Overview of the Dentsu Group

As the driving force in Japan’s advertising industry, the Dentsu Group maintains long-term business relationships with a variety of customers that include leading corporations in Japan and overseas. We have also established distinctive services in overseas markets and built a solid network covering Japan, Americas, EMEA and APAC. Our operations are led by Dentsu in Japan and Dentsu Aegis Network internationally.

Operating Area

over 145 countries and regions around the world

As of December 31, 2017

Number of Employees (consolidated)

60,064

Domestic Business 17,652

International Business 42,412

As of December 31, 2017

Gross Profit

¥877.6 billion

January to December 2017

Underlying Operating Margin

18.7 %

January to December 2017

International Business Ratio*

58.8 %

*gross basis.

January to December 2017

Digital Domain Ratio

22.2 % (in Japan)

(2.5pt↑)

57.9 % (international)

(5.6pt↑)

January to December 2017

Reduction Rate of CO2 Emission

9.3 %

year-to-year comparison basis, scope 1+2+3

Ranking of Advertising Holding Company Groups

Top 5 Worldwide

Source: Advertising Age, May 2018

(Advertising Age estimates)

Share of the Japanese Advertising Market

24.4 %

Note: Under JGAAP, net sales are calculated in calendar 2017.

Sources: Advertising and Economy; Current Situation of Japanese Advertising Agencies; and 2017 Advertising Expenditures in Japan (Dentsu)
A Strong Global Network

We provide integrated services with high added value to customers in countries using global resources and infrastructure provided by 10 global network brands and five global specialist/multimarket brands in addition to domestic Group companies. To realize the Dentsu Group integrated and specialist approach, common business goals are established by each Group company to achieve seamless coordination. We are also able to provide integrated services by collaborating with top class professionals, in a variety of fields and located around the world.

Assessment from Outside Institutions

Dentsu Group disclosure of activities and information related to environmental preservation and other sustainability efforts, as well as the achievements of our initiatives to the environment, social and governance (ESG), have been favorably assessed by institutions responsible for ratings and awards.
## Financial/Non-financial Highlights

(Consolidated, IFRS)

<table>
<thead>
<tr>
<th>Dentsu Inc. and Consolidated Subsidiaries</th>
<th>Calendar year basis(1) (Millions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Turnover</td>
<td>4,990,854</td>
</tr>
<tr>
<td>Revenue</td>
<td>818,566</td>
</tr>
<tr>
<td>Gross profit</td>
<td>761,996</td>
</tr>
<tr>
<td>Organic gross profit growth rate(2) (Consolidated)</td>
<td>7.0%</td>
</tr>
<tr>
<td>Organic gross profit growth rate (Japan)</td>
<td>3.9%</td>
</tr>
<tr>
<td>Organic gross profit growth rate (International)</td>
<td>9.4%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>128,212</td>
</tr>
<tr>
<td>Underlying operating profit(3)</td>
<td>160,438</td>
</tr>
<tr>
<td>Operating margin (Consolidated)</td>
<td>21.1%</td>
</tr>
<tr>
<td>Operating margin (Japan)</td>
<td>26.0%</td>
</tr>
<tr>
<td>Operating margin (International)</td>
<td>16.9%</td>
</tr>
<tr>
<td>Profit for the year attributable to owners of the parent</td>
<td>83,090</td>
</tr>
<tr>
<td>Underlying net profit(5)</td>
<td>113,388</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>¥289.95</td>
</tr>
<tr>
<td>Basic underlying net profit per share</td>
<td>¥395.67</td>
</tr>
<tr>
<td>Return on equity (ROE)(6)</td>
<td>7.7%</td>
</tr>
<tr>
<td>Underlying ROE</td>
<td>10.6%</td>
</tr>
<tr>
<td>ROA(7)</td>
<td>–</td>
</tr>
<tr>
<td>Ratio of equity attributable to owners of the parent(8)</td>
<td>34.8%</td>
</tr>
<tr>
<td>Cash dividend per share</td>
<td>¥75</td>
</tr>
<tr>
<td>Dividend payout ratio(9)</td>
<td>25.9%</td>
</tr>
<tr>
<td>Underlying dividend payout ratio</td>
<td>19.0%</td>
</tr>
</tbody>
</table>

(1) 2015 are reported on a pro forma basis, and 2016 and 2017 are reported on a financial reporting basis.
(2) Organic gross profit growth rate represents the constant currency year-on-year growth after adjusting for the effect of business acquired or disposed of since the beginning of the previous year.
(3) Underlying operating profit: KPI to measure recurring business performance which is calculated as operating profit added with amortization of M&A related intangible assets, acquisition costs, share-based compensation expenses related to acquired companies and one-off items such as impairment loss and gain/loss on sales of non-current assets.
(4) Operating margin = Underlying operating profit ÷ Gross profit × 100
(5) Underlying net profit (attributable to owners of the parent): KPI to measure recurring net profit attributable to owners of the parent which is calculated as net profit (attributable to owners of the parent) added with adjustment items related to operating profit, revaluation of earnout liabilities/M&A related put-option liabilities, tax-related and NCI profit-related and other one-off items.
(6) ROE (IFRS) = Profit for the year attributable to owners of the parent ÷ Average equity attributable to owners of the parent based on equity at the beginning and end of the fiscal year × 100
(7) ROA (IFRS) = Profit before tax ÷ Average total assets based on total assets at the beginning and end of the fiscal year × 100
(8) Ratio of equity attributable to owners of the parent = Equity attributable to owners of the parent ÷ Total assets.
(9) Dividend payout ratio = Cash dividend per share ÷ Basic earnings per share × 100
### Key Financial Indicators

#### Revenue
(Billions of yen)

- 2015: 750
- 2016: 750
- 2017: 800

#### Gross Profit
(Billions of yen)

- 2015: 500
- 2016: 550
- 2017: 600

#### Organic Gross Profit Growth Rate

- Consolidated
- Japan
- International

#### Operating Profit
(Billions of yen)

- 2015: 75
- 2016: 100
- 2017: 100

#### Underlying Operating Profit
(Billions of yen)

- 2015: 50
- 2016: 75
- 2017: 75

#### Operating Margin

- Consolidated
- Japan
- International

#### Profit for the Year Attributable to Owners of the Parent
(Billions of yen)

- 2015: 250
- 2016: 250
- 2017: 250

#### Underlying Net Profit
(Billions of yen)

- 2015: 150
- 2016: 150
- 2017: 150

#### Basic Earnings per Share
(Yen)

- 2015: 25
- 2016: 25
- 2017: 25

#### Basic Underlying Net Profit per Share
(Yen)

- 2015: 200
- 2016: 200
- 2017: 200

#### Cash Dividend per Share/Dividend Payout Ratio

- 2015: 10
- 2016: 10
- 2017: 10

Notes: 2015 are reported on a pro forma basis, and 2016 and 2017 are reported on a financial reporting basis.

### Additional Notes

- **CO₂ emissions**: Excluding some of Dentsu Group companies
- **Total Hours Worked Per Year**: Parent Company only
- **Number/Ratio of Woman Among Managers**: Including personnel seconded to the Company and excluding personnel seconded from the Company
How We Create and Share Value

The Value Creation Process

Based on our corporate philosophy of “Good Innovation,” the Dentsu Group is contributing to achieving a sustainable society by working together with clients to provide suitable solutions to social issues worldwide.

Corporate Philosophy

**Good Innovation.**

“Good Innovation,” the Dentsu Group’s corporate philosophy, encapsulates the Groupwide drive to create new value and lead the way toward transformation while emphasizing its commitment to supporting innovation within organizations and society.

<table>
<thead>
<tr>
<th>Megatrend</th>
<th>Global Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redistribution of wealth</td>
<td>Wealth disparity</td>
</tr>
<tr>
<td></td>
<td>Rising income polarization</td>
</tr>
<tr>
<td>Demographic changes</td>
<td>Acceptance of diversity</td>
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<td></td>
<td>Super aging societies</td>
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<tr>
<td>Digitization advancement</td>
<td>Information overflow</td>
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<tr>
<td>Climate change</td>
<td>Global warming</td>
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<tr>
<td></td>
<td>Extreme weather conditions</td>
</tr>
</tbody>
</table>

**Business Domain**

**Integrated Communication Design**

Demonstrate integrated capabilities by combining services in various business domains.

**Strategy**

*Working Environment Reform Plan*  ▶ P. 033

*Perspectives of the Key People*  ▶ P. 023

Medium-term management plan
(Dentsu 2017 and Beyond)
The Three Elements of Innovation

Entrepreneurship
+ Ideas
+ Technology

One P&L
Establish a global operating model and provide integrated services, leveraging Group synergies.

Value Creation
The success of our clients’ businesses
Contributing to an affluent life through communication
Realization of a sustainable society

Reforms Targeted by the Dentsu Group
Expanding the depth of our marketing communications business

International Business Strategy  P. 019
M&A Strategy  P. 021
Medium-term CSR Strategy 2020  P. 038