

Presentation Material of Financial Results for the First Quarter of FY2025 (from January 1, 2025 to March 31, 2025)

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DENTSU SOKEN INC.

April 30, 2025



01 Outline of Financial Results for Q1 FY2025

02 Forecasts for FY2025

Appendix

1. The business classifications under the reporting segments have been changed from the fiscal year ending December 31, 2025. As a result, the results for the previous fiscal year are compared and analyzed with the figures reclassified into the new classification.
2. There have been items to be corrected regarding the figures for orders received and order backlog after the third quarter of fiscal year ended December 31, 2023, a timely disclosure of the details of the correction was announced on April 30, 2025. All figures in this material are after correction.

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Summary for the First Quarter of FY2025

Net sales

Increase of **+8.5%** mainly in Manufacturing Solutions and Communication IT

Operating profit

Despite an increase in SG&A expenses due to higher headcount and additional sales support workload for engineers, the operating profit **+0.4%**

Orders

Orders received **+5.8%**, order backlog **+8.8%**, mainly in Business Solutions and Communication IT

Rate of progress

Progress of **48.5%** in net sales and **50.3%** in operating profit against the H1 plan

Consolidated Results for the First Quarter of FY2025

(Unit: Millions of yen)

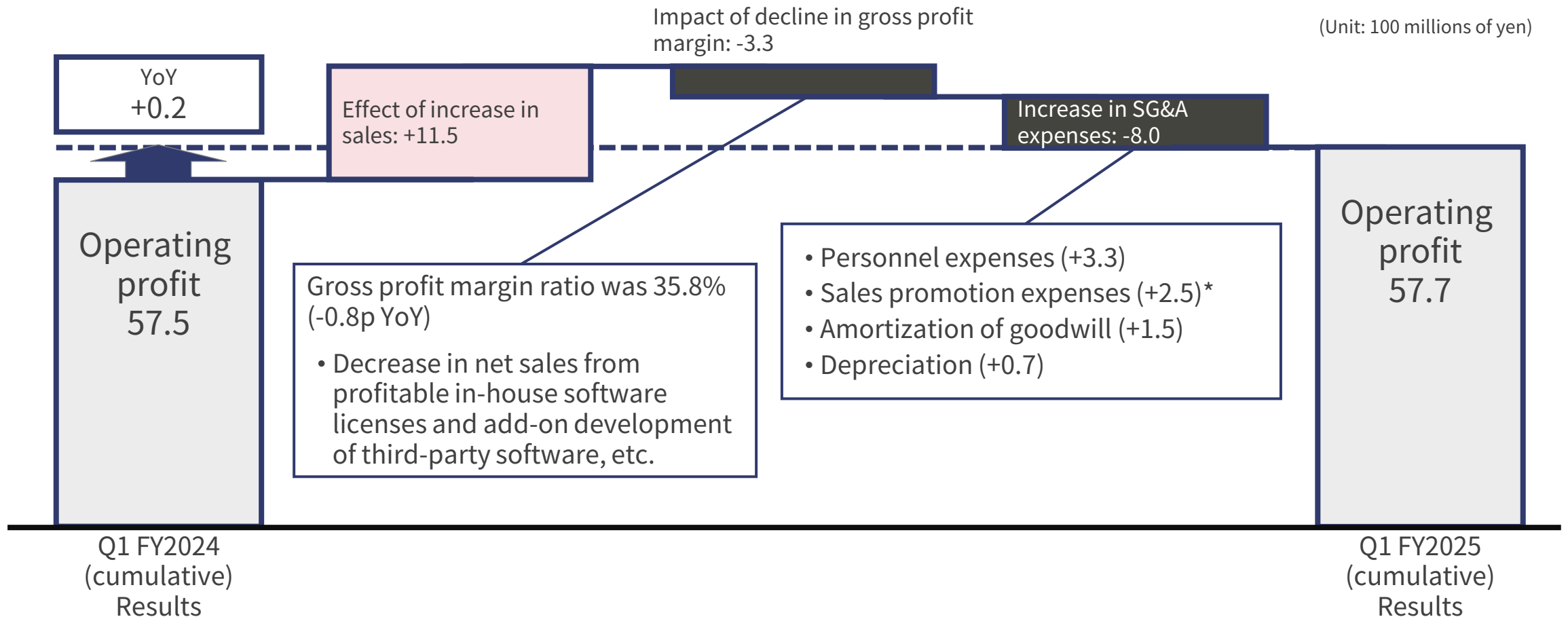
	Q1 FY2025 (cumulative)	YoY			Progress against H1** (%)	
		Q1 FY2024 (cumulative)	Variance	% change	Q1 FY2025 (cumulative)	Q1 FY2024 (cumulative)
Net sales	40,244	37,099	+3,145	+8.5	48.5	50.0
Gross profit	14,397	13,566	+831	+6.1	-	-
Gross profit margin (%)	35.8	36.6	-0.8p	-	-	-
Selling, general and administrative expenses	8,618	7,809	+809	+10.4	-	-
Operating profit	5,779	5,757	+22	+0.4	50.3	55.6
Operating margin (%)	14.4	15.5	-1.1p	-	-	-
Ordinary profit	5,995	5,734	+261	+4.5	52.1	55.9
Profit attributable to owners of parent	4,109	4,118	-9	-0.2	51.4	56.8
Number of employees (people)*	4,389	3,683	+706	+19.2		

* At the end of the first quarter

**FY2025: Against the forecast announced on February 12, 2025, FY2024: Against the results of FY2024

Factors of Increase/Decrease in Operating Profit (YoY)

- Operating profit increased due to the effect of increased sales, despite the impact of a decline in gross profit margin and an increase in selling, general and administrative expenses.
- Gross profit margin declined due to lower net sales from profitable in-house software licenses and add-on development of third-party software.



Non-Operating Income/Expenses and Extraordinary Income/Losses

- Profit attributable to owners of parent declined, mainly due to the absence of the extraordinary gain on sale of investment securities recorded in the same quarterly period of the previous fiscal year.

(Unit: Millions of yen)

	Q1 FY2025 (cumulative)	YoY		
		Q1 FY2024 (cumulative)	Variance	% change
Operating profit	5,779	5,757	+22	+0.4
Non-operating income	224	73	+151	+206.8
Non-operating expenses	9	96	-87	-90.6
Ordinary profit	5,995	5,734	+261	+4.5
Extraordinary income	-	265	-265	-
Extraordinary losses	-	25	-25	-
Profit before income taxes	5,995	5,974	+21	+0.4
Total income taxes	1,885	1,856	+29	+1.6
Profit attributable to non-controlling interests	-	-	-	-
Profit attributable to owners of parent	4,109	4,118	-9	-0.2

Regarding Changes in the Businesses Managed by Each Reportable Segment

- Effective from the current fiscal year, the businesses to be recorded in the reportable segments have been changed as follows.
 1. Transfer the ERP business from Communication IT to Manufacturing Solutions.
 2. Consolidate the business for some major customers, which was spread across multiple segments, into the primary managing segment.
 3. Integrate the smart society business and some solution businesses such as security into Communication IT.



Net Sales and Operating Profit by Reportable Segment

(Unit: Millions of yen)

		Q1 FY2025 (cumulative)	YoY		
			Variance	% change	Overview
Financial Solutions	Net sales	8,305	-106	-1.3	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.
	Operating profit	1,105	-40	-3.5	
	%	13.3	-0.3p	-	
Business Solutions	Net sales	5,706	+19	+0.3	Net sales remained flat year on year, despite the expansion of implementation projects of STRAVIS* ¹ mainly by trading companies, due to sluggish sales and implementation projects of POSITIVE* ¹ and Ci*X* ¹ . Operating profit decreased mainly due to an increase in personnel expenses resulting from an increase in headcount.
	Operating profit	990	-209	-17.4	
	%	17.4	-3.7p	-	
Manufacturing Solutions	Net sales	16,159	+1,161	+7.7	Net sales and operating profit increased due to consulting services supporting the development of SDV* ² and marketing, various CAE software, and Teamcenter, a PLM solution, expanded mainly to the transportation equipment industry.
	Operating profit	2,571	+23	+0.9	
	%	15.9	-1.1p	-	
Communication IT	Net sales	10,073	+2,071	+25.9	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.
	Operating profit	1,112	+249	+28.9	
	%	11.0	+0.2p	-	

*1 STRAVIS: Consolidated accounting solution, Ci*X: Integrated Group accounting solution, POSITIVE: Integrated human capital solution

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

Net Sales by Service Category and Dentsu Group Companies

(Unit: Millions of yen)

Service category	Q1 FY2025 (cumulative)	YoY	
		Variance	% change
Consulting Services	3,267	+596	+22.3
Custom System Development	8,297	+766	+10.2
In-house Software	7,644	+148	+2.0
Third-party Software	13,618	+329	+2.5
Outsourcing, Operation and Maintenance Services	5,026	+948	+23.2
IT Equipment Sales and Others	2,390	+359	+17.7
Counterparty	Q1 FY2025 (cumulative)	YoY	
		Variance	% change
Dentsu Group Inc. and Its subsidiaries	5,091	-264	-4.9

Net Sales by Industry

(Unit: Millions of yen)

Industry		Q1 FY2025 (cumulative)		YoY	
		Net sales	Composition ratio (%)	Variance	% change
	Banks	5,995	14.9	+292	+5.1
	Other financial institutions	2,294	5.7	+440	+23.7
	Financial	8,289	20.6	+731	+9.7
	Transportation equipment	8,281	20.6	+1,716	+26.1
	Electric appliances Precision instruments	4,172	10.4	-32	-0.8
	Machinery	2,664	6.6	-173	-6.1
	Other products	2,608	6.5	-108	-4.0
	Manufacturing	17,726	44.1	+1,402	+8.6
Services and public offices		10,660	26.4	+423	+4.1
Distributions and others		3,567	8.9	+588	+19.7

* As we reviewed some of our client industries, we used reclassified figures for comparison with the same period last year.

Orders Received and Order Backlog

(Unit: Millions of yen)

		Orders received		Order backlog	
		Q1 FY2025 (cumulative)	YoY % change	End of Q1 FY2025	YoY % change
Total		48,518	+5.8	68,132	+8.8
Reportable segment	Financial Solutions	9,802	+2.2	10,115	+9.2
	Business Solutions	7,600	+26.1	9,071	+8.9
	Manufacturing Solutions	16,964	-5.4	29,440	+1.7
	Communication IT	14,150	+15.1	19,505	+21.2
Service category	Consulting Services	2,653	+4.8	1,627	+32.8
	Custom System Development	9,697	+10.3	7,086	+10.8
	In-house Software	10,170	+33.0	11,696	+7.1
	Third-party Software	15,997	-7.9	32,520	+4.4
	Outsourcing, Operation and Maintenance Services	7,948	+12.7	9,416	+33.4
	IT Equipment Sales and Others	2,051	-16.6	5,786	-1.6

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Earnings Forecasts for FY2025

- There is no change from the forecasts announced on February 12, 2025.

(Unit: Millions of yen)

	FY2025 (cumulative)	YoY			H1 FY2025 (cumulative)	YoY		
		FY2024 (cumulative)	Variance	% change		H1 FY2024 (cumulative)	Variance	% change
Net sales	170,000	152,642	+17,358	+11.4	83,000	74,235	+8,765	+11.8
Operating profit	23,000	21,039	+1,961	+9.3	11,500	10,360	+1,140	+11.0
Operating margin (%)	13.5	13.8	-0.3p	-	13.9	14.0	-0.1p	-
Ordinary profit	23,000	21,093	+1,907	+9.0	11,500	10,262	+1,238	+12.1
Profit attributable to owners of parent	16,000	15,117	+883	+5.8	8,000	7,248	+752	+10.4
Number of employees (people)*	4,800	4,413	+387	+8.8				

* At the end of the fiscal year

Net Sales Forecasts by Reportable Segment for FY2025

(Unit: Millions of yen)

	FY2025 (cumulative)	YoY			H1 FY2025 (cumulative)	YoY		
		FY2024 (cumulative)	Variance	% change		H1 FY2024 (cumulative)	Variance	% change
Financial Solutions	37,000	34,050	+2,950	+8.7	18,000	17,177	+823	+4.8
Business Solutions	27,000	23,626	+3,374	+14.3	13,000	11,863	+1,137	+9.6
Manufacturing Solutions	67,000	60,564	+6,436	+10.6	33,000	29,324	+3,676	+12.5
Communication IT	39,000	34,401	+4,599	+13.4	19,000	15,870	+3,130	+19.7

Net Sales Forecasts by Service Category for FY2025

(Unit: Millions of yen)

	FY2025 (cumulative)	YoY			H1 FY2025 (cumulative)	YoY		
		FY2024 (cumulative)	Variance	% change		H1 FY2024 (cumulative)	Variance	% change
Consulting Services	12,000	10,480	+1,520	+14.5	5,800	4,763	+1,037	+21.8
Custom System Development	34,000	31,013	+2,987	+9.6	16,500	15,027	+1,473	+9.8
In-house Software	34,000	30,095	+3,905	+13.0	16,500	15,136	+1,364	+9.0
Third-party Software	60,000	54,372	+5,628	+10.4	29,500	26,886	+2,614	+9.7
Outsourcing, Operation and Maintenance Services	21,000	18,498	+2,502	+13.5	10,300	8,404	+1,896	+22.6
IT Equipment Sales and Others	9,000	8,182	+818	+10.0	4,400	4,017	+383	+9.5

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Prior Period Adjustment of Orders Received and Order Backlog

(1) Overview of Corrections

- There have been items to be corrected regarding the figures for orders received and order backlog from the third quarter of the fiscal year ended December 31, 2023, through the fiscal year ended December 31, 2024. A summary of these corrections is as follows.

(Unit: Millions of yen)

		FY2023				
		Q1	Q2	Q3	Q4	Full year
Before correction	Orders received	44,783	35,558	<u>32,617</u>	<u>32,485</u>	<u>145,445</u>
	Order backlog	61,652	62,141	<u>59,341</u>	<u>54,486</u>	<u>54,486</u>
After correction	Orders received	44,783	35,558	<u>32,111</u>	<u>32,406</u>	<u>144,858</u>
	Order backlog	61,652	62,141	<u>58,834</u>	<u>53,899</u>	<u>53,899</u>
Variance	Orders received	-	-	-506	-79	-586
	Order backlog	-	-	-506	-586	-586

		FY2024				
		Q1	Q2	Q3	Q4	Full year
Before correction	Orders received	<u>45,996</u>	<u>41,355</u>	<u>35,175</u>	<u>36,612</u>	<u>159,139</u>
	Order backlog	<u>63,382</u>	<u>68,303</u>	<u>64,781</u>	<u>60,982</u>	<u>60,982</u>
After correction	Orders received	<u>45,842</u>	<u>41,206</u>	<u>35,139</u>	<u>36,414</u>	<u>158,602</u>
	Order backlog	<u>62,642</u>	<u>67,413</u>	<u>63,856</u>	<u>59,859</u>	<u>59,859</u>
Variance	Orders received	-153	-149	-35	-197	-536
	Order backlog	-740	-889	-925	-1,122	-1,122

Prior Period Adjustment of Orders Received and Order Backlog

(2) The Fiscal Year Ended December 31, 2023

- The revised figures for the fiscal year ended December 31, 2023, are as follows.

(Unit: Millions of yen)

*Corrected numbers <u>are underlined</u> .		FY2023								
		Orders received					Order backlog			
		Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4
Total		44,783	35,558	<u>32,111</u>	<u>32,406</u>	<u>144,858</u>	61,652	62,141	<u>58,834</u>	<u>53,899</u>
By Reportable segment	Financial Solutions	6,863	8,387	<u>7,952</u>	<u>7,387</u>	<u>30,591</u>	7,330	8,312	<u>8,403</u>	<u>7,775</u>
	Business Solutions	5,706	5,870	<u>3,974</u>	<u>5,201</u>	<u>20,752</u>	10,264	10,156	<u>8,317</u>	<u>7,877</u>
	Manufacturing Solutions	14,799	10,809	11,199	9,321	46,130	22,746	23,915	25,091	23,114
	Communication IT	17,413	10,491	8,984	10,496	47,385	21,311	19,757	17,022	15,132
By Service category	Consulting Services	2,199	2,459	1,820	<u>2,510</u>	<u>8,990</u>	993	1,645	1,440	<u>1,364</u>
	Custom System Development	7,954	7,058	<u>7,007</u>	<u>7,069</u>	<u>29,090</u>	6,959	6,232	<u>5,718</u>	<u>5,135</u>
	In-house Software	7,727	8,033	5,091	7,458	28,310	13,224	13,404	10,957	10,771
	Third-party Software	16,396	12,674	<u>13,956</u>	<u>10,097</u>	<u>53,125</u>	27,167	28,161	<u>29,825</u>	<u>27,089</u>
	Outsourcing, Operation and Maintenance Services	7,511	3,833	<u>2,524</u>	<u>3,814</u>	<u>17,683</u>	6,908	6,638	<u>4,939</u>	<u>4,086</u>
	IT Equipment Sales and Others	2,993	1,499	<u>1,711</u>	<u>1,455</u>	<u>7,659</u>	6,397	6,058	<u>5,952</u>	<u>5,451</u>

*Corrected numbers are underlined.

Prior Period Adjustment of Orders Received and Order Backlog

(3) The Fiscal Year Ended December 31, 2024

- The revised figures for the fiscal year ended December 31, 2024, are as follows.

(Unit: Millions of yen)

*Corrected numbers <u>are underlined</u> .		FY2024								
		Orders received					Order backlog			
		Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4
Total		<u>45,842</u>	<u>41,206</u>	<u>35,139</u>	<u>36,414</u>	<u>158,602</u>	<u>62,642</u>	<u>67,413</u>	<u>63,856</u>	<u>59,859</u>
By Reportable segment	Financial Solutions	<u>8,822</u>	<u>8,093</u>	<u>6,880</u>	<u>8,239</u>	<u>32,036</u>	<u>8,711</u>	<u>8,581</u>	<u>7,550</u>	<u>7,901</u>
	Business Solutions	<u>5,892</u>	<u>6,281</u>	<u>5,211</u>	<u>4,874</u>	<u>22,259</u>	<u>8,162</u>	<u>8,332</u>	<u>8,124</u>	<u>6,812</u>
	Manufacturing Solutions	<u>15,453</u>	<u>12,144</u>	12,136	10,371	50,105	<u>26,855</u>	28,017	28,312	25,866
	Communication IT	<u>15,674</u>	<u>14,687</u>	<u>10,910</u>	<u>12,927</u>	<u>54,200</u>	<u>18,913</u>	<u>22,481</u>	<u>19,869</u>	<u>19,279</u>
By Service category	Consulting Services	<u>2,532</u>	<u>2,956</u>	<u>3,082</u>	<u>2,786</u>	<u>11,356</u>	<u>1,225</u>	<u>2,197</u>	<u>2,462</u>	<u>2,241</u>
	Custom System Development	<u>8,790</u>	<u>7,404</u>	<u>7,089</u>	<u>8,280</u>	<u>31,564</u>	<u>6,394</u>	<u>6,896</u>	<u>5,803</u>	<u>5,686</u>
	In-house Software	7,644	8,399	5,779	6,670	28,493	10,919	11,678	10,499	9,170
	Third-party Software	<u>17,363</u>	<u>16,780</u>	<u>12,878</u>	<u>10,403</u>	<u>57,425</u>	<u>31,163</u>	<u>34,347</u>	<u>33,545</u>	<u>30,142</u>
	Outsourcing, Operation and Maintenance Services	<u>7,053</u>	<u>3,726</u>	<u>4,873</u>	<u>5,251</u>	<u>20,905</u>	<u>7,061</u>	<u>6,462</u>	<u>6,338</u>	<u>6,493</u>
	IT Equipment Sales and Others	<u>2,458</u>	<u>1,938</u>	<u>1,436</u>	<u>3,022</u>	<u>8,856</u>	<u>5,878</u>	<u>5,831</u>	<u>5,206</u>	<u>6,125</u>

Reclassification of Reportable Segment Figures

(1) Net Sales and Operating Profit

- The figures for the year ended December 31, 2024, restated to reflect the new segment classifications, are as follows.

(Unit: Millions of yen)

		FY2024				
		Q1	Q2	Q3	Q4	Full year
Financial Solutions	Net sales	8,411	8,766	8,414	8,458	34,050
	Operating profit	1,145	1,053	1,044	1,104	4,348
	%	13.6	12.0	12.4	13.1	12.8
Business Solutions	Net sales	5,687	6,175	5,507	6,255	23,626
	Operating profit	1,199	1,501	970	1,647	5,319
	%	21.1	24.3	17.6	26.3	22.5
Manufacturing Solutions	Net sales	14,998	14,326	15,254	15,985	60,564
	Operating profit	2,548	1,610	1,780	2,635	8,574
	%	17.0	11.2	11.7	16.5	14.2
Communication IT	Net sales	8,002	7,867	8,820	9,711	34,401
	Operating profit	863	438	307	1,188	2,797
	%	10.8	5.6	3.5	12.2	8.1

Reclassification of Reportable Segment Figures

(2) Orders Received and Order Backlog

- The revised figures for the fiscal year ended December 31, 2024, reclassified to reflect the new segment classifications, are as follows.

(Unit: Millions of yen)

		FY2024								
		Orders received					Order backlog			
		Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4
Total		45,842	41,206	35,139	36,414	158,602	62,642	67,413	63,856	59,859
By Reportable segment	Financial Solutions	9,595	8,999	7,119	8,871	34,587	9,266	9,499	8,204	8,617
	Business Solutions	6,028	6,314	5,335	5,132	22,811	8,333	8,472	8,301	7,178
	Manufacturing Solutions	17,928	15,829	15,928	13,488	63,174	28,954	30,458	31,133	28,635
	Communication IT	12,289	10,062	6,755	8,921	38,029	16,087	18,983	16,217	15,427



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