

Medium-term Management Plan

Sustainable Growth through Transformation

In 2020 the impact of the pandemic was felt across the globe. Rapid social changes occurred, including the digitalization of society and an increased focus on the role of corporates and individuals within society.

Within this context, the Group recognized the need to accelerate our own transformation and launched a comprehensive review of the business to simplify and streamline the business, reduce operating costs through de-duplication, enhance the efficiency of our balance sheet and maximize shareholder value. The comprehensive review laid the foundation for the launch of the Group's Medium-term Management Plan, announced in February 2021 and named "Sustainable Growth through Transformation."

In order to achieve transformation and continuously enhance corporate value, the decision was made to focus efforts on the following four pillars, setting KPIs and targets for each.

1. Transformation & Growth
2. Operations & Margin
3. Capital allocation & Shareholder returns
4. Social impact & ESG

The plan provides stakeholders with a four-year roadmap for the Group's growth and profitability, and recognizes the role the Group has to play within a sustainable society.

Action Plan

The challenges facing all of the Group's clients are becoming increasingly complex, as corporates seek to enhance the value of their business. Dentsu Group expand its capabilities, with the provision of solutions that are "beyond advertising."

The digitalization of society increased the need for corporates to invest to build connections with consumers through technology, prompting the need for digital transformation: the area we call Customer Transformation & Technology (p. 14). This is the fastest growth area of our business, where we see greatest potential for the Group in the coming years. As digital adoption accelerates, this fits precisely with our competitive advantage as one of the very few integrated global innovators who can integrate Marketing Communication + Customer Transformation & Technology.

By growing our revenue in Customer Transformation & Technology we expand the available market opportunity beyond the Chief Marketing Officer, engaging with CEOs, CTOs, CIOs, and COOs—the entire C-suite—all of whom are responsible for owning and maximizing the total customer experience.

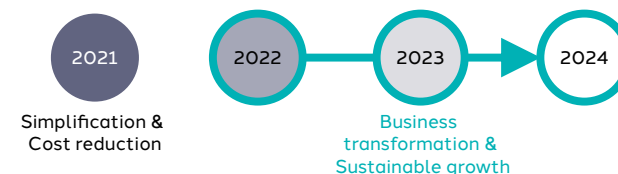
The Group has achieved growth by providing clients with Integrated Growth Solutions (p. 16) that combine Customer Transformation & Technology with our deep knowledge in Marketing Communication. Integrating our diverse capabilities across the Group will deliver top-line growth for our clients, beyond marketing.

By providing clients with high-quality solutions by means of an extremely efficient framework, we can facilitate nearshore and offshore utilization, provide employees with secure remote work environments, optimize the size of offices, and re-wire our organization to promote vigorous collaboration among teams across the Group.

Having disposed of many of our non-trading assets by the end of FY2021, we aim to increase our ROE by optimizing the asset portfolio and using the inflows generated from the sale of assets to invest in the business for growth.

Second year of Sustainable Growth through Transformation

In FY2021, the plan's first year, we successfully increased profitability by simplifying our structure and reducing operating costs. This resulted in Dentsu Group reporting record net revenue and record underlying and statutory operating profit. In light of these achievements, in FY2022 we plan to transition to a phase in which we accelerate business transformation and sustainable growth, and have revised FY2024 targets accordingly.



Regarding the organic growth rate, we have upgraded the compound annual growth rate from between 3% and 4% to between 4% and 5% through 2024. Since the Group achieved the 17.0% underlying operating margin target for FY2024 ahead of schedule and in the first year of the plan, the new target is to manage business in the 17.0–18.0% range until FY2023, and reaching an underlying operating margin of 18.0% in FY2024.

New targets were also added to Social Impact & ESG criteria. To enhance employee Diversity, Equity & Inclusion, we will further heighten effectiveness with the addition of a specific target for the ratio of female leaders, aiming for a Group-wide ratio of 30% by 2030 (Dentsu Japan Network 25%; Dentsu International 50%). For additional details, please see the following chart, Medium-term Management Plan: KPIs and renewed targets.

Capital allocation stresses growth, boosts long-term value

Our approach to capital allocation until FY2024 was announced in February 2022.

Over the next three years, we plan to make 70.0 billion yen worth of capital investments in areas including operations, capabilities, technology infrastructure, and offshore.

As for growth investments through M&A, we have announced an investment fund of up to 250.0–300.0 billion yen. The intention is to focus on the high growth

of the Customer Transformation & Technology area.

In executing share buybacks to provide shareholder returns, having provided 30.0 billion yen in FY2021, we decided to provide a maximum of an additional 40.0 billion yen for buybacks in FY2022.

We aim to maximize corporate value for all stakeholders through the above capital allocation

plans. Attaining sustainable growth is an important goal for the Group, and is not limited to the period leading up to FY2024. The essence of our Medium-term Management Plan is to look ahead and cultivate a corporate culture perpetually engaged in transformation and value creation.

Medium-term Management Plan: KPI's and updated targets

Transformation & Growth



Organic growth vs. FY2021 through FY2024 CAGR 4-5%.
Customer Transformation & Technology to reach 50% of Group net revenue over time.

Operations & Margin



17.0-18.0% operating margin through FY2023.
Reaching 18.0% in FY2024.

Capital allocation & Shareholder returns



Progressive dividend, reaching 35% payout ratio of underlying basic EPS by 2024.
Upper limit of 1.5x Net debt / Underlying EBITDA year end (non IFRS 16 basis); indicative medium-term range of 1.0 to 1.5x.

Social impact & ESG



46% absolute reduction in CO₂ by FY2030, 100% renewable by 2030 (in markets where available).
Improvement in employee engagement score.
Diverse, equal & inclusive workforce; female managers to reach 30% by FY2030 (DJN 25%; DI 50%).