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Current Status & Outlook for the Dentsu Group

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President & CEO

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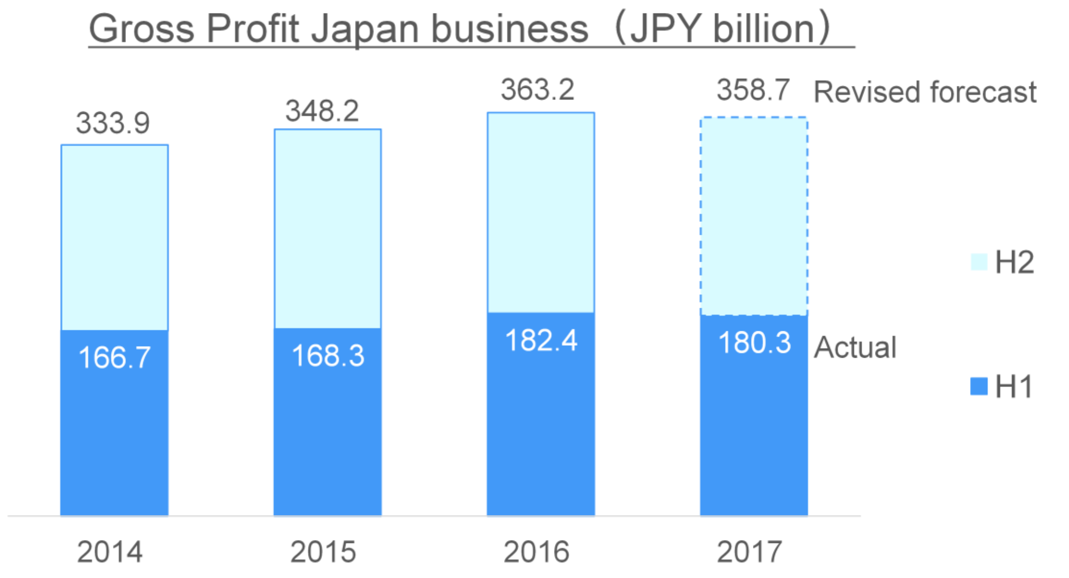
- As I am sure you are all aware, the business environments in Japan and overseas in which the Dentsu Group operates are different. I will give a rundown of the Dentsu Group's performance in Japan and overseas for the January-June period, and also discuss the outlook going forward.

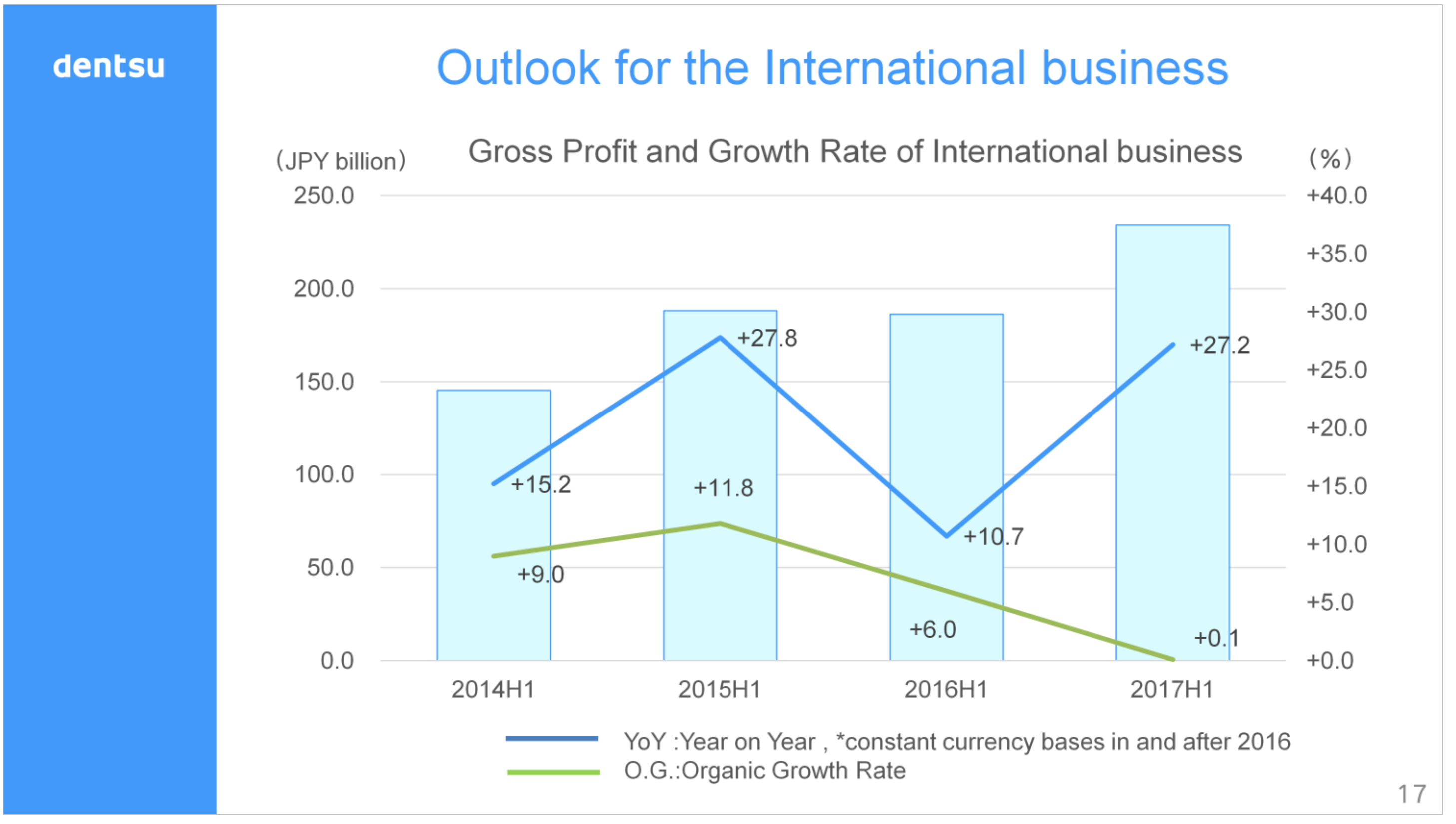
Outlook for the Japan business



- In Japan, which is our core business, we forecast a decline in gross profit as the same period of the previous year was the record high. The progress was in line with our expectation, so we maintained our guidance only with minor adjustment.

- From last October onward, in order to implement fundamental solutions to our labor issues in Japan, we also reviewed the overall workstyle within the Dentsu Group here in Japan and examined actual operations as the first priority, including rolling out emergency measures.

- Each employee is working to reduce their total work hours and restructure their own workstyle. At the same time, they are pouring all their energy into meeting client expectations. I would like to express my respect and gratitude to all of our employees for continuing to give their utmost to their jobs.



- The international business represents 56.5% of our consolidated gross profit. In the January-June period, we saw contribution from aggressive M&A activities, in particular the acquisition of Merkle, which was completed in September 2016. On a constant –currency-basis, gross profit in the international business expanded by 27.2%.

- Meanwhile, organic gross profit growth was 0.1%, nearly flat compared with a year earlier.
- The results were negatively impacted by several factors including strong performance in comparative periods, organic gross profit growth of 6.0% last year and 11.8% in the same period of the fiscal year before. In addition, we are facing challenging market conditions, as evidenced by earnings performance at our peers. We won 1.9 billion worth net new business wins in the H1, however we expect to realize the benefits of some new business wins from Q3 2017.

- We made downward revision of our forecast for the international business this time, up to now, DAN has achieved quarterly organic growth which outperforms the average of the global peers in the fifteen consecutive quarters.

- There is not a major change in this trend, DAN is still aiming the outperformance of the market and the average of the peers.

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Global Ad Spend Trends

	2016	2017	2018
Global (59 countries)	4.8%	3.8%	4.3%
Japan	1.9%	1.7%	1.7%
EMEA	3.1%	2.6%	3.4%
Americas	5.7%	4.0%	4.5%
APAC Excluding Japan	6.0%	5.5%	5.8%
Digital	17.7%	14.7%	12.9%
Digital 's share of global ad spend	30.7%	33.9%	36.7%

*Source: DAN Ad Spend Report June 2017 (Figures are on a calendar year basis)

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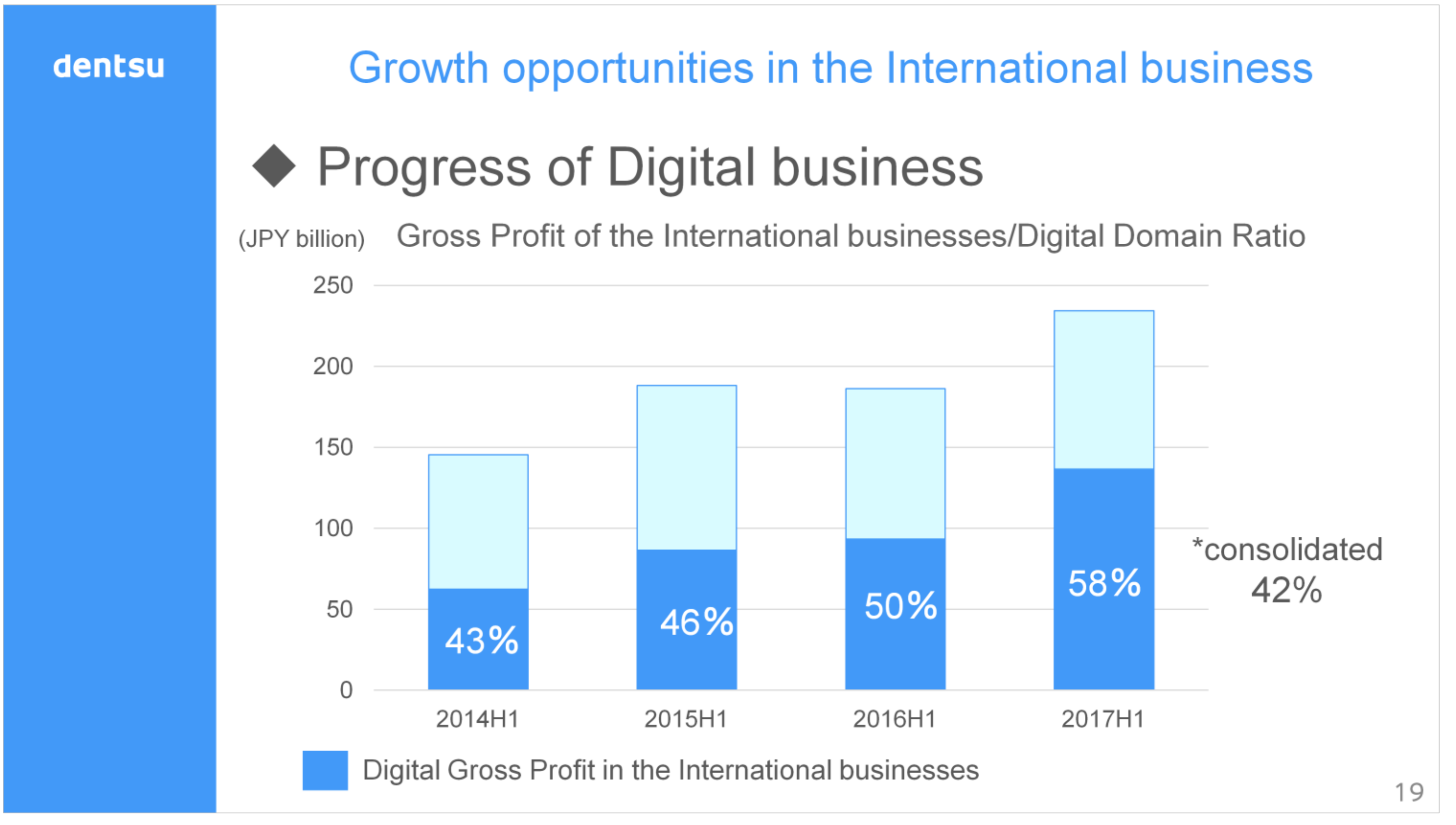
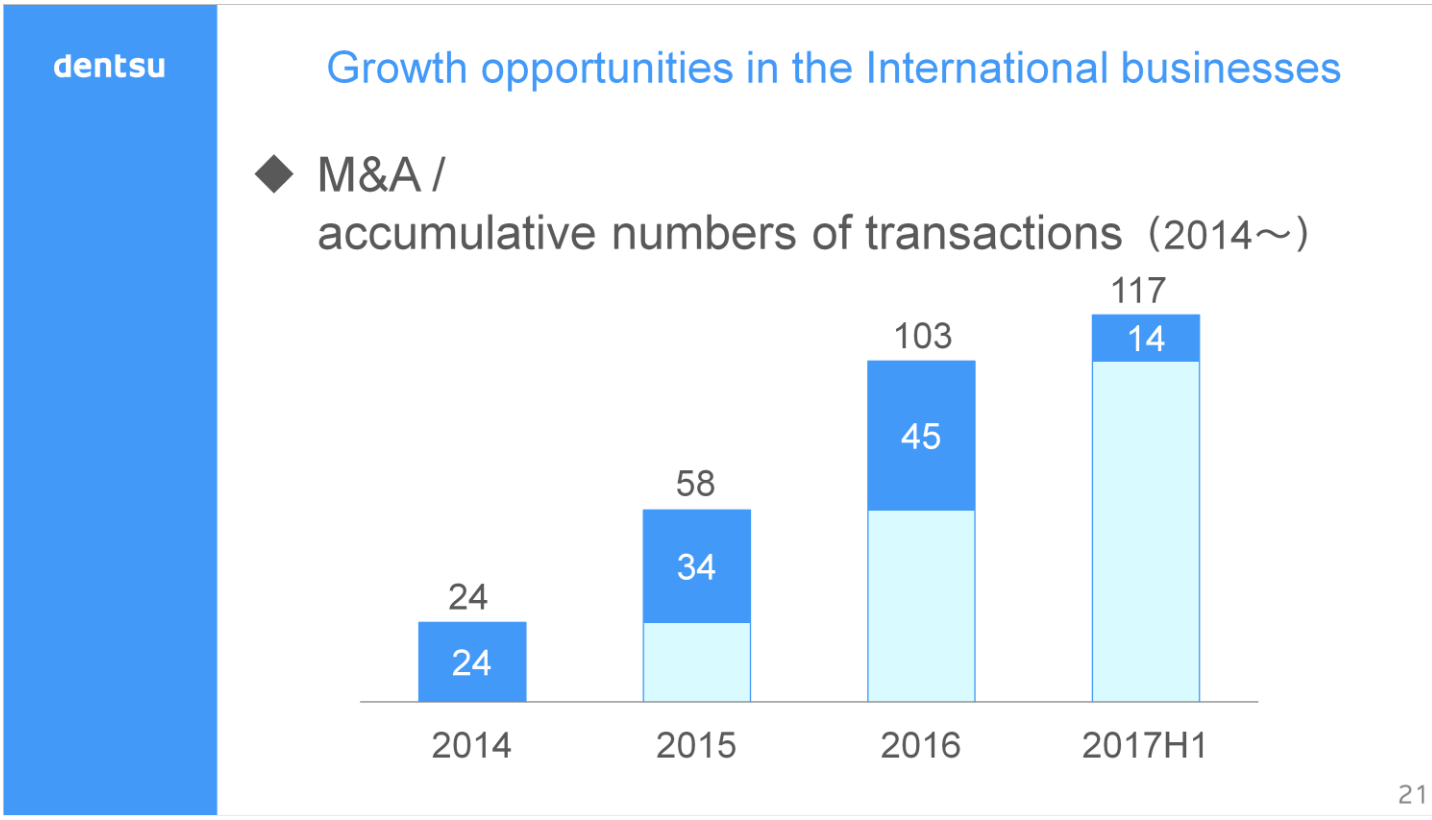
- In Dentsu Aegis Network's Ad spend forecast, which was released in June 2017, the global ad spending was downwardly revised from 4.0% to 3.8%.
- However, we estimate positive impact in 2018 from major sporting events, including the 2018 Winter Olympic and Paralympic Games to be held in PyeongChang, South Korea, and FIFA World Cup Soccer to be held in Russia. In light of this, we estimate global ad spending is likely to grow 4.3%, outperforming growth in 2017.



- The digital economy is the dominant force that will reshape business and industry in the future. Consequently, it goes without saying that addressing the digital economy is essential for securing the growth opportunities.
- Dentsu Aegis Network are well positioned to be at the forefront of this trend and have set the ambition of being a 100% digital economy business by 2020.
- This positioning is now strengthened by 58.3% of revenues in H1 17 attributed to digital, up 8.2% from the same time last year, which contributed to the fact that the consolidated digital domain ratio overpassed 40% for the first time.
- As this indicates, we are steadily transforming the structure of the services we provide clients as well as the business structure of Dentsu Aegis Network.

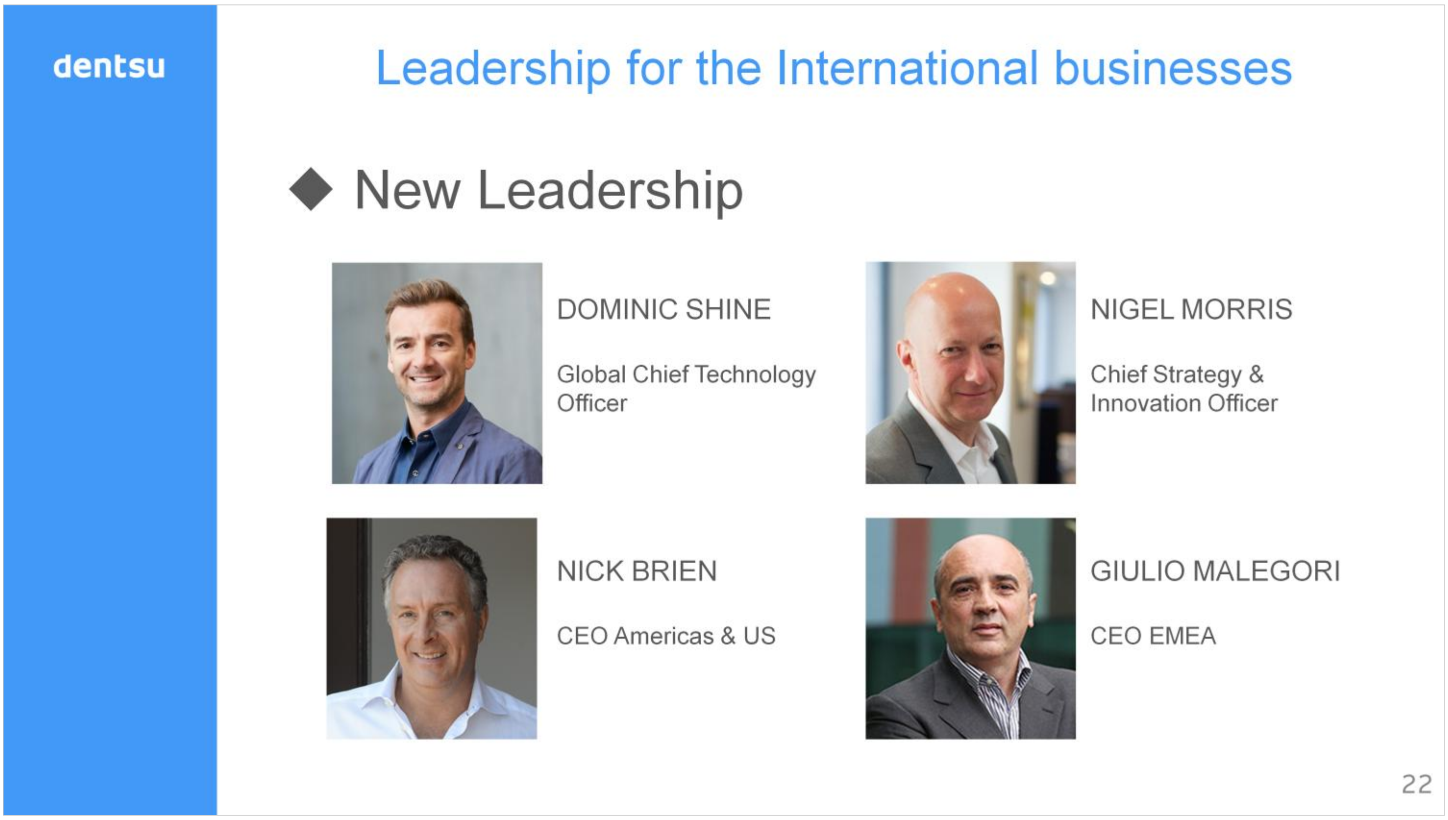
- Data is the currency of the digital economy and is central to delivering more personalized marketing and advertising services.
- Dentsu Aegis is at the forefront of this shift in our industry.
- Following the acquisition of Merkle in 2016, M1™ now sits within the global data platform that will serve all the network's agency brands.
- In H1 FY17, Dentsu Aegis Network activated M1™ in the US, the 100% people-based insights, planning, activation and measurement platform created by Merkle.
- To date, more than 20 Dentsu Aegis clients are already piloting M1 campaigns, and the group anticipates all media planning and activation in the US will become addressable via M1 by 2018.



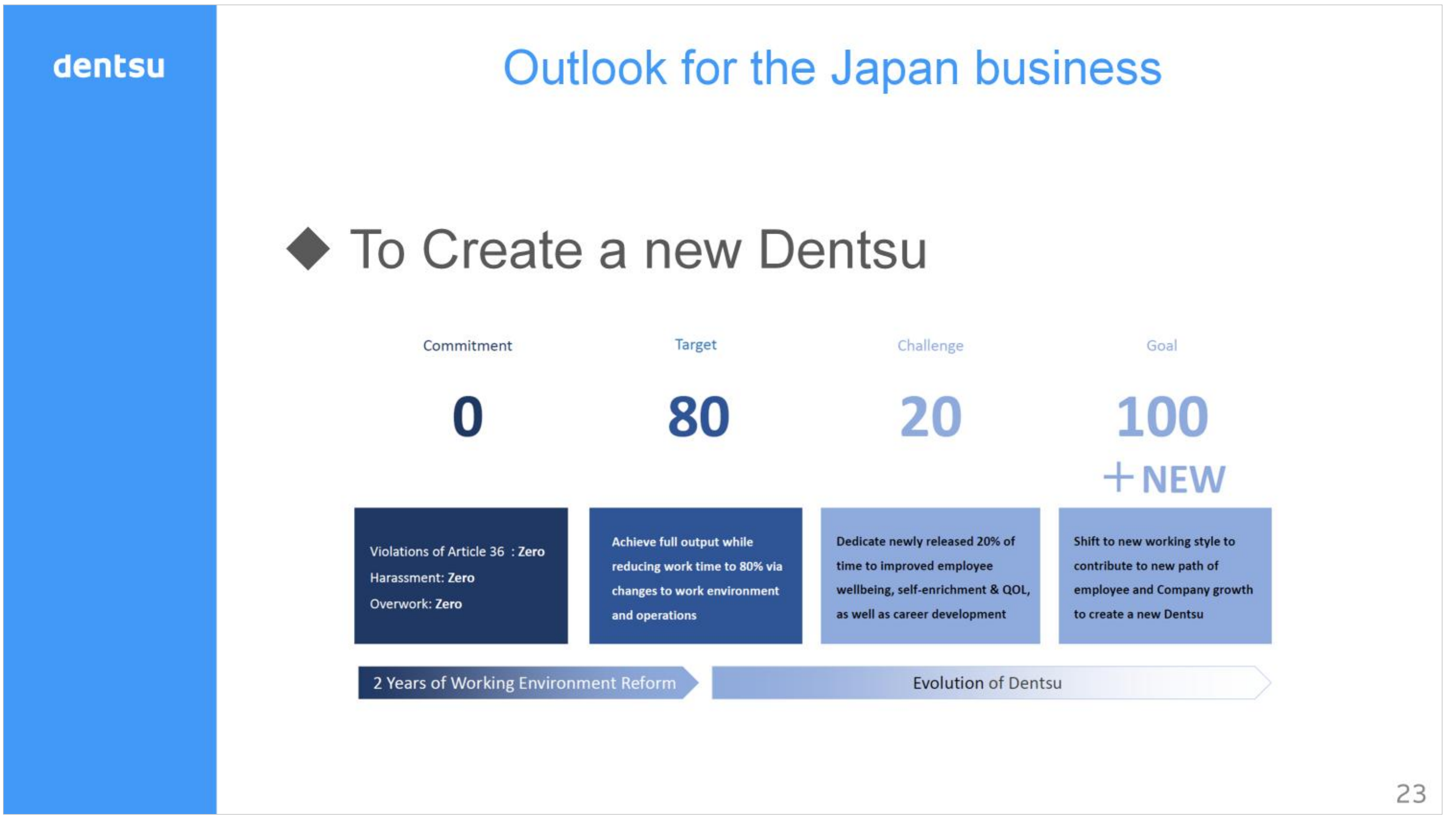
- Dentsu Aegis Network continues to accelerate its strategy through acquisitions, motivated by growing scale, geographic and capability in-fill and innovation with a focus on digital capability including data and CRM, brand commerce, customer experience, performance marketing and social & mobile.
- There were 14 deals signed in H1 FY2017, 11 of these in Q2 FY2017, taking the total number of deals signed since 2013 to reach 117.
- Not only the numbers of deals, we are achieving remarkable Return of Investment of 13% over the 10 years, which makes M&A a driver for the growth of the Group.

- Acquisitions from previous years continue to drive business performance, bring strong leadership and pioneering skills into the Group, proving strong investments for the business by performing well after integration.

- Taking an example, in APAC, some powerful companies were acquired by Dentsu Aegis Network between 2012 – 2016 and combined to establish Isobar in China.
- The Isobar China proposition has been transformed to a full service digital and brand commerce agency providing world class service offering, with revenues growing almost four times over the last five years.



- As we introduce in this slide, the Executive team was strengthened with the appointment of CEO of the EMEA region in early 2017, and then the recent appointments CEO Americas & US, and newly established Chief Strategy & Innovation Officer Global Chief Technology Officer
- Those have ensured that the Executive Team is designed with growth, transformation, and strategic innovation at its heart.



- Then, I would like to discuss our outlook for Japan.
- The theme of the labor environment reforms we announced the other day is Create a New Dentsu. As this suggests, the Dentsu Group's operations in Japan are currently undergoing structural reforms.
- We start to conduct fundamental reforms and rebuild our basic infrastructure with aggressive spending in 2017. I believe these measures should contribute to a reduction in the group's total labor hours and an improvement in the quality of our operations, and pave the way to sustainable growth in and after 2019.
- It is my mission to be able to show you, our investors, tangible results from this series of reforms we have been undertaking since 2016 as quickly as possible.

- One of the major initiative of driving growth is development of marketing method which place people as a basis as I mentioned before.
- We established People Driven Marketing ™ which focuses “people”’s mind and actions to achieve marketing objectives based on fulfilling data base.
- We are going to continue to support the clients’ achieving their marketing objectives with utilizing the best in class audience data in Japan.

Growth opportunities of the Japan business

◆ Seed Creativity / Business design

We challenge to extend our capabilities developed in the communication field to the consultation field for business development or business transformation that many Japanese companies are challenged.

- In addition to these measures, which we are positioning as a type of change in corporate culture, we are also moving forward with long-term initiatives to improve the quality of the businesses and services provided by the Dentsu Group and to seize growth opportunities in Japan.

- In Japan, where macroeconomic low growth continues, many companies are showing a preference to carryout business reforms and expansion on their own. However, by engaging in our client’s business from the initial stage and injecting our core competence—creativity—into their business creation approach and at the onset of business reforms, we can assist in substantially broadening our client’s possibilities.

- Seed Creativity, which we showcased at the 2017 Cannes Lions International Festival of Creativity, gained numerous feedback.
- In general this field is referred to as “business design,” and we are forwarding some projects with multiple clients.
- We therefore plan to steadily secure business opportunities in this field with aggressive input of resources.

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Dentsu Group Moves Toward the Future

Transforming into a self-innovative corporate group that consistently reinvents itself to achieve growth and evolution

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- In this era of dynamic change, Ambition, curiosity and the spirit to take on a challenge are what is most important to turn change into opportunities for growth and evolution.

- We continue our consistent effort to create a positive cycle where fostering personal growth will lead to enhance values which we provide to our clients, then we attract excellent talents by adding our corporate charm.

- I will ask you to watch over the progress of our group reformation.