

Chapter 2

Strategy and business operations

A group of people are gathered around a table in a meeting. A man with a beard and long hair, wearing a blue shirt, is pointing at a document on the table with a green pen. He is looking towards a woman in a yellow top who is seen from the back. Other people are visible in the background, including a woman with long brown hair and a person in a light blue top in the foreground. The setting appears to be a modern office or meeting room.

04 Business strategy

**Michael Komasinski**

CEO, dentsu Americas &
CEO, CXM, International markets, dentsu

Driving growth and good through purpose, performance and product innovation

As I reflect on the past year, I am immensely proud of the progress that we've made. Though the past year was fraught with uncertainty for business and society everywhere, we also witnessed what can be achieved at speed and scale when we team without limits.

Our story can be told in data and accolades, but the dentsu that you see today is the result of a 120-year journey of heritage and innovation. A journey defined by our ability to attract the best talent, a reputation for creating

meaningful innovation and delivering lasting societal impact.

Last year, we marked the next exciting milestone in dentsu's journey of heritage and innovation: evolving to a B2B2S (Business to Business to Society) company to deliver on a new vision, "To be at the forefront of people-centered transformations that shape society."

With every opportunity to reimagine our business, we ask ourselves, "How can we create new and meaningful value for our people and our clients?"

Pioneering an industry first: global Clients & Solutions

In 2022 we designed a global client-centric organization that brings together seasoned client leaders, strategists and solutions specialists worldwide to deliver new value for our clients and society. A first for our industry, this organization signals what we believe to be the future of agency-client relationships—one that matches capability with delivery to drive both growth and good.

In 2023, we will set this new model into motion and activate diverse capabilities across dentsu to deliver a seamless, renewed client experience.

As we set out to architect this new organization, we took three key principles to heart:

1. Create frictionless access to capabilities

We believe clients want fewer agencies solving much bigger problems. This has been the resonant principle in every decision that we have made over the past three years. How can we become simpler, more connected, and more integrated? Restructuring as four regions, from consolidating 160 agency brands to six brands outside Japan, transforming into dentsu — every transformation has increased our agility to bring new value to our clients.

When we see more than 85% of our top global clients working cross-capability with us, it is reassurance that our clients are feeling the ease and expertise of our transformation. That's a real point of pride for us.

2. Global challenges require global solutions

As CMOs enter 2023, the current environment demands a relentless focus on customer value, purposeful evolution of the marketing function and

continual optimization of brand value¹. Our annual survey of CMOs also signals a strong desire among clients to pursue new markets and new product development ventures².

Our unique combination of best-in-class strategy, ambidextrous global talent, competitive data and identity capabilities has made dentsu an agency partner of choice. In 2023, we'll complement these strengths with strategic investments in our integrated solutions portfolio to help clients design what's next. As innovation, customer experience and digital

commerce increasingly become enterprise priorities, we want to be the partner that clients lean on to predict and plan for disruptive future opportunities.

3. Global, diverse talent delivers competitive edge

Our people are the backbone of our business. Our global clients and solutions organization offers our people the opportunity to gain more exposure and mobility throughout the organization. We're proud to empower our people to specialize in their areas of expertise, while becoming ambidextrous across new and emerging areas of marketing. For our clients, our global client-centric team means seamless access to the best talent, and diversity of thought and skillset.

I am immensely proud of what we've accomplished to date and confident that we will emerge stronger and more competitive because of our relentless client focus. Thank you to our people, our board and our shareholders for supporting dentsu throughout our journey and as we forge a new path to growth and good in the year ahead.

Sources: 1. The Gartner 2023 CMO Leadership Vision 2. Dentsu CMO Navigator 2022

How can we create new and meaningful value for our people and our clients?

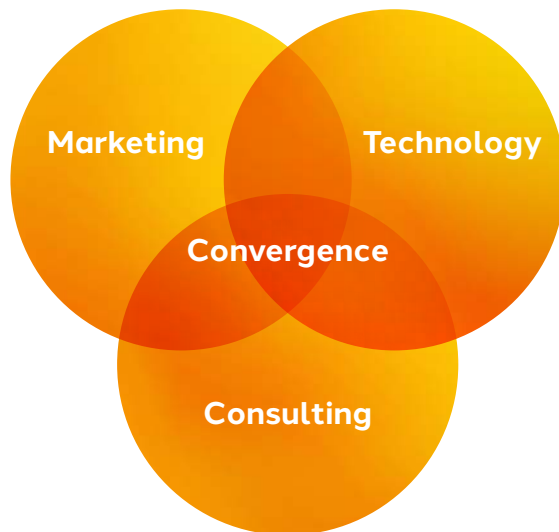
04

Enhancing and integrating capabilities

Integrated Growth Solutions

Transformation to meet client needs

The future of brand loyalty and competitive advantage is the customer experience. Today's most successful brands are built by providing superior customer experiences that are hyper-personalized, informed by data, and powered by technology. The knowledge and insights derived from



that data inform powerfully targeted and personal moments in time between the consumer and the brand. These moments, orchestrated across multiple touchpoints, come together to form experiences, which, over time, create the loyalty and advocacy that build lasting relationships.

At dentsu, our view is that the future of our industry is an ever-greater convergence of marketing, technology and consulting. We began positioning ourselves for this in 2020 with the comprehensive review, the simplification agenda and more recently with the One dentsu philosophy.

In this new market, the Group provides our clients with its Integrated Growth Solutions, which contribute to their business growth. As the move to digitalization accelerates, it results in the integration of capabilities in marketing communications—in which the Group has long provided services—and the high-growth areas of consulting and technology (Customer Transformation & Technology). It is against this background that we, as one of the few global innovators and provider of Integrated Growth Solutions, are slowly solidifying our position as a partner to our clients.

Marketing communications

Dentsu continues to support the engagement of clients and consumers through brand design and media planning. This is based on consumer knowledge, insight and analysis gleaned over our 120-year history.

Meanwhile, the source of our competitive strength is the creativity of the Group's people, and its cooperative relationships with partners in the areas of media, technology, and content.

As digitalization progresses even within our media business, we are using data to pursue online-offline integration. Examples include the integration of KPIs for TV viewer ratings; internet advertising through the use of AI; and ad delivery that takes into account privacy protection by using data clean rooms operated jointly with platformers.

In addition, to make the customer experience more exciting and moving, we are promoting content-focused creative services, such as collaboration with content and branding in the metaverse.

Customer Transformation & Technology

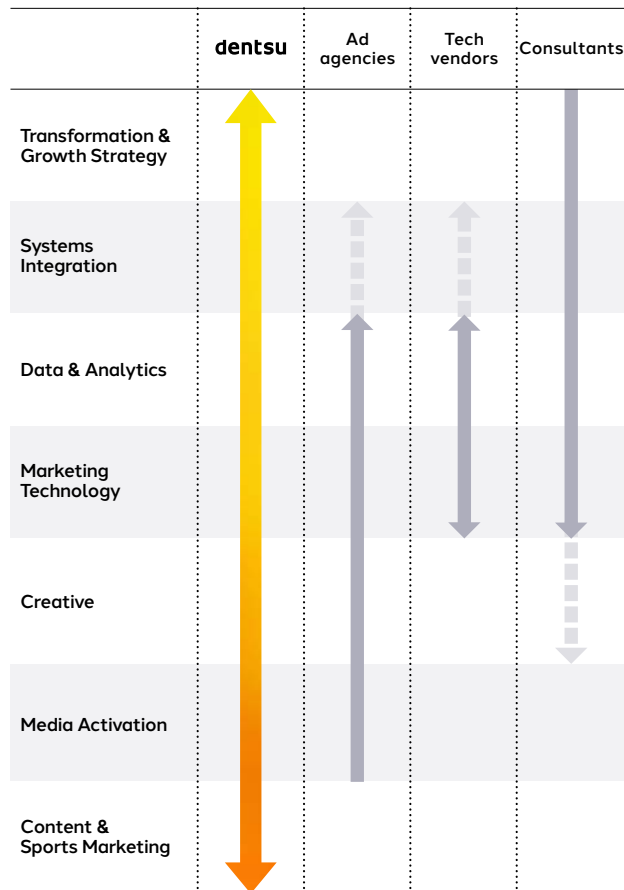
Customer Transformation & Technology is the reimagining and design of a company's foundation through its data management, digital experience, technology platforms and organizational infrastructure to one that empowers consumer-centered transformations. The process produces an ongoing, real time understanding among our clients of consumer needs, situations, and motivations, while at the same time engendering appropriate responses. This manifests as innovative and highly personalized customer experiences.

In addition to developing our own data solutions, the Group provides clients with integrated services, from consulting to implementation and operation. This is particularly so in the areas of commerce and cloud service utilization, which we facilitate through global partnerships with Salesforce, Adobe, and other companies.

Through strong organic growth and strategic M&A activity, net revenue for our Customer Transformation & Technology has grown 17.5% year-on-year (constant

currency basis) in FY2022, accounting for 32.3% of the Group's overall net revenue.

Our diverse capabilities



Launch of Clients & Solutions

In 2023, Clients & Solutions, a new enterprise was launched. The goal is to accelerate delivery of integrated services to our global clients as well as to the major clients within each of the four regions.

Client vertical

This category relates to integrated services and products requested by clients in specific sectors, such as healthcare, finance and automotive. In the future, we plan to develop vertical integrated solutions for other sectors as well.

dentsu gaming

This group of solutions integrates expertise in the area of gaming, including e-sports, the use of XR technology, gamification, and in-game advertising.

Merkury

Merkury manages first-party data owned by clients in the field of Customer Transformation & Technology and will be expanded for use in media and creative services.

Dentsu Good — a Sustainability Accelerator —

This undertaking is led by a global team of specialists. It has been designed to achieve business growth for our clients, enable them to make social contributions, and meet new demands for business-based solutions to social issues. (→ p. 33).

Transformative creativity and dentsu corporate culture

The wellspring of the Group's competitive edge and differentiation is the creativity that, utilizing data and technology to achieve innovation, transcends the boundaries of advertising.

Lying behind this are both the Group's desire to expand the definition of creativity to make a positive impact on people and society, as well as its corporate culture cultivated over a 120-year history.

The Group has received more than 1,000 awards globally and regionally in 2022. This reflects the diverse specialties of the Group's talent, all of whom are encouraged to demonstrate their creativity.

Also deeply rooted in our organizations is the notion that the quality of creativity is enhanced as a result of ongoing interpersonal stimulation, which is only possible when a range of talent is involved. Thus, it is now not uncommon for media specialists, video production professionals, and data scientists to collaborate across departmental boundaries to create new value.

As a result, the Group's services are beginning to contribute to areas such as the development of business and services that brings our clients' in-house works to the next level.

Under the purpose of "an invitation to the never before.", we are taking steps designed both to help spread a corporate culture that respects creativity, and to ensure that this creativity is acquired by new joiners to the Group. Our internal awards, showcasing and in praise of creative work, speak to this.

Dentsu Global Services

Global network of capability centers

Established in 2022, Dentsu Global Services is the network of talent hubs comprising more than 10,000 highly specialized people in the fields of technology and data. The experts are located in different markets, including India, Japan, and Bulgaria.

Through this network, the Group’s technology, marketing, and consulting capabilities are combined to provide high-quality, stable, and cost-competitive services to client companies worldwide.

As a result, the Group’s Creative, Media, and CT&T service lines are providing world-class services to more than 2,500 clients.

Attracting talent

Our commitment to people-centered transformation is important if the network is to continue creating value for clients.

During 2022, we expanded our team of service providers throughout the year. This allowed us to amass highly specialized talent in areas of business where Salesforce, Adobe, cloud, performance management, and automation technologies are applied.

Our team currently includes recipients of the 40 under 40 Data Scientist award and the Women Leaders in Tech award, as well as one of the world’s relatively few Salesforce Certified Technical Architects, all of whom add to our strength.

Investment in our people

We have introduced recruitment programs enabling us to attract a diverse workforce. One example is our Career 2.0 program, which focuses on providing women a second career opportunity after they have taken a break.

We want newly hired talent to be proactive early on, and their acquisition of cutting-edge skills to be ongoing. For this reason, we focus on competency-building and career development programs. Our Amazon Web Services (AWS) practical skills program produced 300 AWS-certified individuals in three months in 2022.

Further, we developed a comprehensive Early Careers program for recent graduates. This ensures high performance on the job, and provides global mobility opportunities for those seeking greater work experience. Our focus on increasing staff engagement is underpinned by best-in-class employee benefits.

Locations of Dentsu Global Services



“Networked talent to drive transformation, innovation & operational excellence.”

— Ashish Khanna, Global CEO, Dentsu Global Services



Digitalization, expansion, and collaboration

This year, we will further strengthen the following.

Operations

We will continue to modernize by building an operations control center that provides a single, data-driven overview of client services, employee status, and business health.

Team networks

We will invest in processes and technologies to help us scale large global groups of highly skilled talent.

Collaboration

We will facilitate cooperation among Group teams to build client-centric solutions powered by technology.

Dentsu Good – a Sustainability Accelerator –

Growth through Good – positive change is our purpose

Dentsu Good is a Group-wide solution, providing solutions that help clients achieve both business growth and social value creation.

Our mission with Dentsu Good is to work with our clients to reach their sustainability goals with ideas and innovation. This aligns with our goals at dentsu that differentiate us: to create culture, change society and invent the future.

Igniting change with our clients along with our internal commitment is the best way to create sustainable business solutions for the future and drive a virtuous cycle of “Growth through Good.” This is the first dentsu solution that brings the full collective power of our best practices, tools and methodology across the entire Group from the design phase.

This accelerator connects our dentsu capabilities

“

Dentsu Good –a Sustainability Accelerator – empowers clients to aim and execute for disruptive opportunities and create new paths to growth in the sustainable society.

”

with clients to deliver fresh business perspectives through a sustainability lens.

Background

In recent years, momentum has been growing among clients to attain growth through good, i.e., by resolving social issues.

In addition, the degree to which a company addresses social issues and sustainability has become important to consumers, especially those in the younger generations. It is this aspect and our ambition to become a B2B2S company, in particular, that has led to the setting up of Dentsu Good.

Specific initiatives

At present, we provide this service to clients in Japan, the US, Canada, Taiwan, and Denmark, and have plans to branch out to other locations in the future. Our plan includes designing training and other programs aimed at augmenting capabilities that will enable dentsu talent to provide sustainability-related solutions. Dentsu’s proprietary global solution, “Canopy | a collaborative program for sustainable business transformation,” (p. 38) is one of the examples.

The Group has set up the Sustainable Marketing Academy, developed by dentsu in Denmark, to provide a training program for companies and brands. The curriculum comprises six to 10 modules that provide a whole gamut of information on sustainability and marketing practices, from market conditions, to customer awareness, to legal regulations.

Ecosystems

Provide social solutions

Sustainable ecosystem design for social and environmental issues, led by dentsu and solved via co-creation.

Experiences

We apply our expertise in commerce, design and innovation to increase inclusion, improve lives, and accelerate sustainable behaviors.

Content

We work with brands to create content to shape a kinder conversation. We collaborate with partners to build a new media ecosystem that is both inclusive and sustainable.



Consulting

Provide client solutions

Peer-based, expert-driven consultation to help solve sustainability challenges faced by brands and industry leaders.

Culture

We drive lasting cultural transformation and help brands better understand, represent, and connect with the diverse communities they serve.

SPECIAL FEATURE

Transformative Creativity

A conversation with Yasuharu Sasaki,
Chief Creative Officer, dentsu Japan, on the concept
of grasping the challenges facing the world,
transformative creativity
that moves hearts and drives action
positioning dentsu as a B2B2S company

Yasuharu Sasaki

Chief Creative Officer,
dentsu Japan

SPECIAL FEATURE

Transformative Creativity**Q Dentsu advocates transformative creativity. What does that concept embody?**

Transformative creativity is creativity that motivates people, nurtures brands, and impacts society. This kind of creativity is based on the dissemination of technologies to unleash people potential. Transformative creativity creates not just advertisements, but also experiences that move people, as well as new products and services that drive growth for brands and society.

While this will enable us to present new benefits, value and perspectives, the crucial element here is people-centered thinking. As the use of technology spreads, products and services will become increasingly commoditized—therefore, creating distinctive brand experiences will create differentiation for our clients in the marketplace.

Together, as dentsu and our clients look to solve increasingly complex social challenges, it will be necessary to use creativity to bring about people-centered transformation, leveraging human potential and driving positive change for society.

Q As the social challenges facing the Group's clients grow and become more complex, how will dentsu's transformative creativity lead to the achievement of B2B2S?

Beyond conventional marketing communications, transformative creativity requires ideas that drive growth of brands and people. The goals involved will lead to worldwide changes, such as steps being taken to solve environmental problems and the achieving of a society where a comfortable standard of living is available to all.

In other words, we will connect people, brands, and society and create growth for all. By transforming creativity as we now know it, people—as members of their respective societies—will change the world.

Put another way, transformative creativity is the cleanest source of energy that would keep people and the world moving. Prime examples might include our solution called “Canopy” (p. 38), which considers corporate value from the ground up and leads to generating future value; or the “Unfiltered History Tour” (p. 39) which has given younger generations in the UK a chance to discuss their own history, consider action and have an impact on society.

Q What kind of activities are you working on to practice transformative creativity and improve the quality of service to your clients?

As we speak, we are expanding and deepening our client relationships, not only in the areas of

marketing communications, but in other areas as well. Transformative creativity allows dentsu and our clients to go forward as partners. A project often begins with a team of dentsu specialists consulting clients' senior management teams. After that, we generate ideas in collaboration with the project's stakeholders, while planning and designing the overall brand experience and customer journey. At this juncture, we call on our capabilities to shape entirely new experiences.

Fortunately, dentsu has amassed a range of experts. They include technologists with top AI and extended reality (XR) skills, talent with a gift for copy and design creation, storytelling, and future strategy planning; and producers who bring extraordinarily challenging projects to life. They join forces with creative directors who have a knack for overall design and direction, and the resulting team pursues transformative creativity.

Our people's strengths lie in our visionary power and exceptional curiosity, which drives great leaps of evolution, and the ability to bring things to life, which enables us to manifest the never before. They have an extraordinary ability to transcend boundaries and venture into fields beyond their own areas of expertise.

Not satisfied delivering merely what a client requests, they endeavor to step into unexplored territory and find solutions to needs a client may not even realize they have. I believe this gives us an edge in creating new client value through the integration of our services.

Q Please tell us about the prospects for transformative creativity.

The world is finally moving into the era of AI. The benefits of data are now available for all, so solutions backed by data are no longer enough to differentiate. Compelling emotional ideas and astounding new solutions that only humans are capable of providing will be needed. To this end, we intend to invest in building forums where dentsu's talent can unleash their creativity.

Through our creativity, culture will grow, society will change, and our talent can create new, unknown value for our clients.



Uniquely dentsu

One thing that makes dentsu unique is the strength of our culture. Our purpose of “an invitation to the never before.” is the manifesto of dentsu’s unique DNAs. ‘Never before’ represents our passion and capability for constant innovation. ‘invitation’ is our belief that everyone is welcome. Dentsu invites clients, talent and partners to the table to co-create sustainable futures that make the world and businesses better.

We care about our clients’ business, put society at the core, and strive to be the change we want to be.

Nurturing our culture

With a clear Northstar, culture needs to be nurtured across the organization and celebrates the differences where people are located. We want everyone at dentsu to feel the relevance and what matters to them.

Embedding our values, dentsu’s 8 ways in our company is one example. To integrate our values into all aspects of the business, we piloted a program in the Americas called Appreci8tion. This is a digital peer-to-peer recognition platform that enables our people to appreciate colleagues through the lens of dentsu’s 8 ways. The power of praise reinforces our culture and celebrates who we are.



An inclusive environment for innovation

To support our clients’ business demands and enable fresh ideas and diverse talent to thrive, we created a bespoke business unit “dentsuZ” in China that recruits the best Gen-Z talent in the marketplace and empowers them to proactively help clients define creative marketing

solutions targeted at the Gen-Z population. This approach unleashes the innovative firepower of young “dentsu jin (dentsu people)” and creates strong cultural signals that people with the best ideas lead, regardless of their experience and seniority.



For lasting good

We are committed to building a company with purpose, ethics, and impact.

While a multifaceted approach continues to evolve with industry changes, legislation, and client needs, we are focusing on celebrating the stories behind our best work and best people — both for the business outcomes, and the process on how they got there.

In 2023, we launched the northstar awards for dentsu. Through these awards, we will shine a spotlight on our work that pushes the boundaries and recognizes our people who lift the organization



forward, live our values and deliver our intent for lasting good. Each year the awards will support what we do as a company, strengthen our culture, and connect to our business and people strategy.

Together, we have “an invitation to the never before.”



Jean Lin Chief Culture Officer, Dentsu Group Inc.

CASE STUDY

CASE 1 Japan

SUMADORI-BAR SHIBUYA: Non-drinkers highlighted

Non-drinkers (those who can not or choose not to drink alcoholic beverages) in Japan are estimated to number 50 million. Our research shows there is a broad spectrum, from those who enjoy alcoholic beverages to those who do not. Since the matter is not a question of merely yes or no to alcoholic consumption, we set out to create a smart drinking community that pursues a diversity of drinking styles, individually tailored.



Understanding non-drinkers, introducing Smart Drinking Co., Ltd.

We thoroughly researched the opinions of various non-drinkers such as students, working adults, and influencers, all of whom do not—or cannot—drink. By assigning actual non-drinkers to the team, we became aware of many opinions that, until then, had not been apparent. Moreover, we gained a better understanding of alcoholic beverages from the perspective of non-drinkers.

Not only drinkers are having fun! Bar applies new insight

We opened the SUMADORI-BAR in Center Gai Street in Shibuya, a city that promotes diversity and is the mecca for the dissemination of Gen-Z culture. The bar, where the focus is on non-drinkers, creates a place where the patrons are drinking buddies, whether or not they drink alcohol.

The premises offer a number of pioneering features, including engaging visuals, a sampler tray for customers to compare drinks with 0%, 0.5%, and 3.0% alcohol by volume (ABV), a beverage map for non-drinkers to sample various flavors, and alcoholic beverages of 5% ABV or higher featured in one section of the menu. The use of mobile ordering allows the bar to collect data on non-alcoholic preferences for use in marketing.



Helping solve drink-related problems through cooperation

We are collaborating with local governments, NPOs, and universities in tackling issues associated with alcohol consumption and supplying information on smart drinking and diversity in drinking styles in the Shibuya area. With social and economic media taking note of the diversity and inclusivity manifest by both drinkers of alcoholic beverages and non-drinkers, a new market is taking root.

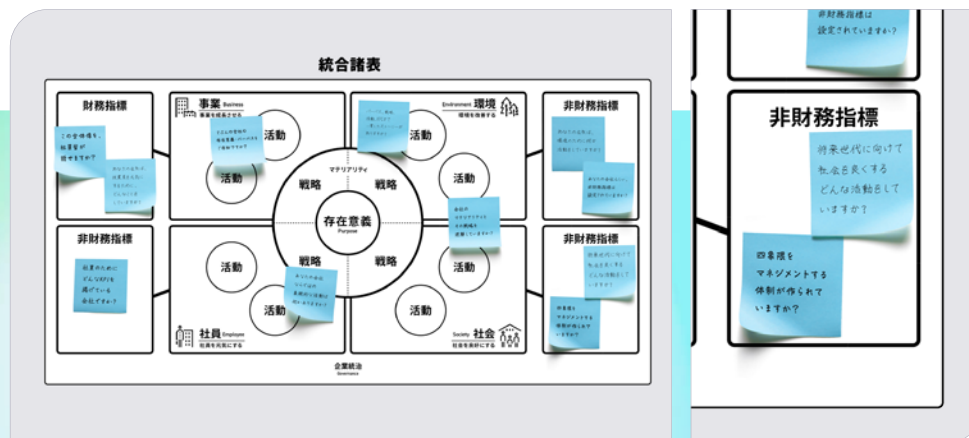
CASE STUDY

CASE N
Japan

Canopy: Value beyond financial performance

“Canopy | a collaborative program for sustainable business transformation (Canopy)” constitutes a new blueprint for business management. The program enables teams to visualize the kind of corporate value that cannot be gleaned from financial statements alone.

The format allows the purpose, strategies, activities, and KPIs across a comprehensive map of stakeholder groups, including employees, environment, and society.



Canopy is available to all clients and prospects. Once engaged with our team, we provide a lens to drive a shift in thinking that unlocks the potential of organizational purpose. This is achieved through creative discussions with management, in-house workshops, and ideation sessions with subject matter experts across dentsu.

Twenty-five* companies are currently taking part in the Nikkei Inc.-organized Well-being Initiative that has adopted the format.

*as of August, 2023



CASE M
the US

More Than That with Gia Peppers: Created, distributed by minority-owned partners

Urban One, and dentsu have succeeded, together with General Motors, Procter & Gamble, Kroger, and Mastercard, in launching a first-of-its-kind program exclusively produced and distributed by minority-owned partners to address the inequities in the advertising supply chain.



The program is a radio show and podcast featuring the host, Gia Peppers, along with prominent guests in each episode. As numerous minority-owned partners cooperate in production and distribution, they can achieve racial and cultural equity as 90% of dollars are invested directly into the Black community. It has created a window of opportunity for dentsu and its clients to reach Black American listeners with informative and engaging programming that drives sustainable impact.

The show has won numerous international awards, including Microsoft Advertising's Marketing with Purpose top global award; and Adweek's Podcast of the Year, in the Best in Diversity and Inclusion Podcast category for 2022. The show's third season started earlier in 2023.

CASE STUDY

CASE 4 India

The Unfiltered History Tour: British Museum tour with Augmented Reality

The Unfiltered History Tour uses augmented reality (AR) to showcase some of the items displayed at the British Museum. When visitors use their smartphones to scan the museum's disputed artifacts, a filter is activated by the geolocation of the visitors, who can hear the histories of the "stolen" cultural treasures related by native experts in the relevant communities.



In a YouGov poll conducted weeks after the tour was launched, 59% of Britons said they believed the Parthenon Marbles belong in Greece. This was in sharp contrast to previously expressed responses. In 2022, Dentsu Creative India became the most successful entry in the history of the Cannes Lions International Festival of Creativity, and the most awarded work of the festival.

CASE 5 the UK

The Co-operative Bank: The Bank you can hold to account

The Co-operative Bank, the only UK bank with a customer-led Ethical Policy have not financed, or provided banking services to companies involved in fossil fuel production or extraction for more than 25 years.



Dentsu Creative created an advertising campaign that showcases the brand's ethical philosophy and credentials. Broadcast on TV, online video platforms, digital, social and OOH, the campaign raises awareness of their ethical credentials, inviting consumers to consider where their bank invests their money and presenting The Co-operative Bank as the ethical alternative.