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NEWS RELEASE

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Dentsu Group Inc.
Q3 FY2023 Consolidated Financial Results

(The third quarter ended September 30, 2023 – reported on an IFRS basis)

- **The Group continues with the implementation of One dentsu to address clients' needs for agility and integration of capabilities. As a unified global network, dentsu will partner with clients to deliver Integrated Growth Solutions centered in the convergence of Marketing, Technology & Consulting.**
- **Q3 FY2023 net revenue* +1.6% year-on-year (yoy), organic revenue decline* of -6.0%.**
- **Q3 performance impacted by the continued reduction in spend from technology and finance clients; international markets experienced delays of larger transformational projects within CT&T, with the sales cycle remaining extended. CT&T in Japan remains strong.**
- **Q3 operating margin 13.5% -180bp yoy. Cost mitigation continues to be enacted to reduce the impact of the revenue declines. The third quarter margin was impacted by further charges within the DACH cluster, excluding these charges, the Q3 FY2023 margin would have been flat yoy.**
- **The Group revises FY2023 guidance: organic growth c.-5% with no change expected to client spending in the fourth quarter. FY2023 operating margins guided to c.13.5% as the Group anticipates additional costs in the fourth quarter relating to business simplification, to streamline the cost base as the Group enters 2024.**
- **The Board has accelerated the dividend payout ratio for FY2023 to its long-term target of 35%, one year ahead of schedule, recognizing the importance of shareholder returns. The FY2023 dividend is guided at JPY 137 per share.**

Customer Transformation & Technology (CT&T) revenues reached 33% of Group revenues. In Japan, CT&T continued to report double digit growth driven by strong performances in Dentsu Digital and Dentsu Consulting. Internationally, the lengthening of the sales cycle impacted the EMEA and APAC regions, while the US CT&T market saw revenue stabilization.

The acquisition of Tag added market-leading capabilities and is yielding early results, with integration ahead of schedule. Tag and dentsu's integrated offer of digital personalized, real-time content at-scale has resulted in a number of client wins across sectors including health & beverages.

Integrated Growth Solutions at the convergence of Marketing, Technology, and Consulting remain at the heart of dentsu's competitive strategy. The Americas has accelerated the implementation of One dentsu, with the integrated client leadership model resulting in a 50% higher client pitch win rate. The One dentsu model provides optimism and confidence around strategy, client offering and execution to return the Group to growth.

Q3 FY2023 Financial Results Summary **See page 8 for definitions / **Statutory results include Russia.*

Consolidated Group (bn yen)	Q3 2023	Q3 2022**	YoY change %
Net Revenue*	**279**	274	1.6
Underlying results*			
• operating profit	**37.5**	41.9	(10.4)
• operating margin	**13.5%**	15.3%	(180)bp
• net profit (attributable to owners of the parent)	**16.6**	27.6	(39.7)
• basic EPS (yen)	**62**	104	(39.6)
Statutory results			
• operating profit (loss)	**26.9**	24.6	9.0
• net profit (loss) (attributable to owners of the parent)	**6.6**	15.9	(58.1)

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Q3 FY23 (July - September) Key Financials

Group net revenue JPY 279bn (YoY 1.6%)

- On a constant currency basis Japan reported +2.9% growth in net revenue in the third quarter, the Americas recorded a decline of -2.0%, EMEA a decline of -11.9% and APAC growth of +0.5%.
- Reported net revenue increased +1.6% with currency positively impacting by JPY 11.0bn and M&A contributing JPY 11.1bn.

Group organic revenue decline -6.0%.

- Japan reported organic growth of +3.0% led by strength in Customer Transformation & Technology. Americas reported organic decline of -6.6% as weakness in client spend from the technology & finance sectors continued to impact revenue, combined with project delays in CT&T. EMEA reported a third quarter organic decline of -17.2% and APAC (ex Japan) recorded an organic decline of -9.1% due client losses and reduced project scope in Customer Transformation & Technology.

Group underlying operating profit declined 10.4% yoy to JPY 37.5bn. Operating margin declined by 180bp yoy to 13.5%

- Third quarter margins in Japan were higher yoy, driven by stronger revenue growth and the timing of incentive recognition, which was weighted towards H1 2023, as highlighted in the first quarter. Third quarter margins in the Americas were significantly higher yoy as a result of swift cost mitigation that began in the first quarter, with costs managed in line with revenue expectations. In EMEA and APAC margins were lower yoy as a result of weaker than expected trading.
- Continued cost management remains in place for 2023 with measures such as hiring freezes, lower external spending and reduced travel & entertainment costs.
- Additional charges are expected to be incurred in the fourth quarter relating to business simplification to streamline the cost base as the Group enters 2024. The Group has an increased focus on driving improved profitability in 2024 by maintaining cost discipline and improving utilisation rates.

Group underlying net profit (attributable to owners of the parent) decreased by 39.7% yoy to JPY 16.6bn, due to the fall in underlying operating profit.

- Underlying basic EPS JPY 62 for the third quarter.

Group statutory operating profit and net profit (attributable to owners of the parent) were respectively JPY 26.9bn and JPY 6.6bn.

Group net debt / underlying EBITDA (LTM) 1.45x vs 0.78x in Q3 2022, providing the flexibility to invest for growth in acquisitions as opportunities arise.

- Progress on balance sheet simplification continues with the sale of security assets. Six further stakes were sold in the third quarter.

FY2023 Dividend per share guidance updated to JPY 137; based a 35% payout ratio on adjusted underlying basic EPS of JPY 390.

- In FY2023, two charges adversely impacted the Group's underlying operating profit and underlying operating margin. The charges relate to severance and charges within the DACH cluster.

- The Board considers both of these charges to be one-off in nature. The Board has therefore upwardly adjusted the underlying basic EPS from JPY 335 to JPY 390 (totalling JPY 55 per share) for the purposes of dividend calculation.
- The Board has also decided to accelerate the dividend payout ratio for FY2023 to its long-held target of 35%, one year ahead of schedule, recognizing the importance of shareholder returns.
- Based on the adjusted underlying basic EPS of JPY 390, the Group applies a 35% payout ratio, leading to a guided FY2023 dividend per share of JPY 137.
- Based on this guidance, and following the payment of the interim dividend of JPY 78.5 yen per share in September, the final year-end dividend for FY2023 is expected to be JPY 58.5 yen per share.
- In line with the Group’s capital allocation policy, the FY2024 dividend payout ratio is expected to remain 35% of underlying basic EPS.

Hiroshi Igarashi, President and CEO, Dentsu Group Inc., said:

"Our third quarter performance continued to show the impact of the reduced spend from clients in the technology and finance sectors, as well as project delays within Customer Transformation & Technology.

I and the wider Executive team remain focused on returning the Group to growth. Through One dentsu we are creating a unified global network that combines client centricity with speed, agility and scale ensuring we deliver against our clients' need for growth. To achieve this vision, we have aligned our leadership structure and talent around our core capabilities and strategic priorities.

We have seen progress in the US market with the accelerated roll-out of One dentsu. Revenues have stabilized and we have a number of account wins that demonstrates what we can achieve when we drive collaboration and empower our people to thrive.

Following the acquisition of Tag, consolidated at the start of July, our integrated proposition has seen early success, resulting in a number of client wins. Our clients are looking to unlock marketing effectiveness and efficiency and Tag's real time, personalized content production allows us to deliver that for our clients.

As we look forward, our positioning at the convergence of marketing, technology and consulting provides us with a unique opportunity to seamlessly integrate our services to deliver growth solutions for our clients.

I would like to thank all 72,000 employees within the Group – the diverse capabilities and the depth of talent within the Group remains our competitive edge."

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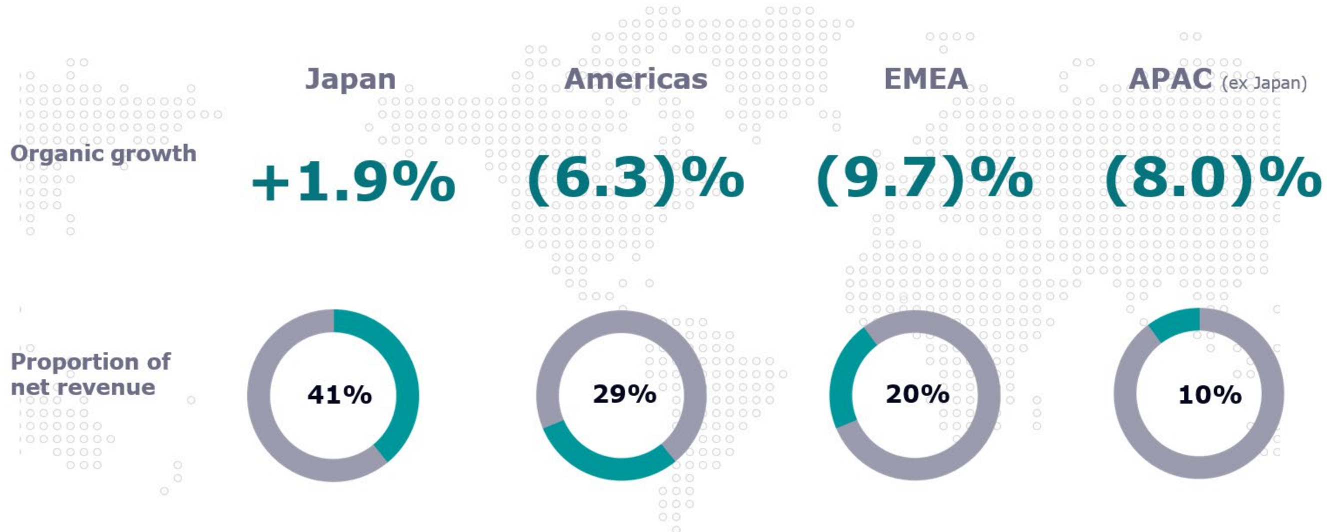
9m FY23 (January – September) Business Updates

- Total net revenue from Customer Transformation & Technology reached 33% of Group net revenues at end of September 2023 (YoY + 20p, -30bp on a constant currency basis). The Group continues to make progress towards the stated strategy of reaching 50% of net revenues generated by CT&T.

Regional organic growth and proportion of net revenues for 9m 2023



Quarterly organic growth

	Dentsu Group Total			Japan		
	2023	2022	2021	2023	2022	2021
Q1 (Jan – Mar)	(1.6)	9.6	(2.4)	(0.2)	10.0	(0.9)
Q2 (Apr – Jun)	(4.7)	8.2	15.0	3.4	7.9	12.0
Q3 (Jul – Sep)	(6.0)	(3.7)	27.8	3.0	(15.1)	49.7
Q4 (Oct – Dec)		3.5	14.2		1.7	17.3
Fiscal Year		4.1	13.1		0.4	17.9

	Americas			EMEA			APAC (ex Japan)		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Q1 (Jan – Mar)	(4.9)	13.4	(4.1)	3.4	4.7	(3.7)	(7.8)	5.2	(3.1)
Q2 (Apr – Jun)	(7.4)	9.6	15.5	(12.7)	8.5	21.5	(7.0)	4.5	10.2
Q3 (Jul – Sep)	(6.6)	0.7	16.3	(17.2)	15.4	12.3	(9.1)	(1.1)	7.6
Q4 (Oct – Dec)		2.3	15.4		9.1	11.9		2.1	3.8
Fiscal Year		6.1	10.6		9.5	10.4		2.5	4.7

- **Japan, Q3 organic revenue +3.0%; 9m organic revenue +1.9%**

  Japan reported 3.0% organic growth in the third quarter, supported by strength in Customer Transformation & Technology; led by the Customer Experience Transformation and Digital Transformation practices. Customer Experience Transformation growth was led by Dentsu Inc., driven by client spend in the food and beverage sectors. Business Transformation, dentsu Japan's consulting offer, grew over 20% in the quarter driven by increasing client needs. ISID also performed well with strength in business and manufacturing solutions.

  Advertising largely flat with some client weakness in TV spot while TV time advertising remained robust. Internet advertising demand was lower than expected in Dentsu Digital and Dentsu Inc., although Septeni's growth in internet advertisement improved from Q2 to Q3 driven by Business Services and Finance clients. Advertisement for FMCGs, in particular cosmetics, performed well and beverages were stronger than usual due to the hot summer, supporting results.

- **Americas, Q3 organic revenue -6.6%; 9m organic revenue -6.3%**

  The third quarter saw sequential improvement in the organic growth rate, but the operating environment remains challenging, particularly in the US market. The North American CT&T business experienced continued project delays with the sales cycle remaining extended. Media revenues fell due to reduced client spend in the third quarter, combined with the impact of client losses earlier in the year. Creative reported organic growth due to new logo wins and growth from existing clients. The Canadian market remained solid reporting over 2% organic growth for the quarter.

  The Americas region has accelerated the roll out of the One dentsu structure, with the transition of a number of teams to support a simplified organizational design. The alignment of capabilities within practice hubs will support the delivery of Integrated Growth Solutions. Early success with the integrated client leadership model has resulted in a 50%+ improvement in pitch conversion, with a Chief growth officer for the region also appointed.

- **EMEA, Q3 organic revenue -17.2%; 9m organic revenue -9.7%**

  The EMEA region saw success in a number of local pitches and extended relationships with existing clients, however this was offset by a slowdown in spend from global accounts. CT&T saw weakness due to client losses seen in the first half of 2023 plus slower pipeline conversion as the lengthening of the sales cycle impacted the region. The acquisition of Omega in Q12023 ensured the Spanish market reported strong growth in CT&T. Creative was lower in the third quarter due to pressure in key markets in Southern Europe. Media reported organic revenue decline due to phasing and cautious client spend. Spain, Italy and the Netherlands all delivered positive organic growth, supported by local client spend. As previously reported, the EMEA Q2 performance was affected by the DACH cluster, with the results adversely impacted by a complex business transformation and systems integration. This issue came to light late in the second quarter and during the third quarter the Group has undertaken additional work. This has resulted in further true-ups, principally related to income and profit previously accrued. The Group has now fully reviewed the root causes and identified remediation actions as necessary. No further adjustments are contemplated in Q4 and subsequent periods.

  In October, André Andrade was appointed as CEO of dentsu EMEA, bringing nearly two decades of proven performance and significant achievements as CEO of the IBSSA cluster. André will lead the region in delivering client-centric integrated solutions.

- **APAC (ex Japan), Q3 organic revenue -9.1%; 9m organic revenue -8.0%**
  Macro-economic conditions continue to impact the China business, with clients cutting back spend. However North Asia has remained buoyant with strong growth in South Korea and Hong Kong. The recent appointment of Jennifer Tang as CEO, Greater North brings together a powerful leadership team with unique experience that will benefit the cluster markets of China, Hong Kong, Korea and Taiwan, with further reaching benefit into the region.
  In ANZ, economic uncertainty and rising inflation has driven lower consumer spend and business confidence resulting in reduced client spend and increased deferrals. India continues to experience the impact of slower client spend in the media business and a weak pipeline. In Southeast Asia, spend continued to be weak in Indonesia due to the ATV switch off while political uncertainty in Thailand has seen hesitation in client spend impacting revenue.

Forecast of Consolidated Financial Results for FY2023 (IFRS)

- Dentsu Group Inc. issues updated guidance. Group organic growth is now forecasted at c.-5% for FY2023 with underlying operating margins c.13.5%.
- The revised FY2023 guidance is due to weaker than expected business performance and two charges that adversely impact the Group’s underlying operating profit and underlying operating margin. The charges relate to severance and charges within the DACH cluster. The FY2023 underlying basic EPS is revised to JPY 335.
- The majority of the charges relate to business simplification, but the contribution is broadly equal across both components.
- The Board considers both of these charges to be one-off in nature, therefore has upwardly adjusted the underlying basic EPS from JPY 335 to JPY 390 for the purposes of dividend calculation.
- The Board has also decided to accelerate the dividend payout ratio for FY2023 to its long-term target of 35%, one year ahead of schedule. The FY2023 dividend per share is therefore revised to JPY 137.
- Based on this guidance, and following the payment of the interim dividend of JPY 78.5 yen per share in September, the final year-end dividend for 2023 is expected to be JPY 58.5 yen per share.

Consolidated Group (million yen)	FY2023 November Forecasts (A)	FY2023 August Forecasts (B)	Variance (A-B)	Variance (%)
Revenue	1,260,700	1,276,000	(15,300)	(1.2)
Net Revenue	1,122,300	1,153,300	(31,000)	(2.7)
Underlying operating profit	151,500	195,500	(44,000)	(22.5)
Operating margin	13.5%	17.0%	(350)bp	-
Underlying net profit*	88,600	122,100	(33,500)	(27.4)
Underlying basic EPS (Yen)*	335.00	461.84	(126.84)	(27.5)
Operating profit (loss)	78,400	126,500	(48,100)	(38.0)
Net profit (loss)*	33,300	69,200	(35,900)	(51.9)
Basic EPS (Yen)*	125.94	261.75	(135.81)	(51.8)

*Attributable to owners of the parent

Currency	Av. Jan-Oct. 2023	Av. Jan.-Jul. 2023		
JPY/USD	139.3	135.8	+3.5	+2.6
JPY/GBP	173.0	168.6	+4.4	+2.6

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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.

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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 business transformation cost, asset write-down 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).

Forward-Looking Statements

This material contains statements about Dentsu Group 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.

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About dentsu

Dentsu is the network designed for what's next, helping clients predict and plan for disruptive future opportunities and create new paths to growth in the sustainable economy. Taking a people-centered approach to business transformation, we use insights to connect brand, content, commerce and experience, underpinned by modern creativity. As part of Dentsu Group Inc. (Tokyo: 4324; ISIN: JP3551520004), we are headquartered in Tokyo, Japan and our 72,000-strong employee-base of dedicated professionals work across four regions (Japan, Americas, EMEA and APAC). Dentsu combines Japanese innovation with a diverse, global perspective to drive client growth and to shape society.

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