



Japan Business (I)

Robust Business Foundations

Competitive Advantage in the Japanese Market

The Dentsu Group has acquired a leading position in the Japanese market by virtue of its creativity, ability to execute and innovative solutions. In addition to helping its mainstay clients—prominent Japanese corporations—develop their operations overseas, the Dentsu Group helps DAN's core clients—leading global companies—develop their business in Japan. In these ways, we are further cementing the Dentsu Group's business foundations in Japan.

In the lead-up to the Tokyo 2020 Olympic and Paralympic Games, we are doing our best to address digitization and other societal changes. In doing so, we aim to help invigorate Japan and help the country grow as we roll out the Dentsu Group's unique solutions in spheres including sports, content and digital domains. This will allow the Group's Japan business to leverage growth opportunities for the Group.

Future movements, actions, and sports events taking place around Japan

		2017	2018	2019	2020	2021 and Beyond
Movements and actions related to TOKYO 2020 and digital society		Sophistication of various services toward 2020 brought by accelerated advancement of intelligence in ICT in future society				
		Social infrastructure improvement toward the Tokyo 2020 Olympic and Paralympic Games				
		Expansion of content distribution on the Internet (sports and entertainment, etc.)				
World Sports Events	Olympic and Paralympic Games		Pyeongchang (winter)		Tokyo (summer)	Beijing (winter 2022)
	Asian Games	Sapporo (winter)	Jakarta (summer)			Hangzhou (summer 2022)
	FIFA World Cup™		Russia	France (Women's)		Qatar (2022)
	FIFA Club World Cup	UAE	UAE			
	World Championships in Athletics	London		Doha		Oregon (2021)
	World Aquatics Championships	Budapest		Gwangju		Fukuoka (2021)
	FIVB Volleyball World Championship		Japan (Women's)			
	Rugby World Cup			Japan		
Other major events inside and outside Japan		EXPO Astana 2017 (Kazakhstan)	Commencement of practical broadcasting for 4K/8K ultra-high-definition televisions		EXPO 2020 Dubai	World Masters Games Kansai (2021)



The Dentsu Group's Japan business has a distinctive global business model, since we are neither a branding nor a media agency. Rather, we offer Dentsu-specific solutions to issues our clients face.

The Group's Japan business is being called on to innovate in order to address the myriad issues that are arising, such as problems in the work environment and inappropriate digital operations. At the same time, the Group must maintain its strength in resolving the various issues that clients face.

Amid these innovations, below are some examples of the solutions the Dentsu Group is creating to provide significant value by leveraging media, digital solutions, and technology.

- We are significantly increasing the effectiveness of all solutions by making consumer behavior visible, both through digital and non-digital data.
- We are providing consumers instantly with optimal content and solutions by linking to real-time weather, time and positioning data.
- By leveraging artificial intelligence and ultrahigh-definition image (4K and 8K) technologies, we are making sports and other content more enjoyable.

In the lead-up to the Tokyo 2020 Olympic and Paralympic Games, we are launching full-fledged initiatives throughout Japan in such areas as sports, culture, urban development and technology. As Japan's leading solutions company, the Dentsu Group is committed to helping clients in business activities related to these categories.

Furthermore, we aim to enhance the global value of the Dentsu Group by extending across the globe the Dentsu-specific solutions we have created in Japan.

At the same time, in Japan we will create new value and communicate it worldwide.

While pursuing reforms, we will further hone our unique strengths to promote Dentsu-specific solutions.



Yoshio Takada

Representative Director and
Executive Vice President

Japan Business (II)

Sports Marketing

Supporting Sports and Connecting People

Sports marketing covers a range of operations, but at its core involves supporting athletes and creating an environment where they can perform at their best. This involves providing support for the bidding to host sports events, in addition to the other services we provide, which include the creation of marketing schemes and the recruitment of sponsor companies. We feel that these persistent efforts help nurture athletes and lead to decisions to hold sports events. As one example, our efforts led to the selection of Tokyo as host of the 2019 World Judo Championships in 2016.

Over the past few years, we have also been pushing initiatives to connect athletes with their sponsors and supporters. We want to create opportunities for athletes to directly thank their sponsor companies, visit regions not hosting events or disaster-stricken areas and interact with the local children. These activities help cultivate long-term sports fans, while at the same time increasing the motivation of athletes.

Partnering with Stakeholders: Key to Success

Sports marketing requires various rights related to broadcasting, marketing, and industry promotion. On the basis of its highly regarded track record, Dentsu has acquired many of these rights. But, of course, we cannot do everything on our own. Bidding to host world championships, for example, involves thorough communication and teamwork with companies and various relevant organizations, such as broadcasting stations, international sports federations, and domestic sports governing bodies, starting from several years prior to the event.

If the bid is won, the next step is to partner with the venue and sponsor companies, as well as with many other organizations and individuals, including the athletes themselves. Our role is to continue to build relationships with various stakeholders.

During the 2016–17 season, we began live broadcasts of all V League matches (Japan's premier volleyball league in Japan) through Perform Group, which is based in the UK.

We expect that enabling viewers to watch matches wherever they are and whenever they wish will help cultivate more young fans. For overseas sports marketing, we are considering partnering with DAN.

Toward 2020

In many of our divisions, Dentsu is pushing initiatives in preparation for the Tokyo 2020 Olympic and Paralympic Games. We will do everything in our power to provide athletes the optimal environment and conditions, so that in 2020 they can perform at their best. Even after 2020, we plan to continue working with various stakeholders to help sports generate additional value for society.



Yukako Akabane

Director, Sports Department 1
Sports Division

Japan Business (Ⅲ)

Digital



Norihiro Kuretani

Executive Officers, Dentsu Inc.
Representative Director & CEO, Dentsu Digital Inc.

Digital Underpins All Our Strategies

It may seem that for the Dentsu Group, “digital” is a specific business area or service name. Yet we are already living in a digital world, and the Dentsu Group places digital compatibility at the heart of all businesses and

strategies.

However, it does not mean that we are limited to solutions only using digital technologies. Without a doubt, digital technology is deeply engrained in every aspect of our daily lives and our clients’ activities, and marketing is rapidly undergoing a widespread digital transformation.

Yet the Dentsu Group is media-neutral when it comes to solving clients’ challenges, and it uses a comprehensive and integrated approach to generate the best solutions. I believe that the source of our strength lies in creativity.

Reinforce Ability to Execute Digital Strategies

The creativity offered by the Dentsu Group is unique, because we go beyond mere concepts to put ideas into action and provide meaningful solutions.

Within the Group, Dentsu Digital contributes solutions based on digital technology.

Dentsu Digital offers a wide service lineup that encompasses all aspects of digital marketing. It also can go beyond planning and execution to provide one-stop services that include consulting, development and implementation, and operation. In addition, it has personnel with experience and knowledge of both digital technology and overall marketing based on the partnership with the Dentsu Group.

Dentsu Digital is solidifying and improving its cutting-edge capabilities, while rapidly securing and training specialized personnel. In addition, it plans to expand and deepen synergies with the capabilities of the Dentsu Group that include content, media, creativity, and marketing, as well as pursue alliances and collaboration with external partners.

The partnership with DAN will become even more important. Aiming to be 100% digital economy business by 2020, DAN is developing and deploying methods and tools that incorporate its extensive digital knowledge on a global scale.

Dentsu Digital aims for further growth by bringing these tools to Japan, as well as by providing DAN with advanced solutions and methods that it has developed in Japan.

Japan Business (IV)

Communication Design

Entering the Solutions Industry

The challenges faced by companies and brands are becoming increasingly complicated, and cannot be solved by marketing alone. In fact, the key to solving many of the challenges lies in uncovering and addressing overarching social issues. As such, Dentsu's role has expanded from advertising communication to the larger area of solutions.

The solutions industry is one of the fastest growing industries. The world is full of problems, with few who can solve them. I believe that Dentsu has a large advantage in this field for the following three reasons.

The first is that Dentsu has experience. Japan is one of the first countries to experience many of the social issues that the world is, or will be, coming up against. Dentsu has over 20 years of experience helping its roughly 6,000 clients respond to many of these challenges, and can apply this experience globally.

Discovering Opportunities

The second reason is our approach. Many companies, and even countries and regions, are not leveraging their full potential. In other words, potential assets are often treated as liabilities.

While many merely shrink from criticism, Dentsu takes the opposite approach. We fully respect true potential and create conditions to uncover that potential. Instead of taking a negative approach and focusing on the problem, we look for opportunities.

People want to participate in positive solutions, so we create a space where such people gather. Emotional involvement—that maintains and increases the motivation of groups of companies, employees and consumers that want to participate—is the key to ensuring the sustainability of an activity. I believe that this will become even more important in the future.

Deeper Insight Leads to Good Ideas

The third reason Dentsu has an advantage in the solutions industry is its ideas. Good ideas are one's drill down into the depths of human consciousness and behavior to generate true solutions. Dentsu leverages the insights it has cultivated in the advertising industry to create real solutions that look at the issue on a deeper level. For example, what may look like problems due to education or sluggish business activities may actually be due to a lack of community, and involvement in sports is one effective way to address the issue. If the approach to every problem is one-dimensional, then the solution will be limited.

We work to come to grips with an issue's underlying essence, and never stop thinking about how to unleash its true potential. As a result, the target of our brainstorming may change, as one issue aligns with other issues or as we are able to see more deeply into a problem. I believe this is a substantial opportunity for Dentsu.



Keiichi Higuchi

Managing Director/
Executive Creative Director
Communication Design Center

Japan Business (V)

Creative Planning

Areas Where We Can Demonstrate Creativity Are Rapidly Expanding.

Recently, Dentsu has been receiving requests from clients that go beyond the creation of advertisement slogans. We are being asked to identify problems, build businesses and products, and provide comprehensive business support. Dentsu's creativity lies in its ability to manifest comprehensive capabilities in many areas, from identifying the essence of a problem and proposing end goals to generating new value that leads to rapid growth or transformation. The role of our creative planning department is to maximize these capabilities of Dentsu in the rapidly growing target areas.

Insights Reveal Essence of Problems

The key to discovering challenges lies in finding the essence of the problem. One of the reasons Dentsu excels in this area is because each employee is constantly polishing their insights on people and society. I believe that another reason lies in the specialization and diversity of Dentsu's employees.

For many challenges, the essence can be found by taking a birds' eye view. Even for a product, the key is looking at it from the perspective of a business, corporate management and even society. It is crucial to take a multifaceted approach.

At Dentsu, the parent company alone has about 7,000 employees with specializations in a diverse range of fields. Dentsu has many employees who act as role models both in terms of skills and compassion. I believe that this is one of our key strengths.

These employees become team leaders, and by creating teams of employees with various areas of expertise and perspectives, we can create value through innovation. Recently, we have seen a shift from a proposal-based model to a co-creation-based one, where clients also become part of the team.

In addition, marketing is increasingly requiring personnel with more than one specialization. In recent years, Dentsu has been encouraging employees to experience working in multiple departments. As a result, I believe we have secured a way to further expand our abilities and diversity.

Responsible Output

We realize that our work, which entails constant output, has a large impact on society. Thus, we believe that not only is there a need to properly check the quality of our output, but also to ask whether we are solving societal issues and fulfilling our social responsibility. This is the role of the Creative Planning Division.

Are we capturing global trends and understanding social contexts? Together with our clients, what messages and products are we sending into society? The department's personnel, myself included, are continually asking these questions while we conduct our daily work.



Chieko Ohuchi

Managing Director/
Executive Planning Director
Creative Planning Division 3



International Business (I)



Tim Andree

Director and Executive Vice President, Dentsu Inc.
Executive Chairman, Dentsu Aegis Network

The Arts of Disruption and Synergy in a Shifting Global Landscape

In the context of the global economy, our industry, and Dentsu's own business, the pot stirred and stirred in 2016—creating changes in significant and unexpected ways for 2017. Geopolitical instability and uncertainty have manifested themselves in many ways through the many markets we call home. Emotionally, politically, and economically, we are witnessing a turning inward; globalization is in retreat; we have seen a rise in nationalism, protectionism, and bilateral trade agreements.

Global GDP expectations remain positive, but uncertainty, insecurity, cross-cultural tensions have real and tangible impact on the commerce we aim to stimulate through our efforts. In times like these, the Dentsu Aegis Network takes every opportunity to reinforce with our people the importance, the opportunity, and the privilege we have of working across borders, of working in a human business that touches real people—clients and consumers—in virtually every corner of the globe.

At Dentsu Aegis Network, we are great believers in the incredible dynamic that comes from connecting our people

from diverse markets and specializations. As with a chemical reaction, it invariably produces great energy and enthusiasm, and consistently reconfirms for us that we are in a business of building bridges.

In 2017, our industry is adapting to the new realities of a consumer-led economy that is transparent and interdependent. Walls, siloes, and barriers cannot work in this environment. Convergence, addressability and real-time—as driven by data—are the new currency of competitive advantage. As the digital economy scales with the further advancement of AI, IoT, Robotics, neuro-sensor technologies, augmented and virtual reality, and other new platforms, we are witnessing and experiencing a clear and conspicuous cycle of disruption and bridge building, repeating itself ad infinitum.

As disruption continues to occur at a faster and faster pace, so increases the need for us to bridge the new specializations that necessarily arise. Similarly, as we continue to broaden and deepen our capabilities in more markets around the globe—through organic evolution as well as acquisition—so increases the need for us to build bridges and mutual synergies between all of our markets.

In the course of my eleven years with Dentsu, we have pursued globalization and digitalization with great success, which can be measured in our overall growth, our expansion of digital revenues and the percentage of our business that is derived from outside of Japan. Since the acquisition of Aegis Media and the formation of Dentsu Aegis Network in 2013, we have delivered consistent outperformance of the market and our competitors, in organic growth, top-line growth, and operating profit margin.

That growth continues to be accelerated by strategic acquisitions. With 45 acquisitions in 2016, totaling an anticipated consideration of £2.6 billion (GBP), we led the industry in M&A in FY2016. For Dentsu, these acquisitions are the accelerant—not the strategy—and they have performed as such. Acquisitions have allowed us to scale in



key markets and in faster growing segments of the business. Further, our strategic intent to build the leading data and CRM capabilities we have today, would not have been possible organically.

As we proceed, it is not only our responsibility, but our imminent opportunity, to build more bridges and drive more mutual benefit between all of our operations, and specifically to connect our strength in Japan with our best-in-class capabilities throughout our global network. This opportunity lies in two key areas, ripe with potential for synergy.

CLIENT SYNERGY: Building bridges through clients

Delivering more value to our clients in more ways, across more geographies, and through more relevant aspects of their business is our ultimate aspiration as a solutions network, because multi-dimensional value for clients is the primary indicator of an evolved, indispensable, global offering. There remains unrealized potential in extending numerous relationships with global marketers that reside with Dentsu Inc. to the global markets and offerings of Dentsu Aegis Network (including overseas Dentsu offices). To this end, we look to extend synergies already realized and to put a major emphasis on identifying and realizing significant new client synergies between Dentsu Inc. and Dentsu Aegis Network (in both directions).

TALENT SYNERGY: Building bridges through talent

As always, the primary value to our clients is to understand, engage and move consumers to act, in every market in which our clients compete for share. Consequently, the quality, diversity, strength, and knowledge of our people—the human element—will remain at the core of our business.

One outsized strength of Dentsu's over the last several years has been the performance of our acquisitions in every respect. We have been extremely successful identifying the right organizations, attracting them, aligning motivations and stimulating post-transaction synergy and growth. We've

also retained key talent post acquisition at a rate, which remains at a level higher than the industry average. This is an under-reported and inestimable advantage for this network. And an ongoing testament to the people in it.

Another critical opportunity moving forward is to combine the world-leading specialist capabilities of the Japan-based business (Dentsu Inc.) with the global experience and platform of the overseas network (Dentsu Aegis Network). We are currently five years into a talent agenda designed to stir the pot by moving talent more regularly and fluidly around the network. In particular, this agenda stimulates positively disruptive additions to the overseas network from Japan HQ, and vice versa.

Potential provided for shareholders : Building bridges into value

Talent and client synergies do not merely result in a more truly global network, but more fully realized potential for shareholders. This is because talent and client synergies are the cornerstones of organic growth, a metric on which Dentsu has outperformed the industry; they are integral components of our M&A deals, which tend to favor strategic and revenue synergies over mere cost-cutting rationale; they are a core driver of how we achieved our targets and consistently outperform the peer group, such as Dentsu Aegis Network's around two times organic growth vs the peer average in four consecutive years after the acquisition.

Indeed, our distinct imperative as a global solutions network for our client partners is to play a leadership role in both the stirring of pots—i.e. disrupting the status quo, through innovation, new data, new insights, and new ways of moving consumers—and BUILDING BRIDGES to bring value.



International Business (II)



Jerry Buhlmann

Senior Vice President, Dentsu Inc.
CEO, Dentsu Aegis Network

Transforming our client's brands to win in the Digital Economy

Disruptive innovation is key in a rapidly changing digital economy

The digital economy remains the only growth certainty of the next five years, and the pace of change over the next five years will be faster than the last 15 years. This new economy is underpinned by technology development which is disrupting industry and the way we work—AI, IoT, blockchain, robotics, sensor tech and AR/VR. In fact, it is estimated that combined revenue from AR/VR will reach around \$150bn by 2020, with AR accounting for the majority of this.

Within this context, traditional global brands are being disrupted by new, local, digitally enabled and data driven entrants and are challenged to respond faster, in new ways and with market relevance. This disruption to traditional business models will continue, where data is increasingly the source of competitive advantage. Data is central to delivering more personalised marketing and advertising services. Consumers will continue to drive demand and ever-increasing volumes of data mean that competitive advantage will lie in the ability to turn consumer data into actionable insight.

This evolving environment will require businesses to develop and integrate systems, platforms and transversal workings with their organisations, supported by a strong performance focused culture. Businesses need digital economy solutions—across-consumer insights, data, creativity, performance and accountability—to transform for the new economy.

Our strategy - accelerated by acquisition and culture

Given the pace of change and growth of the digital economy, the Dentsu Group must maintain its positive momentum in operational and financial performance to stay well positioned to access high-growth segments, capabilities and geographies for our clients.



We achieve this at Dentsu Aegis Network by staying focused on our strategy to be a 100% digital economy business by 2020. Dentsu Aegis Network has consistently outperformed the peer group average on an organic revenue basis, by a factor of two to three times over the past five years. This outperformance has been achieved by 1) Leveraging our global scale and a consistent offering across our network. 2) Leveraging our unique operating model, with one P&L per market and key capability stacks (e.g. mobile/video) that ensure we are truly differentiated. 3) Living our high performance culture everywhere – with one vision to innovate the way brands are built, underpinned by one set of values—collaborative, agile, pioneering, responsible, ambitious, with a clear focus on diversity to drive innovation, and 4) Ensuring efficient and optimal utilisation of capital—with a particular emphasis on acquisitions which are high growth, add strong capabilities and are integrated into our business to drive higher long-term growth. In 2016 we signed 45 deals making us the most acquisitive holding group. In fact, the acquisition of Merkle, announced in Q3 2016 was the largest in both the industry globally, as well as the biggest that the Dentsu Aegis Network has ever made. This acquisition marked a step-change for our Group providing immediate scale, talent and new capability in high quality data, analytics and CRM.

Strategic Priorities

1. Grow revenue and scale in high-growth segments
2. Transform our proposition and service offering through innovation
3. Create a data platform and analytics suite
4. Grow new business and international clients
5. Drive new models in content and media value chain
6. Build scalable systems and platforms

By retaining our focus on these key strategic objectives, we will continue to build on our momentum and help our

clients to optimise every aspect of marketing to drive value and results.

Data is the source of competitive advantage/currency of business

The Dentsu Aegis Network recognizes data as a source of competitive advantage for our clients. The business is pivoting to people based marketing, targeting “real individuals” rather than audiences. This will be enabled by M1, a people-based audience insights planning and activation platform developed by Merkle. We will leverage data to deliver competitive advantage to our clients. To do that we have invested in innovation, data platforms and prime data capabilities. We are prioritizing data governance across our global operations with a robust approach to privacy and protection.

This focus on data driven solutions will enable our business to provide addressable solutions, delivered in real time driving better consumer engagement through to transaction. Ultimately enabling us to deliver different and better solutions for the digital economy to drive superior brand growth for our clients.



International Business (III)



Nick Priday

CFO, Dentsu Aegis Network

Consistently strong financial performance

Following Dentsu's acquisition of Aegis in March 2013, the financial performance of Dentsu Aegis Network has been very strong. This is demonstrated by high levels of both revenue growth and profit growth over that period.

In the three years from 2013 to 2016, at constant exchange rates, revenue has grown by 55% and underlying operating profit has grown by 60%, or an average of 20% per year.

The growth in our revenue over this three-year period has been driven by sustained and consistent market-leading organic revenue growth, complemented by targeted acquisitions which add talent, leadership, best-in-class capabilities and scale to ensure we can continue to best meet the needs of our clients.

In fact, the contribution to our revenue growth from organic and inorganic means over the period it is split almost exactly 50:50. Organic growth exceeded acquisition growth in 2014 and 2015, with acquisition growth being higher in 2016, a year in which we continued to deliver market-leading organic revenue growth at 5.7%.

Demonstrating strategic intent and effective capital utilization

We set out at the beginning of 2016 to show real strategic intent around our M&A strategy. This was because the market that we operate in, and the market that our clients operate in, is changing rapidly and we wanted to continue to show strong strategic leadership in that market context.

This requires the effective utilization of our capital. Dentsu Inc. and Dentsu Aegis Network each have robust balance sheets in their own right, but on a consolidated Group basis, we are in a position of strength from which to pursue our strategic priorities.

Consistent with our strategic intent, we signed 45 deals relating to acquisitions and investments in 2016, 35 of which were new acquisitions. The average deal size doubled, even



excluding the Merkle deal, as we really focused on executing against key strategic priorities. We spent over £1.1 billion on these new acquisitions and investments, as well as on earn-out payments relating to prior period acquisitions. Our acquisitions clearly help us to accelerate progress against our strategic goals but they also deliver strong financial returns for our shareholders. We have a good track record on M&A over the longer term. Going back over the last ten years, acquisitions have averaged a post-tax return on invested capital of 13.7%, significantly above our post-tax weighted average cost of capital.

The acquisition of Merkle is the largest deal that the Dentsu Group has completed since the formation of Dentsu Aegis Network and provides many important strategic benefits that have been outlined above. The combined proposition is compelling and will become increasingly compelling as the digital economy grows. The broader integration of Merkle has progressed very well and in line with our plans.

Importance of good cash and working capital management

In the context of a changing market and our intent to continue to show strategic leadership, it is important we continue to focus on ensuring consistently good cash and working capital management across our Group so that we can continue to invest with confidence – whether in M&A opportunities, collocating our client facing brands in common office space to promote collaboration and integration, or in technology, platforms and systems. We will certainly need to continue to invest in our business to deliver against our strategic goals for 2020 and beyond.

We reported a strong cash and working capital performance in 2016 with operating cash flows exceeding operating profits as a result of a modest working capital inflow in the year. Looking forward, we have introduced a cash metric to the financial performance element of the

senior management bonus scheme from 2017, intended to incentivize and reward strong cash management practices across our businesses.

Investment in common platforms and systems

The market continues to change and become increasingly complex. That complexity provides opportunities for us to grow our business but with complexity comes cost. We need to continue to address the cost of complexity by standardizing and improving our end-to-end processes and developing common platforms and systems from which to manage our business.

Just as we recognize that quality data is a source of competitive advantage for our clients, so it is too for us as a business. We will therefore continue to make investments in our finance and people systems and technology platforms more generally, which will provide consistent, timely and robust business information and data sets to enable us to better manage our business.



International Business (IV)



Valerie Scoular

Global HR Director
Dentsu Aegis Network

A high performance culture with richer experiences and the greatest opportunities

Since 2013 we have grown from 15,000 to over 38,000 diverse and talented individuals. We are a bigger, better business and we retain our ambitious, challenger mindset. Our high performance and continued success is fuelled by our culture – one vision and one set of values uniting our people across brands, markets, and functions. Our values of agile, collaborative, pioneering, responsible, and ambitious are at the heart of our culture. These values guide the behaviours, actions, and mindsets needed to deliver our vision of Innovating the way brands are built.

Every year we conduct an extensive employee engagement survey which is used to inform and guide our people and business strategy. It also provides a channel for employees to feed back and tell us how we are performing. The survey results are extremely positive with a response rate of 90% and an overall engagement score of 73%, with 80% of the results exceeding the external media norm.

Our people strategy is focussed on growing our leadership for 2020 and supporting and enabling them to succeed for our clients, people, business, and society. This is done in the context of the pace and speed of change in the digital economy and the increasing need to navigate complexity while embracing new and innovative ways of working. In this business environment, great leadership is more critical than ever.

Leadership@DAN: re-defining leadership in the digital age

In this context, we reviewed what leadership means for 2020, the digital economy and as Dentsu Aegis Network continues to scale and grow. Our data and research showed that while 85% of people said leadership should retain much of the same qualities, it should be refined for the digital age.

The new framework is based on leadership mindsets and is shaped around our five values which provide a



simple, effective, and differentiating way of defining what Leadership@DAN means for us. To support our people, we are now embedding and bringing this new framework to life across multiple employee touchpoints from hiring decisions, feedback tools and guidance.

The people strategy also focuses on supporting, growing and retaining our talented people. We do this by providing stretch careers and experiences enabling people to gain the knowledge and skills to deliver for our clients. By using the scale of our network, we facilitate career moves and development opportunities across the business, helping to develop global leaders.

The data from the employee survey and analysis of employee turnover tells us that career development is a key driver of engagement.

Route 500 – accelerated careers at the forefront of the digital economy

Route 500 is our unique career accelerator programme, enabling the career moves of our high potential employees. It supports people to drive their career and move into critical leadership roles by providing access to new development opportunities; a network of people across the business; and resources to further develop leadership capabilities. It also creates a global pool of talent with the right skills and the relevant experiences for our clients and our business.

New trends in employee expectations about working practices were identified through our employee survey. The drivers of freedom, control, and responsibility were first highlighted through gender diversity and our female population, and they were also shared by our millennial employees.

Agile working – empowering employees to perform to their best

Part of the success of Dentsu Aegis Network is our ability to be agile, fast, and flexible. Empowerment, collaboration,

and agile working practices are key drivers of the success of our unique operating model which delivers integrated solutions to our clients.

In our employee engagement survey, empowerment scores highly with 86% of respondents saying they are able to make the decisions they need to perform in their role. This level of empowerment is also critically important as employees are increasingly wanting more choice in when and how they work. It also underpins our commitment to attracting new and diverse world-class talent into the organization.

To further bring this to life for our business, we define agile working as, empowering people to perform to their best; to deliver results with the freedom and responsibility to decide when and where they work.

While balancing commitments to our clients and maximizing the benefits of collaborating with colleagues in the office, agile working turbo boosts our unique operating model and empowers our people to deliver results with maximum flexibility and minimal constraints.

By attracting, developing, and retaining world-class talent we can continue to drive stronger performance and create different and better solutions for our clients.



International Business (V)

Business Expansion of the Dentsu Group

Acquisitions accelerate our strategy and are motivated by growing scale, geographic and capability in-fill, and innovation with focus on digital capability. They frequently originate in market and are supported by a central specialist M&A team who focus on value-enhancing acquisition that deliver strong financial returns.

Since Dentsu Aegis Network was established in 2013, more than 100 deals have been signed enabling the business to further support the digital needs of its clients by focusing on digital capabilities, CRM and data, brand commerce, customer experience, performance marketing, and social & mobile.

In 2016, acquisitions provided strong geographic and capability in-fill in 20 markets across the Americas, APAC and EMEA – with acquisitions evenly distributed across the three regions.

Our acquisition strategy ensures we are bringing in new capability and entrepreneurial talent to strengthen our service and offering to clients. The benefits for acquired businesses is that they join a one P&L led environment where they become part of a global operating model. This opens up access to and opportunity with new clients, people, and products. This contrasts with the peer group who are often siloed. For Dentsu Aegis Network, the benefit is talent and capability at scale and for our clients that means the best talent designing and delivering the best solutions for them.

Merkle acquisition: game-changing for Dentsu Aegis Network and the largest in the industry

In 2016, Dentsu Group announced the acquisition of Merkle, the largest deal since the formation of Dentsu Aegis Network. This deal combined Dentsu Aegis Network, the fastest growing global Advertising and Media Group, with Merkle, the largest independent data analytics, CRM & performance marketing agency in the US. This was a unique opportunity, catapulting Dentsu Aegis Network and Merkle to the forefront of the rapidly growing digital economy by bringing together two businesses with strong complementary strategic, produce, cultural and geographic fits. For clients of both businesses, this has created a compelling offer as the digital economy grows, increasing the need for a powerful range of data-led, fully addressable and real-time capabilities. Dentsu Aegis Network's strategy, of becoming a 100% digital economy business by 2020, is further accelerated by this acquisition.

The following examples illustrate the companies that the Dentsu Group has acquired in the last year.

MERKLE

Merkle is a leading US-based data analytics, CRM, and marketing performance agency. This acquisition marked a step-change for our Group providing immediate scale, talent, and new capability in high quality data, analytics, and CRM. The acquisition of Merkle significantly increases our collective firepower to provide industry-leading, data driven solutions for our clients.



David Williams CEO, Merkle

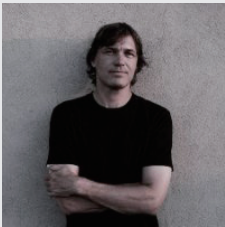
Becoming a part of Dentsu Aegis Network further strengthens our position and allows us to accelerate our goal of being a world-class global performance marketing agency. Their vision, ambition, and perspective on the people-based marketing opportunity align with ours at Merkle. Ultimately, this is about doing great work for clients, and being part of Dentsu Aegis Network will enhance our ability to be true strategic partners to our clients.



gyro:

gyro is the largest independent global creative agency dedicated to B2B marketing. This acquisition positions Dentsu Aegis Network as the global leader of the growing B2B marketing sector. With the complementary and powerful combination of creative excellence, media expertise, top thought leadership, data, and analytics, as well as vast experience with emerging platforms, the combined gyro entity is now the largest in the world to specifically focus on the important growing B2B marketing sector.

Christoph Becker CEO and Chief Creative Officer



With Dentsu Aegis Network acquiring gyro, a major global strategic vision is coming together. Together, we are in the perfect position to lead and accelerate the much-needed reinvention of the B2B space through the total integration of creative, media, and technological power. This acquisition was an iconic moment for our clients and all our great talent around the world. It represents a before-and-after in the innovation journey to refresh, once and for all, the B2B space on the global stage. Together, Dentsu Aegis and gyro will reinvent the way we see, consume and feel advertising in the business-to-people space.



Scorch is a leading performance marketing agency in Australia. The acquisition adds scale to the network's digital capabilities in the market, within search and more diversified areas of performance marketing including content, UX, data, web development, and social.

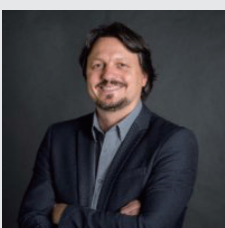


Terence Hooi CEO, iProspect Scorch Melbourne

This acquisition was a rare opportunity to join an organization which shares the same strategic vision and values of integrity and innovation that we hold dear. The digital-first strategic direction of Dentsu Aegis Network makes it a very natural partner for Scorch. We're very excited to embark on this new opportunity and the continued evolution of the business that the team and I built from the ground up over 10 years ago.



Cosin is a leading Brazilian consulting firm. This acquisition builds on Isobar's strong consultative practice and support its ambition to transform businesses through brand commerce and creative use of digital technology.



Alessandro Cosin CEO, Cosin

Brand Commerce is about thinking of commerce not as a destination but as a path, and Isobar's vision aligns seamlessly with ours and how we advise and work with our clients already. Having worked with some of the largest companies in Brazil, we're excited to be part of such an impressive framework of competencies and scale quickly to service multinational clients around the globe.



Network Brands

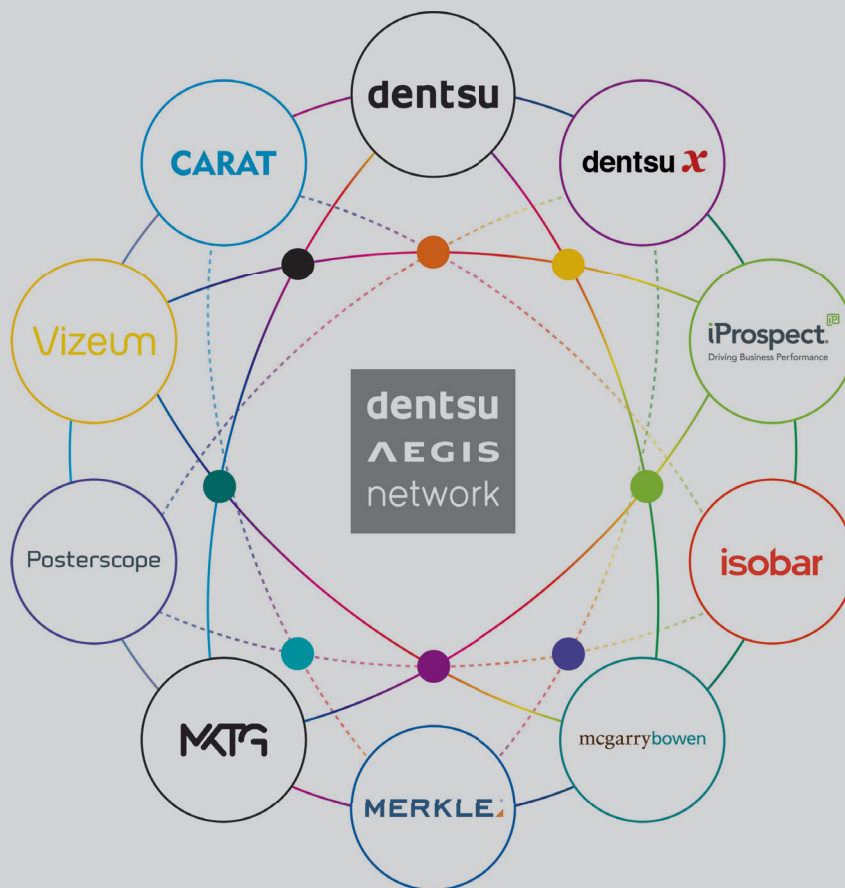
Network Brand

Dentsu Group Brands That Enhance Our Capability

The Group has a unique operating model designed for marketing convergence and globalization, the major driving forces of the advertising world. This operating model is enabled by a one-P&L-per-country structure (outside of Japan), unique in the industry, which empowers our local teams to offer high, value-added and integrated services to clients at a local level, supported by a global infrastructure.

Key elements of this infrastructure are our ten global networks and five specialist/multimarket agency brands, which deliver our integrated, specialist approach, supported by local agency brands in certain countries.

Group companies collaborate seamlessly to achieve shared business goals, while our top-class professionals from various fields are incentivized to collaborate across agencies and countries, thus providing integrated, specialist client services.





What we do for our clients

We offer a broad range of leading products & services across the marketing value chain, designed to help our client's brands win in the digital economy.

Media and performance

Media Ecosystem Development

- Audience prioritization & insight
- Strategic communications planning
- Media planning and buying
- Programmatic execution
- Ecosystem evaluation & forecasting

Performance Marketing

- Tech-assisted digital optimization
- Conversion optimization
- Advanced analytics & attribution
- Data fusion & activation
- Econometrics & modelling

Data, CRM & Direct Communications

- Customer data consultancy
- Customer value strategy
- Data management & integration
- CRM & customer communications
- Intelligent content & editorial

Media Innovation at Scale

- Global media partnerships
- Mobile & social strategy
- Tools, systems & automation (M1)
- Machine learning & AI

Content, creative and technology

Customer Experience Design

- User journey insight
- Omni-channel experience design
- Social & mobile customer service
- Physical & digital experience build
- Digital product development

eCommerce & Service Design

- Service & platform development
- Ecommerce consultancy & build
- Content management, portals, mobile, wearables, applications
- Web services, security & support

Digital transformation

- Brand commerce
- Digital marketing/ brand stories and immersive experiences
- Holistic digital ecosystems
- Digital product design
- Machine learning & AI

Advertising Creation

- Idea creation
- Omni-channel advertising creative
- Events management
- Social & content creation
- Data-driven creativity
- Entertainment Investment & Rights

Brand & Digital Design

- Brand communications strategy
- Web and app design
- Animation, graphic design & special effects
- Brand innovation—e.g., VR & AR design and production

Global Network Brands

Ten agency specialist brands who work together to deliver leading marketing solutions for our clients.

CARAT

Carat

is the No.1 global media network, a market leader in digital and diversified media solutions. (RECMA, 2016) Carat was named Agency of the Year in ten countries in 2016. Carat's top clients include GM, Mondeléz, adidas, Diageo, Kellogg's and P&G.

dentsu

Dentsu Brand Agencies

is the world's largest and most awarded agency brand. Dentsu was named Agency of the Year Japan at the CLIO Awards 2016.

dentsu X

dentsu X

is an integrated agency network combining best-in-class communication and media planning services, content creation, technology, data and behavioral insights. dentsu X helps brands create integrated and personalized marketing solutions to cut through the noise of a saturated media market and meet rapidly changing consumer demands.

iProspect
Driving Business Performance

iProspect

is a global, award-winning marketing agency driving digital performance for the world's largest brands. iProspect won 200+ awards globally in 2016, including being ranked No.1 Global Digital Performance Agency by RECMA. iProspect's top clients include Diageo, GM, Mondeléz, Estée Lauder, P&G and adidas.

isobar

Isobar

is a digital agency that transforms businesses and brands through the creative use of digital, delivering product and service design and brand commerce solutions. Isobar won 250+ awards in 2016, including the Campaign Asia Agency of the Year award. Isobar's top clients include GM, Mondeléz, P&G, Coca Cola, enterprise and Huawei.



Merkle

is a data-driven, technology-enabled CRM and performance marketing agency. Merkle is the only agency recognised by Forrester as a Leader or Strong Performer in four WAVE™ studies around the customer journey. Merkle's top clients include Dell, Sanofi, AT&T, PNC Bank, HBO and Geico.



mcgarrybowen

is a creative agency network. mcgarrybowen has been named AdAge Agency of the Year three times, and was awarded AdAge's 2017 Comeback Agency of the Year. mcgarrybowen's top clients include JCPenney, United, intel, Kraft Heinz, The Clorox Company and Chevron.



MKTG

is a global lifestyle marketing agency that specialises in activating business-oriented marketing solutions through experiential, digital and social media. MKTG was named Field Marketing's Agency of the Year in 2016. MKTG's top clients include Diageo, Nike, AT&T, Coca-Cola, IBM and FedEx.



Posterscope

is the world's leading location marketing and out-of-home (OOH) media specialist. In 2016 the Posterscope network won more than 120 awards globally including being named as The Connected Agency of the Year by leading publication MediaTel. Posterscope's top clients include BT, Mondelez, Crown Commercial Service, Diageo, Camelot and AB InBev.



Vizeum

is a strategic media agency, designing solutions to accelerate client's business growth by leveraging data, media and technology to understand and change people's behaviour. Vizeum had the greatest proportional increase in billings of the top ten global media agencies in 2016. Top clients include Shiseido, Burberry, 21st Century Fox, Total, AB InBev and IKEA.

Specialist/ Multimarket Brands and Platforms



amnet

the Dentsu Aegis Network trading desk has a presence in 33 countries, and organically links all kinds of data to ensure more timely, perfectly targeted online advertising.



Amplifi

is a media investment platform which raises value across all media—from television to print, digital, and radio—on a global basis, seeking to reinvent the supply side of media through investments, partnerships, and real-time bidding.



Data2Decisions

is a consulting company which draws on all types of marketing data and analyzes what has worked and what has not to maximize clients' ROI.

Mitchell
Communications Group

is a communications and PR company, Mitchell Communications Group boasts a diverse client portfolio that includes some of the world's top-tier corporations and high-profile brands. Covering a wide range of specialized fields, from consumer communications to corporate public relations, this company is known for delivering innovative ideas.



360i

championing the fusion of search marketing and social marketing, and has earned top marks in the industry as a next-generation digital agency.