagement, stronger brand relevance, and commercial growth.

Through these initiatives, dentsu's role has evolved beyond marketing to become a trusted partner in shaping and delivering Vodafone's growth strategy.

APAC

Yuichi Toyoda
CEO, dentsu APAC

Net revenue

2024		2025
116.4 billion yen	▶	107.3 billion yen

Operating margin

2024		2025
0.9%	▶	2.5%

Organic growth rate by practice

	2024		2025
Media	(1.3)%	▶	0.3%
Creative	(7.6)%	▶	(13.5)%
CXM	(24.7)%	▶	(19.3)%

External environment and 2025 performance

In 2025, while organic growth for the regional business as a whole was negative 6.8%, dentsu APAC continued to secure solid growth opportunities, particularly in India and Southeast Asia, where high growth helped further strengthen our market positions.

In APAC, the use of AI is reshaping the advertising value chain, creating new transformation opportunities across areas such as content production, media planning, and personalization. As client demand continues to expand amid population growth and the development of social commerce and retail media, we are accelerating the development of new solutions that integrate our capabilities across Media, Commerce, and Data.

Meanwhile, clients have become more cautious about investment amid changes in the macroeconomic environment, while marketing budgets have contracted. Amid intensifying competition, weakness in Customer Experience Management (CXM) and Creative has also continued. Despite these changes in the external environment, we have continued to advance reforms. In China and Australia, where losses had continued since 2023, we achieved a return to profitability on an underlying operating profit basis by rebuilding our business foundation, including through cost reductions.

Growth strategy for 2026–2028

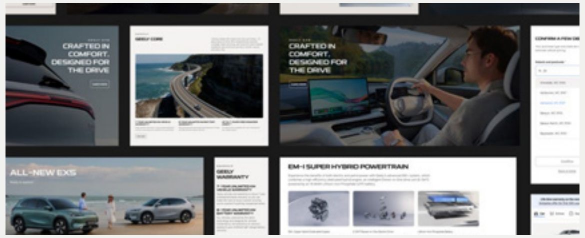
In dentsu APAC, we will pursue a strategy centered on Media, while combining capabilities according to client needs. Specifically, by integrating not only Media, Creative, and CXM, but also capabilities such as Business Transformation (BX) and Sports & Entertainment, we aim to establish our position as a Growth Partner for clients by 2028.

In Southeast Asia, where solid market growth is expected to continue, we will target further growth by deploying AI products across individual markets. India, where the advertising market is expected to grow by approximately 10%, will be positioned as a priority growth market with high potential where we will focus on further client development.

In parallel, we will continue the rebuilding of our business foundation which began in 2025, including by reviewing our systems architecture and accelerating the adoption of AI and automation. We will also drive cost reductions through greater operational efficiency in each market, thereby improving profitability and further strengthening our competitiveness.

Case Study

Geely



Geely, one of the world's leading automotive manufacturers, faced the challenge of establishing trust and presence when entering the highly competitive Australian market for the first time, despite having no existing brand awareness.
Merkle, dentsu's CXM specialist, supported the launch of Geely EX5, Geely's first vehicle introduced to the Australian market, while also laying the foundation for future business growth. This included designing a digital platform, including the website, that supported the journey from product awareness through consideration and purchase. The website was positioned as a critical customer touchpoint for communicating the appeal of the vehicle and encouraging consideration. We localized the global standard for the Australian market, combining immersive product presentation with features that allowed users to select vehicle models and specifications according to their preferences. We also prioritized usability on smartphones and built a flexible structure that could accommodate future functionality and content updates. This created a consistent customer experience from vehicle consideration through specification selection, reservation, and test drive.
Within six months of launch, inquiries generated through the website accounted for 48% of all inquiries, with approximately two-thirds of leads generated from product pages featuring the vehicle selection function. The conversion rate to orders reached 30%, exceeding the typical benchmark for the automotive industry, and more than 2,300 Geely EX5 vehicles were sold.