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In the event a difference arises regarding the meaning herein, the original Japanese version will prevail as the official authoritative version.

April 30, 2025

Consolidated Financial Results for the First Quarter of Fiscal Year Ending December 31, 2025(Japanese GAAP)

Name of Listed Company: DENTSU SOKEN INC.
Listed Exchange: Tokyo
Code Number: 4812
URL: <https://www.dentsusoken.com/english>
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Date of scheduled payment of dividends: --

Quarterly earnings supplementary explanatory documents: Yes

Quarterly earnings presentation: Yes (For analysts, institutional investors, etc.)

(Amounts less than one million yen are rounded down.)

1. Consolidated Business Performance for the First Quarter of FY2025 (from January 1, 2025 to March 31, 2025)

(1) Consolidated Operating Results (Cumulative)

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss)*	
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)
First Quarter of FY2025	40,244	8.5	5,779	0.4	5,995	4.5	4,109	(0.2)
First Quarter of FY2024	37,099	6.7	5,757	1.4	5,734	(0.8)	4,118	7.3

* Profit attributable to owners of parent

Note: Comprehensive profit: First Quarter of FY2025: 3,920 million yen (down 8.1%); First Quarter of FY2024: 4,265 million yen (up 8.3%)

	Net profit (loss) per share	Net profit per share after dilution
	(yen)	(yen)
First Quarter of FY2025	63.15	—
First Quarter of FY2024	63.29	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	(million yen)	(million yen)	(%)
As of March 31, 2025	145,781	91,735	62.9
As of December 31, 2024	147,331	91,194	61.9

Reference: Total shareholders' equity: As of March 31, 2025: 91,735 million yen; As of December 31, 2024: 91,194 million yen

2. Dividends

Record date	Dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Fiscal year-end	Full year
	(yen)	(yen)	(yen)	(yen)	(yen)
FY2024	—	54.00	—	54.00	108.00
FY2025	—				
FY2025 (forecast)		58.00	—	58.00	116.00

Note: Revision to the dividend forecasts from the latest announcement: No

3. Consolidated Forecasts for FY2025(from January 1, 2025 to December 31, 2025)

Percentages indicate year-on-year increase/(decrease)

	Net sales		Operating profit		Ordinary profit		Net profit *		EPS
	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(million yen)	(%)	(yen)
Second half	83,000	11.8	11,500	11.0	11,500	12.1	8,000	10.4	122.94
Full year	170,000	11.4	23,000	9.3	23,000	9.0	16,000	5.8	245.87

* Profit attributable to owners of parent

Note: Revision to the consolidated forecasts from the latest announcement: No

Notes

- Changes in the scope of consolidation for significant subsidiaries (Changes in specified subsidiaries resulting in change in the scope of consolidation): None
- Application of special accounting practices in the preparation of the quarterly consolidated financial statements: None
- Changes in accounting policies, changes in accounting estimates and restatements:
 - Changes in accounting policies in accordance with revision of accounting standards: None
 - Changes in accounting policies other than 1) above: None
 - Changes in accounting estimate: None
 - Restatements: None

4. Issued and outstanding common stock

- Number of shares issued and outstanding at the end of the period, including treasury stock

March 31, 2025:	65,182,480 shares	December 31, 2024:	65,182,480 shares
March 31, 2025:	72,797 shares	December 31, 2024:	107,821 shares
Three months ended March 31, 2025:	65,079,966 shares	Three months ended March 31, 2024:	65,070,579 shares

- Number of treasury stock at the end of the period

- Average number of shares outstanding for each period

This quarterly financial report is outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act.

Explanation regarding the appropriate use of forecasts of business results

Forecast figures are projections based on information available at the time of release and are not intended as a guarantee that the Company will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment and other factors.

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I. Qualitative Information on the Consolidated Financial Results for the Subject Period

1. Explanation of Business Results

(Millions of yen)

	First quarter of FY2024 (cumulative)	First quarter of FY2025 (cumulative)	YoY	
			Variance	% change
Net sales	37,099	40,244	3,145	8.5
Operating profit	5,757	5,779	22	0.4
Operating profit margin	15.5%	14.4%	(1.1p)	-
Ordinary profit	5,734	5,995	261	4.5
Profit attributable to owners of parent	4,118	4,109	(9)	(0.2)

During the first quarter of the current consolidated fiscal year (January 1, 2025 to March 31, 2025), the Japanese economy continued to show a moderate recovery trend with improvement in the employment and income environment. The business environment surrounding our group also remained firm, with strong corporate appetite for digital investment. Looking ahead, however, the outlook remains uncertain due to concerns about the impact of U.S. policy trends, fluctuations in financial and capital markets, and geopolitical risks surrounding the Middle East region on the domestic economy.

Amid these circumstances, we started a three-year medium-term management plan "Contributing to Progress in Society 2027," the second phase of our efforts to realize our long-term management vision "Vision 2030" from the current consolidated fiscal year. The title, "Contributing to Progress in Society," is the name of the business concept established by our group for 2024 and summarizes a new form of business in which think tank, consulting, and system integration functions will work together to create a cycle from the proposal of issues to their resolution through technology. This medium-term management plan is built around three basic policies of "Addition of value to corporate and social transformation," "Enhancement of competitive solutions," and "Strengthening of management" and seven priority measures, the medium-term management plan sets five quantitative targets (net sales of ¥210 billion, operating profit of ¥31.5 billion, operating profit margin of 15.0%, and ROE of 18.0% or higher for the year ending December 2027, with a total number of 6,000 employees). We will aim for further growth through more aggressive challenges than ever before, taking advantage of the business base expanded under the previous medium-term management plan.

In the first quarter of the current consolidated fiscal year, net sales were ¥40,244 million (up 8.5% year on year), operating profit was ¥5,779 million (up 0.4% year on year), ordinary profit was ¥5,995 million (up 4.5% year on year) and profit attributable to owners of parent was ¥4,109 million (down 0.2% year on year).

Net sales increased mainly in the Manufacturing Solutions segment and Communication IT segment. Operating profit increased due to the effect of increased sales, despite an increase in selling, general and administrative expenses due to an increase in personnel expenses resulting from an increase in headcount, an increase in sales support workload for engineers, and an increase in amortization of goodwill resulting from making Mitsue-Links Co., Ltd. a subsidiary. Ordinary profit also increased due to an improvement in non-operating income/expenses but profit attributable to owners of parent declined mainly due to the absence of extraordinary gains on sales of investment securities recorded in the same period of the previous fiscal year.

In order to implement the growth strategy in the current medium-term management plan, from the first quarter of the current fiscal year, the business classifications under the reporting segments have been changed. As a result, the results for the first quarter of the previous fiscal year are compared and analyzed with the figures reclassified into the new classification.

Net sales, operating profit, and business results by reportable segment are as follows.

Net sales and operating profit (loss) by reportable segment

(Millions of yen)

Reportable segment	First quarter of FY2024 (cumulative)			First quarter of FY2025 (cumulative)			Variance	
	Net sales	Operating profit	Operating margin	Net sales	Operating profit	Operating margin	Net sales	Operating profit
Financial Solutions	8,411	1,145	13.6%	8,305	1,105	13.3%	(106)	(40)
Business Solutions	5,687	1,199	21.1%	5,706	990	17.4%	19	(209)
Manufacturing Solutions	14,998	2,548	17.0%	16,159	2,571	15.9%	1,161	23
Communication IT	8,002	863	10.8%	10,073	1,112	11.0%	2,071	249
Total	37,099	5,757	15.5%	40,244	5,779	14.4%	3,145	22

Status of business operations by reportable segment

Financial Solutions

The main business of this segment is providing solutions that support business transformation in the financial industry and the utilization of financial services functions by general operating companies.

Net sales and operating profit decreased due to lower implementation projects of third-party software in the accounting area, despite an increase in sales and implementation projects of the Stream-R, a BOJ settlement management system to the banking industry.

Business Solutions

The main business of this segment is providing solutions that support the sophistication of business management operations of corporates, centered on human resources and accounting.

Net sales remained flat year on year, despite the expansion of implementation projects of STRAVIS, a consolidated accounting solution, mainly by trading companies, due to sluggish sales and implementation projects of POSITIVE, an integrated human capital management solution, and Ci*X, an integrated group accounting solution. Operating profit decreased mainly due to an increase in personnel expenses resulting from an increase in headcount.

Manufacturing Solutions

The main business of this segment is providing solutions that support the enhancement of business processes and value chains in the manufacturing industry.

Net sales and operating profit increased due to consulting services supporting the development of SDV* and marketing, various CAE software, and Teamcenter, a PLM solution, expanded mainly to the transportation equipment industry.

Communication IT

The main business of this segment is providing solutions that support corporate marketing transformation and digital reform initiatives for government agencies and municipalities.

Net sales and operating profit increased due to the expansion of business for the public sector and the contribution of Mitsue-Links Co., Ltd., which was included in the scope of consolidation from the third quarter of the previous fiscal year.

* SDV: Software Defined Vehicle, a vehicle whose functions are defined and controlled by software.

2. Explanation of Financial Position

Status of Assets, Liabilities and Net Assets

(1) Assets

Total assets at the end of the first quarter of the current consolidated fiscal year decreased by ¥1,550 million from the end of the previous consolidated fiscal year to ¥145,781 million. Current assets decreased by ¥2,008 million from the end of the previous consolidated fiscal year to ¥117,050 million, due to the payment of various taxes and dividends despite an increase in notes and accounts receivable, current assets were affected by a decrease in deposits. Non-current assets increased by ¥457 million from the end of the previous consolidated fiscal year to ¥28,730 million, due to an increase in deferred tax assets.

(2) Liabilities

Total liabilities at the end of the first quarter of the current consolidated fiscal year decreased by ¥2,092 million from the end of the previous consolidated fiscal year to ¥54,045 million. Current liabilities decreased ¥2,033 million to ¥50,511 million, mainly due to a decrease in contract liabilities related to the provision of subscription-type services and a decrease in income taxes payable. Non-current liabilities decreased by ¥59 million from the end of the previous consolidated fiscal year to ¥3,533 million.

(3) Net assets

Net assets at the end of the first quarter of the current consolidated fiscal year increased by ¥541 million from the end of the previous consolidated fiscal year to ¥91,735 million, mainly as a result of an increase in retained earnings due to the recording of profit attributable to owners of parent, despite the payment of dividends from retained earnings.

3. Explanation of Consolidated Financial Results Forecasts

There are no changes to our forecasts for the first half and the full fiscal year, as announced on February 12, 2025.

Note: Forecast figures are projections based on information available at the time of release and are not intended as a guarantee that we will achieve these targets. Actual results may differ significantly from the above forecasts as a result of changes in the business environment.

II. Consolidated Financial Statement

1. Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	6,354	5,369
Notes and accounts receivable - trade, and contract assets	33,560	34,723
Merchandise and finished goods	106	187
Raw materials and supplies	14	15
Advance payments to suppliers	21,629	22,086
Deposits paid	55,961	52,390
Other	1,430	2,276
Total current assets	119,058	117,050
Non-current assets		
Property, plant and equipment	3,572	3,493
Intangible assets		
Goodwill	5,532	5,358
Other	9,164	8,856
Total intangible assets	14,696	14,215
Investments and other assets		
Investments and other assets	10,005	11,021
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	10,004	11,020
Total non-current assets	28,273	28,730
Total assets	147,331	145,781
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,083	14,966
Income taxes payable	3,721	3,109
Contract liabilities	18,939	16,951
Provision for loss on orders received	98	50
Provision for share awards	256	271
Other	14,445	15,161
Total current liabilities	52,544	50,511
Non-current liabilities		
Retirement benefit liability	103	99
Asset retirement obligations	954	953
Provision for share awards	—	37
Other	2,534	2,442
Total non-current liabilities	3,592	3,533
Total liabilities	56,137	54,045

(Millions of yen)

	As of December 31, 2024	As of March 31, 2025
Net assets		
Shareholders' equity		
Share capital	8,180	8,180
Capital surplus	15,270	15,270
Retained earnings	66,858	67,449
Treasury shares	(389)	(249)
Total shareholders' equity	89,920	90,650
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	222	240
Foreign currency translation adjustment	1,051	844
Total accumulated other comprehensive income	1,274	1,085
Total net assets	91,194	91,735
Total liabilities and net assets	147,331	145,781

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
[Consolidated Statements of Income]

(Millions of yen)

	Three months ended March 31, 2024	Three months ended March 31, 2025
Net sales	37,099	40,244
Cost of sales	23,533	25,847
Gross profit	13,566	14,397
Selling, general and administrative expenses	7,809	8,618
Operating profit	5,757	5,779
Non-operating income		
Interest and dividend income	10	97
Share of profit of entities accounted for using equity method	—	40
Foreign exchange gains	—	25
Dividend income of insurance	51	21
Subsidy income	4	7
Gain on investments in investment partnerships	—	26
Miscellaneous income	6	6
Total non-operating income	73	224
Non-operating expenses		
Interest expenses	8	8
Share of loss of entities accounted for using equity method	5	—
Loss on investments in investment partnerships	3	—
Foreign exchange losses	73	—
Miscellaneous losses	4	0
Total non-operating expenses	96	9
Ordinary profit	5,734	5,995
Extraordinary income		
Gain on sale of investment securities	265	—
Total extraordinary income	265	—
Extraordinary losses		
Impairment losses	25	—
Total extraordinary losses	25	—
Profit before income taxes	5,974	5,995
Income taxes - current	2,483	2,827
Income taxes - deferred	(626)	(942)
Total income taxes	1,856	1,885
Profit	4,118	4,109
Profit attributable to owners of parent	4,118	4,109

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

	Three months ended March 31, 2024	Three months ended March 31, 2025
Profit	4,118	4,109
Other comprehensive income		
Valuation difference on available-for-sale securities	(16)	17
Foreign currency translation adjustment	163	(206)
Total other comprehensive income	147	(189)
Comprehensive income	4,265	3,920
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,265	3,920

3. Notes on Quarterly Consolidated Financial Statement

(Notes Regarding Assumption of a Going Concern)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Not applicable

(Notes to Quarterly Consolidated Statement of Cash Flows)

Quarterly consolidated statements of cash flows for the first quarter of the current fiscal year have not been prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first quarter of the current fiscal year are as follows.

	Previous first quarter consolidated cumulative period (from January 1, 2024 to March 31, 2024)	Current first quarter consolidated cumulative period (from January 1, 2025 to March 31, 2025)
Depreciation	801 million yen	1,030 million yen
Amortization of goodwill	22 million yen	173 million yen

(Segment Information and Other)
Segment Information

(1) The first quarter cumulative period of FY2024 (from January 1, 2024 to March 31, 2024)

1) Information on net sales and operational profit or loss by reportable segment

(Millions of yen)

	Reportable segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	8,411	5,687	14,998	8,002	37,099
Inter-segment sales and transfers	-	-	-	-	-
Total	8,411	5,687	14,998	8,002	37,099
Segment profit	1,145	1,199	2,548	863	5,757

Note: Total values for segment profit match those for the operating profit on the “Consolidated Statements of Income.”

(2) The first quarter cumulative period of FY2025 (from January 1, 2025 to March 31, 2025)

1) Information on net sales and operational profit or loss by reportable segment

(Millions of yen)

	Reportable segment				
	Financial Solutions	Business Solutions	Manufacturing Solutions	Communication IT	Total
Net sales					
Sales to customers	8,305	5,706	16,159	10,073	40,244
Inter-segment sales and transfers	-	-	-	-	-
Total	8,305	5,706	16,159	10,073	40,244
Segment profit	1,105	990	2,571	1,112	5,779

Notes: Total values for segment profit match those for the operating profit on the “Consolidated Statements of Income.”

2) Information on net sales and operational profit or loss by reportable segment

In order to implement the growth strategy in the current medium-term management plan, from the first quarter of the current fiscal year, the business classifications under the reporting segments have been changed. As a result, the results for the first quarter of the previous fiscal year are compared and analyzed with the figures reclassified into the new classification.