

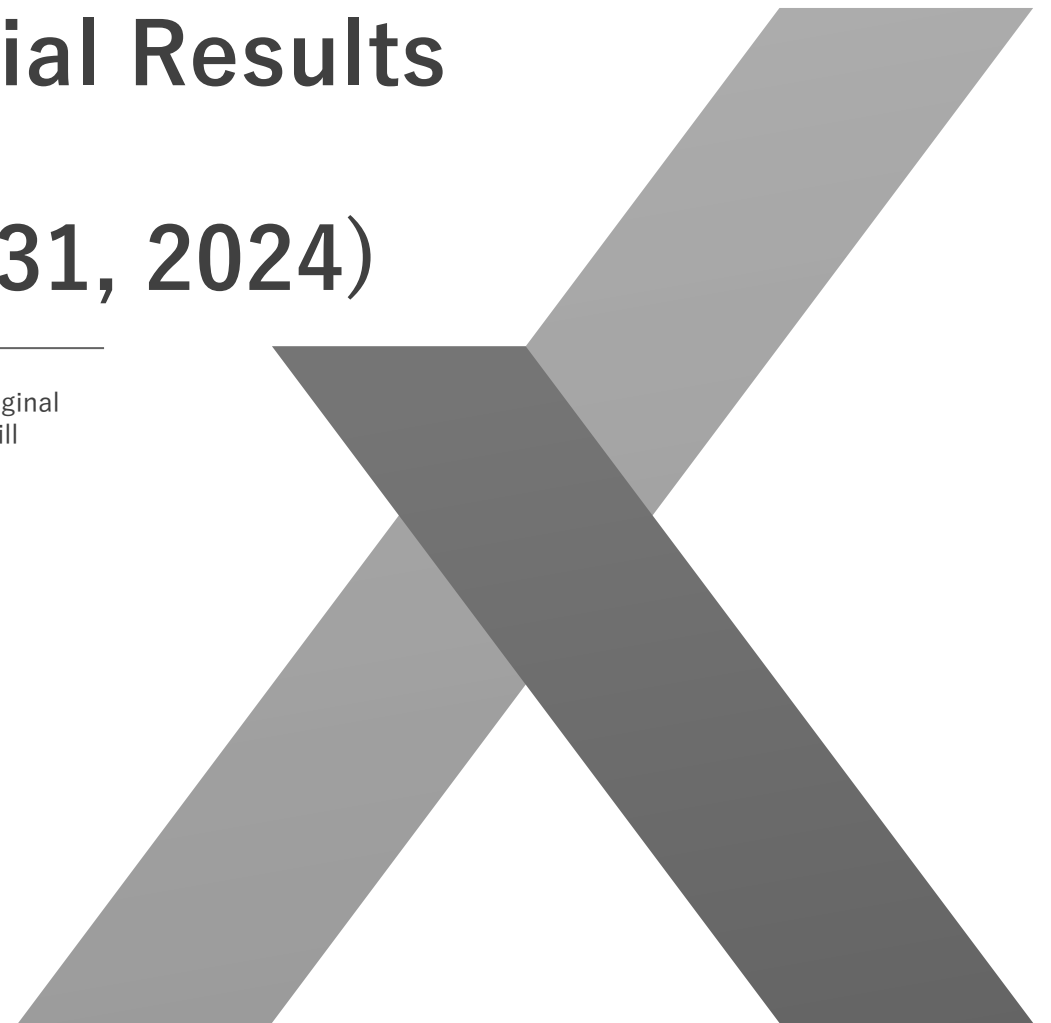
# Presentation Material of Financial Results for the First Quarter of FY2024 (from January 1, 2024 to March 31, 2024)

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Note: This English translation is solely for reference purposes and not a legally definitive translation of the original Japanese text. In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

DENTSU SOKEN INC.

April 26, 2024



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# Financial Highlights for the First Quarter of FY2024

## Net sales

+6.7% increase, mainly due to expansion on **Financial Solutions and Manufacturing Solutions**

## Operating profit

+1.4% increase, absorbing increase in cost of sales and SG&A expenses due to increase in personnel and higher base salaries

## Orders

Orders received increased by +2.7% and order backlog increased by +2.8% mainly for **Financial Solutions**

## Rate of progress

**50.1% for net sales** and **52.3% for operating profit** against the 1H forecasts

# Consolidated Results for the First Quarter of FY2024

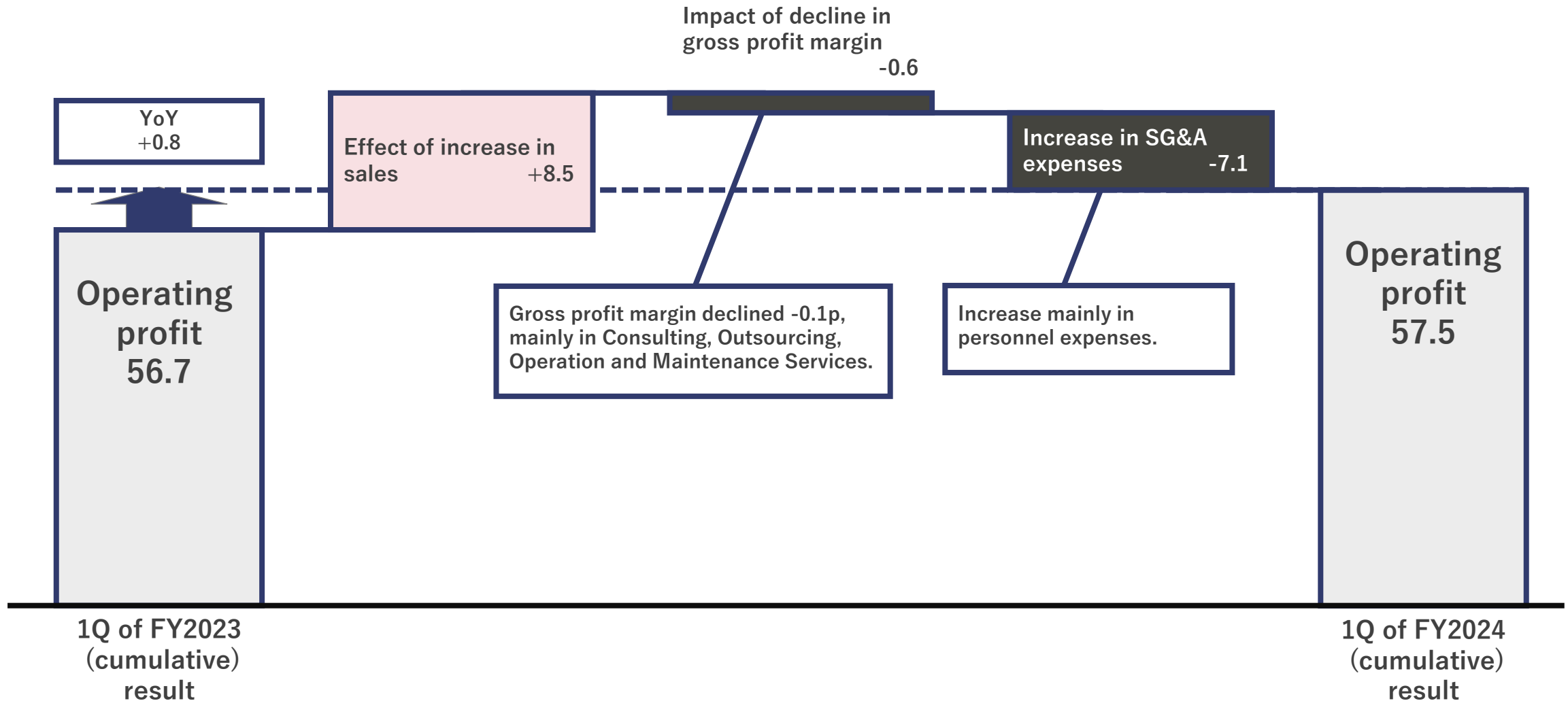
(Unit: Millions of yen)

	1Q of FY2024 (cumulative)	YoY		
		1Q of FY2023 (cumulative)	Variance	% change
Net sales	37,099	34,779	+2,320	+6.7
Gross profit	13,566	12,774	+792	+6.2
Gross profit margin (%)	36.6	36.7	-0.1p	-
Selling, general and administrative expenses	7,809	7,098	+711	+10.0
Operating profit	5,757	5,676	+81	+1.4
Operating margin (%)	15.5	16.3	-0.8p	-
Ordinary profit	5,734	5,781	-47	-0.8
Profit attributable to owners of parent	4,118	3,837	+281	+7.3
Number of employees*	3,683people	3,397people	+286	+8.4

\*at the end of the first quarter

# Factors for Increase/Decrease in Operating Profit (YoY)

(Unit: 100 million of yen)



# Non-operating Income/Expenses and Extraordinary Income/Losses

- Non-operating income/expenses deteriorated due to the posting of foreign exchange losses, etc.
- Extraordinary income/loss improved due to the recording of gain on sale of investment securities and a decrease in loss on valuation of investment securities.

(Unit: Millions of yen)

	1Q of FY2024 (cumulative)	YoY		
		1Q of FY2023 (cumulative)	Variance	% change
Operating profit	5,757	5,676	+81	+1.4
Non-operating income	73	115	-42	-36.5
Non-operating expenses	96	11	+85	+772.7
Ordinary profit	5,734	5,781	-47	-0.8
Extraordinary income	265	-	+265	-
Extraordinary losses	25	377	-352	-93.4
Profit before income taxes	5,974	5,403	+571	+10.6
Total income taxes	1,856	1,565	+291	+18.6
Profit attributable to non-controlling interests	-	0	-0	-
Profit attributable to owners of parent	4,118	3,837	+281	+7.3

# Net Sales and Operating Profit by Reportable Segment

(Unit: Millions of yen)

		1Q of FY2024 (cumulative)	YoY		Overview
			Variance	% change	
Financial Solutions	Net sales	7,886	+571	+7.8	Net sales and operating profit increased due to expanded sales and implementation of third-party software in the accounting area to the banking industry and increased provision of custom system development service in the customer contact point area, mainly to general business companies.
	Operating profit	967	+444	+84.9	
	%	12.3	+5.2p	-	
Business Solutions	Net sales	5,606	-68	-1.2	Although sales and implementation of the POSITIVE expanded mainly for the service industry, in the accounting area, sales and implementation of solutions were sluggish due to the peak-out of several projects. As a result, net sales remained on a par the same period of the previous year. Profit decreased due to a significant increase in personnel expenses accompanying strategic staffing.
	Operating profit	1,235	-336	-21.4	
	%	22.0	-5.7p	-	
Manufacturing Solutions	Net sales	11,712	+1,557	+15.3	Net sales and operating profit increased due to the expansion of consulting to support system grand design and engineering, as well as sales and implementation of the Teamcenter mainly to the transportation equipment and electric appliances and precision instruments industries.
	Operating profit	1,847	+563	+43.8	
	%	15.8	+3.2p	-	
Communication IT	Net sales	11,893	+260	+2.2	Net Sales increased due to expanded implementation of SAP solutions mainly in the machinery industry. Profit decreased due to factors such as an increase in personnel expenses associated with an increase in the number of employees and the impact of the continued low profitability of projects that were unprofitable in the previous fiscal year.
	Operating profit	1,706	-591	-25.7	
	%	14.3	-5.4p	-	

\*POSITIVE: human capital management, Teamcenter: product lifecycle management solution



# Net Sales by Service Category and Dentsu Group

(Unit: Millions of yen)

Service category	1Q of FY2024 (cumulative)	YoY	
		Variance	% change
Consulting Services	2,671	+480	+21.9
Custom System Development	7,531	-422	-5.3
In-house Software	7,496	+294	+4.1
Third-party Software	13,289	+1,912	+16.8
Outsourcing, Operation and Maintenance Services	4,078	-35	-0.9
IT Equipment Sales and Others	2,031	+89	+4.6

Counterparty	1Q of FY2024 (cumulative)	YoY	
		Variance	% change
Dentsu Group Inc. and its subsidiaries	5,355	+26	+0.5

# Net Sales by Industry

(Unit: Millions of yen)

Industry		1Q of FY2024 (cumulative)		YoY	
		Net sales	Composition ratio (%)	Variance	% change
	Banks	5,703	15.4	+113	+2.0
	Other financial institutions	1,854	5.0	+351	+23.4
	<b>Financial</b>	<b>7,558</b>	<b>20.4</b>	<b>+465</b>	<b>+6.6</b>
	Transportation equipment	6,537	17.6	+372	+6.0
	Electric appliances Precision instruments	4,204	11.3	+661	+18.7
	Machinery	2,837	7.6	+418	+17.3
	Other products	2,701	7.3	-352	-11.5
	<b>Manufacturing</b>	<b>16,280</b>	<b>43.8</b>	<b>+1,098</b>	<b>+7.2</b>
	Services and public offices	10,265	27.7	+691	+7.2
	Distributions and others	2,994	8.1	+66	+2.3

# Orders Received and Order Backlog

(Unit: Millions of yen)

		Orders received		Order backlog	
		1Q of FY2024 (cumulative)	YoY % change	End of 1Q of FY2024	YoY % change
<b>Total</b>		<b>45,996</b>	<b>+2.7</b>	<b>63,382</b>	<b>+2.8</b>
<b>Reportable segment</b>	<b>Financial Solutions</b>	<b>8,948</b>	<b>+30.4</b>	<b>9,312</b>	<b>+27.0</b>
	<b>Business Solutions</b>	<b>5,914</b>	<b>+3.6</b>	<b>8,296</b>	<b>-19.2</b>
	<b>Manufacturing Solutions</b>	<b>15,456</b>	<b>+4.4</b>	<b>26,858</b>	<b>+18.1</b>
	<b>Communication IT</b>	<b>15,676</b>	<b>-10.0</b>	<b>18,915</b>	<b>-11.2</b>
<b>Service category</b>	<b>Consulting Services</b>	<b>2,564</b>	<b>+16.6</b>	<b>1,272</b>	<b>+28.1</b>
	<b>Custom System Development</b>	<b>8,804</b>	<b>+10.7</b>	<b>6,459</b>	<b>-7.2</b>
	<b>In-house Software</b>	<b>7,644</b>	<b>-1.1</b>	<b>10,919</b>	<b>-17.4</b>
	<b>Third-party Software</b>	<b>17,422</b>	<b>+6.3</b>	<b>31,522</b>	<b>+16.0</b>
	<b>Outsourcing, Operation and Maintenance Services</b>	<b>7,087</b>	<b>-5.6</b>	<b>7,265</b>	<b>+5.2</b>
	<b>IT Equipment Sales and Others</b>	<b>2,472</b>	<b>-17.4</b>	<b>5,943</b>	<b>-7.1</b>

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Note:

Forecasts of business results in this document are based on judgments and assumptions made in light of industry trends, customer conditions, and other information currently available, and are not intended as a guarantee that they will be achieved. Actual results may differ from these forecasts due to uncertainties inherent in forecasts, changes in internal and external conditions, and other factors.

# Earnings Forecasts for FY2024

- There is no changes in the forecasts announced on February 14, 2024.

(Unit: Millions of yen)

	FY2024 (cumulative)	YoY			1H of FY2024 (cumulative)	YoY		
		FY2023 (cumulative)	Variance	% change		1H of FY2023 (cumulative)	Variance	% change
Net sales	153,000	142,608	+10,392	+7.3	74,000	69,849	+4,151	+5.9
Operating profit	22,500	21,028	+1,472	+7.0	11,000	10,652	+348	+3.3
Operating margin(%)	14.7	14.7	-0.0p	-	14.9	15.3	-0.4p	-
Ordinary profit	22,500	21,244	+1,256	+5.9	11,000	10,785	+215	+2.0
Profit attributable to owners of parent	15,700	14,663	+1,037	+7.1	7,700	7,446	+254	+3.4
Number of employees*	4,000 people	3,652 people	+348	+9.5				

\* at the end of the fiscal year

# Net Sales Forecasts by Reportable Segment for FY2024

(Unit: Millions of yen)

	FY2024 (cumulative)	YoY			1H of FY2024 (cumulative)	YoY		
		FY2023 (cumulative)	Variance	% change		1H of FY2023 (cumulative)	Variance	% change
Financial Solutions	33,000	30,598	+2,402	+7.9	16,000	14,721	+1,279	+8.7
Business Solutions	25,000	23,107	+1,893	+8.2	12,300	11,653	+647	+5.6
Manufacturing Solutions	45,000	41,118	+3,882	+9.4	21,700	19,795	+1,905	+9.6
Communication IT	50,000	47,784	+2,216	+4.6	24,000	23,678	+322	+1.4

# Net Sales Forecasts by Service Category for FY2024

(Unit: Millions of yen)

	FY2024 (cumulative)	YoY			1H of FY2024 (cumulative)	YoY		
		FY2023 (cumulative)	Variance	% change		1H of FY2023 (cumulative)	Variance	% change
Consulting Services	9,500	8,611	+889	+10.3	4,600	3,999	+601	+15.0
Custom System Development	32,000	30,913	+1,087	+3.5	16,000	15,738	+262	+1.7
In-house Software	34,000	30,237	+3,763	+12.4	16,400	15,054	+1,346	+8.9
Third-party Software	53,000	48,184	+4,816	+10.0	25,300	23,059	+2,241	+9.7
Outsourcing, Operation and Maintenance Services	17,000	17,108	-108	-0.6	8,000	8,216	-216	-2.6
IT Equipment Sales and Others	7,500	7,553	-53	-0.7	3,700	3,780	-80	-2.1

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# M&A Implementation

- Acquired all the shares of Mitsue-Links Co., Ltd, UI/UX design company.
- Strengthen the support business that many company aims to “Creating Value” and “Improving Customer Experiences,” through synergy with the company.
- The impact on our forecasts for the current fiscal year is minimal.

Company Name	Mitsue-Links Co., Ltd.
Head Office	8-17-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Corporate Representative	Masashi Takahashi (CEO)
Capitalization	99,800,000 yen
Incorporation	July 1990
Employees	465 people
Business Activities	Web Integration, Web Consulting, System Development, Audio/Video Content
FY2023 Results	Net sales: 4,064 million yen, Ordinary profit: 699 million yen



電通総研

DENTSU SOKEN INC.