

dentsu

Dentsu Group Inc.

Integrated Report 2024

Chapter 1 Corporate Philosophy

Our purpose as a company, and the society we aim to achieve

Our corporate philosophy at dentsu

Corporate DNA	03
Purpose	05
Why/What/How	06
Values—The 8 Ways	07

The future we want to achieve

Vision	08
Management policy	09
CEO message	10
Realizing a vibrant society where people enjoy a fulfilling life	

Chapter 2 Value Creation Story

Creating value from both the financial and non-financial perspectives

Value creation of dentsu

Value Creation Model	13
-----------------------------	----

Changes in our external environment and Materiality

Analysis of the external environment	15
Materiality	16

Financial

CFO message	17
Enhancing corporate value through financial and non-financial means: Building a foundation to support our return to growth	

Non-financial

CSusO message	22
Generating ideas for the future to solve challenges facing society	
2030 Sustainability Strategy	23

Our 2023 results

Financial and non-financial highlights	26
---	----

Chapter 3 Management Strategy

Strategies and initiatives to enhance corporate value

Strategy overview

Management focus	30
-------------------------	----

Strategies and initiatives

Our business	31
Transforming ourselves in line with the accelerating changes in our business environment	
Our people	47
Aspiring to win as a people-centered company	
Human rights	58
Promoting and respecting human rights as a core business strategy	
Environment and society	59
Working to realize a low-carbon society and make social contributions toward truly sustainable corporate growth	
Governance	65
Enhancing corporate value through better corporate governance	

Data

Related data

Financial data	92
Non-financial data	94
Subsidiaries and affiliates	96
Information for shareholders / Share information	97

Editorial policy for this report

Editorial policy	98
-------------------------	----

Contents

Corporate Philosophy

Value Creation Story

Management Strategy

Data

Corporate DNA

Purpose

Why/What/How

Values

Vision

Management policy

CEO message

Chapter 1

Corporate Philosophy

Our purpose as a company, and the society we aim to achieve

Corporate DNA

The DNA of dentsu: striving to create and develop a vibrant society for the future



Creating the never before to help shape society

Founded by Hoshio Mitsunaga in 1901, advertising sales and telecommunications were launched as a set, and served as a core business model to disseminate high-quality news articles in rural areas and raise general awareness among the Japanese populace.

In 1936, the company was forced by government policy to let go of its telecommunications business, and relaunched as a company dedicated to advertising. However, the relationship with media companies and the desire to serve society were passed down through generations of employees, resulting in the distinctive Group business model that is now in place.

Diversified business model with the spread of new media

The fourth president, Hideo Yoshida, built the foundation for the development and improvement of the advertising industry as well as the then-new broadcasting media.

Commercial radio and then television broadcasting had been launched in 1951 and 1953, one after the other, and quickly they became popular in households. A new lifestyle, in which broadcast content could be enjoyed in everyday life, spread throughout Japan.

Dentsu also developed with the spread of the new media, becoming involved in a range of businesses: world expos, sports, entertainment, and theme parks. Its efforts to contribute to the development of a richer society became part of dentsu's DNA.



123 years aspiring towards and building “a vibrant society where people enjoy a fulfilling life”

Communications

Innovative technologies

In 1926, dentsu established an Aviation Department to create a system for transporting photos, etc. from news coverage sites. Then in 1928, we were one of the first companies in Japan to acquire new electronic photo transmission technology developed in Germany, placing us in a leading position among our competitors.

Advertising

Advancing Japan's advertising industry

After WWII, dentsu raised the profile of advertising by making newspaper circulation figures public. We also established the Dentsu Advertising Award to promote commercial broadcasting and introduced marketing to Japan's advertising industry. Through efforts such as these, we worked to incorporate fairness, culture, and science into the advertising industry to develop it as a whole.

Events/Sports

Expanding the horizons of the communication business

Leveraging the know-how accumulated during preparations for, and operation of, the Japan World Exposition Osaka 1970, we were able to connect content, companies, and consumers to expand our corporate client services in areas including sports, events, and PR.

Entertainment/Content

Content-driven marketing

In the 1980s, dentsu began providing content-based solutions for new fields such as theme parks, showrooms, and commercial facilities. In the 1990s, we expanded into producing content, including movies and animation. Such legacies have been carried over in the creation of new consumer culture and digital content marketing.

B2B2S

Solving social issues from a global perspective

Since its founding, dentsu has provided solutions to improve society from a consumer perspective. Amid a rapidly changing external environment, businesses and society face many challenges that call for global collaboration. We are making bold efforts to solve these issues by building systems and infrastructure as sustainable growth partners.

1901 Hoshio Mitsunaga establishes Japan Advertising Ltd. (July) and Telegraphic Service Co. (November).
1936 The Company relinquishes its news services department and relaunches itself as a specialized advertising agency.
1946 First issue of “Dentsu-ho.”
1947 Hideo Yoshida, the “father of Japanese advertising,” becomes dentsu's fourth President / Dentsu Advertising Awards established.
1949 Creation of the Dentsu Advertising Essay Contest for Students.
1950 Establishment of the Advertising Merit Award.
1951 Contributing to the launch of commercial radio broadcasting in Japan.
1953 Contributing to the launch of commercial television broadcasting in Japan.
1955 Company name changed to Dentsu Advertising Ltd. / Establishment of the Newspaper Merit Award.
1956 First introduction of marketing in the Japanese advertising industry.
1961 Announcement of the Dentsu International Vision.
1964 Support for the Tokyo Olympic Games.
1970 Support for the Japan World Expo (Osaka).
1971 Establishment of the Broadcasting Merit Award.

1974 Dentsu Advertising Ltd. posts the world's highest sales for 1973.
1978 Dentsu Advertising Ltd. transitions to a communications company; changes name to Dentsu Inc.
1980 Dentsu becomes the first foreign advertising agency to enter China.
1981 Dentsu forms an alliance with Young & Rubicam, the largest advertising agency in the US.
1986 Dentsu adopts the corporate philosophy to provide “Total Communications Service.”
1996 Dentsu establishes Japan's first online advertising agency.
2001 Dentsu celebrates 100th year; makes an IPO on the First Section of the Tokyo Stock Exchange; supports production of the animated film Spirited Away.
2002 Dentsu constructs and moves to new head office; enters alliance with Publicis Groupe; supports the hosting of the 2002 Japan-Korea FIFA World Cup.
2003 Dentsu supports the launch of terrestrial digital broadcasting in Japan.
2004 Dentsu launches environmental initiatives.
2005 Dentsu supports the hosting of Expo 2005 in Aichi, Japan.
2008 Dentsu Acquired “Eco-First” company certification.

2009 Dentsu adopts new corporate philosophy of “Good Innovation.”; expands into fields such as content streaming, IT solutions, and smart grids.
2013 Dentsu acquires Aegis Group plc and establishes Dentsu Aegis Network Ltd. in the UK.
2013 Dentsu Group Code of Conduct established. Capital increased to c.74.7 billion yen.
2015 Dentsu changes fiscal year end to December 31st; applies IFRS from fiscal year ending March 2015.
2016 Dentsu Digital Holdings Inc. established.
2020 Dentsu transitions to a new holding company structure.
2021 Dentsu supports the hosting of the 2020 Tokyo Olympic and Paralympic Games; establishes Group-wide purpose, “an invitation to the never before,” and values.
2023 Dentsu establishes its Group-wide vision and transitions to One dentsu One Management Team structure.
2024 Dentsu adopts the One dentsu Operating Model as a common business management model globally.

Purpose

an invitation to the never before.

Through connecting diverse talents within and beyond our organization, we exist to create new solutions and new beginnings for the sustainable development of our clients and society.

Hiroshi Igarashi

Director, Representative Executive Officer,
President & Global CEO, Dentsu Group Inc.



Why/What/How

Why

For lasting good

We exist to create truly sustainable value for the organizations we work with and in the lives of millions.

What

The power of the never before

Our ideas create new solutions and new beginnings for an ever-changing business environment.

How

Open teaming

Anyone from anywhere in the dentsu world and beyond can get together in a team, there are no boundaries.



Values—The 8 Ways

Not just in the work we do, but as individuals, we approach life with a higher perspective and act with integrity, always. It is in this spirit we share the 8 ways.

1 WE DREAM LOUD

We rise to the ever-evolving needs of our clients and partners by dreaming big and loud. We take businesses to unexplored territory and everyone of us is invited to join. Thinking small is for other people. Let's celebrate audacity.

2 WE INSPIRE CHANGE

Change is our path through the impossible. Change is where the magic happens. Change knows the present is already the past. Change never gets old. Change is the adventure we love. Let's be fearless about change.

3 WE TEAM WITHOUT LIMITS

All our diverse and talented people around the world are able to come together in any formation. All our doors are open to innovation from anyone, anywhere. We're building the new by connecting the different. Let's unleash the "power of us."

4 WE ALL LEAD

We believe that leadership is what we do together. It flows through all of us. Anyone in dentsu can lead us towards the never before. Anyone can help us. Anyone can influence the outcome. Let's lead together, be strong together—and show the world.

5 WE MAKE IT REAL

We're more than idealists, we're entrepreneurs. We turn strategic vision into measurable plans, executed beautifully. What we dream, we build. It's not genius until it's real. Let's make it happen.

6 WE CLIMB HIGH

What we do isn't always easy. But even when a task seems impossible, we meet it with grace and optimism. We step towards difficulties and turn problems into progress. We're here to find solutions. Let's welcome challenges.

7 WE CHOOSE EXCITEMENT

On every project we look for ways to go further, to make our work more interesting and rewarding. In choosing our way, we take the exciting path, because in tough times and good, it's excitement that propels business forward. Let's love the work we do.

8 WE ARE A FORCE FOR GOOD

We work with honesty, integrity and responsibility. We are endlessly curious about ways to add value to people's lives. When we do the right thing as individuals, it becomes who we are as a company. Let's use our powers for the good of everyone.

Vision

To be at the forefront of
people-centered transformations
that shape society



Management policy

B2B2S

Resolving social issues
together with clients, and
achieving sustainable growth for all



CEO message

Realizing a vibrant society where people enjoy a fulfilling life

Looking back at our 2023 results

Although 2023 was a challenging year due to the combined effects of internal and external factors, there have been bright spots even amid these circumstances. For example, we are beginning to see signs of a recovery in spending among our clients in the technology sector, and the macro environment is gradually improving. In addition, we are steadily gaining recognition for providing our clients with Integrated Growth Solutions in high-growth areas at the convergence of marketing, technology, and consulting that integrate the diverse capabilities of the entire Group. This is demonstrated through our focus on Customer Transformation & Technology (CT&T), which has grown from 15% of the Group's net revenue in 2016 to account for 30% in 2023, with Japan in particular recording double-digit growth in this field.

In 2024, we will continue to build momentum in our provision of Integrated Growth Solutions to clients as One dentsu to put us back on a growth trajectory.

A shift from external investment to internal growth: our initiatives in 2024

To swiftly recover our business performance, we are accelerating a shift in management resources from a focus on growth based on external investment toward a return to organic growth and strengthening internal investment. Specifically, we will further grow our data and technology capabilities, including AI, which enable us to provide highly accountable solutions, in attracting and developing talent who will develop and deliver industry-leading Integrated Growth Solutions to our clients, and in our business operations and enterprise platforms to continue to drive simplicity and efficiency in our business.

Moreover, we are refining our focus on specific business areas and markets to pursue our business strategy, restructuring, and reviewing unprofitable businesses and markets. To ensure financial discipline in carrying out transformation of our business portfolio and achieving sustainable business growth, we have established the Finance Committee this year, consisting of outside directors, as an advisory body to the Board of Directors.

We are also working to make further progress in our governance and internal controls, the effectiveness of which has been improved in recent years. The Group has established the dentsu Japan Reform Committee, of which I serve as Chair, and we are working hard towards

Mindset and Behavior Reform with the aim of “fulfilling our responsibility to all stakeholders by renewing the way we approach our work.” By adapting our systems in this way and disseminating our Code of Conduct throughout the entire Group, we aim to establish an organizational culture that prioritizes integrity.

Dentsu's value creation in a period of significant change

Our external operating environment is undergoing significant changes at an unprecedented speed. The business environment continues to evolve as technology advances at pace, and our world faces major social, political, and ecological challenges that we will all need to come together to urgently address. To realize a sustainable society, we must shape a new and exciting future that is not simply an extension of the past.

As a Business-to-Business-to-Society (B2B2S) company, dentsu seeks to generate both economic and social value. Our Value Creation Model represents how we leverage our own strengths while collaborating with our clients and partners to create value and realize a better society. Going forward, I believe that our corporate value creation should focus on both financial and non-financial performance, with human capital as one prominent example. From this perspective, dentsu has set out five material issues* on which to focus, and

CEO message

we have commenced initiatives around these on a Group-wide basis.

This year marks the formulation of and start of activities around our updated 2030 Sustainability Strategy, a medium- to long-term corporate strategy that considers the environmental, social, and economic impacts of dentsu's business activities. Our business and sustainability strategies are interconnected as a unified path to long-term and sustainable growth.

I am confident that implementing these strategies as One dentsu are our route to success for our clients.

* Our five Material Issues are detailed in Chapter 2.

The unique strengths of dentsu. The ability of our diverse talent to imagine and shape the future

Since our founding, dentsu has recognized our people as our greatest assets. We believe that our diverse and talented teams around the world - with their client focus, creativity, innovation, and execution ability - are the true drivers of our corporate value.

Our talent find motivation in creating a better society that is one step ahead, which I think is in dentsu's DNA. We also have our "insights into people" that we have cultivated by continuously observing people and society throughout our 123-year history.

By leveraging the creativity and execution abilities of each of our global talent to create innovation, we can achieve our vision to be at the forefront of people-centered transformations that shape society. This is the future of dentsu.

Together with our clients and other stakeholders, we aim to realize a vibrant society where people enjoy a fulfilling life.



Hiroshi Igarashi

Director, Representative Executive Officer,
President & Global CEO, dentsu

Contents

Corporate Philosophy

Value Creation Story

Management Strategy

Data

Value Creation Model

Analysis of the external environment

Materiality

CFO message

CSusO message

2030 Sustainability Strategy

Financial and non-financial highlights

Chapter 2

Value Creation Story

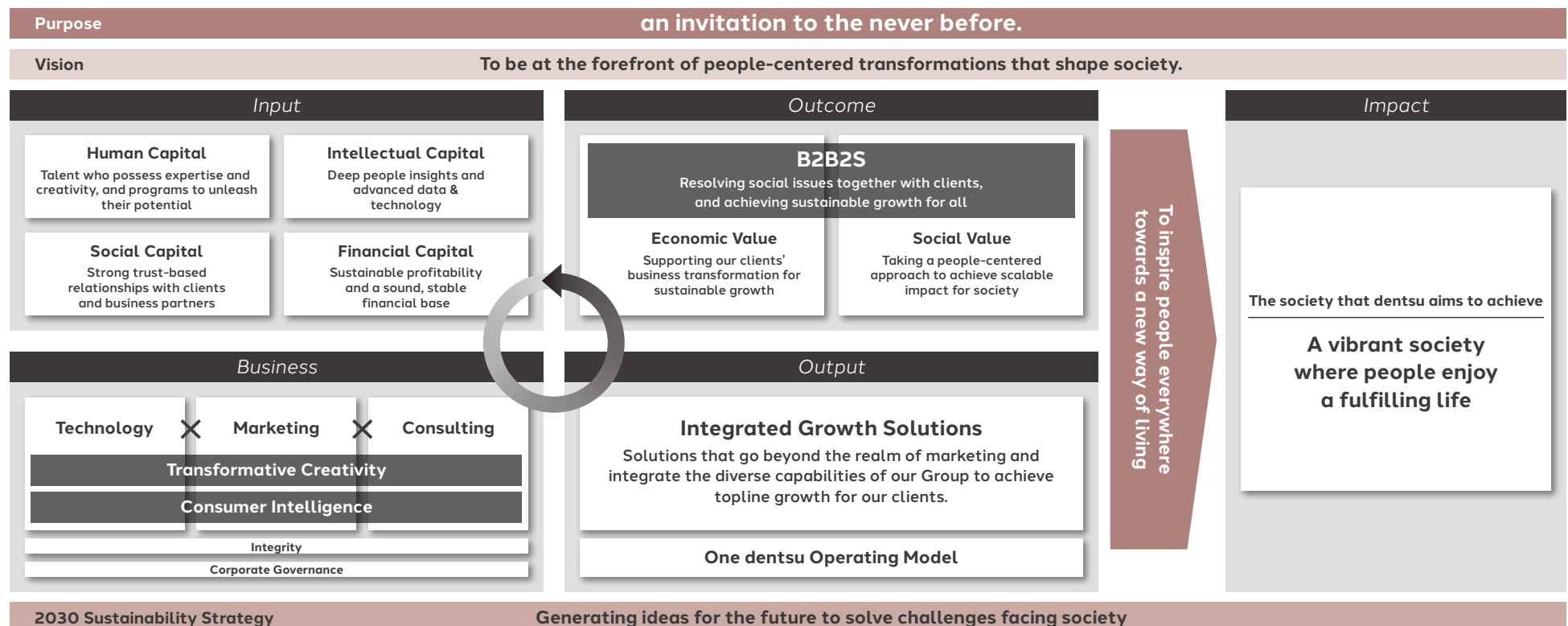
Creating value from both the financial and non-financial perspectives

Value Creation Model

Dentsu is a creative organization that generates new ideas and values. By leveraging unprecedented methods and the power of people, we bring about transformations and move society in a positive direction.

As we seek to transition to a sustainable society, we must redefine the meaning of prosperity for people and **help shape people's attitudes and behaviors**.

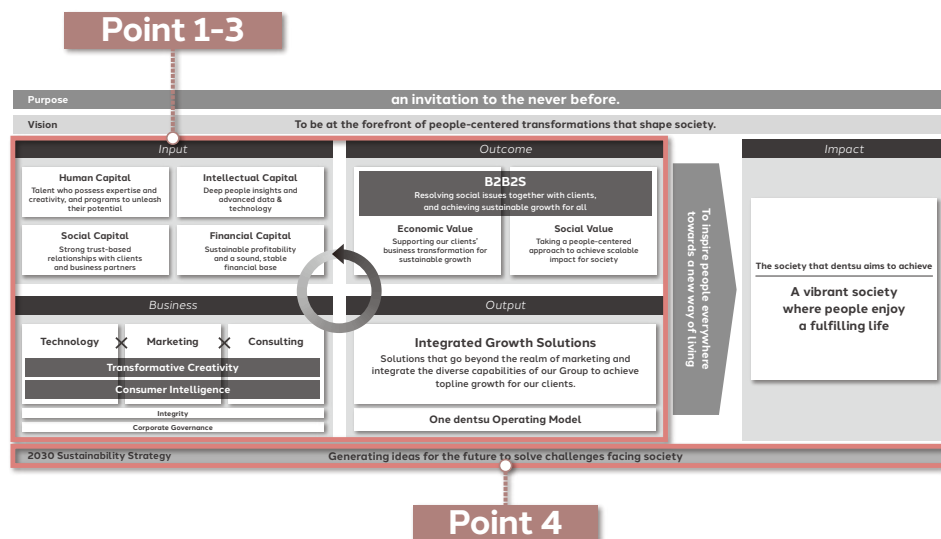
The dentsu Value Creation Model is designed to illustrate the value we create to realize these transformations.



Value Creation Model

Understanding dentsu's people-centered Value Creation Model

Our people are the driving force behind our value creation, forming the core of dentsu for 123 years. We truly believe in the unlimited possibilities that arise when people connect with each other.



Point 1 The creativity we generate, backed by consumer intelligence, is our most significant capability. When a wide range of people are involved, creativity flourishes, resulting in unprecedented ideas and solutions. We create new value by collaborating with all stakeholders, both within and outside the Group.

Point 2 Corporate governance represents the guiding principle of our business activities, with integrity as a core value. To solve challenging social issues as well as the increasingly complex issues of our clients, we have integrated the areas of marketing, consulting, and technology. At the same time, we support sustainable growth and promote transformation throughout society.

We plan to lead new markets by applying Integrated Growth Solutions that are supported by the One dentsu Operating Model.

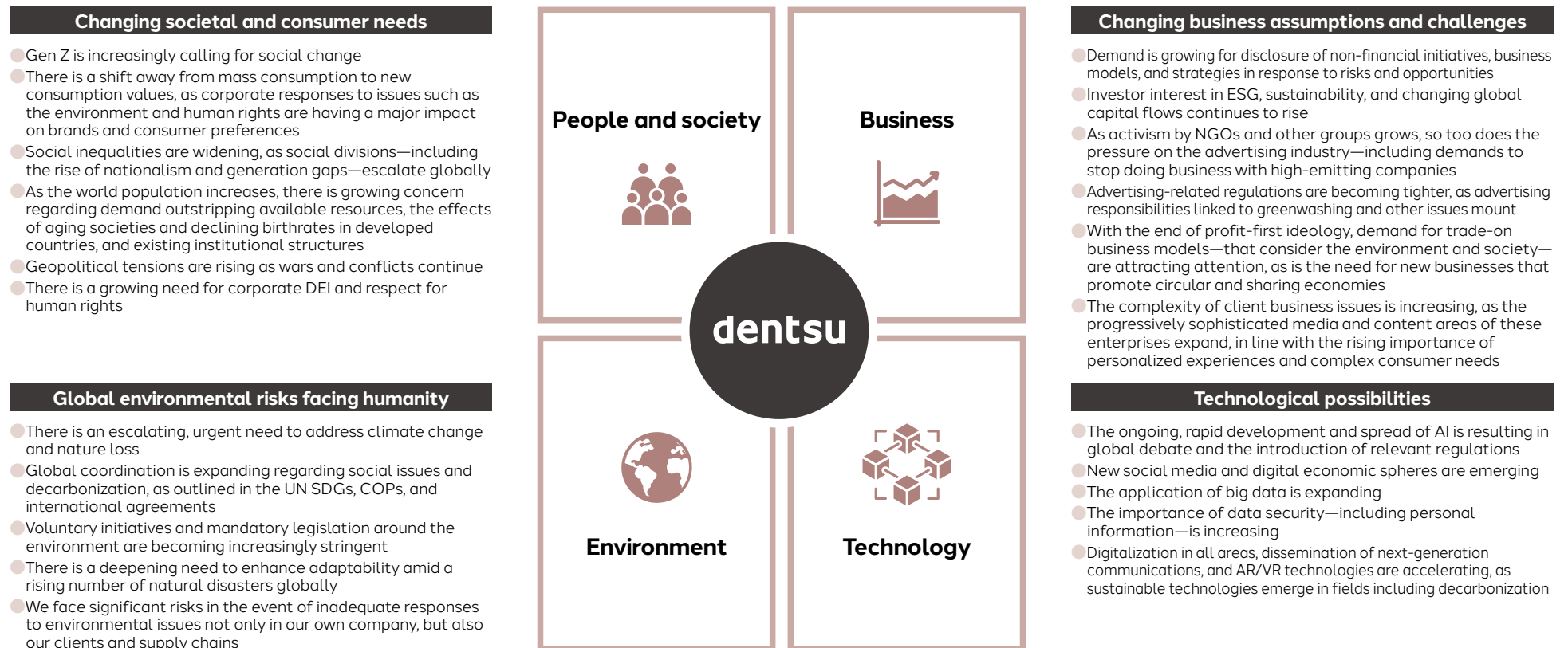
Point 3 Our Value Creation Model enables our people to develop their potential. People grow through their work and, in the process, enrich their human, social, and intellectual capital.

By augmenting these three forms of capital with financial capital, we create social and economic value, and continue to enhance our corporate value as a B2B2S company.

We expect these value creation activities to help transform people's attitudes and behaviors, and to realize a vibrant society where people enjoy a fulfilling life.

Point 4 Our 2030 Sustainability Strategy—based on our purpose, vision, and management policy—is designed to result in medium- to long-term value creation. This will strengthen the Group's foundations of human, social, and intellectual capital through initiatives in non-financial areas.

Analysis of the external environment



The business environment surrounding the Group is undergoing a major paradigm shift.

Amid these changes, it is our responsibility to work with clients and other stakeholders in tackling challenging social issues.

Materiality

Amid an ever-changing external environment, we continue seeking to both realize our purpose—an invitation to the never before—and maximize corporate value for our stakeholders. To this end, we have framed our Materiality based on the two axes of “importance from the management perspective” and “importance from the stakeholder perspective.”

[Materiality formulation process: [website](#)]

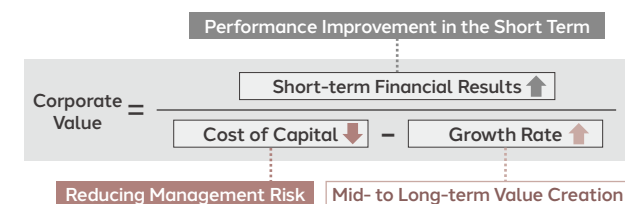
Materiality is a key aspect in our interactions with

society, clients, shareholders, investors, partners, talent, and all other stakeholders. It is also a management issue that enables the Group to sustainably create value and achieve growth.

[Stakeholder details: [website](#)]

For this reason, initiatives around Materiality are deeply connected to our 2030 Sustainability Strategy.

The following table shows the relationship between specified material issues and corporate value.



External environment	Material issues	Reasons for selection (risks, opportunities)	Relation to corporate value
<div>Changing societal and consumer needs</div> <div>Changing business assumptions and challenges</div> <div>Global environmental risks facing humanity</div> <div>Technological possibilities</div>	Business ethics & compliance / Data security	Our corporate activities are predicated on adherence to corporate ethics and compliance, as well as integrity with respect to society and all other stakeholders. There is a growing demand for respect for human rights, protection of data privacy, and cybersecurity. We will fulfill our responsibilities and establish a solid foundation for value creation by further evolving our corporate governance and risk management.	<div>Reducing Management Risk</div> <div>Mid- to Long-term Value Creation</div>
	DEI	By emphasizing Diversity, Equity & Inclusion, we can maximize the potential of our talent and exponentially enhance our distinctive human capital, thereby energizing the Group and our industry. This leads directly to better solutions for clients and society, while meeting shareholder and investor expectations.	<div>Mid- to Long-term Value Creation</div>
	Human capital development	As human capital is the core of the Group's competitiveness, depletion is a major risk. Talent development and the creation of a positive working environment are essential for enhancing the value we create for clients, shareholders, investors, and society. Developing future generations and partners through our corporate activities will enhance the creation of talent in our industry and attract highly capable people.	<div>Performance Improvement in the Short Term</div> <div>Reducing Management Risk</div> <div>Mid- to Long-term Value Creation</div>
	Climate action	Climate change has serious implications for all stakeholders. The Group must address the transition to a decarbonized and sustainable society if it is to create sustainable value. Proactive efforts will help us to lead industry transformation and create new competitive advantages for us in the marketplace.	<div>Reducing Management Risk</div> <div>Mid- to Long-term Value Creation</div>
	Innovation leadership	Our purpose and vision entail providing unprecedented ideas and solutions for clients and society to produce transformation. By collaborating with stakeholders, displaying thought leadership throughout our industry and society, and investing in the realization of new ideas, we expect to become a driving force for innovation aimed at solving challenging social issues.	<div>Performance Improvement in the Short Term</div> <div>Mid- to Long-term Value Creation</div>

CFO message

Enhancing corporate value through financial and non-financial means: Building a foundation to support our return to growth



Introduction

2023 was a challenging year for the Group, with external factors such as a fast changing business environment and internal factors such as a complex organizational structure that impacted both our organic revenue and profitability. In 2024, we will focus management resources on returning the Group to growth by removing barriers to collaboration and strengthening our competitiveness, ensuring a client-centric perspective. As clients' needs shift to integrated solutions, we aim to sustainably enhance our corporate value through our differentiated position at the convergence of marketing, technology, and consulting.

Review of FY2023 financial performance

In 2023, despite an organic revenue decline of 4.9%, the Group recorded the highest net revenue figure, with an increase of 1.6% to 1,129.5 billion yen, boosted by the positive impact of acquisitions and FX. Underlying operating profit was 163.5 billion yen, down 20.0% yoy, and underlying net profit decreased 31.3% to 89.8 billion yen. On a statutory basis, however, we recorded a net loss of 10.7 billion yen, largely due to the 67.8 billion yen of impairment charges recorded in APAC. As we look ahead, it will be difficult to achieve the commitments regarding

organic growth rate and operating margin made under the current Medium-Term Management Plan.

Our performance was adversely affected by a number of issues in 2023. Our media business was impacted by the well documented slowdown in spending from technology clients. The Customer Transformation & Technology (CT&T) segment outside of Japan was impacted by rising interest rates which caused caution from our clients around large transformation projects. This caution caused delays and reduction in scope of existing projects. Growth was also impacted by a reduced client win rate in 2023. To improve win rates, it is essential to strengthen capabilities and drive collaboration among our teams. In 2024, we are committed to remove all barriers to collaboration, introducing Integrated Client Leads that will support the delivery of Integrated Growth Solutions (IGS) – integrating all our capabilities across the firm. Collaboration will also be strengthened through the use of single market P&Ls, aligning incentives to ensure integration of our services.

In 2023, Japan reported organic growth of 1.6% with growth led by CT&T, with particular strength from Business Transformation (BX) and Digital Transformation (DX). Outside of Japan, all regions reported negative organic growth. Americas reported organic decline of 7.2%, in line with expectations, as continued delays in

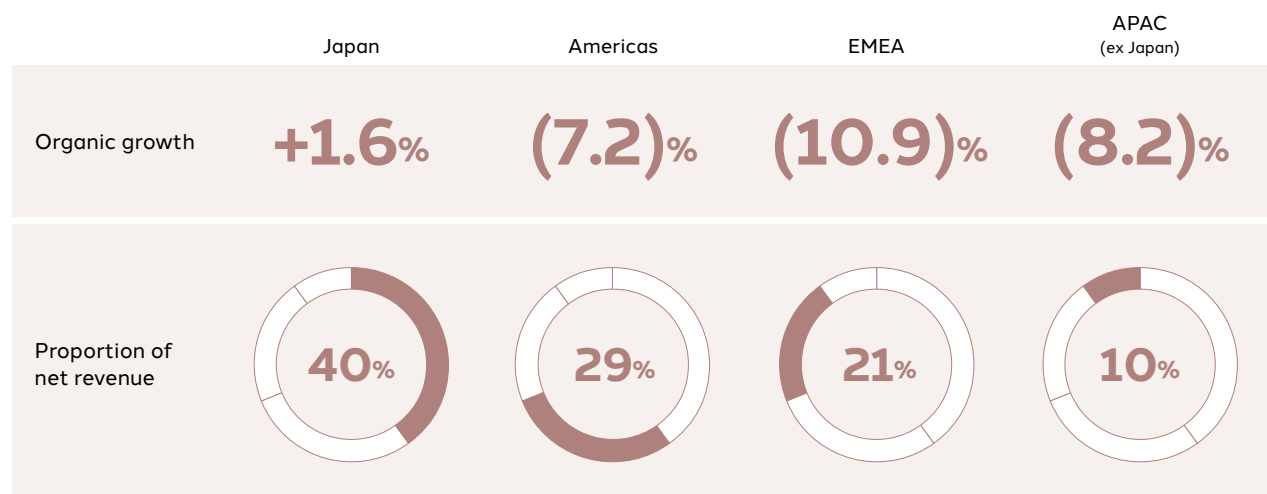
CFO message

CT&T projects and reduced media spend from clients impacted growth. EMEA reported organic decline of 10.9% partly due to the one-off financial impact in the DACH cluster in the second and third quarter. Excluding the one-off financial impact, decline in EMEA would have been 7.6%. APAC (ex Japan) recorded an organic decline of 8.2% due to delays in client spending and reduced project scope in CT&T.

Our FY2023 operating margin fell 390 bps due to lower than expected revenues, partially offset by cost measures including reduced spend on travel and

entertainment costs. As expected, charges were incurred in the fourth quarter relating to business simplification. Looking by region, FY2023 operating margin in Japan was higher than expected due to a reduction in non-staff expenses and the delay of an IT implementation project to 2024 also boosted FY2023 margin. The Americas delivered a 120-bps margin improvement – despite top line pressure – due to cost management measures implemented early in the year. The EMEA and APAC regions both saw margin decline as a result of lower client spend.

FY2023 highlights: Regional performance



Improved investment in business and shareholder returns under capital allocation framework

In 2020, the Group launched a comprehensive review of the business. One objective of the review was to improve balance sheet efficiency, this resulted in the sale of our headquarters building in Japan, along with a number of other property assets and the sale of strategic shareholdings. In FY2023, we sold an additional 17

Our timeline of improving balance sheet efficiency



CFO message

strategic shareholdings with a total value of c. 13 billion yen. Since 2020 we have sold a total of 44 stakes, generating 251 billion yen, allowing for both improved investment in the business and shareholder returns.

At the start of 2022, the Group published a capital allocation framework which outlines how capital generated from the comprehensive review will be allocated toward business growth. The framework includes:

- Investment in M&A: 250 to 300 billion yen for investment in strategic areas
- Progressive dividend, reaching 35% payout ratio of underlying basic EPS by FY2024
- Upper limit of 1.5× Net debt / Underlying EBITDA year end; indicative medium-term range of 1.0× to 1.5× (non IFRS 16 basis)

Strategic investments to deliver IGS 2022 & 2023

Total spent
c. JPY 200 bn

Investment across all 4 regions:
Americas 31%, Japan 29%,
EMEA 28%, APAC 12%

11 completed
acquisitions newly
consolidated to the Group

2 years through the 3 yr M&A
program FY2022:2024

Delivering strategic benefits:
collaborative pitch wins, revenue
synergies & integrated solutions

Adding 6,500
new talents

Enhancing specialist skills
across data & technology, commerce,
and transformation

Achievements of acquisitions and investments

Since the announcement of this framework, our total invested capital in two years from FY2022 to FY2023 was approximately 200 billion yen. As result, we have made 11 acquisitions, welcoming 6,500 new talents to the Group.

The acquisitions are firmly delivering benefits: bolstering our data and technology capabilities, allowing for greater client solutions due to expansions of our capabilities, new client wins and pitch wins. In addition, cost synergies are realized due to greater efficiencies in our business operations.

In 2023 we welcomed Shift7, Omega, RCKT, and Tag

to the Group. Our most recent acquisition, Tag, was completed at the end of the second quarter and significantly enhanced the Group's global digital production capabilities – enhancing our creative offer by providing high quality content at speed. Furthermore, it has a scaled personalization engine for optimal customer experience management, as well as adding power to media with Dynamic Content Optimization (DCO). We consider its capabilities as the “last mile” ensuring dentsu provides an integrated, full-service offering that is required by our global client base. Also, not only does it strengthen our solution to existing clients, it is contributing to the success of new client wins.

Improving shareholder returns

Improving shareholder returns remains a key focus for the Board of Directors and management, as we recognize the importance of improving our corporate value from shareholders' perspective. In 2023 we accelerated the dividend payout ratio to 35%, reaching our long held target one year ahead of schedule. The 2023 dividend was 139.5 yen per share.

In addition, a 20 billion yen buyback was announced in February 2024 – meaning the Group has returned c. 90 billion yen in buybacks and c. 110 billion yen in dividends, for a total of c. 200 billion yen over the past three years from FY2021 to FY2023.

CFO message

In 2024, the Group will shift from prioritizing acquisitions to prioritizing investment in the existing business. However, our capital allocation framework remains the same – the targeted leverage range remains 1.0x to 1.5x net debt / EBITDA. The Group will continue to show flexibility with regards to additional shareholder returns.

Looking ahead

As we look forward to 2024, we see some of the headwinds we faced in 2023 dissipating. We expect to see a return to spend from technology clients – particularly in the US market. However, we will balance this with the cycling out of account losses in H1FY2024. Our organic growth rate was negative in Q1FY2024, which was in line with our forecast, but we are expecting to return to growth in the second half of the year. Our organic growth rate for FY2024 is forecast to be around

1% with an operating margin estimated at c. 15%, down from 16.1%* on an adjusted basis in FY2023 due to internal investments to strengthen competitiveness and expand capabilities to return the Group to growth.

* Operating margin including one-off financial impact was 14.5%.

In 2024 we have announced three areas of focus for our internal investment:

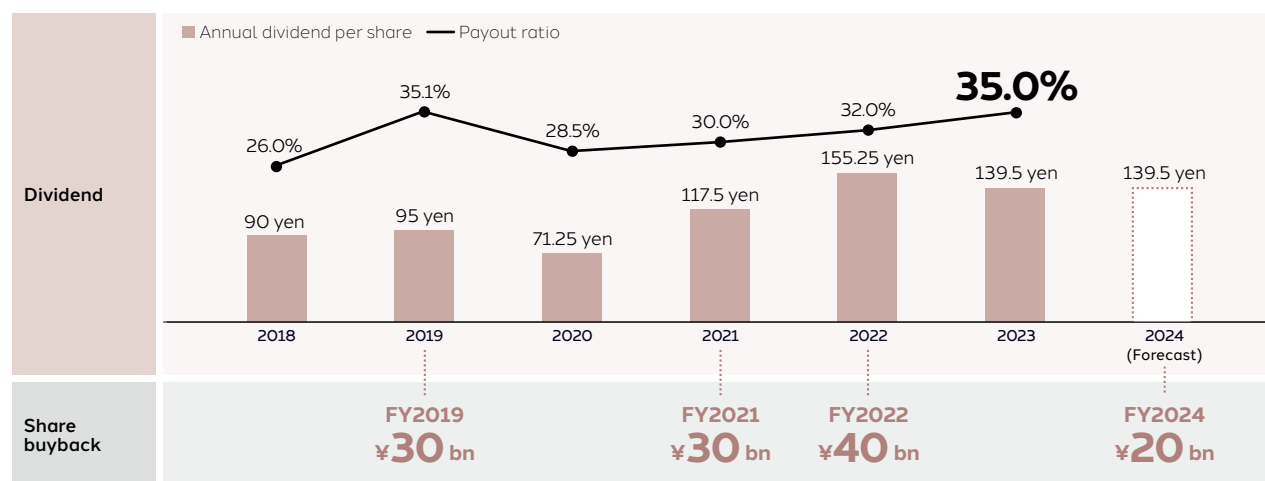
- Bolster and scale data and technology capabilities
- Invest in training, retaining, and attracting diverse talent, corporate culture, and employee engagement
- Strengthen business operations & utilize enterprise platforms and systems infrastructure

The investment is recognized within our FY2024 margin guidance and shall be pursued with discipline. Investment in outer years will be driven by internal efficiencies such as greater use of technology and automation. Our continued investment in Dentsu Global Services, our networked talent hubs, will also support future margins.

Enhancing corporate value through financial and non-financial means

As the current Medium-Term Management Plan enters its final year, the Group is formulating its future policy. In order to achieve sustainable growth, we are reviewing our

Shareholder returns



Note: Calculated based on the adjusted underlying basic EPS

CFO message

business portfolio using metrics such as ROIC, reviewing past investments, considering new investment strategies, and have begun formulating financial and investment discipline. In this journey, the Finance Committee, which is an advisory body to the Board of Directors and consists of outside directors, will support decision making from a financial and shareholder perspective. Details will be shared later this year.

As my responsibility lies in governance, not limited to finance, I emphasize the role that non-financials can also play in increasing corporate value. Specifically, contribution of non-financials to “reduction of capital cost” and “sustainable growth,” both of which enhance corporate value.

Firstly, as for “reduction of capital cost,” it is said that firms with higher ESG ratings will have lower capital costs over the medium- to long-term. Dentsu is improving its ESG ratings, including being selected as a component of the Dow Jones Sustainability World Index for the first time in FY2023. We will continue to accelerate our efforts to prepare for future non-financial risks such as environmental and social sustainability issues, and improvement of corporate governance.

Secondly, as for “sustainable growth,” it is our people that makes this possible. To realize our vision of “people-centered transformations,” it is essential for our people to play an active role, and we will invest more than ever in our most important asset, our people.

However, the effects of investment in non-financial areas, including human capital, are not immediate, and the benefits to the Group will be felt over the coming months and years. As part of management’s commitment to strengthening non-financial capital, employee engagement scores, proportion of female leaders and greenhouse gas emissions are partially linked to executive compensation, and we have appropriately assigned leaders responsible for each theme to ensure Group-wide progress.

In addition, the Group deems it important to

disclose our efforts and results in enhancing corporate value with high transparency. We are expanding our disclosure of both financial and non-financial information by publishing our ESG Data Book and holding ESG briefings for our shareholders. We consider the comments we receive in dialogues with our stakeholders as our “room for growth.” I will fulfill my responsibilities as to win the trust of our stakeholders and their expectations for our medium- to long-term growth by continuing to firmly address our challenges.

Finance Committee

The Group is working to transform its business portfolio by reviewing and refining the business domains and markets that it should focus on. In order to accomplish this reform and achieve sustainable business growth, the Group has decided to establish the Finance Committee, which consists of independent outside directors with expertise in finance/accounting and legal/compliance as an advisory body to the Board of Directors from the perspective of financial and investment discipline.

The committee will help enhance financial and investment discipline through review and scrutiny of the business strategy from a financial point of view, and monitoring of the implementation of these initiatives, from the perspective of improving shareholder value.

Chair: Keiichi Sagawa, independent outside director.
Members: Yuka Matsuda and Andrew House, independent outside directors.

Main agenda items

- Review of M&A, new business, and focused theme initiatives
- Consideration of business portfolio from a financial perspective, with greater awareness of balance sheet soundness and capital efficiency
- Consideration of listed subsidiary and minority investment policy
- Consideration of investment and capital allocation policies

CSusO message

Generating ideas for the future to solve challenges facing society



Yuko Kitakaze

Global Chief Sustainability Officer, dentsu

For dentsu to truly contribute to the growth of our clients and society into the future, initiatives towards generating non-financial value are of the utmost importance.

Our 2030 Sustainability Strategy is all about generating ideas for the future to solve challenges facing society. It is not simply about being sustainable. It is about unlocking potential opportunities. To accomplish this, we must first picture an ideal future without being bound by current restraints. This allows us to think freely about how we can achieve that future, rather than thinking about it as an extension of the past. By leveraging our “insights into humanity” that we have cultivated since our founding to help shape people’s attitudes and behaviors, we believe we can contribute towards promoting sustainability for society as a whole.

Furthermore, it is important for us to share with our stakeholders the value of not simply focusing on our own short-term profits, but also on medium- to long-term sustainability for society. For example, in October 2023, dentsu launched the Decarbonization Initiative for Marketing with the goal of visualizing and reducing greenhouse gas emissions in supply chains associated with marketing communication activities in Japan. Together with the stakeholders involved, we aim to discuss the optimal state for the industry towards realizing a low-carbon society.

Collaboration between business, government and civil society is key for generating value for society. Connecting these three groups also happens to be one of dentsu’s greatest strengths. Through connecting others and leveraging the creativity and ingenuity of our diverse global talent, we can lead systemic change towards future possibilities through the following five actions:

- Accelerating our own sustainable transformation
- Driving change in our industry
- Engaging in cross-industry partnerships
- Enabling society to make sustainable choices
- Advocating for change in social systems

With a spirit of “creating a shared future together with others,” we will transform society through our corporate activities.

2030 Sustainability Strategy

Global pressures such as climate change, nature loss, inequality, and conflict are increasingly causing widespread disruption. This can only be overcome with a radical transformation of the way we do business and a reshaping of our daily lives.

Amid this major transition, by generating ideas for the future to solve challenges facing society, we will realize a vibrant society where people enjoy a fulfilling life.

Our core themes are People, Planet, and Innovation.










To maximize our individual strengths while helping to achieve sustainability for the planet and society, we plan to develop new ideas and solutions, and lead innovation.

By combining our strengths as One dentsu, we are confident that we will be able to open new avenues of success for our clients and contribute to positive outcomes for the global environment and society.

Purpose	an invitation to the never before. Through connecting diverse talents within and beyond our organization, we exist to create new solutions and new beginnings for the sustainable development of our clients and society.		
Vision	To be at the forefront of people-centered transformations that shape society		
Society that dentsu aims to achieve	A vibrant society where people enjoy a fulfilling life		
Management policy	B2B2S Resolving social issues together with clients, and achieving sustainable growth for all		
2030 Sustainability Strategy	Generating ideas for the future to solve challenges facing society		
Core themes	PEOPLE Unleashing our full potential	PLANET Achieving a sustainable future for all	INNOVATION Creating new ideas and solutions
Material issues	1 Business ethics & compliance / Data security 2 DEI 3 Human capital development	4 Climate action	5 Innovation leadership

2030 Sustainability Strategy

2030 Sustainability Strategy | Action Plans

	Material issues	Headline goals	Action plans & KPIs	Relation to corporate value	Related SDGs
PEOPLE	Business ethics 1 & compliance / Data security	Putting integrity first	<ul style="list-style-type: none"> ●Embed a philosophy and culture that places integrity first ●Reinforce the three-line defense function ●Enhance the effectiveness of the supervisory function by the Board of Directors ●Individual measures to be promoted under each theme <ul style="list-style-type: none"> - Establish a common training environment (KPI: 100% employees receive training), develop skills for key contact points (KPI: contact points and experts established for issue areas), conduct stakeholder dialogue and information disclosure (KPI: acquire certification and improve ratings) 	Reducing Management Risk Mid- to Long-term Value Creation See p. 65	
	2 DEI	Transforming business and society by winning as One Team	<ul style="list-style-type: none"> ●Win as One Team <ul style="list-style-type: none"> - Female leaders to reach an aspirational goal of 45% by 2030 - Create an inclusive environment that is accessible to all, resulting in an increase of the number of colleagues with a disability working at dentsu ●Foster a corporate culture that embraces diversity <ul style="list-style-type: none"> - An aspirational goal of achieving a two-point increase in Check In (CI) survey "Respect" score by 2025 	Mid- to Long-term Value Creation See p. 53	 
	3 Human capital development	Unleashing the brilliant potential of our people	<ul style="list-style-type: none"> ●Strengthen investment in human capital <ul style="list-style-type: none"> - Increase leadership level training (KPIs: GMT succession readiness rate, talent discussion time) - Offer growth opportunities (training, strategic HR transfers) (KPI: CI survey score) - Talent development in strategic areas (capability training) ●Improve employee engagement score (activities by region) (KPI: CI survey score) 	Performance Improvement in the Short Term Reducing Management Risk Mid- to Long-term Value Creation See p. 47	 
PLANET	4 Climate action	Accelerating the low-carbon transition	<ul style="list-style-type: none"> ●Achieve net-zero greenhouse gas (GHG) emissions by 2040 (Scope 1-3) ●Achieve a 46.2% absolute reduction in GHG emissions by 2030 (Scope 1-3) compared to a 2019 baseline ●Achieve 100% renewable energy* by 2030 ●Enable one billion people to make more sustainable choices by 2030 <p>* Renewable energy in the context of dentsu's sustainability strategy and commitments refers to electricity generated from renewable sources. This definition aligns with RE100.</p>	Reducing Management Risk Mid- to Long-term Value Creation See p. 59	 
INNOVATION	5 Innovation leadership	Creating ideas for the future with the power of creativity and technology	<ul style="list-style-type: none"> ●Promote investments and R&D for future innovation (KPI: case numbers) ●Generate SDGs-related thought-leadership and proposals with a clear call-to-action (KPI: number of research projects) ●Create social value through partnerships and ecosystems (KPI: number of ecosystems) 	Performance Improvement in the Short Term Mid- to Long-term Value Creation See p. 31	 

2030 Sustainability Strategy

2030 Sustainability Strategy | Governance

- Progress towards the 2030 Sustainability Strategy and the status of the initiatives across five areas will be managed through quarterly GSC meetings.
- GSC committee members, each Materiality Sponsor, and the relevant department in charge will collaborate to ensure that all initiatives are achieved.

Group Sustainability Committee (GSC)

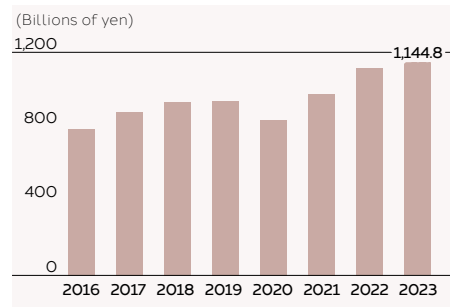
Chair: Yuko Kitakaze (Global Chief Sustainability Officer)

Members: Hiroshi Igarashi (President & Global CEO), Arinobu Soga (Global Chief Governance Officer, Global Chief Financial Officer), Alison Zoellner (Global General Counsel), Jean Lin (Global President - Global Practices), Jeremy Miller (Global Chief Communications Officer), Manus Wheeler (Chief Brand & Culture Officer, Deputy Chief of Staff), Miho Tanimoto (Global Chief HR Officer)

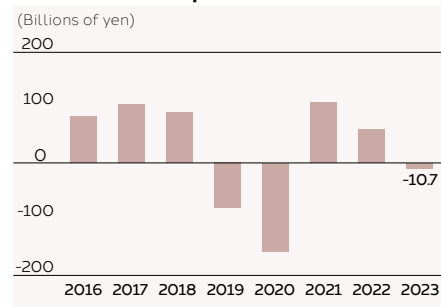
	Material Issue	Sponsor	Department in Charge	Four Regions
PEOPLE	1 Business ethics & compliance / Data security	Arinobu Soga Global Chief Governance Officer Global Chief Financial Officer	Group Governance Unit	 AMERICAS EMEA APAC JAPAN
	2 DEI	Miho Tanimoto Global Chief HR Officer	Group HR Office	
	3 Human capital development			
PLANET	4 Climate action	Yuko Kitakaze Global Chief Sustainability Officer	Group Sustainability Office	
INNOVATION	5 Innovation leadership	Jean Lin Global President – Global Practices	Global Practices Team	

Financial highlights

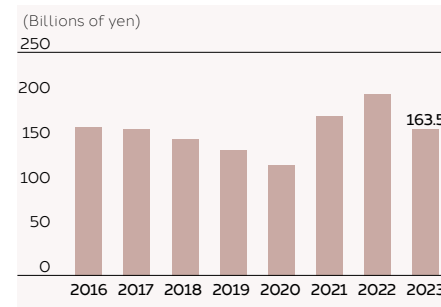
Net revenue



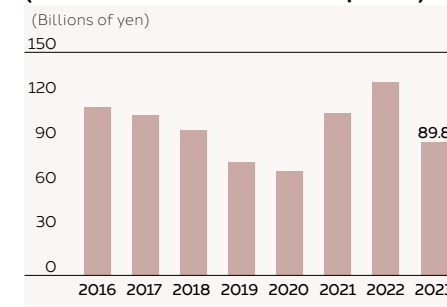
Profit (loss) for the year attributable to owners of the parent



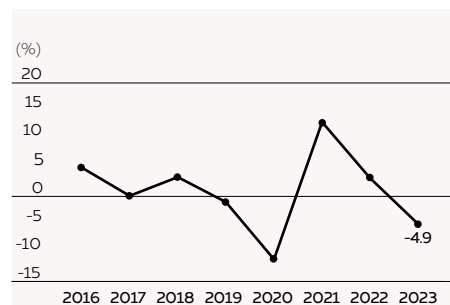
Underlying operating profit*1



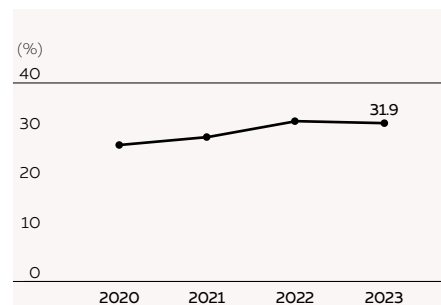
Underlying net profit (attributable to owners of the parent)*2



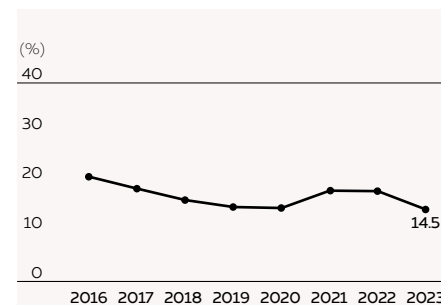
Organic growth rate*3



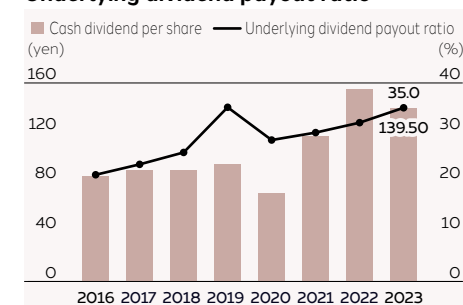
CT&T*4 ratio



Operating margin*5



Cash dividend per share / Underlying dividend payout ratio*6



*1 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

*2 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

*3 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

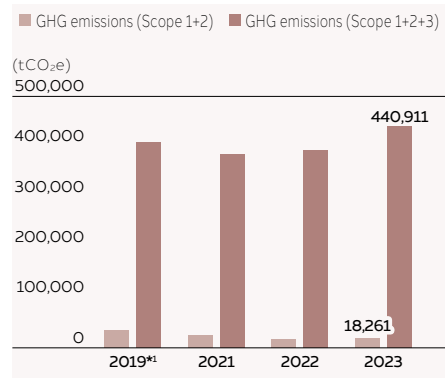
*4 CT&T = Customer Transformation & Technology : new business domain including the services related to marketing technology, customer experience management, commerce, system integration, and transformation & growth strategy

*5 Operating margin = Underlying operating profit ÷ Net revenue × 100

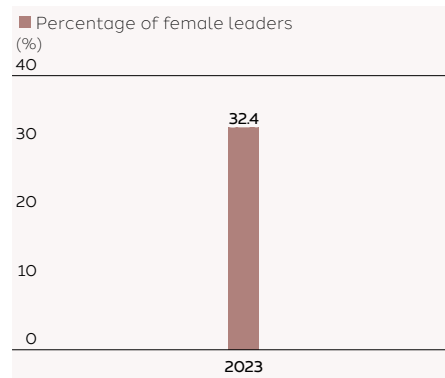
*6 Underlying dividend payout ratio = Cash dividend per share ÷ Basic underlying profit per share × 100

Non-financial highlights

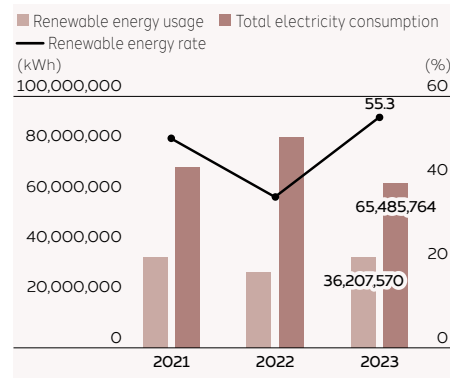
GHG emissions



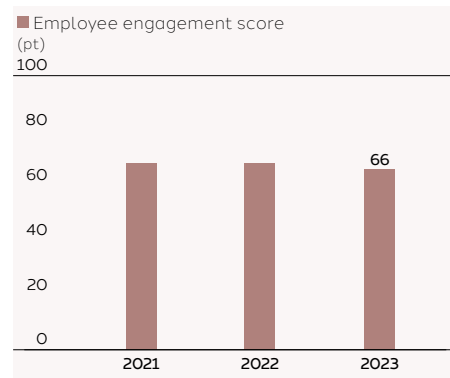
Percentage of female leaders*2



Renewable energy rate



Employee engagement score



External evaluation of sustainability and ESG initiatives

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Included for the first time as a member of the Dow Jones Sustainability World Index (DJSI World). Included for the eighth time in the DJSI Asia Pacific Index.


FTSE4Good


FTSE Blossom Japan

Also continued to be selected as a constituent of FTSE4Good and FTSE Blossom Japan.



Awarded a Bronze Medal by Ecovadis for sustainability performance, including in the supply chain.

*1 The 2019 baseline figures are as of December 31, 2023. We submitted new GHG reduction targets to the Science-Based Targets initiative (SBTi) in 2024.

*2 For details, please see the Independent Assurance Report:
<https://www.group.dentsu.com/en/sustainability/common/pdf/third-party-assurance.pdf>

Non-financial highlights

Recognitions for creating an environment where our diverse talent can thrive



Received the highest rating of Gold for the second consecutive year, and Rainbow certification in the work with Pride LGBTQ+ corporate initiatives index.



Recognized for the second consecutive year with 4.5 stars by Nikkei Smart Work as an advanced company taking on the challenge of a productivity revolution through workstyle reforms, with an S+ rank or higher in the Human Resource Utilization Capabilities, Innovation Capabilities, and Market Development Capabilities categories.



Received the highest three-star Eruboshi certification from Japan's Ministry of Health, Labour and Welfare (MHLW) as a company promoting women's participation and advancement. Received Kurumin certification from MHLW as a company offering good child-rearing support, based on the Act on Advancement of Measures to Support the Development of the Next Generation.

Notes: 1. Dentsu Kyushu, Dentsu PR Consulting, Carta Holdings, Dentsu Ad-Gear, Dentsu East Japan, Ignition Point, Dentsu Digital, and Dentsu Science Jam received Eruboshi certification.
2. Dentsu Digital received Kurumin certification.



Dentsu Inc. placed a record-high third in the Best Companies to Work for 2024 ranking announced by Japan's OpenWork, Inc., which operates the OpenWork information platform for career change and employment (out of 1,388 companies included in the ranking).



Dentsu Soken Inc. (second consecutive year) and Ignition Point Inc. (eighth consecutive year) were selected as Best Workplaces in the 2024 Best Companies to Work in the survey conducted by the Great Place To Work® Institute Japan.

Recognitions for our creativity and innovation capabilities



Awarded Regional Network of the Year 2023, APAC, for the second year in a row at Cannes Lions, the world's largest creative festival. Dentsu Inc. won Agency of the Year—Craft, as well as the Grand Prix in the Industry Craft Lions category. Dentsu Creative won the Grand Prix in the Pharma category. A total of 29 individual awards were received.



Named Network of the Year as the most creative network at Spikes Asia 2024, APAC's most prestigious advertising award ceremony (second award, first in three years). Dentsu Inc. won the Asia-Pacific Agency of the Year award as the most creative single agency (third award, first in seven years). A total of 35 individual awards were received.



Named Network of the Year as the most creative network at ADFEST 2024, Asia's leading creative festival (eighth award, third consecutive year).

Dentsu Inc. was named Agency of the Year as the most creative single agency (10th award, second consecutive year), as well as Digital Agency of the Year and East Asia Agency of the Year. A total of 27 individual awards were received.

[Contents](#)

[Corporate Philosophy](#)

[Value Creation Story](#)

[**Management Strategy**](#)

[Data](#)

[Management focus](#)

[Our business](#)

[Our people](#)

[Human rights](#)

[Environment and society](#)

[Governance](#)

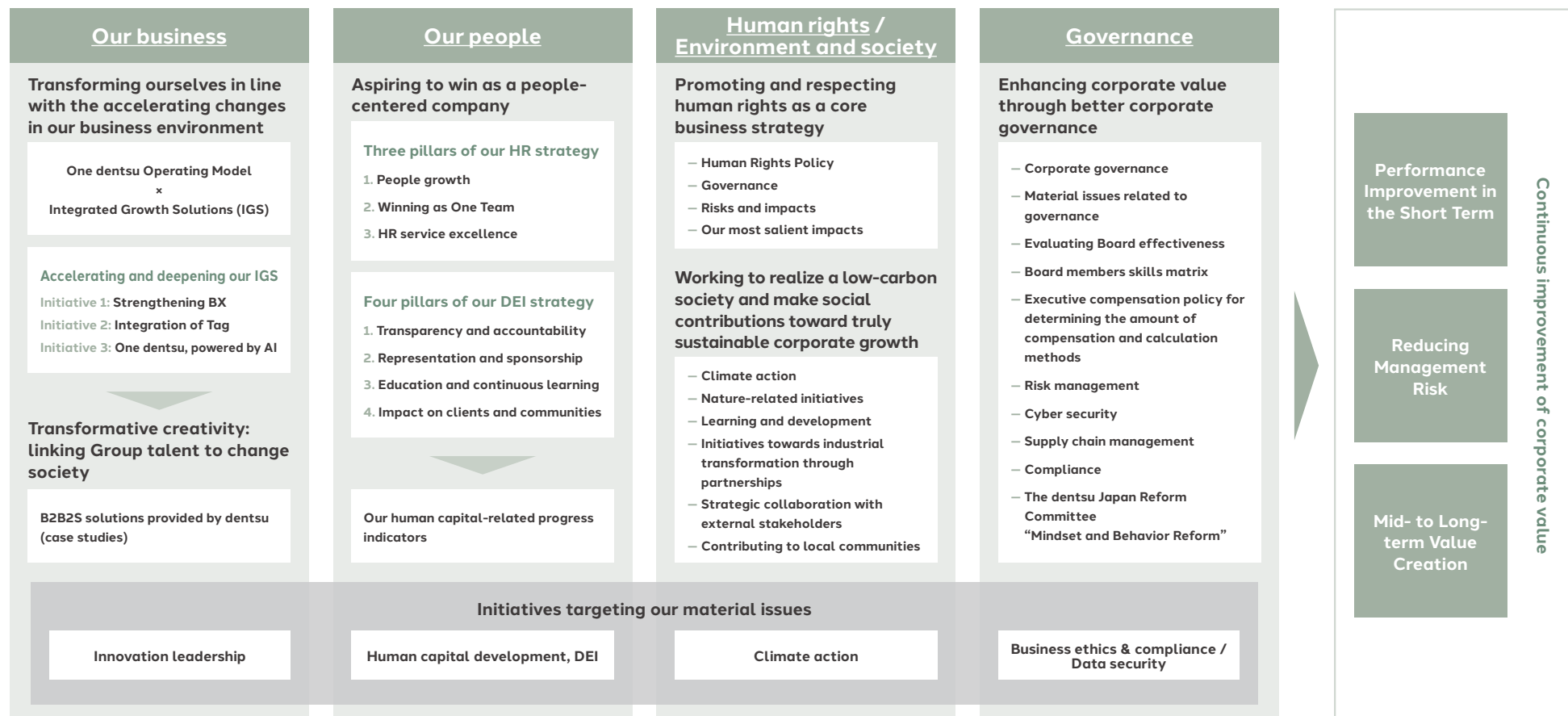
Chapter 3

Management Strategy

Strategies and initiatives to enhance corporate value

Management focus

In Chapter 3, we explain our strategies and initiatives to enhance the corporate value of dentsu.



Our business

Transforming ourselves in line with the accelerating changes in our business environment

One dentsu Operating Model × Integrated Growth Solutions



Giulio Malegori

Executive Vice President,
Global Chief Operating Officer &
Chief Global Client Officer,
dentsu

2023 has been a year of challenge for the Group and change for our business. Since January 2024, we introduced the One dentsu Operating Model, which serves as a framework to maximize the service and value we provide to our clients globally, efficiently, and quickly.

In my career, my experience has spanned across market, regional, and global-level roles, which means I know first-hand the challenges of our complex business. I also know how powerful it is to be part of a winning company.

This is why our paramount goal in 2024 is to recover our competitiveness, meaning we must enhance our focus on critical sources of growth to gain back strong momentum.

To achieve this, two of our main priorities are to accelerate and deepen our Integrated Growth Solutions (IGS) and to win in every practice and in every market.

This includes:

- connecting our capabilities around our clients' needs to develop industry leading IGS
- strengthening our client management capabilities, talent, and organization, supported by clearer, more differentiated brand positioning
- launching a globally consistent One dentsu Client Management Model

Another crucial priority is to firmly embed our One dentsu Operating Model. This means implementing a simplified organizational structure to enable faster decision-making, clearer accountabilities, and empowerment, helping to embed a client-centered mindset and way of working.

Business Operations and Enterprise Technology are also key to enabling simplification, integration-led and cross-functional collaboration to drive operational excellence and create an agile organization, and momentum to invest and scale our IT infrastructure to drive speed, agility, and flexibility.

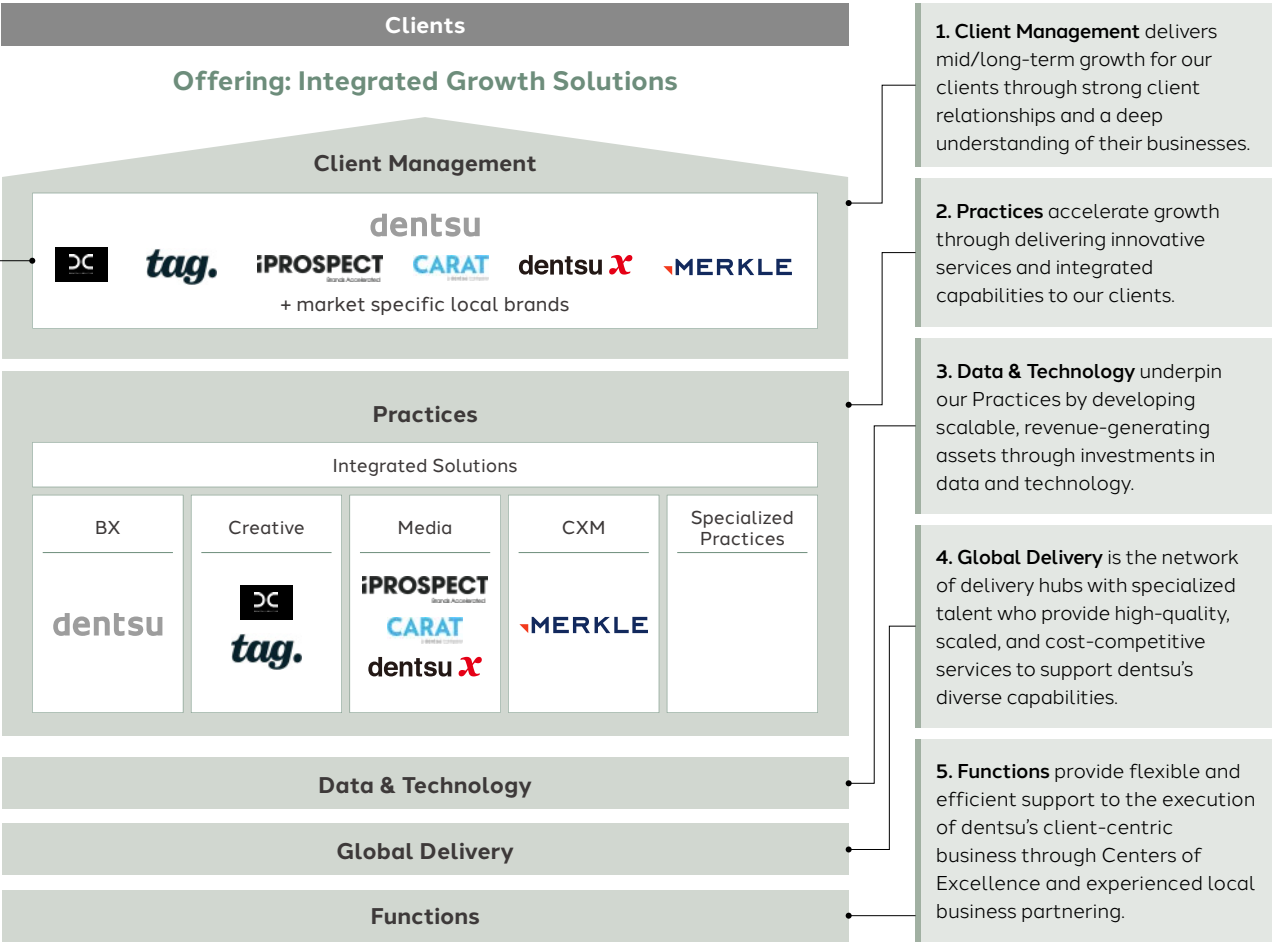
Going forward in 2024 we will continue the journey of transforming dentsu in line with the accelerating changes in our business environment, aiming to return to being a high performing organization.

Embedding our One dentsu Operating Model

In 2023, we transitioned to a global management structure under One Management Team, and 2024 sees the introduction of the One dentsu Operating Model, a common business management model across all four regions. This enables dentsu to globally consolidate customer touch points, promote faster delivery of diverse and advanced Practices, and further elevate operational efficiency.

Dentsu is our master brand—a critical point of connection and equity for our global leadership brands as our hallmark of innovation and global scale.

Global Leadership Brands are our go-to-market brands that leverage solutions, services, products, and platforms to deliver differentiated offerings to our clients and attract talent to our organization.



Our business



Jean Lin

Global President - Global Practices,
dentsu

Accelerating and deepening our Integrated Growth Solutions

A partnership model that contributes to the sustainable growth of our clients

I have been serving as Global President - Global Practices at dentsu since October 2023. In this newly created position, my role is to bring together dentsu's capabilities and practices through the services that we provide to our clients. Globally our goal is to provide the optimal Integrated Growth Solutions (IGS) to our clients and establish our position as an Integrated Growth Partner to them.

The world we face is increasingly complex. When presented with new challenges, traditional approaches will not necessarily work. Integration of solutions is essential for our clients to solve the myriad of increasingly sophisticated issues they face and help them to continue to grow. Since its founding, dentsu has always taken an integrated perspective and has provided innovative services to our customers. Our IGS represent a partnership model that contributes to the sustainable growth of our clients.

At the convergence of marketing, consulting, and technology, our competitive advantage lies in our strong client relationships, using creativity to imagine new solutions, and continuous improvement in data-driven marketing ROI.

Initiatives that are key to accelerating and deepening IGS

To accelerate and deepen IGS, we are driving cross-regional and cross-functional initiatives throughout the organization. The initiatives shown below are representative examples.

First, as an approach to meeting the increasingly sophisticated needs of our clients, we have formed a global BX team responsible for business transformation and we are working to enhance its functionality. This is an important offering that allows us to differentiate ourselves and create higher added value to our clients. ([see pp. 35–37](#))

In addition, we acquired global creative production powerhouse Tag in 2023 as a resource that strongly complements our ability to provide end-to-end integrated services from strategy to implementation. We are making good progress in building a collaborative structure, and we have already succeeded in securing new projects in regions such as the Americas. ([see p. 37](#))

To further solidify this momentum, this year we will bolster investments internally and accelerate those in the data and technology space. Especially when introducing technologies such as generative AI, we will actively utilize collaborative relationships with our partner companies to improve the sophistication and efficiency of our operations, while striving to improve our services to clients. ([see pp. 38–39](#))

Our people are front and center in the delivery of

Our business

excellence to our clients. We will also focus on developing, retaining, and acquiring leaders who will be responsible for providing advanced services as well as talent with diverse expertise.

No need to separate “growth” and “good”

Lastly, I would like to touch on sustainability, which is the most important driver of innovation in our business today. If a company can achieve sustainable growth and create strategies, products, and services that contribute to the realization of a sustainable society, it will not only be acting as good corporate citizen for

society, but it will also become a brand people respect and have affinity with.

The important thing is that “growth” and “good” should not be considered separately. A company’s growth in economic terms is just one aspect of the world we live in today. We need to put sustainability at the core of our corporate business strategies to achieve not only short-term gains but also medium- to long-term growth.

One of the material issues we are addressing through our 2030 Sustainability Strategy is Innovation Leadership. We intend to achieve this through the following actions:

- Promote investments and R&D for future innovation
- Generate SDGs-related thought-leadership and proposals with a clear call-to-action
- Create social value through partnerships and ecosystems

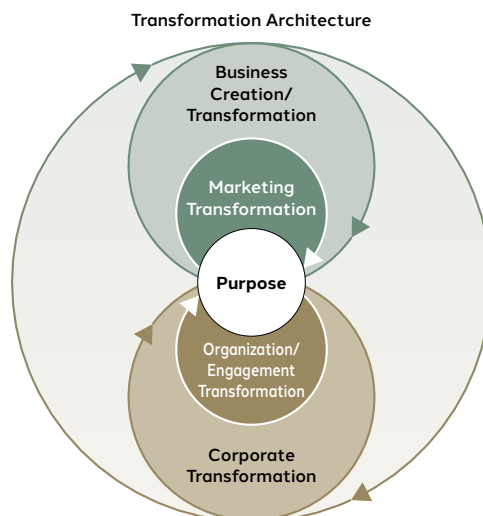
By pursuing these actions from a medium- to long-term perspective, we will work with our clients to solve social challenges and generate both economic and social value as a leading B2B2S (Business-to-Business-to-Society) company.

Accelerating and deepening IGS Initiative 1: Strengthening BX

Business transformation practices

One key initiative for accelerating the delivery of Integrated Growth Solutions involves strengthening our business transformation (BX) practices. In the Japanese market, we have received many requests for consultation about business strategy from client company

Holistic transformation model



Our service offerings under our Holistic Transformation Model that enable transformation and sustainable growth for our clients

	Corporate Units					Business Units				
Management	HR	Comms	IT	R&D	Co-creation/ Innovation	DX Promotion	Business/ Marketing	Advertising	Sales	SCM
Establishing a corporate identity that serves as the foundation for transformation										
Purpose Purpose/MVV & Future Vision										
Developing strategies, roadmaps and action plans to guide transformation										
Transformation Architecture Management Strategy & Management Plan, Corporate Value Enhancement & IR Strategy, DX Strategy/Data Strategy, Sustainability Strategy										
Consistent business development support from strategy formulation to market launch / streamlining and upgrading existing businesses										
Business Creation/Transformation Business Strategy & Vision, New Business Development, Existing Business Transformation & Streamlining, SCM Transformation										
Support for streamlining and upgrading of marketing/branding										
Marketing Transformation Rebranding, Marketing Strategy, Sales & Distribution Strategy, Customer Data Strategy & Marketing Foundation Building										
Formulation and implementation of organizational and HR strategies to foster a corporate culture of transformation / strengthen engagement										
Organization/Engagement Transformation Organization and HR Strategy, HR System Design & Talent Development, HR System Installation/DB Construction, Internal Marketing										
System construction / infrastructure transformation to encapsulate transformation architecture										
Corporate Transformation IT Strategy, IT Foundation/Data Management Foundation Building & Operation Advancement, Operational System Transformation & Construction										

Our business

management teams over the past decade, so we have enhanced our BX capabilities. We support the transformation of businesses and organizations, including defining their purpose, ultimately supporting the transformation of the entire company.

Our BX practice is experiencing a high rate of organic growth that exceeds that of the consulting market. The capital and business alliance with Dream Incubator, which commenced in 2021, and the capital alliance with Ignition Point, which started in 2022, are also helping to accelerate business growth.

Holistic approach to client transformation

We call our novel approach to achieving sustainable growth for our clients the Holistic Transformation Model. This enables companies seeking transformation to start with the unique character of their company and make internal changes, create businesses, and promote overall

transformation.

As shown in the diagram, we provide BX services for clients ranging from management teams and corporate divisions to R&D and business units. ([see p. 35](#))

Moving clients towards internal and external transformation

Dentsu BX is characterized by three main features:

① Creativity: This is woven into every phase of the process, from the evaluation of client issues to strategy design and implementation.

We design client-centered BX projects by organizing issues in a compelling and bespoke manner through dialogue with clients.

② Moving people: We move people's hearts and emotions to shape their attitudes and bring about change. For all BX projects, we believe we must consider

the people behind the project. In projects aimed at developing new products or services, we target our clients' customers, and in organizational transformation projects, we target employees working at the client company. Our insights enable us to fully leverage the knowledge we have accumulated in the marketing communications domain.

③ Activation and execution: To realize change, we organize issues and formulate strategies, while walking clients through the process of execution and adoption.

We believe our contribution to clients' sustainable growth does not end with the creation of a strategy, but also extends to execution and accountability.

To achieve this, it is essential to integrate our practices outside of BX: Media, Creative, and CXM. Having these capabilities within the Group further strengthens our BX capabilities.

Achieving higher added value globally

Our challenge is how to scale up the approach we have taken in Japan and execute it in our other markets.

Under the One dentsu Operating Model, we have over 400 BX consultants active worldwide in BX practices launched in 2024, providing location-free services.

To deploy our BX practice globally, we believe it is important to achieve synergy between the capabilities and services we already possess in markets outside of



Japan, with the BX skillset that we have cultivated in the Japanese market. To this end, we are proactively engaged in globally standardized training programs and various cross-regional collaborations.

Furthermore, to realize business growth through contributions to society, the dentsu good team, which assists clients in formulating sustainability strategies and other efforts, is also involved in our BX activities.

We feel that strengthening BX represents an effort to redefine our value proposition as a company that conducts business in the marketing communications domain. This, in turn, will lead to our own transformation.

We will continue to drive change and create ever higher added value not only in our BX actions but also, by extension, in all our services. In this way, we will help our clients to achieve sustainable growth.

Accelerating and deepening IGS Initiative 2: Integration of Tag

A global production powerhouse

Tag is a global omnichannel content production and channel activation powerhouse to brands and agencies worldwide. Established in 1972, Tag is the global partner that helps brands across borders and cultures. With teams in 29 countries across the world, Tag offers local market insights at scale, while our distributed hub model means the wheels are always turning.

With 2,700+ people operating in four key regions (Americas, EMEA, APAC and India), collaborating with 4,000+ in-market linguists, Tag operates through one global production hub and 10 specialist hubs, with one proprietary technology platform, Digital Interact (DI), designed to connect the end-to-end marketing ecosystem and help all marketers get more out of every day – more value, more efficiencies, more impact.

Tag: at the forefront of the AI revolution

Tag offers end-to-end capabilities across all media channels, ingesting the big idea directly from clients and Agency Of Record and producing the omnichannel content needed to fuel the advertising campaign, offering analytics for in-campaign live optimization. All this is powered through Tag's proprietary marketing execution platform, DI – Digital Interact, offering real-time collaboration, content management, insights, and analytics.

Tag is investing heavily in AI: the objective is to evolve DI – Digital Interact – into Digital Interact Content Engine – DICE, in order to enable media plan ingest, production automation technologies, AI across production, distribution and analytics, dynamic content distribution and personalization, modular content production at scale post DCO (dynamic content optimization) integration, measurement and insights, and client communications and auto-briefing.



Integration of Tag into dentsu

In July 2023, Tag was acquired by dentsu. Tag remains a distinct brand and is headquartered in London, UK. United in business acumen, Tag and dentsu share similar core values, company culture, and embrace a vision “to be at the forefront of people-centered transformations that shape society.”

As our acquisition of Tag significantly expands our content delivery capabilities, Tag's expertise to deliver personalized, omnichannel content in real-time and at-scale for clients remains unparalleled across the entire customer journey, unlocking marketing effectiveness and efficiency.

Equipping brands with engaging, creative production and sourcing solutions, Tag and dentsu together provide the perfect platform to help brands improve marketing ROI, meet ESG initiatives, manage their carbon footprint, and leverage first, second, and third-party consumer and customer data to drive growth. Tag and dentsu bring together their innovation and technology infrastructure to help solve clients' toughest challenges through the provision of IGS.

Accelerating and deepening IGS Initiative 3: One dentsu, powered by AI

AI is rewriting our business

Dentsu is an industry pioneer in the multifaceted use of AI technology, which provides distinctive value to our clients and society.

AI has been in use since the mid-2010s, and its impact on society has increased dramatically with the emergence of generative AI over the past few years. AI is rapidly transforming traditional workflows by streamlining all marketing-related activities, from data collection, analysis, utilization, and ideation, to creative production.

AI not only streamlines and automates, it also contributes to the way creative ideas and content are shaped, generating new expressions and experiences such as conversational interactions as well as personalized, dynamic, and creative content.

Furthermore, AI has proved to be a great help in the most human of activities—generating ideas. In this way, AI has the potential to fundamentally change the way we do business with our clients.

The Group has long focused on Customer Transformation & Technology (CT&T) and has been an industry pioneer in the use of AI.

After its rapid evolution over the past few years, AI has become a technology that is indispensable for dentsu to realize its purpose: an invitation to the never before. Rather than being limited to improving internal operational efficiency, we are now also using AI to solve challenges facing our clients and society.

Leveraging generative AI: Extensive partnerships, and proprietary products and services

We believe in the importance of our extensive partnerships, rather than playing catch-up with rapid technological developments on our own.

As announced in 2023 and 2024, we are strengthening our partnerships with major tech platforms such as Microsoft, Google, and Amazon Web Services (AWS). We are also developing several products and services that leverage these platforms' cutting-edge generative AI, and 2023 was the first year that we made these available to market.

As an example, Merkle GenCX is a product that uses AI to analyze client data and Merkle data to derive various insights and intelligence. As well as for the optimization and visualization of budget allocation, the solution uses



natural language to operate data-based functions. These include AI-based recommendations for optimal content, channels, and timing tailored to the client.

Dentsu Digital's ∞AI (infinity AI) series is a one-stop product for digital advertising optimization and customer experience using chatbots. ∞AI Ads uses generative AI to automatically generate advertising text and banner ads, and improve them to deliver optimized ads.

∞AI Chat facilitates the creation of chatbots that incorporate expert knowledge to engage in natural conversations with customers and users, flexibly responding to diverse needs.

These are just a few examples. The Group will continue to strengthen its collaboration with a wide variety of players to stay on top of cutting-edge AI developments and be able to convert them quickly into value for clients and society.



Our business

Utilizing AI internally: Improving productivity and transforming operations

With AI increasingly being seen as a personal assistant, the Group is applying this internally. One example is the use of Microsoft Copilot and Microsoft M365 Copilot, two of Microsoft's most advanced tools.

Microsoft M365 Copilot, in particular, is a generative AI solution combined with Office software that supports document creation, email and chat replies, and online meetings.

Dentsu began using M365 Copilot in August 2023, and this was presented as a case study at a Microsoft event in November of the same year. The video featured dentsu employees using AI to streamline their work.

In addition to the use of these external tools, we are also developing AI tools for specific tasks at dentsu.

The benefits of these initiatives go beyond simply increasing individual productivity. Automated translation tools in meetings, for example, facilitate collaboration across countries. Sharing prompts allow for the sharing of know-how throughout dentsu and across organizations. We are thus promoting collaboration that transcends various boundaries and positioning generative AI as a tool to help realize One dentsu.

Urgent need for AI governance initiatives

While generative AI has great potential for business, it also entails ethical risks and social implications. In response to these challenges, dentsu is working to strengthen governance by setting up appropriate points of contact. This we are doing with comprehensive Group-wide guidelines, in addition to guidelines that reflect local legislation and norms at multiple levels.

Reflecting our B2B2S (Business-to-Business-to-Society) management policy, we see the governance of generative AI not merely as an obligation, but as an opportunity to improve the sustainability and competitiveness of our business. We believe that, by strengthening the governance of generative AI and properly understanding its potential and risks, we can deliver the new value it will create.

One dentsu, powered by AI

Today, AI has become a universal technology—a common language, so to speak—not bound by country or region. For this reason, it is an area in which we can expect the strengths of One dentsu to be optimally multiplied.

We are already collaborating with, and learning from, each other in ways that transcend the boundaries of brands and regions. The Group will unite to focus on the utilization of new technologies and pursue the never before, the greatest value for our clients and society.

Note: The text of "Accelerating and deepening IGS - Initiative 3: One dentsu, powered by AI" is the result of human-AI collaboration.

Transformative creativity: connecting our diverse talent to change society

Creativity is the most distinctive feature of dentsu's B2B2S solutions.

Creativity is sometimes interpreted as artistic expression, but we at dentsu define it in a much broader sense. In Integrated Report 2023, we introduced the



Yasuharu Sasaki

Global Chief Creative Officer, dentsu

concept of transformative creativity.

This is the new type of creativity we advocate, through which people are moved, companies grow, and society is transformed. We stimulate innovation using novel methods and unexpected combinations of existing approaches, to help solve a variety of issues.

Transformative creativity is not only characteristic of people in creative divisions, but an ability possessed by countless individuals throughout the Group.

B2B2S is a highly complex solution combining a company's economic and social value. Correct strategies alone will not move people, and it is difficult to create growth for companies in an increasingly commoditized world.

Nor is it easy to solve complex social issues involving a variety of factors. And we now live in an age when anyone can generate expressions using AI. As people are no longer moved merely by the delicacy of expression, there is a need for ideas capable of resonating more deeply in people's hearts.

Our transformative creativity always starts with our people. And by using the power of ideas, the power of craft, and the power to execute projects, we connect our people to media, platforms, and companies. This allows us to maximize the power of individuals and transform it into a positive driving force for social change. Below, we have listed some examples.

- Voice Watch is a system developed in collaboration with an auto maker that uses AI-generated voice commentary enabling everyone to enjoy sports and entertainment
- Scrolling Therapy is an app that serves users as an exercise tool to help improve the early symptoms of Parkinson's disease
- The Shopping for Good project is a social contribution platform in which many companies participate, enabling consumers to support charities while they shop
- Project Humanity is a joint research and development project involving a telecommunications company that enables people living with ALS to use their own bodies to move avatars freely in digital space
- We are a supporting partner of WOTA's initiatives targeting the social implementation of water recycling systems
- Butterfly Check is a tool facilitating the analysis of connections between biodiversity conservation and business growth
- The De Owarasenai Platform which we developed makes it easy and affordable for people to take part in recycling

The abundantly creative B2B2S solutions offered by dentsu are born from unexpected combinations of the diverse functions and talent across the Group. We will continue to pursue the creation of innovations that impact the world by placing people-centered creativity above all else.

Case Studies | B2B2S

Voice Watch

Helping create a society in which everyone, including the visually impaired, can enjoy sports together

AI has been used for the first time to provide real-time, play-by-play audio commentary enabling the visually impaired to enjoy motor sports.

“I don’t understand what’s going on in front of me when I go to the venue.”

“I don’t feel comfortable asking friends and family to explain what’s going on during the race.”

“Even if everyone else is excited, we don’t feel like going to the venue because we can’t get in on the excitement.”

Visually impaired people often have difficulty enjoying sporting events because they cannot follow the action, so Voice Watch was developed in recognition of the disparity in the amount of information available to people of various abilities.

With support from the Toyota Mobility Foundation, technology was created to convert a wide range of race data into audio information and generate play-by-play commentary for the visually impaired in spectator stands at racetracks where play-by-play commentary is unavailable.

Camera images depict the race as it happens, while changes in race conditions are quickly detected and communicated, based on the analysis of driving data. The system also constructs unique speech frames based on knowledge of professional announcer techniques. The images and speech frames are combined to generate real-time, play-by-play phrasing.

Voice Watch was used at Super Taikyu, Japan’s biggest endurance race, where it created a new motor sports experience that enabled spectators to “listen” to the race.



The technology was the winner in the Best of Artificial Intelligence category at the 102nd ADC Awards in New York. As a Good Design Award 2023 winner, the technology has been included in the Good Design Best 100.

Voice Watch has been expanded for application to other sports, and was used at the 2023 World Aquatics Championships in Fukuoka. Trials currently are being conducted at elementary school athletic meets and other events. Our goal is to help create a world in which everyone can enjoy all kinds of sports, regardless of physical ability.

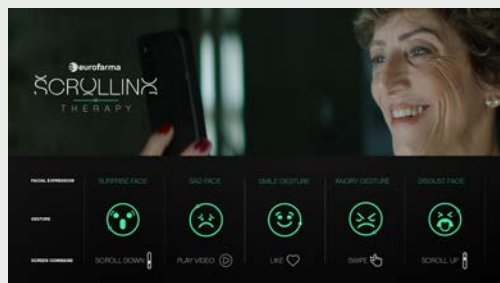
Scrolling Therapy

Mobile app to help mitigate early symptoms of Parkinson's disease

According to the World Health Organization (WHO), some 8.5 million people are living with Parkinson's disease worldwide. For this reason, Dentsu Creative teams in Argentina, Brazil, and the US collaborated with Eurofarma, a major Brazilian pharmaceutical company, to develop a tool that helps mitigate the early symptoms of Parkinson's, including facial muscles becoming stiff and rigid.

This tool is a smartphone app that enables users to perform the hand-based movements necessary to browse social media using their facial expressions.

Using AI-based facial recognition technology, users practice facial expressions guided by the emojis for surprise, sadness, happiness, anger, and disgust that appear in the app. The app supports users' daily physical therapy while they browse social media.



Over 45,000 physicians in 10 countries are using the app, which won the Pharma Lions Grand Prix at Cannes Lions 2023. The app was a finalist in the Social Media category of the Innovation Awards at South by Southwest (SXSW) 2024, one of the world's largest festivals for creatives.

Shopping for Good

From a “consumer” society to a “giving back” society. A project aiming to make a positive impact on society through everyday shopping

Dentsu Inc. has launched and helps to operate the Shopping for Good Project Promotion Committee, together with leading Japanese manufacturers, payment service providers, and retailers.

When customers purchase eligible products at participating stores using a specific payment method, 1% of the purchase amount is donated to charitable organizations. Customers will also be awarded up to an extra 10% in reward points.

In addition, companies participating in this project donate 1% of the sales to charitable organizations. By developing campaigns that incorporate charitable contributions into everyday shopping, we are creating a new economy that is not only sustainable, but also spreads good around the world.



The first stage of the project was implemented in 2022, and the second in 2023. The project had a cumulative total of approximately 810,000 participants and raised over 37 million yen in donations, the impact of which is steadily expanding. The third stage is slated for 2024.

Project Humanity

The world's first project enabling people living with ALS to control avatars in the digital space using electromyography and regain physicality

Amyotrophic lateral sclerosis (ALS) is a disease in which motor nerves are damaged and can no longer transmit commands from the brain to muscles. This gradually makes it increasingly difficult to move muscles throughout the body. An estimated 400,000 people worldwide are living with this disease.

Project Humanity was jointly developed by Dentsu Lab Tokyo, Nippon Telegraph and Telephone Corporation (NTT), and WITH ALS. It aims to facilitate the manipulation and control of physical avatars in the digital space using electrical signals (electromyography) emitted when muscles are moved.

The individual's body is fitted with electromyography sensors that acquire biometric information from minute muscle activity, which is then converted into information to control the avatar. With these technological advances, we envision a future in which even those with physical disabilities will be able to operate avatars through their own will and senses in real time through the power of electromyography signals.

Project Humanity was the only project from Japan chosen as a finalist in the Interface Design category of the Innovation Awards at South by Southwest (SXSW) 2024.

In addition, the project received the Grande for Humanity award at ADFEST 2024. This award recognizes creative excellence and is given to a project that demonstrates aspects such as services and significance to society with outstanding creativity.



WOTA CORP.

Creating sustainable water infrastructure by partnering with a start-up that aims to implement small-scale decentralized water recycling systems in society

Access to safe water and sanitation is fundamental to supporting human health and well-being. According to the United Nations, water resources currently available to humanity will meet only 60% of the global demand expected in 2030.

In addition, Japan's government budgetary allocations for the maintenance of water- and sewage-related infrastructure are deteriorating. This is due the population decline and accelerated aging of water and sewage infrastructure.

Against this backdrop, WOTA CORP. is developing and marketing a small-scale decentralized water recycler. This compact water reclamation system instantly turns used water into water that can be usable again.

Since first connecting with WOTA in 2020, dentsu has supported WOTA through two internal organizations. One is the Future Creative Center, which envisions and aims to help bring about societies and businesses of the future. The other is dentsu Startup Growth Partners (SGP), which specializes in supporting the growth of start-ups.

Transcending the boundaries of advertising, we have worked directly with WOTA's management team to partner in the company's growth through numerous initiatives. These include the implementation of the WELCOME WASH project to promote public hand washing outside the home during the COVID-19 pandemic; formulation of a master plan to visualize WOTA's medium- to long-term growth; and taking the lead in forming an alliance with, and investing in, Japan's largest toiletry company.

In 2023, we also invested in WOTA through the Dentsu Ventures SGP Fund. We are currently promoting the social implementation of WOTA's water circulation system through efforts including the development of global brands.

By supporting WOTA, we aim to contribute to structural solutions for water-related issues.



WOTA is providing "WOTA BOX," private rooms for warm showers, and "WOSH" sanitary hand washing stations in nearly all areas where water was cut off due to the January 2024 Noto Peninsula earthquake in Japan.

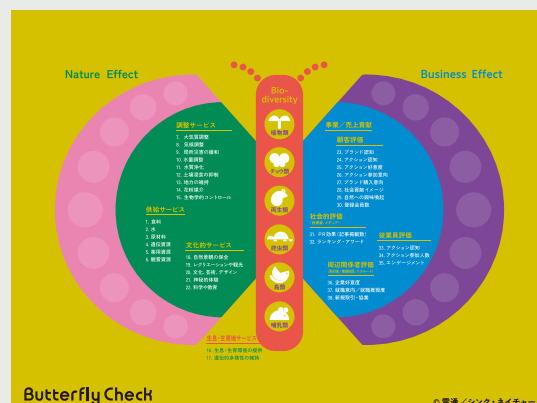
Butterfly Check

Providing visibility to biodiversity impacts and business outcomes

Butterfly Check is a service that supports initiatives aiming for nature positivity, jointly developed by Dentsu Inc. and Think Nature Inc., a startup company that holds some of the world's largest natural capital big data.

This service is an original solution by dentsu that enables integrated analysis based on evaluations from different stakeholder perspectives, including not only the measurement and visualization of the impact of a company's nature-related activities on ecosystems from a scientific standpoint, but also how this relates to business activities such as branding.

By measuring the impact of a company's nature-related activities on both biodiversity and business, and comparing them from a bird's-eye view using a diagram modeled after the wings of a butterfly, we analyze the relationship between these two interconnected concepts, which had previously been considered separately, to identify areas for improvement and further business opportunities. The service has wide-ranging potential for new business development and corporate branding, with the aim of creating a sustainable cycle that enriches both biodiversity and business.



The De Owarasenai resource platform

Promoting consumer participation in the circular economy

The resource circularity platform De Owarasenai—in English roughly meaning “it doesn’t end here”—was developed by Dentsu Inc. in Japan. This platform allows arterial and venous industries to be digitally connected with consumers, thereby promoting a cycle of purchasing, collection, and recycling.

For two months starting in November 2023, dentsu conducted a proof-of-concept trial with Lawson, Meiji, and Nakadai Holdings.

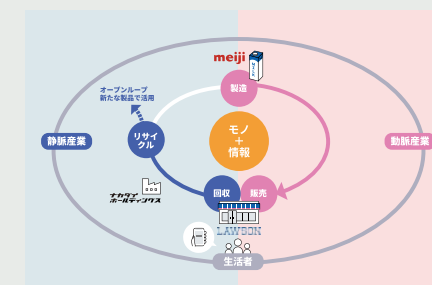
We not only connected manufacturers, distributors, and recyclers, but also leveraged our marketing expertise to create a system that enables consumers to participate in the circular economy. The response we received from stakeholders including government agencies and the media was huge, and two patents are currently pending.

Consumers who take empty paper milk cartons to a Lawson store are eligible to receive discount coupons for Meiji Oishii Gyunyu-brand milk.

We considered collection and recycling from a marketing perspective, and by creating purchasing incentives based on collection, we are encouraging consumer behavioral change as well as supporting companies by contributing to their business and reducing their environmental impact.

Analogous to blood circulation in the body, industries that create products using natural resources are referred to as arterial industries. Those that collect, process, and recycle the resulting waste are referred to as venous industries.

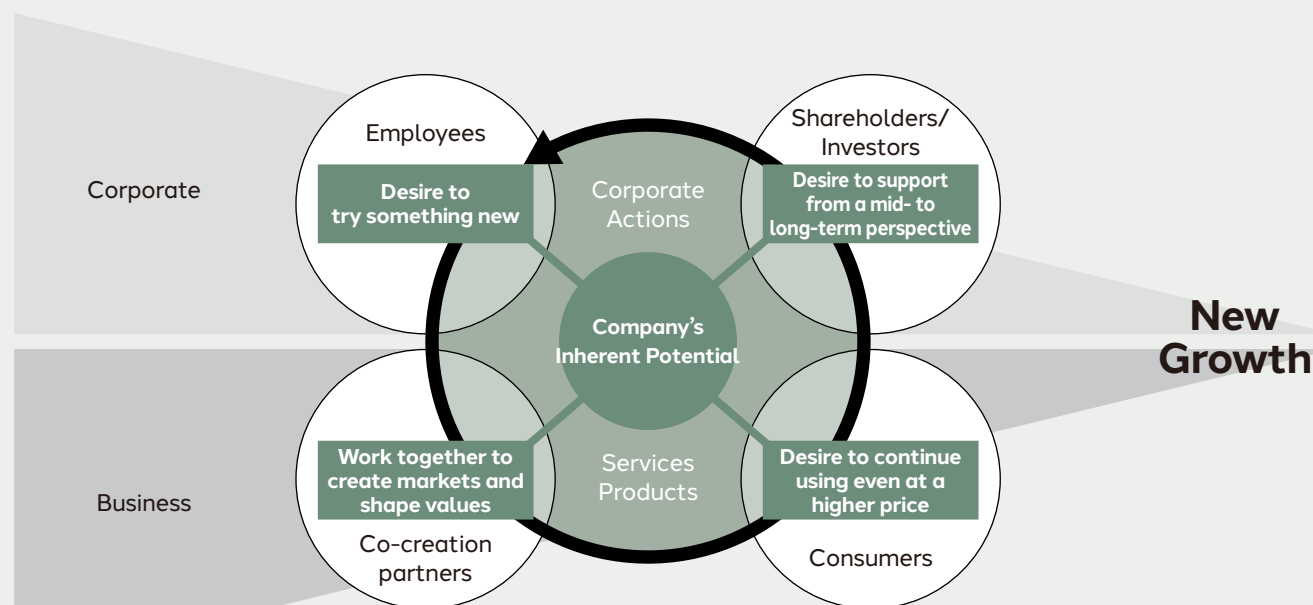
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PLATFORM



Sustainable transformation (SX) and branding Sustainability Consulting Office

Dentsu Inc. established a dedicated sustainability transformation (SX) consulting department in 2023 to provide solutions on themes such as the circular economy, DEI, biodiversity, decarbonization, and ESG. This new endeavor brings together sustainability experts and branding professionals in areas such as creativity, PR, digital transformation, and space design.

With “Sustainability for New Growth” as our vision, we uncover the unique growth potential of each company through a sustainability lens, and by taking a multistakeholder approach and forging new relationships, we aim to achieve growth and enhance corporate value. We provide comprehensive business support from the SX strategy phase to the execution phase, which includes symbolic actions as well as internal and external branding.



Note: The “Butterfly Check” and “De Owarasenai Platform” introduced on p. 45 are examples of this organization’s work.

Our people

Aspiring to win as a people-centered company

Multiplying our expertise to drive dentsu's transformation



Miho Tanimoto

Global Chief HR Officer (CHRO),
dentsu

Shaping the future through people-centered investment

Dentsu's vision to be at the forefront of people-centered transformations that shape society captures our passion for unleashing human potential and harnessing this energy to make meaningful contributions to society.

Building on this foundation, our approach to human capital embraces the universal drive for contribution and growth. We hold that true fulfillment comes from personal development through active participation. By fostering an environment that promotes both contribution and self-directed development, dentsu's HR practices are designed to initiate a virtuous cycle: investing in individual potential fosters further contributions, which, in turn, fuel ongoing reinvestment in our people.

Strategic synergy—HR leadership to amplify management goals

Integrated Growth Solutions (IGS) harness the unique and diverse talents of our employees to drive competitive advantage, emphasizing a people-centered approach. The goal of the One dentsu Operating Model (ODOM) is to drive global growth by implementing IGS across all our operations. We are actively fostering collaboration across the Group to establish a cohesive service delivery system.

Starting with our people, we identify two crucial conditions essential for realizing our management strategy.

First, we aim for every employee to feel actively engaged in achieving our objectives. Second, we strive for both organizational and individual excellence, fostering an environment where diverse professional talents connect, learn, and synergize their expertise toward a common goal.

Miho Tanimoto joined the Dentsu Group as Chief HR Officer (CHRO) in January 2023, significantly accelerating our advancement towards this strategic goal. Initially, she unified the previously separate HR leadership teams in Japan and International into a single, global team to enhance proactive collaboration.

Under her leadership, this integration has fostered ongoing dialogues and information sharing among regional HR leaders and functional HR leaders, including compensation and operations, thereby establishing a framework for globally consistent strategies and practices.

A robust connection with the governance structures, particularly the Nominating and Compensation Committees, was established, ensuring full alignment between HR and broader management strategies.

Empowering employees with our HR mission and strategy

The foundation of our global HR strategy is rooted in the mission that defines the very essence of our function.

The guiding principle, "Coming together to unleash the power of our people," embodies our dedication to

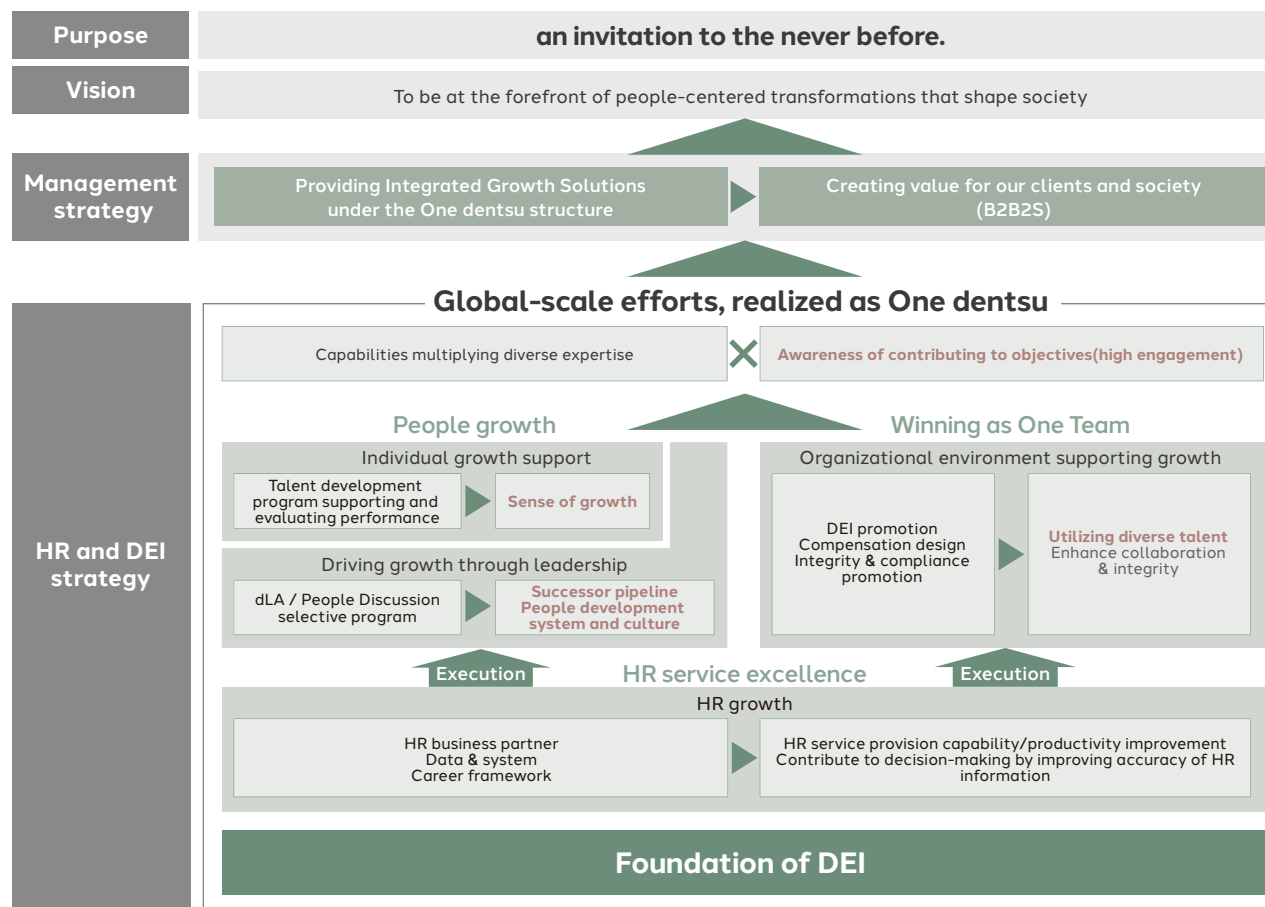
Our people

maximizing the potential of each individual and the entire organization, facilitated by seamless collaboration among all HR teams.

Our HR strategy is built on three foundational pillars. The first, “People growth,” focuses on the development of individuals and teams, emphasizing the cultivation of leadership skills. The second pillar, “Winning as One Team,” leverages diverse capabilities to foster collaboration and achieve unified goals. The third pillar, “HR service excellence,” aims to elevate the quality of our HR services, thereby supporting and enhancing the effectiveness of the first two pillars.

These pillars are interdependent, striving for integrated, expansive outcomes globally as One dentsu. Moreover, we set DEI as the foundation of our strategy to create an environment where our diverse talent can bring their best self to work.

As we implement this strategy, we will establish various indicators for each outcome to measure progress. This approach will enable us to quantitatively assess the returns on our human capital investments and adjust our initiatives based on their progress and effectiveness. Key indicators, designated as material KPIs, are specifically aimed at boosting the Group’s corporate value.



Items in red are regarded the most important outcome elements with established indicators.

Our people

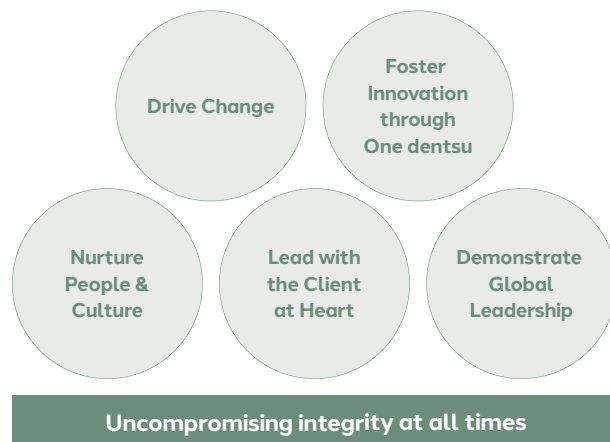
HR strategy 1: People growth

• Shaping future leaders at dentsu

As an initial step in fostering leadership development, we have established the dentsu Leadership Attributes (dLAs)—behaviors that encapsulate the essential values all dentsu leaders should exemplify. The dLAs include five key elements representing the traits valued in leaders, which, alongside steadfast integrity, form the backbone of our talent management framework.

With the introduction of dLAs, we now assess and develop our talent based on both work performance and leadership behaviors. Initially, dLAs were employed as an evaluative tool for key executives in dentsu Japan.

dentsu Leadership Attributes



Moving forward, we aim to broaden their application to include a wider target group, integrating dLAs into our processes for talent selection, evaluation, and training.

• Cultivating growth through People Discussions

To build robust teams across all regions and divisions, we initiated People Discussions using the dLAs to assess talent comprehensively. In 2023, this approach enabled us to identify key talent and potential successors for 15 critical roles, while also facilitating targeted discussions around development investments. Following these discussions, we have already selected certain individuals to undergo new growth experiences.

In 2024, we aim to broaden the scope of our discussions, further structuring this cycle of dialogue to deepen and widen understanding of our talent pipeline. We anticipate that regular discussions at each level of the organization will enhance managers' awareness and proactive behavior in nurturing their teams.

• Unlocking bold growth opportunities

Talent identified through People Discussions will be strategically offered opportunities to develop themselves in diverse global and local settings. These development programs are designed to expand their skills and perspectives. There is an urgent need to cultivate talent capable of integrating various dentsu capabilities and delivering high-level growth solutions in

alignment with the new ODOM.

To address this challenge, we have introduced the dentsu Leadership Connect program. This initiative gathers top global talent to master ODOM practices, aiming to break down divisional silos, explore and discuss the creation of new value through collaboration, and foster relationships that enhance post-program business practices.

Furthermore, we are rolling out global programs such as EIGYO, which leverages the strengths of our Japanese business operations to offer integrated client solutions worldwide, and Path of Tabei, focused on developing female leaders and facilitating individual growth and networking across the organization.

Additionally, beyond fostering dialogue between employees and managers through regular performance development discussions, we also offer extensive opportunities for skill development and reskilling. Our online learning platforms cater to diverse business needs with courses ranging from data, technology, and marketing to liberal arts, enhancing creativity.

These initiatives have also significantly bolstered our Customer Transformation & Technology (CT&T) capabilities, a designated priority area. Consequently, the proportion of personnel engaged in this sector within the Japanese market has grown from 37.0% as of December 31, 2022, to 39.2% by December 31, 2023.

Our people

• **Establishing a system and culture of people growth**

By integrating the above initiatives into our talent management system, we aim to offer equitable, practical growth opportunities, cultivate diverse skills and strong leadership, and foster a culture that supports and develops our people.

To track our progress towards these goals, we will monitor time spent in People Discussions and succession coverage, alongside assessing employee awareness of growth opportunities through an engagement survey.

HR strategy 2: Winning as One Team

• **Issues identified from the engagement survey**

Employee engagement is crucial for fostering a collaborative team culture. The Group measures engagement through an annual survey, and all teams analyze their scores to identify areas for improvement. These engagement scores are integrated into the KPIs for executive compensation, reinforcing management's commitment to enhancing workplace culture.

The Group's employee engagement score for 2023 stood at 66, marking a two-point decline from the previous year. This score reflects varying trends in factors between Japan and International; Japanese employees highlighted challenges on future prospects, senior leadership, and innovation, whereas employees from other regions focused on vision and strategy, career opportunities, and change communications.

Despite these regional differences, there are clear opportunities for improvement in the frequency, clarity, and consistency of leadership communications. In response, we have enhanced our internal channels and interactions, both in Japan and International.

Acknowledging the need for more in-depth strategic messaging and robust two-way communication, we have intensified our efforts. These include organizing the first large-scale, in-person, senior leadership meeting post-pandemic.

Simultaneously, responses related to personal integrity and compliance awareness—critical from a governance standpoint—received high scores. We view this as a promising opportunity to elevate awareness and refine our governance activities further.

Engagement score	66
(Top 5 rankings by score)	
Personal integrity	81
Respect	78
Compliance	78
Leader integrity	75
Client contributions	73

• **Strategic incentives to boost collaboration**

To reinforce IGS as One Team, we are revising our incentive structures to promote behaviors that harness our collective capabilities for superior outcomes. In 2023, we established a Compensation Philosophy that now underpins our compensation system and has begun to influence senior-level discussions.

We have adjusted compensation schemes in International to align with the ODOM concept. This adjustment promotes cross-selling and collaboration and rewards long-term performance, particularly among senior-level employees with significant organizational influence.

We are also dedicated to fostering non-monetary incentives. Since 2023, we've introduced the Northstar Awards, a Group-wide initiative celebrating exceptional achievements and sharing of insights. We tailored the award themes to align with key business strategies, including IGS and B2B2S, showcasing these awards as exemplars of the Group's strategic objectives.

• **Valuing employee voices to forge a unified team**

To verify the effectiveness of our organizational culture, where diverse talents collaborate as One Team to enhance performance, we measure outcomes by analyzing employee attitudes from various perspectives.

We use the engagement score to gauge overall employee sentiment towards the organization and

Our people

ensure everyone is in a state where they can contribute in a positive way. We also evaluate the extent of employee collaboration and integrity using survey scores and qualitative data.

Furthermore, to enhance awareness throughout the entire Group, it is vital that employees of diverse attributes across all levels actively contribute in their distinctive ways. Central to this effort is our DEI strategy, which taps into the potential of diverse talents. The specifics of this strategy will be detailed in the following section (p. 53).

HR strategy 3: HR service excellence

• HR partnerships supporting business transformation

HR Business Partners (HRBPs) deliver critical support to the business, serving as a foundational element of our HR function and significantly influencing business performance. In International, we have realigned HRBPs to fit our new business operating model better, establishing a structure tailored to meet specific business demands effectively.

Concurrently, we are exploring the pilot implementation of HRBP functions in Japan, our largest market, integrating broader insights from other regions. This initiative is already yielding tangible outcomes, such as a better understanding of organizational challenges and pinpointing potential candidates for global leadership roles.

• Leveraging data for operational excellence

We continue to enhance our investment in people data, particularly improving data quality and developing standardized data sets across the Group. One significant challenge has been Japan's diverse corporate landscape, complicating the establishment of uniform definitions for key people data.

Nevertheless, the creation of a unified data template in 2023 has enabled a comprehensive overview of our talent across companies, using standardized data definitions. This not only improves the accuracy of our key metrics but also supports the data-driven development of future organizational strategies.

To standardize talent data across the Group, we are implementing the One dentsu Career Framework in Japan, a system of job families and levels already in place in other regions. This was implemented for our Group Management in 2023. Our future goals include broadening its application to enhance strategic resource management, talent allocation, and career development opportunities, all based on this data framework. Currently, a project is in progress to introduce consistent job levels across our Japan business.

We are also advancing our efforts to enhance the efficiency of daily operations through process optimization, automation of high-volume tasks, and leveraging shared services in cost-effective regions. Acknowledging regional operational differences, we are

set to revise processes and systems where broader optimization would be beneficial. Our goal is to boost productivity further through global integration and standardization of operations.

Believing in brilliance: HR's commitment to energizing our people

Miho Tanimoto,
Global Chief HR Officer (CHRO),
dentsu

It's hard to believe a whole year has flown by since I joined the vibrant dentsu community. This past year, we focused on a global initiative to identify our top 100 leaders, shaping a leadership vision that drives our Group's growth and informs our succession and talent development strategies.

Believing in the power of positive leadership to strengthen our organization, we engaged in meaningful dialogues across various organizational levels to craft the dentsu Leadership Attributes. These in-house discussions, leveraging our global capabilities, were not just strategic but also a valuable opportunity for us to reflect on who we are and what we aspire to be.

Through dialogues with employees globally, we've gained insight into their expectations for the Group. It was particularly striking to hear many of our dentsu people highlight taking initiative as a key

strength. They cherish our culture of proactive thinking and collaboration, enabling us to deliver the best solutions to our clients. It is inspiring to see such enthusiasm for this way of working.

Moreover, from conversations with employees engaged across various regions and disciplines, I've learned that embodying One dentsu not only broadens business opportunities but also enriches their experiences by allowing them to work with a diverse team of professionals. This has bolstered my confidence in the One dentsu strategy we have been advancing since 2023.

People are the heart of dentsu's business. In HR, we see it as our mission to believe in our people's potential and support them in fostering a vibrant organization.

In 2024, I am intensifying my focus on Japan, our largest market, by expanding the People Discussions initiated in 2023 to leaders at levels further down. We have also launched a global talent development program to actively offer growth opportunities to individuals highlighted in these discussions.

By openly discussing leadership as a key evaluation criterion, we aim to inspire many

employees to reach even higher. It's important to me that our people who contribute value are recognized fairly, moving away from traditional metrics such as working hours and sales figures. I believe that fostering a culture where everyone is encouraged to take initiative will help us maximize the potential of our people.

Employee engagement thrives on transparent storytelling from our leaders. Last year, our President & Global CEO, Hiroshi Igarashi and I shared the engagement score results and action plans with all employees. I also hosted a town hall with Japan CEO, Takeshi Sano, titled "How are executives chosen?" and shared the People Discussion process and approach. Through open communication and dialogues addressing strengths and areas for improvement, we aim to build trust between the leadership team and employees and gather vital insights for change.

Our new slogan, "We aspire to innovate and surpass expectations," reflects our collective ambition. Committed to this vision, I will continue guiding HR to develop the exceptional talent that defines dentsu.

Our people

Dentsu DEI showcases personalities and strengths

Unleashing the talent of 71,000 diverse individuals to drive business and society

As talent is the source of dentsu's competitiveness, DEI is positioned as one of our material issues. The Group will continue to propose new value to meet the increasingly complex challenges of clients and society by bringing together diverse individuals with expertise and uniqueness, and by demonstrating strong capabilities as a team. In promoting DEI, we are proactively working to create an environment where every employee can fully demonstrate their abilities with a sense of fulfillment, while fostering a corporate culture that respects colleagues and transforms mutual differences into strengths.

Autonomously discovering issues to generate ideas and actions

An inclusive corporate culture can only be nurtured and strengthened when DEI is integrated into the experience of every employee. Thus, in fostering DEI at dentsu, rather than relying on top-down instruction, we emphasize the importance of each employee identifying issues themselves, considering actions that involve others, and taking initiative. We will demonstrate creativity and the ability to execute, which are the

Group's strengths, while continuing to take on the challenge of transforming our company and society.

The four pillars of our DEI strategy

Our DEI strategy comprises four pillars: Transparency and Accountability, Representation and Sponsorship, Education and Continuous Learning, and Impact on Clients and Communities. We have a regional Chief Diversity Officer in Japan and Chief Equity Officers across the Americas, EMEA, and APAC. Our DEI leaders are working closely together to accelerate the One dentsu Operating Model (ODOM) to maximize employee job satisfaction, mutually leveraging talent resources, capabilities, and practices in each region, while working to develop a clear global strategy and promote

multifaceted, multi-layered actions that take into account differences in social backgrounds and cultures.

DEI strategy 1: Transparency and accountability

DEI is at the center of dentsu's vision "to be at the forefront of people-centered transformations that shape society." We believe that to deliver on our vision, we must ensure that we are truly representative of the societies we serve. To hold ourselves accountable, and to cultivate an environment where we all work together to make progress in fostering a diverse and inclusive culture, we track and transparently report our progress towards certain aspirational goals.

As one indicator of employee demographic diversity, the Group is working towards an aspirational goal to achieve a 45% female leadership ratio by 2030. In addition, this year we added an aspirational goal to achieve an engagement survey "respect" score of 80 points by 2025. Our hope is that by measuring the extent to which our employees feel they can engage in their work while practicing mutual respect, we will enhance awareness of our differences and further refine our corporate culture, which turns individual differences into mutual strengths. This is also one of dentsu's strengths.

Note: Percentage of representation other than by gender in each region is available in the [Diversity, Equity & Inclusion Report 2023](#) [published December 2023].



Atsuko Kuchiba
Chief Diversity
Officer, dentsu
Japan

Christena Pyle
Chief Equity
Officer, dentsu
Americas

Pauline Miller
Chief Equity
Officer, dentsu
EMEA

Rashmi Vikram
Chief Equity
Officer, dentsu
APAC

Our people

DEI strategy 2: Representation and sponsorship

We will expand our recruiting practices to reach more diverse talent, and enhance our work environment to be more inclusive, creating a fair workplace for everyone. Currently, we promote the representation of underrepresented groups in society through actions in the workplace as well as by connecting with external organizations and teams.

We have several employee resource groups (ERG) that, having been established by employees themselves, encompass a wide range of demographic groups and diverse perspectives. We proactively encourage mutual support and awareness-raising activities led by individuals who self-identify with the target characteristics of the groups as well as their allies.

• Gender equality

Through the aforementioned training programs and other initiatives, we aim to create an environment in which our female employees are supported and empowered to pursue diverse career paths and play active roles on their teams.

Our commitment to gender equality also extends beyond the workplace. Two representative examples are “Visible Voices” (EMEA), a short film in which employees tell their personal stories while raising awareness of social and political issues, and “Femtech and BEYOND” (Japan), which aims to grow the femtech market by

working with clients to identify business issues and implement actions, including product design, to resolve women’s health issues and gender-specific challenges.

• Inclusion of people with disabilities

In a society where one in five people lives with a disability, dentsu will continue to take on the challenge of designing inclusive workplaces and striving to shape a society that promote accessibility for people with disabilities. For dentsu, where talent is the basis of our competitiveness, leveraging and expanding the abilities of colleagues with disabilities is synonymous with expanding the potential of humanity.

In Japan, we have been commissioned by Tokyo’s Setagaya Ward to undertake the Nofuku Partnership Project, which aims to solve local issues by preserving farmland, promoting employment for people with disabilities, and increasing wages.

We also promote various internal efforts to facilitate understanding and awareness, such as the “Neurodiversity ERG”



(APAC) session series that raises awareness around autism, ADHD, dyslexia, and other neurodivergent traits. These help us create an inclusive workplace at dentsu.

Our efforts include the Valuable 500, an international initiative in which 500 global corporations collaborate to promote the inclusion of people with disabilities, as well as the Disability Equality Index created by the global organization Disability: IN to benchmark disability inclusion in the workplace.

• LGBTQ+ inclusion

Supporting LGBTQ+ colleagues working in our Group is critical in helping to create a society that embraces diversity, promotes equality, and celebrates the rights and identities of all individuals.

In addition to the various initiatives led by LGBTQ+ ERGs at offices worldwide, during Pride Month, the creativity we have developed in our advertising business has enabled us to launch LGBTQ+ awareness and inclusion campaigns in various countries, including “Dentsu & Friends” (EMEA), “Dentsu pride NXT SPACE” (Americas) and LGBTQ+ ERG (APAC). In Japan, dentsu received the highest “Gold” rating in the PRIDE Index, which evaluates corporate initiatives for LGBTQ+ inclusion in the workplace, and “Rainbow” certification as a company promoting initiatives that have a collective impact.

Our people

• Multicultural inclusion

With over 71,000 employees from different cultures and backgrounds working at dentsu, we are dedicated to creating an environment of mutual respect that fosters a sense of belonging. As a founding member of the World Economic Forum's Partnering for Racial Justice in Business initiative launched in 2021, dentsu is committed to cooperating with, and supporting, individuals and organizations through empowerment aimed at creating fair and equitable work environments. Additionally, the Group actively supports and participates in the Black Enterprise Women of Power (BEWOP) Summit (Americas), a pivotal conference focused on professional leadership for female executives of color.



• Generational inclusion

Teams comprising employees of multiple generations combine wisdom and experience with fresh perspectives. The Group is committed to providing resources, a sense of community, and learning opportunities for employees of all ages and career levels. Our initiatives include being the first advertising agency in the UK to partner with 55/Redefined, which is focused on combating age discrimination and improving the representation of employees over-50 in the advertising industry. In recognition of our proactive approach and employment policy, we received the "Age Inclusive" and "Age Friendly" certification marks.



• Health and wellness

Employee work styles and values may change due to mental health or illness. We are committed to listening to concerns, educating employees, and providing resources. This includes comprehensive training programs that prioritize both mental and physical health, ensuring robust support for employees.

Mental Health First Aider, a global training program that provides information and teaches skills to assist employees, their family members, and friends facing mental health issues or crises resulting from mental

health issues, is provided in nine markets including Japan. Further, we established and continue to run Lavender Ring, a social contribution activity conducted in Japan with the mission of "Bringing smiles to the faces of all cancer survivors."



Lavender Ring activities

DEI strategy 3: Education and continuous learning

Education and learning opportunities are invaluable for dentsu's diverse talent to develop new skills and discover new possibilities. Through a variety of career development and pipeline programs, including those previously mentioned, the Group is accelerating investments in employees at all career stages (for more details, please refer to the programs listed in our 2023 DEI Report).

These programs foster inclusiveness and collaboration among a diverse employee population

Our people

with different experiences and backgrounds, while strengthening our ability to provide solutions to clients and address social issues.

In Japan, we continue to provide DEI Park, an original learning platform that encourages feedback from, and dialogue with, minorities within the Group, while encouraging all employees to think and act autonomously. This initiative results in more than 200 bottom-up actions each year.

At the same time, as an investment in the future of society as a whole, dentsu provides internship opportunities for external partners. These include the “SkillBridge Program” (Americas), which partners with the US Department of Defense to assist veterans in changing careers, and the “Topu Toa Internship Program” (APAC), which partners with the New Zealand non-profit Topu Toa to increase employment opportunities for Maori people.

DEI strategy 4: Impact on clients and communities

In promoting DEI, we also pursue our B2B2S management policy. Through collaboration with like-minded partners around the globe, we are broadening the world of DEI advocacy, from the corporate world to wider society, by engaging people, addressing social issues, promoting inclusive business practices, and driving social change.

In Japan, ten Group companies jointly organized a sports festival for people with severe disabilities who

have difficulty playing in Paralympic sporting events. Twelve teams from special needs schools and other organizations and over 100 dentsu employee volunteers participated in this event, creating opportunities for interaction and self-realization through sports.

As an industry leader, dentsu is committed to fostering more inclusive marketing and advertising businesses through partnerships with organizations and associations worldwide that represent their respective industries. These include the establishment of a DE&I Committee within the Japan Advertising Agencies Association, an alliance with the Association of National Advertisers to publish the “See Her” report, a pioneering campaign advocating for gender equality in media and advertising. Additionally, “OWN-IT” (Americas), is a fellowship program facilitating access to business opportunities across our network and promoting the mentorship of female entrepreneurs by corporate executives.

Note: For information on other representative partnerships, please refer to “Our Partnerships” in the [DEI Report 2023](#) [published December 2023].



To realize an inclusive society, we held the sporting event IncluFES to provide people with severe disabilities with the opportunity to play sports.

Our people

Working towards progress indicators to realize our ideal HR image

Ideal image	Indicators of progress	Targets	2023 achievements
Employees willing to contribute positively to the team/organization (high engagement)	Engagement score*	68 (2024)	66
Employees adding new capabilities with adequate growth opportunities	“Growth” score*	No target (new indicator)	66
Well established successor pipeline (leadership development)	Group executive management successor readiness rate	No target (new indicator)	None
Firmly rooted HR development systems and culture	People Discussion time	No target (new indicator)	None
Diverse talent are empowered and active (with a focus on gender first)	Female leader aspirational goal	34.3% (2024) Targeting 45% in 2030	32.4%
Employees work with mutual respect for each other	“Respect” score*	79 (2024) 80 (2025)	78
Active collaboration among employees	“Collaboration” score*	No target at this time	69
Engaging in correct behavior based on integrity	“Personal integrity” score*	No target at this time	81

Indicators in green are formulated as Materiality-related KPIs.

* Measures each score in the engagement survey.

Human rights

Promoting and respecting human rights as a core business strategy

Dentsu is committed to upholding all internationally recognized human rights and the UN Guiding Principles on Business and Human Rights in every aspect of our operations. Promoting and respecting human rights as a core business strategy not only aligns with our vision to be at the forefront of people-centered transformations that shape society but is also essential to our long-term success. For details on our approach to due diligence, please visit our dedicated [Human Rights page](#).

Actions in 2023

This year, we have focused on strengthening our foundations. We have:

- established a global governance structure responsible for human rights-related issues;
- included human rights as a standing agenda item at the Group Sustainability Committee (GSC), and within functional working groups;
- conducted a Human Rights Impact Assessment (HRIA) with external experts;
- revised our Human Rights Policy and related internal controls; and
- developed a human rights training video for all employees.

Policy

Our Code of Conduct, Supplier Code of Conduct, Human Rights Policy and various policies related to specific impacts, set out our commitment to human rights, and

the expectations on all employees and suppliers.

The Human Rights Policy was updated in consultation with expert stakeholders and approved by the Group Management Board.

Governance

Our Representative Exec Officer, Exec VP/GCGO/GCFO, oversees our Group human rights program. Our Heads of Human Rights are responsible for day-to-day implementation of our Group human rights strategy, working closely with our Group functions teams to build and embed capacity for the management of our human rights impacts.

Human rights are a standing agenda item at the GSC which meets quarterly. This year, the GSC reviewed our Group human rights strategy and the results of our HRIA.

The Group Human Rights Committee and dentsu Japan Human Rights Education Conference cover Japan-specific issues. ([Details](#))

Risks and impacts

We proactively identify global and market-level risks, including real time alerts on social, environmental, and security events, bi-annual assessments of the risk profiles of our markets, and our annual engagement survey.

To complement this, we appointed an external expert agency to conduct a global HRIA. The results inform our priority action areas.

Our most salient impacts include:

- Equality and Non-Discrimination
- Freedom of Thought, Opinion, Religion, Belief, Expression and Access to Information
- Labor Rights and Harassment
- Privacy and Data Security
- Child's Rights
- Right to a Healthy Environment

Grievance

We encourage all employees, suppliers and stakeholders to raise any human rights concerns through our externally operated, free, anonymous and confidential [Speak Up@dentsu] portal (p. 87).

Incidents

This year, serious allegations of human rights abuses were made in the Japanese entertainment industry, which we engage with. We are closely monitoring the status of remedy measures, and are increasing our due diligence with this, in-line with our Code of Conduct, Supplier Code of Conduct and Human Rights Policy.

Environment and society

Working to realize a low-carbon society and make social contributions toward truly sustainable corporate growth



Yuko Kitakaze

Global Chief Sustainability Officer,
dentsu

Our approach

“Planet,” one of the core themes of our 2030 Sustainability Strategy, encompasses not only the global environment but also society as a whole. Maintaining a healthy planet is a key prerequisite for us to provide value through our business. In addition to reducing the environmental impact of our own activities, we leverage our unique position, from which we can collaborate with many stakeholders, including clients and consumers, to proactively carry out activities that

create future possibilities.

In March 2024, the Dentsu Group Environmental Policy was updated to reflect the updated 2030 Sustainability Strategy. For details, please see our [website](#).

Climate action

Climate action is one of the material issues included in our 2030 Sustainability Strategy. Climate change has potential financial and societal impacts on dentsu and our stakeholders, including investors, partners, and clients. To achieve the goal of accelerating the transition to a low-carbon and sustainable society, we have set the following KPIs and will promote action plans accordingly from 2024.

- Achieve net-zero greenhouse gas (GHG) emissions by 2040 (Scope 1-3)
- Achieve a 46.2% absolute reduction in GHG emissions by 2030 (Scope 1-3), compared to a 2019 baseline
- Achieve 100% renewable energy* by 2030
- Enable 1 billion people to make more sustainable choices by 2030

* Renewable energy in the context of dentsu's sustainability strategy and commitments refers to electricity generated from renewable sources. The definition for renewable electricity has been aligned with RE100.

Our KPI to “Enable 1 billion people to make more sustainable choices by 2030” is linked to sustainable consumption. In working to realize the transition to a

low-carbon society, our greatest opportunity is our ability to help shape consumer attitudes and behaviors. We will advance businesses that contribute towards these goals, including through business transformation and marketing support for clients.

2023 performance and future considerations

In 2023, we made progress on initiatives to expand the scope of our GHG reduction targets for our international operations that were validated by the Science Based Targets initiative (SBTi), to include the entire Group. Based on our “Business Ambition for 1.5°C” commitment letter from 2022, we submitted new GHG reduction targets to SBTi in 2024, and these are still under review as of July 2024.

We have also made progress in expanding our use of Salesforce's Net Zero Cloud platform to manage GHG-related data on a Group-wide basis, aiming to complete this within 2024.

In 2023, through initiatives such as continuing to transition our company car fleets to hybrid and electric vehicles and switching to sourcing 100% renewable energy for the Dentsu Building in Shiodome, Tokyo, our Scope 1 and 2 emissions (market-based) were 46.2% lower than in our baseline year.

However, when also considering Scope 3 emissions, which account for over 95% of our total emissions, our Scope 1-3 emissions increased by 7.8% compared with

Environment and society

our baseline year. This was mainly driven by an increase in emissions under Scope 3 Category 1 (Purchased Goods and Services). In 2024, we are launching a Group-wide Procurement Management Project to promote

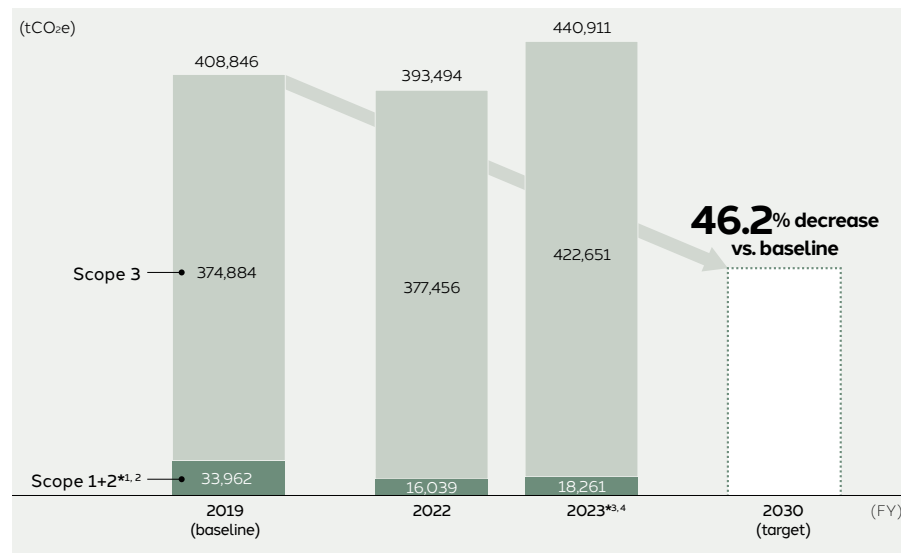
initiatives to obtain high-quality data from our suppliers and reduce emissions in our supply chains.

We increased our global renewable energy ratio from 35.6% in 2022 to 55.3% in 2023, thanks to

initiatives towards our RE100-aligned commitment* to achieve 100% renewable energy by 2030.

* RE100 is a global initiative for businesses committed to sourcing 100% renewable electricity, and dentsu is a member of this initiative.

GHG emissions (consolidated)



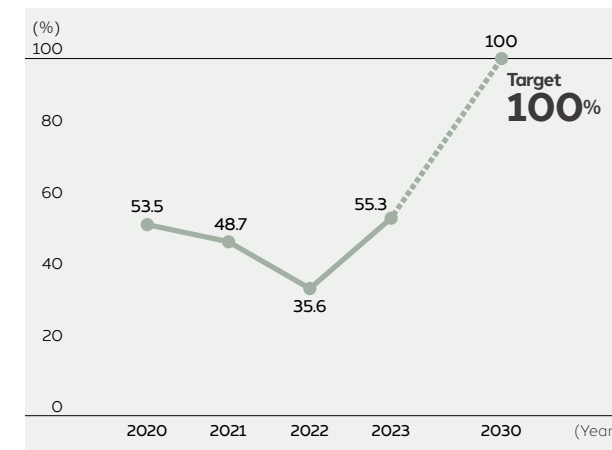
*1 The 2019 baseline figures are as of December 31, 2023. We submitted new GHG reduction targets to the SBTi in 2024.

*2 Each consolidated figure for Scope 1+2+3 emissions for 2023 has received independent limited assurance from KPMG AZSA Sustainability Co., Ltd.

*3 Scope 2 emissions are calculated using the market-based method.

*4 Emissions from Tag Worldwide Holdings Limited included in footprint from 2023.

Renewable energy rate (consolidated)



Note: Renewable energy percentages are calculated in line with RE100 criteria. For data on the renewable energy ratio based on the amount of renewable energy sourced, please refer to the [ESG Data Book](#). Renewable energy data is outside the scope of independent assurance.

Environment and society

Disclosures based on the TCFD recommendations

Climate action has been identified as a material issue in our sustainability strategy, and we are working to proactively mitigate risks and seize opportunities arising from the transition to a low-carbon economy.

As part of our commitment to Climate Action, we conduct scenario analyses guided by the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. These analyses are crucial in identifying, assessing, and managing the impacts of climate-related risks on our operations and strategy. By examining various potential future climate scenarios, we better understand the uncertainties and risks associated with climate change, including extreme weather events and regulatory changes.

The insights from these analyses are integrated into our governance and decision-making processes, embedding climate-related considerations at every level of our organization.

This year's TCFD report offers a comprehensive overview of our scenario analyses, governance integration, and strategic alignment, reflecting our proactive approach to managing climate-related risks and dedication to a sustainable future. For further details, please see [the Dentsu Group TCFD Report 2024](#).

Nature-related initiatives

For dentsu to continue creating value for society over

the medium to long term, maintaining a healthy natural environment is essential. Based on the global vision set out in the Kunming-Montreal Biodiversity framework of “living in harmony with nature by 2050,” in 2023 we conducted a high-level assessment of our dependencies and impacts on natural capital across our global value chain for key business areas based on the recommendations of the Taskforce for Nature-related Financial Disclosures (TNFD)*.

Although the results of this high-level assessment found relatively low dependencies and impacts on nature, we identified several areas in our upstream value chain where we could make positive impacts for nature. We also identified opportunities to make an even greater contribution through the development of solutions that support nature positivity by leveraging our industry's characteristics of having contact with diverse client companies and partners to encourage sustainable behaviors, as well as by generating future-oriented ideas for society that go beyond our value chain.

Based on these assessment results, dentsu will contribute towards nature through the following initiatives:

- Including considerations around GHG emissions, nature, and related stakeholders in our procurement policies
- Formulating business guidelines that consider nature and the global environment, and creating ecosystems to realize them
- Reducing water usage and waste in our operations

- Providing programs and opportunities for employees to better understand and appreciate the value of nature
- Developing and offering solutions that help our corporate clients become more nature positive
- Raising awareness through activities that encourage sustainable consumption, including nature positive aspects

* The TNFD has developed a set of disclosure recommendations and guidance that encourage and enable business and finance to assess, report, and act on their nature-related dependencies, impacts, risks, and opportunities. In March 2024, dentsu joined the TNFD Forum, an international group of institutional supporters who share the vision and mission of the TNFD.

Learning and development

Raising awareness and upskilling our employees on sustainability is a key priority for us.

In 2023, we rolled out new modules on the business case for sustainability and our sustainability strategy on dentsu university, our employee learning platform, which were completed by more than 1,000 employees globally. We supported 100 leaders from across the business to complete an intensive eight-week course from the Cambridge Institute for Sustainability Leadership (CISL) on Sustainable Marketing, Media, and Creative.

In all four regions, local initiatives are growing to increase awareness of our sustainability strategy and grow our people's knowledge in this area through regular townhall meetings and employee engagement opportunities.

Environment and society

In Japan, we rolled out the Sustainability Leaders program, regularly reaching more than 700 employees monthly with insights about the latest internal and external themes. In Denmark, we piloted our very first Sustainable Marketing Academy, which is open to our employees as well as external parties, including clients, and we have also developed our own education programs in the Netherlands and the UK, currently for employees only. Key training topics include business understanding and strategic insights, greenwashing countermeasures, and carbon reduction.

Initiatives towards industrial transformation

Our goal of realizing a vibrant society where people enjoy a fulfilling life cannot be achieved through the efforts of a single company alone. As a responsible corporate citizen with operations spanning the globe and a leader in our field, we will accelerate industry collaboration and contribute to solving social issues by creating and participating in a variety of cross-industry initiatives.

Initiative 1. Decarbonization Initiative for Marketing

In 2023, dentsu launched the Decarbonization Initiative for Marketing to promote GHG emission reductions in supply chains related to marketing communications in Japan, while ensuring compatibility with global standards and involving all relevant stakeholders. We

signed a memorandum of understanding with AdGreen, a general incorporated association that provides carbon visualization tools in the advertising production field in the UK, and we will also respond to the requests of companies conducting marketing activities globally.

Initiative 2. Opening of FACTORY ANZEN STUDIO, photography studios with sustainability in mind

Aiming to decarbonize creative production, Dentsu Creative Cube opened two next-generation photography studios called FACTORY ANZEN STUDIO in 2024. In addition to reducing our environmental impact by sourcing 100% renewable energy* and recycling waste from filming (targets: 90% recycling rate by 2025 with a longer term ambition to achieve 100%), the studios are also compatible with dentsu's proprietary Carbon Calculator for Movie Production, a tool for calculating and visualizing emissions in creative



One of the two studios uses virtual production. By projecting a background image on an LED panel and combining it with the subject to create a video, we are able to reduce emissions associated with set disposal and location shooting.

production, making it possible to analyze and reduce emissions in production. For details, please see [the studio website](#).

* The studios source an equivalent of 100% renewable energy, achieving zero carbon emissions from electricity usage. New solar panels are scheduled to be installed on the rooftop in the summer of 2024.

Initiative 3. Production and free release of Sustainability Communication Guide 2023

We recognize greenwashing (making it appear as if a company/organization is making more environmental efforts than it is) as a climate-related business risk not only for our company, but also our entire industry, presenting a major challenge. We created the Sustainability Communication Guide 2023 as a reference for employees to keep in mind when carrying out their work, free of charge for companies and other organizations in Japan. For details, please see [the website](#).



Strategic collaboration with external stakeholders

We aim to utilize the knowledge gained through collaboration with external stakeholders in our Group's management to improve our response to sustainability issues such as climate change.

Environment and society

For the tenth consecutive year, dentsu has been selected as a Strategic Partner of the World Economic Forum (WEF), an international organization that works to improve circumstances globally through cooperation between the public and private sectors, and we support the organization's activities.

Furthermore, as a member of the Alliance of CEO Climate Leaders, a community facilitated by WEF, ahead of COP28 (28th Conference of the Parties to the Framework Convention on Climate Change) held in November 2023, our President & Global CEO signed an open letter calling on world leaders to scale their climate ambition.

Since 2021, dentsu has continued to be a member of the World Business Council for Sustainable Development (WBCSD). We were founding members of the Business Commission for Tackling Inequality, which in 2023 released a report, *Tackling Inequality*, highlighting this issue as a systemic risk and laying out a roadmap for private sector action. The report can be accessed via the following [link](#).

In July 2023, we became a Supporting Member of the Japan Climate Leaders' Partnership (JCLP), a coalition of Japanese companies aiming for a sustainable, decarbonized society. As an Associate Member from April 2024, we will help lead the way to a decarbonized society from an industrial perspective.

We also expanded our work with Ad Net Zero, a

global program that supports the advertising industry in addressing the climate crisis, decarbonizing advertising activities, and promoting sustainable products and services. Dentsu is a founding member at the global level and a local member in the US, the UK, New Zealand, and the UAE.

Contributing to society

For dentsu, as a B2B2S company, society is positioned as key stakeholder, and we aim to contribute to society through each of our corporate activities. We strive to realize a vibrant society where people enjoy a fulfilling life not only through our business, but also through social contribution initiatives, to enable stable business activities and value provision.

Initiative 1. One Day for Change

One Day for Change is a global activity as One dentsu that enables our people to unite as a force for good in our communities. In 2023, more than 9,000 employees from 63 countries participated, spending over 34,000 hours engaged in sustainability-related activities. This event succeeded in more than simply raising awareness of sustainability topics. In a survey of 1,000 participants, 95% reported improvements to their well-being, while 86% said that they felt closer to their colleagues and local communities as a result.



Initiative 2. Providing skills to the next generation

We are committed to empowering the next generation of responsible, ethical, and digital citizens. We reached more than 12,000 beneficiaries in 2023 through initiatives including our Global Schools program, The Code, and other learning programs worldwide in partnership with universities and high schools. We support young people outside of school programs by providing digital marketing courses free of charge in partnership with major universities, including Howard University in the US, to bring the latest thinking and innovation to more young people. In the UK, we developed and rolled out a new program for The Code in 2023 that teaches sustainability to secondary school students.

Environment and society

Initiative 3. Activities towards eradicating malaria

Since 2017, dentsu has been working to eradicate malaria, which is seeing a rapid increase in infections due to an increase in mosquito populations driven by climate change. In 2023, ahead of COP28 in Dubai, we supported Malaria No More UK, a charity working to eradicate malaria globally, with the launch of a new campaign called “Zero Malaria: Change the Story.” We secured more than 582,000 USD in pro-bono media value in 11 markets and reached more than 65 million people.



Initiative 4. Advertising Elementary School

In 2006, Dentsu Inc. launched the Advertising Elementary School program, jointly developed with Tokyo Gakugei University. This program was conceived by an employee who asked themselves, “What can we contribute to society as an advertising company?” As of March 2023, it has been offered to approximately 450

schools, from elementary schools to universities, for a total of over 61,000 students. This program cultivates basic communication skills, such as the ability to think, judge, express, and solve problems in a group through the creation of commercials, and it has also been published as a book. Please see the [special website](#) for details.

(Available in Japanese only)



Initiative 5. Communication Tips to help improve PR skills for Nonprofit Organizations (NPOs)

In 2004, Dentsu Inc. and Japan NPO Center, an intermediary support organization for NPOs in Japan, established the NPO Public Relations Skills Improvement Committee. Utilizing the creative power of dentsu and the Japan NPO Center’s network, we developed the Tips for Communicating program and offered it to NPOs across Japan. This initiative, which celebrates its 20th anniversary in 2024, has held over 150 seminars across the country, with a total of over 5,700 participants. For more information, please visit [the Japan NPO Center website](#).

Governance

Enhancing corporate value through better corporate governance



Arinobu Soga

Director, Representative Executive Officer, Executive Vice President, Global Chief Governance Officer & Global Chief Financial Officer, dentsu

Tim Andree

Non-Executive Chairman of the Board, dentsu

—Please tell us your thoughts on how improving corporate governance (CG) can lead to increasing corporate value.

Tim All stakeholders have expectations of good governance, and the Board of Directors considers meeting shareholders' expectations to be our primary responsibility. I believe that the best way to take care of shareholders in the long term is to take good care of employees, to take good care of clients, and to take good care of society.

With regard to CG, in recent years, especially since 2016, we've focused a great deal on the structure of the

Board and have evolved it rapidly. We now have a Board that is a majority of independent outside directors, we have transitioned to a company with three committees, which is very consistent with global standards for good governance. The Group has also created a new position of Global Chief Governance Officer to appoint an executive responsible for achieving CG improvements throughout the organization.

I want to emphasize that it's not the outside directors that are coming in and imposing this. This is something that dentsu management has been actively engaged in to address the questions of "how can we

improve our CG?," and, "how can we give our shareholders more confidence in our ability to supervise and oversee and manage the company?" From good structure, we can build good governance.

But then it must lead to effective practices. And I think that's the stage we're at now, which is how to take this improved structure and implement it into enhanced practices that allow us to better deliver for all our stakeholders, including shareholders, to better implement effective risk taking to help the organization not only feel more comfortable with risk, but also to avoid any unnecessary risks.

Soga CG is a “system” that a company has in place. Specifically, as stated in the CG Code of the Tokyo Stock Exchange, it is a mechanism that encourages “transparent and fair” and “prompt and decisive” decision-making by the Group and its management team, and is essentially a mechanism to maximize the Group’s output in terms of quality and quantity. As stated in our Value Creation Model, there are expected outputs for the various capital inputs that the Group has, and between the inputs and the outputs there is a process of decision-making and action.

CG is not at all something that has a negative impression, such as regulating employee actions, but it is something that is completely positive.

Tim I totally agree. People can misunderstand CG as

simply compliance or rules, or frameworks and restrictions. What you’re not allowed to do. CG, in my view, is the way of doing the things that you do in a consistent pattern to get the maximum output. There’s a process of recognition, acceptance, escalation, and then resolution so that the organization continues to improve.

Clarity of accountability is a product of good governance. It’s very hard to be a well-run, high-performance organization without it.

Improving CG as One dentsu

—How can we work as One dentsu to improve CG?

Soga I believe that the most important thing for the evolution of CG as One dentsu is for everyone to want the same thing: to create a good system.

Tim I think for dentsu, the One dentsu Operating Model and the One Management Team are effective enhancements of CG, and they need to be implemented well because they’ll give much better clarity of roles and responsibilities across the business.

The thought is, as Soga-san said, implementing a way of doing things consistently. If everyone knows what those standards are, it allows you then to implement the PDCA cycle for continual improvement because you can see what the deviations are. As the organization has become bigger, more complex, more multicultural, and more multinational, these are areas of focus and

improvements that will pay great dividends.

Adapting to changes and the willingness to keep learning

—How can we help employees properly understand the benefits of improving CG and make it personal to themselves?

Soga It is necessary to first understand that CG is not a tightening of controls but a mechanism to maximize corporate value, and then to create a common understanding based on appropriate communication.

In addition, training is not only necessary for CG. I believe that it is a prerequisite for employees of dentsu to constantly seek out new things and be open to aligning with changing values and society.

Tim Any compliance issues come at a great cost, impacting our reputation and trust from our stakeholders.

In the future, it is the responsibility of us all to improve our CG. It’s not just a responsibility to stay in compliance, but to also recognize and speak up if employees observe something that’s a little off.

I think it’s a very good thing that management is prioritizing CG since our stakeholders expect us to take it seriously, and we’d like employees to understand that.

If we can all take this as an opportunity to evolve our culture around a common set of values that are driven by good governance, it will help stimulate higher performance in a consistent and sustainable way.



Governance

I think communication is important, and I think it's the responsibility of management to effectively communicate both the importance of CG and its practical implementation.

In addition to communication, I think it's a matter of seeing the tone from the top in action; in management's behavior. It's a matter of how they observe leaders' consistent and proper actions.

Soga In the dentsu Leadership Attributes, we have also organized what you need to know as a leader in our company. It is important to create a learning culture and appropriate content.

The pillar of human capital management is the development and growth of employees, and Human Capital Development is one of our material issues.

It goes without saying that strong and continuous communication from top management is important in encouraging employees to understand CG and take action on their own. We believe that it is also necessary to instill the importance of CG through the HR system and other company systems so that employees will be encouraged to act accordingly. For example, by providing comprehensive training programs and fostering a learning culture, I believe that employees will be more willing to learn.

Tim We should also note that Board members do compliance training as well. We all did the Code of Conduct review and I think that's a sign of integrity that it's disseminated throughout the whole organization, and

an effort to reinforce how important the issue is.

It is important that our shareholders benefit from good CG, that our company is attractive to them, and that we build confidence in their investment. I want our employees to have the same awareness of the importance of our stakeholders. This means thinking about how to build confidence with each other, how to build confidence with clients, and how to build confidence in our impact on society with appropriate promotion of DEI, work life balance, and more.

It is essential that all employees at every level recognize these opportunities for establishing the proper way and, if that is somehow violated, that they escalate at speed.

Toward a culture of integrity as a priority

—The first of dentsu's material issues is Business ethics & compliance / Data security. What are your thoughts on this?

Tim The Materiality as it relates to ethics and compliance and items such as data security and cyber security, simply identifying that list of risks alone shows that times are changing. There is much more challenging complexity in marketing and advertising, and new frontiers are coming. Emerging technologies such as generative AI could create conflicts of interest or even



shape our purpose in how we serve clients.

Based on our growing responsibilities and purpose around these new areas, to build trust with our stakeholders, we must do what we say we're going to do.

Soga This is not to say that our traditional approach of working for our client's success is in itself a bad thing.

It is important to always be aware of the Dentsu Group Code of Conduct when conducting business.

I am talking about having a sense of values that we should have always had, and understanding the Dentsu Group Code of Conduct well.

Business ethics is an important value for us. Changing our values and culture will take time, but I am determined to instill a corporate culture that places business ethics and integrity at the top of our values.

Governance

Material issues related to governance: Business ethics & compliance / Data security

Establishing and improving the management foundation to address this material issue is extremely important for the Group in earning stakeholder trust. The Sponsor is Representative Executive Officer, Executive Vice President, Global Chief Governance Officer & Global Chief Financial Officer of dentsu Arinobu Soga. In addition, executives including Global General Counsel Alison Zoellner and Global Corporate Secretary & Deputy Global General Counsel Tadashi Nagae have been designated to lead on specific themes.

To bring shape to this material issue, we set a headline goal and organized processes to reach it. We also formulated individual action plans and KPIs related to training, contact points, and third-party evaluations, which can each be measured and visualized in the process.

In addition, we will proceed with overall measures to improve our corporate environment. Progress will be monitored continuously, and reports will be submitted regularly to the Group Sustainability Committee.

Note: To see how this materiality relates to the 2030 Sustainability Strategy, see p. 24.

Headline Goal			
<p>Putting integrity first</p> <p>As a B2B2S enterprise, we aim to equip our people with the correct knowledge and have the appropriate systems in place for them to be putting integrity first in their work.</p>			
Themes			
<ul style="list-style-type: none"> • Business ethics & compliance • Corporate governance • Data privacy • Cyber security • Risk management • Human rights 			
	Item	Measure	KPI
Individual measures	1. Training	Establish a common training environment	100% of employees receive training
	2. Contact points	Develop skills for key contact points	Contact points and experts established for issue areas
	3. Third-party evaluations	Conduct stakeholder dialogue and information disclosure	Acquire certifications and improve ratings

Corporate governance

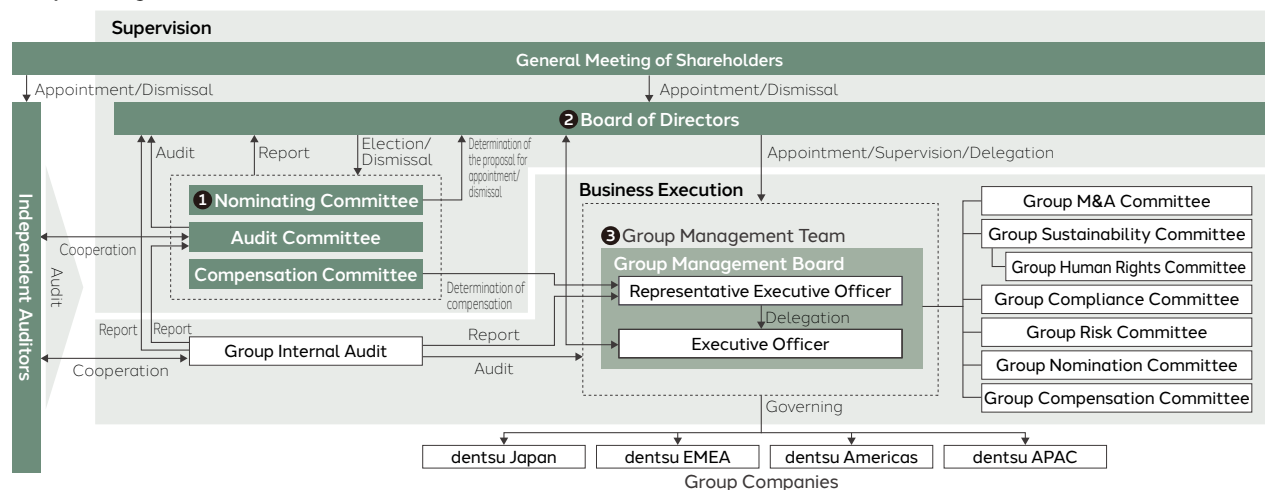
The Group realizes effective corporate governance based on the following basic policy to fulfill its responsibilities to its stakeholders including shareholders, clients, employees, and consumers, to ensure sustainable growth, and enhance its corporate value over the medium to long term.

- (1) To respect shareholders' rights and ensure their equal treatment
- (2) To consider the interests of stakeholders, including shareholders, and cooperate with them appropriately
- (3) To appropriately disclose company information and ensure transparency
- (4) To enhance the effectiveness of the supervisory function over business execution
- (5) To engage in constructive dialogue with shareholders who have an investment policy that conforms to the medium- to long-term interests of shareholders

Corporate Governance Evolution

2016	- Transitioned to a company with an Audit and Supervisory Committee - Started BoD Effectiveness Evaluations
2019	- Established Nomination and Compensation Committee (Chairperson: Independent Outside Director) - Introduced Performance-based Stock Compensation Plan
2020	- Transitioned to a pure holding company structure - Clarified the skills for Directors
2021	- Established Succession Plan
2022	- Separated the roles of chairperson of BoD (non-executive director) and CEO - Reached majority non-executive directors
2023	- Transitioned to a company with three committees and One dentsu - Appointed Chief Governance Officer - Published ESG Databook and held ESG Briefing

Corporate governance structure



① Adoption of a board committee structure with three committees

The Group's Board of Directors decided to adopt a board committee structure with three committees as a framework for fulfilling its important role and responsibility to strategically guide the Group in accordance with its purpose and vision.

② Roles of independent outside directors

Independent outside directors are expected to contribute to improving corporate governance, encourage insightful discussions in the Board of Directors by raising pertinent issues and opinions, and help the Board reach sound decisions by expressing viewpoints reflecting their respective fields of expertise.

Independent outside directors also play a part in verifying and evaluating operational results and management performance in

view of the management strategies formulated by the Board. Moreover, they help assess whether management is carrying out its duty to deliver shareholder returns.

③ Framework to ensure sound, effective, transparent management

The Group aims to increase its value by clearly separating management supervision and business execution; facilitating swift and decisive management decisions regarding business execution; and delegating a high level of authority over business execution away from the Board of Directors to members of the Group Management Team, which includes executive officers.

For more information, please refer to the Corporate Governance Report on our website:
https://www.group.dentsu.com/en/about-us/common/pdf/governance_202403_en.pdf

Board of Directors (held 14 times in 2023)

Chaired by a non-executive director, as of March 28, 2024, the Board of Directors comprises nine directors, of whom six are independent outside directors. The independent outside directors include members who have management experience at other companies.

When selecting the Board's members, consideration is given to ensuring a sound balance of experience, expertise, and skills, as well as diversity in terms of gender, nationality, professional background, and age.

The following initiatives involving the Board were carried out in 2023.

- Meetings between Board members including independent outside directors and global leadership team members were held at dentsu's New York office
- Unofficial meetings were conducted four times to allow for deeper discussions on important issues
- An ESG Briefing was held for institutional investors
- Independent outside directors attended employee information-sharing meetings and answered questions

• **Main topics of agenda items in meetings of the Board of Directors**
Compliance, internal controls, risk management, sustainability and ESG strategies in view of dentsu's long-term vision and Medium-term Management Plan, Group competitiveness, business portfolio, the Medium-term Management Plan, investment in human capital, etc.

Nominating Committee (held 10 times in 2023, one time as the ex-Nomination Advisory Committee)

The Nominating Committee comprises four members, including a chairperson with voting rights. Among the three other members, two are independent outside directors and one is an internal director.

• Actions and results

The Nominating Committee deliberates on the nomination and succession plans of directors and executive officers, and decides on matters related to directors. Matters related to executive officers are deliberated and reported by the Committee before being submitted to the Board of Directors for decision. In 2023, it mainly deliberated on the following matters.

- The Nominating Committee's role, operating policy, and main topics of discussion
- Policies concerning director nominations and succession planning
- Policies concerning executive officer nominations and succession planning

• Policies concerning nomination and succession planning

1. Nomination policy

The Committee shall:

- Nominate suitable candidates who can contribute to enhancing the Group's value and sustainable growth over the medium to long term, in view of the Group's

operating environment.

- Select candidates with management-related expertise, experience, and ability, while ensuring a good balance between diversity and fields of expertise with the goal of assembling a management team capable of improving the Group's competitiveness and quickly generating innovations.

- Select candidates to become the Company's directors and executive officers in 2024.

2. Succession planning policy

- The Committee shall prepare succession plans for the Company's directors and executive officers.
- The Committee shall consider successor candidates for each position or set of positions, based on priorities and requirements that reflect the Group's operating environment.
- Discussions regarding human resources (People Discussions) shall be held in all relevant workplaces by executive managers in order to identify promising successor candidates and give consideration to personnel development plans, which process will allow for committee deliberation based on the screened information.
- In addition to selecting and training successors from within the Group, depending on the management position, the Committee shall expand the pool of successor candidates by recruiting people from outside the Group.

Audit Committee (held 14 times in 2023, four times as the ex-Audit & Supervisory Committee)

Chosen by the Board of Directors, the Audit Committee comprises four independent outside directors, three of whom have expertise in finance and accounting. The chairperson is selected by the committee from among the members.

• Actions and results

In accordance with the Companies Act of Japan, the Committee audits the execution of duties performed by directors and executive officers, supervises the activities of the Board of Directors, and, as a basic policy, assists the Board in its supervisory role by monitoring and supervising financial reporting, internal controls, internal audits, and financial audits.

Having taken over the auditing duties of the former Audit & Supervisory Committee, the Audit Committee verified the audits conducted by that committee between January 1 and March 30, 2023 (the date of the Group's 174th Ordinary General Meeting of Shareholders). Key audit matters for the Audit Committee are the following.

- Construction and operating status of the system of internal controls (including internal controls associated with financial reporting)
- The organization and execution of the Group's internal audits
- The appropriateness of audits by the accounting

auditors (including organizations that audit consolidated financial results outside Japan)

- Initiatives to strengthen the compliance framework (including measures implemented by the dentsu Japan Reform Committee in response to issues related to the Tokyo 2020 Olympic and Paralympic Games)

Compensation Committee (held 11 times in 2023, three times as the ex-Compensation Advisory Committee)

The Compensation Committee comprises three members: a chairperson with voting rights and two independent outside directors.

• Actions and results

The Committee deliberates and decides on the compensation of directors and executive officers. In 2023, it mainly debated the following matters.

- The Compensation Committee's role and operating policy
- Reviewing of basic policies concerning officer compensation
- The review of market benchmarking methods for officer compensation
- Establishing targets for performance indicators and evaluation methods
- Setting individual performance targets for executive officers and interim reviews

• Basic policies on executive compensation

1. The Group shall recruit and retain highly capable

personnel by providing attractive compensation and workplace conditions.

- Competitive levels of compensation
 - Opportunities for career advancement
2. The Group shall aim to maximize the performance of the Group Management Team of globally-integrated management to achieve Group-wide strategic goals.
 - Performance-based rewards
 - Ambitious goal setting
 3. The Group shall promote mutually beneficial relationships with stakeholders, starting with shareholders.
 - Creating value for society
 - Accountability

Other bodies involved in business execution

Under the Board of Directors, the Group Management Team directly oversees the Group's four regions of operation. Among the team members, the President & Global CEO and three vice presidents make up the Group Management Board, which was set up as a business execution body that holds deliberations (including prior to Board of Directors' meetings) and makes decisions on important matters concerning budgets, financial results, dividends, earnings forecasts, M&A and investment-related issues, medium-term management plans, key personnel, and the establishment and revision of important rules and regulations.

Further, the Group M&A Committee, Group

Governance

Sustainability Committee, Group Compliance Committee, Group Risk Committee, Group Nomination Committee, and Group Compensation Committee are advisory bodies that deliberate on specific issues. This framework is designed to ensure sound, transparent, and effective management, and to contribute to enhancing the Group's corporate value over the medium to long term.

Training for directors

To ensure they properly perform their roles and carry out their responsibilities, directors are regularly provided with training and opportunities to acquire knowledge essential for performing their duties. When outside directors are appointed, they are provided with information on the Group's businesses and organizational structure, followed by regular opportunities to learn about specific issues and challenges facing the Group's businesses. In 2023, directors participated in training programs covering compliance, geopolitical risks, and sustainability, particularly with regard to decarbonization.

Policy on the disposal of strategic shareholdings and actual reductions

The Group's basic policy regarding so-called strategic shareholdings is to validate whether shareholdings are meaningful from perspectives such as whether the benefits of holding the shares are higher than the

Group's anticipated cost of capital and whether the stock ownership contributes to the maintenance and enhancement of the business relationship with the investee company and the promotion of collaboration, and to reduce individual shareholdings where they are not deemed meaningful.

Each year, the Board of Directors examines the purpose and economic rationale for every strategic shareholding from a medium- to long-term perspective and assesses the appropriateness of continuing to hold each stock.

In 2023, the Group sold 17 strategic shareholdings with a total value of approximately 13.0 billion yen in accordance with this policy.

As of December 31, 2023, the ratio of the amount of strategic shareholdings on the balance sheet to the Group's total equity was 9.2%.

Constructive dialogue with shareholders

The Group recognizes that regularly engaging in constructive dialogue with shareholders and investors can contribute to enhancing its corporate value over the medium to long term.

Therefore, the Group has established a Disclosure Policy and discloses to shareholders and investors a broad scope of information in a timely manner through its investor relations activities, spanning from management strategies and financial results to non-

financial matters.

Specifically, a wide range of activities are carried out primarily by the Global CEO and the Global CFO, along with executive officers in charge of investor relations and information disclosure. The activities include periodic meetings with securities analysts and institutional investors, participation in conferences held by securities firms in and outside Japan, investor roadshows to meet individually with investors around the world, conference calls and video meetings with individual investors, as well as the issuing of detailed announcements on the Group's website.

To ensure these activities are effective, the Group IR Office functions as a specialized organization, and works closely with related organizations, including the Group Corporate Planning Office, Group Financial Reporting Office, Group Financial Planning and Analysis Office (accounting function), and Group Corporate Secretary Office. With locations in Tokyo and London, the Group IR Office engages in dialogue with securities analysts, investors, and shareholders from Japan and other countries.

The opinions and requests of shareholders and investors obtained by this management team directly through meetings and other investor relations activities are periodically reported back to the Board of Directors and management, and are incorporated in initiatives aimed at improving corporate management and

shareholder value.

In addition, to properly handle insider information, the Group has set up an Information Management Committee, and also prohibits external discussions about financial information during silent periods. Efforts are also made to verify the Group's shareholder ownership structure, including periodic surveys to identify shareholders with substantial holdings, the results of which are reported to the Board.

Independence of outside directors

As a matter of policy, the Group limits the number of directors on its Board of Directors to a maximum of 15, and of that total, a majority must be independent outside directors. The Board currently comprises nine directors and, to enhance its supervisory role, the Group has appointed six independent outside directors who meet [its standards for independence](#), as well as a non-executive director who functions as Chairman of the Board.

For further details regarding dialogues with shareholders and investors, please refer to the Disclosure Policy section of the Company's website.
<https://www.group.dentsu.com/en/ir/stockandratings/constructivedialogue.html>

Evaluating Board effectiveness; measures taken in 2023

Aiming to continuously increase the effectiveness of its Board, the Group has appointed a third-party organization to independently analyze and evaluate how effectively and appropriately the Board performs its management supervisory role, and has each director complete an annual questionnaire about the Board's effectiveness.

In 2023, the Group confirmed that issues identified in the 2022 evaluation had improved, while new tasks and future plans were making progress. It thus implemented measures to increase the Board's effectiveness, in effort

to further improve corporate governance.

Results of analysis and summary of evaluation

In response to the Tokyo 2020 Olympic and Paralympic Games incident that occurred in 2022 and the financial issue in the DACH region, we recognize with a sense of urgency that strengthening internal controls and transparent disclosure are essential to restore stakeholder confidence and enhance corporate value.

• Summary of 2023 evaluation results, issues from 2022 and progress in 2023

The evaluation for 2023 confirmed the sincere efforts of

Evaluation method for 2023

November 2023

Surveys

Conducted for all directors and some members of the Group Management Team.

November–December 2023

Third-party interviews

Conducted for all directors and some members of the Group Management Team.

January 2024

Opinion exchange meeting
 Conducted for all directors.

Items in the survey (11 items, 76 questions)

- Overall evaluation (effectiveness as a whole, functioning of the monitoring model after the change in institutional design, transparency, fairness, and rationality of decision making)
- Strategic alignment and engagement (management strategy, capital policy, business portfolio review, ESG response, business risk, dialogue with shareholders, etc.)

- Board of Directors' processes and practices (board management, organizational design, discussion topics, training, etc.)
- Management supervisory functions (monitoring of business activities, risk management, global governance systems)
- Board culture and dynamics, Nominating Committee, Compensation Committee, Audit Committee
- Issues from the 2022 effectiveness evaluation

Governance

the Board of Directors to upgrade its corporate governance structure in order to regain the trust of stakeholders. Among other things, the evaluation confirmed the high regard for the open and active discussions at the Board meetings, the time and emotional commitment of each Board member, and the leadership of the Chairman in fostering a forward-looking culture. On the other hand, it was also confirmed that, in light of the high number of risk incidents and the inability to halt the deterioration of business performance, it will be necessary to take measures to get to the root causes of the problems and to reconsider the monitoring of execution. The status of efforts to address issues 1 through 4 below, which were identified in the analysis and evaluation for 2022, and the Group's recognition of this status are as follows.

1. Deliberation on important agenda items and the determination of direction based on the long-term vision and strategies

While reviewing progress towards the Medium-term Management Plan, it was confirmed that the executive side presents specific considerations regarding the long-term vision and strategy to the Board of Directors, and careful and active discussions are held at the Board of Directors' meetings.

2. Establishment of common frameworks for effective monitoring

It was confirmed that while under the new board

structure, efforts are being made to align the point of view of supervisory and executive sides of the Board, the appropriate sharing of management information with the Board and the establishment of a method for monitoring execution by the Board remain issues that require ongoing efforts.

3. Consideration of the approach to monitoring after the transition to One Management Team

It was confirmed that although the formalities related to the One dentsu Operating Model are in place, PDCA management to strengthen the operations is important in order to ensure its substantive aspects.

4. Considerations regarding changes to organizational design

It was confirmed that although the change in the organizational design (from a company with an audit and supervisory committee to a company with a nominating committee, etc.) and the transition of the management structure went smoothly, it is necessary to keep in mind that transition is not a goal, and efforts should be made to strengthen the substantive aspects of operations, including internal controls and internal audits.

• Initiatives for future improvement

The issues to be prioritized by the Board of Directors and the policy for addressing each issue are as follows, in order to achieve the operation of One dentsu with both supervision and execution, and to lead the entire Group

to sustainable growth and increased corporate value while solving the issues at hand.

1. Establishment of a Group Global

Governance Structure

Our policy for initiatives: In order to promote the appropriate operation of One dentsu and the establishment of a structure, secure global human resources to support the global headquarters functions, strengthen internal controls, and effectively promote Mindset and Behavior Reform.

2. Accelerate strategic discussions on business portfolio optimization

Our policy for initiatives: In order to promote strategic divestiture and portfolio optimization of businesses, the Board of Directors will discuss the progress of past M&A and business restructuring.

3. Strengthen monitoring of execution by the Board of Directors










Our policy for initiatives: Align the perception of supervisory and executive sides on the roadmap and milestones for addressing execution issues, clarification of KPIs to be monitored, and the content and methods of reporting at Board meetings.

4. Improve quality of materials suitable for discussion at Board meetings

Our policy for initiatives: Examine ways to prepare and present materials suitable for discussion from a supervisory perspective at Board meetings.

Governance

Board member skills matrix

	Official position	Committee membership	Business management	Finance/Accounting	Audit	Legal/Compliance	Human resources	Global management	Digital business
 Tim Andree	Director, Chairman of the Board		<input type="radio"/>					<input type="radio"/>	<input type="radio"/>
 Hiroshi Igarashi	Director, Representative Executive Officer, President & Global CEO	Nominating	<input type="radio"/>					<input type="radio"/>	<input type="radio"/>
 Arinobu Soga	Director, Representative Executive Officer, Executive Vice President Global Chief Governance Officer, Global CFO		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			<input type="radio"/>	
 Gan Matsui	Independent Outside Director	Nominating Audit, Chair			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>		
 Paul Candland	Independent Outside Director	Nominating Compensation	<input type="radio"/>					<input type="radio"/>	<input type="radio"/>
 Andrew House	Independent Outside Director	Compensation, Chair	<input type="radio"/>		<input type="radio"/>			<input type="radio"/>	<input type="radio"/>
 Keiichi Sagawa	Independent Outside Director	Nominating, Chair Audit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			<input type="radio"/>	<input type="radio"/>
 Mihoko Sogabe	Independent Outside Director	Audit Compensation		<input type="radio"/>	<input type="radio"/>				
 Yuka Matsuda	Independent Outside Director	Audit		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>			

Messages from the Committee Chairs

Dentsu recognizes the importance of improving corporate governance to enhance the Group's corporate value and achieve sustainable growth over the medium to long term. Accordingly, it adopted a board committee structure with

three committees (nominating, audit and compensation) in March 2023. This structure was established to facilitate prompt decision-making and enhance the Board of Directors' transparency and management supervisory role by clearly separating business execution and management supervision.



(From left) Tim Andree, Non-Executive Chairman of the Board; Gan Matsui, Chairman of the Audit Committee; Keiichi Sagawa, Chairman of the Nominating Committee; Andrew House, Chairman of the Compensation Committee

Advances in Group-wide business integrity

Gan Matsui

Independent Outside Director
Chairman of the Audit Committee

With its adoption of a board committee structure in March 2023, dentsu established three new committees, made up primarily of independent outside directors as mandated by Japanese law. As a result, the Group has evolved, and its corporate governance is now more solid than ever. Of the new committees, the Audit Committee has greater responsibility than the former Audit & Supervisory Committee; this requires it to maintain a strong focus in its activities.

Alongside this change, the Group began taking new steps regarding its One dentsu framework in 2023. One dentsu aims to succeed not only in business, but also in business-to-business-to-society (B2B2S). This means earning public trust, aiming to be a company that benefits society, and always considering the societal aspects of business activities.

For this reason, I strongly believe that we must rapidly improve whatever elements of our corporate culture that are found lacking, raise awareness of compliance among employees throughout the Group, and advance the multifaceted aspects of our corporate governance.

To meet these challenges, in 2024, the Audit Committee has been monitoring the effectiveness of the 17 measures promoted by the dentsu Japan Reform

Committee in charge of Mindset and Behavior Reform. Monitoring has taken the form of an employee awareness survey; the qualitative and quantitative measuring of the degree to which ethical business practices have been embraced by the Group; and assessing whether business process controls are operating impartially and transparently.

We have also been communicating with the Internal Audit Department and independent auditors to determine whether financial accounting and auditing are being carried out promptly and properly. By fulfilling these responsibilities, we hope to meet the expectations of all stakeholders.

Balancing management diversity and expertise to bolster competitiveness

Keiichi Sagawa

Independent Outside Director

Chairman of the Nominating Committee

The Nominating Committee selects director candidates to be proposed at the general meeting of shareholders, and executive officer candidates to be proposed to the Board of Directors. It also formulates succession plans. In 2023, the Committee held further discussions on requirements for successors, and examined candidate information in greater detail. In 2024, we would like to have even more transparent and impartial discussions about these matters.

Key tasks on the Group's management agenda include fundamental business restructuring amid an extremely competitive environment, and corporate

culture reforms stemming from issues related to the Tokyo 2020 Olympic and Paralympic Games.

To make progress on these tasks and meet the expectations of stakeholders, the Group's management team must be highly strategic and innovative, and demonstrate strong leadership. It is also essential to have a board of directors, mainly from outside the company, with the expertise and diversity to properly govern the executives. The Nominating Committee is working to select the most suitable candidates by not only meeting with them, but also collecting relevant information through people networks inside and outside the Group.

When choosing successors to members of the management team, it is essential to take a long-term perspective, specify necessary requirements for the positions, and have a plan to develop the successor. The Nominating Committee will further discuss these matters while obtaining relevant information from executive management. We hope to assemble a management team capable of improving the Group's competitiveness and quickly generating innovation.

More transparent compensation will boost the Group's value

Andrew House

Independent Outside Director

Chairman of the Compensation Committee

With the establishment of a Compensation Committee

as part of a three-committee governance structure, much of our efforts were to develop a compensation system based on the principles of transparency and good governance. The Committee seeks to ensure that dentsu can attract and retain the best talent while also ensuring that management's incentives are better aligned with our stakeholders. This is a critical concern for a company like dentsu, whose most precious resource is its people and their creativity.

As chair I seek to listen to and balance the views of management, of committee members as well as the insights of compensation specialists with whom we work, while also being mindful of the concerns of our shareholders. In this financial year, we will strive to ensure that dentsu's compensation is a tool to increase the Group's competitiveness as it seeks to reinvent itself under the One dentsu Operating Model. We will work hard to ensure that compensation KPIs reflect this ambition as well as the Group's challenging business environment. At the same time, we will also continue to ensure that the Group benchmarks its compensation system carefully and correctly and that we create the right balance of short-term and long-term incentives.

I look forward to building on and improving our system to drive enhanced value for the Group and our stakeholders.

Executive compensation policy for determining the amount of compensation and calculation methods

Basic policy for determining compensation of officers

• Framework for compensating officers

As a company with a board committee structure, dentsu has a Compensation Committee whose members and chairperson are outside directors. The Compensation Committee deliberates and decides on the level and structure of compensation as well as targets for variable compensation for directors and executive officers based

Attract and retain outstanding talent by providing attractive total rewards and environment	Competitive pay
	Career growth opportunities
Achieve the Group's strategic goals by maximizing the performance of the globally-integrated management team	Pay for performance
	Challenging goals
Strengthen alignment with interests of shareholders and all other stakeholders	Creating value for society
	Accountability

on the following compensation framework.

• Compensation levels

To secure globally talented management personnel, the Group sets compensation levels appropriate for each management role based on amounts paid by industry competitors and companies with similar market caps operating in major markets, including Japan, the US, and the UK.

• Compensation system

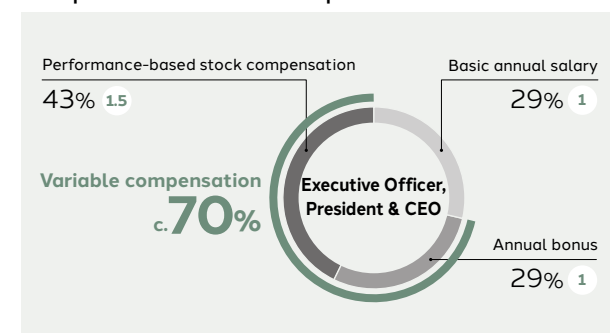
Compensation of executive officers (including those concurrently serving as directors) is composed of basic annual salary, annual bonus, and performance-based stock compensation.

The Group provides outside directors and those inside directors not concurrently serving as executive officers only with a basic annual salary.

To help improve its financial performance and market capitalization over the medium and long terms, the Group has set the medium- to long-term bonus for the President & Global CEO at 1.5 times the amount of the basic annual salary and the annual bonus, respectively. The proportions set for other executive officers are based on their global management responsibilities.

Category	Type	Details
Fixed compensation	Monetary compensation	Basic annual salary Regular fixed amount, paid each month
	Annual bonus	Based on numerical values of indicators for each fiscal year
Variable compensation	Stock compensation	The Group's stock is awarded, through a trust, in amounts reflecting the number of units allocated on a specific date each fiscal year, and adjusted after three years based on the performance indicator targets reached.

Composition of annual compensation



Note: The diagram shows the final composition of annual compensation assuming that all targets have been accomplished.

Performance-based compensation structure

• Objective of setting indicators

For each type of performance-based compensation, the Group has specified performance indicators and calculation methods to motivate executive officers to promote business transformation and growth strategies, work to maximize corporate value, and fulfill the Group's purpose: an invitation to the never before.

Performance-based compensation structure

Compensation	Performance indicator	Details and objective
Performance-based stock compensation	Total Shareholder Return (TSR) vs. peer group	Increase the Group's stock price and share profits with shareholders
	Total Shareholder Return (TSR) including dividends vs. Tokyo Stock Exchange Stock Price Index (TOPIX)	
	Consolidated underlying operating income compound annual growth rate (CAGR)	Sustainable profit growth
Annual bonus	Organic growth rate, Operating margin	Expand business revenues and growth in each fiscal year
	Individual performance evaluation	Promote business transformation
	Non-financial indicators	Implement ESG and sustainability-related initiatives

Maximize corporate value / Fulfill the Group's purpose: an invitation to the never before.

• Performance targets and compensation breakdown in 2024

Depending on the achievement of the targets shown below, executive officers receive an annual bonus ranging between 0 and 200% of their annual salary, and performance-based stock compensation ranging between 30 and 170% of their annual salary.

Compensation governance

• Malus and clawback clauses

The Group has set the Officers Stock Benefit Regulations

Annual bonus

Category	Performance indicator	Target	Upper limit target	Ratio
Financial indicators	Organic growth rate	3.1%	8.3%	50%
	Operating margin	15.3%	16.1%	20%
Individual performance evaluation		Management targets set for each executive officer		20%
ESG indicators	Employee engagement score (points)	68	—	10%
	Proportion of female leaders*1	34.3%	—	
	GHG emissions (Scope 1+2) vs. baseline*2	79%	—	

*1 Definition of the "female leaders"
<https://www.group.dentsu.com/en/sustainability/common/pdf/third-party-assurance.pdf>

*2 Based on a 2019 baseline. We submitted new GHG reduction targets to the Science-Based Targets initiative (SBTi) in 2024.

stipulating that the Group may withdraw some or all of an executive officer's right to receive performance-based stock compensation (malus) or demand the return of some or all of the stock or cash that has been paid from an executive officer (clawback), by resolution of the Compensation Committee, if the executive officer has caused serious damage to the Group through intent, negligence, inappropriate actions, etc., or where there is an error in financial information with the effect of decreasing the amount payable to the executive officer.

Performance-based stock compensation (Performance evaluation period: 2024-2026)

Category	Performance indicator	Target	Upper limit target	Ratio
Total Shareholder Return (TSR)	vs. peer group*3	Average TSR of 2nd and 3rd highest companies	Average TSR of 1st and 2nd companies	20%
	vs. Tokyo Stock Exchange Stock Price Index (TOPIX)	100%	150%	15%
Consolidated underlying operating profit	Compound annual growth rate (CAGR)	8.1%	12.0%	35%
Fixed compensation	—	—	—	30%

*3 A peer group of six companies has been selected, comprising WPP plc, Omnicom Group Inc., Publicis Groupe SA, Interpublic Group of Companies, Inc., Accenture plc, and Hakuhodo DY Holdings Inc., which are competitors of the Group.

*4 Depending on the Executive Officer, all base units of performance-based stock compensation may be treated as the "variable portion" and a variable range of 0 to 200% may be applied.

Risk management

Approach

To achieve management goals, the Group identifies and evaluates risks as uncertainties we face. By addressing and monitoring high-priority risks, we implement optimal risk responses, which include the avoidance and mitigation of risks that may become obstacles to achieving our business objectives. This allows us to maximize the realization of opportunities, either by overcoming or taking risks.

The Group formulates and implements an annual plan for risk management. We are thus able to identify strategic risks, major operational risks, and emerging risks, as well as to streamline risk management processes and promote the development of a risk culture.

Structure

We have in place a Group Management Team to promote management globally. This enables the Group to transition to a structure that facilitates accelerated business transformation and enhanced management. The result is business growth and the enhancement of sustainable corporate value.

In addition, we have set up the Group Risk Committee, under which four Regional Risk Committees were formed to strengthen Group risk management.

The Group Risk Committee mainly covers medium- to long-term strategic risks. To strengthen the Group's

risk management-related control and monitoring functions, starting this year the Group Risk Committee is chaired by the Representative Executive Officer, President & Global CEO, and the Regional CEOs from Japan, the Americas, EMEA, and APAC have been appointed as committee members.

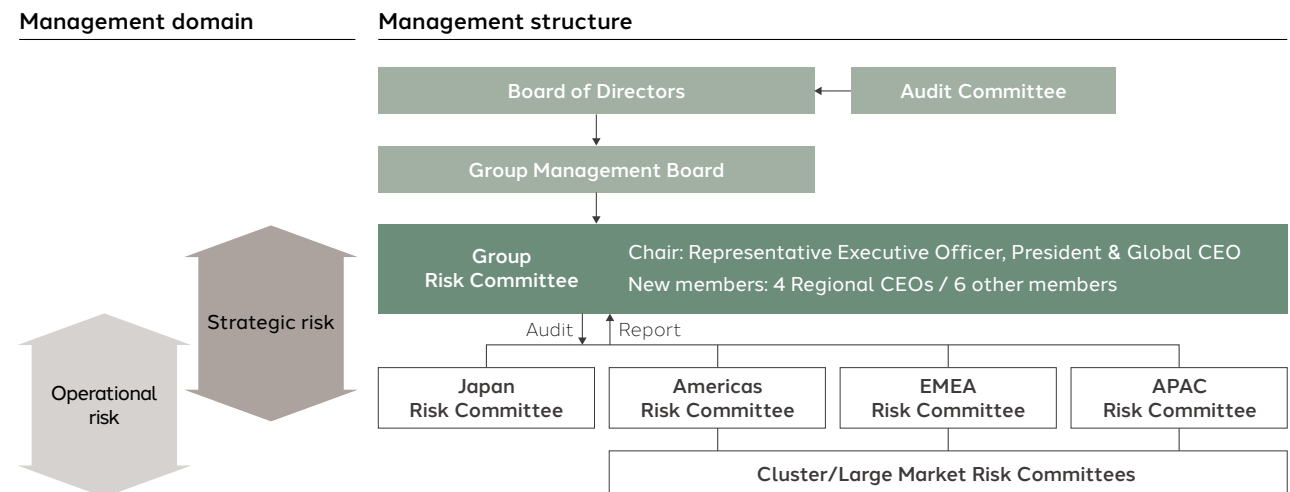
In addition, a new Global Internal Controls & Risk Officer has been appointed from the Group Management Team to enhance the promotion of risk management activities.

The four Regional Risk Committees, under the Group Risk Committee, are in charge of managing

strategic risks at the regional level in cooperation with the Group Risk Committee, as well as identifying and managing major operational risks.

For example, in Japan, the dentsu Japan CEO chairs the dentsu Japan Risk Committee and is responsible for implementing policies and goals set by the Group Risk Committee, as well as for managing risks specific to the Japan business.

The activities of, and responses by, the Group Risk Committee and each of the four Regional Risk Committees are regularly monitored by the Group Management Board and the Board of Directors.



Governance

Specific risk management initiatives

Based on the Enterprise Risk Management (ERM) approach, the Group identifies and evaluates risks* that are of major significance to Group management.

Further, to steadily improve its quality, we have established a three-year plan to promote more effective and efficient risk management.

To manage the likelihood of risks materializing and control their impact should they materialize and reach specified levels, risk sponsors are selected for each risk.

Once the degree of the Group's risk exposure (evaluated using a heat map based on Likelihood of Occurrence \times Impact) has been ascertained, a response plan and deadline are determined, and progress is

reported regularly with the aim of mitigating risks.

Overall risk exposure is reviewed annually, while individual risks are reviewed as necessary and appropriate.

With regard to emerging risks stemming from climate change and other conditions that were not factors in the past, the Group Risk Committee and the four Regional Risk Committees work together as needed to identify risks, assess potential impacts on management and business strategies, and formulate response plans.

In addition, our risk taxonomy (the comprehensive, common, and stable set of risk categories we use, and their systematic organization) is updated as needed and applied to the entire Group to ensure comprehensive

risk management.

Meanwhile, to foster and disseminate a risk culture throughout the Group, we provide risk management training for senior management and employees as appropriate.

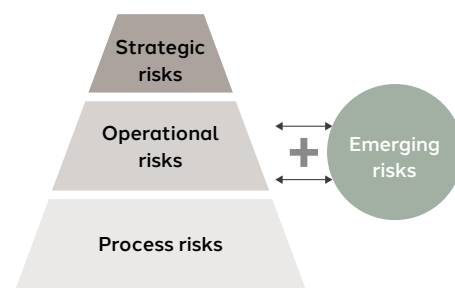
Risk management based on ERM

Regular identification and assessment of, response to, and reporting cycle for major risks



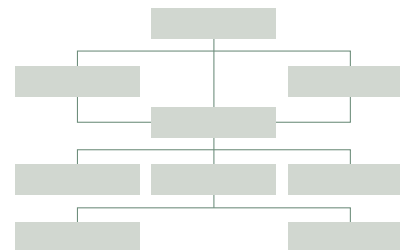
Ascertaining and responding to emerging risks

The four Group risk subcommittees ascertain emerging risks



Risk taxonomy

Systematic organization of terminology ensures that the Group has a rational, comprehensive, common, and stable set of risk management categories across the board



* For details, please see the "Business and Other Risks" section on page 23 of the Financial Report 2024.
https://ssl4.eir-parts.net/doc/4324/yo_ho_pdf/S100T4UC/00.pdf (Japanese language only)

Cyber security

Our security program

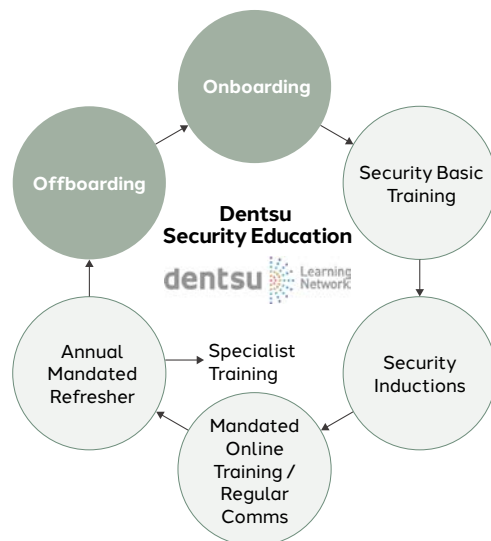
Dentsu has developed a security program with an overarching objective to protect our business and people from threats, enable our colleagues to work securely, and provide assurance to clients and Group leadership.

- Business priority

Security is an integral part of our business processes and recognized as critical to meeting the needs of our internal and external stakeholders.

- Significant investment

We take security seriously and commit resources to



ensure consistent implementation of industry standard safeguards across our business.

- Global consistency

Our team is run by a Group Security Officer who is accountable for Group-wide security with support from a network of regional Chief Information Security Officers.

- Sound governance

Our management is responsible for effective oversight of security processes, including specific accountabilities, policies, and controls.

- Independent assurance

Assessments (internal and external) are conducted for corporate governance, client compliance, and risk management purposes.

Employee awareness

Dentsu promotes a comprehensive security awareness and education program through a number of key initiatives:

- Annual mandatory security awareness training
- Targeted training for high-risk roles and functions
- Regular policy-focused communications
- Periodic simulated phishing campaigns

Governance and risks

Based on the Enterprise Risk Management approach, dentsu aims to minimize the likelihood of identified security risks from materializing. However, should they occur, the Group minimizes their impact by selecting risk sponsors to whom they delegate the formulation and implementation of risk response plans, with the Dentsu

Security Risk Committee regularly monitoring the responses. Furthermore, known security issues arising from second line assurance are also monitored and reported through the same risk management methodology.

Securing our operations

- Advanced threat protection
 - Anti-malware for email, web, and endpoints
 - Next-gen endpoint detection and response system
 - Actionable intelligence to defend against emerging threats
 - Proactive threat hunting across network and devices
- Monitoring & Incident response
 - Expert 24x7 security monitoring
 - Centralized, correlated visibility of activity
 - Capability to quickly contain and respond to threats
 - Regular testing of incident response processes
- Identity & Access management
 - Central oversight of user access and joiner/leavers
 - Real-time auditing of privileged users and domain
 - Multi-factor authentication used for core applications
- Infrastructure & Asset protection
 - Independent testing of network perimeter
 - Detect and fix vulnerabilities before attackers
 - Secure internet gateway used by our endpoints

2024-2026 Focus Areas

- Continuously review and improve security structure
- Continuously strengthen data-centric management systems
- Promote security in product development
- Develop dentsu's security personnel

Supply chain management

Basic stance

Dentsu regards supply chain management as an important issue. In procurement, we have established and disclosed Group policies and put in place the necessary systems.

• Eligible suppliers

Dentsu's suppliers include a wide range of media, production, technology services, goods suppliers, consulting firms, and other professional services firms.

• Structure

Dentsu's Global Chief Governance Officer (GCGO) & Global Chief Financial Officer (GCFO) are the owners and responsible for Group policies. Matters of high importance are brought up for discussion at important meetings, such as the Group Management Board, and are also reported to the Board of Directors as necessary. In addition, dentsu Japan and International each have their own procurement teams responsible for implementing actions in line with policies and supply chain management.

• Clarification of supply chain management policy

Besides disclosing the dentsu Group Procurement Policy, which sets out our approach, we have developed the

dentsu Group Supplier Code of Conduct to set out our expectations for suppliers who do business with us. Guidelines and procedures have also been formulated for each region in accordance with regional business practices and structures, and these are managed by the procurement teams in charge of each region.

• Dealing with suppliers (risk monitoring and decarbonization)

We clearly define the key risks – not only country and sector risks, but also environment, human rights, compliance, information management, anti-corruption, and ESG risks – in our transactions with suppliers, conduct thorough due diligence information gathering for risk management purposes at the start of transactions with suppliers, and conduct necessary monitoring during transactions. Together with our procurement and sustainability teams in Japan and International, we plan to move forward with efforts toward decarbonization in the future.

• Escalation process and external hotlines

Procurement teams in each region, independent of business divisions, collect, analyze, and verify multifaceted information, including information received by hotlines for consultation from external suppliers, and consider and implement necessary measures. We have also established Speak Up@dentsu, a reporting window where suppliers can consult anonymously.

Details of dentsu Japan (hereafter, dJ) initiatives

(1) Establishment and publication of guidelines

In order to build a sustainable supply chain that contributes to the development of our clients and society, we have established and published the dentsu Japan Procurement Guidelines, which we require not only companies belonging to dJ, but also suppliers of dJ companies, to comply with.

(2) Guideline compliance measures

dJ encourages the management of dJ companies to comply with and implement the dJ Procurement Guidelines, and periodically checks the status of implementation and provides support.

(3) Monitoring

Based on reports from business divisions and information collected as needed by the Credit and Procurement Division, when individual cases/issues occur or have the potential to occur at suppliers, internal investigations and hearings are conducted to quickly determine whether transactions may continue.

(4) Escalation

dJ companies and dJ procurement teams work together to share information and resolve issues. Important issues are reported to and discussed by the dJ Trade Committee, which investigates the details of

Governance

transactions and makes decisions on whether to continue transactions.

(5) Education and training

The dJ procurement team shares with dJ companies specific implementation methods for contracting, information security, and monitoring related to procurement.

(6) Risk management and due diligence

We manage risk by ensuring that a contract is signed at the start of the transaction, and conduct category specific risk management and investigations to determine feasibility of the transaction.

(7) Examples of supply chain optimization and ongoing initiatives

The dJ procurement team implements a variety of measures. For example, we have appointed a dedicated person for transaction management, which is one of the measures for “Mindset and Behavior Reform” in dJ, and we regularly monitor and analyze our suppliers. We also place great importance on communication with suppliers.

Details of International (outside of Japan) initiatives

(1) Establishment and publication of guidelines

In addition to establishing the Purchase to Pay Policy, we carry out procurement activities in compliance with local business practices and regulations.

(2) Guideline compliance efforts

The International Procurement Team manages high-spend and criticality central or global contracts with third-party suppliers. Beyond this, procurement is managed by either local procurement teams or other functions such as operations or finance. Procurement activity compliance is managed through an Internal Control Framework.

(3) Monitoring

In addition to local monitoring by each company, for global requirements the International Procurement Team supports supplier due diligence and risk management. The team works with the business and supplier as required to resolve any issues.

(4) Escalation

Monthly reports are presented at high-level meetings with finance, legal, and technology representation by the International Procurement Team. These reports include key contract activity, negotiated savings and procurement-related risks and opportunities.

(5) Education and training

International Procurement Team members receive training in commercial negotiation and sustainable procurement, and are supported in studying for procurement qualifications. This is in addition to standard employee training relating to policies such as data protection, security and the Dentsu Group Code of Conduct.

(6) Risk management and due diligence

For new suppliers, due diligence is carried out to confirm acceptance of dentsu's Supplier Code of Conduct, assess financial viability, regulatory, and compliance risks such as fraud and bribery, and confirm appropriate data security. As good practice we also encourage gathering information on ESG factors.

(7) Examples of supply chain optimization and ongoing initiatives

The International Procurement Team has introduced supplier segmentation to identify key suppliers and ensure appropriate resources are assigned to manage their activity. During 2024, we are introducing a new supplier onboarding tool for global suppliers that will enable greater use of targeted risk related questions appropriate to the supplier.

Compliance

The Dentsu Group Code of Conduct states, “At dentsu we believe we must be a force for good. When we do the right thing as individuals, it becomes who we are as a company. It’s what makes being a force for good possible, and it starts with each and every one of us.” To achieve this, we have established the following

compliance management structure which we are continuously strengthening.

Group Compliance Committee

For dentsu, which aims to become a B2B2S company, ethics and compliance are the foundation of all of our activities. We have established the Group Compliance Committee as a committee under the Group

Management Board, and have also established compliance committees in our four regions (Japan, APAC, EMEA, and the Americas) as supporting organizations. With the above system, we aim to align under a unified vision across the Group and promote compliance management.

Compliance management



Governance

Compliance Program

The vision of the Group Compliance Program is to meet global standards of best practice in ethics and compliance and establish a reputation as a governance leader. Realizing the vision requires the Group to ensure

that the Group Compliance Program is well designed, applied with commitment, and operated effectively in practice. This vision requires the responsibility and commitment of top management to compliance both at the Group and regional level, and to proactively promote

doing business with integrity.
The following chart illustrates an overall picture of the Group Compliance Program.

Program Design

<p>Risk Assessment</p> <p>An established risk assessment approach to identify real compliance risks that inform our program and enable mitigation strategies.</p>	<p>Policies & Procedures</p> <p>Strong, well-managed compliance policies and an effective global policy management system that drives an ethical and compliant culture, supports dentsu's strategic vision, protects its people, and mitigates risk.</p> <div><div>Point 1</div><div>p. 87</div></div>	<p>Training & Communication</p> <p>An integrated, risk-based, multichannel training and communications program which uses a variety of techniques to deliver effective and engaging training & communications.</p> <div><div>Point 2</div><div>p. 87</div></div>	<p>Confidential Reporting & Investigations Process</p> <p>A clear and consistent approach to confidential reporting including whistleblowing and investigations.</p> <div><div>Point 3</div><div>p. 87</div></div>	<p>Due Diligence & Third-Party Management</p> <p>Ongoing contribution to development of a strong third-party governance structure, which is suitable for identifying, detecting, countering, and mitigating the compliance risks associated with third parties.</p>	<p>Mergers & Acquisitions</p> <p>Effective compliance due diligence, monitoring and integration activities that effectively uncover and mitigate compliance risks arising from M&A activities and that are fully integrated with the M&A process.</p>
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Program Effectiveness

<p>Continuous Improvement, Periodic Testing & Review</p>
<p>Investigation of Misconduct, Analysis & Remediation</p>

Implementation

<p>Commitment from Senior & Middle Management: Tone & Conduct from the Top</p>
<p>Compliance Structure & Governance—Autonomy & Resources</p>
<p>Discipline & Incentives</p>

Point 1

Policies & Procedures

• Establishment of Group Code of Conduct

The Dentsu Group Code of Conduct establishes a code of behavior that serves as the fundamental philosophy for promoting compliance across the Group. It stipulates the actions to be taken and the principles to be observed as a member of dentsu, including an emphasis on diversity and compliance with laws, regulations, and internal rules.

For the full text of the Dentsu Group Code of Conduct, please refer to our website.

<https://www.group.dentsu.com/en/about-us/governance/codeofconduct.html>

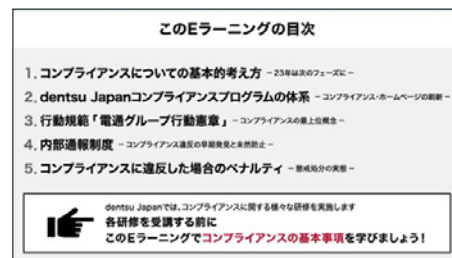
• Establishment of Group Policies

To realize the principles of the Dentsu Group Code of Conduct, we have established Group-wide policies including the Group Anti-Bribery & Corruption Policy, Group Legal Policy, and Group Global Data Protection Principles. Going forward, we will further introduce Group-wide policies and promote compliance management under a unified vision across the Group.

Point 2

Training & Communication

We conduct a variety of ethics and compliance training programs across the globe such as e-learning for the Code of Conduct. We also provide employees with a variety of compliance-related information through our intranet for their awareness.



Compliance training in Japan

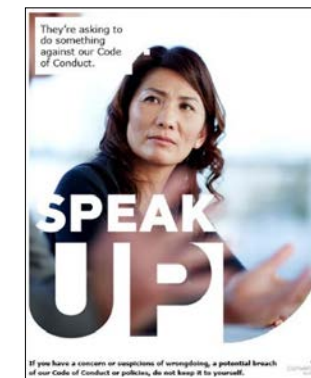


Compliance training outside of Japan

Point 3

Confidential Reporting & Investigations Process

As our whistle-blowing hotline for use by all officers and employees of Group companies, we have Speak Up@dentsu. We also have Compliance Line for Japan. By linking the functions of these hotlines to the early detection and remediation of compliance violations, we are promoting compliance management and the sound growth of our business.



Group-wide whistle-blowing hotline

The dentsu Japan Reform Committee “Mindset and Behavior Reform”

Mindset and behavior reform

On February 28, 2023, a criminal complaint was filed against an employee of dentsu’s Japanese subsidiary by the Japan Fair Trade Commission, and Dentsu Group Inc. was subsequently indicted by the Tokyo District Public Prosecutors Office for an alleged violation of the Antimonopoly Act in connection with the bidding for the test events of the Tokyo 2020 Olympic and Paralympic Games.

We sincerely apologize to our shareholders and all other stakeholders for the inconvenience and concern this has caused.

In the ongoing trial, the Group has admitted that it engaged in unfairly restricting business activities with regard to competitive bidding for “test event planning” services.*

The Group takes this matter very seriously. As a result, dentsu Japan is engaged in Company-wide, compliance-related Mindset and Behavior Reform. These are based on the investigation report and recommendations submitted by the Investigation and Review Committee, which comprises three outside experts. The aim is to ensure operational fairness and transparency, and to prevent the recurrence of issues

resulting from our organizational culture.

* At the same time, it was determined that there were no unfair restrictions of business activities with respect to test event implementation or main event management services, which were subject to negotiated contracts.

Reform Committee background

With the aim of fulfilling our responsibility to all stakeholders by renewing the way we approach our work,

	Member	Responsibility
Chair	Hiroshi Igarashi Representative Executive Officer, President & Global CEO, dentsu	Project lead, Reporting to the Board of Directors
Vice-chair	Arinobu Soga Representative Executive Officer, Executive Vice President, Global Chief Governance Officer & Global CFO, dentsu	Assisting the Chair, Implementation of reforms
Outside Member	Toshihiko Itami, Attorney-at-Law	Advisory
Outside Member	Genta Yoshino, Attorney-at-Law	Advisory
Outside Member	Yasuo Daito, Attorney-at-Law	Advisory
Member	Tadashi Nagae Global Corporate Secretary & Deputy Global General Counsel, dentsu	Implementation of reforms
Leader	Takeshi Sano CEO, dentsu Japan	Drafting the initiatives, reporting progress to the Committee
Leader/ Secretariat Head	Yoshimasa Watahiki COO, dentsu Japan	Drafting the initiatives, reporting progress to the Committee, operation of the Committee

the dentsu Japan Reform Committee was established in May 2023. It is chaired by President & Global CEO Hiroshi Igarashi.

In order to incorporate outside perspectives, three outside attorneys act as advisors, providing guidance regarding the efficacy of reform measures. A former member of the Investigation and Review Committee, Attorney Toshihiko Itami, was appointed to the Reform Committee to ensure the efficacy and consistency of reform measures.

We then formulated three reform pillars and 17 initiatives. While monitoring the progress of the initiatives, the Committee met and held more than 25 discussions, the details of which were regularly reported to the Board of Directors.

About KGIs and KPIs

We use three Key Goal Indicators (KGIs) and incorporate external perspectives to measure the progress of reforms.

The first KGI is the evaluation of employee-related reforms. Since November 2023, we have conducted three awareness surveys of dentsu Japan staff to measure the degree to which reforms have taken root and activities have improved.

The second KGI concerns monitoring evaluations. The three outside committee members regularly conduct a comprehensive determination of our reform efforts.

The third KGI involves evaluation by external

Governance

stakeholders. This is designed to improve the Group's image in the eyes of business partners and in consumer surveys.

Specific indicators are also tracked as Key Performance Indicators (KPIs). These include the progress towards our 17 reform initiatives, employee survey results and whistleblowing cases.

The third dentsu Japan employee survey, conducted in May 2024, shows a steady increase in the scores for the perceived need to reform mindset and behavior (91.0%) as well as to prioritize integrity (96.4%).

KGI **1** **Evaluation by employees:** Employee survey
1. Organizational culture
2. Risk management system & legal and compliance functions
3. Fair & transparent transactions

2 **Evaluation by the advisory group:**
 Comprehensive assessment by the outside committee members

3 **Evaluation by external stakeholders:**
 Supplier and consumer survey

KPI **Completion of initiative:**
 Completion of all 17 initiatives

Employee Awareness & Behavior Indicators:
 Employee awareness, understanding and practice of actions in accordance with initiatives
• Awareness • Understanding • Practice

Fact indicators associated with the initiatives:
 Outcomes and facts associated with each initiative
• Number of whistleblowers
• Number of positions dedicated to compliance
• Training participation rates, etc.

Reform progress

We are promoting three pillars of reform that cover our 17 reform initiatives. This reflects our policy of increasing awareness of the Group's responsibility to society, the need for transparency, and our desire to clarify the rules and ways we must follow.

• First pillar: Establish an organizational culture that ensures proper corporate activities

To achieve such a culture, we must take the following six steps:

1. Ensure familiarity with the Dentsu Group Code of Conduct.
2. Increase the dentsu Japan Chief Culture Officer's commitment.
3. Promote dialogue between management and employees regarding proper corporate activities.
4. Take strict disciplinary measures against those involved in the alleged Tokyo Olympic Games-related violation of the Antimonopoly Act.
5. Clarify what is required of leaders. This should be reflected in evaluations and promotions.
6. Optimize and revise HR systems as necessary.

All employees complete Code of Conduct training. In addition, an ongoing, Company-wide dialogue between management and employees takes the form of



meetings and small-group roundtable discussions.

In order to survey management, we will be introducing a dentsu Japan-wide, 360-degree evaluation of management.

• Second pillar: Strengthen our risk management system and legal and compliance functions

To do so, we must carry out the following seven actions:

7. Improve the whistleblowing process and provide new whistleblowing platforms.
8. Systemize and enhance compliance.
9. Expand our legal and compliance structure.
10. Strengthen the monitoring function via internal audits.
11. Make the dentsu Japan Risk Committee more flexible.
12. Place a compliance manager in all sections responsible for business execution.
13. Consider having a disciplinary system to restore corporate order.

Speak Up@Dentsu is a new whistleblowing portal accessible at all dentsu companies. It is free to use, confidential, and available 24 hours a day, seven days a week via toll-free numbers or at speakup.dentsu.com.

Because the availability of this portal has helped create an environment in which staff feel more comfortable speaking out, the number of reports being made is on the rise.

Further, compliance officers and compliance

Governance

managers responsible for promoting compliance awareness and behavior reforms have been appointed at each business site.



- Third pillar: Introduce business processes that ensure fair, transparent transactions

Doing so requires that we undertake four activities:

14. Appoint experts as external advisors.
15. Develop and apply business guidelines.
16. Set up and apply rules for secondment if there is a conflict of interest.
17. Appoint dedicated personnel to manage transactions (procurement, purchasing, etc.).

We have formulated and are working to ensure thorough implementation of guidelines for our dealings with sports businesses and the public sector. This is to prevent our employees from getting involved in improper activities related to, for example, bidding.

Our rules on secondment have been revised and improved, and will be implemented meticulously. At the

same time, we are strengthening transaction management regarding procurement and purchasing. To this end, we have set up a dedicated department to check business processes, formulate procurement guidelines for the entire Group, and reinforce the management system for deliverables.

Although many of the above-mentioned measures have been implemented in part or completely, we will continue to promote mindset- and behavior-related activities.

Website

Recurrence Prevention Initiatives (mindset and behavior reform)

[Recurrence Prevention Initiatives \(mindset and behavior reform\) - Dentsu Group Inc.](#)

[Contents](#)

[Corporate Philosophy](#)

[Value Creation Story](#)

[Management Strategy](#)

[Data](#)

[Financial data](#)

[Non-financial data](#)

[Subsidiaries and affiliates](#)

[Information for shareholders / Share information](#)

[Editorial policy](#)

Data

Financial data

Consolidated

(Millions of yen)

	2016	2017	2018	2019	2020	2021	2022	2023
Profit and loss statement								
Turnover	4,924,933	5,187,300	5,357,278	5,146,802	4,498,216	5,256,492	5,819,519	5,953,391
Revenue	838,359	928,841	1,018,512	1,047,881	939,243	1,085,592	1,243,883	1,304,552
Revenue less cost of sales	789,043	877,622	932,680	939,385	835,042	976,577	1,117,002	1,144,819
Operating profit (loss)	137,681	137,392	111,638	(3,358)	(140,625)	241,841	117,617	45,312
Profit (loss) before tax	132,918	149,662	148,751	(42,769)	(141,133)	208,833	100,908	33,103
Profit (loss) for the year attributable to owners of the parent	83,501	105,478	90,316	(80,893)	(159,596)	108,389	59,847	(10,714)
Underlying EBITDA*1	—	—	—	—	145,335	195,006	217,515	175,758
Underlying operating profit	166,565	163,946	153,229	140,751	123,979	179,028	203,189	163,515
Underlying net profit (attributable to owners of the parent)	112,972	107,874	97,419	76,120	69,890	109,203	130,037	89,839
Balance sheet								
Total assets	3,155,230	3,562,857	3,638,488	3,795,729	3,380,412	3,720,536	3,741,427	3,634,401
Total equity attributable to owners of the parent	932,742	1,093,211	1,047,619	974,977	756,870	845,034	880,267	841,651
Cash flow								
Net cash flow from operating activities	143,585	141,557	133,049	79,957	88,313	139,715	80,896	75,267
Net cash flow from investing activities	(156,161)	(85,531)	(61,382)	(76,051)	137,013	262,226	(24,346)	(146,297)
Net cash flow from financing activities	2,539	1,226	57,522	(7,803)	(96,622)	(232,189)	(188,192)	(153,681)
Cash and cash equivalents at end of period	242,410	305,760	416,668	414,055	530,692	723,541	603,740	390,678
Number of employees	55,843	60,064	62,608	66,400	64,533	64,832	69,066	71,127
Number of consolidated subsidiaries	844	911	976	1,004	1,007	907	881	808

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

Notes: 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.

Notes: 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 fiscal year 2021, 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 2020 figures in the Summary of Financial Results for the Fiscal Year Ended December 31, 2021 where the presentation was retrospectively restated.

Financial data

	2016	2017	2018	2019	2020	2021	2022	2023
								(%)
Organic growth rate	5.1	0.1	3.4	(1.0)	(11.1)	13.1	3.2	(4.9)
Japan	4.5	(0.3)	2.1	0.4	(8.4)	17.9	0.4	1.6
International	5.7	0.4	4.3	(1.9)	(13.0)	9.7	5.1	—
Americas	—	—	—	—	—	—	—	(7.2)
EMEA	—	—	—	—	—	—	—	(10.9)
APAC	—	—	—	—	—	—	—	(8.2)
CT&T ratio	—	—	—	—	27.5	29.1	32.3	31.9
Japan	—	—	—	—	24.5	24.4	28.5	—
International	—	—	—	—	29.7	32.6	34.6	—
Operating margin	21.1	18.7	16.4	15.0	14.8	18.3	18.2	14.5
Japan	26.8	24.5	21.7	19.1	18.0	22.9	24.1	—
International	16.2	14.6	12.9	12.2	13.7	15.9	15.7	—
Return on equity (ROE)* ¹	8.3	10.4	8.4	(8.0)	(18.4)	13.7	6.9	(1.2)
Underlying ROE* ²	11.3	10.6	9.1	7.5	8.1	13.8	15.1	10.4
Return on assets (ROA)* ³	4.3	4.5	4.1	(1.2)	(3.9)	5.9	2.7	0.9
Ratio of equity attributable to owners of the parent (Equity ratio)* ⁴	29.6	30.7	28.8	25.7	22.4	22.7	23.5	23.2
Basic earnings per share (yen)	292.85	373.11	320.39	(287.92)	(571.19)	388.79	223.33	(40.52)
Basic underlying profit per share (yen)	396.20	381.58	345.59	270.94	250.14	391.71	485.26	339.79
Cash dividend per share (yen)	85.00	90.00	90.00	95.00	71.25	117.50	155.25	139.50
Dividend payout ratio* ⁵	29.0	24.1	28.1	—	—	30.2	69.5	—
Underlying dividend payout ratio* ⁶	21.5	23.6	26.0	35.1	28.5	30.0	32.0	35.0

*¹ 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
 *² 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

*³ ROA (IFRS) = Profit before tax ÷ Average total assets based on total assets at the beginning and end of the fiscal year x 100
 *⁴ Ratio of equity attributable to owners of the parent = Equity attributable to owners of the parent ÷ Total assets
 *⁵ Dividend payout ratio = Cash dividend per share ÷ Basic earnings per share x 100
 *⁶ Underlying dividend payout ratio = Cash dividend per share ÷ Basic underlying profit per share x 100
 *FY2023 is calculated based on the adjusted underlying basic EPS

Non-financial data

Environmental performance data*1

	2019*2	2020	2021	2022	2023
Scope 1	4,888	3,540	3,195	3,267	2,942
Japan	344	355	310	348	924
International	4,544	3,185	2,885	2,919	2,018
Scope 2	29,074	23,415	20,908	12,771	15,318
Japan	24,202	20,872	19,343	11,244	11,730
International	4,872	2,543	1,565	1,527	3,588
Scope 1+2	33,962	26,955	24,103	16,039	18,261
Japan	24,546	21,227	19,653	11,592	12,655
International	9,416	5,728	4,450	4,447	5,606
Scope 3	374,884	55,374	360,325	377,456	422,651
Category 1	265,960	25,615	316,082	294,923	310,775
Japan	28,773	25,202	24,284	32,398	46,113
International	237,187	413	291,798	262,525	264,662
Category 3	8,813	5,481	10,779	8,254	10,166
Japan	6,500	5,481	5,155	2,759	3,195
International	2,313	N/A	5,624	5,494	6,971
Category 4	288	1,856	3,558	4,264	3,326
Japan	0	1,856	2,978	3,416	2,525
International	288	N/A	580	848	801
Category 5	1,246	1,098	1,207	904	900
Japan	424	596	931	611	481
International	822	502	276	293	418

(tCO₂e)

	2019*2	2020	2021	2022	2023
Scope 3					
Category 6	79,417	16,370	9,909	35,899	62,906
Japan	25,406	4,973	3,055	8,893	14,139
International	54,011	11,397	6,854	27,006	48,768
Category 7	13,660	4,954	14,668	27,848	27,669
Japan	5,049	4,954	2,350	1,893	3,599
International	8,611	N/A	12,318	25,955	24,070
Category 13	3,469	N/A	331	309	291
International	3,469	N/A	331	309	291
Category 15	2,031	N/A	3,790	5,055	6,617
International	2,031	N/A	3,790	5,055	6,617
Total greenhouse gas (GHG) emissions (Scope 1 + 2 + 3)	408,846	82,329	384,428	393,494	440,911

(tCO₂e)

*1 Scope and method of calculation

- Includes consolidated subsidiaries in Japan and abroad over which the Dentsu Group Inc. ("dentsu") exercises managerial control.
- Consolidated subsidiaries that can be judged to have a negligible impact due to number of employees, type of use of bases, etc. are not included.
- Reference made to the World Resources Institute's (WRI) Greenhouse Gas (GHG) Protocol in the calculation.
- Scope 1 fugitive emissions are not included as dentsu is underway of working on data collection.
- Scope 3, Category 2 emissions for International are included in Scope 3, Category 1 emissions.
- Scope 3, Category 8 emissions from applicable leases are calculated under Scope 1 and 2.
- Scope 3 emissions are excluded for Categories 9-12 and 14 due to immateriality or irrelevance.
- Scope 3, Category 13 emissions are excluded in Japan because the company does not engage in rental businesses.
- Scope 3, Category 15 emissions for Japan are excluded due to difficulties in collecting the data necessary to calculate emissions.

Note: For more details on methodology, please see our Independent Assurance Report.

*2 The 2019 baseline figures are as of December 31, 2023. We submitted new GHG reduction targets to the SBTi in 2024.

Non-financial data

Total electricity consumption, amount of renewable energy usage, and renewable energy rate

	2020	2021	2022	2023
Total electricity consumption (kWh)	86,675,340	72,751,938	83,661,353	65,485,764
Renewable energy usage (kWh)* ^{1,2}	46,382,752	35,397,299	29,756,238	36,207,570
Renewable energy rate	53.5%	48.7%	35.6%	55.3%

*1 Calculated according to the RE100 standard.

*2 Including the purchase of renewable energy from adjacent markets, the Group's renewable energy rate increases as follows:
2020: 59.5%, 2021: 52.5%, 2022: 37.7%, 2023: 59.0%

Governance data

	2019	2020	2021	2022	2023
Directors	12	12	13	13	10
Outside Directors (independent Outside Directors)	4(4)	5(4)	5(5)	5(5)	6(6)
Ratio of independent Outside Directors (%)	33.3	33.3	38.5	38.4	60.0
Female Directors	2	2	3	4	2
Ratio of female Directors (%)	16.7	16.7	23.1	30.8	20.0
Board of Director meeting attendance rate (%)	96.9	95.6*	99.1	100.0	98.0
Attendance rate of independent Outside Directors at Board of Director meetings (%)	93.8	100.0	98.8	100.0	99.0

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

Internal reporting: number of "Speak Up" incident reports (cases)

	2019	2020	2021	2022	2023
Total	35	43	38	100	218

Internal reporting: Compliance Line reports (cases)*

	2019	2020	2021	2022	2023
Total	17	10	6	12	32

* 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	2023
Total	194	106	136	106	164

* In 2021, previous fiscal year figures were recounted.

Subsidiaries and affiliates

As of December 31, 2023, the Group includes 808 consolidated subsidiaries and 85 affiliated companies accounted for by the equity method.

Consolidated subsidiaries

Dentsu Inc.^{*1}

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.^{*3}

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.^{*2}

Geographic area: Japan
Equity held by dentsu: 53.4%

Septeni Holdings Co., Ltd.^{*1,2}

Geographic area: Japan
Equity held by dentsu: 52.6%

Information Services International-Dentsu, Ltd.^{*1,2,3,4}

Geographic area: Japan
Equity held by dentsu: 61.8% (0.0%)

Dentsu Corporate One Inc.^{*1}

Geographic area: Japan
Equity held by dentsu: 100.0%

Dentsu Creative Advertising, LLC (formerly Dentsu McGarry Bowen, LLC)^{*1,3}

Geographic area: USA
Equity held by dentsu: 100.0% (100.0%)

Dentsu Creative, LLC (formerly The 360i Network, LLC)^{*1,3}

Geographic area: USA
Equity held by dentsu: 100.0% (100.0%)

Dentsu US, Inc.^{*1,3}

Geographic area: USA
Equity held by dentsu: 100.0% (100.0%)

Merkle Group Inc.^{*3}

Geographic area: USA
Equity held by dentsu: 100.0% (100.0%)

Isobar US, LLC^{*1,3}

Geographic area: USA
Equity held by dentsu: 100.0% (100.0%)

Dentsu International Americas, LLC^{*1,3}

Geographic area: USA
Equity held by dentsu: 100.0% (100.0%)

Agenciaticlick - Midia Interativa S.A.^{*1,3}

Geographic area: Brazil
Equity held by dentsu: 100.0% (100.0%)

Dentsu Brasil Holdings Ltda.^{*3}

Geographic area: Brazil
Equity held by dentsu: 100.0% (100.0%)

Tag Worldwide Holdings Limited^{*3}

Geographic area: United Kingdom
Equity held by dentsu: 100.0% (100.0%)

Tag Europe Limited^{*3}

Geographic area: United Kingdom
Equity held by dentsu: 100.0% (100.0%)

Dentsu Aegis Network Central Europe Holding GmbH^{*3}

Geographic area: Germany
Equity held by dentsu: 100.0% (100.0%)

Dentsu Aegis Network Central Europe GmbH^{*3}

Geographic area: Germany
Equity held by dentsu: 100.0% (100.0%)

Dentsu France SAS^{*1,3}

Geographic area: France
Equity held by dentsu: 100.0% (100.0%)

Aegis Finance SAS^{*1,3}

Geographic area: France
Equity held by dentsu: 100.0% (100.0%)

Aegis International Holding Company B.V.^{*1,3}

Geographic area: Netherlands
Equity held by dentsu: 100.0% (100.0%)

Group Carat (Nederland) B.V.^{*1,3}

Geographic area: Netherlands
Equity held by dentsu: 100.0% (100.0%)

Dentsu Media, S.L.U.^{*1,3}

Geographic area: Spain
Equity held by dentsu: 100.0% (100.0%)

Dentsu (Shanghai) Investment Co., Ltd.^{*1,3}

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.^{*1,3}

Geographic area: Singapore
Equity held by dentsu: 100.0% (100.0%)

Dentsu Singapore Holdings Pte. Ltd.^{*1,3}

Geographic area: Singapore
Equity held by dentsu: 100.0% (100.0%)

Dentsu Asia Pte. Ltd.^{*1,3}

Geographic area: Singapore
Equity held by dentsu: 100.0% (100.0%)

Dentsu Aegis Network India Private Limited^{*1,3}

Geographic area: India
Equity held by dentsu: 100.0% (100.0%)

Dentsu Australia Holdings Pty Ltd.^{*1,3}

Geographic area: Australia
Equity held by dentsu: 100.0% (100.0%)

Dentsu International Australia Pty Ltd.^{*1,3}

Geographic area: Australia
Equity held by dentsu: 100.0% (100.0%)

Dentsu Corporate Services Ltd.^{*1,3}

Geographic area: Australia
Equity held by dentsu: 100.0% (100.0%)

Dentsu International Limited^{*1}

Geographic area: United Kingdom
Equity held by dentsu: 100.0%

Dentsu International Holdings Limited^{*1,3}

Geographic area: United Kingdom
Equity held by dentsu: 100.0% (100.0%)

Portman Square US Holdings Limited^{*1,3}

Geographic area: United Kingdom
Equity held by dentsu: 100.0% (100.0%)

Dentsu International Group Participations Limited^{*1,3}

Geographic area: United Kingdom
Equity held by dentsu: 100.0% (100.0%)

Dentsu International Triton Limited^{*3}

Geographic area: United Kingdom
Equity held by dentsu: 100.0% (100.0%)

Dentsu International GPS Holdings Limited^{*1,3}

Geographic area: United Kingdom
Equity held by dentsu: 100.0% (100.0%)

Dentsu International Finance Ltd.^{*3}

Geographic area: United Kingdom
Equity held by dentsu: 100.0% (100.0%)

Dentsu International Regents Place Finance Limited^{*3}

Geographic area: United Kingdom
Equity held by dentsu: 100.0% (100.0%)

Dentsu International Treasury Limited^{*3}

Geographic area: United Kingdom
Equity held by dentsu: 100.0% (100.0%)
————— and 761 other companies

Equity-accounted investees

Video Research Ltd.

Geographic area: Japan
Equity held by dentsu: 34.2%

D2C Inc.

Geographic area: Japan
Equity held by dentsu: 46.0%
————— and 83 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. *4 Name changed to Dentsu Soken Inc. on January 1, 2024.

Information for shareholders / Share information

Information for shareholders

(As of December 31, 2023)

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

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

Corporate Website

<https://www.group.dentsu.com/en/>

Share information (As of December 31, 2023)

Breakdown of shareholders by type

	Number of shareholders	Number of shares held	Percentage of total number of shares issued
Japanese financial institutions	41	73,827,160	27.32
Japanese securities firms	48	11,288,369	4.18
Other Japanese corporations	647	71,976,822	26.64
Japanese individuals and others (Including treasury stock)	43,598	45,286,874	16.77
Foreign institutions and individuals	727	67,786,129	25.09
Total	45,061	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)	47,937,500	18.06
2 Kyodo News	18,988,800	7.16
3 Jiji Press, Ltd.	16,028,680	6.04
4 Custody Bank of Japan, Ltd. (Trust accounts)	15,290,860	5.76
5 NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	11,228,000	4.23
6 Group Employees' Stockholding Association	5,247,882	1.98
7 Yoshida Hideo Memorial Foundation	4,984,808	1.88
8 NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	4,969,860	1.87
9 Recruit Holdings Co., Ltd.	4,929,900	1.86
10 NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	4,124,978	1.55

Notes:

1. The number of shares held by each trust bank includes shares related to trust services.
2. The Group holds 4,801,599 treasury shares but is excluded from the major shareholders listed above.
3. The Percentage of Total Shares Issued is calculated excluding treasury shares.

Editorial policy

In Integrated Report 2024, we proactively disclose information to set expectations around our return to organic growth and the future of our Group from a medium- to long-term perspective. In particular, we report our efforts to generate sustainable value by linking financial and non-financial aspects towards realizing our Group's corporate philosophy, including the relationship between our Materiality and corporate strategy, as well as our new 2030 Sustainability Strategy.

Target audience: All stakeholders including shareholders and investors, clients, partners, consumers, and employees.

Period covered by the report: Centered on activities during FY2023 (January 1, 2023 through December 31, 2023), but also refers to preceding and more recent activities.

Organizations covered: Dentsu Group Inc. and dentsu companies

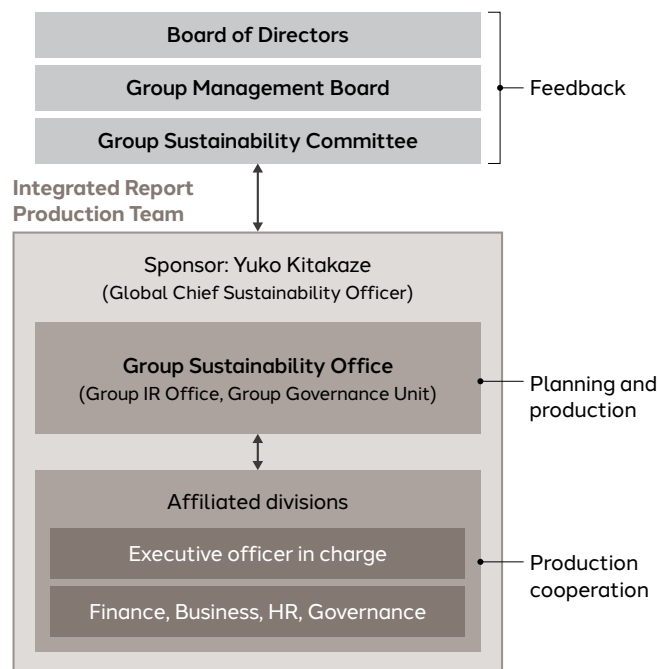
Publication date: August 2024 (Next edition scheduled for publication in August 2025)

Reference guidelines:

- IFRS Foundation, The International Integrated Reporting Framework
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry
- Sustainability Reporting Standards, Global Reporting Initiative (GRI)

For the GRI content index, please refer to the link below.
<https://www.group.dentsu.com/en/sustainability/common/pdf/GRI2024.pdf>

Production structure



Forward-looking statements:

This integrated report contains statements that constitute forward-looking statements regarding the intent, belief or current expectations of Dentsu Group Inc. or its management with respect to the results of operations and the financial condition of the 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 forward-looking statements speak only as of the date hereof. Dentsu Group Inc. disclaims any obligation to update or publicly announce any revisions to these forward-looking statements to reflect future events, conditions, or circumstances.

Disclosure mapping

