

## CEO Message



**Maximizing dentsu Corporate Value—  
Collaborating with clients to resolve  
social issues and evolve into a Business  
to Business to Society (B2B2S) entity  
generating medium- to long-term value**

### **Hiroshi Igarashi**

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President & CEO, Dentsu Group Inc.

### **The evolution into a B2B2S entity**

This fiscal year, I assumed the role of President and CEO of Dentsu Group Inc. I have worked face to face with our clients, typically within the Eigyo (account management division), over the past 38 years since joining dentsu in 1984.

In retrospect, I believe our clients consistently envisioned the need to add value for future generations. Rendering proposals that tackle core client issues while maintaining that same perspective often led me to experience both obstacles and friction, but I will never forget the sense of accomplishment whenever those proposed solutions were realized, motivating both society and consumers.

I find that anticipating the social issues transcending our clients' challenges, comprehensively confronting them, and finally proposing and implementing solutions yields the greatest pleasure in our work. That process lies precisely at the heart of "an invitation to the never before," as we discover unique social value for clients and make that value a reality for a future yet unknown. We are driven by the principle of delivering outcomes for our clients and the wider society. In other words, our activities integrate issues concerning Society, transcending the existing B2B into "Business to Business to Society," or B2B2S. This is what defines our Dentsu Group management policy.

A recent example is "Chefbot," a first of its kind recipe bot which uses AI to tackle food loss by

allowing families to make the most out of the ingredients they already have through recipe suggestions. Dentsu jointly developed this product with one of our clients—a major American retailer. Meanwhile, in Japan’s Kitakyushu City, Dentsu collaborated with local firms and local government to achieve collective impact by executing a proof-of-concept for a regional food circulation system, applying it to the country’s first soccer stadium. The system involves composting food waste and paper cups made with biodegradable resin, growing vegetables locally using the compost, and serving food made from the produce in the stadium. In addition, starting this year, we are developing “Dentsu Good—a sustainability accelerator” as a solution service across DI and DJN. This new initiative is positioned as a business accelerator that realizes business growth through contributions to society.

## Marketing addresses community design

Results of a proprietary survey show that 83% of Gen-Z respondents feel that enterprises should address social issues, questioning the meaning of corporate existence within society. Increased movement toward a sustainable society symbolized by the United Nations’ Sustainable Development Goals (SDGs) has brought us to a time in which companies capable of providing a purpose for society must take a leadership role. With consumers looking more closely

at brands, the corporate focus must become the ability to define a purpose that will lead toward a better future.

Dentsu Group’s role is to evolve conventional marketing into creativity-based community design as a way to ensure permeation of this purpose among individuals. “Community” in this case does not refer to the people surrounding us within our regional society, but rather to the ties which link people through a shared purpose, including corporate entities, local governments, and consumers. Individuals with shared purpose are the driving force moving us toward a better future. The imagination to redefine captivating purpose and the ability to conceptualize based on reality—those are the creativities that form the cornerstone of community design. As Dentsu Group, we have a unique opportunity to influence human and societal behavior.

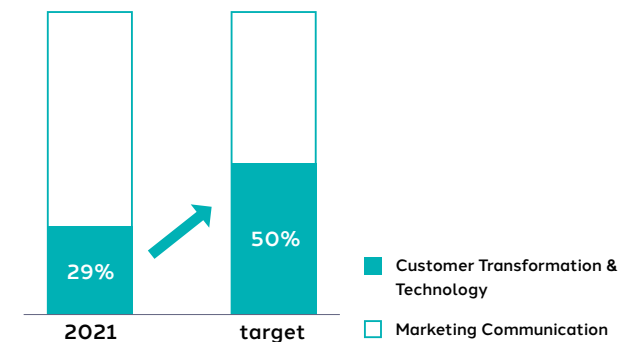
## Future-driven capability

Consumers are now connected to their devices 24/7, including those linked to the Internet of Things (IoT). Creating optimal data- and technology-driven consumer experiences is essential to implementing community design. The capability derived from data and technology, a recent and vital necessity, which we call “Customer Transformation & Technology” (p. 14), is a major investment area in our 2024 Medium-term Management Plan. This is the area in which we can achieve faster growth with less revenue cyclicity,

and the one bearing the most hidden potential over the next few years.

Dentsu Group’s capabilities are expanding, diversifying and surpassing the boundaries of traditional advertising and marketing communication. We are resolving weightier, larger-scale issues for clients; however, we believe the organic integration of multiple solutions, rather than addressing single solutions, is essential. We refer to this service infrastructure as “Integrated Growth Solutions” (p. 16), a concept which has differentiated us from our competitors.

## Customer Transformation & Technology ratio over net revenue



## People at Dentsu Group

Our talent, tackling issues for society and clients, now spans 145 countries and regions, with approximately 65,000 people all wishing to exercise their creativity to produce new value for society. It is my ambition that we will continue to attract top-tier talent.

An array of like-minded individuals cannot amass the creativity required to resolve complex social issues or produce a community. The vision of “an invitation to the never before.” is realized through the self-directed contributions of unique individuals, acting freely yet responsibly, each with an area of expertise to offer.

That was my own experience, as I joined colleagues from diverse backgrounds in pursuing work with a shared aspiration, affording me a sense of growth and reward. As I mentioned earlier, considering heightened social demands on corporations, awareness of one’s own social contributions through work helps boost human resource engagement within Dentsu Group. Attracting talented people with aspirations requires Dentsu Group to continue being an entity which produces social value by creating a community of client enterprises and consumers, and to create an environment affording talent a sense of growth and opportunity to maximize demonstration of their value.

## Business transformation toward sustainable growth

In FY2021, we recorded record net revenue, record operating profit, and underlying and statutory operating profit while accomplishing substantial structural reform through organizational simplification and the sale of non-trading assets as outlined in our Medium-term Management Plan. We are now poised to enter the business transformation phase aimed at sustainable growth, committing investment resources of 250-300 billion yen toward our primary goal: acquisition of capabilities in the Customer Transformation & Technology field.

Dentsu Group’s own management must be focused on sustainable growth as a B2B2S entity confronting social issues. The Sustainable Business Board launched in 2021 (p. 31) is designed to create initiatives yielding a sustainable Dentsu Group with an integrated business growth strategy. Grounded in Dentsu Group’s “2030 Sustainability Strategy,” the Board addresses social issues including climate change and Diversity, Equity & Inclusion (DE&I) while concomitantly developing solutions to societal challenges facing client enterprises. Dentsu Japan Network has also joined forces with the Group’s communication experts and network resources to develop the “Sustainability Communication Guide,” a free publication outlining points to keep in mind when relating sustainable goals with clients and other stakeholders.



To ensure efficacy of the 2030 Sustainability Strategy through governance, management compensation now reflects non-financial factors such as the employee engagement score, achievement of CO<sub>2</sub> reduction targets, and the female management ratio. We have also established the new positions of Chief Diversity Officer within Dentsu Japan Network, and of Chief Equity Officer within each region of Dentsu International, creating a system to advance both DE&I and employee engagement (p. 37).

The new governance changes launched in March 2022 will strengthen the supervisory function of the board of directors by increasing the ratio of female and independent directors and delegating management supervision and execution to different individuals. The addition of four new independent external directors well versed in global corporate management, digital, and finance/accounting/auditing has already invigorated ongoing discussion of business transformation.

It is my mission to ensure that our people collaborate, maximizing Dentsu Group corporate value for our shareholders, clients, partner firms, and employees, as well as for consumers and all of our stakeholders throughout society.