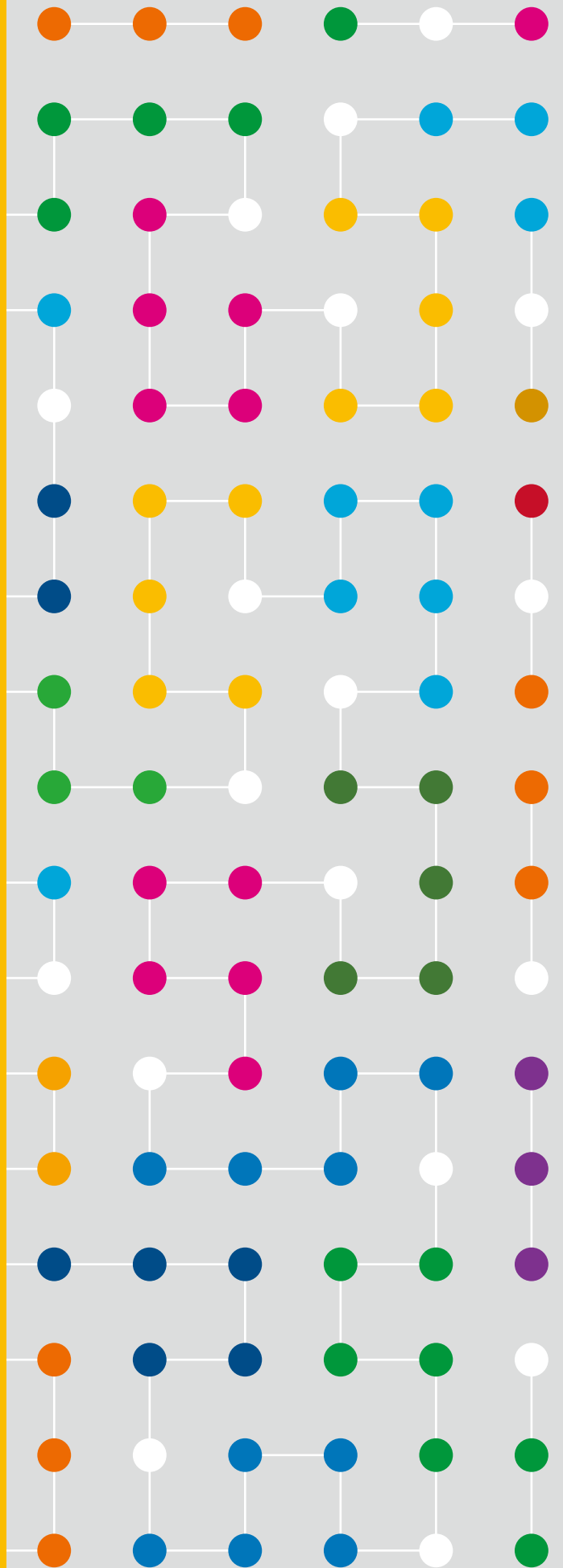


dentsu

Dentsu
Integrated Report
2019



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Editorial Policy

- This integrated report explains the Dentsu Group's operating performance for the reporting period and introduces the Group's strategies and initiatives to create value over the medium to long term. Information related to efforts to enhance sustainability is also arranged within an ESG framework, taking increased disclosure requirements into account.
- Target audience
 - All stakeholders including shareholders and investors

Reference guidelines

IIRC (International Integrated Reporting Council)
The International Integrated Reporting Framework

Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry

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Period covered by the report

Centered on activities during FY2018 (January 1, 2018 through December 31, 2018), but also describes some activities from preceding or more recent periods.

Organizations covered

Dentsu Inc. and Dentsu Group companies

Publication date

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Forward-looking Statements

This integrated report contains statements that constitute "forward-looking statements" regarding the intent, belief or current expectations of Dentsu Inc. or its management with respect to the results of operations and financial condition of Dentsu or the Dentsu Group. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. The information contained in this integrated report identifies important factors that could cause such differences. These forwardlooking statements speak only as of the date hereof. Dentsu disclaims any obligation to update or publicly announce any revisions to these forwardlooking statements to reflect future events, conditions or circumstances.

Quick Reference (Navigation)

The Dentsu Integrated Report 2019 has been designed to enable readers to easily navigate the site, to find the information in which they are most interested. Please use the following for reference while reading the Integrated Report.

	 Frequently Asked Questions	 Search	 Content Summary	 Content Location
What are issues that Dentsu must address with respect to changes in the business environment?	<ul style="list-style-type: none"> ● Top Message 		<ul style="list-style-type: none"> • Toward the creation of a new Dentsu Group 	P. 7
	<ul style="list-style-type: none"> ● How We Create and Share Value 		<ul style="list-style-type: none"> • In accordance with its corporate philosophy of "Good Innovation," the Dentsu Group contributes to the achievement of a sustainable society by working together with clients to provide optimal solutions to global social issues. 	P. 9
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How will Dentsu achieve medium- to long-term growth in its international business?	<ul style="list-style-type: none"> ● How We Create and Share Value 		<ul style="list-style-type: none"> • Implementing wide-ranging reforms that provide value to people and society 	P. 9
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	<ul style="list-style-type: none"> ● Dentsu Group Medium-term Direction 		<ul style="list-style-type: none"> • Dentsu's own innovation • Leading the Dentsu Group into a new phase 	P. 19
How is the Working Environment Reform Plan in Japan progressing?	<ul style="list-style-type: none"> ● Decent and Creative Work 		<ul style="list-style-type: none"> • The significance of working environment reforms • Working environment reforms: specific initiatives and their current progress 	P. 45
How is Dentsu engaged in achieving the Sustainable Development Goals (SDGs)?	<ul style="list-style-type: none"> ● Overview of the Dentsu Group 		<ul style="list-style-type: none"> • At a Glance—Quick Facts about Dentsu— 	P. 3-4
	<ul style="list-style-type: none"> ● Dentsu Group CSR 		<ul style="list-style-type: none"> • Message from the Chairperson of the CSR Committee • Dentsu Group SDGs-related Actions 	P. 37, 39
	<ul style="list-style-type: none"> ○ Common Ground 		<ul style="list-style-type: none"> • Focus on Goal Three: Health—working with NGOs to prevent global infectious diseases, such as malaria and tuberculosis 	Website
	<ul style="list-style-type: none"> ○ Dentsu Team SDGs 		<ul style="list-style-type: none"> • Consumer Survey on SDGs • Production of SDGs Communication Guide 	Website

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

Finance

Revenue less Cost of Sales

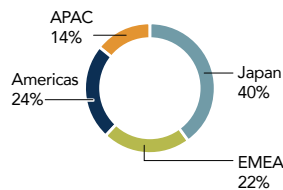


International Business Ratio



60.4%
January to December 2018

Share of Profit by Region



Digital Domain Ratio



in Japan **23.9%** (1.7pt ↑)
international **60.6%** (2.7pt ↑)

Japan Business

dentsu

DENTSU DIGITAL

dentsu
DENTSU TEC INC.

DENTSU LIVE
MOMENT OF TRUTH

iSiD
IT Solution Innovator

International Business

CARAT dentsu X Vizeum dentsu

mcgarrybowen iProspect[®] **isobar**

Posterscope **MERKLE** **MKTG**

Market



Position

Share of the Japanese Advertising Market



Calculated by comparing sales by business category in Dentsu's Japan business to nationwide advertising expenditures in 2019

Ranking of Advertising Holding Company Groups



Source: Advertising Age, April 29, 2019

Award

Number of international awards for advertising



Number of awards for advertising during the last year (As of June 10, 2019)

Number of Employees (consolidated)

As of December 31, 2018



62,608



Male Female



32,443 30,165
51.8% 48.2%

EMEA

17,814



Male Female

8,096 9,718
45.4% 54.6%

Americas

12,497



Male Female

5,733 6,764
45.9% 54.1%

APAC

13,758



Male Female

6,195 7,563
45.0% 55.0%

Japan

18,539



Male Female

12,419 6,120
67.0% 33.0%

Sustainability



Non-finance

Reduction Rate of CO₂ Emission



18.6%

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

SDGs-related Action

DentsuTeam SDGs



Common Ground



Number of companies participating in CSR Procurement Survey



750 Companies

As of the end of December, 2018

Dentsu Diversity LAB



Global Compact Network Japan



Assessment from Outside Institutions



2018 Constituent MSCI Japan Empowering Women Index (WIN)



History

Dentsu Group's Growth Story

One hundred and nineteen years after its founding, Dentsu has transformed itself from a telecommunications company to an advertising company and an integrated communications company. Dentsu aims to become "the best partner in realizing the business transformation of our customers." The images below show the progress of the Group, which will become One Dentsu under the new structure in 2020, together with its other milestones

- 1901**
Hoshiro Mitsunaga established Japan Advertising Ltd. and Telegraphic Service (currently know as Dentsu).
- 1951**
Commercial radio broadcasting begins: Establishment of Radio Division at the Head Office.
- 1953**
Commercial Television Broadcasting begins. Establishing Radio and Television Division at the Head Office and Osaka Office.
- 1955**
The corporate name is changed to Dentsu Inc.
- 1959**
Establishing Marketing Department. Promote the introduction of marketing. Opening a New York office.
- 1964**
Contributing to the support of the Tokyo Olympic Games.
- 1970**
Contributing to the support of the Osaka Expo '70.

- 1974**
The US-based magazine Advertising Age ranks Dentsu the No.1 advertising agency worldwide in terms of billings (calendar 1973).
- 1984**
Contributing to the support of the Los Angeles Olympic Games. Established DYR, an international service network jointly with US-based Young & Rubicam.
- 1989**
Net sales exceed one trillion yen in the fiscal year ending March 1989.
- 1996**
Contributing to the establishment of cyber communications inc.(cci), Japan's first Internet advertising agency.
- 1998**
Contributing to the support of the Nagano Winter Olympic Games.
- 2000**
Establishing the Bcom 3 Group with the US-based firms Leo Group and the McManas Group.



o 1901

With the astonishing development of the mass media due to the rapid economic growth in Japan after 1950's, it occupies an overwhelming share of the initial TV advertising market.



Street TV audience



TVCM No. 1, "Seikosha noon time tone" (1953)

o 1974

In an era in which corporate communication needs include sports, cultural activities, and mecenat activities, from advertising company to an integrated communication company.



New symbol on the entrance to the Tsukiji head office building (1986)



Opening ceremony of the Nagano Olympic Games (1998)



- 1960'**
Foundation of a media agency Centrale d'achats Radio, Affichage, Télévision (Carat) in France.

- 1979**
WCRS Group was formed as an advertising agency.
- 1984**
WCRS Group acquired Carat.
- 1989**
Foundation of Aegis as a separate company based on the original WCRS media buying division.
- 1990**
The name of the company was officially changed from WCRS to Aegis Media.

2001

Listing its shares on the First Section of the Tokyo Stock Exchange.
Commemorating the 100th anniversary.

2002

Contributing to the support of the 2002 FIFA World Cup Korea/Japan.TM
The Bcom3 Group merges with the French company Publicis Groupe S.A. and Dentsu acquires capital in Publicis Groupe S.A.

2007

Commencing construction of Dentsu Network West (DNW).
Dentsu's consolidated net sales reach two trillion yen in the fiscal year ending Mar 2007.

2008

Dentsu Holdings USA acquires U.S.-based mcgarrybowen, LLC.
Expanding DNW to Dentsu Network.

2012

Reaching an agreement with Publicis Groupe to terminate strategic alliance agreements and other agreements and sell shares of Publicis Groupe S.A.

2013

Acquiring Aegis Group plc., a UK-based advertising firm.
Dentsu Group Medium-Term Management Plan "Dentsu 2017 and Beyond" was announced.
Procurement of funds through public offering of new shares, etc.

2014

The Organizing Committee of the Tokyo Olympic and Paralympic Games appointed Dentsu as marketing agency.

2016

Transiting from a Company with an Audit & Supervisory Board to a Company with Audit & Supervisory Committee.
Establishing Dentsu Digital.
Initiated the labor environment reform in Japan.

2017

Toshihiro Yamamoto is appointed as the 13th president.

2018

Dentsu Group Medium-Term Direction is announced.

2019

Announcement to transition to a pure holding company structure.

○ 2001

Globalization of the global advertising industry and continuing rapid changes focus on expanding international businesses and promoting globalization.



Listed on the First Section of Tokyo Stock Exchange (2002)



FIFA World Cup Korea JapanTM (2002)

○ 2013

As the digital domain continues to expand globally Building an international Network and Changing the Group's Business Driving Innovation into a new sustainable growth phase.



Meeting in Dentsu Aegis London (2013)



The Tokyo Olympic and Paralympic Games (2020)

One Dentsu

2003

Formation of Isobar, the world's first global digital network.

2008

Aegis Media adopts a six point strategy to address convergence and globalization.

2009

Aegis Media launched a unique operating model, One P&L.

2013

Creation of Dentsu Aegis Network.
Creation of Amplifi, the media investment arm of Aegis.

2016

Acquisition of a majority stake in Merkle, a leading independent data-driven technology enabled performance marketing agency in the USA.
Dentsu Aegis Network digital revenues reach over 50%.

2019

Tim Andree appointed as CEO of Dentsu Aegis Network in addition to his role as Executive Chairman of Dentsu Aegis Network.

Remaking the Dentsu Group for the Future

Toshihiro Yamamoto

Representative Director
President & CEO

In fiscal 2018, ended December 31, 2018, Dentsu Group companies in Japan completed a two-year workplace reform project to improve labor conditions and curb excessive working hours. Launched in fiscal 2017, the project involved wide-ranging and comprehensive reforms throughout our Company in Japan.

Giving priority to the mental and physical health of all employees, we overhauled operational processes, made forward-looking investments in IT and advanced systems, improved working conditions in our offices, revamped personnel systems, and introduced initiatives for helping employees develop.

Now that the project has been completed, we are pursuing innovations in our business practices throughout the Dentsu Group, while laying a path toward its sustainable growth.

I am confident that the reforms we have accomplished in Japan, together with the establishment of common systems and platforms we have implemented in our international business, will contribute greatly to the Group's growth and competitiveness.

Our Future in a Post-digital World Requires Diversity

The post-digital business world of today is unlike any other before—now practically any information is instantly accessible anywhere in the world. I believe this has major implications for both the future of advertising and the future of advertising companies.

First, advertising in the future will be in a form completely unlike that of the present. Historically, advertisements were once limited to printed text and photographs, and later evolved with the inventions of radio and television. Sporting events became venues for advertising, and eventually consumers themselves served as advertising mediums through fashion and wearable products.

Then, that long evolution of advertising dramatically accelerated when the internet came on the scene and radically escalated the number of advertising mediums. Following that explosion of media, advertising grew

more complex and difficult for many in the industry.

In actuality, however, we now have many more valuable techniques and media that can be integrated into advertisements to increase their effectiveness. As those techniques are applied, advertisements in the future will increasingly appear very different than those to which we have been accustomed, and this will present advertising companies with greater opportunities through which advertising can be realized.

I also believe that, in the future, advertising companies will become much more involved in issues outside of advertising. Essentially, an advertising company clarifies what a client wants to achieve, creates ideas to achieve that goal, and then applies those ideas in an advertising project.

If we consider advertising in the broadest sense, however, this process of clarifying goals, finding practical solutions and applying those ideas can be extended beyond advertising to all kinds of issues confronting people around the world.

Indeed, advertising companies will be increasingly called on to get more involved in such issues as the post-digital era brings the world's people closer together. As members of the Dentsu Group, we aspire to promptly and flexibly respond to such calls. To respond effectively, I believe diversity will be a key factor.

Toward a More Diverse Dentsu Group

We decided to organize the Dentsu Group under a pure holding company structure effective January 2020, and preparations for this shift are currently underway. As part of this reorganization, we will encourage all Group companies to respond decisively to changes in the operating environment by making the most of diversity.

Over a history spanning almost 120 years, Dentsu has adapted to the changing times by embracing diversity. Looking ahead, the Dentsu Group will need to diversify as a metanational group capable of quickly and effectively combining the diverse capabilities of each of its members around the world, rather than rely on those

based in any particular country. I believe this will be the Group's most important competitive advantage.

Driven by the growth of the Dentsu Aegis Network, which we launched in 2013 to lead international operations, the Dentsu Group has expanded to over a thousand companies in over 45 countries and regions, with more than 60,000 employees around the world.

Having achieved our past goal of becoming a global group, our task now is to explore the diversity of the world's people while promoting the wide-ranging approaches and talents of our own members so that the Dentsu Group may continue to evolve.

Today, new ideas, skills, and innovations spawned by any given market can be instantly transmitted digitally. For that reason, we recognize how essential it is for the Dentsu Group to explore, connect, and foster its own diversity without delay. The focal points for this undertaking are the opportunities given to all Group employees who comprise our collective team of dentsu-jin with the aim to have all of the Group's 60,000-plus members worldwide to come together and discover each other under One Dentsu.

In Partnership with Our Clients and Other Stakeholders

Our mission is to consistently offer outstanding value to our clients and help them grow. To accomplish that, we must consider every aspect of our clients, including their own customers, end-users of their products, their partners, the communities they serve, and the public at large. In that sense, our work should contribute to making society more prosperous and the world a better place.

As vital stakeholders, Dentsu Group's employees can help our clients and contribute to society by creating value in all kinds of ways. I want all of the Group's members to take pride and satisfaction in these pursuits.

The Dentsu Group remains committed to helping realize a sustainable society in partnership with its clients. We thus will continue promoting innovation and fresh initiatives. We ask the Group's stakeholders for their understanding and support of these endeavors.



How We Create and Share Value

The value creation process of the Dentsu Group

Based on our corporate philosophy of "Good Innovation," the Dentsu Group contributes to the realization of a sustainable society by providing best solutions for solving worldwide issues in collaboration with our customers.



Transform Worldwide Issues into...
We recognize and call attention to the issues.

Megatrends

- Limited environment and resources
- Disparities and Differences
- Demographic changes
- Diverse Values
- Advance of Digitalization
- Climate Change

Financial Capital

- Sound financial position.
- Multifaceted funding sources.

Manufacturing Capital

- Working environments that makes employees comfortable and collaborative.
- Cloud platforms that enable location-free collaboration.

Intellectual Capital

- Accumulated consumer, client, and social insights gleaned from business operations.
- Unique and original ideation methods.
- Data expertise represented by PDM and M1.

Human Capital

- 60,000 diverse talented individuals in over 145 countries and regions.
- Talent development programs supporting the growth of employees.
- Inclusivity to incorporate talent from outside.

Societal Capital

- Wide and solid customer base (clients, media owners, affiliates, sports organizations, content holders, public sectors, local communities).

Natural Capital

- Limited dependence on natural capital due to nature of business.
- Stable access to electricity and other power sources.

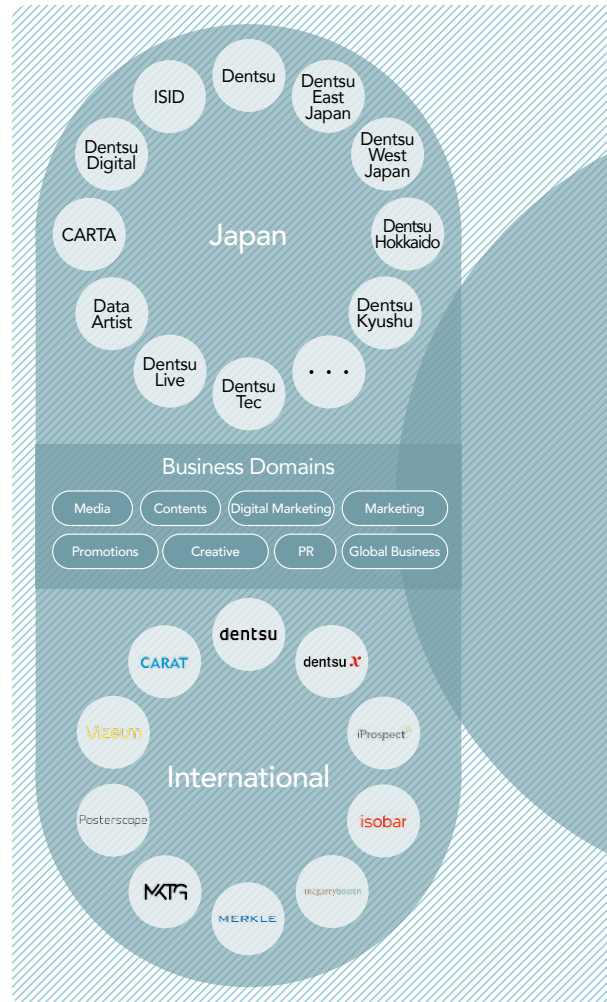
A crossing point of worldwide issues and people who want to solve them.



... challenges.
We face challenges as One Team.

Corporate Philosophy

Good Innovation.



External Environment

The world is full of issues. And those are increasing not only in terms of numbers but also in terms of complexities.

Since we are aiming to become "the best partner in realizing the business transformation of our customers" in solving their issues, we, the Dentsu Group, consider this situation as our opportunity.

All-encompassing transformations to bring new value to people and society.



Create solutions...
Multi-angle and unconstrained thinking.



... and take actions together.
Materialize solutions together with customers.

Financial Capital

P. 026

- Internal reserves and allocation for future growth, including M&A.
- Return of profit to society through stable dividend.

Manufacturing Capital

P. 024

- Realization of a better working environment.
- IT platforms to facilitate collaboration.

Intellectual Capital

P. 027

- Expertise and knowledge gained through providing solutions.
- Client and consumer benefits from our gained data expertise.

Human Capital

P. 044

- Talent development.
- Promotion of diversity based on the respect to individuals.

Societal Capital

P. 027

- Stronger bond with customers through collaboration.
- Wider range of solutions by building wider external network.

Natural Capital

P. 039

- Protect natural capital by leveraging customer-owned programs through support for their SDGs activities.

Innovations for a better society.
Dentsu Group learning and growing from those.

Contributions to rich life through communication

Contribution to the growth of our customers

Realization of a sustainable society

We have set six CSR Material Themes to face these challenges. (Page 40).

• **Material Themes**

- Respect for human rights and pursuit of humanity
- Reduction of environmental footprint
- Diversity and Inclusion

- Decent and creative work
- Responsible communications and content
- Social transformation through business

Goals of the SDGs with deep connection between Dentsu Group business.



Our Business

Business Lineup and Primary Services

The Dentsu Group demonstrates its powers of integration by combining services spanning a wide variety of business domains.



Dentsu is supported by its many years of experience, its distinctive and original methods, its efficient tool-backed media planning, and its ability to build media buying tactics. We have also established an environment in which we can utilize our rich, quality content assets through the production of television programs, investment in film production committees, acquisition of broadcasting rights for large sporting events, and other endeavors.

Using this expertise in media planning, our buying power and our access to abundant content, we set up the Integrated Solutions Division devoted to comprehensive media content planning. The division provides optimized and seasonal media plans designed to resolve branding issues.

Through this division, Dentsu is applying its expertise and executive abilities to develop and provide comprehensive media plans. These serve both the mass media of yesteryear and the wide range of new digital media, represented by ever-changing and growing social networking services and video sites.

Business field		
• Media planning	• Interactive media	• Audience insight development
• Media buying	• New business development with media companies	• Private marketplace
Value provided		
• Media planning know-how, methods and tools		
• Top-tier content assets		



Advertising is undergoing many changes, as client advertising needs and consumer's access points no longer fit past frameworks. With society maturing, sports and entertainment content are becoming an increasingly indispensable part of our cultural lives.

As Dentsu continues to take on the challenges of content production one sees its ability to innovate and produce wide-ranging communication by delivering universally exciting sports, movies, music and other media to a broad sector of the community.

Dentsu has been appointed exclusive marketing agent for the Tokyo 2020 Olympic and Paralympic Games, and will contribute to the success of the Games by selling related marketing rights

Business field	
• Sports business	• Entertainment content
Value provided	
• Provide sports, movie and music content that excites and inspires all people	



The spread of digitalization and the ongoing evolution of technology have driven changes in consumer behavior. These, in turn, are fuelling demand for comprehensive digital marketing. Companies must, therefore, break away from traditional individual marketing activities, while marketing service companies are expected to provide comprehensive professional support services.

Dentsu, thus, continues to disrupt the traditional marketing silo format to provide integrated services. It will offer consulting, development, implementation, management, and operation support in all digital marketing domains.

Business field

- Marketing intelligence services
- Digitally performance-based advertising services
- Direct marketing services
- System solutions services
- Data solutions services
- Social marketing services

Value provided

- Various data solutions
- Integrated digital marketing services

Key Persons

Venture DNA Mono-dukuri Product Development Capability Assets into New Value

CARTA HOLDINGS is a company created through a business merger between Cyber Communications Inc. (CCI), at the time the largest media representative in Japan specializing in branded advertising, and the VOYAGE GROUP Inc., which also at the time had strengths in performance-based advertising and digital technologies.

With the popularization of the digital environment, the line between performance-based advertising and branding-oriented brand advertising is blurring. Thus, we believe that CARTA HOLDINGS, which handles both performance-based and brand advertising, will become increasingly significant.

In addition, we can offer each Dentsu Group company Mono-dukuri Product Development Capability—based on our ability to develop, operate, and improve our proprietary advertising platform—as well as venture DNA. We want to turn our strengths and assets into new value for the Dentsu Group by leveraging our advertising technologies, DNA as a venture company focused on challenges, as well as our experience.



Shinsuke Usami

Chief Executive Officer,
CARTA HOLDINGS, Inc.

BIO: Born in Aichi Prefecture. After graduating from the Faculty of Commerce at Waseda University, joined a major consulting firm, then launched axiv.com, Inc. (now VOYAGE GROUP, Inc.) in 1999. From 2005 to 2010, jointly served as a director at Cyber Agent, working mainly in the technology department. Pursuant to a merger with CCI in 2019, assumed the position of Chief Executive Officer of CARTA HOLDINGS, Inc.

Our Business



The spread of digital and social media, changes in consumer values and behaviors, and the evolution of technology, such as big data, are steadily transforming company–consumer relationships. Companies are finding it difficult to produce adequate results unless they are able to coordinate marketing processes and individual-focused measures.

To this end, Dentsu refers to this significant change as “marketing convergence” and is developing and providing integrated solutions for the modern issues clients face.

In the context of integrated, people-driven marketing, the methods we have accumulated over the years are concentrated and optimized. The resultant framework enables us to work out and evaluate measures and policies from a broad perspective.

We are aiming to become a partner that tackles client issues head on, by providing leading comprehensive marketing solutions for a new era, as well as marketing design that engineers mechanisms to support continued sales.

Business field

- Integrated marketing
- Digital performance-based advertising services
- Direct marketing services
- System solutions services
- Data solutions services
- Social marketing services

Value provided

- Provide integrated digital marketing solutions



The field of promotion is evolving thanks to the digital environment. At the same time, designing the customer experience, in the context of purchasing behavior, has become the main goal.

Encouraging purchases merely through product appeal is now difficult, and efforts to isolate consumer needs are pushing further ahead during an era in which large volumes of information are exchanged among customers.

Dentsu is responding to this high-level evolution by building promotion systems that provide specific measures based on the PDCA cycle and offer clear returns on investment. We will not stop at offering more intelligent storefront communication. In addition, we will provide knowledge regarding social networking services, web videos, and devices such as smartphones, while also offering optimal digital solutions, including tools related to online-merges-with-offline marketing.

We concentrate our energies on activation and ideas that match target preferences, and on creativity that enhances the value of customer experiences. These efforts are rewarded with many internal and external awards each year.

Further, we are well versed in space branding methods that influence behavior by making experiences more dramatic and impressive, thereby increasing their value.

Promotion by the Dentsu Group results in marketing return on investment, and maximizes the value of customer experiences, while optimizing purchasing behavior. Thus, we will continue to develop the basics of promotion.

Business field

- Customer experience branding
- Purchasing behaviors data
- Model
- Channel solutions
- Digital activation

Value provided

- Activation ideas matching target tastes
- Creative elements that enhance the value of customer experience



Dentsu proposes optimal solutions based on a theme of innovative creativity by combining ideas, media, and human resources with a freedom that is not constrained by established concepts, the digital realm, or tradition.

All of Dentsu’s approximately 900 creative people are innovators. With each creator applying their own characteristics, they create roughly 900 individual solutions that allow them to respond to a wide variety of communication issues.

The Creator of the Year award is granted annually to the individual who produced the most excellent creative work during the year. A representative from Dentsu has been the recipient of this award 28 times out of 30, and most recently in 2018. This level of frequency speaks volumes for the capabilities of our creative staff.

Dentsu’s creativity is held in high esteem throughout the world, having won many advertising awards at home and abroad.

Business field

- International awards
- Creator of the Year

Value provided

- Activation ideas matching target tastes
- Creative elements that enhance the value of customer experience

Key Persons

Creativity Means Business

Creativity is the driving force of Dentsu Jayme Syfu. We believe that to future-proof the agency, we have to use our creative lens beyond producing great work. Our creativity has to inspire stronger client relationships, improve organizational management, increase financial efficiency, drive insight generation, and of course keep our people inspired and happy. Here are a few creative moves we made within our business last year:

We redesigned the agency’s organizational structure to meet the shifting needs of clients and the growing demand for digital. As an adaptation to the change, we dissolved the position of the Chief Digital Officer and, instead, hired four executives with expertise in CRM, Customer Experience (CX), Social Media, and Digital Media.

We also restructured our creative team. The talent pool was divided into four teams, each with account, creative, digital and planning leaders. This allowed us to efficiently maintain the quality of our output with the balanced companywide assignment of agency talent.

To ensure employee’s well-being and strengthen their work–life balance, we implemented a series of measures for all employees. These measures include WOOO Day (Work Out Of Office Wednesdays), five days of mental wellness leave, and SISTERGOOD, a female leadership program.

Lastly, we also give back to the community by educating underprivileged students. Through the IDEAS SCHOOL at Bulacan State University, we aim to give students the confidence and fortitude to fight for their place in the creative community.

These initiatives have helped the agency become a more diverse, welcoming and ultimately a creatively stronger, while the global medals conferred on us last year made us the Most Awarded Creative Agency in the Philippines.



Merlee Cruz-Jayme

Chairmom and Chief Creative Officer Dentsu Jayme Syfu

BIO: Merlee Cruz-Jayme is Chairman and Chief Creative Officer at Dentsu Jayme Syfu, and the only female listed among the 20 top creative directors in Asia (Campaign Asia magazine). Most recently, she was named one of only eight women among the 100 best chief creative officers in the world, based on the 2019 Drum global ranking. One of CNN’s Leading Women, she has written and illustrated a book to help readers discover their creative side (Everyone Can Be Creative—Inspiring Habits from an Ex-nun, Summit Books, 2016). She has 4 daughters.

Our Business



The essence of PR can be found through the process of talking with people around the world to achieve consensus. But the process is not possible without the formulation of strategies based on global perspectives. Breaking with a purely advertisement-based approach, we aim to change consumer attitudes by involving experts and media with third-party perspectives and using social media. Public opinion is increasingly being influenced by social media as a forum through which consumers can express themselves.

By collaborating with all Group companies, Dentsu will be in a position to provide integrated planning that combines PR with advertising, creativity, digital technology, promotion, and content. We will contribute to both client branding and reputation management through global consensus-building and the strategic alignment of global and client perspectives.

Business field

- Strategic PR
- Crisis communications
- Digital PR
- Global PR
- Influencer marketing

Value provided

- Formulate integrated communication plans combining advertising, creative, digital, promotions, content and other elements



Key Persons



Motoko Kunita

Executive Officer and head of Business Development Division, Dentsu Public Relations Inc.

BIO: Joined Dentsu PR in 1991. In addition to providing marketing communication and corporate communication services to clients in a wide range of industries—from private companies to educational institutions to government agencies—also focused on the new business in the digital domain development. After serving as head of the Business Creation Office and head of the Information Distribution Design Division, in current position since January 2019.

Using Information Distribution Design for Social Innovation

Given the diversification of information delivery methods due to the spread of social media, the quality of information distribution design is crucial for accurately conveying information.

Although the mass media has strong information delivery capabilities, we can show explosive information diffusion by social media, through which it is easy to convey joy, surprise, and other emotions. Information now frequently flows between mass media and social media, creating a strong reciprocal relationship between the two. Topics reported in the mass media are often probed more deeply on social media, while social media topics are reported as trends by the mass media.

We are engaged in information distribution design, namely, the sterical design of information delivery routes for different media. This involves integrated PR planning and the production of easily conveyed and distributed content.

The strength of Dentsu PR is that it has human resources that constantly consider what information consumers need and the ability to provide one-stop services, from upstream planning to downstream execution. As a member of the Dentsu Group, we are able to make use of their talented personnel and valuable resources.

The change to a pure holding company structure in 2020 will further enhance the Dentsu Group's connections with various countries and companies around the world. It will enable Dentsu PR to advance our offerings and continue providing effective communication services to our clients.

In addition, we aim to create a better and sustainable society with our clients by contributing to the realization of the social innovations they are engaged in, to create new social values and mechanisms to better the world.

Global Business

Japanese companies pursue larger markets across the globe at an ever faster pace. Thus it is becoming increasingly important for them to know how to communicate the appeal of their products to unknown consumers who speak other languages and are the products of different cultures.

With the major events of 2020 just around the corner, Japan continues to be a focal market for overseas companies. At the same time, interest in the proper approach to Japan's distinctive markets and media environments is growing.

Dentsu provides domestic and overseas client companies marketing and communication services aimed at accelerating this kind of business intersection, contributing indirectly to societal and economic development.

Further, Dentsu now is able to propose a wide variety of solutions that involve the resources of Dentsu Aegis Network. Using this ability to our advantage, we will provide marketing services that utilize the strengths of Japan and other nations to best meet customer needs.

Business field

- Outbound account operations
- Inbound account operations
- Global content operations

Value provided

- Combine with DAN resources, propose various solutions
- Global-level quality

Focusing on the Digital Sector within a Growing Indian Market

The high-growth, fast-paced Indian advertising market is expected to reach \$10bn during fiscal 2019, continuing its track record of double-digit growth driven by digital advertising, which is forecast to grow 32% yoy (DAN Global Ad Spend Forecast January 2019).

Recognizing the trend, DAN India was an early investor in digital agencies and talent. This focus on digital has enabled us to become India's largest digital agency group. We generate 46% of our revenue from the digital domain vs the wider market at 19%, and almost 50% of our people are digital experts. In a digital market characterized by the domination of Google and Facebook, DAN India has emerged as the largest agency group partner for both.

In a decade, DAN India has grown from a 50 member team to a 3,600-member powerhouse, becoming the 2nd largest, fastest-growing agency group in India, consistently outperforming the market.

Our revenues have grown by 50 times over the past 10 years, helped by both organic growth and acquisitions.

We have achieved our market share of 35% as a result of our unique One P&L philosophy which drives a collaborative mindset enabling us to deliver integrated solutions to our clients across the region.

With the Indian economy expected to grow by 8% over the next decade, I am confident that we can continue to harness the opportunities across this exciting, fast-changing country.



Ashish Bhasin

CEO of the Greater South APAC and chairman and CEO India, Dentsu Aegis Network

BIO: Over the past 32 years, Ashish Bhasin has become a well-known personality in the Advertising and Media industry in the Asia Pacific. He is presently CEO of the Greater South APAC and chairman and CEO India, Dentsu Aegis Network. He is also a member of the Dentsu Aegis Network Asia Pacific Executive Board.

Our Business



Key Persons



Koji Henmi

Managing Director, Sports Business Division, Dentsu

Joined Dentsu in 1991 and was assigned to the Sports Culture Business Division. Appointed manager of the Sports Business Division in 2019.

Contributing to Maintain and Expand SPORTS Movement beyond 2020

We are told that, over the past decade, the global sports business market has doubled in size and that sports business continues to grow. During this time, there have been many competitors and new entrants in the market, and Dentsu has been involved in a number of ways.

From the acquisition of marketing and broadcast rights, to conducting sales based on our understanding of client needs, we have developed all areas related to the sports business as only an integrated advertising agency can. Dentsu's sport business, which has long contributed to the spread and development of sports, occupies a distinctive position in the global market.

Dentsu is now engaged in approaching key players in the sports business from a variety of angles—from upstream intellectual property rights (sports organizations, athletes, facilities, etc.) to end users—as we launch efforts aimed at becoming a partner connecting various stakeholders.

As we develop long-term partnerships with key players and use technology and data to benefit them, we will cultivate new areas of commerce—such as consulting, ticketing, and licensing—to connect the sports world and end users.

In addition to contributing to the success of the 2019 Rugby World Cup and Tokyo 2020 Olympic and Paralympic Games, Dentsu is focusing on the future of Japan's sports industry. We will make full use of the legacies established by the World Cup and the Olympics.

In terms of new approaches, we will promote relationships and business with all of our partner entities, while encouraging the promotion of parasports in the interests of ensuring the sustainable growth of society. Further, Dentsu will develop and promote sports business producers in-house, to contribute to the perpetuation and expansion of the sports movement.



Jennifer Zimmerman

Global Chief Strategy Officer
mcgarrybowen

BIO: Jennifer Zimmerman joined mcgarrybowen in 2003, after serving as executive vice president and director of strategy at Y&R and Wunderman. A respected and seasoned veteran, she is sought-after speaker at industry events from Cannes to ANA. The skills Zimmerman demonstrated while overseeing strategic work for a number of major clients earned her the honor of being named a top finalist for the Creativity Award 2019 Chief Strategy Officer of the Year.

Storytelling as a Branding Framework

There's nothing more relatable than a story. That's why mcgarrybowen brings a classic storytelling framework that has proven to be so powerful and effective in transforming clients' businesses. The framework begins like every great story—with an arch-enemy, a plot twist that allows our audience to see something in a new and interesting way, and a moral of the story.

To get there, we have a proprietary strategic process—masterbranding™—based on the simple premise that arriving at a fresh solution requires a fresh starting place. We start by uncovering a company's underlying organizational belief system, then look for tangible evidence of this in its products, services, and cultural truths. The outcome of this strategic process is what we call Big Organizing Ideas. "Big" because ideas are born from a powerful brand belief, and "Organizing" in that they live across today's complex media ecosystems.

The Big Organizing Idea, acting as a brand's North Star, is a distinct and ownable point of view. It serves as a cohesive element of every omni-channel touchpoint and informs every behavior, internally and externally. Today's modern marketers need to dramatically shift their approach, from claiming "a point of difference" to crafting "a point of view." This is because when you know what you believe, you know how to behave.

We believe that uncovering a client's unfair advantage and intelligently creating work that resonates in culture will lead to transformative business results. Understanding our clients' needs is the reason we have been so successful in winning new business—last year alone, exceeding double digits in new revenue.

By applying our signature platform approach, we successfully serve the world's most iconic brands. Most importantly, we have an enviable retention rate, with more than 30% of our clients with us for more than 10 years. That's proof that our work is not only winning in the boardroom but also in the world.

Cutting Edge Promotion Services beyond the Speed of Business Environment Changes

Within the Dentsu Group, Dentsu Tec develops promotional activities achieving engagement between consumers and clients.

We are constantly striving to develop new promotion-related services. In recent years, as with the rapid increase in cashless payments for example, real and digital daily experiences are overlapping and the line between them is disappearing.

Based on a marketing concept that views online and offline as parts of the same whole, Dentsu Tec provides an efficient and effective online-merges-with-offline (OMO) marketing promotion service.

Consumer data is the foundation of engagement in OMO promotions. In September 2018, Dentsu Tec established a new company, MyData Intelligence Inc. (MDI), to handle and manage consumer personal data (PD). The MDI platform allows consumers to centrally manage their own PD and provide it to companies that request it, while the latter can use it for marketing.

In addition to collaborating with MDI for PD marketing, last year we established a technology development company, +tech labo, to advance OMO promotions using cutting-edge technologies. We are starting to work in-house, as well as with various organizations and companies to develop new marketing service technologies.

Dentsu Tec will continue to contribute to the growth of client businesses by accurately grasping consumer purchasing behavior and changes in the social environment.



Eriko Kogure

Executive Officer,
Dentsu Tec Inc.

BIO: Joined the company (at that time Dentsu Prox Inc.) in 1990. Mainly involved in promotion production for foreign multinational clients and the development of Asian markets. Appointed Business Supervisor in 2011, then Executive Officer in 2017. At present, responsible for global business.

Operational Excellence Creates Organizations

Operational excellence is a way of working that organizations apply to run their business efficiently and effectively. The underlying concept was developed mainly by automotive companies - such as Toyota - and was, over the past few decades, adopted by other industries. Given the challenges facing the media industry, it is crucial that Dentsu Aegis Network (DAN) develop a culture of continuous improvement through Operational Excellence.

We define operational excellence as attaining process efficiency, measuring performance, and having the right mindset and behavior, to enable us to focus relentlessly on client value.

At DAN, the client is at the heart of everything we do. This requires a deep understanding of what our clients want and need, so that we can provide them with best-in-class quality outcomes.

In terms of business process, we evaluate our key processes at all levels to optimize our service and offer our clients a consistent experience.

Furthermore, measuring the quality of delivery towards our clients is crucial to allow us to continuously improve.

Then, we can build on our common infrastructure, which provides us business insights across markets, regions, and lines of business.

An important part of operational excellence is the cultural aspect. Based on our high-performing culture, we develop the right skills and capabilities as individuals and as an organization, to deliver the best outcomes for our clients, employees, and business.

Our goal is to be the market leader - serving our clients and helping them to win in the digital economy by building the most sustainable relationships across the entire customer journey.



Volker Doberanzke

Global President of
Business Operations
Dentsu Aegis Network

BIO: Volker Doberanzke joined Dentsu Aegis Network in 2019 as global president of business operations and is a member of the Group Executive Board of Dentsu Aegis Network. With responsibilities covering 145 markets, Doberanzke has more than 20 years' experience in transformational leadership, driving business excellence, and digital transformation. Before joining Dentsu Aegis Network, he worked for UBS, the world's top wealth manager, where he developed and executed a groupwide process excellence roadmap across divisions, regions, and support functions.

Dentsu Group Medium-term Direction

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

We presented how we plan to drive growth in the medium to long term as a Group in August, 2018. The Dentsu Group aims to be a corporate group that will play a leading role in the creation of value for all our stakeholders and wider society.

 Dentsu Group Medium-term Direction <http://www.dentsu.com/ir/corporatestrategy/>

● Dentsu Group's Self-Reforms

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

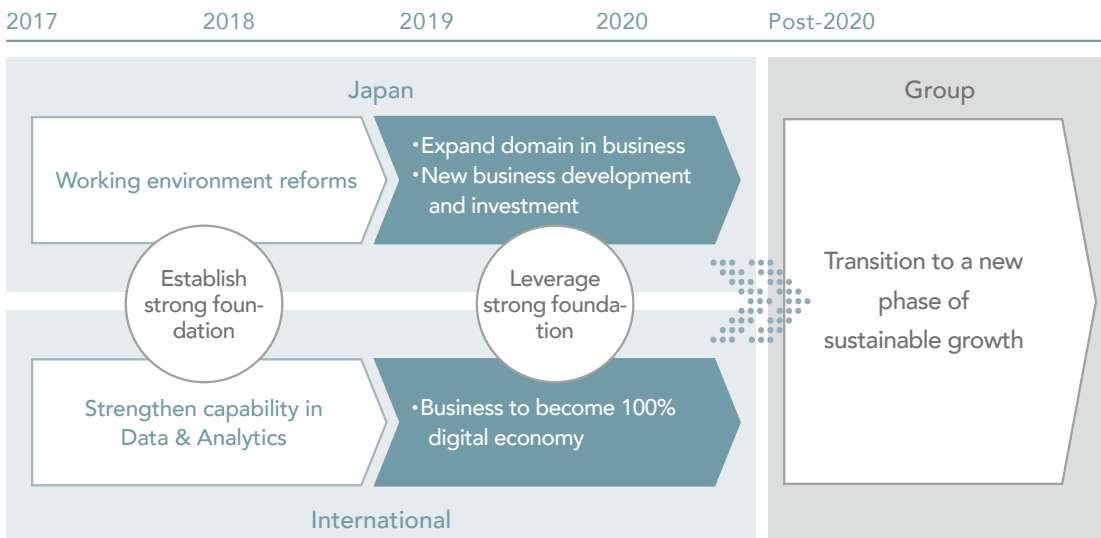
The Dentsu Group is committed to creating value for all our stakeholders; our shareholders, our clients, our people and society. To address the changing operating environment, we must innovate our business to reflect the opportunity that presents.



● Dentsu Group Moving on to a New Phase

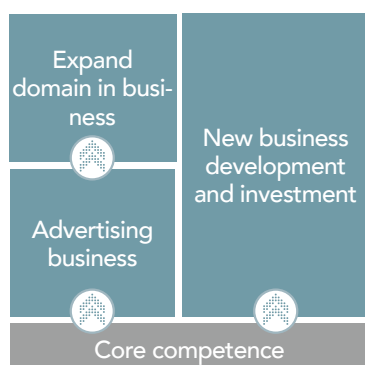
2019 and 2020 will be a key phase for implementing business transformation throughout the Dentsu Group beyond 2020. In these two years, focusing on growth and evolution in our Japan and international businesses, we will continue our necessary transformation to ensure we have sustainable growth through 2020 and beyond.

Simultaneously, we will transition to a new corporate structure which enables us to connect the assets in our Group for maintaining our sustainable growth



Medium-Term Direction for Japan Business

We are promoting the business structure transformation for the Japan business in the medium-term.



Medium-Term Direction for 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 as below. We plan to continue to proactively pursue market transformation opportunities to accelerate our strategy through our ongoing M&A program.

Continue evolving our business to become "100% digital economy" by 2020

Six strategic priorities to promote momentum and growth:

- | | |
|---|--|
| <p>1 Build integrated solutions offering</p> <p>2 Leverage media partnership and content opportunities</p> <p>3 Differentiate the business with effective use of data</p> | <p>4 Purposefully grow revenue in high margin, high growth sectors</p> <p>5 Mitigate cost of complexity</p> <p>6 Evaluate market transformation opportunities to accelerate our strategy through ongoing M&A program</p> |
|---|--|

● Guidance up to 2020



Financial/Non-financial Highlights

(Consolidated, IFRS)

Dentsu Inc. and Consolidated Subsidiaries

(Millions of Yen)

	2016	2017	2018
Turnover	4,924,933	5,187,300	5,357,278
Revenue	838,359	928,841	1,018,512
Revenue less cost of sales	789,043	877,622	932,680
Organic growth rate ⁽¹⁾ (Consolidated)	5.1%	0.1%	3.4%
Organic growth rate (Japan)	4.5%	(0.3%)	2.1%
Organic growth rate (International)	5.7%	0.4%	4.3%
Operating profit	137,681	137,392	111,638
Underlying operating profit ⁽²⁾	166,565	163,946	153,229
Operating margin ⁽³⁾ (Consolidated)	21.1%	18.7%	16.4%
Operating margin (Japan)	26.8%	24.5%	21.7%
Operating margin (International)	16.2%	14.6%	12.9%
Profit for the year attributable to owners of the parent	83,501	105,478	90,316
Underlying net profit ⁽⁴⁾	112,972	107,874	97,419
Basic earnings per share	¥292.85	¥373.11	¥320.39
Basic underlying net profit per share	¥396.20	¥381.58	¥345.59
Return on equity (ROE) ⁽⁵⁾	8.3%	10.4%	8.4%
Underlying ROE ⁽⁶⁾	11.3%	10.6%	9.1%
ROA ⁽⁷⁾	4.4%	4.5%	4.1%
Ratio of equity attributable to owners of the parent ⁽⁸⁾	29.6%	30.7%	28.8%
Cash dividend per share	¥85	¥90	¥90
Dividend payout ratio ⁽⁹⁾	29.0%	24.1%	28.1%
Underlying dividend payout ratio ⁽¹⁰⁾	21.5%	23.6%	26.0%

(1) Organic 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.

(2) 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

(3) Operating margin = Underlying operating profit ÷ Revenue less cost of sales × 100

(4) 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, gain/loss on sales of shares of associates, tax-related and NCI profit-related and other one-off items

(5) 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

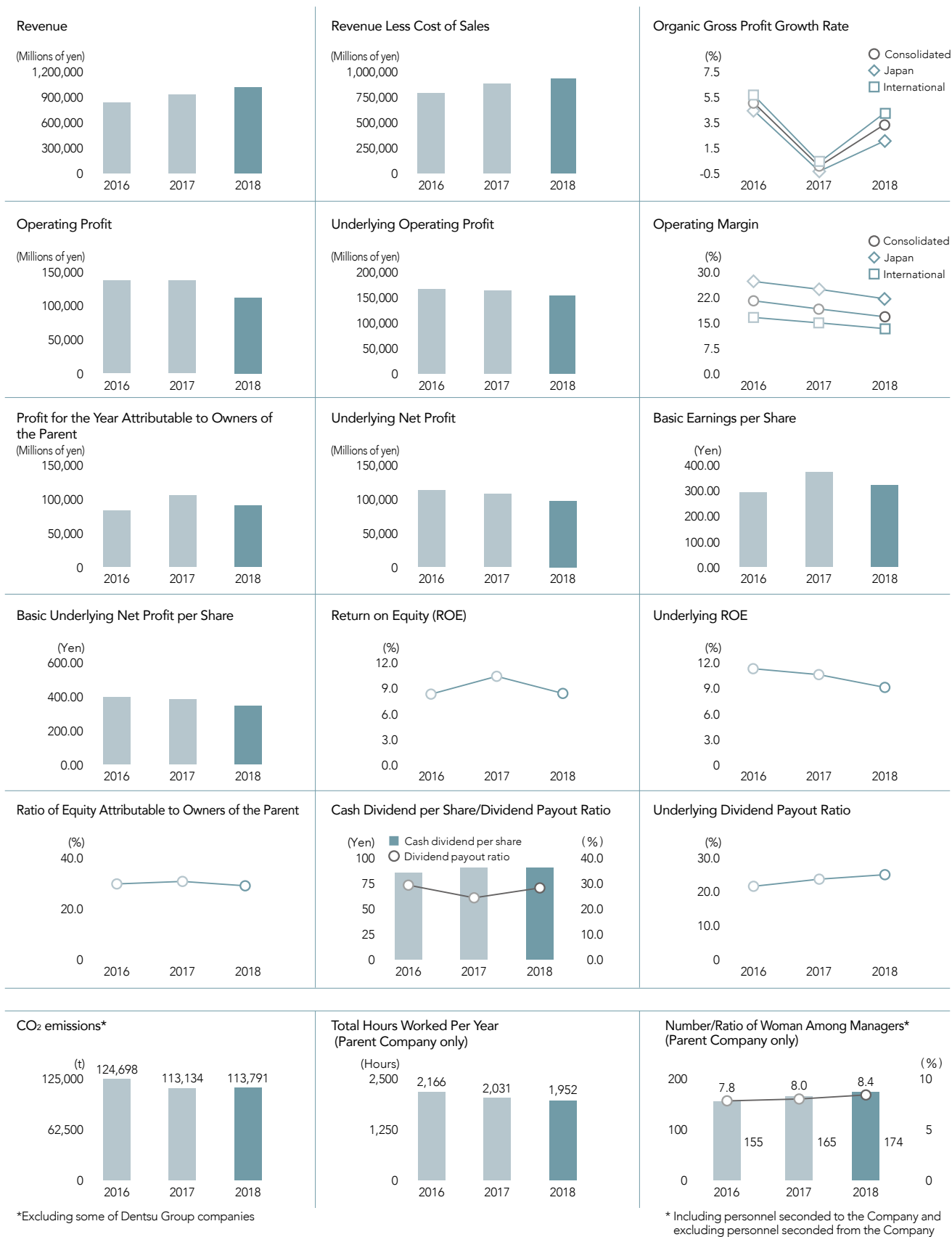
(6) Underlying ROE = Underlying net profit (attributable to owners of the parent) ÷ Average equity attributable to owners of the parent based on equity at the beginning and end of the fiscal year × 100

(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

(10) Underlying dividend payout ratio = Cash dividend per share ÷ Basic underlying profit per share × 100



*Excluding some of Dentsu Group companies

* Including personnel seconded to the Company and excluding personnel seconded from the Company

Message

Message from Chief Financial Officer

Value and Profit for the Medium to Long term



Director and Executive Officer

Arinobu Soga

In August 2018, the Dentsu Group announced medium-term financial guidance based on three metrics that would carry us through to the end of FY2020 (ending December 31, 2020).

The first metric is organic growth of revenue less cost of sales, which shows how much our business has grown, namely, the degree to which customers depend on us. Business acquired through M&A activity aside, we aim to achieve a three-year compound annual growth rate of 3% or more during the three years leading up to FY2020.

The second metric is our operating margin. This shows the degree of added value we provide for customers, and our business efficiency. As long as customers value our solutions, the operating margin should rise. Further, since efficient business management boosts the operating margin, it should be higher than in FY2018 by FY 2020.

The third metric concerns steady shareholder returns, to ensure that our operating performance and cash flow enable shareholders to profit. To this end, each year we will maintain or increase the dividend per share and consider buying back shares, as we reflect regular comprehensive reviews of our assets and capital requirements.

We are currently in the process of restructuring our business on the basis of the above metrics. Phase 1 was completed during 2017–18 with the setting up of new business foundations. Phase 2 will cover FY2019–20, and will see us carry out Group-wide business reforms.

Phase 1: Foundations FY2017–18

In 2017, both the domestic and international businesses of Dentsu Group began a period of internal investment.

This required that we transformed ourselves to reflect the accelerated transformation of society through digitalization. To give a software analogy, the Operating System we were using to conduct business needed to be updated.

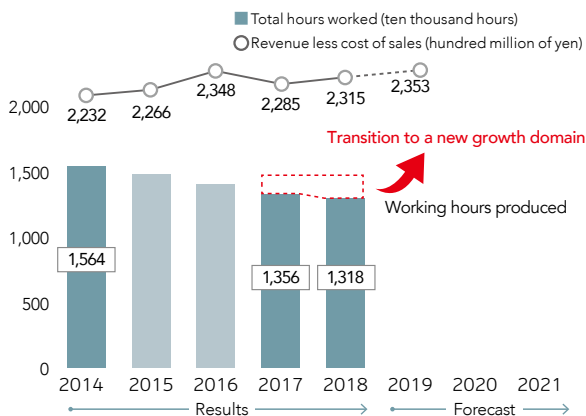
Japan Business

We began the working environment reforms in 2017 and, by the end of FY2018, had invested ¥18.3 billion in the restructuring. Using the total number of hours worked by employees as a key performance indicator, we cut staff working hours at the Parent Company by carrying out the following measures:

- Increasing staff numbers to reduce workload.
- Streamlining operations, and eliminating, automating, and outsourcing as much as possible.
- Upgrading our office environments to reflect the era of progressive digitalization.

These steps reduced the hours worked by employees at the Parent Company. At the same time, they allowed us to attain our highest revenue less cost of sales levels ever, and two of our targets: reduced working hours and improved efficiency of our operations.

Diagrams 1:
Total hours worked by employees and gross profit (Parent Company only)



International Business

We also faced operational challenges in the International business as well. Since acquiring Aegis in 2013, our international business has grown some three-fold, and we have conducted more than 150 acquisitions. As a result, we encountered functional overlap—primarily in our middle office, where inefficiency was caused by the simultaneous use of a number of different systems.

These issues were resolved as we adopted shared, global platforms, systems, and services during phase 1 restructuring.

The investments have led to long-term business reform, and have created a scalable platform that will allow for future growth whilst also raising our operating margin over the medium term.

A second international business challenge was how we might strengthen our ability in new domains, and raise our top line, namely, gross sales. Our acquisition of Merkle Group Inc. in August 2016 provided us with a market leading data driven, tech enabled performance marketing agency specializing in people-based marketing. Integrating Merkle's advanced services and technologies into our own global network has allowed our brands to deliver unique, personalized customer experiences across platforms and devices, building competitive superiority. Continued integration of our services, sharing the knowledge and experience we have gained across countries and brands, raises the value of the solutions we provide to our clients.

A third initiative of our international business in FY2018 involved reinstating our performance-based incentive system, investing in our people, the Group's greatest asset. The race to acquire human resources with sophisticated skills related to digital technology and data analytics is intensifying and crossing industry boundaries. Maintaining our competitive advantage whilst attracting and retaining talent remains a challenge – one we address through investing in our people through our Skills Academy platform.

Message

FY2018 Operating Performance

A review of our 2018 operating performance shows that our reforms advanced while our top line steadily rose.

The expenditures incurred to undertake the reforms were related to current measures, but also future investment. Thus, I believe that some time will pass before we can see the effects on our operating performance. In the meantime, our underlying operating profit fell, a phenomenon that I discuss below.

Our consolidated revenue less cost of sales rose 6.3% year on year in FY2018, to ¥932.6 billion. The increase was due to a combination of Japan and international organic growth (up ¥30.6 billion year on year) and the effects of overseas acquisitions (up ¥28.6 billion).

Our year-on-year growth in consolidated revenue less cost of sales on a constant currency basis, which excludes the impact of foreign exchange rates (down ¥4.2 billion year on year), was 6.8%.

Meanwhile, our consolidated underlying operating profit was ¥153.2 billion (down 6.5% year on year; down 6.0% on a constant currency basis). This decline was due, in part, to increased costs associated with domestic working environment reforms and planned infrastructure spend to support the new growth phase in our international business.

Next, I will explain how these figures break down according to region.

In our domestic business, we saw a revenue less cost of sales of ¥369.2 billion (up 2.0% year on year), primarily thanks to contributions by subsidiaries. The organic growth rate was 2.1%, with particularly large expansion in the digital domain, which accounted for 23.9% of domestic revenue less cost of sales (up 1.7 points year on year). Our underlying operating profit was ¥80.2 billion (down 9.6% year on year) due to planned expenses related to working environment reforms and the establishment of corporate infrastructure.

In our international business, the growth momentum we have maintained since forming the Dentsu Aegis Network in 2013 came to a temporary standstill in 2017. However, in FY2018, revenues returned to growth driven by new accounts won during the previous year.

As a result, the overall revenue less cost of sales of our international business was ¥563.8 billion (up 9.3% year

on year; up 10.2% on a constant currency basis), while its organic growth rate was 4.3% year on year. The digital domain accounted for 60.6% of revenue less cost of sales in international business (up 2.7pp year on year; same on a constant currency basis), while the underlying operating profit was ¥72.9 million (down 2.9% year on year; down 1.6% on a constant currency basis).

By region, the revenue less cost of sales for the Asia-Pacific area was almost flat, falling 0.4% year on year (a 0.8% increase on a constant currency basis, with an organic growth rate of -1.7%). However, the Group's performance was strong in Europe, the Middle East and Africa, recording 15.2% (13.9% on a constant currency basis, with an organic growth rate of 7.4%). Also, in the Americas, we grew by 9.8% (12.4% in on a constant currency basis, with an organic growth rate of 4.9%).

* Underlying operating profit: A profit indicator that measures recurring business performance. It is calculated by subtracting depreciation of intangible assets associated with acquisitions, M&A-related expenses and share-based compensation expenses attributable to acquired companies, as well as temporary factors including impairment loss and gain/loss on sales of noncurrent assets, from operating profit.

Diagrams 2: Consolidated FY2018 results

		(Millions of yen)				
		FY 2018	FY 2017	YoY (%)	Constant Currency basis	Organic growth rate (%)
Consolidated	Revenue less cost of sales	932,680	877,622	+6.3	+6.8	+3.4
	Underlying operating profit	153,229	163,946	(6.5)	(6.0)	
Japan	Revenue less cost of sales	369,258	361,902	+2.0	+2.0	+2.1
	Underlying operating profit	80,268	88,801	(9.6)	(9.6)	
International	EMEA (Europe, Middle East and Africa)	213,029	184,946	+15.2	+13.9	+7.4
	Americas	226,257	206,001	+9.8	+12.4	+4.9
	APAC(Asia Pacific)	124,573	125,089	(0.4)	+0.8	(1.7)
	Total revenue less cost of sales	563,852	516,052	+9.3	+10.2	+4.3
	Underlying operating profit	72,963	75,146	(2.9)	(1.6)	

Phase 2: FY2019–20 Group Business Reforms

Were we to compare the 2017–18 overhaul of our business foundations to an Operating System update, we could then compare investment in growth we expect to conduct in 2019–20 to installing the applications running on that new Operating System.

Through establishing workstreams and knowledge sharing between our domestic and international businesses, we will enrich capabilities from a Group-wide perspective.

To this end, we will accelerate investment in external opportunities in Japan and continue our overseas M&A investments strategy.

Efforts to strengthen our domestic digital domain business foundations include the absorption of SEPTENI HOLDINGS CO., LTD. and VOYAGE GROUP Inc. into the Dentsu Group in October 2018. The former was achieved through a capital and business alliance, and the latter through a business merger by integrating it with Cyber Communications Inc.

Through collaboration with these companies, we aim to provide the highest level of service possible in the field of digital advertising. The Dentsu Group will collaborate within the solutions, advertising, and digital technology domains to solidify its position in the Japanese market.

In our international business, we aim to enhance our competitive advantage and secure continuous top-line growth through persistent innovation and greater integration of our services.

Further, we will re-examine and rebuild our business lines, simplifying our offer, appropriate for an era of data-driven marketing. In addition, I want us to view the wave of digital and societal reforms as our biggest opportunity to establish growth momentum.

Dividends: Capital Policy, Philosophy

When pursuing sustainable profit growth, our capital allocation priority is continuous and proactive investment in the domestic and overseas growth areas.

While recognizing the need for management stability and financial soundness, we believe corporate digital transformation represents a huge opportunity for us. By investing in the creation of further business opportunities, we aim to help Group businesses expand, and so raise our intrinsic corporate value.

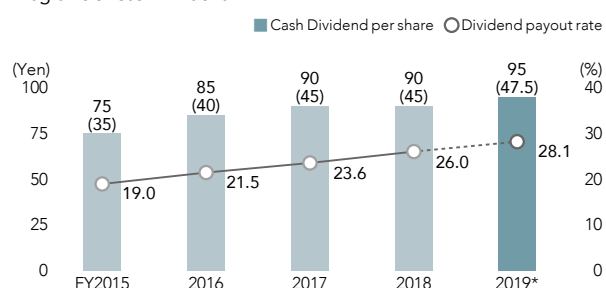
At the same time, fully aware of the importance of shareholder returns, we will ensure comprehensive shareholder returns by combining steady dividends with opportunistic share buy-backs (table 4), while aiming for higher return on equity over the medium term.

While we consider steady dividends to be important, we make decisions regarding dividends based on factors including consolidated business results, financial conditions, and the retained earnings necessary for investment in business growth.

As a result of these considerations, we paid a FY2018 dividend of ¥90 per share (payout ratio of 26.0%). Although we project that our underlying net profit will decrease in 2019, we are planning to increase our dividend by ¥5 per share and predict that the payout ratio will increase to 28.1%, continuing our track record of improving dividends and payout ratios that we have maintained since 2015.

Thank you for your continued support of the Dentsu Group.

Diagrams 3: Cash Dividend



· Dividend payout rate: Underlying Net Profit (Equity attributable to owners of the parent) base

· () : interim dividend per share

* As of Feb, 2019



Japan Business

Hiroshi Igarashi
Director and Executive Vice President,
Dentsu Inc.



International Business

Tim Andree
Director and Executive Vice President, Dentsu Inc.
Executive Chairman & CEO, Dentsu Aegis Network

Discussion

The Transformation “Phase 2” of the Dentsu Group

Head of the Japanese Business, Hiroshi Igarashi and Head of the International Business, DAN CEO, Tim Andree, discuss changes and issues in the business environment surrounding the Dentsu Group, as well as the Group’s purpose and future prospects.

Reasons why we need to pursue further transformation

Igarashi: We have learned much from the business conducted by Dentsu Aegis Network (DAN) in the six years since its establishment in 2013. While engaging in many targeted M&A deals, you have also scaled your operations to cover more than 145 markets. Early proactive efforts toward the achievement of your goal of becoming a 100% digital economy business by 2020 have resulted in over 60% of your revenue coming from the digital domain.

You enhanced your data marketing capabilities with the acquisition of the Merkle Group Inc., and are further developing the business with industry leading digital products and services. These are all outstanding achievements, giving me an even stronger

sense of the potential for expansion in the Japan business as well as DAN.

Andree: DAN has certainly delivered tremendous growth during the past six years. We generate more than 60% of the Dentsu Group revenue, completed more than 150 M&As and we have over 44,000 people in DAN. But our journey does not end here and I think there are still many areas where we can evolve. Some of them are strengthening our creative capabilities, diversifying our income source and building our sports and content businesses. These are all areas where we can learn from the know-how of the Japan business and we consider it to be a huge opportunity. In addition to establishing robust lines of business we will continue to work to build deep, long-term relationships with clients and to deliver an integrated, holistic approach. Again these are also areas in which DAN can learn from Dentsu.

Igarashi: The need for further transformation is the same in the Japan business. At present, our business environment is undergoing substantial changes. How we respond to these changes—and transform them into opportunities—will determine the future success of the Dentsu Group.



Andree: Clients are increasingly challenged by new market entrants, disruptors, technological evolution and changing consumer needs. As clients' needs change, agencies need to be more focused on long term, sustainable growth and the role of marketing as a driver of business value and transformation. In turn, we are compelled to rethink our marketing approach. If we are able to sufficiently prepare, quickly evolve and respond, I am confident that we can transform these changes into opportunities.

Igarashi: This is exactly why we are promoting business transformation. We must value our uniqueness, strengths and DNA cultivated in Japan, but be careful not to adhere to these so much so that we hinder the pace of change. In areas where we think we are not as competitive, or still in the process of overcoming challenges, we need to address them with maximum speed. We are now engaged in business transformation with the determination to drive change in all areas boldly and quickly, no matter the conditions with which we are faced.

Transformation: Phase 2

Andree: Clients want new capabilities to drive innovation in their own businesses and there is a desire for integrated capabilities and holistic solutions.

We are transforming ourselves – simplifying our model - to become integrated by design and organized around our clients to deliver these integrated brand solutions.

DAN has acquired high-level digital capabilities, mainly through acquisitions. To help our clients win, keep & grow their best customers, and to become their most trusted partner, we need to have a strong footprint and ensure we are ideas-led, data-driven and tech-enabled. We are also investing internally to make sure our operations are efficient and effective so that we can consistently provide the highest level of service in all global markets.

These are some of the directions and initiatives that we are working on in DAN but I understand the Japanese business is also working towards a new focus.

Igarashi: Yes, we aim to transform ourselves from an "Advertising Agency" to a "business producing



company". We are expanding in business domains where we are able to commit to all client marketing activities and have launched numerous initiatives aimed at becoming an organization that generates a wide-range of innovation and value.

Andree: The DAN executive team recognize that continual innovation will strengthen our specialties, allowing us to become a high performing organization that is focused on relentlessly delivering value for our clients.

Igarashi: The cornerstone of our business is providing a quality of service unmatched by any other company. Thus, we aim to become a company that is not only able to enhance each of our specialties but also able to integrate those specialties offerings into a single solution for our clients.

Andree: We have exactly the same idea. Up to now, with sufficient level of collaboration, we have been able to meet client needs. However, going forward, services designed to be more organized and integrated will be the foundation of proposals delivering client success within an increasingly complex business environment.

Dentsu is the only Asia-based global marketing communications agency and continues to demonstrate client-centricity focused on the long term.

Over the past six years, the Dentsu Group have worked to establish robust businesses in Japan and throughout the world with the aim of delivering consistent, high quality service to our clients, globally. Through this process, the domestic and international business have collaborated and created various levels of business synergies.

I believe now is the time for us to decide how best to integrate our respective businesses even further. Greater integration will result in applying the best practices of the global companies we have acquired, to client work in Japan - while utilizing the outstanding innovation and expertise cultivated in Japan, for client work overseas. These are the new and exciting opportunities we see before us.

Expectations for One Dentsu

Andree: In January 2020, we plan to transition to a new holding company structure, and I have huge expectations for the changes this will bring. Becoming “One Dentsu” means increased integration and synergy between Japan and Dentsu Aegis Network, built around a shared passion for clients, innovation and creativity. If we can collaborate around these shared passion points, our potential is unmatched.

As a result, the organization will be more agile and efficient. And, the holding company will focus on the future of the overall Group and indicate the direction in which we should be headed. This will enable Dentsu in Japan and DAN to move forward together along the same trajectory. This is an incredibly important point.

Igarashi: I also have high expectations. One thing that is worth commenting is that it is not our intention to create an ordinary holding company structure.

The holding company structure Dentsu will take is not the typical controlling, top-down hierarchical organization, but rather, will play a supporting role in creating a foundation that enables each operating company to operate more easily.

One Dentsu will be a flat organization comprising operating companies that connect organically. We will create an environment in which collaboration and innovation can be generated by any one of our 60,000+ Group employees — otherwise called as the “Teaming Platform.”

Andree: Yes, it will be a flexible organization with a team structure. I don't think there are many companies structured this way and it will enable us to promote the digital economy while navigating uncertainties and complexities we may face.

Igarashi: It is an already-known fact that we cannot achieve this by simply following a method whereby only “the person who makes the decision is solely responsible for making changes.”

This is why we will have employees with individual expertise working together across the Teaming Platform to expand business with a strong desire to create

new value. The Teaming Platform will encourage our employees to create new value and expand our business by collaborating seamlessly with people both internally and externally.

This is the true meaning behind our transition to a holding company structure. It is our responsibility as management to make sure everyone understands our commitment to creating a new Group.

Beyond One Dentsu

Igarashi: At present, society is entering a period of complexity that can be phrased as a certain chaos. To resolve the social issues within elements of society, I think it is natural that corporations should utilize their resources in ways that can contribute to society in resolving these issues.

Andree: I completely agree. We have a responsibility to the rest of the world and we must contribute to a sustainable future. We are leading various projects to promote education, entrepreneurship and reducing our carbon footprint but we also partner with organizations such as Malaria No More to fulfill the commitment we have made with the United Nations Sustainable Development Goals.

Igarashi: I agree. However, if we are simply saying we exist only to resolve social issues, then I think we are missing Dentsu's uniqueness.

Our goal is not to eliminate the negative, but to turn negatives into positives—Dentsu's uniqueness as a company is to make the world more interesting and to transform it. We at Dentsu are in a position to play an active role in this endeavor.

Andree: Ultimately, we believe in sustainable growth. Our ambitions must be supported by our own organizational behavior. It is important for our employees to feel inspired and empowered to take part in creating a better future.. Furthermore, through this, we will ultimately create value for our shareholders, too.

Igarashi: Our business activities contribute not only to

improving society with unique solutions, but also to realizing a society comprising corporate citizens and consumers that is interesting and enjoyable for everyone. If this were not the case, then there would be no reason for Dentsu to exist. We must strive to achieve this goal.

Andree: I echo the idea of creating a better society for everyone. Digital societies in particular, experience dramatic changes, and disparities are increasing. Some people have access, while others do not, and the gap between rich and poor is growing ever wider.

There are difficult decisions involved in reducing

disparities and striking an appropriate balance with regard to sustainable growth and performance in both the short and long term. However, I believe that DAN, as a pioneer in the digital revolution, will be able to build a digital society for all.

Igarashi: The advancement of digitization impacts all of our clients. Dentsu believes there is an opportunity to engage in social transformation through our business and contribute to the realization of a sustainable society.



Corporate Governance

● Basic Perspective

The pursuit of optimal corporate governance is critical for achieving Dentsu's goal of creating new social values and sustainable societies. We aim to achieve sustainable growth and enhance corporate value by ensuring transparent, fair, rapid, and decisive decision-making, as well as the effective allocation of management resources.

To this end, we will continue to improve corporate governance by:

1. Respecting shareholders' rights and ensure their equal treatment
2. Considering the interests of stakeholders, including shareholders, and cooperate with them appropriately
3. Appropriately disclosing company information and ensure transparency
4. Enhancing the effectiveness of the supervisory function of the Board of Directors concerning business execution
5. Engaging in constructive dialogue with shareholders who have an investment policy that conforms to the mid- to long-term interests of shareholders

● Promotion of Corporate Governance

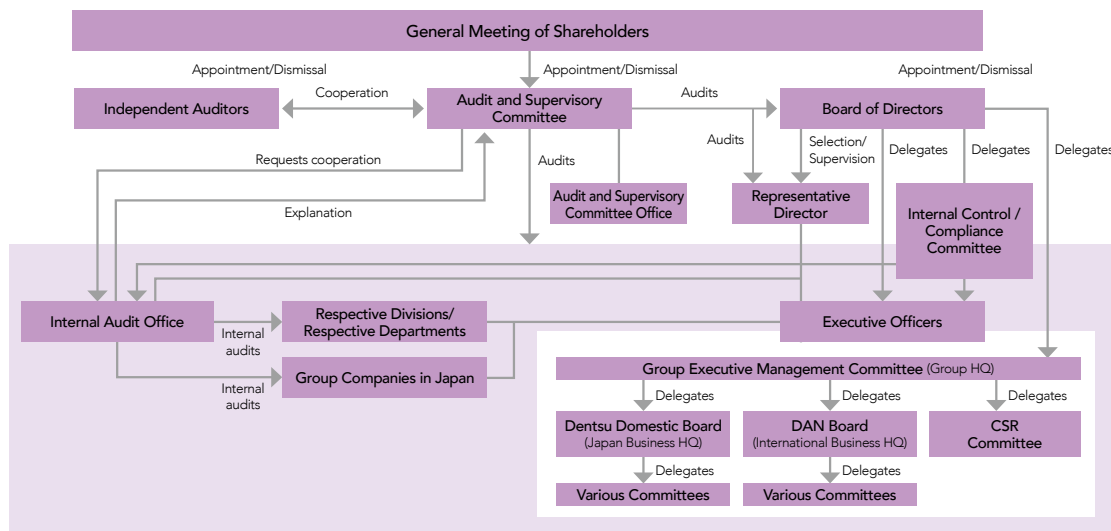
Dentsu has an Audit and Supervisory Committee comprising individuals in executive positions appointed by the Board of Directors to promote swift and effective decision-making in the conduct of business. At the same time, we have reinforced the supervisory function of the Board of Directors over executive officers.

As of January 1, 2019, the Board of Directors comprises 12 Directors (of whom four are independent outside directors). We have appointed four directors who are Audit and Supervisory Committee members (of whom three are outside directors). Under the Board of Directors is the Group Executive Management Committee, comprising executive officers, including the representative director and executive directors. This committee makes decisions on important matters relating to management and conducts preliminary deliberations on Board of Directors agenda items. Furthermore, we delegate authority on domestic group business to the "Dentsu Domestic Board" and set up the "DAN Board" for the international business. In the business execution structure of Japan Business HQ and International Business HQ, we delegate profit responsibilities and authority to each. In addition, the Internal Control and Compliance Committee, which has been delegated by the Board of Directors on internal control and risk management, has been established to improve the effectiveness of internal control and risk management.

Through these systems, we are ensuring soundness, transparency and efficiency of management, and are working to improve corporate value over the medium to long term.

WEB Corporate Governance Policy <http://www.dentsu.com/whoweare/cgp.html>

Corporate Governance Structure



Appointment of Senior Management; Nomination of Director Candidates

When nominating directors who are not members of the Audit and Supervisory Committee, the representative director—the individual in a Japanese company who has the company seal and represents it in transactions—will submit the proposed names and, to ensure transparency, explain to the independent outside director members of the Audit and Supervisory Committee the reasons for having selected, and suitability of, nominees. Directors shall be nominated by the Board of Directors, which will take into consideration the opinions of outside directors. When nominating directors who are members of the Audit and Supervisory Committee, the representative director will submit a list of proposed names and, after they have been approved by the Audit and Supervisory Committee, the Board of Directors shall decide the new board members. For the policies and procedures involved in nominating director candidates, please refer to the Corporate Governance Report.

 **Corporate Governance Report** http://www.dentsu.com/csr/pdf/governance_201903_en.pdf

Effectiveness, Self-evaluation of Board of Directors

To ensure the maximum effectiveness of the Board of Directors, a questionnaire was submitted to all Board members pertaining to the efficacy and appropriateness of the Board's supervision of management. Based on results of analysis and evaluation by a third party, Overall efficacy were analyzed and evaluated. The analysis and evaluation for FY2017 indicated that the composition, operation, and items deliberated by the Board of Directors were generally appropriate. It was noted that sufficient deliberation had been conducted through the exchange of opinions, and confirming that the Board remained effective and appropriate in its supervision of operations. In the future, the Company will strive to make improvements on the issues identified in these areas, in order to further improve the effectiveness and appropriateness of management oversight by the Board of Directors.

Issues identified

- Involvement of independent directors in nomination and remuneration
- Group company management and supervision
- Opinions and other feedback from investors.

Training for Directors and Executive Officers

Directors and executive officers are provided with trainings and continuous opportunities to acquire essential knowledges for executing duties in order to properly fulfill given roles.

Specific Examples of Training

Position	When appointed	After appointment
Directors and Executive Officers	<ul style="list-style-type: none"> • Training on Dentsu management, business and financial strategies, related important matters and laws • Discussion related to identifying and formulating solutions to Dentsu Group issues 	<ul style="list-style-type: none"> • Monthly study seminars as opportunity to acquire the latest information regarding best practices and megatrend-related issues
Outside Directors	<ul style="list-style-type: none"> • Explanation of Dentsu's business, organizational structure, etc. 	<ul style="list-style-type: none"> • Regular provision of information related to business issues, etc.

Compensation for Directors, Audit and Supervisory Board Members

Each fiscal year, Dentsu determines the appropriate compensation for Directors as well as Audit and Supervisory Board members based on corporate value, scale, and compensation levels, referencing compensation market survey data from external specialized institutions.

The Company introduced a new policy stipulating a performance-based stock compensation plan as a medium- to long-term bonus that was approved at the 170th Ordinary General Meeting of Shareholders, held in March 2019.

The plan clarifies the relationship between compensation for Audit and Supervisory Board members and Directors on one hand, and Dentsu's performance and corporate value on the other.

The plan is designed to promote shared interests with stakeholders, while raising awareness among Audit and Supervisory Board members and Directors. The latter Company members contribute to the sustainable growth, and enhance the medium- to long-term corporate value, of the Dentsu Group.

For details, please refer to the following news release:

Notice Regarding Introduction of Performance-based Stock Compensation Plan

 **Notice Regarding Introduction of Performance-based Stock Compensation Plan** <http://www.dentsu.com/news/release/2019/0214-009747.html>

Total Amount of Remuneration for Directors and Audit & Supervisory Board Members

	Directors (excluding Audit and Supervisory Committee Members)(Of which are Outside Directors)	Directors (Audit and Supervisory Committee Members)(Of which are Outside Directors)	All Directors (of which are Outside Directors)
Monthly Remuneration	291 million yen: 10 persons (15 million yen) (1 persons)	81 million yen: 5 persons (45 million yen) (3 persons)	372 million yen: 14 persons (60 million yen) (4 persons)
Bonuses	155 million yen: 7 persons (- yen) (- persons)	- yen: - persons (- yen) (- persons)	155 million yen: 7 persons (- yen) (- persons)
Total	446 million yen: 10 persons (15 million yen) (1 persons)	81 million yen: 5 persons (45 million yen) (3 persons)	527 million yen: 14 persons (60 million yen) (4 persons)

Notes:

1. The annual remuneration amounts for Directors who are not Audit and Supervisory Committee Members and Directors who are Audit and Supervisory Committee Members were approved by shareholders at the Ordinary General Meeting of Shareholders held on March 30, 2016. The resolution limits the amounts to 1,200 million yen per year and 150 million yen per year, respectively.
2. Bonuses in the table above shows the amount approved at the meeting of the Board of Directors held in February 2018 within the limit of remuneration for Directors stated in Note 1. above. The Company does not pay bonuses to Directors who are Audit and Supervisory Committee Members.
3. The Audit and Supervisory Committee considered the above, and did not find any particular points of note.
4. With regard to the above, decision-making policies, concepts and processes were confirmed and examined by the Audit and Supervisory Committee, but it found no problems.

Nomination and Compensation Committee

In July 2019, Dentsu set up a Nomination and Compensation Committee. It advises the Board of Directors and reinforces its functional independence, objectivity, and accountability in connection with the nomination, compensation, and other matters related to directors as well as Audit and Supervisory Board members. It also serves to enhance corporate governance.

For details, please refer to the following news release:

WEB Notice Concerning Establishment of Nomination and Compensation Committee <http://www.dentsu.com/news/release/2019/0628-009842.html>

● Dentsu Group Internal Control System

Internal Control System

The Dentsu Group Internal Control System encourages compliance among directors, executive officers, and employees, while at the same time supporting continuous corporate development as Dentsu meets its social responsibilities. The Dentsu Group Code of Conduct is positioned as a shared behavioral code to ensure that directors, executive officers, and employees of Dentsu and its subsidiaries carry out their duties in compliance with the law, regulations, and the Company's Articles of Incorporation. The code also ensures that business is conducted appropriately, while the Internal Control and Compliance Committee works to maintain and improve internal controls. In accordance with Internal Control and Compliance Committee policies, the CSR Committee and other committees formulate rules and develop manuals to inculcate a thorough awareness of proper business execution among all employees through training and other activities.

There are business-related check items for risk management and compliance, while a broad range of inspections are conducted. The items checked include the appropriateness of rules; whether business is conducted in accordance with the rules; and if reporting of, and responses to, problems are prompt, in order that issues might be identified and issues improved. We also establish internal control mechanisms at Group companies to maintain and enhance corporate value throughout the entire Dentsu Group.

WEB Dentsu Group Code of Conduct <http://www.dentsu.com/csr/overview/codeofconduct.html>

● Dentsu Group Risk Management

Risk Management

Under the Internal Control and Compliance Committee, which is chaired by the executive director in charge of internal controls as a system for comprehensively managing Group-wide risks, the Dentsu Group strives to achieve continuous improvement by understanding Group risk management conditions and formulating, executing, monitoring, and improving policies and risk management processes using the four-step PDCA management method. We establish risk management rules, as well as formulate and execute specific response plans, prioritized in order of risk severity. This we do to maintain and improve our system to prevent risks and to minimize their impact should they occur. Departments and directors are assigned responsibility for each key risk. They formulate and implement response plans to reduce the likelihood of risk; submit mid-term progress reports; and prepare year-end self-assessments as well as guidelines for the next fiscal year after they have been discussed by the Internal Control and Compliance Committee. The committee then shares risk awareness and the proposed responses with the Board of Directors and Audit and Supervisory Committee, and monitors situations as appropriate.

Compliance

● Compliance Promotion System

Dentsu formulated the Dentsu Group Code of Conduct, according to which directors and executive officers who discover violations of prevailing laws or who encounter other serious compliance-related issues are required to report their findings immediately to the Executive Committee, Internal Control and Compliance Committee, as well as the Audit and Supervisory Committee. To maintain and improve the level of employee compliance and ensure employee awareness of compliance-related issues, rules and manuals are developed and training programs conducted.

In addition, a Compliance Line was set up for the reporting of internal violations and an external contact point handled by a law office was established to ensure that those seeking consultation or reporting violations are in no way penalized.

In FY2018 (ended December 2018), Dentsu Inc. and Dentsu Group employees in Japan submitted twenty-four reports and proposals (FY2017: 9; FY2016: 7; FY2015: 15), all of which were addressed. Moreover, the booklet Compliance Digest was distributed to all Group companies to promote an understanding of compliance.



The Compliance Digest booklet

● Corruption Prevention Response

In accordance with the Dentsu Group Code of Conduct, which underpins our CSR activities, we have anti-corruption policies to ensure that we conduct business in an honest, fair, and transparent manner. In compliance with bribery regulations in the countries and communities around the world where we do business, Dentsu is proscribed from involvement in corrupt acts designed to enable the Company to obtain unfair profits.

In order to meet our social responsibilities and conduct sound business activities, we shall strive always to cultivate compliance awareness through in-house training.

Message

Message from Outside Director

Dentsu Group Corporate Governance

Toshiaki Hasegawa

Outside Director
(Audit and Supervisory Committee member)



The shape of corporate governance at the Dentsu Group will change substantially starting in 2020. This is because the Group will come under a pure holding company, Dentsu Group Inc., one that governs and manages subsidiaries through stock ownership and does not conduct business in the advertising agency or any other. Its businesses will be handled by the subsidiaries, including Dentsu Inc. Thus, we should consider how the conversion will improve the Dentsu Group's governance and how we might use this system to contribute to the anticipated improvement.

Dentsu Inc. has been conducting business in advertising while managing subsidiaries as an operating holding company. However, improving Group company governance and Groupwide internal controls has become a substantial burden, because we must also consider how these apply to our global subsidiaries.

Through the Group's conversion to a holding company structure, Dentsu Inc. will become a new subsidiary of the holding company. This does not mean that Dentsu Inc. will never manage subsidiaries that handle a portion of the Group's domestic businesses. Instead, the move will allow the company to focus almost entirely on the execution of Japan business.

It can be said that the most significant theme to consider when discussing current Dentsu Group governance is the question of how we can improve aspects of global governance that also apply to overseas subsidiaries.

It will be up to the holding company to improve the

effectiveness of our global governance system. The roles of Groupwide governance and business execution will be divided among the holding company and its subsidiaries.

While Group management through a holding company has a number of merits, probably the most important aspect is that it facilitates the introduction of major management reform. Separating decisions regarding management strategy from those of business execution management will more clearly delineate responsibilities, leading to more efficient management and faster decision-making.

Progress in globalization and digitalization has resulted in demand for speedy management. The success of our business depends on how quickly, yet precisely, we respond to the needs of customers and clients.

Converting to a pure holding company structure will help the Group function more flexibly by contributing to business integration, M&As, as well as the diversification and reorganization of internal Group businesses. By delegating the execution of business to subsidiaries, we can cut costs by slimming down the holding company, while revitalizing the businesses managed by subsidiaries and clarifying management responsibilities.

Since this will result in smooth personnel administration and labor management, we anticipate greater employee motivation.

In short, by converting to a holding company structure, the Dentsu Group is confident that it can improve Group governance and achieve next-level growth.

Board Members/Management As of March 28, 2019

● Board Members

Representative Directors



Toshihiro Yamamoto



Yoshio Takada

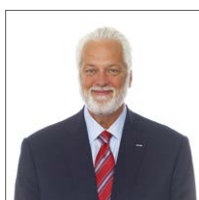


Nobuyuki Tohya

Directors



Shun Sakurai



Tim Andree



Arinobu Soga



Hiroshi Igarashi



Nobuko Matsubara
(Outside Director)

Directors / Audit and Supervisory Committee Members



Yoshiharu Sengoku



Toshiaki Hasegawa
(Outside Director)



Kentaro Koga
(Outside Director)



Etsuko Katsu
(Outside Director)

● Executive Officers

President & CEO

Toshihiro Yamamoto

Executive Officers

Yoshio Takada
Nobuyuki Tohya
Tim Andree
Arinobu Soga
Hiroshi Igarashi
Shun Sakurai
Jun Shibata
Takashi Yagi
Yutaka Ishikawa
Yuichi Okubo
Keiichi Maeda
Takaki Hibino

Hidemi Matsuo
Norihiko Kuretani
Shigeru Ishida
Kiyoshi Nakamura
Norio Kamijo
Motohiro Yamagishi
Akira Ando
Tetsuji Hirose
Norihiko Sakata
Ichiro Itani
Masaya Nakamura
Norifumi Adachi

Soichi Takahashi
Masao Tatsuuma
Chieko Ohuchi
Hiromi Suzuki
Seikyo Son
Keiichi Yoshizaki
Nick Priday
Shinichi Maeda
Nobutaka Hayashi
Shuji Yamaguchi
Koki Sato

Message

Message from the Chairperson of the CSR Committee

Engaging with Society to Create New Added Value

Nobuyuki Tohya

Representative Director
Executive Vice President



With the rapid development of the digital economy and the increasing severity of social issues, such as global environmental problems, the societal environment surrounding the Group continues to undergo drastic changes. These changes have a significant impact on consumers.

In June 2019, the G20 Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth presented an action plan addressing climate change, the loss of biodiversity, resource efficiency, as well as sustainable consumption and production.

If these social issues are not resolved on a global level, companies will be unable to achieve sustainable growth. Thus, it is necessary for companies to seek new relationships with society.

Amid these conditions, the Dentsu Group is undertaking structural reforms to enable rapid decision-making from a medium- to long-term perspective. Having made the decision to transition to a pure holding company structure in 2020, one of the steps toward this objective involves flexibly responding to changes in the business environment as a unified Group.

I believe the marketing and communications areas in which the Dentsu Group conducts business involve a greater social mission, since they link companies and consumers. With an awareness of the magnitude of

the social impact of the unfolding societal changes, we established priority CSR areas with themes such as respect for human rights and environmental protection. At the same time, the Group is proactively engaged in achieving the Sustainable Development Goals (SDGs) as set by the United Nations in 2015.

Voluntary activities related to the SDGs are on the rise, including employees taking the initiative to start up Group-wide project teams, holding seminars to raise awareness among individual employees, and conducting SDGs penetration surveys in Japan.

According to our survey conducted in February 2019, a general awareness of the SDGs in Japan is still only 16%, but I am sure that the promotion of initiatives related to various stakeholders will gradually increase this ratio. Through the steady promotion of the SDGs-related activities, I believe that every employee will have an opportunity to create new added value by considering their own social value and how they can work for the benefit of society.

The ideas and concepts created by Dentsu Group employees are our core competence. This has remained unchanged over time. We will respond flexibly to changes and continue taking on new challenges so that we can create new added value and make society richer and more fulfilling through our relationship with it.

Dentsu Group CSR

● Code of Conduct

The Dentsu Group Code of Conduct, basic to our CSR activities, is based on seven key areas of Dentsu CSR activities: corporate governance, respect for human rights, ensuring a safe and civilized working environment, environmental protection, fair business practices, addressing consumer issues, and contributing to the community.

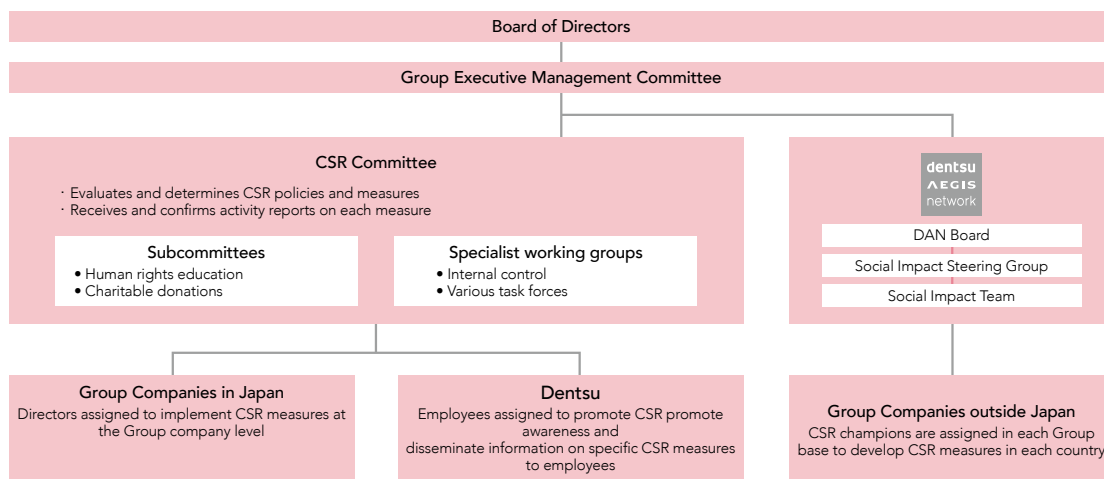
While strictly observing the laws, regulations, and social norms of each country, the code outlines the conduct that all managers and employees in the Dentsu Group must comply with to fulfill their social responsibilities.

● Dentsu Group CSR Promotion System

The Dentsu Group's CSR Committee—comprising five officers and chaired by an executive officer—serves as an advisory body to the Group Management Committee, which is tasked with making management decisions. In FY2018, the CSR Committee met nine times.

Subordinate advisory committees are set up under the CSR Committee to examine specific facets of the Company. CSR activities for our overseas businesses are formulated by Dentsu Aegis Network Board of Directors, before being reported to the Management Committee and CSR Committee. CSR promotion committee members have been designated in all Dentsu Head Office divisions, in an effort to promote awareness of specific CSR policies among all employees. At the same time, executive officers in charge of CSR have been appointed in Group companies in Japan, while in Group companies abroad, CSR Champions have been appointed. These efforts are designed to advance CSR activities on a Group-wide basis.

Dentsu Group CSR Promotion System



● Participation in International Initiatives

Dentsu participates in international initiatives in order to contribute to global social development, and strives to address activities with a focus on environmental, social and governance (ESG) issues and to promote information sharing. The Company joined the United Nations Global Compact in December 2009 and upholds its 10 principles on human rights, labor, the environment, and anti-corruption. It submits a CSR report every year to the UN Global Compact, and compiles an annual stand-alone activities report (Communication on Progress: COP) aimed at the realization of the 10 principles. Dentsu also has become a member of CSR Asia, the largest CSR-related think tank in the Asia-Pacific region, which focuses on deliberation of ESG issues in Asia and the strengthening of alliances with companies in Asia.



Dentsu Group SDGs-related Actions

In the belief that the SDGs concern the entire Dentsu Group, it is taking part in the groundbreaking initiative Common Ground, along with five other top global advertising and marketing services groups: Havas, IPG, Omnicom, Publicis, and WPP.

The initiative, promoted by the global advertising communications industry, is aimed at helping to realize the SDGs. The Dentsu Group is currently working to raise awareness regarding Goal 3, which is Health. It is working with NGOs to prevent global infectious diseases, such as malaria and tuberculosis.

At the same time, the Dentsu Team SDGs project members, who promote the SDGs from a business perspective, are offering their services in the areas of SDG communication-related consulting and business co-creation, based on concepts and connections that the Dentsu Group is uniquely positioned to realize.



CASE

Dentsu Team SDGs

Dentsu Team SDGs is a project promoting activities in collaboration with the Dentsu Group in order to support stakeholder SDG initiatives. To promote awareness of the status of the SDGs in Japan, the team publishes lifestyle surveys.

To further an understanding of the SDGs and encourage initiatives within Dentsu, the team arranges seminars and workshops, engages in advertising communications consulting, and is responsible for business co-creation.



Major Activities

1. SDGs Communication Guide

The guidebook, with an emphasis on the SDGs, is designed for Company management and those employees involved in advertising.

2. SDGs-related Movie

It presents the Dentsu Group's aims for the SDGs and its role therein.

3. Second SDGs Penetration Survey

A survey was conducted in April 2019 targeting a total of 6,576 men and women between the ages of 10 and 70 from across Japan aimed at understanding the current status of the SDGs in Japan. The survey focused on "concrete behavior" in addition to "recognition and understanding," and also investigated the current status of, and changes in, "expectations for local governments and companies," "actual conditions of, and barriers to, SDGs in practice," and "the methods by which information is acquired."

A Call for Global Citizens to End Ma-laria

"In 2018 I worked closely with Malaria No More on their public awareness campaign. The aim was to convince world leaders to commit the resources needed to end Malaria. The campaign was a huge success, involving six Dentsu Aegis Network agencies. We secured \$4.1bn of incremental funding from government and the private sector.

But even more importantly, the heads of the Commonwealth nations committed to halve Malaria by 2023. The real work starts now as we design our campaign for The Commonwealth Summit in Rwanda in 2020. Creating a public mandate is essential to ensuring Malaria remains high on the political agenda. Our ability to both reach and influence the public is unparalleled so we have a critical role to play.



Alexandra Lima

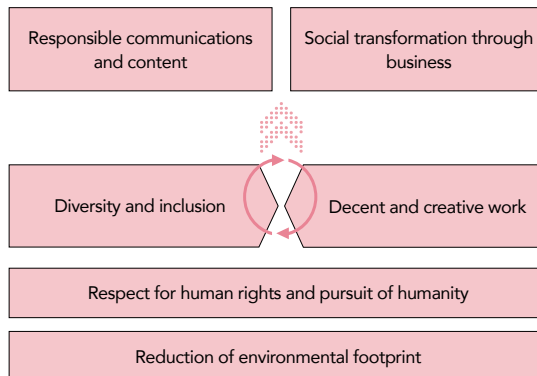
Global Social Impact Manager – Dentsu Aegis Network

VOICE

● CSR Medium-term Strategy Material Themes

The Dentsu Group promotes activities based on its Medium-term CSR Strategy 2020, which establishes four key areas and common goals in Japan and overseas aimed at the realization of a sustainable society.

As global social issues become increasingly complex, and in light of its social responsibilities and the demands of stakeholders, the Group has formulated six material themes to help it contribute to the realization of a sustainable society.



Respect for human rights and pursuit of humanity

Initiatives for respecting human rights and pursuing human potential, and to realize a better future and higher ideals.

● Main Actions

- Formulate a Group Human Rights Policy and disseminate internally.
- Create a system for supplementing and enhancing human rights due diligence.
- Use e-learning for human rights training in Japan.

Decent and creative work

Mechanisms and initiatives for realizing workstyles enabling a diverse array of human resources to maximize employees' performance.

● Main Actions

- Occupational safety and health: Improved and comprehensive labor management, level and efficient operations, employee health maintenance and care.
- Creative work: Diverse workstyle options, vitality design and self-development.
- Support organizational and individual growth: Growth support program, organization revitalization measures.

Reduction of environmental footprint

Initiatives for minimizing the environmental impact on the Earth through Dentsu Group business aiming for a sustainable environment.

● Main Actions

- Reduce GHG emissions and transition to renewable energy. Reduce GHG emissions 24% by 2030 under Scope 1 and 2 (Groupwide compared to 2014). Reduce business trip-related emissions per employee 25% by 2050 under Scope 3 (Groupwide compared to 2014).
- Launch effort to stop use of plastic straws and food packaging at business offices in Japan to address the marine plastic problem. 100% elimination of plastic straws and food packaging at business offices in Japan by 2022.

Responsible communications and content

Initiatives for attaining sincere and highly ethical standards within services provided to Dentsu Group stakeholders.

● Main Actions

- Responsible communications: Awareness based on creative principles and checklists.
- Trustworthy media content: Contribute to the creation of a structure and mechanism that creates a healthy industry.
- Cyber security and privacy: Create a system for preventing risk events and deploy measures.
- Sustainable supply chain: Create and manage a supply chain management structure.

Diversity and inclusion

Initiatives related to the creation of an organization and mechanisms including those related to decision-making to enable the active participation of a diverse array of human resources and maximize value creation.

● Main Actions

- Initiatives aimed at increasing the ratio of female managers.
- Aim to increase the ratio of female managers to 10% by 2020.
- LGBT initiatives
Maintain Work with Pride "PRIDE Index" Gold Medal.
Initiatives for people with disabilities.

Social transformation through business

Initiatives for promoting social transformation conducted with the aim of realizing a sustainable society.

● Main Actions

- Develop mechanisms to create and promote internal systems.

Reduction of Environmental Footprint

Dentsu Group Initiatives

Recognizing environmental problems to be a key issue in terms of the Group's corporate social responsibility, Dentsu established the Dentsu Eco Program to promote Group-wide environmental protection initiatives. In recognition of these efforts, Dentsu was certified as an Eco-First Company by the Ministry of the Environment. As a result, the Group will continue these activities and contribute to the realization of a sustainable society by collaborating with all stakeholders and engaging in environmental communication activities.

Environmental Policy

The Dentsu Group aims to make each employee strongly conscious of its corporate philosophy of Good Innovation and, based on the Dentsu Group Code of Conduct, reduce the environmental burden generated through its business operations in order to contribute to the realization of a sustainable society.

- In order to realize a sustainable society, we will correctly assess the environmental impact of its business activities and work to reduce its burden on the environment.
- Work to develop and propose environmentally conscious business activities and contribute to the improvement of environmental issues.
- Ensure thorough implementation of environmental compliance and engage in ongoing improvements to boost environmental performance through more precisely defined environmental objectives and outcomes.

Environmental Protection

- Actively endeavor to prevent pollution, alleviate climate change, and conserve biodiversity and ecosystems.

Environmental Communication

- Actively engage in environmental education, for the next generation and environmental communication activities for business partners and employees, to raise recognition of environmental issues.

● Structures for Environmental Activities and Management System

Dentsu designated environmental managers to advance Group-wide efforts for the environment. Additionally, we adopted the Dentsu Group Eco Program (ongoing) in January 2005, and we acquired ISO 14001 certification in May 2005. Integrated Group certification that included subsidiaries in Japan was acquired in June 2006. Dentsu and 17 Group companies hold this certification as of February 2019.

● Raising Awareness

At Dentsu, we promote environmental slogans, eco-awards, and other awareness activities as measures aimed at heightening employee environmental awareness. In addition, we encourage employees to take the Tokyo Chamber of Commerce and Industry's Certification Test for Environmental Specialists and acquire certification. Our activities include providing handbooks for use in employee education, including the Green Event Guide to promote eco-friendly green events, and the Greenwash Guide to eliminate advertisements that are misleading in terms of their impact on the environment.

● Eco-First Commitment Declaration

Dentsu is an Eco-First company*¹ certified under the Eco-First System* set up in 2004 by the Ministry of the Environment of Japan. In 2017, Dentsu declared its commitment to the Eco-First System, which aims to help realize sustainable societies through cooperation with stakeholders. Our Company-wide environmental conservation efforts have been praised by the Ministry of the Environment, which certified Dentsu as an Eco-First Company. We will continue to promote awareness and understanding of environmental issues, as we work to reduce environmental burdens.



WEB Eco-First System details (Ministry of the Environment website) http://www.env.go.jp/guide/info/eco-first/pdf/eco-first_en.pdf

*1 Dentsu was certified under the government's market greening policy in 2008.

*2 The system is operated by the Ministry of the Environment for companies that promote initiatives for environmental conservation, involving initiatives that support environmental conservation, such as those designed to ameliorate the effects of global warming, as well as curb waste and support recycling and other environment-friendly conservation efforts.

● Eco-First Promotion Council Initiatives

The Eco-First Promotion Council is an organization established with the aim of connecting Eco-First companies and further expanding and enhancing environmental conservation activities. Dentsu is a member of the council. With 2018 having marked 10 years of the Eco-First system, and the tenth anniversary of the council's creation, Dentsu participated in the Talanoa Dialogue*, which presented council efforts and ideas regarding climate change countermeasures.

As the chair of the Talanoa working group in the council, Dentsu compiled the opinions of constituent companies and released examples of initiatives in a publication—entitled *If the Private Sector Does Nothing, Decarbonized Societies Will Not Materialize*—that outlines the Company's vision for the future. As announced by the Ministry of the Environment in September 2018, if the council goals are to be achieved, it will be necessary to limit global warming relative to a pre-industrial baseline. The global average temperature increase will have to be kept at between 1.5°C and 2.0°C above pre-industrial levels.

*Effort aimed at realizing the agreement with corporate and other member efforts shared as a story to achieve the Paris Agreement with the goal of improving the willingness to address climate change countermeasures proposed by the Fijian chairman of the 23rd Conference of the Parties to the Climate Change Convention (COP23).

● Climate Change Countermeasures

Governance

The CSR Committee takes a lead in determining Company policies and key items related to global climate. These are discussed by the CSR Committee, before being reported to the Group Executive Management Committee.

Strategies and Responses

Based on the Group's environmental policy, the CSR Committee conducts performance evaluations on sustainability and provides feedback to business units through the CSR Promotion Committee. During this process, risks and opportunities are discussed from medium- and long-term perspectives. This is imperative, given that environmental protection is one of the key targets of the Group's Medium-term CSR Strategy 2020.

Risks and Opportunities

With the recent expansion of our international business involving M&As and other arrangements, our global environmental burden may increase. Recognizing the issue as an emerging risk, in collaboration with DAN we are working on ways to reduce this burden.

Initiatives to Reduce CO₂ through SBT

To realize a decarbonized society, the Dentsu Group aims to achieve the 2°C target* stipulated in the Paris Agreement, an accord within the United Nations Framework Convention on Climate Change, with the goal of reducing greenhouse gas emissions based on scientific evidence by establishing Science Based Targets (SBT). Dentsu received the international Science Based Targets initiative certification in recognition of having established science-based goals. The Dentsu Group aims to reduce Scope 1 and 2 CO₂ emissions 24% by 2030 compared with 2014 levels, and to reduce Scope 3 (business trips) CO₂ emissions 25% per employee by 2050 compared with 2015 levels. We plan to continue tackling climate change issues by making further efforts to reduce CO₂ emissions.



*According to the framework for global warming countermeasures adopted at COP 21, the planet's average temperature increase is to be held at under 2°C compared with pre-industrial revolution levels. It was agreed that we must reduce global greenhouse gas emissions to zero during this century.


Respect for Human Rights and Pursuit of Humanity

● Human Rights Policy

Human Rights Policy and Systems

The Dentsu Group is engaged in business activities that incorporate a respect for global human rights in all communications related to business activities, including advertising. We ensure that our activities maintain high ethical standards and reflect awareness of human rights, with the aim of helping to realize a sustainable and rich communication society. Recognizing that respect for human rights is at the core of the Company's existence, it set up the Dentsu Group Human Rights Policy to promote ethical and sustainable business practices.

We recognize protecting employee human rights to be an important responsibility, and so strive to prevent harassment and honor the human rights and individuality of all our employees, in order to make the most of their abilities. Dentsu Aegis Network released the Group's declaration with regard to slave labor and human trafficking, which echoes the stipulations of the United Kingdom's Modern Slavery Act 2015. We will make an effort to prevent human trafficking, slavery, and forced labor by identifying and evaluating potential human rights impacts and risks in our business activities and supply chain.

 [Dentsu Group Human Rights Policy](http://www.dentsu.com/csr/humanrights/pdf/human_rights_policy_en.pdf) http://www.dentsu.com/csr/humanrights/pdf/human_rights_policy_en.pdf

 [Statement on UK's Modern Slavery Act 2015](https://www.dentsuaegisnetwork.com/policies/modern-slavery-act) <https://www.dentsuaegisnetwork.com/policies/modern-slavery-act>

Human Rights Promotion System

The Human Rights Education Committee, which promotes human rights education as a specialized member under the CSR Committee, meets once every six months. In addition, a Dentsu Group Human Rights Education Conference is held once every six months for employees in charge of human rights education and general human rights education supervisors at domestic Group companies.

In addition to basic human rights issues, we present content that incorporates rights issues of timely relevance in terms of current affairs. In FY2018, a human rights awareness survey was conducted as part of our due diligence on human rights. Based on the results, we will enhance human rights-related measures throughout the Group.

Human Rights Awareness

To increase human rights awareness, the Group runs human rights awareness training programs based on both employee hierarchy and occupational field. The Dentsu Group Human Rights Education Conference is held twice a year for those in charge of human rights education at the Company, and for human rights education managers at Group companies. There are also various opportunities to raise awareness of human rights. Textbooks with information on human rights and explanations of their connection to advertising are utilized by employees.

The Human Rights College, a site that collects past examples of advertising expressions related to human rights, is posted on the Company's intranet. This initiative enables continuous online learning that increases knowledge and realizes the pursuit of better communication. Further, a newsletter dealing with timely human rights-related topics is distributed within the Group twice a month.

In the area of advertising and human rights, the Group has a permanent consulting contact, to ensure that expressions communicated to the world are appropriate, and to respond to Group-wide inquiries. In addition to this, we cooperate with human rights-related seminars held at the Japan Advertising Agencies Association, and make efforts to raise awareness throughout the advertising industry.

Internal Reporting to Protect Human Rights

We established a contact desk that responds to inquiries from Group employees and allows the identification of possible human rights-related risks associated with the right of expression in advertising.

During FY2018, the desk received 275 inquiries. These were handled individually, in a bid both to prevent any recurrence of the issues, and to increase human rights awareness. Harassment-related consultations are centrally managed by the Harassment Consultation Section within the Labor Administration Department of the Human Resources Division, with consultations available at Dentsu branch offices as well as outside the Company.

The section coordinates with harassment contacts at each Group company, in a bid to prevent harassment across the Group.

Diversity and Inclusion

Dentsu Group Initiatives

In recognition of the substantial impact advertising has on society, Dentsu has established behavioral principles and guidelines related to creative work, and pays the utmost attention to advertising production.

Promoting Female Participation

Motivated by the goal of raising our ratio of female managers to 10% by 2020, we are raising awareness by such means as providing training for female leaders and holding Diversity Cafés, a series of in-house sessions focused on the gender divide. In FY2018, we launched unconscious bias training as part of our efforts to become an organization that is more accepting of diversity. This training is designed to help participants become aware of, and fix distortions or biases in, their points of view or perceptions regarding unfamiliar matters.

Employing People with Disabilities

We established Dentsu Solari, a wholly owned, special-purpose subsidiary, in April 2013 as part of our efforts to promote the employment of people with disabilities. As of June 1, 2019, some 2.35% of employees at three of our Group companies (Dentsu, Dentsu Works, and Dentsu Solari) were individuals with disabilities. Many of these employees are also active in our sales and creative departments, and we are working to expand employment opportunities for those with disabilities.

In FY2018, we held three seminars, aimed at eliminating mental barriers, that attracted 220 participants. The seminars were designed to foster comprehension among employees throughout the Group. The aim was to deepen understanding of mental barriers that individuals with disabilities face, and to promote a mindset that allows mutual respect.

● Promotion of Diversity

LGBT Initiatives

In accordance with our societal responsibilities and in response to stakeholder demand, in 2018 we expanded the range of those eligible to participate in Dentsu Family Day in Japan. As one of our employee welfare programs, it now welcomes common-law and same-sex partners.

Then in April 2019, we also implemented a variety of revisions to existing policies. We updated our vacation policy, parental and nursing care leave systems, and working hours. At the same time, we expanded eligibility for benefits and services, as well as the range of individuals who may participate in events sponsored by the Employee Mutual-Aid Association.


In addition, we have engaged in a number of diversity-supporting initiatives. These include the Dentsu Diversity Lab, a solution development task force set up in 2011, and the Ally Network, comprising individuals who are sympathetic and understanding regarding LGBT issues.

In October 2018, the Dentsu Diversity Lab conducted a wide-ranging LGBT survey, which gathered information from sexual minorities, primarily individuals in the LGBT community.

Our plan is to continue providing working environments that are respectful and accepting of the characteristics of all individuals, as we engage in initiatives to change employee attitudes toward LGBT issues and promote diversity on a societal level.



Six rainbow color's logos representing diversity, announced by Dentsu.

 [Dentsu Diversity Lab, https://dentsu-diversity.jp](https://dentsu-diversity.jp)

Launch of Education Programs

The Dentsu Group has concluded a partnership agreement with the University of Tsukuba known for its advanced research and initiatives through which both entities will cooperate to establish human resources training and develop solutions aimed at achieving a more inclusive society.

With the topics of diversity and inclusion increasing attention as diversification of society, Dentsu has set as goals helping to establish academic disciplines focused on these topics, and spreading social awareness. Dentsu thus plans to combine its perspectives—based on the expertise and knowledge it has cultivated over the years—with those of academic institutions. Based on these perspectives, Dentsu hopes to promote the achievement of a more diverse and inclusive society, primarily through the development of human resources, products, and services with a focus on the diversity of individuals.

Decent and Creative Work

Dentsu Group Initiatives

The Dentsu Group is promoting mechanisms and initiatives aimed at enabling all members of its diverse human resources to work in ways that allow them to perform to the best of their abilities.

Working Environment Reforms

The mental and physical health of its employees are at the core of Dentsu's management values. Reflecting this, in November 2016 the Company set up the Dentsu Working Environment Reforms Commission. The aim was to reduce the number of hours employees worked and improve the quality of their work.

In July 2017, we announced the Working Environment Reform Plan for Dentsu Inc., which was compiled by management and employees. Over the two years since the plan's adoption, we have introduced more than 100 measures, primarily based on the plan's pillars of comprehensive labor management and enhanced worker protection; "work diets," based on reviews of work inventory and improvement in business processes; and an enhanced health management system.

The efficacy of these measures has been verified through monitoring, conducted by the Independent Advisory Committee for Labor Environment Reform Activities, which comprises external third-party experts.

In terms of labor management, we have appointed human resource managers and made it possible to see working conditions on the Time Management Dashboard.

Further, in terms of leveling workloads and improving efficiency, we have promoted "work diets" and outsourcing, at the same time implementing measures such as conversion to robotic process automation. As a result of these efforts, the total number of hours worked annually per employee came down to 1,952 in FY2018, from 2,166 in FY2016.

In addition, in FY2018, the annual utilization rate of paid leave per employee rose to 66.0%, from 56.0% in FY2016, while the total number of paid leave days taken per employee was 21.4* in FY2018, versus 12.4 two years earlier.

Other measures we adopted in FY2018 include Vitality Note, a program that allows employees to check their health daily using their PC; and Input Holidays, which program ensures the entire company takes a non-statutory holiday once a month.

We plan to promote comprehensive reforms and make up for the reduced working hours by improving the quality of work, as we set our sights on reflecting such societal trends as changes in legal regulations related to work styles.

*Including Input Holidays

Diversification of Work Styles

In accordance with its promotion of work style diversification, in FY2018 Dentsu Inc. took a number of steps, including the introduction of flextime and the work-from-home system, as well as the use of satellite offices.

The percentage of employees who used flextime rose to 92% in FY2018, versus 22% in October 2017. Since the work-from-home system was launched in October 2017, it has been used by an average of 720 employees per month. Meanwhile, a monthly average of 405 employees have utilized our satellite offices for an average of 740 hours per month since they were launched in July 2017.

The Japan Telework Association awarded us an honorable mention in the Telework Implementation category of its 19th annual Telework Promotion Awards, in recognition of our initiatives to promote telework.



Telework Promotion Awards ceremony

Responsible Communications and Content

Dentsu Group Initiatives

In recognition of the substantial impact advertising has on society, Dentsu has established behavioral principles and guidelines related to creative work, and pays the utmost attention to advertising production.

Dentsu Creative Code

Society is substantially impacted by creative output and processes centered on advertising. In recognition of our social responsibility and in order to fulfill our role, we position the success of our customers and the creation of a better society as our mission. To this end, we established the Dentsu Group Creative Operational Code, a behavior policy for every employee involved in creative businesses in all Dentsu Group companies, units and divisions. We make an effort to improve ethics and creativity within creative businesses by constantly learning and improving.

● Guidelines Regarding Advertising and Marketing That Affect Children

In 2016, NGO Save the Children Japan published Guidelines Regarding Advertising and Marketing that Affects Children formulated by the NGO's Children's Rights and Marketing/Advertisement Review Committee. Dentsu cooperated with the formulation of these guidelines through Global Compact Network Japan.

● Publicity Business Guidelines

Dentsu has formulated Publicity Business Guidelines, and conducts its publicity business in accordance with these guidelines.

● SDGs-related Communication Guide

In June 2018, Dentsu created an SDGs Communication Guide, a handbook for people involved in corporate management and advertising, as well as people working at advertising companies to use when thinking about SDGs-related communication.

In the field of advertising communications, the use of expressions that do not reflect the actual state of corporate initiatives, and improper expressions that could cause misunderstanding among consumers is criticized as a deviation from the principles of the SDGs. Experts have also indicated that use of improper expressions may damage corporate value.

Based on these factors, we launched the Dentsu SDGs Communication Guide Preparation Committee, which created the guide by compiling data that should be learned, points of caution that must receive attention, and other information that is useful when conducting advertising or promotional activities that are mindful of the SDGs.



SDGs Communication Guide

● Sustainable Supply Chain

Dentsu Group Initiatives

To ensure that procurement activities are socially responsible throughout its supply chain, the Dentsu Group distributes guidelines and CSR-related questionnaires to its business partners, while monitoring environmental, social and governance risks.

Dentsu Basic Procurement Policy

In line with the Dentsu Group Code of Conduct and desire for fair business dealings with its suppliers and business partners, the Company established the Dentsu Basic Procurement Policy.

1. Fair business dealings

We shall conduct fair business dealings.

- (1) Our business dealings shall comply with laws and regulations.
- (2) When selecting suppliers and business partners, we shall not only take into account economic factors, but also give due consideration to compliance and environmental issues.

2. Cooperation with Dentsu's management system

When our suppliers and business partners collaborate with us, we request understanding of, and cooperation with, Dentsu's management system, including the Dentsu Group Code of Conduct, the Dentsu Procurement Guidelines and other Dentsu Group rules.

WEB Dentsu Basic Procurement Policy, Dentsu Procurement Guidelines <http://www.dentsu.com/csr/compliance/procurementactivities.html>

● Dentsu's CSR Procurement Activities

The Dentsu Group promotes CSR initiatives even with regard to procurement. By distributing Dentsu procurement guidelines among its business partners, we expect them to respect human rights, comply with prevailing laws and regulations, support environmental conservation, and show respect for intellectual property rights in terms of the production and provision processes of all services.

The Dentsu procurement guidelines were revised in March 2014, in order to observe the addition of international anti-corruption regulation tenets (the 1977 US Foreign Corrupt Practices Act and the 2010 UK Bribery Act), as well as regulations pertaining to conflict minerals (Section 1502 of the US Dodd-Frank Act of 2010) as part of our business ethics with the aim of realizing CSR procurement that helps contribute to human rights.

To monitor environmental, social, and governance (ESG) risks in the supply chain, Dentsu conducts supply chain assessments. These are online surveys comprising 30 ESG-related questions. By 2020, we aim to have collected survey responses from 900 companies. Having already received responses from 246 companies, it was revealed that 182 companies (73.9%) are specifically aware of the existence of the Dentsu Group Code of Conduct.

In addition, we ask all new clients to comply with the requirements of CSR-related procurement by incorporating a subcontractor basic agreement clause governing CSR procurement activities.

Community

Dentsu Group Initiatives

Recognizing that local communities are important stakeholders, Dentsu is expanding those of its community activities and contributions to society that help develop regional communities and resolve issues they face. Dentsu is fulfilling its role as a leader in the sphere of communications by building trust-based relationships with regional residents. These relationships are built in a number of ways, including through direct employee involvement in volunteer activities.

Community Activities

As volunteers, we are taking part in foreign currency coin sorting led by the NPO Habitat for Humanity Japan.

Donation boxes set up at international airports in Japan are filled with paper money and coins from all over the world. The money is sorted and exchanged for its US dollar equivalent.

This money is used to support afforestation projects in Southeast Asia and to improve the living conditions of local children. Dentsu started taking part in the coin sorting in 2017. In 2018, it held two sessions at its corporate headquarters in Tokyo, where 39 employees took part.

Since 2018, we have also helped in the picture book drive organized by the Shanti Volunteer Association. This drive involves the affixing of seals, with text in a number of languages, on the pages of picture books published in Japan. The books are then delivered to children in parts of Asia impacted by conflict or poverty.

At its corporate headquarters in Tokyo, Dentsu held two sessions of this book drive, in which a total of 74 employees inserted seals with translated texts into picture books. In 2019, sessions will also be held at Company branches in the nation's Kansai and Chubu regions.

In April 2018, in an effort to deepen its relationship with the local community, the Kansai branch office that in November 2017 had relocated to Nakanoshima, Osaka, teamed up with Group companies. Together they took part in the Nakanoshima-West Major Clean-Up Operation, designed to make ecological and aesthetic improvements in the area.

A total of 31 Dentsu employees worked together with employees from other participating companies to pick up garbage around the community.



Volunteers sort coin-based foreign currency



Participants work to deliver picture books to underprivileged children



Participants in the Nakanoshima-West Major Clean-Up Operation gather for a photograph

CASE

Digital Technology Gives Children Confidence, Hope

Through the Dentsu Aegis Network Taiwan and with help from other supporters, we are expanding Fly! Showmei*. We have been conducting this CSR activity for three years in the Taiwan village of Laomei, famous for the Laomei Green Reef located at its northernmost tip.

Fly! Showmei supports Laomei's less-than-optimal education by using digital technology to provide local children with opportunities to showcase their creativity and individual abilities. As part of the program, we colored in pictures children had painted on the walls of local buildings; produced video content for which the children provided the narration, explaining the pictures and introducing Laomei; and set up eight locations within the community where this content could be viewed via smartphone.

In addition, we gave the children the opportunity to experience VR content, created based on picture books that they had authored themselves. This initiative attracted much attention, with related videos receiving 5.2 million views on social media. We believe that, through Fly! Showmei, we can provide children with confidence and hope. At the same time, we expect it will lead to major reforms in the region.



* Showmei: A nickname for the children living in Laomei

Data Summary

Scope of Implementation

- Dentsu (Group-wide), or non-specified: Dentsu (Parent Company) •Domestic Group: Dentsu Group in Japan
- DAN: Dentsu Aegis Network and its subsidiary •Consolidated: Dentsu, Dentsu Group in Japan and DAN

● Governance

	FY2014	FY2015	FY2016	FY2017	FY2018
Directors	12	9	12	12	12
Outside directors (independent officers)	2	3	3	4	4
Ratio of independent outside directors	16.7%	33.3%	25.0%	33.3%	33.3%
Female directors	0	1	1	2	2
Ratio of female directors	0.0%	11.1%	8.3%	16.7%	16.7%
Board of Director meeting attendance rate	95.8%	91.9%	95.4%	96.9%	98.0%
Attendance rate of independent outside directors at Board of Director meetings	89.5%	83.3%	96.1%	96.3%	98.5%

● Employment Data (Parent Company only)

Number of Employees (Each year-end)

	March 2015	December 2015	December 2016	December 2017	December 2018
Consolidated	43,583	47,324	55,843	60,064	62,608
Parent company	7,348	7,261	6,799	6,927	6,921

Average Age of Employees

Total	40.8
Male	42.5
Female	36.9

Ratio of Women among Managers

	December 31, 2018	January 1, 2019
Manager	2,127	2,074
Female Manager	178	174
Female Manager Component	8.369%	8.389%

Note: Includes data for those members currently on temporary assignment.

Average Number of Consecutive Years Served

Total	14.0
Male	16.0
Female	9.1

New Graduates Hired

	April 2015	April 2016	April 2017	April 2018	April 2019
Total	132	144	145	145	141
Male	92	88	82	84	73
Female	40	56	63	61	68
Female Component	30.3%	38.9%	43.4%	42.0%	48.2%

Number of Employees by Generation

Under 30 Years Old	1,125
30-39 Years Old	2,327
40-49 Years Old	1,825
50-59 Years Old	1,392
Over 60 Years Old	252
Total	6,921

Note: Includes employees on temporary assignment but does not include those accepted for temporary assignments.

Number of New Graduates and Mid-career Personnel Hired

	FY2014	FY2015	FY2016	FY2017	FY2018
Total	167	152	176	244	240
Male	120	108	115	158	158
Female	47	44	61	86	82
Female Component	28.1%	28.9%	34.7%	35.2%	34.2%

Employee Composition (December 31, 2018)

	Male	Female	Total
Executive officers, others	49	4	53
Managers	1,560	158	1,718
Non-Managers	2,468	1,035	3,503
Contract employees	291	332	623
Clerical staff	0	469	469
Partners / Senior staff	156	40	196
Part-timers, others	40	25	65
Seconded from other entities	188	106	294
Total	4,752	2,169	6,921

Note: 1. "Executive officers, others" includes senior corporate advisors, special advisors, etc. "Part-timers, others" indicates permanent part-timers, non-permanent part-timers and employees of overseas branches.

2. Employees on temporary transfer are excluded.

● Work-Life Balance

Average Number of Paid Vacation Days Taken

	FY2014	FY2015*	FY2016	FY2017	FY2018
Total	10.8	8.4	11.2	12.8	13.2
Male	9.6	7.5	10.2	12.1	12.9
Female	13.8	10.6	13.9	14.5	14
Leave Taken	54.0%	42.0%	56.0%	64.0%	66.2%

Annual Paid Vacation in Hour Increments Taken (Part of paid vacation days)

	FY2014	FY2015*	FY2016	FY2017	FY2018
Total Hours Taken	49,712	38,275	47,138	49,459	39,085
Total Number of People Taking Leave	14,568	14,308	18,217	19,401	14,605
Number of Hours Taken at One Time	3.4	2.7	2.6	2.5	2.7

Note: Available as part of annual paid leave.

Employees Taking Childcare Leave, Reinstatement Ratio

	FY2014	FY2015*	FY2016	FY2017	FY2018
Total	60	81	81	106	155
Male	10	15	31	47	102
Female	50	66	50	59	53
Reinstatement ratio	100%	100%	100%	100%	100%

Note: In FY2014, we recounted the number of the employees who took childcare leave in the past and revised the number in conjunction with the reinstatement ratio.

Total Hours Worked per Year (Per Non-manager Employees)

	FY2014	FY2015*	FY2016	FY2017	FY2018
Total	2,252	2,187	2,166	2,031	1,952

Note: 1. Following the change in the working hours management, the number of actual working hours has been revised from FY2017.
2. Including management positions from FY2017.

* Period of data collection: Nine months spanning April–December 2015

● Health and Safety

Health Checkup Rate

	FY2014	FY2015*	FY2016	FY2017	FY2018
Total	99.0	76.1	95.5	96.6	95.4

*Period of data collection: Nine months spanning April–December 2015

● Leveraging Diverse Human Resources Social Contribution Activities

Employment Rate of People with Disabilities (%)

	June 2015	June 2016	June 2017	June 2018	June 2019
Total	2.01	2.04	2.07	2.14	2.35

Number of Post-retirement Rehires

	FY2014	FY2015*	FY2016	FY2017	FY2018
Total	55	53	46	51	58
Male	45	44	35	41	53
Female	10	9	11	10	5

Union Membership Ratio (As of January 1, 2019)

Union membership ratio among all employees (Including Tokyo, Annex, Hamarikyū, Osaka, Kyoto and Nagoya employees)	44.7
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*Period of data collection: Nine months spanning April–December 2015

● Social Contribution Activities

	Dentsu	DAN	Total
Donation(Yen)	664,412,477	143,641,694	808,054,171
Participants in Volunteer activities	513	14,428	14,941
Hours spent participating in Volunteer activities	5,994	72,253	78,247

● Employee Engagement Surve

Survey on the Company and Work

(Unit : %)

	January 2015	January 2016	January 2017	January 2018	January 2019
Q. Have you gained experience and knowledge made possible only by working at Dentsu?	95.1	94.4	93.2	92.3	92.9
Q. Are you proud to work at Dentsu?	88.1	86.8	80.2	78.4	80.0
Q. Going forward, do you want to continue working at Dentsu?	78.5	75.6	73.5	72.1	72.6

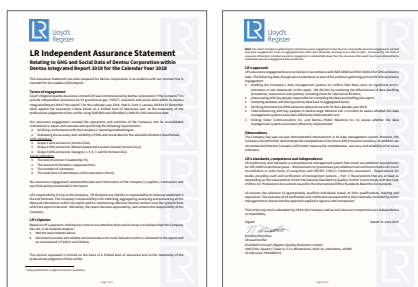
● Environmental Performance Data

	FY2016	FY2017	FY2018
CO ₂ emissions (tons)	124,698	113,134	113,791
Dentsu (non-consolidated)	30,886	28,991	27,624
Dentsu Group in Japan	18,584	16,443	16,223
DAN (Dentsu Group Overseas)	75,229	67,700	70,045
CO ₂ emission intensity (tons per FTE)	2.42	2.11	1.88
Scope 1 (tons)	5,170	5,611	4,981
Dentsu (non-consolidated)	594	452	104
Dentsu Group in Japan	409	417	322
DAN (Dentsu Group Overseas)	4,166	4,742	4,555
Scope 2 (market-based, tons)	55,126	48,573	39,130
Dentsu (non-consolidated)	21,867	20,287	18,868
Dentsu Group in Japan	10,496	8,258	7,645
DAN (Dentsu Group Overseas)	22,762	20,028	12,617
Scope 3 (tons)	64,403	58,949	69,679
1. Purchased goods and services	3,066	2,396	2,087
5. Waste generated in operations	933	1,110	1,627
6. Business travel	57,372	52,603	62,253
7. Employee commuting	3,030	2,841	3,713
Amount of waste (kg)	6,768,018	6,665,499	7,884,635
Dentsu (non-consolidated)	3,224,884	2,884,696	2,196,440
Dentsu Group in Japan	1,292,447	1,444,553	1,550,789
DAN (Dentsu Group Overseas)	2,250,687	2,336,250	4,137,406
Water consumption (m ³)	853,583	458,786	806,030
Dentsu (non-consolidated)	155,741	133,048	125,331
Dentsu Group in Japan	230,391	143,299	148,063
DAN (Dentsu Group Overseas)	467,451	182,439	532,636

Scope and Method of Calculation

- Excluding some of Dentsu Group companies
- Based on the calculation standards of WRI (World Resources Institute) GHG Protocol
- For CO₂ emissions, Categories 1, 5, 6, and 7 were calculated for Scope 3
- The volume of waste generated (in kg) is the sum of general waste and industrial waste (including waste oil, waste plastic)
- The volume of water resources used is the sum of municipal water and gray water at the Tokyo Head Office, and the municipal water used at the Kansai Branch Office and Chubu Branch Office.
- For improved accuracy, the values of the previous fiscal years have been revised.

● Third-Party Assurance



The rate of women in leadership, the amount of donation, the number of volunteers, and the total hours of attendance of the volunteers, and CO₂ emissions (greenhouse gas emissions) from Dentsu group are verified by Lloyd's Register Quality Assurance Ltd (LRQA)

Subsidiaries and Affiliates

Dentsu conducts its business together with its subsidiaries and affiliates. As of December 31, 2018, the Dentsu Group includes 976 consolidated subsidiaries and 74 affiliated companies accounted for by the equity method.

● Consolidated Subsidiaries

Dentsu East Japan Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in the Kanto and Tohoku regions as well as Shizuoka and Niigata prefectures

Dentsu West Japan Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in the Chugoku region and Shikoku as well as Hyogo, Ishikawa, Fukui and Toyama prefectures

Dentsu Kyushu Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in Kyushu

Dentsu Hokkaido Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Advertising in Hokkaido

Dentsu Meitetsu Communications Inc.*1

Geographic Area: Japan
Equity Held by Dentsu: 50.0%
Description of Business: Total advertising services, specializing in promotion and out-of-home media

The Goal Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Fashion and accessories industry advertising

Dentsu Ad-Gear Inc.

Geographic Area: Japan
Equity Held by Dentsu: 66.7%
Description of Business: Advertising firm specializing in out-of-home media and store promotions

Cyber Communications Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%
Description of Business: Internet-based advertising media rep

Dentsu Digital Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of business: Consulting, development and implementation, management and operation in all digital marketing domains

Dentsu Live Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Planning and production of events, support of operations related to event spaces, etc.

Dentsu Tec Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Planning and production for sales promotions, events, commercials, print, etc.

Dentsu Direct Marketing Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Provision of solutions related to direct and digital marketing

Information Services International-Dentsu, Ltd.*2 *3

Geographic Area: Japan
Equity Held by Dentsu: 61.8%
Equity Held Indirectly: 0.0%
Description of Business: Information systems building; software sales and support for various business areas

Dentsu Works Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Environment-related consulting, building management, real estate services and business consulting services

Dentsu Aegis Network Ltd.*3

Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Description of Business: Headquarters of the Dentsu Group's global business, which oversees operations outside of Japan

Dentsu Aegis London Ltd.

Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Aegis International Ltd.*3

Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Portman Square US Holdings Ltd.*3

Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Aegis Group Participations Ltd.*1

Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Aegis Toriton Ltd.

Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Aegis GPS Holdings Ltd.*3

Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Aegis Finance Ltd.*3

Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

DAN Regents Place Finance*3

Geographic Area: United Kingdom
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Dentsu Aegis Network Central Europe Holding GmbH

Geographic Area: Germany
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Dentsu Aegis Network Central Europe GmbH

Geographic Area: Germany
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Dentsu Aegis Network France SAS*3

Geographic Area: France
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Aegis International Holding Company BV*3

Geographic Area: Netherlands
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Dentsu McGarry Bowen, LLC*3

Geographic Area: U.S.A.
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

360i LLC*3

Geographic Area: U.S.A.
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Dentsu Aegis Network US Holdings, Inc.*3

Geographic Area: U.S.A.
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Merkle Group Inc.

Geographic Area: U.S.A.
Equity Held by Dentsu: 74.0%
Equity Held Indirectly: 74.0%

Dentsu Aegis (Shanghai) Investment Co., Ltd.

Geographic Area: China
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

Beijing Dentsu Advertising Co., Ltd.

Geographic Area: China
Equity Held by Dentsu: 98.0%

Dentsu Aegis Network Australia Holdings Pty Ltd.*3

Geographic Area: Australia
Equity Held by Dentsu: 100.0%
Equity Held Indirectly: 100.0%

_____ and 940 other companies

*1 Although Dentsu's ownership is 50% or less, the Company is considered a subsidiary because Dentsu exerts effective control.

*2 It is a Company which Submits Annual Securities Report.

*3 It is a Specified Subsidiary.

● Affiliated Companies Accounted for by the Equity Method

Video Research Ltd.

Geographic Area: Japan
Equity Held by Dentsu: 34.2%
Description of Business: TV audience rating surveys, radio audience rating surveys and other research

D2C Inc.

Geographic Area: Japan
Equity Held by Dentsu: 46.0%
Description of Business: Advertising for i-mode and other mobile platforms

Septeni Holdings Co., Ltd.*1

Geographic Area: Japan
Equity Held by Dentsu: 21.0%
Description of Business: Internet-based advertising and media Rep

_____ and 71 additional companies

*1 It is a Company Which Submits Annual Securities Report.

Information for Shareholders (As of December 31, 2018)

Corporate Headquarters

1-8-1, Higashi-shimbashi, Minato-ku, Tokyo
105-7001, Japan
Phone: +81-3-6216-5111

Contact Info

Investor Relations Department,
Corporate Strategy Division,
1-8-1, Higashi-shimbashi, Minato-ku, Tokyo
105-7001, Japan
Email: irmail@dentsu.co.jp

Stock Exchange Listing

Tokyo Stock Exchange, First Section
Securities code: 4324

Capital

74,609.81 million yen

Total Number of Shares Issued

288,410,000

General Meeting of Shareholders

The Ordinary General Meeting of Shareholders is held in Tokyo in March each year.

Transfer Agent

The Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
100-8212, Japan

Internet Address

<http://www.dentsu.com>

Share Information (As of December 31, 2018)

Breakdown of Shareholders by Type

	Number of Shareholders	Number of Shares Held	Percentage of Total Number of Shares Issued
Japanese financial institutions	82	103,455,246	35.87
Japanese securities firms	38	6,709,939	2.33
Other Japanese corporations	607	77,016,949	26.70
Japanese individuals and others (Including treasury stock)	34,721	44,902,744	15.57
Foreign institutions and individuals	668	56,325,122	19.53
Total	36,116	288,410,000	100.00

Major Shareholders (Top 10)

Major Shareholders	Number of Shares Held	Percentage of Total Number of Shares Issued
The Master Trust Bank of Japan, Ltd. (Trust accounts)	39,365,600	13.65
Japan Trustee Services Bank, Ltd. (Trust accounts)	22,461,100	7.79
Kyodo News	18,988,800	6.58
Jiji Press, Ltd.	16,328,680	5.66
Dentsu Inc.	6,513,459	2.26
Group Employees' Stockholding Association	5,916,491	2.05
Mizuho Bank, Ltd.	5,000,000	1.73
Yoshida Hideo Memorial Foundation	4,984,808	1.73
Recruit Holdings Co., Ltd.	4,929,900	1.71
Japan Trustee Services Bank, Ltd. (Trust account 5)	4,568,300	1.58

Note: The percentage of total number of share shows the ratio of shares held by each investor to the total number of issued shares.

