

dentsu

Dentsu Group Medium-term Direction

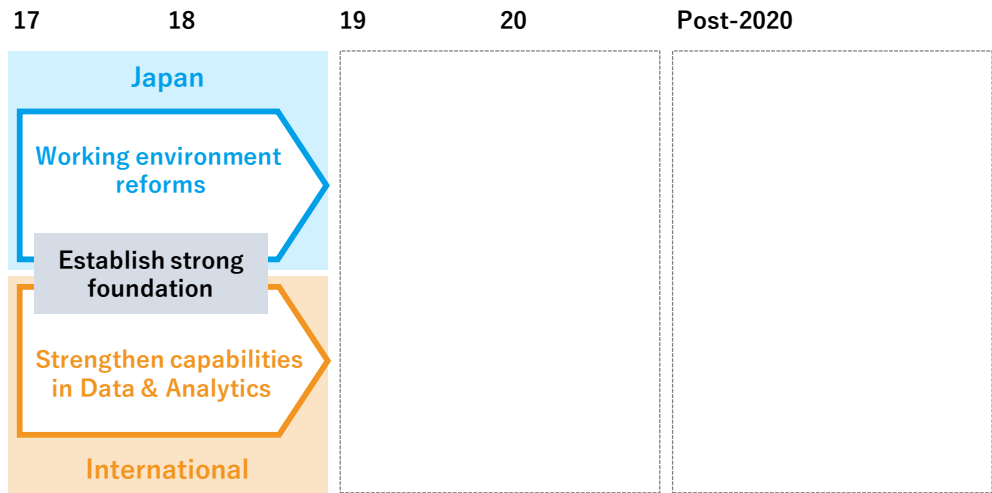
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President & CEO
Dentsu Inc.

August 10, 2018

* Please be reminded that the figures shown in this presentation may be different from those shown in the financial statements as this presentation has been prepared for investors to understand our businesses. Please refer to the annotations in the Appendices for each definition of the indicators.

This presentation will show how we plan to drive growth in the medium to long term as a Group.

Phase 1 : 2017-2018 Initiatives

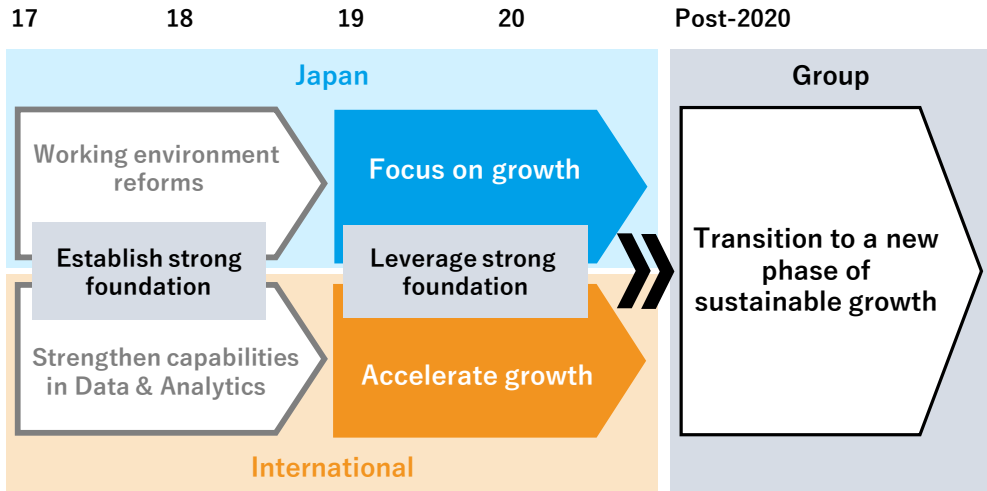


First I would like to discuss our performance in 2017 and 2018 to date.

Dentsu Aegis Network acquired Merkle in 2016, a major step towards strengthening our capabilities in the fields of Data and Analytics. Over the past 18 months, we have been improving our products, re-defining our brand portfolio and implementing global systems and platforms to operate our business efficiently and effectively.

In Japan, we are focused on working environment reforms and creating a modern, flexible workplace. We aim to complete the reforms this year, as planned. These efforts will be the foundation for sustainable growth in the future.

Phase 2 : Medium-term Direction for 2019-2020

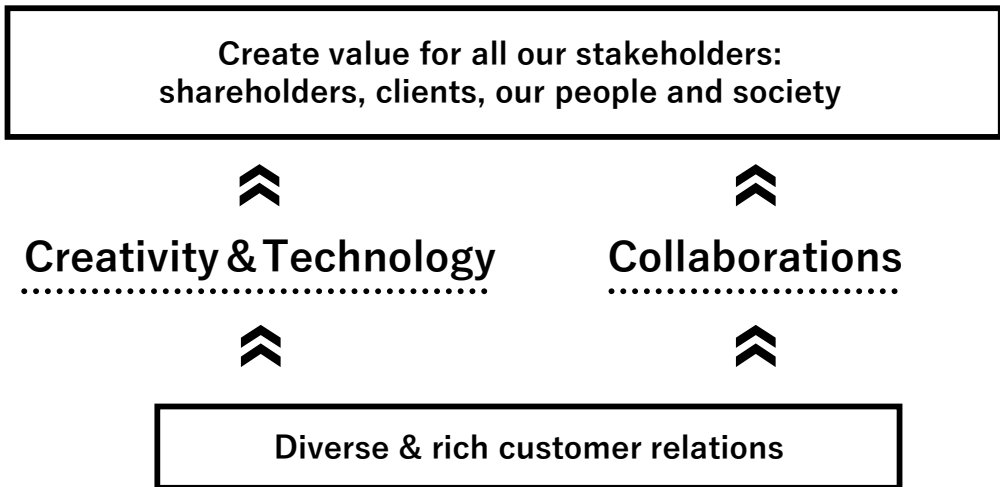


The digital and technological revolution that our clients are facing provides enormous opportunity.

As we look to 2019 and 2020, we plan to leverage the work we have done over the past two years. This will drive growth in both the international business and in Japan.

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

Dentsu Group's Self-Reforms



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.

We plan to leverage our strong, existing client relationships, as well as our wider customer relationships with platformers, content holders and the media. By collaborating with existing partners we can build on our core competencies and create new value by utilizing the creativity and technology that already exists within our business.

Medium-Term Direction for International Business

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 partnerships and content opportunities
- 3 Differentiate the business with effective use of data

17

Now, I would like to discuss the medium-term direction for our 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.

1. Build an integrated solutions offering.

We start from a position of advantage. We have had a highly collaborative, one P&L operating model for 10 years. Our ability to deliver seamless integrated services built around our clients’ needs is central to our success.

Through crystallising our integrated solutions offer, we enable our network brands to operate together better, while all sharing our one vision of “Innovating The Way Brands Are Built”. Supporting this are our investments in global and regional shared services and global platforms.

2. Leverage media partnerships and content opportunities

We will continue to focus on our relationships with our Global Media partners, creating new brand building solutions. Content development remains a focus.

3. The third point is differentiating our business with effective use of data. With the transformational acquisition of Merkle in 2016, we have the basis of a highly valuable differentiator from our competitors.

The People Based Marketing platform, the M1 platform, is the foundation

to differentiate every aspect of our integrated solutions.

Medium-Term Direction for International Business

Six strategic priorities to promote momentum and growth :

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

18

4) Focusing on high profit and high growth sectors to grow earnings and outperform competitors.

Our lack of exposure to legacy businesses allows us to be more dynamic. We will drive market share growth both organically and inorganically. Internal investments will support our organic growth ambitions.

5)The fifth point is to mitigate the cost of complexity by improving operational efficiency.

A focus on business operations will reduce duplication while reducing costs making the organization easier to operate, run and work in. We believe the effect of those investments will further fortify our organic growth.

6)Lastly, we plan to continue to proactively pursue market transformation opportunities to accelerate our strategy through our ongoing M&A program.

Medium-Term Direction for Japan Business

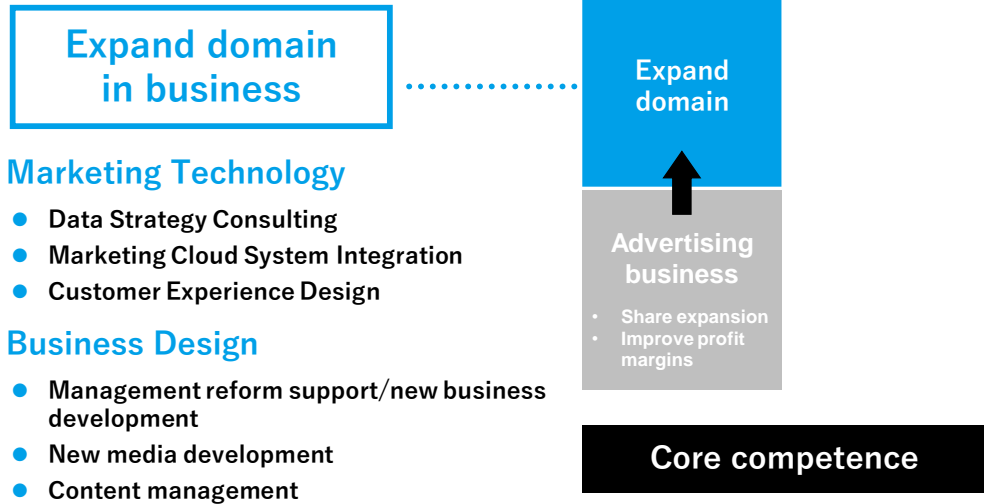
Advertising business

- Share expansion
- Improve profit margins

Now, I will explain the Medium-Term direction for Japan.

First, in the existing advertising business, which is our core competency, we aim to improve the organizational structure to further expand our market share and improve margins.

Medium-Term Direction for Japan Business



We plan to actively diversify our business model, based around our core competency.

We will expand our existing business to provide a broader range of services in response to changing client needs.

We plan to establish the Marketing Technology domain and the Business Design domain.

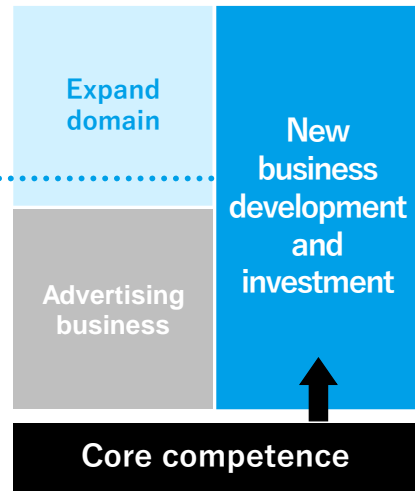
Marketing technology is a new business domain which drives the growth of clients' business in an ever more complex digital environment. We aim to become clients' partners in the areas of data strategy consulting, focusing on how to collect customer data and more importantly how to utilize this data to drive sustainable revenues. Through the design and construction of cloud systems, we can advise clients how to manage their customer data safely. And finally, create holistic customer communication and channel experiences, through an integrated data planning approach.

In the Business Design domain, we plan to offer management reform support and new business development support. The Dentsu Group possesses a wide customer network which provides significant potential for expanding this domain.

Medium-Term Direction for Japan Business



- 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



We will also focus on new business development and investments that go beyond our existing business.

We will invest our own capital in business partnerships with our diversified customer network, comprised of clients, media, platformers, rights holders, contents makers and various organizations.

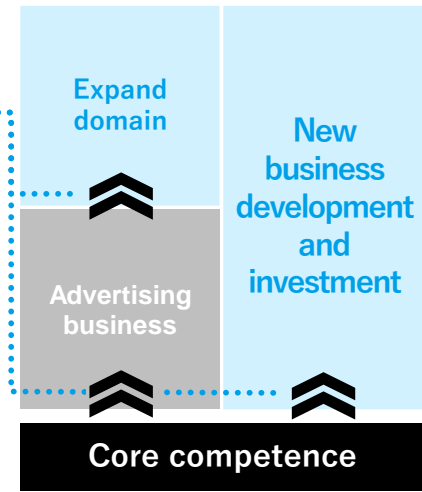
We aim to create new value through connecting our capabilities with that of our customers, and we expect the expansion of those partnerships will bring new capabilities and innovation to both our Group and our customers.

This is the business structure transformation for the Japan business

Medium-Term Direction for Japan Business

Accelerate business growth by expanding capabilities

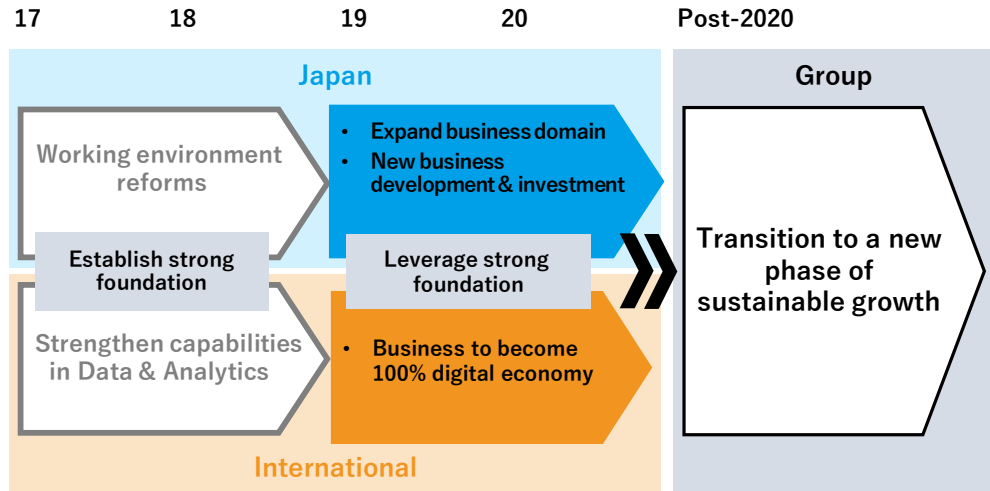
- Attract and retain talent
- Increase investment activity, including M&A



In order to do this, we will expand internal resources while attracting and retaining new talent.

We will increase our investment activity, including M&A to strengthen our capabilities.

Phase 2 (2019-2020)



As I explained, in 2019 and 2020, we are focused on growth and evolution in our Japan and international businesses.

These years will be a key phase for implementing business transformation throughout the Dentsu Group for the years beyond 2020.

Ahead of Post-2020

- **Unique, diverse network operating in 145 countries with a diverse range of customers, including over 11,000 clients, media owners, rights holders, content creators, governments and organizations**
- **Transformation is the common need of almost every customer**
- **Difference in business stage and core competence for Japan and International businesses**

The Dentsu Group has a client base that spans more than 145 countries and more than 11,000 clients. That number jumps significantly when we consider the various media owners, content owners and platformers that we define as our diverse base of “customers”.

The rapidly changing environment is driving all our customers’ need for transformation.

At the same time, the position of our growth stages differs for the Japan business and international business. It is through this diversity within our group that we will create opportunities for the Dentsu Group to grow further.

Create New Growth Post-2020

Transitioning from an international to a metanational organization

25

Dentsu & Dentsu Aegis Network have differing strengths and are therefore complimentary.

It is through these differences that we can create a unique competitive advantage.

Our vision is for our businesses to become one organic group – greater than the accumulation of parts.

The concept of a “metanational organization” is one we believe can bring growth to the Group.

This concept manifests “utilizing resources gained in different parts of the world and using them for the benefit of the entire group... rather than creating value by solely depending on the advantages rooted in any specific country”.

We see this transformation as the answer to achieving continuous growth in and after 2021.

Potential Changes of Group Holding Structure

Commence analysis of changes to Group holding structure :

The changes are likely to occur in Jan. 2020, upon the approval at the ordinary general shareholder meeting in March 2019

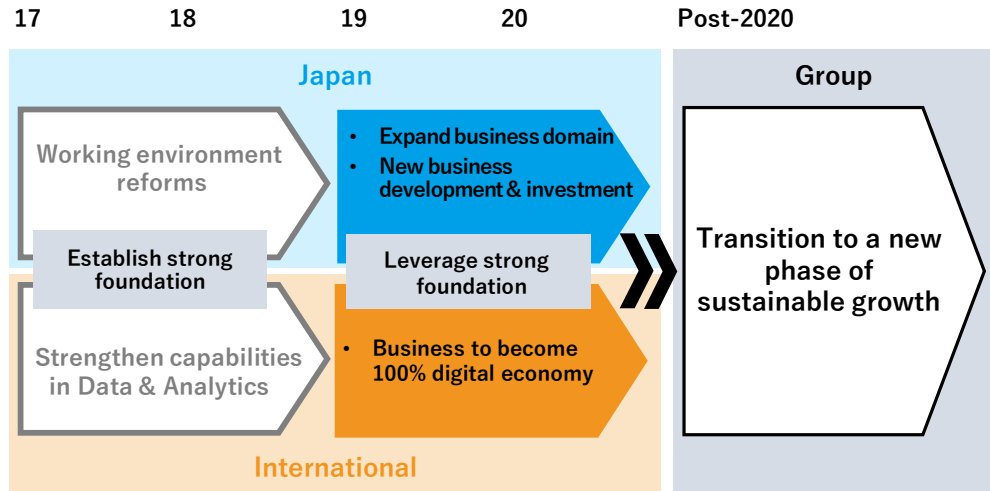
- **Maintain and enhance the Group's continuous growth**
- **Respond to radical changes in the business environment**
- **Establish governance that enables expeditious decision-making from medium and long-term viewpoints**

As we announced yesterday, we have begun the analysis of potential changes to the Group holding structure.

Amid a rapidly changing world, we plan to steadily grow our corporate value, change and expand our business domains, and to accelerate our decision-making.

The changes are likely to occur in January 2020; as decisions are made we will provide details to the market.

Dentsu Group Moving on to a New Phase



Today I explained the medium-term direction for 2019 and 2020 to take the entire Dentsu Group to a new growth phase in the post-2020 years.

Guidance up to 2020

Organic growth rate
(Revenue less cost of sales)

3-year CAGR up to 2020
3% or higher

Operating margin

**Continual
improvement
in margin
from 2018**

Shareholder returns

**Steady dividend
policy**

Consider returns
tracking earnings
and CF performance

Our new guidance until the end of 2020 is:

1. 3 year CAGR of organic growth of 3% or higher to 2020.
2. Annual improvement in operating margin, with 2018 seen as the bottom.
3. We will continue our steady dividend policy as well as consider returns that track earnings or cash flow performance.

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

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

We ask for your continuing support going forward. Thank you very much.

And now I will hand back over to the operator to open for Q&A.