

Transforming the Dentsu Group in 2018

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*The numeric figures and indicators are disclosed in this presentation for the purpose of promoting proper understanding of business conditions. Note that in certain cases, the numeric figures herein differ from those in our financial statements. Refer to the Appendices of IR website for definitions on terms used.

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Group Priorities

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Working Environment Reform and Improvement
of Corporate Infrastructure in Japan

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Group Business Transformation

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- As shown in the slide above, we recognize working environment reform and business transformation are the two major issues for the Dentsu Group in 2018.
- For the Japan business, we continue to implement “Working Environment Reform”.
- The second point is around Business Transformation.
- Given the rapidly changing operating environment due to the digital and technological revolution, we will approach our business transformation in a way that will enable us to provide value to our customers and society.

Working Environment Reform and Improvement of Corporate Infrastructure

Reform with both shortening of work hours and improving quality of the service

Transform overall corporate infrastructure

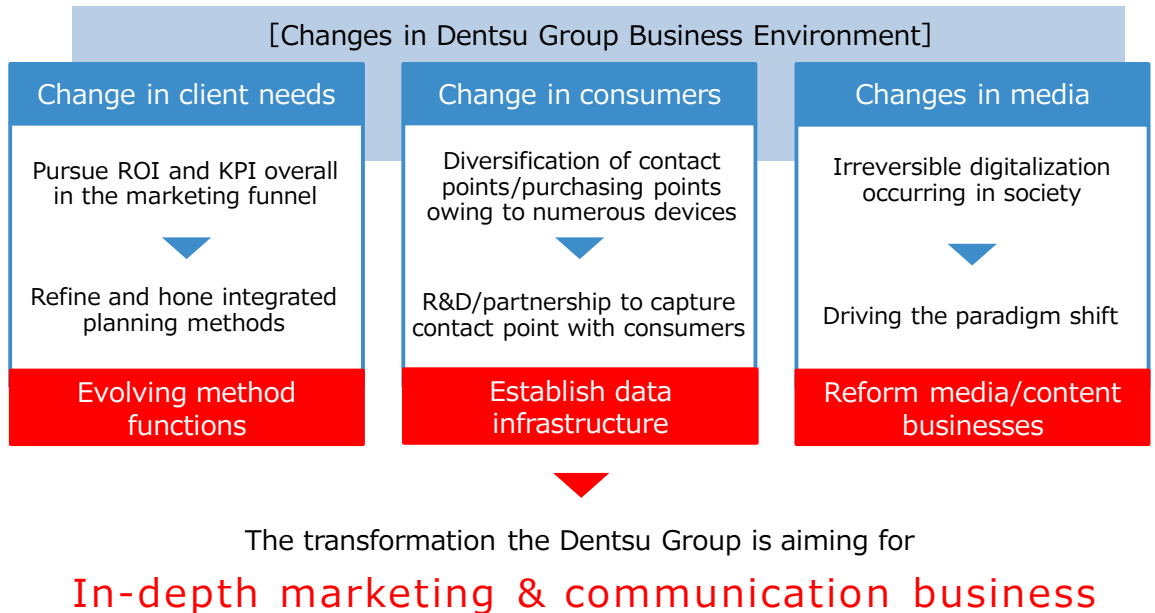
Reform that opens up the future

compliance with laws and eradication of overwork

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- Now I would like to explain the working environment reforms we are currently implementing.
- We issued a detailed press release on February 13th detailing our progress.
- In brief, the working environment reforms will touch all aspects of the business: labor management, work process, internal infrastructure, the office environment, personnel systems and health management system.
- These reforms will be developed in line with the business transformation plans to create a new Dentsu group.

Business Transformation

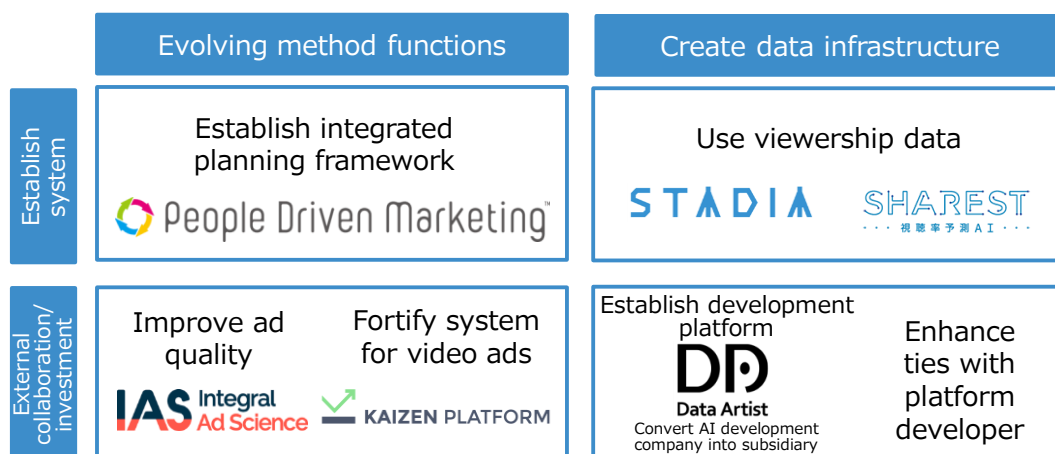


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- Now I would like to talk around our planned Business Transformation.
- Client needs are shifting, pursuing ROI and KPI's down the marketing funnel. To address this change, we plan to develop more refined and sophisticated integrated planning methods.
- Second we need to respond to the diversification of media contact points and purchasing points for consumers. We are looking to further implement R&D and external tie-ups to capture the contact points with consumers
- Third, is dealing with the full-fledged digitalization of mass media.
- In the media business, which is one of our strengths, we will provide impetus to drive this paradigm shift and further strengthen our competitive edge and market presence.

2 Business Transformation (Japan Business)

Strengthen functions within the group and revamp structure
Actively partner with or invest in other companies



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- Our People Driven Marketing initiative was launched in 2017 and is an integrated planning framework.
- The platform aims to actively form collaborations with partners where we can benefit from a higher degree of specialization. We are already seeing beneficial results for clients.
- In addition, we plan to enhance our use of on-line and off-line data to establish a development infrastructure for data analysis and forecasting systems. This would include the use of AI.
- On February 9, 2018, we announced plans to acquire Data Artist, the company shown in the right hand corner of the slide. This company is a leader in the field of AI in Japan. This company already functions as the nerve centre for our cutting-edge solutions, including People Driven DMP, STADIA, and SHAREST.

Data Artist to become a subsidiary



Enhance integrated planning, including digital using AI

Expand topline in the marketing communication domain

Improve operational efficiency and optimize HRM using AI

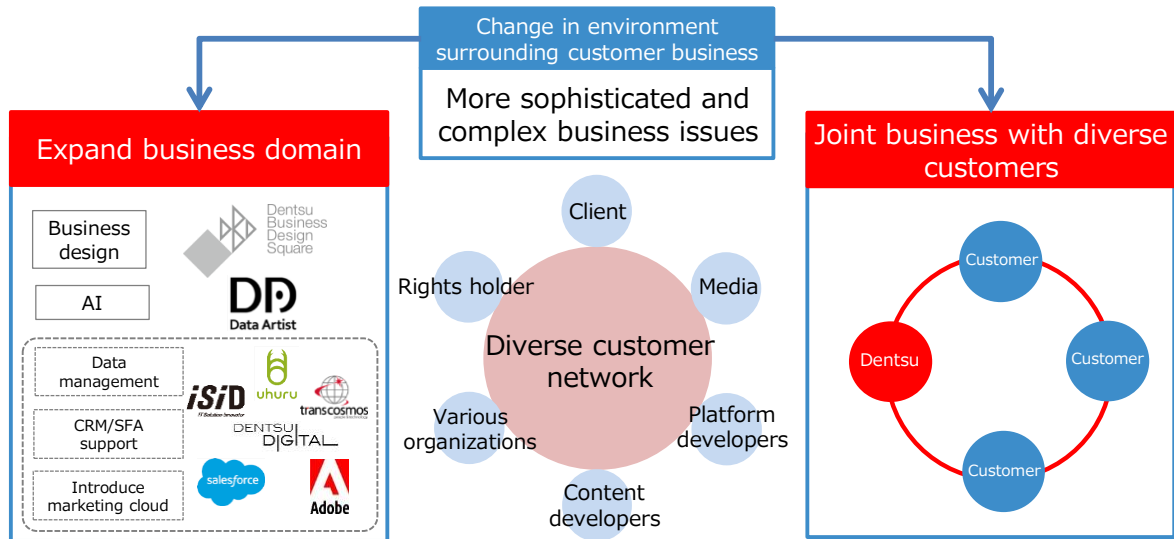
Improve group overall corporate infrastructure

Develop new businesses that leverage AI

Secure new revenue source

- Another objective of acquiring an AI development company is to strengthen the competitiveness of our core business.
- This will results in operational efficiency and create new sources of revenue.
- We plan to incorporate advanced technologies into the core of our business to create new value that surpasses the boundaries of the marketing domain.

Business Transformation (Japan Business)



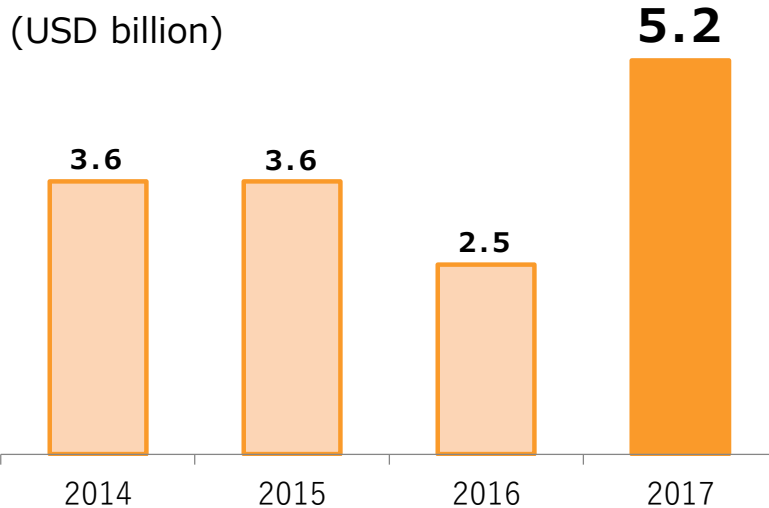
The transformation the Dentsu Group is aiming for

Evolve into a business partner

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- I would like to explain our plan to implement two initiatives that will create new sources of revenue in the Japan business.
- First, we plan to expand our service lineup.:
- Dentsu Business Design Square was conceived in Autumn 2017. The world-renowned business designer, Hideshi Hamaguchi served as an advisor.
- Dentsu Business Design Square will act as a partner for our clients to solve problems in the field of business design in combination with our marketing capabilities.
- We will expand our service offering by blending our current capabilities with new strengths; we will support data management, CRM / SFA and the marketing cloud.
- Secondly, we plan to develop joint ventures with our diverse range of customers.
- Our client network is our strongest asset. This network consists of a diverse range of customers including media companies, platform developers, rights holders and content developers.
- This network can be used to help us build our clients businesses by leveraging the knowledge across that network.
- Looking ahead, we will evolve into a business partner for our clients and will not be confined to our conventional business domains.

A record year for net new business



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- Here I would like discuss our international business, Dentsu Aegis Network.
- 2017 was a transformational year for the industry with many events and developments making the industry context more challenging.
- It goes without saying that the change is triggered by progress of digitization.
- Many clients are reviewing their traditional marketing activities in full, and shifting to data led marketing.
- In Dentsu Aegis Network, we have been promoting digital transformation that anticipates these changes, such as continuing strategic M&A, focusing on digital businesses.
- Dentsu Aegis Network now generates almost 60% of its revenues from digital activities.
- As the result, 2017 saw a record year for net new business wins for Dentsu Aegis Network with \$5.2bn of media billings.
- The strong new business momentum demonstrates a competitive product that is aligned to clients' needs and showcases the strength of our talent within the business.
- The pitch pipeline remains healthy and we remain upbeat about the prospects for future business growth in 2018.
- In 2017 we made an number of additions to the Dentsu Aegis Network Executive to strengthen the leadership team.
- We also made a number of management appointments at a country level in some of our largest markets which should further drive the business in 2018.

2 Business Transformation (International Business)

Strategic Priorities for Dentsu Aegis Network 2018

Building on record year for new business

- Drive product competitiveness and innovation
- Data strategy to accelerate shift to people-based marketing; M1 Platform roll out
- Prioritize full consumer journey services to clients

Investment in global infrastructure

- Investment in global platforms & shared systems to operate efficiently at scale
- Standardization of business operations to support faster decision making

M&A

- Continue targeted acquisitions in digital to support growth and innovation

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- As we saw in the Dentsu Aegis Network Adspend report, in 2018 we expect the global ad market to grow, and we expect organic growth at Dentsu Aegis Network to outperform the peer group average.
- In 2018 we will build on our 2017 new business success. Dentsu Aegis Network has continued to invest in data capabilities; data drives the insights and addressability that clients require. M1 is a key pillar of the Dentsu Aegis Network's data strategy and 2018 will see the rollout of the M1 platform outside the US market.
- Investment in global infrastructure for long term growth will continue and support common platforms and shared global services. Further inward investment will standardise business operations, support faster decision making and improve efficiency.
- 31 acquisitions were completed during the course of 2017 which in combination with the new business performance give Dentsu Aegis Network significant momentum going into 2018.
- In 2018 Dentsu Aegis Network expects to return to outperform the peer group.

Aggressive investment to accelerate business transformation



Expand
functions of
existing
business

Expand
business
domain

Looking forward, both the Japanese business and international business will pursue and execute investments that will enhance the entire Group

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- I have explained our business transformation plans, now I will discuss our plans for investment which will accelerate our transformation.
- Investments, including M&A, to date have mostly been carried out by Dentsu Aegis Network. Moving forward, we plan to aggressively tackle business investment, including M&A, in Japan.
- This series of business investments will not simply be to expand the functions of existing business, it will also expand our group's business domains.
- We plan to use our worldwide network to pursue business investment opportunities and accelerate execution for the Group.

Dentsu Group wants to be an optimal partner that helps customers transform their business.

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- As I have discussed the planned business transformation will position the Group to be at the forefront of changes in society and industry.
- The Dentsu Group aims to become the optimal partner to help clients to achieve their own business transformation.



- 2018 is a year of exciting transformation for the Dentsu Group both in Japan and across the 145 countries Dentsu Aegis Network operates in.
- Looking ahead, we plan to further exploit untapped synergies between the Japan business and the international business; utilizing each others strengths and leveraging new acquisitions across the whole business.
- Thank you for listening and I look forward to your questions.