

November 14, 2022

Sale of the Russian joint venture to local partners

Dentsu Group Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Hiroshi Igarashi; Head Office: Tokyo; Capital: 74,609.81 million yen) announced the passing of a resolution at today's Board of Directors Meeting on the equity sale of the Group's Russian business to local partners.

In the first quarter of this year, the Group began reviewing its business in Russia to ensure compliance with Dentsu Group policies and applicable laws. In August, a broad agreement was reached to sell the equity to our local partners who will operate independently going forward. As a result of negotiations, today a resolution was passed to conclude the formal sale agreement, in full compliance with international sanctions, which was subsequently signed.

The sale is subject to approvals by the Russian state authorities, including by the Russian Governmental Commission. Completion of the sale of the business remains dependent on approvals.

Under the assumption the sale receives Russian regulatory approvals, the estimated total loss is approximately JPY 37.0 bn (assuming the sale is completed within FY2022, with an assumed exchange rate at 160.57 JPY per GBP).

The Group has already recorded a part loss of approximately JPY 16.4 bn on statutory operating income and approximately 16.9 bn on statutory net profit attributable to owners of the parent within the first nine month of FY2022 results. We estimate that the sale of ownership will result in a further charge and the total impact would be approximately JPY 36.5 bn on statutory operating income and approximately JPY 37.0 bn on statutory net profit attributable to owners of the parent.

Possible further charges related to the completion of the sale are expected to be non-cash, relating to the re-cycling of exchange differences on translation of foreign operations and back through the income statement. The charges will not impact underlying figures, affecting only statutory figures.

Revisions to the forecast of consolidated financial results for FY2022

There is no change to the forecast of consolidated financial results for FY2022 as the deal is still subject to Russian regulatory approvals. The Group will revise forecasts, as necessary, upon receiving approvals for the sale to be completed.

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