

How We Create and Share Value

The value creation process of the Dentsu Group

Based on our corporate philosophy of "Good Innovation," the Dentsu Group contributes to the realization of a sustainable society by providing best solutions for solving worldwide issues in collaboration with our customers.



Transform Worldwide Issues into...
We recognize and call attention to the issues.

Megatrends

- Limited environment and resources
- Disparities and Differences
- Demographic changes
- Diverse Values
- Advance of Digitalization
- Climate Change

Financial Capital

- Sound financial position.
- Multifaceted funding sources.

Manufacturing Capital

- Working environments that makes employees comfortable and collaborative.
- Cloud platforms that enable location-free collaboration.

Intellectual Capital

- Accumulated consumer, client, and social insights gleaned from business operations.
- Unique and original ideation methods.
- Data expertise represented by PDM and M1.

Human Capital

- 60,000 diverse talented individuals in over 145 countries and regions.
- Talent development programs supporting the growth of employees.
- Inclusivity to incorporate talent from outside.

Societal Capital

- Wide and solid customer base (clients, media owners, affiliates, sports organizations, content holders, public sectors, local communities).

Natural Capital

- Limited dependence on natural capital due to nature of business.
- Stable access to electricity and other power sources.

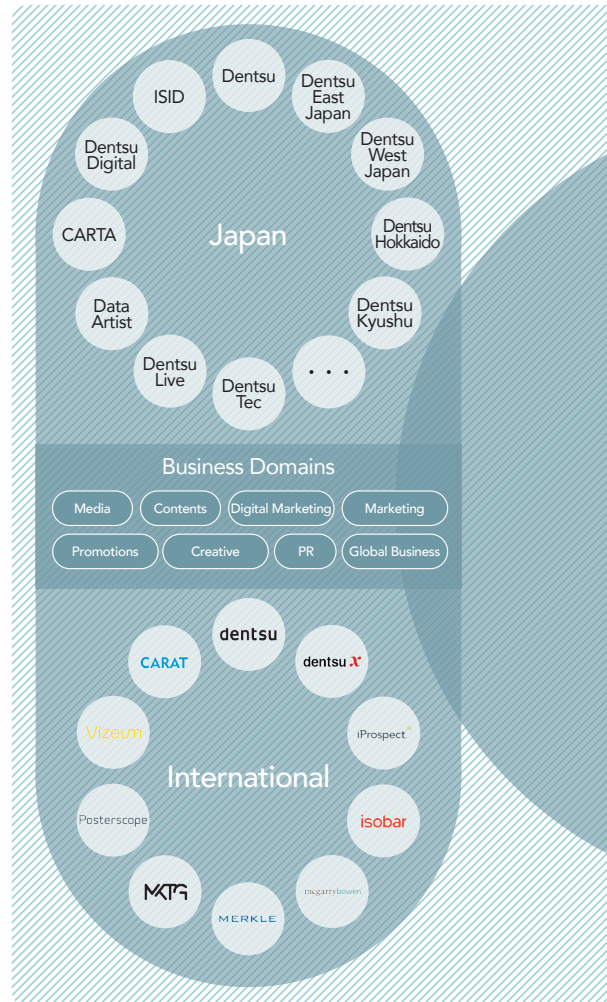
A crossing point of worldwide issues and people who want to solve them.



... challenges.
We face challenges as One Team.

Corporate Philosophy

Good Innovation.



External Environment

The world is full of issues. And those are increasing not only in terms of numbers but also in terms of complexities.

Since we are aiming to become "the best partner in realizing the business transformation of our customers" in solving their issues, we, the Dentsu Group, consider this situation as our opportunity.

All-encompassing transformations to bring new value to people and society.



Create solutions...
Multi-angle and unconstrained thinking.



... and take actions together.
Materialize solutions together with customers.

Financial Capital

P. 026

- Internal reserves and allocation for future growth, including M&A.
- Return of profit to society through stable dividend.

Manufacturing Capital

P. 024

- Realization of a better working environment.
- IT platforms to facilitate collaboration.

Intellectual Capital

P. 027

- Expertise and knowledge gained through providing solutions.
- Client and consumer benefits from our gained data expertise.

Human Capital

P. 044

- Talent development.
- Promotion of diversity based on the respect to individuals.

Societal Capital

P. 027

- Stronger bond with customers through collaboration.
- Wider range of solutions by building wider external network.

Natural Capital

P. 039

- Protect natural capital by leveraging customer-owned programs through support for their SDGs activities.

Innovations for a better society.
Dentsu Group learning and growing from those.

Contributions to rich life through communication

Contribution to the growth of our customers

Realization of a sustainable society

We have set six CSR Material Themes to face these challenges. (Page 40).

• **Material Themes**

- Respect for human rights and pursuit of humanity
- Reduction of environmental footprint
- Diversity and Inclusion

- Decent and creative work
- Responsible communications and content
- Social transformation through business

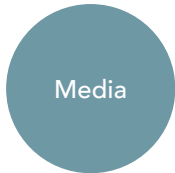
Goals of the SDGs with deep connection between Dentsu Group business.



Our Business

Business Lineup and Primary Services

The Dentsu Group demonstrates its powers of integration by combining services spanning a wide variety of business domains.



Dentsu is supported by its many years of experience, its distinctive and original methods, its efficient tool-backed media planning, and its ability to build media buying tactics. We have also established an environment in which we can utilize our rich, quality content assets through the production of television programs, investment in film production committees, acquisition of broadcasting rights for large sporting events, and other endeavors.

Using this expertise in media planning, our buying power and our access to abundant content, we set up the Integrated Solutions Division devoted to comprehensive media content planning. The division provides optimized and seasonal media plans designed to resolve branding issues.

Through this division, Dentsu is applying its expertise and executive abilities to develop and provide comprehensive media plans. These serve both the mass media of yesteryear and the wide range of new digital media, represented by ever-changing and growing social networking services and video sites.

Business field

- Media planning
- Media buying
- Interactive media
- New business development with media companies
- Audience insight development
- Private marketplace

Value provided

- Media planning know-how, methods and tools
- Top-tier content assets



Advertising is undergoing many changes, as client advertising needs and consumer's access points no longer fit past frameworks. With society maturing, sports and entertainment content are becoming an increasingly indispensable part of our cultural lives.

As Dentsu continues to take on the challenges of content production one sees its ability to innovate and produce wide-ranging communication by delivering universally exciting sports, movies, music and other media to a broad sector of the community.

Dentsu has been appointed exclusive marketing agent for the Tokyo 2020 Olympic and Paralympic Games, and will contribute to the success of the Games by selling related marketing rights

Business field

- Sports business
- Entertainment content

Value provided

- Provide sports, movie and music content that excites and inspires all people

Digital Marketing

The spread of digitalization and the ongoing evolution of technology have driven changes in consumer behavior. These, in turn, are fuelling demand for comprehensive digital marketing. Companies must, therefore, break away from traditional individual marketing activities, while marketing service companies are expected to provide comprehensive professional support services.

Dentsu, thus, continues to disrupt the traditional marketing silo format to provide integrated services. It will offer consulting, development, implementation, management, and operation support in all digital marketing domains.

Business field

- Marketing intelligence services
- Digitally performance-based advertising services
- Direct marketing services
- System solutions services
- Data solutions services
- Social marketing services

Value provided

- Various data solutions
- Integrated digital marketing services

 Key Persons

Venture DNA Mono-dukuri Product Development Capability Assets into New Value

CARTA HOLDINGS is a company created through a business merger between Cyber Communications Inc. (CCI), at the time the largest media representative in Japan specializing in branded advertising, and the VOYAGE GROUP Inc., which also at the time had strengths in performance-based advertising and digital technologies.

With the popularization of the digital environment, the line between performance-based advertising and branding-oriented brand advertising is blurring. Thus, we believe that CARTA HOLDINGS, which handles both performance-based and brand advertising, will become increasingly significant.

In addition, we can offer each Dentsu Group company Mono-dukuri Product Development Capability—based on our ability to develop, operate, and improve our proprietary advertising platform—as well as venture DNA. We want to turn our strengths and assets into new value for the Dentsu Group by leveraging our advertising technologies, DNA as a venture company focused on challenges, as well as our experience.



Shinsuke Usami

Chief Executive Officer,
CARTA HOLDINGS, Inc.

BIO: Born in Aichi Prefecture. After graduating from the Faculty of Commerce at Waseda University, joined a major consulting firm, then launched axiv.com, Inc. (now VOYAGE GROUP, Inc.) in 1999. From 2005 to 2010, jointly served as a director at Cyber Agent, working mainly in the technology department. Pursuant to a merger with CCI in 2019, assumed the position of Chief Executive Officer of CARTA HOLDINGS, Inc.

Our Business



The spread of digital and social media, changes in consumer values and behaviors, and the evolution of technology, such as big data, are steadily transforming company–consumer relationships. Companies are finding it difficult to produce adequate results unless they are able to coordinate marketing processes and individual-focused measures.

To this end, Dentsu refers to this significant change as “marketing convergence” and is developing and providing integrated solutions for the modern issues clients face.

In the context of integrated, people-driven marketing, the methods we have accumulated over the years are concentrated and optimized. The resultant framework enables us to work out and evaluate measures and policies from a broad perspective.

We are aiming to become a partner that tackles client issues head on, by providing leading comprehensive marketing solutions for a new era, as well as marketing design that engineers mechanisms to support continued sales.

Business field

- Integrated marketing
- Digital performance-based advertising services
- Direct marketing services
- System solutions services
- Data solutions services
- Social marketing services

Value provided

- Provide integrated digital marketing solutions



The field of promotion is evolving thanks to the digital environment. At the same time, designing the customer experience, in the context of purchasing behavior, has become the main goal.

Encouraging purchases merely through product appeal is now difficult, and efforts to isolate consumer needs are pushing further ahead during an era in which large volumes of information are exchanged among customers.

Dentsu is responding to this high-level evolution by building promotion systems that provide specific measures based on the PDCA cycle and offer clear returns on investment. We will not stop at offering more intelligent storefront communication. In addition, we will provide knowledge regarding social networking services, web videos, and devices such as smartphones, while also offering optimal digital solutions, including tools related to online-merges-with-offline marketing.

We concentrate our energies on activation and ideas that match target preferences, and on creativity that enhances the value of customer experiences. These efforts are rewarded with many internal and external awards each year.

Further, we are well versed in space branding methods that influence behavior by making experiences more dramatic and impressive, thereby increasing their value.

Promotion by the Dentsu Group results in marketing return on investment, and maximizes the value of customer experiences, while optimizing purchasing behavior. Thus, we will continue to develop the basics of promotion.

Business field

- Customer experience branding
- Purchasing behaviors data
- Model
- Channel solutions
- Digital activation

Value provided

- Activation ideas matching target tastes
- Creative elements that enhance the value of customer experience



Dentsu proposes optimal solutions based on a theme of innovative creativity by combining ideas, media, and human resources with a freedom that is not constrained by established concepts, the digital realm, or tradition.

All of Dentsu’s approximately 900 creative people are innovators. With each creator applying their own characteristics, they create roughly 900 individual solutions that allow them to respond to a wide variety of communication issues.

The Creator of the Year award is granted annually to the individual who produced the most excellent creative work during the year. A representative from Dentsu has been the recipient of this award 28 times out of 30, and most recently in 2018. This level of frequency speaks volumes for the capabilities of our creative staff.

Dentsu’s creativity is held in high esteem throughout the world, having won many advertising awards at home and abroad.

Business field

- International awards
- Creator of the Year

Value provided

- Activation ideas matching target tastes
- Creative elements that enhance the value of customer experience

Key Persons

Creativity Means Business

Creativity is the driving force of Dentsu Jayme Syfu. We believe that to future-proof the agency, we have to use our creative lens beyond producing great work. Our creativity has to inspire stronger client relationships, improve organizational management, increase financial efficiency, drive insight generation, and of course keep our people inspired and happy. Here are a few creative moves we made within our business last year:

We redesigned the agency’s organizational structure to meet the shifting needs of clients and the growing demand for digital. As an adaptation to the change, we dissolved the position of the Chief Digital Officer and, instead, hired four executives with expertise in CRM, Customer Experience (CX), Social Media, and Digital Media.

We also restructured our creative team. The talent pool was divided into four teams, each with account, creative, digital and planning leaders. This allowed us to efficiently maintain the quality of our output with the balanced companywide assignment of agency talent.

To ensure employee’s well-being and strengthen their work–life balance, we implemented a series of measures for all employees. These measures include WOOO Day (Work Out Of Office Wednesdays), five days of mental wellness leave, and SISTERGOOD, a female leadership program.

Lastly, we also give back to the community by educating underprivileged students. Through the IDEAS SCHOOL at Bulacan State University, we aim to give students the confidence and fortitude to fight for their place in the creative community.

These initiatives have helped the agency become a more diverse, welcoming and ultimately a creatively stronger, while the global medals conferred on us last year made us the Most Awarded Creative Agency in the Philippines.



Merlee Cruz-Jayme

Chairmom and Chief Creative Officer Dentsu Jayme Syfu

BIO: Merlee Cruz-Jayme is Chairman and Chief Creative Officer at Dentsu Jayme Syfu, and the only female listed among the 20 top creative directors in Asia (Campaign Asia magazine). Most recently, she was named one of only eight women among the 100 best chief creative officers in the world, based on the 2019 Drum global ranking. One of CNN’s Leading Women, she has written and illustrated a book to help readers discover their creative side (Everyone Can Be Creative—Inspiring Habits from an Ex-nun, Summit Books, 2016). She has 4 daughters.

Our Business



The essence of PR can be found through the process of talking with people around the world to achieve consensus. But the process is not possible without the formulation of strategies based on global perspectives. Breaking with a purely advertisement-based approach, we aim to change consumer attitudes by involving experts and media with third-party perspectives and using social media. Public opinion is increasingly being influenced by social media as a forum through which consumers can express themselves.

By collaborating with all Group companies, Dentsu will be in a position to provide integrated planning that combines PR with advertising, creativity, digital technology, promotion, and content. We will contribute to both client branding and reputation management through global consensus-building and the strategic alignment of global and client perspectives.

Business field

- Strategic PR
- Crisis communications
- Digital PR
- Global PR
- Influencer marketing

Value provided

- Formulate integrated communication plans combining advertising, creative, digital, promotions, content and other elements



Key Persons



Motoko Kunita

Executive Officer and head of Business Development Division, Dentsu Public Relations Inc.

BIO: Joined Dentsu PR in 1991. In addition to providing marketing communication and corporate communication services to clients in a wide range of industries—from private companies to educational institutions to government agencies—also focused on the new business in the digital domain development. After serving as head of the Business Creation Office and head of the Information Distribution Design Division, in current position since January 2019.

Using Information Distribution Design for Social Innovation

Given the diversification of information delivery methods due to the spread of social media, the quality of information distribution design is crucial for accurately conveying information.

Although the mass media has strong information delivery capabilities, we can show explosive information diffusion by social media, through which it is easy to convey joy, surprise, and other emotions. Information now frequently flows between mass media and social media, creating a strong reciprocal relationship between the two. Topics reported in the mass media are often probed more deeply on social media, while social media topics are reported as trends by the mass media.

We are engaged in information distribution design, namely, the sterical design of information delivery routes for different media. This involves integrated PR planning and the production of easily conveyed and distributed content.

The strength of Dentsu PR is that it has human resources that constantly consider what information consumers need and the ability to provide one-stop services, from upstream planning to downstream execution. As a member of the Dentsu Group, we are able to make use of their talented personnel and valuable resources.

The change to a pure holding company structure in 2020 will further enhance the Dentsu Group's connections with various countries and companies around the world. It will enable Dentsu PR to advance our offerings and continue providing effective communication services to our clients.

In addition, we aim to create a better and sustainable society with our clients by contributing to the realization of the social innovations they are engaged in, to create new social values and mechanisms to better the world.

Global Business

Japanese companies pursue larger markets across the globe at an ever faster pace. Thus it is becoming increasingly important for them to know how to communicate the appeal of their products to unknown consumers who speak other languages and are the products of different cultures.

With the major events of 2020 just around the corner, Japan continues to be a focal market for overseas companies. At the same time, interest in the proper approach to Japan's distinctive markets and media environments is growing.

Dentsu provides domestic and overseas client companies marketing and communication services aimed at accelerating this kind of business intersection, contributing indirectly to societal and economic development.

Further, Dentsu now is able to propose a wide variety of solutions that involve the resources of Dentsu Aegis Network. Using this ability to our advantage, we will provide marketing services that utilize the strengths of Japan and other nations to best meet customer needs.

Business field

- Outbound account operations
- Inbound account operations
- Global content operations

Value provided

- Combine with DAN resources, propose various solutions
- Global-level quality

Focusing on the Digital Sector within a Growing Indian Market

The high-growth, fast-paced Indian advertising market is expected to reach \$10bn during fiscal 2019, continuing its track record of double-digit growth driven by digital advertising, which is forecast to grow 32% yoy (DAN Global Ad Spend Forecast January 2019).

Recognizing the trend, DAN India was an early investor in digital agencies and talent. This focus on digital has enabled us to become India's largest digital agency group. We generate 46% of our revenue from the digital domain vs the wider market at 19%, and almost 50% of our people are digital experts. In a digital market characterized by the domination of Google and Facebook, DAN India has emerged as the largest agency group partner for both.

In a decade, DAN India has grown from a 50 member team to a 3,600-member powerhouse, becoming the 2nd largest, fastest-growing agency group in India, consistently outperforming the market.

Our revenues have grown by 50 times over the past 10 years, helped by both organic growth and acquisitions.

We have achieved our market share of 35% as a result of our unique One P&L philosophy which drives a collaborative mindset enabling us to deliver integrated solutions to our clients across the region.

With the Indian economy expected to grow by 8% over the next decade, I am confident that we can continue to harness the opportunities across this exciting, fast-changing country.



Ashish Bhasin

CEO of the Greater South APAC and chairman and CEO India, Dentsu Aegis Network

BIO: Over the past 32 years, Ashish Bhasin has become a well-known personality in the Advertising and Media industry in the Asia Pacific. He is presently CEO of the Greater South APAC and chairman and CEO India, Dentsu Aegis Network. He is also a member of the Dentsu Aegis Network Asia Pacific Executive Board.

Our Business



Key Persons



Koji Henmi

Managing Director, Sports Business Division, Dentsu

Joined Dentsu in 1991 and was assigned to the Sports Culture Business Division. Appointed manager of the Sports Business Division in 2019.

Contributing to Maintain and Expand SPORTS Movement beyond 2020

We are told that, over the past decade, the global sports business market has doubled in size and that sports business continues to grow. During this time, there have been many competitors and new entrants in the market, and Dentsu has been involved in a number of ways.

From the acquisition of marketing and broadcast rights, to conducting sales based on our understanding of client needs, we have developed all areas related to the sports business as only an integrated advertising agency can. Dentsu's sport business, which has long contributed to the spread and development of sports, occupies a distinctive position in the global market.

Dentsu is now engaged in approaching key players in the sports business from a variety of angles—from upstream intellectual property rights (sports organizations, athletes, facilities, etc.) to end users—as we launch efforts aimed at becoming a partner connecting various stakeholders.

As we develop long-term partnerships with key players and use technology and data to benefit them, we will cultivate new areas of commerce—such as consulting, ticketing, and licensing—to connect the sports world and end users.

In addition to contributing to the success of the 2019 Rugby World Cup and Tokyo 2020 Olympic and Paralympic Games, Dentsu is focusing on the future of Japan's sports industry. We will make full use of the legacies established by the World Cup and the Olympics.

In terms of new approaches, we will promote relationships and business with all of our partner entities, while encouraging the promotion of parasports in the interests of ensuring the sustainable growth of society. Further, Dentsu will develop and promote sports business producers in-house, to contribute to the perpetuation and expansion of the sports movement.



Jennifer Zimmerman

Global Chief Strategy Officer
mcgarrybowen

BIO: Jennifer Zimmerman joined mcgarrybowen in 2003, after serving as executive vice president and director of strategy at Y&R and Wunderman. A respected and seasoned veteran, she is sought-after speaker at industry events from Cannes to ANA. The skills Zimmerman demonstrated while overseeing strategic work for a number of major clients earned her the honor of being named a top finalist for the Creativity Award 2019 Chief Strategy Officer of the Year.

Storytelling as a Branding Framework

There's nothing more relatable than a story. That's why mcgarrybowen brings a classic storytelling framework that has proven to be so powerful and effective in transforming clients' businesses. The framework begins like every great story—with an arch-enemy, a plot twist that allows our audience to see something in a new and interesting way, and a moral of the story.

To get there, we have a proprietary strategic process—masterbranding™—based on the simple premise that arriving at a fresh solution requires a fresh starting place. We start by uncovering a company's underlying organizational belief system, then look for tangible evidence of this in its products, services, and cultural truths. The outcome of this strategic process is what we call Big Organizing Ideas. "Big" because ideas are born from a powerful brand belief, and "Organizing" in that they live across today's complex media ecosystems.

The Big Organizing Idea, acting as a brand's North Star, is a distinct and ownable point of view. It serves as a cohesive element of every omni-channel touchpoint and informs every behavior, internally and externally. Today's modern marketers need to dramatically shift their approach, from claiming "a point of difference" to crafting "a point of view." This is because when you know what you believe, you know how to behave.

We believe that uncovering a client's unfair advantage and intelligently creating work that resonates in culture will lead to transformative business results. Understanding our clients' needs is the reason we have been so successful in winning new business—last year alone, exceeding double digits in new revenue.

By applying our signature platform approach, we successfully serve the world's most iconic brands. Most importantly, we have an enviable retention rate, with more than 30% of our clients with us for more than 10 years. That's proof that our work is not only winning in the boardroom but also in the world.

Cutting Edge Promotion Services beyond the Speed of Business Environment Changes

Within the Dentsu Group, Dentsu Tec develops promotional activities achieving engagement between consumers and clients.

We are constantly striving to develop new promotion-related services. In recent years, as with the rapid increase in cashless payments for example, real and digital daily experiences are overlapping and the line between them is disappearing.

Based on a marketing concept that views online and offline as parts of the same whole, Dentsu Tec provides an efficient and effective online-merges-with-offline (OMO) marketing promotion service.

Consumer data is the foundation of engagement in OMO promotions. In September 2018, Dentsu Tec established a new company, MyData Intelligence Inc. (MDI), to handle and manage consumer personal data (PD). The MDI platform allows consumers to centrally manage their own PD and provide it to companies that request it, while the latter can use it for marketing.

In addition to collaborating with MDI for PD marketing, last year we established a technology development company, +tech labo, to advance OMO promotions using cutting-edge technologies. We are starting to work in-house, as well as with various organizations and companies to develop new marketing service technologies.

Dentsu Tec will continue to contribute to the growth of client businesses by accurately grasping consumer purchasing behavior and changes in the social environment.



Eriko Kogure

Executive Officer,
Dentsu Tec Inc.

BIO: Joined the company (at that time Dentsu Prox Inc.) in 1990. Mainly involved in promotion production for foreign multinational clients and the development of Asian markets. Appointed Business Supervisor in 2011, then Executive Officer in 2017. At present, responsible for global business.

Operational Excellence Creates Organizations

Operational excellence is a way of working that organizations apply to run their business efficiently and effectively. The underlying concept was developed mainly by automotive companies - such as Toyota - and was, over the past few decades, adopted by other industries. Given the challenges facing the media industry, it is crucial that Dentsu Aegis Network (DAN) develop a culture of continuous improvement through Operational Excellence.

We define operational excellence as attaining process efficiency, measuring performance, and having the right mindset and behavior, to enable us to focus relentlessly on client value.

At DAN, the client is at the heart of everything we do. This requires a deep understanding of what our clients want and need, so that we can provide them with best-in-class quality outcomes.

In terms of business process, we evaluate our key processes at all levels to optimize our service and offer our clients a consistent experience.

Furthermore, measuring the quality of delivery towards our clients is crucial to allow us to continuously improve.

Then, we can build on our common infrastructure, which provides us business insights across markets, regions, and lines of business.

An important part of operational excellence is the cultural aspect. Based on our high-performing culture, we develop the right skills and capabilities as individuals and as an organization, to deliver the best outcomes for our clients, employees, and business.

Our goal is to be the market leader - serving our clients and helping them to win in the digital economy by building the most sustainable relationships across the entire customer journey.



Volker Doberanzke

Global President of
Business Operations
Dentsu Aegis Network

BIO: Volker Doberanzke joined Dentsu Aegis Network in 2019 as global president of business operations and is a member of the Group Executive Board of Dentsu Aegis Network. With responsibilities covering 145 markets, Doberanzke has more than 20 years' experience in transformational leadership, driving business excellence, and digital transformation. Before joining Dentsu Aegis Network, he worked for UBS, the world's top wealth manager, where he developed and executed a groupwide process excellence roadmap across divisions, regions, and support functions.

Dentsu Group Medium-term Direction

The Dentsu Group will play a leading role in the creation of value for all our stakeholders and wider society.

We presented how we plan to drive growth in the medium to long term as a Group in August, 2018. The Dentsu Group aims to be a corporate group that will play a leading role in the creation of value for all our stakeholders and wider society.

 Dentsu Group Medium-term Direction <http://www.dentsu.com/ir/corporatestrategy/>

● Dentsu Group's Self-Reforms

In 2019 and 2020, we will continue our necessary transformation to ensure we have sustainable growth in 2020 and beyond.

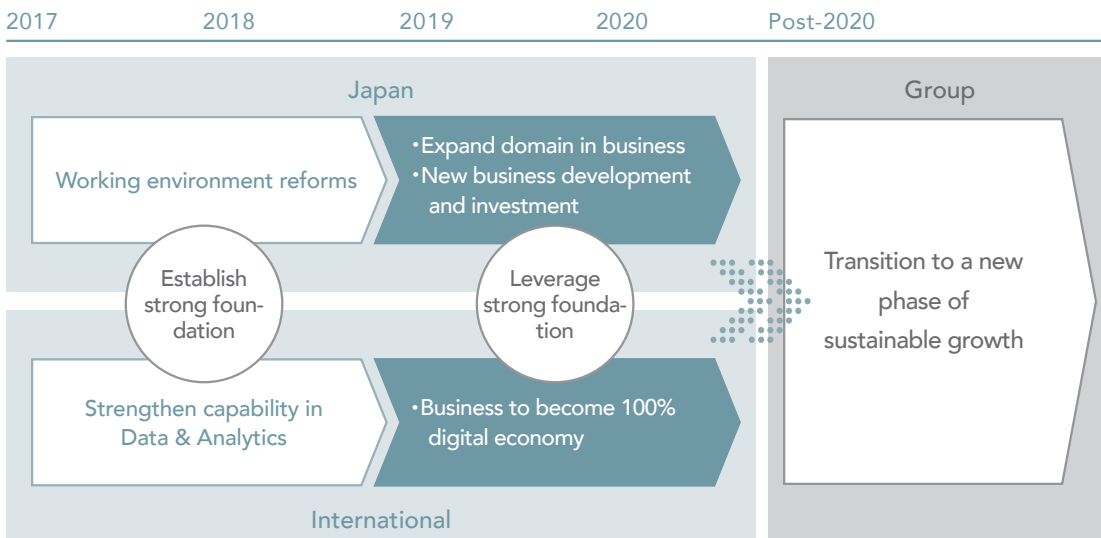
The Dentsu Group is committed to creating value for all our stakeholders; our shareholders, our clients, our people and society. To address the changing operating environment, we must innovate our business to reflect the opportunity that presents.



● Dentsu Group Moving on to a New Phase

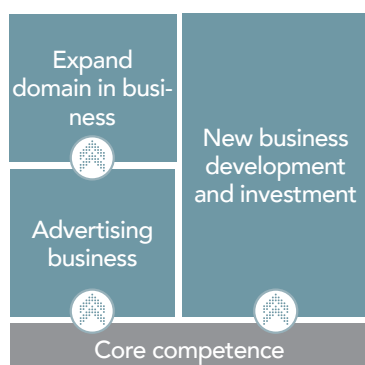
2019 and 2020 will be a key phase for implementing business transformation throughout the Dentsu Group beyond 2020. In these two years, focusing on growth and evolution in our Japan and international businesses, we will continue our necessary transformation to ensure we have sustainable growth through 2020 and beyond.

Simultaneously, we will transition to a new corporate structure which enables us to connect the assets in our Group for maintaining our sustainable growth



Medium-Term Direction for Japan Business

We are promoting the business structure transformation for the Japan business in the medium-term.



Advertising business

- Share expansion
- Improve profit margins

Expand domain in business

Marketing Technology

- Data strategy consulting
- Marketing cloud system integration
- Customer experience design

Business Design

- Management reform support/new business development
- New media development
- Content management

New business development and investment

- Develop new business partnerships with our diverse customer base and invest own capital
- Create new value through connecting the capabilities of the Dentsu Group and our customers
- Gain revenue share by becoming a part of the business

Accelerate business growth by expanding capabilities

- Attract and retain talent
- Increase investment activity, including M&A

Medium-Term Direction for International Business

We will continue on our current trajectory, with Dentsu Aegis Network's vision to become 100% digital economy business by 2020. We have 6 key strategic priorities as below. We plan to continue to proactively pursue market transformation opportunities to accelerate our strategy through our ongoing M&A program.

Continue evolving our business to become "100% digital economy" by 2020

Six strategic priorities to promote momentum and growth:

- 1 | Build integrated solutions offering
- 2 | Leverage media partnership and content opportunities
- 3 | Differentiate the business with effective use of data
- 4 | Purposefully grow revenue in high margin, high growth sectors
- 5 | Mitigate cost of complexity
- 6 | Evaluate market transformation opportunities to accelerate our strategy through ongoing M&A program

● Guidance up to 2020

Organic growth rate
(Revenue less cost of sales)

3-year CAGR* up to 2020
3% or higher

*compound annual growth rate

Operating margin

Continual improvement in margin from 2018

Shareholder returns

Steady dividend policy
Consider returns tracking earnings and CF performance

Financial/Non-financial Highlights

(Consolidated, IFRS)

Dentsu Inc. and Consolidated Subsidiaries

(Millions of Yen)

	2016	2017	2018
Turnover	4,924,933	5,187,300	5,357,278
Revenue	838,359	928,841	1,018,512
Revenue less cost of sales	789,043	877,622	932,680
Organic growth rate ⁽¹⁾ (Consolidated)	5.1%	0.1%	3.4%
Organic growth rate (Japan)	4.5%	(0.3%)	2.1%
Organic growth rate (International)	5.7%	0.4%	4.3%
Operating profit	137,681	137,392	111,638
Underlying operating profit ⁽²⁾	166,565	163,946	153,229
Operating margin ⁽³⁾ (Consolidated)	21.1%	18.7%	16.4%
Operating margin (Japan)	26.8%	24.5%	21.7%
Operating margin (International)	16.2%	14.6%	12.9%
Profit for the year attributable to owners of the parent	83,501	105,478	90,316
Underlying net profit ⁽⁴⁾	112,972	107,874	97,419
Basic earnings per share	¥292.85	¥373.11	¥320.39
Basic underlying net profit per share	¥396.20	¥381.58	¥345.59
Return on equity (ROE) ⁽⁵⁾	8.3%	10.4%	8.4%
Underlying ROE ⁽⁶⁾	11.3%	10.6%	9.1%
ROA ⁽⁷⁾	4.4%	4.5%	4.1%
Ratio of equity attributable to owners of the parent ⁽⁸⁾	29.6%	30.7%	28.8%
Cash dividend per share	¥85	¥90	¥90
Dividend payout ratio ⁽⁹⁾	29.0%	24.1%	28.1%
Underlying dividend payout ratio ⁽¹⁰⁾	21.5%	23.6%	26.0%

(1) Organic growth rate represents the constant currency year-on-year growth after adjusting for the effect of business acquired or disposed of since the beginning of the previous year.

(2) Underlying operating profit: KPI to measure recurring business performance which is calculated as operating profit added with amortization of M&A related intangible assets, acquisition costs, share-based compensation expenses related to acquired companies and one-off items such as impairment loss and gain/loss on sales of non-current assets

(3) Operating margin = Underlying operating profit ÷ Revenue less cost of sales × 100

(4) 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 (attributable to owners of the parent) added with adjustment items related to operating profit, revaluation of earnout liabilities/M&A related put-option liabilities, gain/loss on sales of shares of associates, tax-related and NCI profit-related and other one-off items

(5) ROE (IFRS) = Profit for the year attributable to owners of the parent ÷ Average equity attributable to owners of the parent based on equity at the beginning and end of the fiscal year × 100

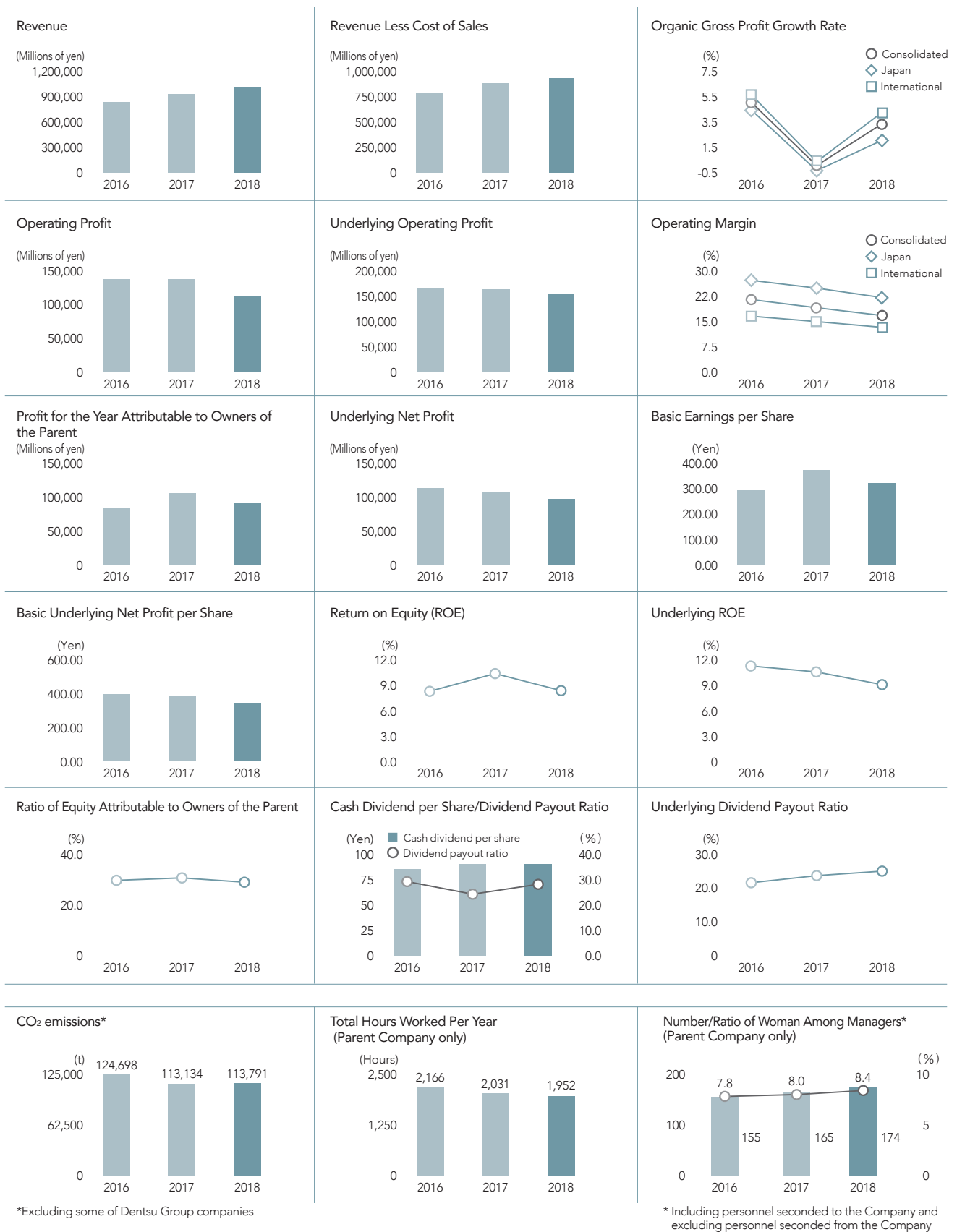
(6) Underlying ROE = Underlying net profit (attributable to owners of the parent) ÷ Average equity attributable to owners of the parent based on equity at the beginning and end of the fiscal year × 100

(7) ROA (IFRS) = Profit before tax ÷ Average total assets based on total assets at the beginning and end of the fiscal year × 100

(8) Ratio of equity attributable to owners of the parent = Equity attributable to owners of the parent ÷ Total assets

(9) Dividend payout ratio = Cash dividend per share ÷ Basic earnings per share × 100

(10) Underlying dividend payout ratio = Cash dividend per share ÷ Basic underlying profit per share × 100



*Excluding some of Dentsu Group companies

* Including personnel seconded to the Company and excluding personnel seconded from the Company