

FOR IMMEDIATE RELEASE

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Notice Concerning the Structural Reform of the Dentsu Group's Japan Business and Expected Expenses

Dentsu Group Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Toshihiro Yamamoto; Head Office: Tokyo; Capital: 74,609.81 million yen; hereinafter "the Company") announced today that a decision was reached at today's Board of Directors meeting to approve the structural reform of the Dentsu Group's Japan business. The aim of the structural reform is to rebuild the foundations to update the value proposition of Dentsu Japan Network (DJN) that operates the Group's Japan business.

In August 2020 the Company announced a comprehensive review to accelerate the transformation of our business and the Company has already made significant progress against each of the four aims. In August 2020 the Company announced a comprehensive review to accelerate the business structural reform required to return the Group to growth and deliver margin improvement. The review launched with four clear objectives: (1) Creating a simplified structure, benefitting both clients and internal operations, (2) Structurally and permanently lowering operating expenses, (3) Enhancing the efficiency of our balance sheet, and (4) Maximizing long-term shareholder value.

In line with these aims, today the Company approved the structural reform plan for the Group's Japan business. This plan will drive the change of the business structure to support the "Dentsu Group Medium-term Management Plan — Sustainable Growth through Transformation —" that covers the four-year period from FY2021 to FY2024, announced today.

Through this structural reform, DJN will create an optimal business formation, review the human resources formation, and further develop the working environment. DJN is committed to the sustainable growth of our clients and will accelerate its evolution to become an "Integrated Growth Partner" that contributes to the solving of social issues. Specifically, DJN will implement the following three measures for the structural reform of the Group's Japan business.

1. Business formation

In order to become an "Integrated Growth Partner" that provides clients with the highest quality work combined with efficiency, DJN will transform its current

Advertising, Creative, Marketing and Promotions, Digital, Media, Content and other domains into four new business domains. These domains are AX (Advertising Transformation), BX (Business Transformation), CX (Customer Experience Transformation) and DX (Digital Transformation). DJN aims to complete the transformation by the end of FY2021.

- AX: Advertising transformation domain to maximize the sophistication and efficiency of advertising
- BX: Business transformation domain to support the business transformation of client companies
- CX: Customer experience transformation domain to design and deliver the optimum customer experience
- DX: Digital transformation domain to facilitate transformation of the marketing infrastructure

In order to enhance the value of the four new business domains and to bolster the competitiveness of DJN by maximizing the strength of individual companies, corporate functions will be optimized to each of the four groups (the AX group, BX group, CX group and DX group). This will generate synergies by creating areas of expertise including the establishment of a virtual organization. In addition, DJN aims to rebuild the platform business and establish a new company with the aim of more enhanced and efficient DJN-wide corporate functions.

2. Human resources formation

With the aim of contributing to the growth of business and society, DJN will develop an optimal human resources formation within the Group to foster an environment in which diverse human resources who are willing to change and continue to grow are able to gather together and flourish. To this end, DJN will consider a lot of initiatives including considering reassigning human resources in terms of expertise and synergy generation and the implementation of a review of its human resources recruitment strategy with an eye on the personnel needed for new growth. In addition, as measures to support the pursuit of a variety of career opportunities, DJN will consider multiple measures for supporting employees' growth in line with the business formation changes and voluntary early retirement programs for supporting employees who seek new careers. As a step toward this optimization, Dentsu Inc. has already implemented a voluntary early retirement program linked to the provision of new career options to employees in FY2020, and other measures will be implemented during FY2021. DJN companies will announce these implementations as necessary when the details have been finalized.

3. Working environment development

With the Dentsu Headquarters Building in Shiodome, Tokyo as its core business base, DJN will evolve it into a place where each company can connect with each other, driving revenue synergies and new business opportunities. By arranging the office and shared spaces of each DJN company under a design suitable for a new way of working, DJN will reduce fixed costs and at the same time create an environment where employees can work in a more lively and efficient manner. As part of the work style reforms we have been conducting since 2017, the Group has been improving the office and IT environment in conjunction with promoting personnel measures. Furthermore, with regard to COVID-19, we have responded swiftly to the ever-changing social environment, such as the transition to a remote work system at an early stage and office design changes. This time, we will further evolve the office environment from the viewpoint of business emergence and efficient working styles. Although the plan is scheduled to be completed by the end of FY2024, we will continue to evolve the working experience for our people by responding swiftly to the changes in the social environment.

Expected costs and effects of the structural reform of the Group's Japan business

The total cost of the structural reform of the Group's Japan business is estimated to be approximately 50.0 billion yen. Of this amount, approximately 24.0 billion yen was already recorded as expenses related to the voluntary early retirement program in FY2020, 23.0 billion yen will be used in FY2021, and the remaining 3.0 billion yen will be allocated to FY2022 and beyond. It is expected that the costs for FY2021 will be related to the voluntary early retirement program, expenses related to business and organizational enhancement, and expenses related to working environment development. Compared to FY2019, an average annual cost reduction of approximately 21.0 billion yen from FY2022 onward is anticipated as an effect of the structural reform of the Group's Japan business.

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