Medium-term Management Plan “Contributing to Progress in Society 2027” Briefing Materials

DENTSU SOKEN INC.
February 12, 2025

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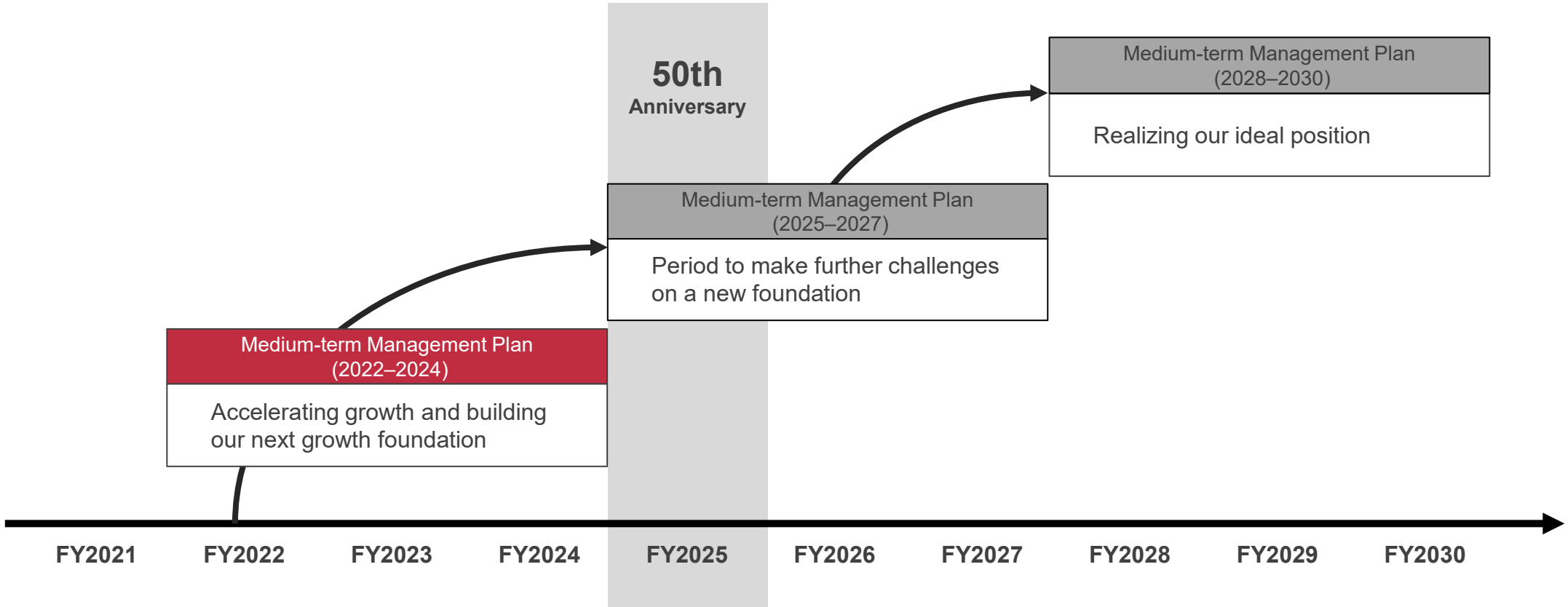
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Previous Plan Positioning

- First step toward **accelerating growth and building a foundation for further growth** to realize Vision 2030



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Quantitative Targets under the Previous Plan

- **Despite falling short of upwardly revised targets announced in 2023, we met initial quantitative goals and target of number of employees**

		Initial Targets	2024 Results	2021–2024 CAGR
Quantitative Goals	Net sales	¥150.0 billion	¥152.6 billion	10.8%
	Operating profit	¥18.0 billion *	¥21.0 billion	15.3%
	Operating profit margin	12.0% *	13.8%	-
	ROE	15.0%*	17.4%	-
Growth Investments	Number of employees	4,200 people	4,413 people	10.8%
	Technology investments	¥17.0 billion	¥10.8 billion (Three-year cumulative)	-
	Investment and M&A	¥10.0 billion	¥9.8 billion (Three-year cumulative)	-

* Upwardly revised targets (announced July 31, 2023)
Operating profit: ¥22.5 billion; operating profit margin: 15.0%; ROE: 18.0%

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Priority Measures under the Previous Plan

● Promoting Four Self-transformations

HIRAKU : Business domain expansion

- **Accelerate existing core business growth: Achieved initial plan for growth**
- Strengthen and establish customer contact reform business: Consolidated and strengthened scattered businesses
- Strengthen and establish corporate and social transformation business: Engaged mainly in spot projects, need to promote continuous commercialization
- Strengthen think tank functions: Gained think tank functions from dentsu Japan

KASEGU : Earnings model innovation

- Enhance in-house software and third-party software: Software commercialization ratio increased **from 50.0% to 55.3％ (2021–2024).** Strengthening of product capabilities and implementation systems will remain important
- Promote diversification of business models: Progress made on subscribing and agency policies, but SaaS and revenue sharing continue to be issues

TSUKURU : New capability acquisition

- Strengthen human resources: Exceeded expectations as a result of higher recruitment and successful M&A
- **Strengthen consulting: Integrated and strengthened two consulting subsidiaries**
- Strengthen cutting-edge technology: CoE organization consolidated and strengthened, but application to products and services remain an issue
- **Strengthen design capabilities: Acquisition of Mitsue-Links**

MITSUE-LINKS

SASAERU : Management foundation innovation

- Promote sustainability management: Various measures led to our receiving positive recognition from external organizations
- Innovate management foundation: **Corporate rebranding**, revised personnel system, Improved treatment

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Previous Plan Summary

Previous Plan	Achieved **accelerating growth** and **establishment of a foundation for further growth**
New Plan	Key priorities : **Strengthening of solution capabilities** and **development of human capital**

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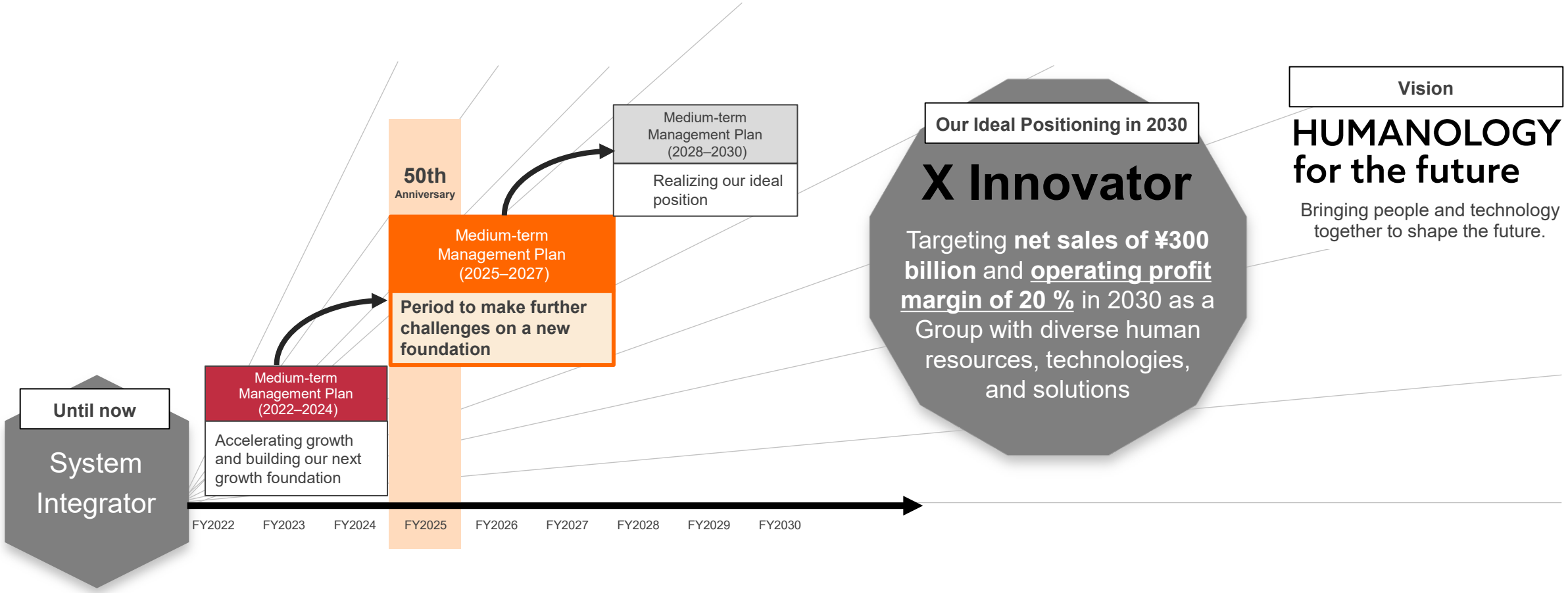
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New Plan Positioning and Long-term Objective Vision 2030 Update

- **The new medium-term management plan is the second step toward our 2030 vision, in which we will leverage our new foundation to take on further challenges**
- **In order to become a highly profitable company, we have added an operating profit margin of 20% as a target for 2030**



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Recognition of Business Environment

- **Transformations in society and corporations aimed at realizing both sustainability and growth are accelerating and creating huge growth opportunities for companies with strengths in the implementation of various technologies**

Environmental changes ahead of 2030

Realizing smart societies

DX permeates society and lifestyle, resulting in accelerated business optimization

Shrinking workforce

Competition for IT-related professionals will intensify, further increasing the importance of employee development and retention

Expanding corporate social responsibility

Responding to new agendas such as ESG management and human capital management

- Business will become increasingly diverse, complex, and advanced in pursuit of social value

Accelerating technological advances

Generative AI and other cutting-edge technologies will rapidly advance and spread

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New Plan Formulation

- Having reflected on the previous plan review and recognition of business environment, the new medium-term management plan was formulated
- We aim to be our ideal positioning in 2030 based on three basic policies



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New Plan (2025–2027) Overview

DENTSU SOKEN Contributing to Progress in Society 2027

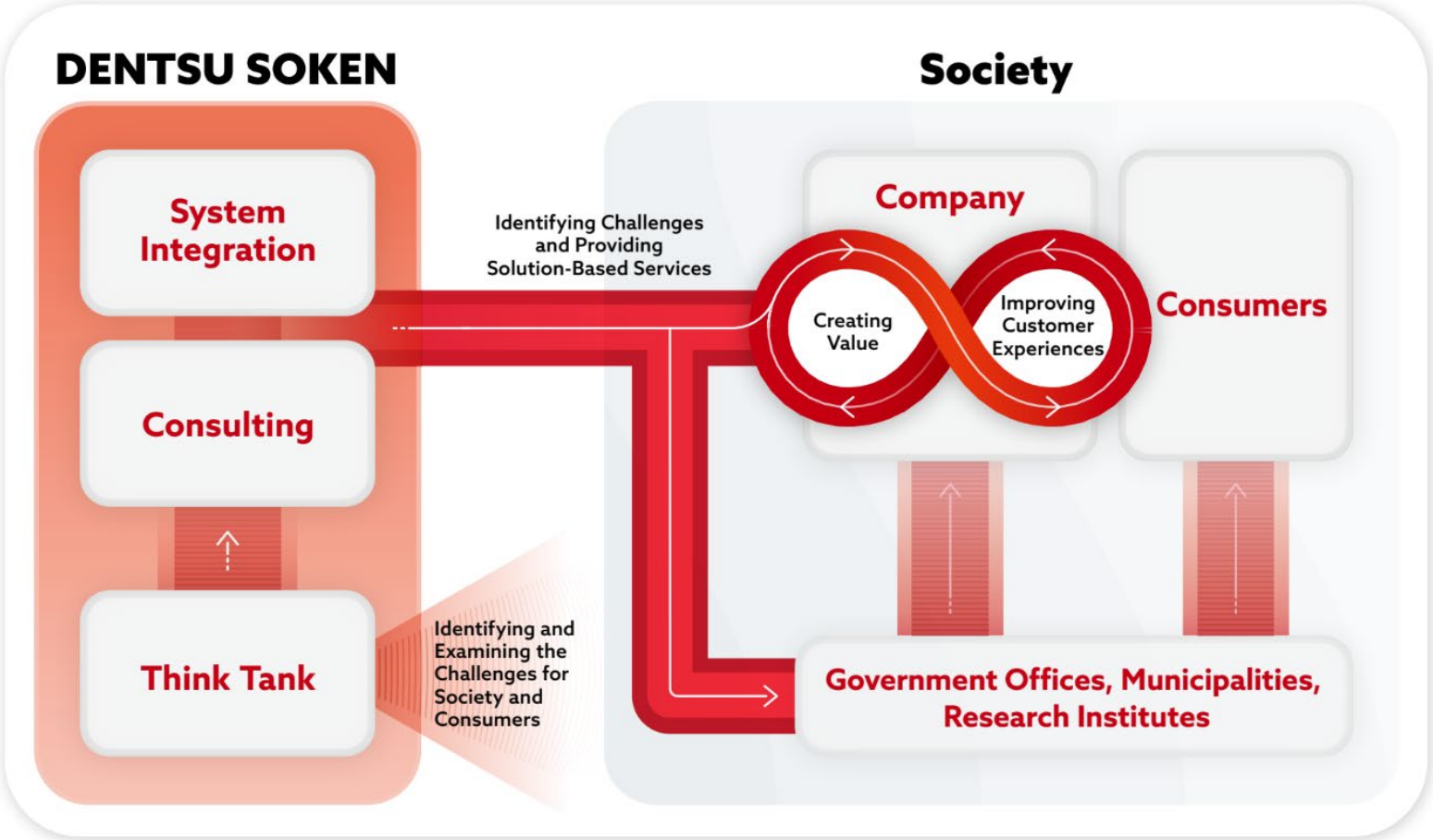
Enhancing and leveraging our capabilities to support the activities of corporations and other organizations, and to implement social evolution.

Basic Policies	Priority Measures		
I. Value creation for corporate and social transformation	(1) Integration of sales personnel	(2) Integration of engineers	
II. Enhancement of competitive solutions	(3) Utilization of cutting-edge technologies	(4) Promotion of external collaboration	(5) Strengthening of proprietary solutions
III. Strengthening of management	(6) Reform of management system	(7) Strengthening human capital	

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Business Concept —Contributing to Progress in Society—

- We define “Progress in Society” as “diverse changes towards the better in society”. We contribute to realize “Progress in Society ” through “creating value” and “improving of customer experiences” by our three functions of system integration, consulting, and think tank



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Basic Policy I. Value creation for Corporate and Social Transformation

- **We lead the transformation of customers responding to diversifying and changing social and consumer needs, we will provide value by focusing on and resolving corporate and social issues in all our businesses**

(1) Integration of sales

- **Advanced account management** will facilitate Company-wide responses to customer expectations
- **Proposal and conceptualization capabilities** will be strengthened to reflect corporate and social issues in collaboration with consulting companies and think tanks
- Integrate solution sales and marketing activities along functional axes, share expertise, and strengthen activities through commonization

(2) Integration of engineers

- The ability to handle highly complex, large-scale projects will be strengthened
- **Flexible staffing** across business units
- Strengthen quality and competitiveness by sharing expertise
- **Acceleration of project managers development, expansion of advanced digital professionals**

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Basic Policy II. Enhancement of Competitive Solutions

- **We accelerate investing in existing products, develop new businesses leading to social transformation, and enhance our competitive advantages**

(3) Utilization of cutting-edge technologies

- **Improve productivity through AI-driven software developments**
- Increase software value through the use of cutting-edge technologies
- Realize a reliable digital society utilizing Trusted Web technology

(4) Promotion of external collaboration

- Engage in business development and promotion in conjunction with the Dentsu Group
- **Realize functional enhancements and business acquisition through business tie-ups and M&A**
- Promote external collaboration to strengthen the think tank domain

(5) Strengthening of proprietary solutions

- Promote social sustainability with STRAVIS non-financial report/collaborative functional enhancements
- Launch provision of 5th version Ci*X Series solutions
- Enhance POSITIVE functionality and begin development of next-generation version
- Enhance iQUAVIS interfaces and expanded functionality to win new markets
- **Expansion of partner sales**
- Establish **new organization** to strengthen development of new products and businesses*

* Embedded Finance, Web3, etc.

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Basic Policy III. Strengthening of Management

- **We further strengthen the foundation supporting the entire Group, and realize medium- to long-term growth**

(6) Reform of management system

- Advance management administration
- **Improve entire corporate productivity through DX**
- **Strengthen sustainability including subsidiaries and external partners**
- Development of next generation leadership

(7) Strengthening human capital

- Maintain and expand proactive recruitment
- **Reconfigure human capital development system**
- **Optimize human resource allocation**
- Improve employee engagement

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Quantitative Targets

- We have set five quantitative goals and a growth investment budget

Quantitative goals	2027 Targets	2024–27 CAGR	2024 Results	2021–24 CAGR
Net Sales	¥210.0 billion	11.2%	¥152.6 billion	10.8%
Operating profit	¥31.5 billion	14.4%	¥21.0 billion	15.3%
Operating profit margin	15.0%		13.8%	
ROE	18.0%+		17.4%	
Number of employees	6,000 people	10.8%	4,413 people	10.8%

Allocation for growth investments	New Plan (Three-year cumulative)	Previous Plan Results
Technologies, products, and DX; Investment and M&A	¥75.0 billion planned	¥20.6 billion

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Segment Targets

- **In addition to growth in existing domains in all segments, we aim for further growth by meeting new challenges**

(Million yen)

Reportable Segment	Growth Domains and Main Policies	FY2024 Net Sales after Reclassification	FY2024 Net Sales Target	CAGR
Financial Solutions	• Strengthening lending solutions and expanding into embedded finance • Consulting and software product development in financial accounting domain • Development of global banking system products and strengthening of global support	**34,176**	**44,000**	**8.8%**
Business Solutions	• Enhance STRAVIS to realize reporting non-financial info (e.g., sustainability) • Full-scale deployment of Ci*X Financials and launch of a new product • Enhance talent management and human capital development solutions of POSITIVE, begin conceptualization and planning of next-generation	**24,014**	**37,000**	**15.5%**
Manufacturing Solutions	• Create new value by combining the respective strengths of PLM and ERP • Strengthen software services, including AI, for SDV* • In addition to conventional design and development support, launch a design and development contracting service	**60,495**	**83,000**	**11.1%**
Communication IT	• Strengthening cooperation in public sector applications such as government, municipalities and smart cities • In addition to accelerating collaboration in marketing DX and data management, strengthen promotion of solution sales	**33,956**	**46,000**	**10.6%**

* Software Defined Vehicle

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By Type of Service

- **Of the 57.4 billion yen sales growth in the new medium-term management plan period, 36.5 billion yen will be generated by software (in-house and third-party)**

(Million yen)

	2024 Net sales results	2024 Net Sales composition ratio	2027 Net sales targets	2027 Net Sales composition ratio	CAGR
Consulting Services	10,480	6.9%	15,000	7.1%	12.7%
Custom System Development	31,013	20.3%	39,000	18.6%	7.9%
In-house Software	30,095	19.7%	44,000	20.9%	13.5%
Third-party Software	54,372	35.6%	77,000	36.7%	12.3%
Outsourcing, Operation and Maintenance Services	18,498	12.1%	25,000	11.9%	10.6%
IT Equipment Sales and Others	8,182	5.4%	10,000	4.8%	6.9%

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Financial Policy

- We make proactive growth investments based on disciplined investment decisions while ensuring financial soundness

Financial policy

Cash on hand

Secure 2 months worth of sales on hand

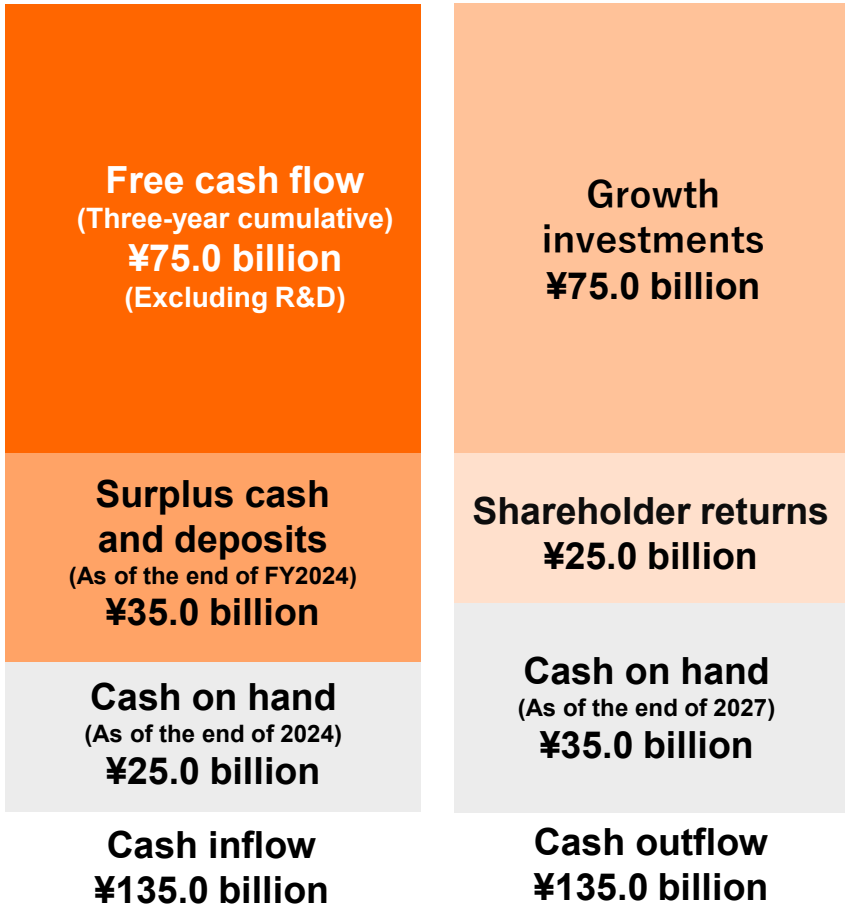
Fundraising

In raising funds, we consider borrowing with a view to maintaining a capital adequacy ratio of 50% or more, taking financial soundness into consideration

Investment decisions

We make investment decisions based on a hurdle rate that takes into account the latest capital costs

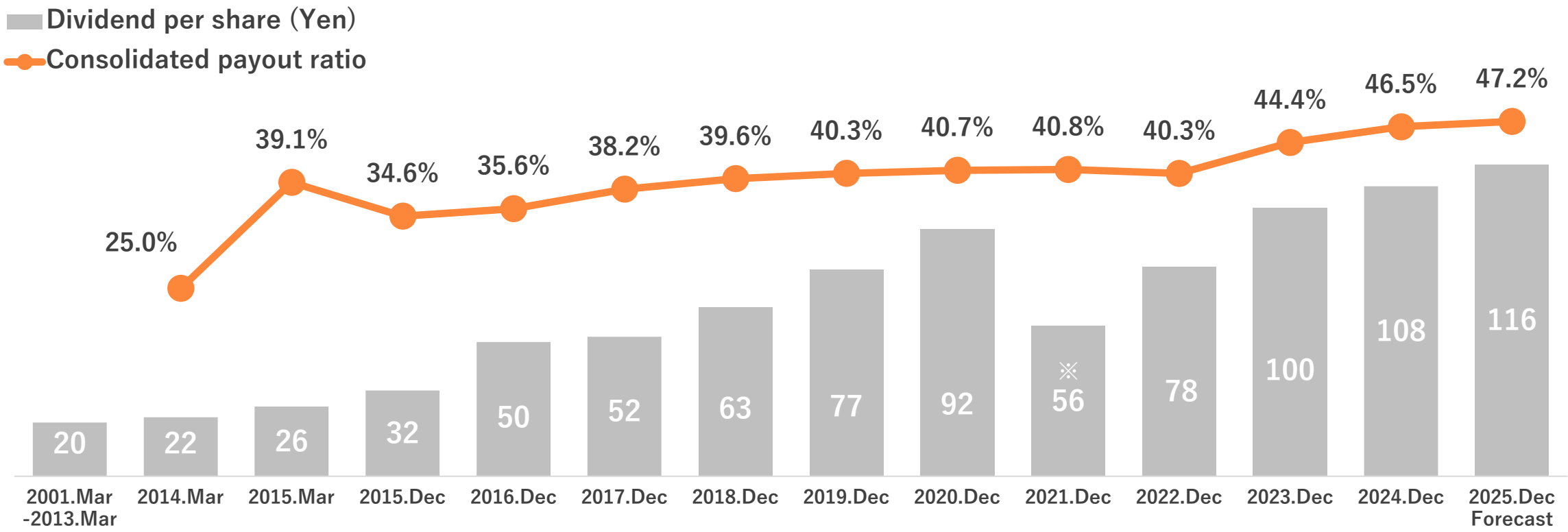
Cash Allocation



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Shareholder Returns

- The Group's basic dividend policy is to maintain an appropriate level of steady dividends, while retaining sufficient internal reserves to ensure sustained growth
- We aim to improve the consolidated dividend payout ratio from 50.0% in 2024 to 46.5% in 2027

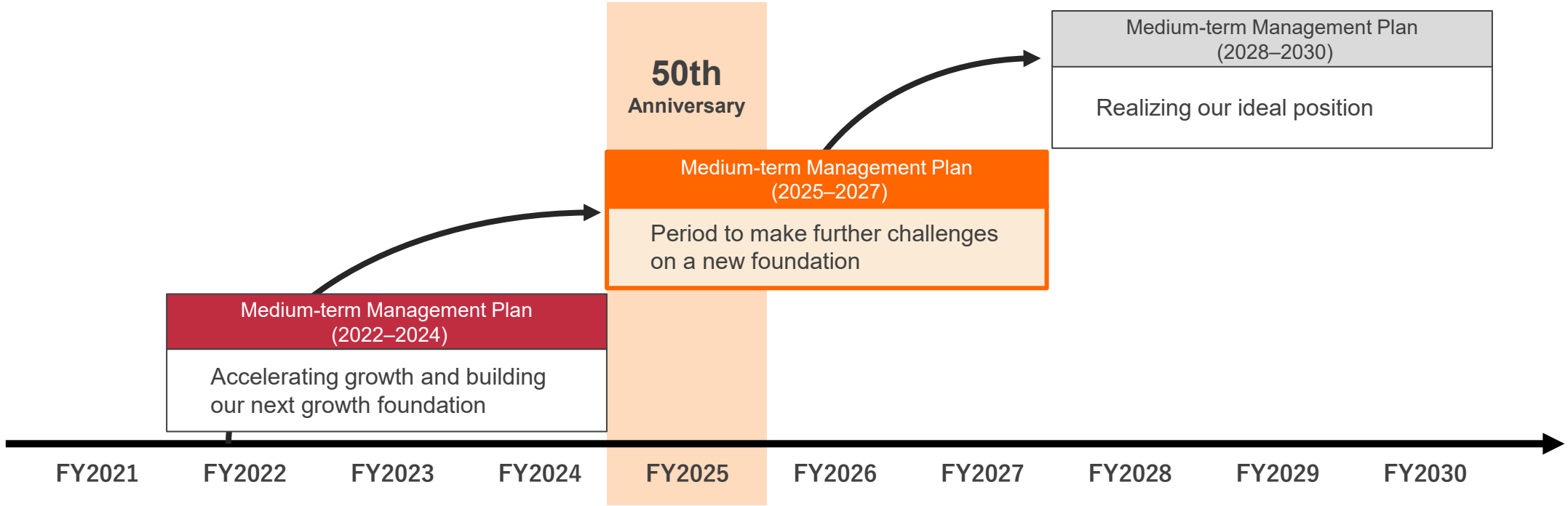


※two-for-one stock split was implemented on January 1, 2021.

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Commemorating Our 50th Anniversary and Looking Ahead

- The previous medium-term management plan included rebranding, functional enhancements, organizational restructuring and other tangible transformations to create the next growth foundation
- The new medium-term management plan accelerate the transformation and strengthening of the intangible aspects
- On the occasion of our 50th anniversary, we create new growth with the enthusiasm of a new foundation



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Appendix Materiality

- In line with the formulation of the new medium-term management plan, we also reviewed material issues facing the company
- We will contribute to the realization of a sustainable society and promote the sustainable Group growth

Key Themes	Material Issues
People Development, mobilization of a diverse team of professionals	• Strengthening of human capital • Promotion of DEI
Technology Solution of social, environmental issues; provision of new value through our businesses	• Contribution to the resolution of social and environmental issues • Creation of new businesses • Demonstration of our technological implementation capabilities
Governance Establishment of governance systems worthy of stakeholder trust	• Strengthening of corporate governance • Enforcing of ethical compliance and respect for human rights • Application of appropriate risk management practices • Enhancing of information security management

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