

## 08 Finance



**Another record performance  
in FY2022; financial strength  
built through transformation**

**Nick Priday**  
Chief Financial Officer,  
Dentsu Group Inc.

**CFO MESSAGE**





I was delighted to assume the role of CFO for Dentsu Group Inc. in January 2023 after joining dentsu in 2013 following the acquisition of Aegis, where I held the role of CFO for over three years.

In the ten years I have spent at dentsu, it is clear that continual innovation combined with long-term strategic thinking is at the heart of the company, reflecting our Japanese heritage. In dentsu's 120-year history, we have continually adapted to ensure we are meeting our clients' needs. This ability to transform, particularly as the pace of societal change increases, has been crucial in helping our Group shift revenue into the structural growth areas of our industry, diversifying our revenue into faster growth services and capabilities.

### Transforming our revenue through growing exposure to Customer Transformation & Technology

In 2016, the purchase of Merkle brought diversification of revenue into dentsu through Merkle's data and analytics services. This formed the basis for dentsu's Customer Transformation & Technology division.

In 2016, dentsu had 15% of net revenue generated by Customer Transformation & Technology. Through organic growth and acquisition, in 2022 this area reached 32% of net revenue which grew 17.5% year-on-year on a constant currency basis. We continue to see progress toward our target of 50% over time.

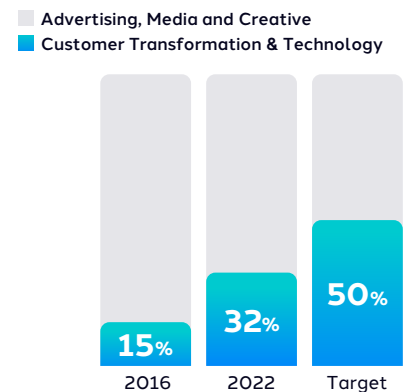
The mix shift in our business reduces the cyclical nature of our revenue while also delivering deeper client relationships through involvement in our clients' data and technology. While we continue to expect growth in our Media and Creative service lines, it is the structural growth in Customer Transformation & Technology, with fast growth areas such as commerce and customer experience all underpinned by technology platform implementation and activation that will drive the growth for our business.

It is this diversification that delivered a record year for dentsu in 2022 for net revenue, underlying operating profit and underlying EPS (two consecutive year record high for net revenue and underlying operating profit).

### Record year for net revenue

In 2022, our organic growth rate was 4.1%, driven by the structural growth of the Customer Transformation & Technology business and continued strength in our media business. The digital solution business maintained momentum throughout the year, supporting our clients' ever-growing needs for digital transformation.

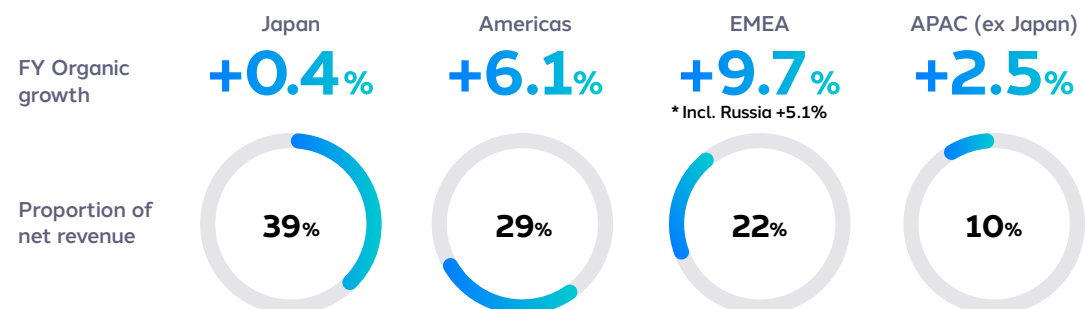
### We have transformed our revenue mix by growing exposure to Customer Transformation & Technology



### FY2022 financial highlights



### FY2022 highlights: Regional performance



As the Group has continued to expand its geographical footprint, we see 61% of our net revenue is generated outside of Japan. Our Americas business has doubled its net revenue since 2016, now generating 29% of Group net revenue with EMEA contributing 22% and APAC (excluding Japan) contributing 10%.

We reported a solid performance across all four regions. Japan delivered 0.4% organic growth despite facing strong one-off comparables from the prior year. Dentsu Japan retained its position as the largest player by billings in digital advertising due to the contribution from SEPTENI HOLDINGS, which became a consolidated subsidiary. The Group benefited from the contribution from Ignition Point from Q2 FY2022 onward and from ISID and Dentsu Digital whose organic growth rates were 16.9% and 7.3% respectively.

The 6.1% organic growth in the Americas is due to upsides in Canada and the US with high single-digit growth. Canada's performance was boosted by incremental scopes from existing clients and new logo wins in the Media and Creative service lines. The acquisition of Extentia further bolsters Merkle's existing Salesforce capabilities, adding scale, a focus on enterprise mobility, cloud engineering, and user experience.

Excluding Russia, EMEA reported the highest 2022 organic growth among all four regions at 9.7% for the full year. In FY2022, Customer Transformation & Technology delivered almost 15% organic growth with momentum across the region focusing on retention, expansion of existing client new work, and new logo acquisition.

In APAC (excluding Japan), FY2022 organic growth was 2.5% and in Q4 FY2022 it was 2.1%. India delivered growth of over 20% in FY2022 due to increased client spend and new client wins, capitalizing on the economic recovery of the market after the lifting of COVID-19 restrictions and accelerated GDP growth in the market. South-East Asia markets also performed well, led by strong, double-digit growth in Singapore which benefited from increased client demand across all services. Vietnam and Indonesia also performed well. Despite economic headwinds, the Australia and New Zealand business delivered revenue growth in FY2022 of 5.0%. This was supported by the strength of the media business and growth in New Zealand. Customer Transformation & Technology capabilities were boosted

through the acquisition of Aware Services, a Salesforce consultancy, which was announced in December 2022.

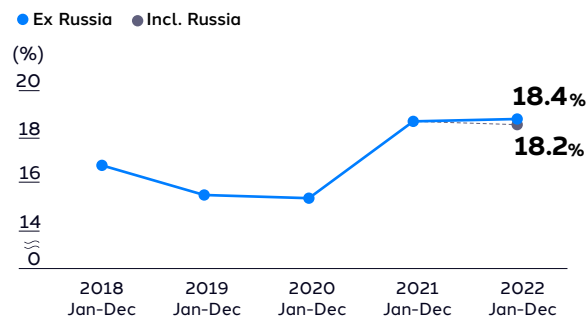
In 2023 we announced the acquisition of Tag, the third largest acquisition in our Group's history. Tag connects the CT&T and Creative domains, expanding the Group's data utilization and dynamic creative production capabilities. We consider Tag as the "last mile" to deliver services to our clients – ensuring we have a full range of capabilities across all of our services. The dynamic creative production means we can deliver personalized messages to the right person at the right time. The acquisition will ultimately ensure we can be more competitive in integrated pitches and better service our global clients.

### Organizational simplification and functional efficiencies continue to drive underlying operating profit

In 2020, the Group announced a comprehensive review of the business, which focused on organization simplification, reducing operating costs and improving the efficiency of the balance sheet to ultimately improve shareholder returns.

In 2022, we continued to see the benefit from our simplification and de-duplication. The streamlining of our go-to-market brands resulted in de-duplication across the Group. Along with property footprint rationalization and functional efficiencies we saw our margin reach 18.4%—a 320bps increase to our 2019 operating margin.

#### 2018: 2022 Group operating margin



Underlying operating profit rose 13.5% year-on-year, leading to an increase in underlying net profit of 19.1% year-on-year, both of which were record highs. While FX was supportive for revenue translation, on a constant currency basis underlying operating profit increased by 5.2%.

The impact of automation, simplification and de-duplication over the past two years continues to yield results.

We will continue to drive quality and efficiency across the business—one example is the planned expansion of our “Dentsu Global Services,” our global network of digital capability centers.

We welcomed a new senior executive to this global services network last year, who will drive an automation-first mindset to transform our processes and drive more value for our clients across the globe.

We also look to continue to lower the cost-to-serve of our corporate functions. Within the finance team we have a number of initiatives to reduce our operating expenses, such as legal entity rationalization. The finance cost-to-serve (cost as % of revenue) has decreased by 40bps year-on-year, supported by increased centralization and standardization through the use of centers of excellence, offshoring and increased automation.

The margin over-delivery in 2022 gives the Group a strong platform from which to invest in 2023 to drive topline growth for the Group.

### Investing in our client solutions platform in 2023

In 2023, we have guided to a margin of 17.5%—within the margin guidance we outlined in our medium-term plan of between 17% and 18%. To enhance the competitiveness of value delivery to our clients, we will invest in the development of unique new solutions.

- We will develop a client solutions platform, “Clients & Solutions,” to allow our clients to access the best of dentsu
- Investment in enterprise architecture to connect the entire Group

The investments we are making in 2023 will help support development of an enhanced focus on connected client relationships to ensure we are best orchestrating our capabilities for our clients, such as vertical expertise, business transformation consulting and innovation.

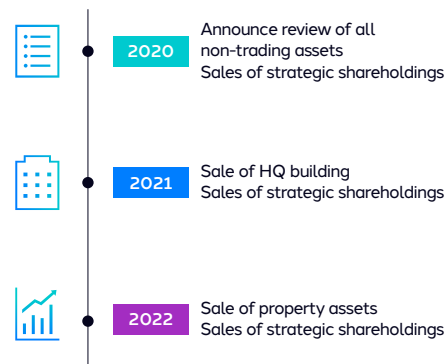
Leveraging the client solutions platform, we must deliver what our clients are looking for: fewer providers solving bigger problems. As dentsu we are well placed to deliver that, and through client P&Ls we can remove internal barriers to cross-sell and encourage greater integrated solutions to grow our clients’ businesses.

Through this, we can continue to deliver clients seamless access to the best of dentsu, scaling deep, long-term client partnerships, and also through our distinguished “eigyo” client relationship model nurtured in Japan and rolled out to approximately 100 of our leaders across the globe.

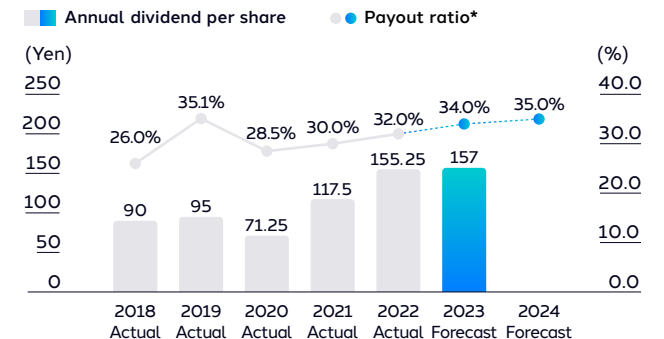
The related cost for these initiatives is considered within the underlying operating profit, leading to our margin guidance of 17.5% for FY2023. However, in FY2024, we are expecting the operating margin to reach 18.0% through the transformations as our Medium-term Management Plan indicated.

We remain confident in the long-term margin outlook for the Group. Further property rationalization and greater use of our “Dentsu Global Services” will improve the efficiency of our Group and reduce costs from daily operations.

### Our timeline to improving balance sheet efficiency



### Shareholder returns: 2022 annual dividend 155.25 yen per share



\* Payout ratio: Calculated based on underlying basic EPS

### Record shareholder returns

The efforts to improve the efficiency of our balance sheet in recent years have yielded results. The review of all non-trading assets, announced as part of our comprehensive review, has seen the sale of our HQ building in Tokyo as well as other property assets and a reduction in our strategic shareholdings. These actions have strengthened our balance sheet, providing the capacity to invest in our business.

In 2022, we ended the year with almost 55 billion yen in net cash flow from operations, despite the additional tax burden due to asset sales in the prior year. We also continued with the sale of our securities held, resulting in an additional 18 billion yen net inflow for the year.

This allowed for a record share buyback completed in 2022 and a record dividend payment showing our commitment to improving shareholder returns as a result of the more shareholder-friendly policies we have introduced in recent years.

Our progressive dividend policy with a plan of payout ratio at 32% for 2023, combined with a record underlying EPS, saw our dividend increase 32% year-on-year. In line with our medium-term plan, we have confirmed our dividend payout ratio will be 34% for 2023, taking us closer to our 2024 target of 35%.

At the end of 2022, our net debt / underlying EBITDA was negative, with net cash of -0.33x EBITDA, below our medium-term target of 1.0 to 1.5x leverage, providing flexibility and capacity to invest for growth.

### Capital Allocation Policy prioritizes investment for growth

The restructuring of our balance sheet over the past two years has generated a strong financial position from which we can invest for growth. Our priority use of capital remains to invest for growth, ensuring our services and capabilities remain cutting edge, supporting our clients' needs.

From the beginning of 2022, we announced seven businesses, welcoming 5,000 new colleagues into the Group. This focused expansion of our capabilities through acquisitions shifts our revenue mix into the faster growth areas of our industry.

These acquisitions span Japan, Australia, the UK, Ireland, Spain and



India—but all are supported by our expanding “Dentsu Global Services.” Our acquisitions bring a mix of consulting expertise, cloud engineering knowledge, and customer experience capabilities.

All of these initiatives allow us to expand our offer beyond advertising to deliver growth-driving solutions for our clients as well as continued value creation for our shareholders.

### 2023 outlook

Our organic growth guidance is for 1-2% in 2023 and our operating margin guidance is 17.5%. This reflects the transformations we accomplished and the investments we are making in 2023 to support One dentsu and our Clients & Solutions platform.

Despite the projected fall in underlying EPS year-on-year, due to the investments we will make to support future competitiveness, we plan to increase the dividend to 157 yen per share by increasing the payout ratio to 34% in 2023.

### Driving value through our position at the convergence of marketing, technology and consulting

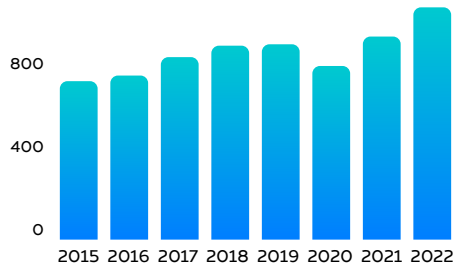
The Group remains well positioned to benefit from the continued convergence of marketing, technology and consulting as our services expand with the long-term outlook for client spend on digital experiences and customer focused transformation remaining robust. This distinct market position will drive value for our shareholders, clients, our people and other stakeholders.

I look forward to meeting with many of our shareholders and investors in the coming months and sharing our vision for the future of the Group.

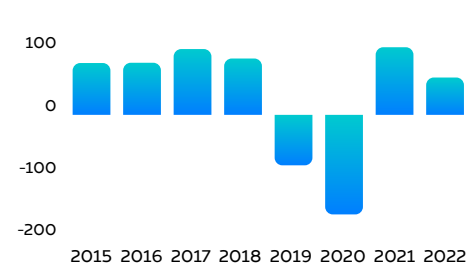
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## Financial highlights

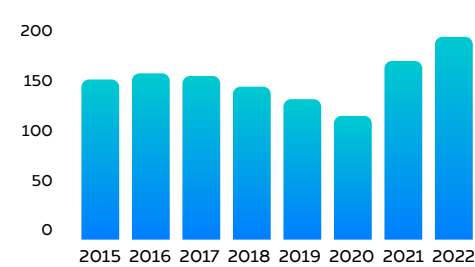
**Net revenue**  
(Billions of yen)  
1,200



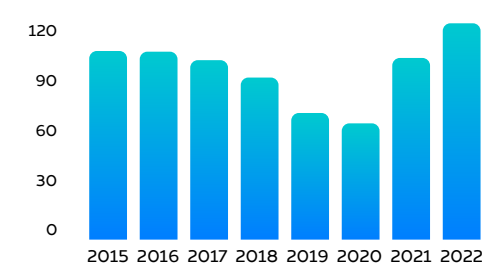
**Profit (loss) for the year attributable to owners of the parent**  
(Billions of yen)  
200



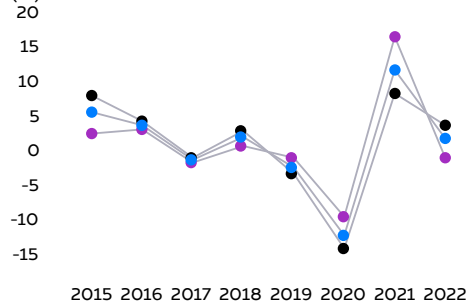
**Underlying operating profit<sup>\*1</sup>**  
(Billions of yen)  
250



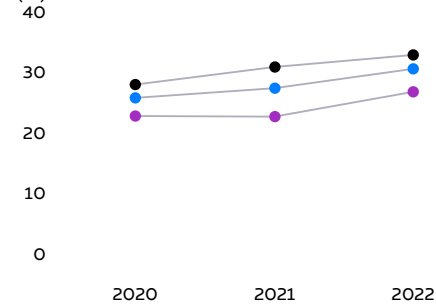
**Underlying net profit (attributable to owners of the parent)<sup>\*2</sup>**  
(Billions of yen)  
150



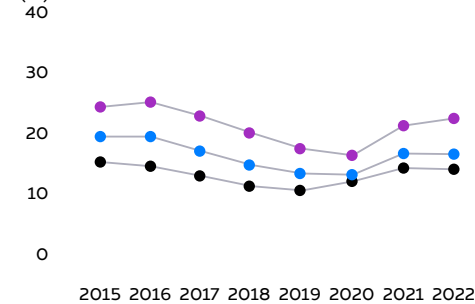
**Organic growth rate<sup>\*3</sup>**  
(%)  
20



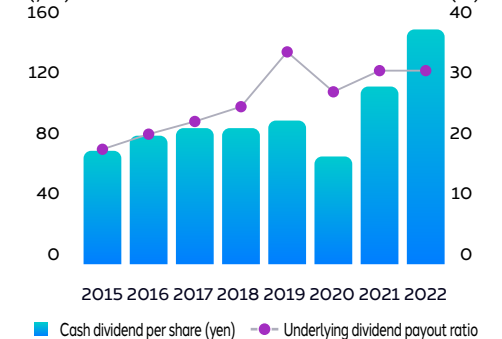
**CT&T<sup>\*5</sup> ratio**  
(%)  
40



**Operating margin<sup>\*6</sup>**  
(%)  
40



**Cash dividend per share / Underlying dividend payout ratio<sup>\*7</sup>**  
(yen) (y-axis left)  
(%) (y-axis right)  
160



<sup>\*1</sup>: KPI to measure recurring business performance which is calculated as operating profit added with M&A related items and one-off items  
M&A related items: amortization of purchased intangible assets, acquisition costs, share-based compensation expenses related to acquired companies, share-based compensation expense issued following the acquisition of 100% ownership of a subsidiary  
One-off items: items such as business transformation cost, impairment loss and gain/loss on sales of non-current assets  
<sup>\*2</sup>: 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

<sup>\*3</sup>: 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  
<sup>\*4</sup>: International refers to Americas, EMEA and APAC (ex Japan)  
<sup>\*5</sup>: CT&T = Customer Transformation & Technology: new business domain including the services related to marketing technology, customer experience management, commerce, system integration, and transformation & growth strategy  
<sup>\*6</sup>: Operating margin = Underlying operating profit ÷ Net revenue x 100  
<sup>\*7</sup>: Underlying dividend payout ratio = Cash dividend per share ÷ Basic underlying profit per share x 100

Consolidated

(Millions of yen)

	2015 <sup>*1</sup>	2016	2017	2018	2019	2020	2021	2022
<b>Profit and loss statement</b>								
Turnover	4,990,854	4,924,933	5,187,300	5,357,278	5,146,802	4,498,216	5,256,492	<b>5,819,519</b>
Revenue	818,566	838,359	928,841	1,018,512	1,047,881	939,243	1,085,592	<b>1,243,883</b>
Net revenue	761,996	789,043	877,622	932,680	939,385	835,042	976,577	<b>1,117,002</b>
Operating profit (loss)	128,212	137,681	137,392	111,638	(3,358)	(140,625)	241,841	<b>117,617</b>
Profit (loss) before tax	126,739	132,918	149,662	148,751	(42,769)	(141,133)	208,833	<b>100,908</b>
Profit (loss) for the year attributable to owners of the parent	83,090	83,501	105,478	90,316	(80,893)	(159,596)	108,389	<b>59,847</b>
Underlying EBITDA <sup>*2</sup>	—	—	—	—	—	145,335	195,006	<b>217,515</b>
Underlying operating profit	160,438	166,565	163,946	153,229	140,751	123,979	179,028	<b>203,189</b>
Underlying net profit (attributable to owners of the parent)	113,388	112,972	107,874	97,419	76,120	69,890	109,203	<b>130,037</b>
<b>Balance sheet</b>								
Total assets	3,066,075	3,155,230	3,562,857	3,638,488	3,795,729	3,380,412	3,720,536	<b>3,741,427</b>
Total equity attributable to owners of the parent	1,068,216	932,742	1,093,211	1,047,619	974,977	756,870	845,034	<b>880,267</b>
<b>Cash flow</b>								
Net cash flow from operating activities	—	143,585	141,557	133,049	79,957	88,313	139,715	<b>80,896</b>
Net cash flow from investing activities	—	(156,161)	(85,531)	(61,382)	(76,051)	137,013	262,226	<b>(24,346)</b>
Net cash flow from financing activities	—	2,539	1,226	57,522	(7,803)	(96,622)	(232,189)	<b>(188,192)</b>
Cash and cash equivalents at end of period	—	242,410	305,760	416,668	414,055	530,692	723,541	<b>603,740</b>
Number of employees	47,324	55,843	60,064	62,608	66,400	64,533	64,832	<b>69,066</b>
Number of consolidated subsidiaries	760	844	911	976	1,004	1,007	907	<b>881</b>

\*1: 2015 is reported on a pro forma basis.

\*2: Underlying operating profit before underlying depreciation and amortization (excluding depreciation adjustments under IFRS 16).

Note: The Group has adopted IFRS 15 "Revenue from Contracts with Customers" from the fiscal year ended December 31, 2018, and IFRS 16 "Leases" from the fiscal year ended December 31, 2019. The figures for prior years are not restated and based on the former standards.

Note: The Group previously recognized intangible assets for configuration or customization costs in cloud computing contracts in accordance with IAS 38 "Intangible Assets". However, from the current fiscal year, based on the discussions that led to the agenda decision of the IFRS Interpretations Committee issued in April 2021, the Company has changed to a method of recognizing the cost of configuration or customization services as an expense when they are received. However, in this book, figures for prior years are presented before the change in accounting policy. Therefore the figures of the fiscal year ended December 31, 2020 differ from the figures in the Summary of Financial Results for the Fiscal Year Ended December 31, 2021 where the presentation was retrospectively restated.



	2015 <sup>*1</sup>	2016	2017	2018	2019	2020	2021	2022
								(%)
Organic growth rate	7.0	5.1	0.1	3.4	(1.0)	(11.1)	13.1	<b>3.2</b>
Japan	3.9	4.5	(0.3)	2.1	0.4	(8.4)	17.9	<b>0.4</b>
International	9.4	5.7	0.4	4.3	(1.9)	(13.0)	9.7	<b>5.1</b>
CT&T ratio	—	—	—	—	—	27.5	29.1	<b>32.3</b>
Japan	—	—	—	—	—	24.5	24.4	<b>28.5</b>
International	—	—	—	—	—	29.7	32.6	<b>34.6</b>
Operating margin	21.1	21.1	18.7	16.4	15.0	14.8	18.3	<b>18.2</b>
Japan	26.0	26.8	24.5	21.7	19.1	18.0	22.9	<b>24.1</b>
International	16.9	16.2	14.6	12.9	12.2	13.7	15.9	<b>15.7</b>
Return on equity (ROE) <sup>*2</sup>	7.7	8.3	10.4	8.4	(8.0)	(18.4)	13.7	<b>6.9</b>
Underlying ROE <sup>*3</sup>	10.6	11.3	10.6	9.1	7.5	8.1	13.8	<b>15.1</b>
Return on assets (ROA) <sup>*4</sup>	—	4.3	4.5	4.1	(1.2)	(3.9)	5.9	<b>2.7</b>
Ratio of equity attributable to owners of the parent (Equity ratio) <sup>*5</sup>	34.8	29.6	30.7	28.8	25.7	22.4	22.7	<b>23.5</b>
Basic earnings per share (yen)	289.95	292.85	373.11	320.39	(287.92)	(571.19)	388.79	<b>223.33</b>
Basic underlying profit per share (yen)	395.67	396.20	381.58	345.59	270.94	250.14	391.71	<b>485.26</b>
Cash dividend per share (yen)	75.00	85.00	90.00	90.00	95.00	71.25	117.50	<b>155.25</b>
Dividend payout ratio <sup>*6</sup>	25.9	29.0	24.1	28.1	—	—	30.2	<b>69.5</b>
Underlying dividend payout ratio	19.0	21.5	23.6	26.0	35.1	28.5	30.0	<b>32.0</b>

\*1: 2015 is reported on a pro forma basis.

\*2: 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 x 100

\*Fiscal year-end before alignment across the Group means March

\*3: 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 x 100

\*Fiscal year-end before alignment across the Group means March

\*4: ROA (IFRS) = Profit before tax ÷ Average total assets based on total assets at the beginning and end of the fiscal year x 100

\*5: Ratio of equity attributable to owners of the parent = Equity attributable to owners of the parent ÷ Total assets

\*6: Dividend payout ratio = Cash dividend per share ÷ Basic earnings per share x 100

## ESG data summary / Third-party assurance

### Environmental performance data

(tCO<sub>2</sub>e)

	2019	2020	2021	2022
Scope 1	4,888	3,540	3,195	<b>3,267</b>
Japan	344	355	310	<b>348</b>
International	4,544	3,185	2,885	<b>2,919</b>
Scope 2	29,074	23,415	20,908	<b>12,771</b>
Japan	24,202	20,872	19,343	<b>11,244</b>
International	4,872	2,543	1,565	<b>1,527</b>
Scope 1 + 2	33,962	26,955	24,104	<b>16,039</b>
Japan	24,546	21,227	19,653	<b>11,592</b>
International	9,416	5,728	4,450	<b>4,447</b>
Scope 3	374,884	55,374	360,324	<b>377,456</b>
Category 1	265,960	25,615	316,082	<b>294,923</b>
Japan	28,773	25,202	24,284	<b>32,398</b>
International	237,187	413	291,798	<b>262,525</b>
Category 3	8,813	5,481	10,779	<b>8,254</b>
Japan	6,500	5,481	5,155	<b>2,759</b>
International	2,313	N/A	5,624	<b>5,494</b>
Category 4	288	1,856	3,558	<b>4,264</b>
Japan	0	1,856	2,978	<b>3,416</b>
International	288	N/A	580	<b>848</b>
Category 5	1,246	1,098	1,207	<b>904</b>
Japan	424	596	931	<b>611</b>
International	822	502	276	<b>293</b>
Category 6	79,417	16,370	9,909	<b>35,899</b>
Japan	25,406	4,973	3,055	<b>8,893</b>
International	54,011	11,397	6,854	<b>27,006</b>
Category 7	13,660	4,954	14,668	<b>27,848</b>
Japan	5,049	4,954	2,350	<b>1,893</b>
International	8,611	N/A	12,318	<b>25,955</b>

	2019	2020	2021	2022
Category 13	3,469	N/A	331	<b>309</b>
International	3,469	N/A	331	<b>309</b>
Category 15	2,031	N/A	3,790	<b>5,055</b>
International	2,031	N/A	3,790	<b>5,055</b>
CO <sub>2</sub> emissions (Scope 1 + 2 + 3)	408,846	82,329	384,428	<b>393,495</b>

### Total electricity consumption, amount of renewable energy use, and renewable energy usage rate<sup>1</sup>

2022	Total electricity consumption (kWh)	Amount of renewable energy use (kWh)	Renewable energy usage rate
Group (total)	83,661,353	29,691,787 <sup>*2*3</sup>	37.7%

\*1: Calculation based on GHG protocol

\*2: The number is noted according to the RE100 definition.

\*3: For markets accounting for 5.5% of International's electricity use markets, factors beyond the business' control have prevented adherence to RE100's guidelines to source renewables within the countries' borders. For these countries, we have purchased renewable electricity certificates from adjacent countries, which is supported by RE100.

#### Scope and Method of Calculation

- Excluding some Dentsu Group companies
  - Calculation based on GHG protocol
  - Regarding Scope 1 and 2 emissions, for owned buildings, all equity usage is recorded, including tenant usage
  - Within CO<sub>2</sub> emissions, Scope 3 is calculated for all categories (1–15), and values for applicable item categories 1, 3, 4, 5, 6, 7, 13 and 15 are listed. (Items that do not apply are not listed)
- From FY2021, the calculation range was expanded (category 1, 3, 4, 13 and 15), accordingly, figures from 2019 (both Japan and International), the base year of the Medium-term Management Plan, and 2020 figures (JAPAN) were revised retroactively (LRQA verification is not complete for JAPAN's 2019 and 2020 retroactive calculations)

## Dentsu Group Inc.

### Governance data

	2019	2020	2021	2022
Directors	12	12	13	<b>13</b>
Outside Directors (independent Outside Directors)	4(4)	5(4)	5(5)	<b>5(5)</b>
Ratio of independent Outside Directors (%)	33.3	33.3	38.5	<b>38.4</b>
Female Directors	2	2	3	<b>4</b>
Ratio of female Directors (%)	16.7	16.7	23.1	<b>30.8</b>
Board of Director meeting attendance rate (%)	96.9	95.6*	99.1	<b>100.0</b>
Attendance rate of independent Outside Directors at Board of Director meetings (%)	93.8	100.0	98.8	<b>100.0</b>

\* Attendance rate was 97.8% excluding times when Tim Andree was absent due to illness.

### Societal data

#### Number of employees

	2019/12	2020/12	2021/12	2022/12
Total	66,400	64,533	64,832	<b>69,066</b>

#### Employees

As of December 2022

	Total	Male	Female	Female ratio (%)
Employees	69,066	35,758	33,308	48.2
Dentsu Group Inc.	129	91	38	29.5
Japan	22,018	14,072	7,946	36.1
International	46,919	21,595	25,324	54.0

#### Managers

As of December 2022

	Total	Male	Female	Not declared	No Data	Female ratio (%)
Managers	4,443	3,634	804	1	4	18.1
Dentsu Group Inc.	32	25	7			21.9
Japan	3,595	3,100	495			13.8
International	816	509	302	1	4	37.2

Note: From 2022/12, the treatment of seconded employees in the calculation has been changed to "including seconded employees and excluding seconded employees"

Note: In Japan, management positions are counted; in International, Officer class is counted.

Note: For International, the female ratio is calculated excluding the four No Data members.

### Proportion of employees by age bracket (%)

As of December 2022

	International	Japan
Under 30	38.4	21.7
30–39	37.7	30.8
40–49	16.6	27.9
50–59	6.1	15.9
Over 60	1.2	3.8

### Global engagement survey

#### Engagement score (point)\*

	2021	2022
Engagement score	68	<b>68</b>
Employee satisfaction	68	<b>68</b>
Recommend	67	<b>68</b>

\* The scores of employee satisfaction and the recommend are the average scores of the respondents (five-step grades between 0-100). The engagement score is the average of the employee satisfaction and the recommend.

### Community activities

As of December 2022

	Total	Japan	International
Donations (yen)	422,511,657	202,954,980	219,556,677*
Participants in volunteer activities	9,592	259	9,333
Hours spent participating in volunteer activities	69,785	8,458	61,327

\* Exchange rate: £1= ¥161.9

### Employment rate of people with disabilities (%)\*

	June 2019	June 2020	June 2021	June 2022	June 2023
Total	2.35	2.38	2.71	3.13	<b>3.11</b>

\* Total of four companies under the special subsidiary system (Dentsu Group Inc., Dentsu Solari Inc., Dentsu Inc., and Dentsu Corporate One Inc.), until 2019, three companies combined (Dentsu Inc., Dentsu Solari Inc., and Dentsu Works Inc.)

## International

Average number of consecutive years served	As of December 2022
Total	3.7

Ratio of employees by years of service (%)	As of December 2022
Less than one year	31.1
One to three years	30.9
Three to five years	13.5
Five or more years	24.6

Average age of employees	As of December 2022
Total	34.1

### Internal reporting: number of “Speak Up” incident reports (cases)

	2019	2020	2021	2022
Total	35	43	38	100

## Japan

### New graduates hired\*

	December 2022
Total	460
Male	252
Female	208
Female ratio (%)	45

\* From 2022, new graduates hired between January and December are counted.

### Usage rate of vacation days (%)

Total	61.7
-------	------

### Total hours worked per year

	2021	2022
Total	2,000	1,958

### Number of employees utilizing childcare leave, number of eligible employees, usage rate

	Number of users	Number of eligible employees	Usage rate (%)
Male	261	407	64.1

### Internal reporting: Compliance Line reports (cases)\*

	2019	2020	2021	2022
Total	17	10	6	12

\* Main report content topics include internal harassment, improper treatment, fraud in business operations and misgivings about Company systems.

### Number of internally reported complaints (cases)\*

	2019	2020	2021	2022
Total	194	106	136	101

\* In 2021, previous fiscal year figures were recounted.



Third-party assurance



**LRQA Independent Assurance Statement**

Relating to GHG and Social Data of Dentsu Group within Dentsu Group Integrated Report 2023 for the Calendar Year 2022

This Assurance Statement has been prepared for DENTSU GROUP Inc. in accordance with our contract.

**Terms of Engagement**

LRQA was commissioned by Dentsu Group Inc. ("the Company") to provide independent assurance on its greenhouse gas ("GHG") emissions data and social data within its Dentsu Group Integrated Report 2023 ("the report") for the calendar year 2022, that is, from 1 January to 31 December 2022, against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using ISAE 3000 (Revised) and ISO 14064-3:2019 for GHG emissions data.

Our assurance engagement covered the operations and activities of the Company and its consolidated subsidiaries in Japan and overseas and specifically the following requirements:

- Verifying conformance with the Company's reporting methodologies for the selected datasets;
- Evaluating the accuracy and reliability of data for only the selected indicators listed below:

**GHG emissions data**<sup>1</sup>

- Scope 1 GHG emissions (tonnes CO<sub>2</sub>e)
- Scope 2 GHG emissions (Market-based and Location-based) (tonnes CO<sub>2</sub>e)
- Scope 3 GHG emissions (Category 1-15) (tonnes CO<sub>2</sub>e)

**Social data**

- The rate of women in leadership (%)<sup>2</sup>
- The amount of donation (Japanese kYen)
- The number of volunteers
- The total hours of attendance of the volunteers (hours)

Our assurance engagement excluded the data and information of the Company's suppliers, contractors and any third-parties mentioned in the report.

LRQA's responsibility is only to the Company. LRQA disclaims any liability or responsibility to others as explained in the end footnote. The Company's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the Report and for maintaining effective internal controls over the systems from which the Report is derived. Ultimately, the report has been approved by, and remains the responsibility of the Company.

**LRQA's Opinion**

Based on LRQA's approach nothing has come to our attention that would cause us to believe that the Company has not, in all material respects:

- Met the requirements of the criteria listed above
- Disclosed accurate and reliable environmental and social data which is disclosed in the report and as summarised in Table 1 and 2 below.

The opinion expressed is formed on the basis of a limited level of assurance<sup>3</sup> and at the materiality of the professional judgement of the verifier.

<sup>1</sup> GHG quantification is subject to inherent uncertainty.

<sup>2</sup> The rate of women in leadership covers Dentsu Group Inc. and its direct-investment company in Japan, as well as its consolidated overseas subsidiaries.

<sup>3</sup> The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



**LRQA's Approach**

LRQA's assurance engagements are carried out in accordance with ISAE 3000 (Revised) and ISO 14064-3:2019. The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

- Auditing the Company's data management systems to confirm that there were no significant errors, omissions or misstatements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification.
- Interviewing with those key people responsible for compiling the data and drafting the report.
- Sampling datasets and traced activity data back to aggregated levels;
- Verifying the historical GHG emissions / Social data and records for the calendar year 2022<sup>2</sup>;
- Teleconferencing with key peoples in Dentsu International Ltd. in London to assess whether the data management systems have been effectively implemented; and
- Visiting Information Services International-Dentsu, Ltd., Dentsu tempo Inc. and Head Office of Dentsu Group Inc. to investigate whether the data management systems have been effectively implemented.

**Observations**

The Company should further demonstrate the completeness, accuracy and reliability of its future environmental and social data reporting. Regarding Scope 3 GHG emissions, this is particular to establish robust internal data control systems at consolidated subsidiary levels.

**LRQA's Standards, Competence and Independence**

LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition and ISO/IEC 17021-1 Conformity assessment – Requirements for bodies providing audit and certification of management systems – Part 1: Requirements that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This is the only work undertaken by LRQA for the Company and as such does not compromise our independence or impartiality.

Signed

Dated: 17 June 2023

Kazuyori Yukinaka  
LRQA Lead Verifier  
On behalf of LRQA Limited  
10th Floor, Queen's Tower A, 2-3-1 Minatomirai, Nishi-ku, Yokohama, JAPAN  
LRQA reference: YKA4005213



**Table 1. Summary of Dentsu Group's GHG Emissions 2022**

Scope	Tonnes CO <sub>2</sub> e
Scope 1 GHG emissions	3,267
Scope 2 GHG emissions (Market-based)	12,771
Scope 2 GHG emissions (Location-based)	24,525
Scope 3 GHG emissions (Categories 1-15)	377,456
1. Purchased goods & services	294,923
2. Capital Goods	N/A
3. Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	8,254
4. Upstream Transportation and Distribution	4,264
5. Waste generated in operations	904
6. Business travel	35,899
7. Employee commuting	27,848
8. Upstream leased assets	N/A
9. Downstream Transportation and Distribution	N/A
10. Processing of Sold Products	N/A
11. Use of Sold Products	N/A
12. End-of-Life Treatment of Sold Products	N/A
13. Downstream Leased Assets	309
14. Franchises	N/A
15. Investments	5,055

**Table 2. Summary of Dentsu Group's Social data 2022**

Scope	
The rate of women in leadership	18.1 %
The amount of donation	422,512 kYen
The number of volunteers	9,592 Person
The total hours of attendance of the volunteers	69,785 Hours

LRQA, its affiliates and subsidiaries, and their respective officers, employees or agents are, individually and collectively, referred to in this clause as "LRQA". LRQA assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless that person has signed a contract with the relevant LRQA entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.

The English version of this Assurance Statement is the only valid version. LRQA assumes no responsibility for versions translated into other languages.

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The rate of women in leadership, the amount of donations, the number of participants in volunteer activities, the hours spent participating in volunteer activities, and CO<sub>2</sub> emissions (greenhouse gas emissions) from Dentsu Group are verified, and certification is provided (left), by Lloyd's Register Quality Assurance Ltd (LRQA).

## Subsidiaries and Affiliates

As of December 31, 2022, the Dentsu Group includes 881 consolidated subsidiaries and 91 affiliated companies accounted for by the equity method.

### Consolidated subsidiaries

#### Dentsu Inc.<sup>\*1</sup>

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%

#### Dentsu East Japan Inc.

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%

#### Dentsu West Japan Inc.

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%

#### Dentsu Kyushu Inc.

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%

#### Dentsu Runway Inc.

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%

#### Dentsu Digital Inc.<sup>\*1,3</sup>

Geographic Area: Japan  
Equity Held by Dentsu: 100.0% (25.0%)

#### Dentsu Live Inc.

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%

#### Dentsu Promotion Plus Inc.

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%

#### CARTA HOLDINGS, INC.<sup>\*2</sup>

Geographic Area: Japan  
Equity Held by Dentsu: 53.4%

#### SEPTENI HOLDINGS CO., LTD.<sup>\*1,2</sup>

Geographic Area: Japan  
Equity Held by Dentsu: 52.0%

#### Information Services

##### International-Dentsu, Ltd.<sup>\*1,2,3</sup>

Geographic Area: Japan  
Equity Held by Dentsu: 61.8% (0.0%)

##### Dentsu Corporate One Inc.<sup>\*1</sup>

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%

##### Dentsu International Limited<sup>\*1</sup>

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

##### Dentsu International Holdings Limited<sup>\*1,3</sup>

Geographic Area: United Kingdom  
Equity Held by Dentsu: 100.0% (100.0%)

##### Portman Square US Holdings Ltd.<sup>\*1,3</sup>

Geographic Area: United Kingdom  
Equity Held by Dentsu: 100.0% (100.0%)

##### Dentsu International Group

##### Participations Limited<sup>\*1,3</sup>

Geographic Area: United Kingdom  
Equity Held by Dentsu: 100.0% (100.0%)

##### Dentsu International Triton Limited<sup>\*3</sup>

Geographic Area: United Kingdom  
Equity Held by Dentsu: 100.0% (100.0%)

##### Dentsu International GPS Holdings

##### Limited<sup>\*1,3</sup>

Geographic Area: United Kingdom  
Equity Held by Dentsu: 100.0% (100.0%)

##### Dentsu International Finance Ltd.<sup>\*3</sup>

Geographic Area: United Kingdom  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu International Regents Place Finance Limited<sup>\*3</sup>

Geographic Area: United Kingdom  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu International Treasury Limited<sup>\*3</sup>

Geographic Area: United Kingdom  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu Aegis Network Central Europe Holding GmbH<sup>\*3</sup>

Geographic Area: Germany  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu Aegis Network Central Europe GmbH<sup>\*3</sup>

Geographic Area: Germany  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu France SAS<sup>\*1,3</sup>

Geographic Area: France  
Equity Held by Dentsu: 100.0% (100.0%)

#### Aegis France SAS<sup>\*1,3</sup>

Geographic Area: France  
Equity Held by Dentsu: 100.0% (100.0%)

#### Aegis International Holding Company

##### B.V.<sup>\*1,3</sup>

Geographic Area: Netherlands  
Equity Held by Dentsu: 100.0% (100.0%)

#### Group Carat (Nederland) B.V.<sup>\*1,3</sup>

Geographic Area: Netherlands  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu Media, S.L.<sup>\*1,3</sup>

Geographic Area: Spain  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu McGarry Bowen, LLC<sup>\*1,3</sup>

Geographic Area: USA  
Equity Held by Dentsu: 100.0% (100.0%)

#### The 360i Network, LLC<sup>\*1,3</sup>

Geographic Area: USA  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu US, Inc.<sup>\*1,3</sup>

Geographic Area: USA  
Equity Held by Dentsu: 100.0% (100.0%)

#### Merkle Group Inc.<sup>\*3</sup>

Geographic Area: USA  
Equity Held by Dentsu: 100.0% (100.0%)

#### Isobar US, LLC<sup>\*1,3</sup>

Geographic Area: USA  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu International Americas, LLC<sup>\*1,3</sup>

Geographic Area: USA  
Equity Held by Dentsu: 100.0% (100.0%)

#### Agenciatick - Midia Interativa S.A.<sup>\*1,3</sup>

Geographic Area: Brazil  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu (Shanghai) Investment Co., Ltd.<sup>\*1,3</sup>

Geographic Area: China  
Equity Held by Dentsu: 100.0% (100.0%)

#### Beijing Dentsu Advertising Co., Ltd.

Geographic Area: China  
Equity Held by Dentsu: 100.0%

#### Dentsu Asia Pacific Holdings Pte. Ltd.<sup>\*1,3</sup>

Geographic Area: Singapore  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu Aegis Network India Private Limited<sup>\*1,3</sup>

Geographic Area: India  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu Australia Holdings Pty Ltd.<sup>\*1,3</sup>

Geographic Area: Australia  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu International Australia Pty Ltd.<sup>\*1,3</sup>

Geographic Area: Australia  
Equity Held by Dentsu: 100.0% (100.0%)

#### Dentsu Corporate Services Ltd.<sup>\*1,3</sup>

Geographic Area: Australia  
Equity Held by Dentsu: 100.0% (100.0%)

\_\_\_\_\_ and 839 other companies

### Affiliated companies accounted for by the equity method

#### Video Research Ltd.

Geographic Area: Japan  
Equity Held by Dentsu: 34.2%

#### D2C Inc.

Geographic Area: Japan  
Equity Held by Dentsu: 46.0%

\_\_\_\_\_ and 89 additional companies

\*1: Specified subsidiary

\*2: Company that submits an annual securities report

\*3: In Equity held by Dentsu, the figure in parentheses indicates the ratio of equity held indirectly.

**Information for shareholders**

(As of December 31, 2022)

Dentsu Group Inc.

**Corporate Headquarters**

1-8-1, Higashi-shimbashi, Minato-ku,  
Tokyo 105-7050, Japan  
Phone: +81-3-6217-6600

**Contact Info****Investor Relations Department,**

Group IR Office,  
1-8-1, Higashi-shimbashi, Minato-ku,  
Tokyo 105-7050, Japan  
[https://contact.group.dentsu.com/m/en\\_ir](https://contact.group.dentsu.com/m/en_ir)

**Stock Exchange Listing**

Tokyo Stock Exchange, Prime Market  
Securities code: 4324

**Capital**

¥ 74,609.81 million

**Total Number of Shares Issued**

270,165,354

**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**<https://www.group.dentsu.com/en/>**Share information (As of December 31, 2022)****Breakdown of shareholders by type**

	Number of shareholders	Number of shares held	Percentage of total number of shares issued
Japanese financial institutions	40	75,504,200	27.95
Japanese securities firms	36	13,536,611	5.01
Other Japanese corporations	582	74,838,855	27.70
Japanese individuals and others (Including treasury stock)	34,815	41,658,513	15.42
Foreign institutions and individuals	723	64,627,175	23.92
Total	36,196	270,165,354	100.00

**Major shareholders (top 10)**

	Major shareholders	Number of shares held	Percentage of total number of shares issued
1	The Master Trust Bank of Japan, Ltd. (Trust accounts)	53,609,400	20.20
2	Kyodo News	18,988,800	7.15
3	Jiji Press, Ltd.	16,028,680	6.04
4	Custody Bank of Japan, Ltd. (Trust accounts)	10,408,700	3.92
5	SMBCNikko Securities Inc.	8,330,600	3.14
6	Group Employees' Stockholding Association	5,314,052	2.00
7	NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,277,400	1.99
8	Yoshida Hideo Memorial Foundation	4,984,808	1.88
9	Recruit Holdings Co., Ltd.	4,929,900	1.86
10	Tokyo Broadcasting System Television, Inc.	4,000,000	1.51

**Notes:**

- The number of shares held by each trust bank includes shares related to trust services.
- The Company holds 4,748,379 treasury shares but is excluded from the major shareholders listed above.
- The Percentage of Total Shares Issued is calculated excluding treasury shares.