

**dentsu** group



Dentsu Group  
Integrated Report 2020

# Introduction

## Contents



3

### **Strategy**

07

CEO's Message	09
Value Creation Model	13
Integrating Diverse Resources	15
Connecting Diverse Stakeholders	19
CFO's Message	23

### **Business**

27

Leaders in Conversation Leading Transformation in the New Normal	29
Japan Business	31
International Business	34

### **Foundation**

37

Message from the Chair of the CSR Committee	39
Sustainability	41
Corporate Governance	45

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## Data

Financial Data Summary	53	ESG Data Summary	55
Corporate Data	59		

### **Financial Report2020** (Can be viewed as a PDF file.)

[https://www.group.dentsu.com/en/sustainability/reports/2020/pdf/2020\\_finance.pdf](https://www.group.dentsu.com/en/sustainability/reports/2020/pdf/2020_finance.pdf)

Provides the Consolidated Financial Statements and Notes for the Fiscal Year Ended December 31, 2019-IFRS Consolidated Results-



# Editorial Policy

## Editorial policy

- This integrated report explains the Dentsu Group's operating performance for the reporting period and introduces the Group's strategies and initiatives to create value over the medium to long term. Information related to efforts to enhance sustainability is also arranged within an ESG framework, taking increased disclosure requirements into account.
- Target audience  
All stakeholders including shareholders and investors.

## Reference guidelines

- International Integrated Reporting Council (IIRC)  
The International Integrated Reporting Framework
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry
- GRI Sustainability Reporting Standards (GRI Standards)

## Period covered by the report

Centered on activities during FY2019 (January 1, 2019 through December 31, 2019), but also describes some activities from preceding or more recent periods.

## Organizations covered

Dentsu Group Inc. and Dentsu Group companies

## Publication date

July 2020  
(Next edition scheduled for publication in August 2021)

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## 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 Dentsu 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 disclaims any obligation to update or publicly announce any revisions to these forward-looking statements to reflect future events, conditions, or circumstances.

# Website Introduction



## Corporate Website

<https://www.group.dentsu.com/en/>

In addition to company information, the website introduces activities conducted by Group companies worldwide.



## IR Website

<https://www.group.dentsu.com/en/ir/>

Provides the latest IR information, including IR news and earnings materials.



## Integrated Report 2020 HTML Version

<https://www.group.dentsu.com/en/sustainability/reports/2020/>

The HTML version enables readers to browse the integrated report 2020 based on keyword searches.





On January 1, 2020, we embarked on a new start as Dentsu Group Inc.

The ability to connect human resources  
in countries and organizations across the globe,  
and to access diverse perspectives, will lead to  
innovations from everyone, everywhere.

The new dentsu will work as one team to  
create a wealth of new value for our clients.



# ONE = Diversity

## One Platform: Innovation from 66,000 Staff

The Dentsu Group, a corporate group which encompasses over 1,000 group companies in more than 145 countries and regions, employs over 66,000 people with specialized knowledge and experience in their field of business.

They all are connected in our open, flat, cross-border organization. As we accelerate the creation of a diverse and open-minded culture, we are creating new value for our clients and society.







# **ONE = Collaboration**

## **One Platform: Integrating All Our Capabilities**

Reflecting the idea of "Open Teaming," we form flexible teams with external partners to develop integrated solutions for our clients. As an open organization, we generate borderless creativity, innovation, and collaboration.



# ONE = Sustainability

## Linking Consumers to Corporates for a Sustainable Society

Climate change, sustainable production and consumption, diversity, and other social issues are impacting society globally. Utilizing our resources to connect consumers, corporates, and society, the Dentsu Group provides solutions that drive society-wide innovation.



Art installation created by an NGO and Dentsu that serves as a wake-up call to end plastic pollution.



TUNA SCOPE

The screen display of a smartphone equipped with the AI-based app TUNA SCOPE, which can instantly determine tuna quality from the cross-sectional scan of a tuna tail.



The "ONE DAY FOR CHANGE" community activity globally organized by the Dentsu Group



"Project Revoice," a voice cloning initiative from the ALS Association that promotes cutting-edge digital speech synthesis technology to benefit people living with ALS (amyotrophic lateral sclerosis) and their families

# Our Strategy

# Contents

CEO's Message  
**p. 09**



Value Creation Model  
**p. 13**

Integrating Diverse Resources  
**p. 15**

Connecting Diverse Stakeholders  
**p. 19**

CFO's Message  
**p. 23**



# Value Creation Meets New Group Structure



**Toshihiro Yamamoto**

Representative Director  
President & CEO

## Accelerating business transformation

The COVID-19 pandemic and the multitude of ensuing crises have forced corporates, society, and consumers to rethink conventional norms. Many of our clients and business partners are experiencing a growing need to innovate products and services, client experiences, and touch points with consumers in COVID-19 and post COVID-19 society.

In order to achieve our goals in these difficult and uncertain times, we are accelerating our business transformation, the pillar of which is the evolution of our value creation model.

While innovation is already a key issue for many businesses, it now needs to go far beyond what

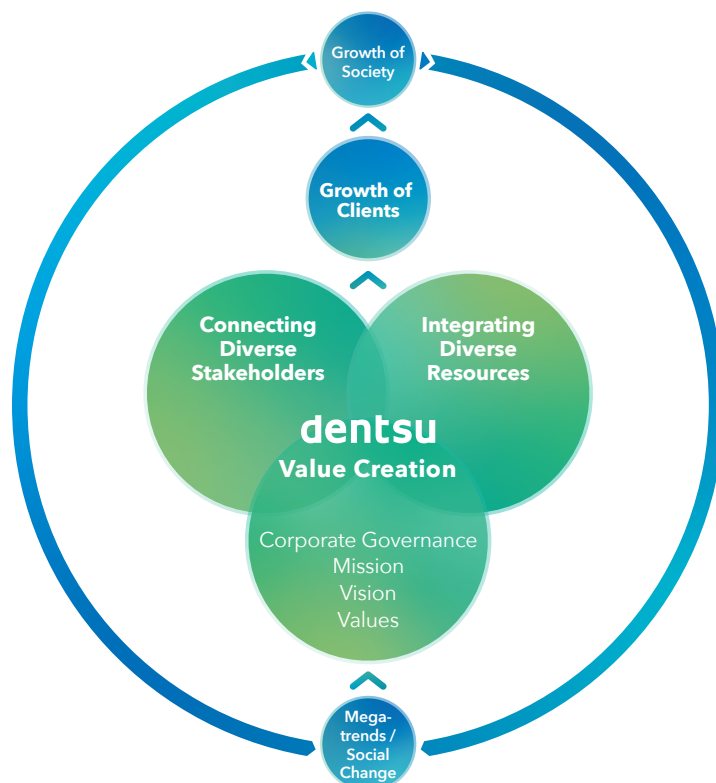
has been required in the past. This is an opportunity for us to realize new ways of creating value and highlight the true value of the Dentsu Group, with this year as the starting point. The essence of the Group's value creation is its ability to integrate diverse capabilities and entities, so as to realize distinctive solutions.

In January, we reorganized the Group under a pure holding company structure, in order to more rapidly develop our ability to create new value.

Transitioning to a flat group structure has enabled us to leverage the diversity of our Group companies through "Open Teaming," designed to foster collaboration, creativity, and innovation across borders.

### Value Creation Model

→ See p. 13 for details





The new structure enables us to simultaneously increase efficiencies and direct business transformation. At the same time, we will continue developing our CSR, governance, and risk management foundations to support sustained growth.

### Diversifying resources, connecting stakeholders

To transform how we do business, we are diversifying our in-house capabilities and external resources, integrating them to drive our clients' growth.

To go beyond the conventional scope of marketing communications solutions, we are integrating our diverse competences across media, creative, data analytics, systems integration, sports, and entertainment. This enables us to support transformation across the whole spectrum of our clients' marketing and business needs.

The Group is developing a "Teaming Platform" that will produce internal synergy to power the flow of talent, capabilities, knowledge, and services. This creates value in individual projects, new knowledge, and competence among people throughout the Group.

The second evolution of our value creation model is in how we connect and integrate clients and their diverse stakeholders to create solutions that support the sustained growth of our clients.

As the need for clients to contribute to society becomes an increasingly important management issue, the Group will deliver solutions that integrate the growth of our clients with that of society.

The United Nations has stated that its Sustainable Development Goals can only be realized through global partnerships and cooperation. In recognition of this, the Dentsu Group creates value by connecting and integrating our clients with diverse stakeholders, such as media, sports organizations, and content holders.

We believe that this approach to value creation can bring our clients added worth, while at the same time contributing to society.

### Environmental, social, and governance (ESG) criteria

The Dentsu Group will develop our value creation model under a new Group management structure to apply the strategy of cross-boundary "Open Teaming"; to extend our diversity and collaboration, and connect our clients to a universe of stakeholders; and to create and deliver value in a way that only the Dentsu Group can. To do this, it is essential that we evolve our ESG foundation that supports this transformation.

While contributing to the environment and society through the services we provide our customers, we are also reinforcing our CSR activities. Under the stewardship of a new CSR committee, comprising members from various Group companies, we will coordinate CSR activities throughout the Group under a common strategy.

The Dentsu Group has much to contribute to a new society that faces diverse global risks. With our creativity, innovation, and ability to produce solutions, we believe the Group's CSR can add significant value at this very difficult time. We will



## Truly Global Scale



direct our CSR to that end.

Lastly, as the “Teaming Platform” allows integration across the Group and enables us to connect stakeholders, Group governance will become increasingly important. Thus, we will set up a governance structure that will earn the trust of our clients, as well as of consumers and society.

As a global Group operating in more than 145 countries with in excess of 1,000 corporate entities and 66,000 employees, we seek to share a common culture and openly and transparently connect with our stakeholders to earn their firm trust. We aspire to be a Group where each and every one of us feels the joy of being able to create

new value for our clients and society.

The Dentsu Group will work with our clients to bring sustainable growth to society. To do so, we will drive three things: the business transformation that develops around our new value creation model, the evolution of our Group CSR, and governance. We ask the Group’s stakeholders for their continued understanding and support.

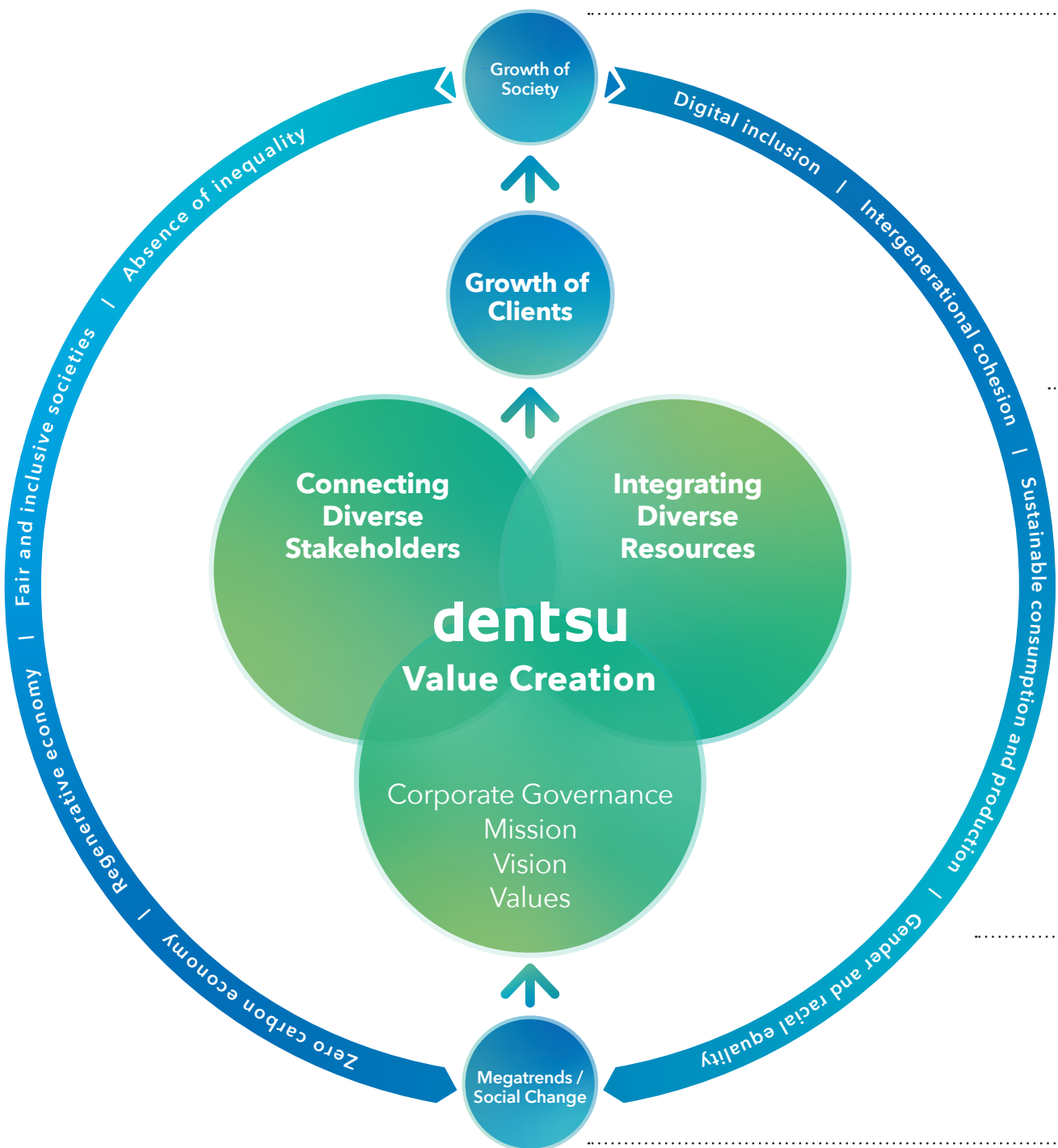
**Toshihiro Yamamoto**

Representative Director  
President & CEO

# Diversity and Integration

## Driving value creation for our clients and society

To remain connected to clients and society, it is important to have a higher sense of purpose as we work to resolve business issues and urgent societal problems. The Dentsu Group has constructed a cyclical value creation process, by means of which we make a difference to society and find deeper meaning in what we do by ensuring sustainable growth and simultaneously enhancing corporate value.



## Client Growth, Societal Growth

Bringing together Group companies that embrace diversity, and developing business that connects a wide range of stakeholders, the Dentsu Group creates new enterprises, functions, and brands for clients to help maximize their growth.

We believe this leads to economic revitalization,

sustainable consumption and production, gender and racial equality, as well as the acceptance of different values. By addressing the resultant new social issues and creating new cyclical value, the Dentsu Group serves as a platform for contributing to a sustainable and prosperous society.

## Relationship with Stakeholders

Combining the Group's assets—including media, creative, data and analytics, systems integration, sports, as well as entertainment—we provide Integrated Growth Solutions that support the transformation and growth of business.

At the same time, we are increasing the diversity of our staff through collaborations and groupings that go beyond the boundaries of individual Group companies,

and are linking these assets to our clients. Our governance system serves as a foundation to support both stakeholders and clients, in order to earn a high degree of trust among clients, partners, and society. Our more than 66,000 Group employees are connected to our distinctive culture in order that, through openness and transparency, they might earn the trust of our clients.

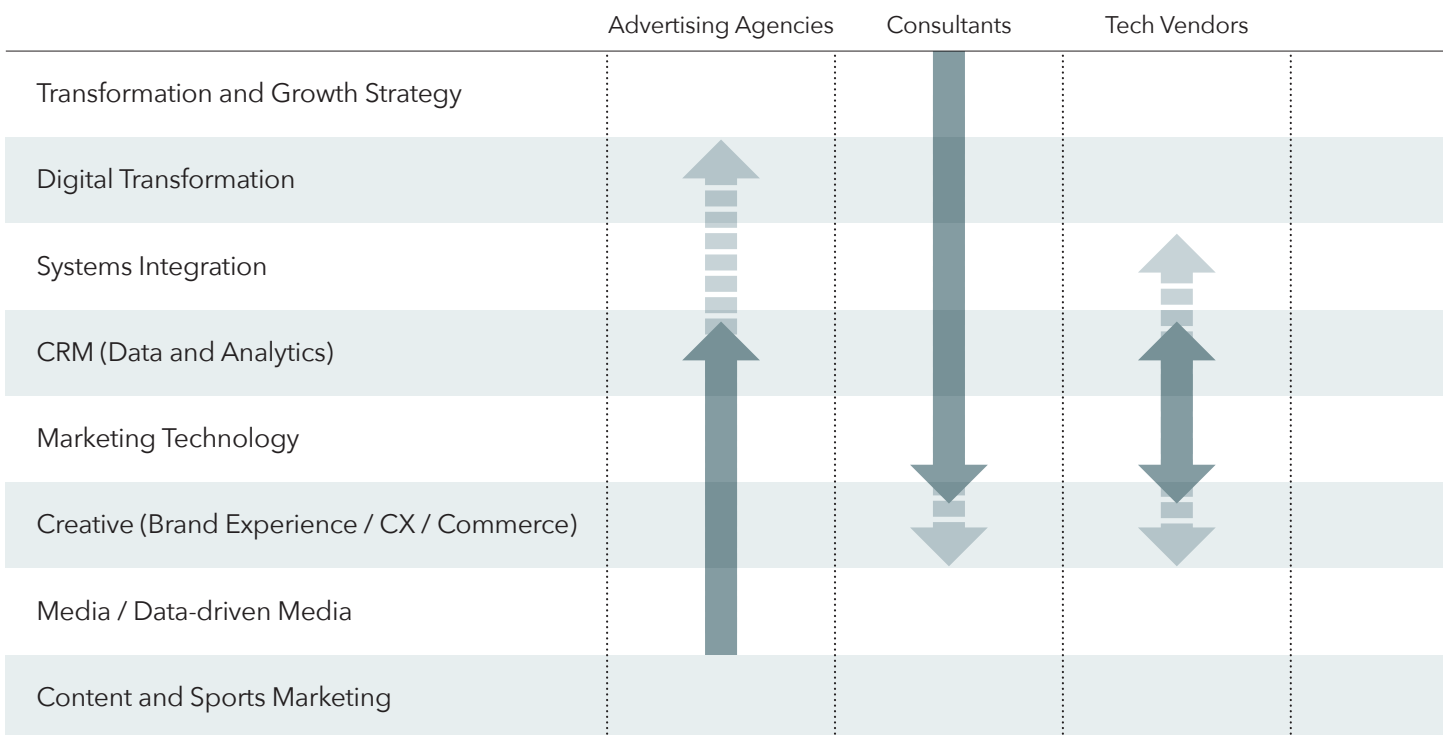
## Megatrends and Social Issues

In addition to climate change and other environmental problems, demographic changes, growing societal disparities and divisions, as well as the COVID-19 pandemic, the world is approaching a turning point. The need to transform business models in response

to these megatrends creates an opportunity for both our business and for society. The response is an important element in the achievement of sustainable corporate growth.

# Driving client value by integrating diverse resources

In recent years, corporates have sought sustainable growth by applying transformative digital principles to marketing and business activities. Marketing partners thus must solve a wide range of issues beyond traditional marketing, involving strategy to execution. In response to these needs, the Dentsu Group provides Integrated Growth Solutions.



## Beyond Marketing Communications

As markets mature, corporates increasingly are finding it a challenge to attain sustainable growth. At a time when it is essential to engage in a variety of activities and constantly innovate, the Dentsu Group is going beyond advertising and other conventional services in the areas of marketing and communications to offer a wider range of services and contribute to the sustainable growth of client companies.

Above all, we will focus on expanding and upgrading services to bring about digital transformations in marketing. The development of digital strategies is expected to accelerate, as society adapts to post COVID-19 life accelerating digitalization.

To buttress the sustainable growth of client companies, the Group will provide clients with extensive support for their growth strategies, the development of databases and marketing platforms that support their growth, as well as the execution of marketing communications. These areas have always been among the Group’s strengths.

Traditionally, we have provided information systems, among other services. Now we plan to expand our offerings, so as to extend and develop our CRM and digital transformation capabilities through the Merkle brand and other outstanding global network resources, in order to continue to provide integrated solutions to our clients.



## Creating New Value, Integrating Resources

In an era of rapid commoditization, constant innovation is also required in terms of measures aimed at corporate growth. We believe we cannot contribute sufficiently to the sustainable growth of our clients by simply providing high quality services in a wide range of areas.

Thus, the Dentsu Group also offers integrated marketing solutions based on our outstanding execution and creativity. We plan to advance our capabilities to integrate resources in a wide range of areas beyond marketing communications, thereby creating new value.

Not only can optimization be achieved by integrating resources but, by creating solutions that combine different fields of business, it is possible to resolve issues

that could not be addressed on an individual basis.

To realize these new integrated solutions, the Dentsu Group will develop its traditional integrative capabilities to create Open Teaming. This will be the foundation for promoting collaboration within the Group, across companies and national borders.

By realizing Integrated Growth Solutions that only the Dentsu Group can provide, offering new value to clients, and contributing to sustainable growth, the Group aims to become an indispensable partner to all our clients.

# Driving client value by integrating diverse resources

## CASE 1

### Health Project for All

The Japan Professional Football League (J.League) was facing a challenge: how to become involved in regional revitalization. J.League sponsor Meiji Yasuda Life Insurance Company, meanwhile, sought to become a partner in health promotion or health activities, while at the same time becoming involved in the revitalization of regional communities. Through its efforts, the insurer planned to develop and expand sales opportunities nationwide.

The Health Activities Project addresses both challenges, working with the J.League to promote a healthy life in society.

Attractive sports opportunities are provided, allowing participants to benefit from J.League assets suitable for people of all ages to use in improving their health. In addition, events are organized and apps made available that increase people's interest in J.League activities.

Meiji Yasuda Life, meanwhile, provides its customers with insurance products that offer cash refunds on a portion of their insurance premiums, depending on the results of health checks. The Dentsu Group is contributing to the creation of these ongoing relationships.



Promoting health in communities.



Website introducing easy exercises for everyone

### Integrating Dentsu Group Resources





## CASE 2

### Jins Holdings Business Design

Dentsu Inc. has teamed up with the Jins Holdings Inc. as Chief Strategy Office to promote the formulation and execution of strategies addressing various management issues. To this end, Dentsu is investing in the Jins workplace business Think Lab—built on the idea of concentration, or close mental attention—and the joint promotion of business development. At the same time, it is supporting growth in the core Jins eyewear business and the revitalization of Maebashi City in the Kanto area by Jins CEO Hitoshi Tanaka.

Dentsu’s partnership with Jins CEO Tanaka spans more than 10 years, during which time Dentsu has lent its support in the area of communications design for the branding of the JINS PC (renamed JINS SCREEN). Our role is that of a business design partner: we help determine how to create new value and realize internal transformations to achieve that end.



Hitoshi Tanaka (left), CEO of Jins Holdings Inc., talks with Shingo Yamahara of Dentsu Business Design Square.



## CASE 3

### Holistic customer management program with Swiss luxury watch brand

Isobar helped a Swiss luxury watch brand to create a holistic customer management program that connected both online and offline shoppers with the brand. The digital



transformation journey had the objective to build a no-friction ecosystem that drives engagement with the digital-savvy customer, anytime, anywhere. It aimed to give the customer a unique experience; the sales associate the ability to attract, engage, and convert; and the sales representative the assurance to have the right product in the right place at the right time.

Isobar set an open and never-ending communication and engagement channel between the customer and the brand, with improved operational capabilities in an omnichannel real-time reality. In addition, it built the program with a minimum viable product (MVP) approach to connect tools, and to automate tasks and online interactions.

As a result, we produced a CRM for retail execution and clienteling\* integrated with a new sales app, POS solutions and a new e-warranty QR code solution based on blockchain technology.

The program also empowered boutique staff with a user-friendly and digital-led way to capture client data with omnichannel interactions, and provided real-time information for all stakeholders, in cloud and personalized content as well as services through marketing automation.

\* Clienteling: The sales technique of forming personal relationships with clients based on their habits and preferences.

# Creating New Value for Society by Connecting Diverse Stakeholders

Throughout its history—which dates back some 120 years—the Dentsu Group has prided itself in its ability to connect stakeholders and combine elements to generate new value.

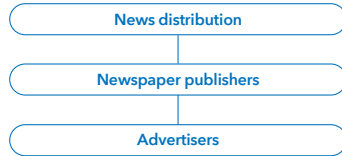
This we shall continue to do and, as a company engaged in comprehensive communications, help to realize an abundant society.



## Advertising Media

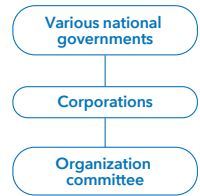
At the time of our founding, we established communications and advertising departments jointly with newspaper publishers. The idea was to render them support by offsetting news distribution fees and advertisement placement fees.

Over the years, newspaper publishers have grown as advertising media, and have contributed to the establishment of an ecosystem comprising news agencies, newspaper publishers, advertisers, and consumers.



## World Expo

At the Japan World Exposition held in Osaka in 1970, Dentsu carried out work under contract to the Japanese governmental agency organizing the event. At the same time, we were extensively involved in the event through work it did on behalf of domestic and foreign exhibiting corporations, as well as for participating overseas governments.

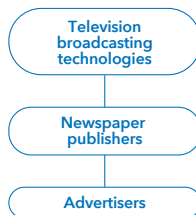


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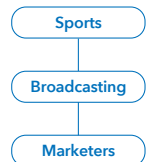
## Commercial Broadcast Television

Having carefully researched technological advances in the United States, Dentsu was confident that the age of television broadcasting would come to Japan. We worked with newspaper publishers to create private broadcasting stations and contributed significantly to the establishment of a business model based on advertising revenue for commercial broadcasting stations.

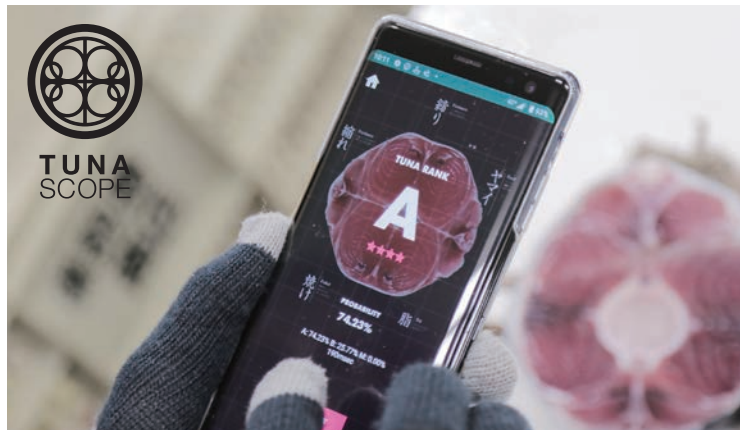


## Sponsored Sports

The 1964 Tokyo Olympics were covered by live color television broadcasts and newspaper stories that electrified the entire nation. This enabled Dentsu to demonstrate, to the Japanese advertising industry, the business potential of sporting events.







### AI to Determine Quality

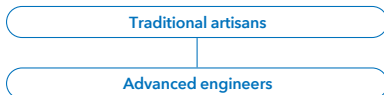
Dentsu Group focused on the fact that skilled tuna brokers determine the quality of a tuna by examining cross-sections of the tail. To address the dwindling number of master tuna merchants and their successors, it was decided that their skills and techniques would be well served if passed on using AI.

Through deep learning achieved by observing the composition of tuna tail cross-sections, AI determines the quality of a given tuna based on a cross-sectional tail scan.



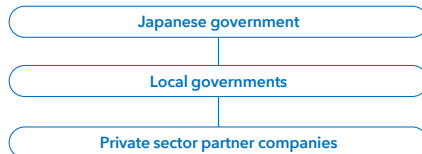
### Modern Art

By combining the traditional Japanese Noh theater with event space design making full use of the latest technologies, Dentsu created a new world without losing the distinctive impact of either the theater or technology. This resulted in an impact far greater than generally would have been expected.



### At the Summit

At the 2019 G20 summit meeting held in Osaka, Dentsu supported conference facility construction, international media center operations and Japanese technologies in the exhibition space, conveying Osaka's attractiveness and providing hospitality including dinner parties for government officials and foreign media, all of which contributed to the summit's success.

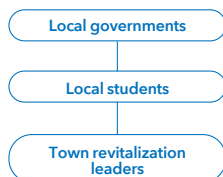


1970                      1980                      1990                      2000                      2010                      2020



### Regional Revitalization

Dentsu advocated a U-turn policy—Let's Go Back to Ono—to address concerns about the dwindling population of Ono City, Fukui Prefecture. Accordingly, the historical castle town's history and charm were depicted, using posters and photo albums created in cooperation with town revitalization leaders and local high school students. They helped Dentsu produce materials to showcase the area's potential.

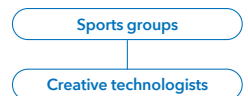


### New Spectator Experience

In order to make it easier to understand fencing matches where it is difficult to clearly see decisive moments with the naked eye, technologies such as machine learning have been used. This helps onlookers visualize the trajectory of each sword\* and the players' biometric data. Meanwhile, the volume of applause and cheering are shown on a screen, capturing the excitement at the venue.

This has resulted in a new spectator experience that allows one to experience the strategies of both fencing offense and defense.

\*Fencing tracking and visualization system: Rhizomatiks



# Creating New Value for Society by Connecting Diverse Stakeholders

## FOCUS 1

### Rugby World Cup 2019™

During the Rugby World Cup 2019 in Japan, we supported a successful tournament by connecting not only rugby fans around the world, but also various stakeholders, including World Rugby, the Japan Rugby Football Union, and the Rugby World Cup 2019 Organizing Committee, as well as corporate sponsors, broadcasters, newspaper publishers, and local governments.

The tournament created tremendous excitement and attracted attention around the globe.

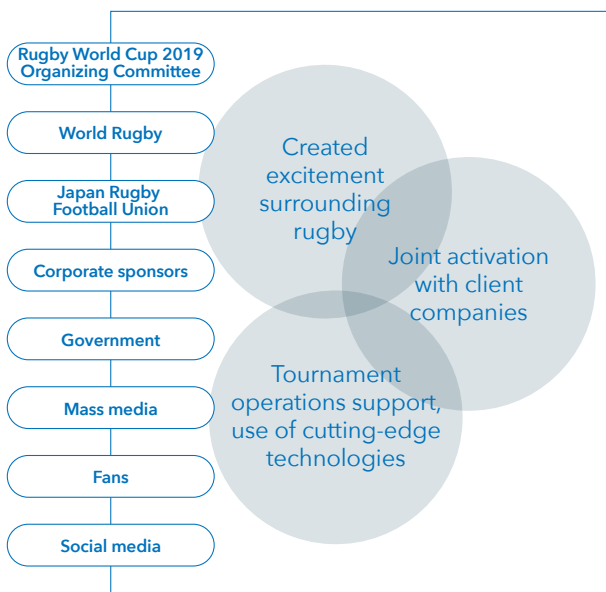
Dentsu’s event management team realized the ideal approach to event management for the future by promoting ticket sales using CRM and digital measures tailored to attract fans and potential spectators, creating an exciting event venue bringing spectators together while making extensive use of social media and mass media advertising.

Dentsu Group companies in Japan and overseas leveraged their respective fields of expertise and combined their integrated capabilities to allow a broad range of people in various areas to benefit from significant value.



Photo by Francois Nel - World Rugby via Getty Images

#### Connecting Dentsu Group Diverse Stakeholders through the Rugby World Cup







## FOCUS 2

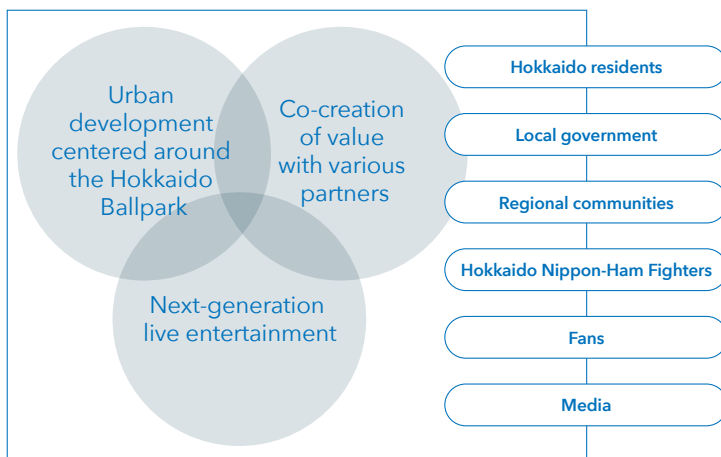
### Hokkaido Ballpark

In 2019, Dentsu Inc., in conjunction with Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd., and NH Foods Ltd., established the new company Fighters Sports & Entertainment Co., Ltd., which owns and operates a new baseball stadium for the Hokkaido Nippon-Ham Fighters. This company embodies the new baseball stadium and Hokkaido Ballpark F Village construction plan scheduled to open in 2023. The site will be the symbol of Hokkaido.

The project, more than simply being another baseball business, represents a new form of urban development designed to enrich people's lives.

Hence, in addition to the stadium itself, there will be commercial facilities, event sites, a park, and other amenities in the Hokkaido Ballpark. By attracting crowds, the site will create new value for the local community.

#### Connecting Dentsu Group Diverse Stakeholders for Regional Revitalization

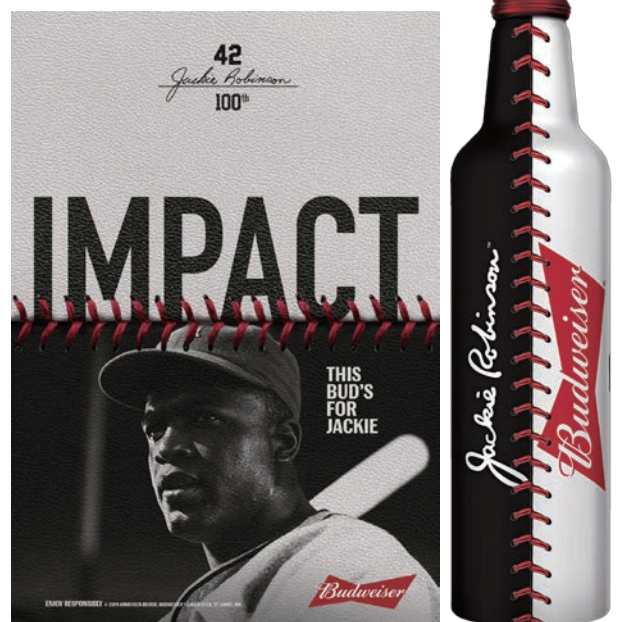


## FOCUS 3

### Budweiser and Jackie Robinson's 100th birthday

In 2019, Dentsu Group helped Budweiser honor Jackie Robinson in the US on the occasion of his 100th birthday as a way of reinforcing the importance of diversity and inclusion in sports. We helped share Jackie Robinson's story to a whole new audience and generation. We created a powerful film directed by Spike Lee that draws a parallel between the late forties and the present times, delivering an impactful message about diversity and inclusion. Additionally, a limited edition Budweiser bottle, posters, and a promotional baseball all embodied the spirit of the campaign, integrating several unique design elements, such as the unity of black and white reminding us of the break of the color barrier, the red stitches (the color of Budweiser) that unite the two parts, Jackie Robinson's signature, and his legendary number. Forty-two cents from every limited edition Jackie Robinson Budweiser sold during the season was donated to the Jackie Robinson Foundation to support its efforts across the country.

The campaign had a huge impact, being commented on in major media channels and connecting our brand to the baseball domain and, at the same time, revived an important part of history to appeal the importance of diversity and inclusion.



# Strengthening Digital Capabilities



**Arinobu Soga**  
Director and Executive Officer

## Continued transition to digital

Digitalization has been a focus for the Dentsu Group for the past decade—and digital advertising, data, CRM, and digital solutions remain the fastest growth areas for the Dentsu Group. We continue to successfully transition our business, increasing our exposure in these areas and solving bigger problems for our clients that go beyond marketing.

The International business has long been focused on the high-growth digital domain and now generates 60% of its revenue less cost of sales from digital work.

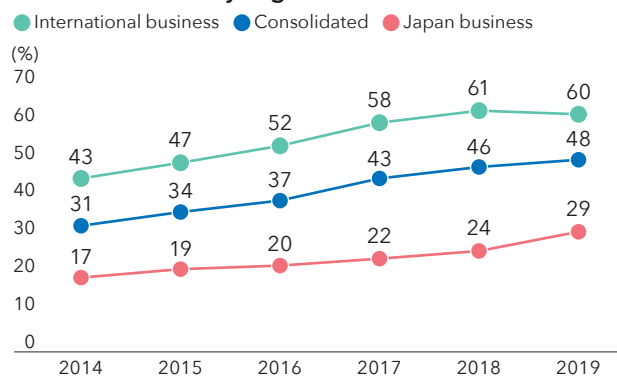
The Japan business reached 29% of its revenue from digital work in 2019, meaning that as a Group almost 50% of our revenue less cost of sales is digital on a consolidated basis.

## Japan: evolving our business as a growth partner for our clients

Throughout the Dentsu Group's 120-year history, our business in Japan has maintained a large share of the domestic market. As a leading Japanese company with a solid domestic business in the world's third-largest advertising market, Dentsu Group is said to be unlike any other global agency group.

We continue to draw on our expertise from across

**Percentage of Consolidated Revenue Less Cost of Sales Generated by Digital Domain**



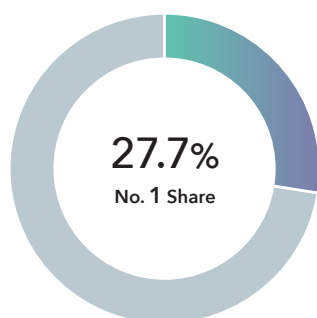
the Japan network to form dynamic teams, able to solve our clients' issues at speed. As a result of providing our clients with innovative and integrated solutions, the Group has established a high degree of trust with many clients. We believe we can deliver sustainable revenue growth by supporting digital transformation for our clients in Japan.

In 2019, the organic growth rate\* of revenue less cost of sales in Japan was +0.4% year on year. The growth in digital-related services continues to offset the transition of the traditional media business into digital. The Group saw a significant increase in sales in the digital, marketing, and promotion domains. Within the digital domain, we saw significant business expansion through a capital and business alliance with the VOYAGE GROUP, resulting in a +26.4% growth in digital domain.

Finally, in the fourth quarter of 2019, the Rugby World Cup Tournament in Japan was a huge success, starting a new sports movement throughout Japan. This demonstrates how the Dentsu Group can bring a positive impact on our society through a deep understanding of our clients, their customers, and society itself. By drawing on our diverse capabilities across the Group, we are able to demonstrate our ability to deliver change at scale.

\*Organic growth rate: Internal growth rate excluding the effects of exchange rates and M&A.

### Share in Japanese Advertising Market



Based on advertising spending in Japan in 2019. Percentages are calculated on the basis of the Dentsu Group's Japan Business sales by category.

### New business model

The Group's International business now generates 60% of the Group's revenue less cost of sales, with gross profit almost doubling within seven years following the acquisition of Aegis Group.

In 2019 however, Dentsu Aegis Network (DAN) delivered organic growth of -1.9%. These results were adversely affected by underperformance in five key markets (Australia, Brazil, China, France and the UK). The underperformance of these markets resulted in a decision to implement a restructuring program to return the business to growth and allow margin delivery for 2020 and beyond by reducing costs by ¥13.0 billion per annum. The restructuring accelerated the transformation to our new business model, to deliver integrated solutions to our clients, and ensure our services are easier to navigate.

The new business model streamlines the business into three Lines of Business (LoBs): Creative, Media and CRM. This simplification ensures the business is set up around our clients' needs—to win, keep, and grow their best customers by being idea-led, data-driven, and tech-enabled.

Regionally, the Americas showed a strong performance with +2.4% organic growth. A number of key clients were won in the US market through the

### Three Lines of Business



implementation of the Integrated Growth Solutions strategy. Europe, the Middle East and Africa (EMEA) reported -0.7% organic growth with seven markets in the region delivering positive growth. The Asia-Pacific (APAC) region reported -12.3% organic growth driven by underperformance in the Chinese and Australian markets.

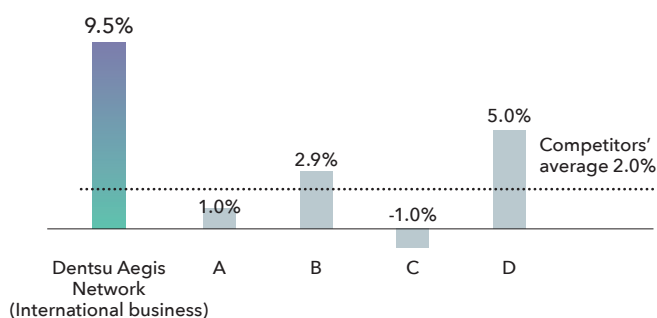
We saw success with new business wins in 2019. DAN delivered an industry-leading performance for media net new business with \$4.3bn of billings added.

### Improving operating margin

Consolidated operating margin in 2019 was 15.0%, down 140 basis points year on year, due to planned investments in the development of human resources, enhancement of IT infrastructure in Japan and upfront investment in the digital domain. In the International business the margin fell due to revenue pressure in the APAC region.

Margin improvement is a key priority across the Group going forward. In the International business, a newly appointed Chief Operating Officer will continue to transform our internal operations to drive profitable growth in 2020 and beyond. In Japan a number of initiatives started in the fourth quarter of 2019 delivered some margin improvement. I expect

### Compound Annual Growth Rate of Revenue Less Cost of Sales over Three Years; Comparison with the Peers



these cost actions to continue in 2020, improving margins over time.

### M&A accelerating strategy

The Dentsu Group continues to use M&A as an accelerant of our strategy, whereby acquisitions allow our Group to gain scale, capabilities, and geographical infill in areas of high growth.

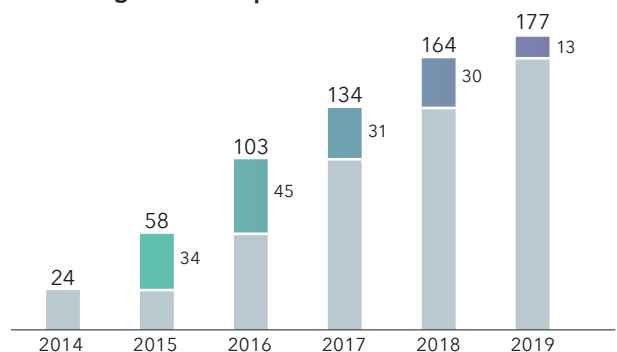
We continue to invest in high-quality growth businesses and in 2019 a total of 13 new acquisitions were signed. Two of the largest deals were Ugam and MuteSix. Ugam, a data and analytics company providing offshore services in data analytics fields, joined Merkle while MuteSix, a direct-to-consumer marketing agency, joined iProspect.

### Paradigm shift provided by data

Marketing that analyzes and utilizes large amounts of diverse data to dramatically improve the efficacy of advertising has the potential to fundamentally change the industry's business model.

The Dentsu Group acquired a majority stake in Merkle in 2016. Merkle has flourished under Dentsu's ownership and now contributes almost a quarter of revenues within the International business. Merkle

### Total Mergers and Acquisitions in International Business



has transformed DAN's client proposition, allowing us to offer fully integrated services and solutions across the marketing mix alongside our Creative and Media offerings.

In March 2020, we announced the accelerated buy-out of the remaining shares of Merkle. The purchase of these shares has brought the Group two major benefits. Firstly the deal will deliver single-digit EPS accretion for FY2020, and secondly it will allow DAN to accelerate the final stages of the integration of Merkle into the wider group.

### Solid financial foundation critical

Amid increasing uncertainties surrounding the post-digital world, the age of AI, and living with COVID-19, we believe the Group can play a critical role facilitating digital transformation among our clients and their customers. Our solid financial foundation enables us to make decisions faster than ever and achieve innovation without fearing change. Investments will enhance competitiveness which, in turn, will generate cash and help the Group maintain a healthy financial position. If this virtuous circle is maintained, I believe we can achieve sustainable growth.

At present, the Dentsu Group has a solid reputation for its ability to generate positive cash flows and for

its strong balance sheet. We are in an excellent position in terms of our ability to procure funding. The Group remains well capitalized with a strong balance sheet and a AA- credit rating from Japan's Rating and Investment Information, Inc. (R&I).

### Delivering strong shareholder returns

Group management recognizes investment as an important means of achieving growth and it remains a priority for capital allocation. We view sustainable corporate value growth as the greatest return we can provide shareholders and all other stakeholders.

We believe that efforts related to shareholder returns are linked to stakeholder trust in, and expectations for, the Group. In 2019, we carried out share buybacks of approximately ¥30.0 billion. In future, we will continue to make every effort to provide comprehensive shareholder returns that combine continuous and stable dividends with the flexible acquisition of treasury stock.

I am keenly aware that maximizing balance sheet profits and exceeding the level of returns expected by shareholders are important missions of the CFO. Thus, we will strive to ensure that management responds to stakeholder expectations.

### Ratings Information

Dentsu Group has received high ratings from the following credit rating agency.

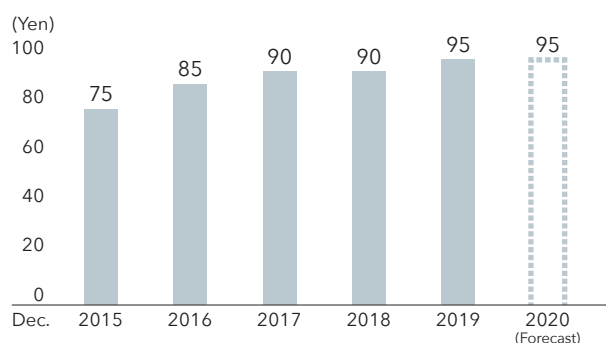
	Long-term debt	Short-term debt
Rating and Investment Information, Inc. (R&I)	AA-	a-1+

For further information, please visit the agency's website.

Rating and Investment Information, Inc. (R&I)

<https://www.r-i.co.jp/en/index.html>

### Cash Dividend per Share







**Our**  
**Business**



# Contents

Leaders in Conversation  
Leading Transformation  
in the New Normal

**p. 29**



Japan Business

**p. 31**

International Business

**p. 34**

# Leading Transformation in the New Normal

Jacki Kelley, CEO, Dentsu Aegis Network Americas and Yoshihisa Suzuki, Executive Officer, Dentsu Inc. discuss the Dentsu Group's challenges, opportunities, vision and commitment in this never-before environment.



**Jacki Kelley**  
CEO,  
Dentsu Aegis Network,  
Americas

Jacki has been a recognized and lauded leader in the advertising and media industry for over 25 years. Jacki joined Dentsu Aegis Network in 2019 as President, Chief Client Officer DAN US and was appointed to CEO, Dentsu Aegis Network Americas in January 2020. Jacki serves on the boards of Ad Council, FreshPet and Comic Relief USA and has been honored with the United Way of New York City's Power of Women to Make a Difference Award, as well as number one on Business Insider's 30 Most Powerful Women in Advertising list.



**Yoshihisa Suzuki**  
Executive Officer,  
Dentsu Inc.

Yoshihisa Suzuki initially joined Dentsu Inc. in 1990. He spearheaded and led numerous business areas such as the Marketing Division, the Business Creation Division, and the Promotion Division. Under his leadership, 'People Driven Marketing', the integrated framework for aggregating and advancing the Dentsu Group's marketing methods has been deployed. He was the former President of Dentsu Digital Inc. from 2017 to 2019, and was newly appointed as an Executive Officer of Dentsu Inc. in 2020, energizing the strategy of Dentsu's digital transformation.

## Envisioning the new normal post COVID-19

**Kelley** The past few months have brought our business and people to test, as the pandemic, economic, and societal storm impacted our professional and personal lives in a way few of us had anticipated or experienced in modern history, but I have always been an optimist. While it may seem difficult to speak of optimism in the face of so many devastating and heartbreaking moments, I believe we will emerge stronger as an organization, more resilient and compassionate as leaders and individuals.

**Suzuki** I agree. We must look beyond the distress and see these issues as opportunities for a fundamental structural transformation. We are well equipped to help our clients move toward a world where business growth relies on the ability to realize a business structure that integrates online and offline, and to realize new work, consumption, and experiences that offer a new level of efficiency and satisfaction. By

doing so we create value not only for clients but also for society as a whole, a new normal in value creation.

## Diversity and integration: The strengths of the Dentsu Group

**Suzuki** I believe the current situation will bring out the best in the Dentsu Group because we are a partner that can solve unforeseen challenges, with a reputation of being able to make the impossible, possible. We have exceptional expertise both online and offline, sophisticated analytics, outstanding creativity, and the unique competence as a solutions producer integrating diverse competencies and executing with a commitment to results. In moving toward a new ideal post COVID-19, this will make a substantial contribution to our clients' success.

**Kelley** The challenges in the Americas markets were intensified by the social and political events in addition to the public health and financial crisis felt by the rest

of the world. We have been able to rise above this challenge as a truly global company. The Dentsu Group comes from a lineage of diversity and inclusion in our workforce and our biggest strength lies in self-reflection and continuous, relentless improvement, with Kaizen being a key part of our heritage.

We are doubling down our commitment to our employees, clients, and society, to be more transparent, bolder, and braver in building a world-class workplace that reflects our values and the communities we serve; driving sustainable growth through innovation; and delivering idea-led, tech-enabled and data-fueled brand transformation at a global scale.

### Leading the transformation of marketing

**Kelley** Like many of the greatest leaps in business and technology, major transformations take place in bursts during a short period of time, driven by pivotal events. In this time of change, we help our clients to fast-track business-critical transformations through holistic strategies, end-to-end commerce solutions across our media, creative, and CRM LoBs, bridging online and offline customer experience; identity platforms built for the cookie-less world; powerful alliances to deliver true integration in marketing; as well as purpose- and data-driven creativity that communicates at the individual level while driving results at scale.

**Suzuki** Dentsu sees marketing as founded in people. We develop data-driven marketing that can deliver optimum solutions for achieving client goals through leveraging insights into people, creativity that sparks changes in people's feelings and behavior, and algorithms that optimize marketing investments. Knowing our clients' customers and potential customers will lead to higher ROI on the part of our clients and enhance their customers' engagement as marketing will provide information that they need and is more relevant to them. When we are able to comprehend customers even further with data available in the 5G era, we will be able to cultivate new relationships with them.

**Kelley** Our role as an agency group will shift more and more toward helping our clients' business sustainably thrive for the long term. Businesses will not be able to grow in isolation but rather can succeed as part of a connected society of inclusive partnerships, industry alliances, and joint ventures with the public sector. We must bolster our current mandate of delivering growth solutions by introducing integrated solutions that address unmet needs in society while simultaneously creating enterprise value. By putting society, and the communities in which our client's businesses operate at the center of our work, we can help brands intersect with culture in a far more meaningful way than most do today.

### The power of global collaboration

**Kelley** While the global crisis is undeniably tragic and the Americas take a heavy hit in many ways, we are fortunate to have the ability to leverage our global presence, and to learn from our regional markets that are ahead of us, such as APAC and EMEA. This has proven invaluable in this unprecedented environment where traditional marketing playbooks are often inadequate. While being sensitive to our clients' confidentiality, we are also able to pool our collective experience working with clients globally so that our clients can come out of this ahead of the game. We are especially excited about the collaboration around sports and entertainment where Dentsu's legacy business provides meaningful differentiation for the rest of the world.

**Suzuki** The same issues are constantly being shared somewhere else in the world, and since the COVID-19 crisis, this has become even more evident. To make the world a better place, clients will be restarting from zero and will require speed. Marketing in the connected age will be about the speed of being the first to establish a de facto standard, with more clients using the knowledge gained to improve. The Dentsu Group will be a forerunner in sharing common issues around the world including solutions and knowledge.

# Our Business

## Japan Business | Dentsu Japan Network

### Our Vision



Hiroshi Igarashi  
President & CEO  
Dentsu Japan Network

#### Developing integrated solutions utilizing the allocation of diverse assets

##### Business Overview

Japan represents the Dentsu Group's largest market. In fiscal 2019, it accounted for 40.5% of the Group's revenue less cost of sales, and 51.5% of its underlying operating profit. With advertising as our core business, our services go beyond marketing communications to provide integrated client support.

This year, in line with our transition to a holding company structure, the Dentsu Group underwent restructuring and formed an in-house company, Dentsu Japan Network. The network represents more than 130 Group companies and approximately 20,000 employees.

The aim of the restructuring was to develop integrated solutions that resolve challenges by organically linking and integrating our Group companies and employees.

##### Expanding Digital Capabilities

Digital infrastructure has assumed greater importance recently, due to its support for social services amid the COVID-19 pandemic. As society is being transformed, changes in human behavior are accelerating and society is moving toward the next stage.

We believe that supporting client business growth is in line with our efforts to resolve social issues, and so we will continue to focus our efforts on expanding our digital capabilities.

Based on advances in the traditional advertising domain, we will propose new ways of using traditional media, starting

with the digitalization of television.

In addition, we plan to develop a wide range of digital solutions beyond those of the communications domain, so that we might better understand client marketing issues and support them as they work to digitalize all marketing channels. Our efforts here will include mass advertising to increase interest; expanding e-commerce capabilities on client websites; and developing methods for the online retention of users who purchase clients' products.

Further, we will provide solutions related to digital transformations using technology linked to advanced analysis of Dentsu's proprietary user behavior data, as well as advanced analysis and issue resolution capabilities, focused on client product production and distribution processes.

Our fourth area of focus will be the advancing of solutions using existing and new platforms, as well as promoting services that integrate a broad range of resources.

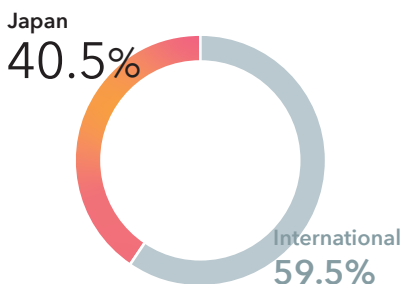
We will take on the challenge of establishing our position as a partner in the transformation of client business. And, in addition to client product advertising and publicity, we will provide assistance in a number of ways. In tandem with product development, including business design and market creation—reflecting the global environment, regional communities, and other stakeholders—we will commit even more deeply to the success of client products and services. We will provide business development know-how to support new management challenges and changes facing clients, as well as solid support for transformations in corporate culture and the reorganization of organizational and business processes.

In the new normal society, themes that will remain important include the continued health of each employee of Dentsu Japan Network, the promotion of workstyles that make all business processes effective, and the establishment of a corporate foundation where individuals can continue to grow.

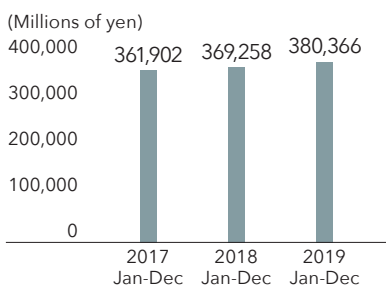
Through the expansion of capabilities that contribute both to the growth of society and clients, as well as to the creation of opportunities for individual growth, we will do our utmost to realize the sustainable growth of Dentsu Japan Network.

### Performance

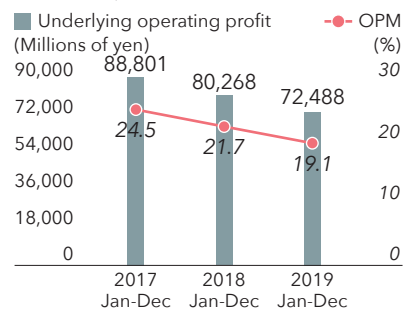
#### Japan/International Revenue Ratio



#### Revenue Less Cost of Sales of Japan Business



#### Underlying Operating Profit of Japan Business / OPM\*



\*OPM: Operating margin

## Overview of core operating companies

### Dentsu Inc.



Norihiro Kuretani  
Director, Executive Vice  
President

### Aiming to Become the Leading Marketing Company

With marketing communications at the core of its activities, Dentsu Inc. is the largest unit within the Dentsu Group. Since its founding, it has helped build the Japanese advertising market together with media and partner companies, and supported the growth of clients' businesses.

At present, Dentsu consults with and supports advertisers and media content companies who are trying to achieve business reformation and digital transformation, along with other clients. The company also prioritizes the planning and implementation of such marketing communication efforts as digital marketing, creative, media, PR, promotions, events,

sports, and content development.

Dentsu provides the best integrated solutions to accurately grasp global changes while contributing to client growth.

In recent years, amid ongoing environmental changes resulting from digitalization and globalization, it has become increasingly difficult for client companies to solve the complex challenges they face.

Our employees have a rich array of creativity and follow a code of conduct that ensures all work is thorough and complete. We create and implement highly sophisticated solutions, based on the most advanced data and technology platforms, while collaborating with powerful partners in and outside the Group.

Our medium-term objective is to become the world's No. 1 marketing company. As demand grows for the formulation of plans and implementation of measures to enhance the experiences provided along the customer journey, and in order to realize the creation and expansion of clients' businesses, Dentsu will provide and integrate e-commerce, CRM, business designs, and digital transformation, in addition to conventional advertising communications.

### Information Services International-Dentsu, Ltd.



Ryoichi Nawa  
President, CEO & COO

### Creating New Business Models Based on the Vision of Humanology for the Future

Information Services International-Dentsu, Ltd. (ISID) was established in 1975 as a joint venture between Dentsu and the General Electric Company in the US. In November 2000, ISID was listed on the First Section of the Tokyo Stock Exchange and is the only systems integrator in the Dentsu Group. ISID develops business at six offices in Japan and four offices overseas (North America, Europe, China, and Southeast Asia) and collaborates with numerous global partners to support client businesses in Japan and abroad.

ISID's strengths are deep insight into corporate and social issues, and the ability to propose and implement solutions that make use of advanced technologies. Up to now, ISID has worked with Japanese financial institutions and blue-chip companies in the manufacturing industry, providing advanced IT solutions to reflect the changing business environment.

ISID provides clients with total support for IT-related management issues, from consulting services to system planning, design, development, maintenance and operations, as well as high value-added and unique IT solutions in areas including financial services, HR, accounting, manufacturing, and digital marketing.

Humans and technology are what ISID values most and what drive its competitiveness. In line with the company vision—Humanology for the future: Bringing people and technology together to shape the future—ISID develops solutions leveraging AI, IoT and other cutting-edge technologies, while supporting digital transformation within companies and society by creating new business models along with partner companies and clients.

# Our Business

## Dentsu Digital Inc.



### A Growth Partner in the Coming Age of Digital Marketing

Amid dramatic upheavals in the global economy, as also in society and people's lives, the digital transformation of companies is becoming essential.

Against this background, Dentsu Digital was established in July 2016. Supporting the digital marketing efforts of over 600 companies, it is one of Japan's largest digital marketing companies, with 1,500 employees whose average age is 32 years.

In the rapidly evolving digital world, the Company is focused on strengths in three business areas that are at the core of its multifaceted support for corporate growth.

First: the promotion of next-generation marketing. Making full use of the latest technologies and data, Dentsu Digital

produces the best experiences at all customer contact points, and is continuously expanding the fan base of corporations and brands.

Second: the introduction of IT platforms. These serve as the base for promotions and the development of appropriate data environments.

Third: digital transformation consulting. This transforms the business and organization of client companies.

Dentsu Digital creates a close global collaborative structure with mega-platform and technology companies to build business foundations that will generate innovations amid societal changes.

Through co-creations with the Dentsu Group's 130 companies in Japan, 880 overseas companies, and 66,000 colleagues, Dentsu Digital brings new opportunities for client company business expansion. It always strives to provide the best digital solutions.

Dentsu Digital leverages its employees' advanced expertise and passion to drive the creation of synergies between global talent, knowledge, and technologies on one hand, and further business expansion on the other.

As we continue to aspire to digital marketing innovation and evolve to meet future challenges, we aim to become the best business growth partner for our client companies.

## Dentsu Live Inc.



### Advanced Event Space Know-how Resolving Client Issues

To accelerate our growth strategy in the promotion domain, Dentsu's former Event and Space Design Division was integrated with the Dentsu Tec event and space-related departments to create Dentsu Live Inc., which commenced operations in January 2017.

At present, Dentsu Live is resolving client issues by providing a one-stop service inclusive of event and space development planning, design, production, construction, and operations.

In addition to conventional event and space development activities, the Company is developing live marketing, leading to the cultivation of loyal customers; using cutting-edge technologies to improve experience value; undertaking store

development and operations that support lifestyle changes; conducting entertainment and arena operations; and is involved in both space development enterprises and next-generation city branding businesses.

The Company retains a large number of event space specialists, who collaborate with numerous partner companies that have noted expertise, enabling us to be among those organizations with the most know-how, experience, and knowledge in Japan.

We offer highly advanced one-stop production services, from planning to implementation, construction, design, behavioral data analysis, and digital marketing integration. Many of our employees have the safety management training outlined in the Construction Business Act, enabling us to enhance project quality and safety.

Going beyond the core business domains of events, spaces, and exhibition video content, we create greater experience value, while seeking to develop business through the optimal combination of entertainment, sports, content, and IP businesses to engage in events, construction, and operational execution. We also focus on enhancing competitiveness through the creation of business centered on the real-time use of cutting-edge technologies and new technological research.



## Our Vision

**Tim Andree**

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



### 2019: A year of transformation

The year 2019 was one of transformation. In January 2019, I took on responsibility as the CEO, in addition to my role as Executive Chairman of Dentsu Aegis Network and Executive Vice President of Dentsu Inc. This afforded me two benefits: to get even closer to our clients and our people.

The transformation agenda was established to drive sustainable, profitable growth and combine the breadth and depth of DAN's capabilities to deliver world-class client-centric solutions.

It was a year of making it real by re-assessing ourselves and planning for change.

### Making it real for our clients

In order to deliver better services for our clients and experience for our people, transformation was required. We streamlined our offerings around three Lines of Business: Creative, Media and CRM. This provided our people with sharper focus on delivering world-class services and integrated solutions for our clients.

The new structure was designed around our client needs, ensuring our services are easier to navigate, globally consistent and, therefore, set up to help our clients win, keep, and grow their best customers—by being data-driven, tech-enabled, and idea-led.

### Expanding our capabilities

We also invested in areas that created the best structure and environment, supported by efficient and globally consistent processes, including best-in-class technology, to reduce duplications, complexity, and cost.

M&A continued to be an accelerant to our strategy and we welcomed 13 new companies including Ugam, a global leader in data and analytics. We became much more focused, prioritizing high-growth markets and segments such as digital creative, data, CRM, and loyalty, that have great synergy opportunities and strong cultural alignment.

### Making it real for our people and their communities

Ensuring that our most critical asset, our people, remain at the heart of our business is a key priority. Connecting with one another and having a common purpose is important to our success, especially when driving transformation.

Embedding a common social purpose is equally important. Engaging with our communities and delivering against our social impact goals allows us to create a deeper connection to our role in society.

We supported our global charity Malaria No More to raise \$14bn and launched Isobar Good which leverages our skills and expertise to drive measurable social impact for businesses. We collaborated with clients to create #BrandsForGood to help transform the role of marketing in order to make sustainable living more aspirational for consumers.

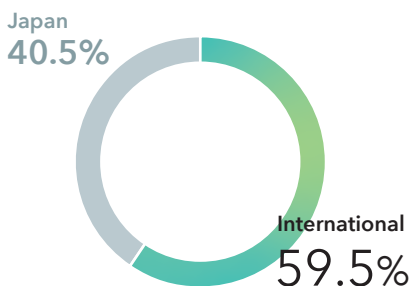
Finally, we reported our strongest environmental performance yet and are now powered by renewable energy in 90% of our offices globally.

### Journey to one dentsu

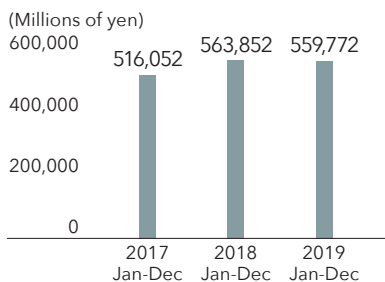
The year 2019 was a big step in our journey to become a more integrated global organization that delivers world-class services to our clients. By working together and leveraging the strength we have in Japan, our goal is to deliver sustainable growth for all of our stakeholders in the years to come.

## Performance

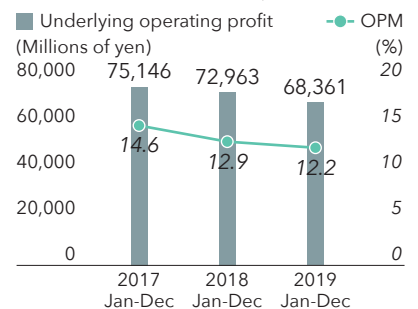
### Japan/International Revenue Ratio



### Revenue Less Cost of Sales of International Business



### Underlying Operating Profit of International Business / OPM\*



\*OPM: Operating margin

# Our Business

## Simplifying our Business

As part of our long-term strategy, we recognize that the traditional agency model is no longer fit for purpose as client demands are changing. Our business model must evolve to deliver integrated solutions and world-class services. And we must shift gears toward medium-term margin improvement and long-term sustainable growth.

Our new business model is designed around our clients, recognizing all elements of the customer lifecycle—to win, keep, and grow our clients’ best customers by being idea-led, data-driven, and tech-enabled. This will accelerate our ability to deliver globally consistent, integrated solutions for clients, ensuring our services are easier to navigate. This in turn will drive long-term sustainable growth and medium-term margin improvement.

We now organize our services into three Lines of Business (LoB): Creative, Media and CRM across the Americas, APAC, and EMEA.

### Simplified Lines of Business Model



### CRM Line of Business



**Key Person**  
**David Williams**  
 Global CEO, CRM, Dentsu Aegis Network and Chairman, Merkle Group Inc.

Today’s most successful brands are built by providing superior customer experiences across sales, service, and marketing. The future of this “connected customer experience” is highly personalized, informed by data, and powered by technology.

The market opportunity for CRM Line of Business is in the development of data-driven strategies that help the best brands in the world deliver these hyper-personalized experiences to maximize customer value, solidify customer loyalty, and ultimately deliver competitive advantage. This is Dentsu’s fastest-growing LoB, having doubled in revenue over the past four years. Anchored by Merkle, the network’s largest agency brand, the CRM LoB is a matrixed structure that operates at the intersection of our service lines and the distinct industries we serve. Our skilled people-based marketing experts understand the unique needs of our clients, the market challenges they face, and the solutions needed to gain competitive advantage.

Merkle is organized regionally, spanning the Americas, EMEA, and APAC, with near-term Americas expansion plans that include Canada and Latin America. Our global clients rely on our deep knowledge of the distinct market needs and regulatory requirements of every locality in which we operate.

Our strengths in first-party data, combined with identity resolution, data management, marketing technology, data sciences, loyalty, CRM, personalization, and performance media/creative services, have created differentiation against an evolving competitive landscape. As a result, we have seen

consistent double-digit growth, even amid significant market disruption propelled by the collapse of third-party cookies and increasing privacy concerns. As we move toward competing with today’s digital transformation powerhouses, we will define a new equation, where data transformation + digital transformation = customer experience transformation.

Adding strength to our value proposition are our alliances with partners, such as Google, Adobe, Salesforce, Oracle, and others. Through these relationships, we are tapping into the growth of enterprise experience technology and Cloud services to enable the total customer experience for the brands we serve.

The CRM LoB’s go-to market strategy is centered around four broad categories:

- **Customer Experience Enablement:** Strong technology capabilities grounded in data management and identity and underpinned by deep expertise in enablement technologies.
- **Customer Experience Activation:** Performance media and creative solutions informed by data and delivered through a collection of brands that have world-class capabilities in the field.
- **Analytics:** Plugged into both the enablement and activation sides of the framework, we deliver analytics through those technology platforms and use it to derive targeted insights and measurements.
- **Consulting and Strategy:** Transformation and technology consulting help brands understand how they should organize for success and develop program-level strategies to enable the total customer experience.

Going forward, this LoB will continue to develop new capabilities relating to customer experience transformation consulting and business case modeling. We have our sights set on becoming the market leader enabling and activating the total customer experience. Our future customers will be CEOs and members of the broader C-suite who are looking for meaningful business outcomes that create revenue, cost savings, and ultimately shareholder value.



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## Creative Line of Business



### Key Person

Jean Lin  
Global CEO, Creative, Dentsu  
Aegis Network and Global Executive  
Chairman, Isobar

Our mission is to build a world-class global creative and experience offering with innovation and technology at its heart—an offering that can differentiate our clients' businesses with competitive advantage and drive sustainable growth, beyond effective advertising. The newly-formed Creative line of business brings together all branding, content, design and experience capabilities outside of Japan, including our two global agencies dentsumcgarrybowen, and Isobar. This robust idea-led practice unites over 12,000 like-minded people, to deliver brand and experience transformation for our clients at a global scale, across more than 50 markets worldwide.

The role of marketing and how brands are built has been fundamentally shifted by new technology adoption, people's changing behavior, and refreshed expectations. In this new world, businesses need to differentiate with authenticity more than ever and consumers want to see authenticity of behavior

consistently across all business touch points.

Creativity is about connecting the dots to enable meaningful integrated solutions across touch points and transformation initiatives, united by the same "North Star" and belief.

Creativity today goes beyond advertising and communication. It is about delivering Idea-Led Experiences: ideas that matter, that create competitive advantage, that propel businesses to the future; experiences that change culture and behaviors, that enable engagements and transactions, that enhance trust. Strategic Ideas are the glue that connects the belief system of a business with behaviors. When you know what you believe, you know how to behave.

We craft compelling idea-led experiences, made for the digital age and delivered at global scale.

We create an effective team with strategic branding experts from dentsumcgarrybowen, and digital marketing and experience expertise from Isobar, to deliver creative experiences at scale across the consumer journey.

I believe that at Dentsu Aegis we have the most creative thinkers, makers, innovators and technologists, with inclusion and respect for our teams from many different cultures and markets. It is this diversity of people and disciplines that creates more innovative thinking and the ability to solve a broader set of problems in a more creative way, working in partnership to help clients all over the world to win in the experience economy.

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## Media Line of Business



### Key Person

Peter Huijboom  
Global CEO, Dentsu Media &  
Global Clients,  
Dentsu Aegis Network

Our Media Line of Business provides clients with a diverse range of services to help brands maximize the effectiveness, relevance, and performance of their largest marketing investment, media. We deliver these capabilities through our award-winning media agencies Carat, Vizeum, and dentsuX; our globally recognized digital performance agency iProspect; and our dedicated out-of-home agency Posterscope. In 2019, our agencies topped several of the most trusted global media agency rankings as we continued to expand our relationships with global marketers. At the heart of our success is our commitment to helping clients manage the ever-increasing complexities of media, data, customer advocacy and privacy while maximizing business outcomes.

Within our own business, we are evolving the way our agencies operate by centralizing key technology and investment functions, building an integrated brand portfolio strategy, and leveraging automation to manage costs. These efforts are all aligned to evolving client needs for solutions that

integrate brand and performance marketing, media and CRM, and culturally-relevant content. By bringing our media and performance agencies into an integrated business, we have removed artificial barriers, allowing clients to quickly reallocate spend to generate both long-term brand value and more immediate business performance.

The establishment of the Media Line of Business also allows us to adopt a more systemic approach to sharing capability and leveraging best practices across our agencies. Creating a framework for our agencies to join forces and leverage best practices and talent more quickly allows us to make more impactful media investments. Similarly, we are utilizing our media partner relationships to generate bigger, more innovative solutions.

As we move forward in 2020, we are helping our clients to navigate the most challenging year in a generation with media and marketing budgets under pressure from the pandemic. However, we remain committed to delivering for our clients on our joint transformation journey. In many ways, COVID-19 is accelerating many of the digital trends around which we have been building our strategy for over half a decade—harnessing unique data-fueled insights to build more relevant and accountable media experiences. Finally, we believe media has a real opportunity to redefine its value and impact, binding communities, cultures, and people together through shared experiences. This is exactly the kind of mission that has been the foundation of the Dentsu Group for over 100 years.

 our

**Foundation**

# Contents

Message from the Chair  
of the CSR Committee  
**p. 39**



Sustainability  
**p. 41**

Corporate Governance  
**p. 45**

## Sustainability of Dentsu and Society



### Overcoming challenges by leveraging our creative power and engaging with society

**Shun Sakurai**

Representative Director and  
Executive Vice President

#### Facing the emergence of global risks

The world is facing a major challenge in 2020. The damage caused by the COVID-19 pandemic is far more serious than we imagined, not only in terms of health, but also in terms of the impact on the economy. We need to rebuild and, in doing so, build a resilient, inclusive, and sustainable economy.

In the 2020 edition of the Global Risk Report published annually by the World Economic Forum (WEF), the spread of infectious diseases, such as this one, is highlighted as a major risk. However, environment-related items, such as abnormal weather and failure of climate change countermeasures, remain among the most likely to occur in the future. I am convinced that these risks are not unrelated to our daily life under the current economic model.

#### Pursuing business models that generate societal and economic value

Social and economic performance have often been seen as difficult concepts to reconcile. However, by involving a wide range of stakeholders and collaborating to address these issues, we believe that it is possible to create new innovations beyond the traditional framework of CSR measures.

We have set tackling social issues as one of the axes that will help us realize our new medium-term management plan. A business model that pursues both the resolution of social issues and the generation of profits is essential to our growth strategy, and we plan to develop multiple profit models that can be shared within the Group in the future.

## Developing a Group-wide sustainability strategy

Among the social issues we are facing today are those that are closely related to the business activities of the Group, such as climate change, diversity, as well as sustainable production and consumption. By focusing on these areas, we will maximize Group resources and create solutions through collaboration with various stakeholders.

Following the adoption of a new holding company structure in January 2020, the CSR Committee was reorganized to form a conference structure consisting of members from Group companies including Dentsu Japan Network, Dentsu Aegis Network, Dentsu Inc., ISID and Carta Holdings, Inc. who will integrate the CSR activities of their respective companies to formulate a Group-wide sustainability strategy for the year 2030. We will continue to explore global macro-economic trends through the lens of our most material impacts, and the opportunity we have to resolve these issues.

## Overcoming global issues along with our stakeholders

A global sustainability leader aims to solve global issues through alliances that transcend existing frameworks with a long-term perspective. Our Group has set greenhouse gas emission reduction targets for 2030 and 2050, which are accredited by the Science Based Targets initiative, and we have made a commitment to procure renewable energy across our global markets. We are signatories to the United Nations Global Compact and RE100 and are co-founders of #BrandsforGood, helping us to promote sustainability initiatives not only within the Group but also with companies in other industries. In addition, Common Ground, which works with the United Nations and major advertising holding groups, continues to support Malaria No More, a non-governmental organization dedicated to malaria control.

As we pursue these activities, it is essential that all of our 66,000 Group employees consider the role we play in society, demonstrate their creativity through their businesses, and create innovation to deliver social impact. It is only by working together, with our employees and our stakeholders, that we will overcome this challenge.



United Nations Global Compact



Science Based Targets certificate



RE100



## Sustainability Initiatives

### Helping create an economy that works for all

Climate change, biodiversity loss and inequality are global megatrends reshaping our world. In 2019 we saw a significant increase in both awareness and activity across all stakeholder groups, with employees, investors, clients, and consumers all calling for change. Business and brands have no choice but to respond. Our industry is no exception. We are committed to decarbonizing our business operations and supply chain. And as an employer of 66,000 people, we invest in the health and wellbeing of our people and are passionate about creating a diverse and inclusive

environment in which everyone can thrive. But we have a powerful role to play that goes beyond our own operations and physical impacts. Every day, all over the world, our work influences the way that people think, feel and act. Our aim is to use our ideas and data to highlight opportunities, inequalities, innovations, and solutions to society's greatest challenges. As a Japanese company, we plan for the long term, which means creating regenerative solutions that deliver positive impact for our business, society and the environment.

### Our priorities

In December 2019 we established a new board committee for the Dentsu Group focused on CSR and sustainability. This committee is chaired by Shun Sakurai and is made up of senior executives from across the Group, including Dentsu Japan Network, Dentsu Aegis Network, Dentsu Inc., ISiD, and Carta Holdings, Inc. The committee meets quarterly in 2020 with the primary objective of setting a long-term, integrated sustainability strategy for the Dentsu

Group. An assessment of our material risks and opportunities has highlighted key strategic focus areas where we can make the biggest impact. The results include climate change, sustainable consumption and production, diversity and inclusion, and human and digital rights, including ethics, data privacy, and security. We believe COVID-19 will accelerate interest in these areas as stakeholders look to rewire the economy.

#### CSR Promotion Structure



## Climate Change

In 2019 we achieved our strongest environmental performance, reducing our overall Scope 1 and 2 carbon emissions by 46.3% since 2014, putting us on track to deliver our 2030 science-based target. This was driven primarily by switching 89% of our international operations to renewable electricity, reinforcing our commitment to RE100 and helping to drive market demand for renewable energy. Our goal is to switch all the Dentsu Group to renewable electricity by 2030. Office consolidation and the introduction of new collaboration technology also contributed, while we delivered a significant decrease in the use of paper, water, and waste. Business travel however has increased across the Group. In response, DAN has included a target to reduce air travel, measured in CO<sub>2</sub>

equivalent, as a KPI on all executive scorecards directly impacting their remuneration. To further decarbonize our value chain, we joined forces with Bristol University, Sky, and the BBC to launch DIMPACT—a ground-breaking collaboration to map the carbon impacts of digital value chains. In 2020 we will be building on this work to better understand and reduce our emissions across our value chain. Overall, we cut the total Scope 1 and 2 emissions 23.0% this year to 33,962 tons of CO<sub>2</sub> while the Scope 3 results were 87,194 tons.

For more detailed environment performance data, please refer to the ESG Data Summary (p. 56).

### Environment Performance Indices FY2019



CO<sub>2</sub> emissions / FTE  
(Scopes 1 and 2)

**0.53**t-CO<sub>2</sub>e



CO<sub>2</sub> emissions  
Compared with FY2014 Scopes 1 and 2

**46.3%** less



Ratio of renewable electricity  
in international operations

**89%**

## Sustainable consumption and production

We recognize the role that we play in driving consumption. In 2019 we collaborated with Sustainable Brands and some of our biggest clients to launch #BrandsForGood, a new global movement to transform the role of marketing and advertising and make sustainable living more aspirational for consumers.

Through #BrandsForGood we aim to unite marketers and brands to encourage consumers to adopt nine sustainable behaviors. These behaviors combine both societal and planetary needs with consumer research that indicates which messages members of the public are most likely to respond to positively, ultimately making them

change their behavior. This is fundamentally reimagining the way brands create value and engage with customers around sustainable living.

**BRANDS  
FOR  
GOOD+**

**Promoting diversity and empowering women**

True creativity and innovation happen when teams of diverse individuals come together. We champion individuality, and the unique perspectives and remarkable talent that come with it. In 2019 we saw an increase in females in senior leadership positions across our global markets. This includes the appointment of Anna Moulton, Global HR Director, to the role of Executive Officer, Dentsu Group Inc. We also promoted Jacki Kelley to the role of CEO, Americas, and Jean Lin to the role of CEO, Creative Line of Business. One third of our most senior roles in our International business are held by women. We are committed to extending this gender balance to our Japan operations but recognize there is more to do. Today, 14.5% of senior leaders across the Dentsu Group are women. Our focus on diversity extends beyond our organization. In 2019 we launched Female Foundry, our global mentorship program for female-founded start-ups, in India, South Africa, Mexico, and Chile, creating powerful programs built on insights generated through iProspect’s Hear Her Voice

research. And in collaboration with the Association of National Advertisers, we helped found #SeeHer, the goal of which is to increase the percentage of accurate portrayals of women and girls in US advertising. The values of respect, equality, inclusion, and diversity necessary for healthy and peaceful communities are the same values we cultivate among our employees in 145 countries. We will be prioritizing this area of our strategy moving forward.



**Respect for Human and Digital Rights**

Data privacy and protection, along with responsible media, continue to remain a top priority for our business and our clients. In 2019 we became a strategic partner to the Global Alliance for Responsible Media (GARM) a global collaboration of agencies, media platforms and industry associations to rapidly improve digital safety and drive accountability across the industry. We are also a founder of the Conscious Advertising Network whose mission is to stop advertising abuse by highlighting the conscious choices advertisers can make to ensure good practices.



Partners in the Global Alliance for Responsible Media

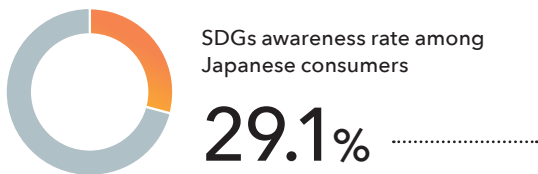
## Common Ground

In 2016 we helped launch Common Ground to drive delivery of the United Nations' Sustainable Development Goals (SDGs). Today we have reached over 1.67 billion people through related campaigns. This includes our partnership with Malaria No More, with whom in 2019 we helped raise an additional \$14 billion for malaria research, as well as campaigns for our clients that align to the SDGs, in particular in areas relating to health and wellbeing, inequality, and empowering women. In 2019, we launched Isobar Good, an initiative that uses Isobar's skills, expertise, and methodologies to drive measurable social impact and

to achieve the SDGs. We continue to drive awareness through our research, by team SDGs across Dentsu Japan Network, into consumer trends and attitudes to the SDGs, including our recently published survey of the Japanese market.



### Key findings of SDGs survey (January 2020)



### Recognition rate of lifestyle behaviors related to realizing the SDGs



<https://www.dentsu.co.jp/en/news/release/2020/0427-010046.html>

## Message Comment on the results of the SDGs survey

These are very encouraging survey results. The fact that more than 40% of students are aware of the Sustainable Development Goals speaks to the excellent work done integrating the SDGs in the school curricula in Japan. Young people are a crucial target audience, and it would be great to see more schools around the world follow Japan's example and teach students about the SDGs.

It is also promising to see that a majority of respondents are ready to put the SDGs into practice, through changes in their daily

habits—moving away from plastics, using reusable eco-bags and doing more teleworking—which all contribute to reducing the pressure on the environment. At the same time, the social components of the SDGs—like gender equality or supporting marginalized communities such as immigrants—deserve equal attention and urgency. We have ten years left to achieve the SDGs by the 2030 target date. Everyone everywhere can do their part to help build a fairer, more sustainable world.



**Martina Donlon**  
Acting Chief, Sustainable Development Section  
Department of Global Communications  
United Nations

## External Evaluation

For the fourth consecutive year since 2016, we have been selected for inclusion in the Dow Jones Sustainability Asia Pacific Index. We have also been highly evaluated by CDP (scored A- in 2019) and EcoVadis, as well as being included in indexes such as FTSE4Good.



# Dentsu Group Corporate Governance

As of March 27, 2020

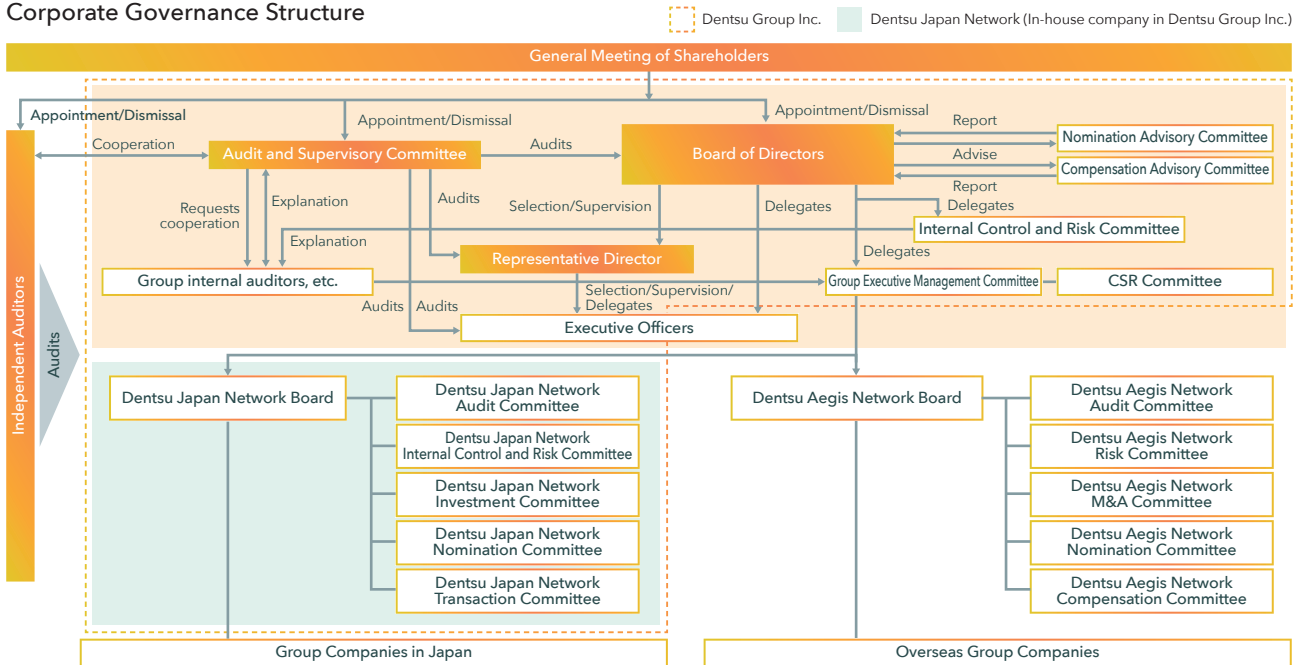
## Basic Perspective

The pursuit of optimal corporate governance is critical for achieving Dentsu’s goal of creating new social values and sustainable societies. We aim to achieve sustainable growth and enhance corporate value by ensuring transparent, fair, rapid, and decisive decision-making, as well as the effective allocation of management resources. To this end, we will continue to improve corporate governance by:

1. Respecting shareholders’ rights and ensure their equal treatment.

2. Considering the interests of stakeholders, including shareholders, and cooperate with them appropriately.
3. Appropriately disclosing company information and ensuring transparency.
4. Enhancing the effectiveness of the supervisory function of the Board of Directors concerning business execution.
5. Engaging in constructive dialogue with shareholders who have an investment policy that conforms to the mid-to long-term interests of shareholders.

## Corporate Governance Structure



## Corporate Governance-related Information

		Committee Chairperson (Chair)
<b>Board of Directors</b> 12 members	Independent outside directors: <b>4 members</b> (33.3%)  Female directors: <b>2 members</b> (16.7%) Non-Japanese directors: <b>3 members</b> (25.0%)	Principle 4.8 (Effective use of independent outside directors)  Principle 4.11 (Requirements for ensuring director efficacy)
<b>Audit and Supervisory Committee</b> 5 members	 Independent outside directors: <b>4 members</b> (80.0%)	Principle 4.8 (Effective use of independent outside directors)
<b>Nomination Advisory Committee</b> 5 members	 Outside directors: <b>4 members</b> : (80.0%)	Principle 4.8 (Effective use of independent outside directors)
<b>Compensation Advisory Committee</b> 5 members	 Independent outside directors: <b>3 members</b> (60.0%)	Principle 4.10 (Use of arbitrary mechanisms)

















For details, please see the Corporate Governance Report on our website.

[https://www.group.dentsu.com/en/about-us/common/pdf/governance\\_202001\\_en.pdf](https://www.group.dentsu.com/en/about-us/common/pdf/governance_202001_en.pdf)

## Director Skills Matrix

● Responsibilities and Attributes    ⊙ Main skill    ○ Secondary skill

		Director Specialization and Features								
		Business execution	Supervisory function	Corporate strategy	Business strategy	Management resources	Finance	Accounting	Legal affairs	Organization/ Human resources
	1 <b>Toshihiro Yamamoto</b> Representative Director	●		⊙	○					
	2 <b>Shun Sakurai</b> Representative Director	●				⊙			○	○
	3 <b>Tim Andree</b> Director	●		○	⊙					
	4 <b>Hiroshi Igarashi</b> Director	●		○	⊙					
	5 <b>Arinobu Soga</b> Director	●					⊙	○		
	6 <b>Nick Priday</b> Director	●					⊙	○		
	7 <b>Gan Matsui</b> Director		●						⊙	○
	8 <b>Izumi Okoshi</b> Director / Audit and Supervisory Committee Member		●		○	⊙				
	9 <b>Toshiaki Hasegawa</b> Director / Audit and Supervisory Committee Member		●						⊙	○
	10 <b>Kentaro Koga</b> Director / Audit and Supervisory Committee Member		●				○	⊙		
	11 <b>Etsuko Katsu</b> Director / Audit and Supervisory Committee Member		●				⊙	○		
	12 <b>Simon Laffin</b> Director / Audit and Supervisory Committee Member		●				○	⊙		

## Initiatives Aimed at Enhancing Efficacy of Governance

As of March 27, 2020

### Board of Directors' Effectiveness and Self-Evaluations

To ensure the ongoing effectiveness of the Board of Directors, a questionnaire was submitted to all Board members pertaining to the efficacy and appropriateness of the Board's supervision of management. Responses to this questionnaire were analyzed and evaluated by a third party. The Board of Directors received a report from the Board of Directors Secretariat regarding these results, which were used to analyze and evaluate the overall effectiveness of the Board.

The analysis and evaluation for FY2019 indicate that the composition, operation, and items deliberated by the Board of Directors were generally appropriate. It is noted that sufficient deliberation had been conducted through the exchange of opinions, confirming that the Board maintained efficacy and appropriateness in its supervision of operations. In the future, the Group will strive to make improvements on the issues identified in these areas, in order to further improve the Board of Directors.

#### Main Issues and Improvement Measures in FY2019

<b>CEO Successor Development Plan</b>	Formulated polices and specific plans for the Nomination and Compensation Advisory Committee
<b>Group Company Management Supervision</b>	Continued to implement monitoring system revisions
<b>Providing Information Necessary for Strategy Deliberations</b>	Held meetings comprising mainly outside directors who were provided with information on markets, industry trends, and other topics

### Training for Directors and Executive Officers

Directors and executive officers are provided with training and continuous opportunities to acquire the knowledge essential for executing their duties in order to properly fulfill their given roles.

#### Specific Examples of Training

Position	When appointed	After appointment
<b>Directors and Executive Officers</b>	<ul style="list-style-type: none"> <li>• Training on Dentsu Group Inc. management, business and financial strategies, related important matters and laws</li> <li>• Discussion related to identifying and formulating solutions to Dentsu Group issues</li> </ul>	<ul style="list-style-type: none"> <li>• Regular study seminars as opportunities to acquire the latest information regarding best practices and megatrend-related issues</li> </ul>
<b>Outside Directors</b>	<ul style="list-style-type: none"> <li>• Explanation of Dentsu Group Inc. business, organizational structure, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular provision of information related to business issues, etc.</li> </ul>

### Internal Control System

The Dentsu Group Internal Control System encourages compliance among directors, executive officers, and employees, while at the same time supporting continuous corporate development as Dentsu meets its social responsibilities. The Dentsu Group Code of Conduct\* is positioned as a shared behavioral code to ensure that directors, executive officers, and employees of Dentsu and its subsidiaries carry out their duties in compliance with the law, regulations, and the Company's Articles of Incorporation. The code also ensures that business is conducted appropriately, while the Internal Control and Compliance Committee works to maintain and improve internal controls. In accordance with Internal Control and Risk Committee

policies, Dentsu Group Inc. and other Group companies formulate rules and develop manuals to inculcate a thorough awareness of proper business execution among all employees through training and other activities.

There are business-related check items for risk management and compliance, while a broad range of inspections are conducted. The items checked include the appropriateness of rules; whether business is conducted in accordance with the rules; and if reporting of, and responses to, problems are prompt, in order that issues might be identified and issues improved. We also establish internal control mechanisms at Group companies to maintain and enhance corporate value throughout the entire Dentsu Group.

\* Dentsu Group Code of Conduct <https://www.group.dentsu.com/en/about-us/governance/codeofconduct.html>



For details, please see the Corporate Governance Report on our website.

[https://www.group.dentsu.com/en/about-us/common/pdf/governance\\_202001\\_en.pdf](https://www.group.dentsu.com/en/about-us/common/pdf/governance_202001_en.pdf)

## Messages from Newly Appointed Directors



Izumi Okoshi

Director/Audit and Supervisory  
Committee Member

In January 2020, Dentsu Inc. transitioned to the pure holding company Dentsu Group Inc., which serves as a “Teaming Company” and the foundation on which resources and assets are managed, with a view to realizing business model innovation strategies at a global level to accelerate growth.

The Board of Directors and the Audit and Supervisory Committee aim to further improve corporate governance by establishing a system for auditing and supervising business execution by the Dentsu Group, Dentsu Japan Network, and Dentsu Aegis Network. In my position, I am expected to engage in audits and provide advice from a management perspective, based on my role in areas such as the devising of strategies for new businesses.

The worldwide spread of COVID-19 has caused those of us in management to face a crisis of which we have no prior experience. However, having the resilience to withstand all manner of challenges, we view this crisis as an opportunity for change and advancement. We intend to engage in bold, proactive management amid renewed demand for sustainable growth that benefits society.

In this increasingly uncertain environment, we will audit and supervise from multiple perspectives, including compliance, risk management, and capital soundness. This will allow us to ensure agile management and quick decision-making, based on our principles of corporate governance.



Nick Friday

Director

Having now been part of the Dentsu Group for seven years, it is a privilege to join the Group Board at a time of such rapid transformation for the industry and our company.

As the Group looks to further integrate its diverse capabilities, the breadth of my experience across the Group will provide a clear lens through which to contribute to the future direction of the Group. I have been CFO of the International business, Dentsu Aegis Network, for seven years and was CFO of Aegis Group plc for four years prior to the acquisition. I am currently a member of the Dentsu Group Executive Management Committee and CSR Committee, as well as a member of the Executive Committee, M&A Committee and a number of other management forums at Dentsu Aegis Network.

I am passionate about creating an organization that allows our people to thrive and deliver the highest quality services and solutions to our clients. Driving ever closer alignment between the Japan and International businesses, through the concept of one dentsu, will bring long-term, sustainable success over time, centered around both our clients and our people. I have a clear understanding of the importance of delivering value for all of our stakeholders, including our shareholders. I look forward to serving the Group and those shareholders going forward.

# Initiatives Aimed at Enhancing Board of Director Transparency

As of March 27, 2020

## Director Appointment and Dismissal

When nominating directors who are not members of the Audit and Supervisory Committee, the representative directors—the individual in a Japanese company who has the company seal and represents it in transactions—will submit the proposed names and, to ensure transparency, explain to the independent outside director members of the Audit and Supervisory Committee the reasons for having selected the nominees, and their suitability.

Directors shall be nominated by the Board of Directors, which will take into consideration the opinions of the outside directors. When nominating directors who are members of the Audit and Supervisory Committee, the representative directors will submit a list of proposed names and, after they have been approved by the Audit and Supervisory Committee, the Board of Directors shall decide on the new board members.

## Corporate Officer Compensation System

The Dentsu Group Inc. determines the appropriate compensation for Directors as well as Audit and Supervisory Committee members based on corporate value, scale, and compensation levels, referencing compensation market survey data from external specialized institutions.

The Company introduced a new policy stipulating a performance-based stock compensation plan as a medium-to long-term bonus that was approved at the 170th Ordinary General Meeting of Shareholders, held in March 2019.

The plan clarifies the relationship between compensation

for Audit and Supervisory Committee members and Directors on one hand, and the Group's performance and corporate value on the other.

The plan is designed to promote shared interests with stakeholders, while raising awareness among Audit and Supervisory Committee members and Directors. The latter Company members contribute to the sustainable growth, and enhance the medium- to long-term corporate value, of the Group.

### Corporate Officer Compensation Items Applicable by Director Position

Director type	Base salary	Annual bonus	Medium- to long-term bonus
Internal directors who are not Audit and Supervisory Committee members*	✓	✓	✓
Outside directors who are not Audit and Supervisory Committee members	✓	×	×
Internal directors who are Audit and Supervisory Committee members	✓	×	×
Outside directors who are Audit and Supervisory Committee members	✓	×	×

\* Indicates members who concurrently serve as executive officers.

### Compensation Ratios

(1) If performance indicators meet standard values:



(2) If performance indicators are below the lower limit:



(3) If performance indicators are above the upper limit:



Note: In principle, non-Japanese director compensation is remitted by overseas subsidiaries, and thus is not applicable to the above.

## Cross-shareholding Ownership Policy

With regard to Dentsu Group cross-shareholdings, the basic policy is to sell or otherwise decrease holdings of shares determined to be of minor significance from the perspectives of whether dividends and other related profits are in excess of the target cost of capital for the acquisition price, as well as whether holding the shares contributes to maintaining or strengthening transactional relationships or promoting joint business ventures with the companies in

which the Dentsu Group is invested.

In line with this basic policy, every year the Board of Directors examines the individual company shares of all cross-shareholdings held by the Group from a medium- to long-term perspective, carefully examining the objective, economic rationale, and other factors to verify the appropriateness of said shareholdings.



For details, please see the Corporate Governance Report on our website.

[https://www.group.dentsu.com/en/about-us/common/pdf/governance\\_202001\\_en.pdf](https://www.group.dentsu.com/en/about-us/common/pdf/governance_202001_en.pdf)

## Messages from Outside Directors



**Etsuko Katsu**

Independent Outside Director/  
Audit and Supervisory  
Committee Member

On January 1, 2020, Dentsu Inc. adopted a pure holding company structure and became Dentsu Group Inc. We have welcomed two new International members to the Board of Directors, increasing our diversity.

The creation of a Group governance system and the realization of effective governance are seen as among the most important issues facing the Dentsu Group, which now has 66,000 employees in 145 countries and regions around the world.

Viewing itself as a “Teaming Company,” Dentsu Group Inc. aims to maximize and optimize Group company business and financial synergies, while contributing to the resolution of global issues by collaborating with a variety of stakeholders.

To maximize Group corporate value, achieve sustainable growth, and optimize the allocation of an abundant array of diverse internal resources, outside directors must strengthen their independent monitoring of business execution. As an Audit and Supervisory Committee member, and leveraging my knowledge of finance, the global economy, and management at companies and universities, I will collaborate and cooperate with the Company’s Internal Audit Office and its auditors, in an effort to enhance the value creation process.

Even given that the post COVID-19 world is seeing significant changes, I have high expectations that the Dentsu Group will continue to drive global value creation.



**Simon Laffin**

Independent Outside Director/  
Audit and Supervisory  
Committee Member

I am delighted to have joined the Dentsu Group Board, which has become more diverse, with three non-Japanese members. This is very important as the Group grows its international operations, which make up 60% of Group revenue. Although many issues are the same throughout the Group, there are significant differences in how markets and businesses work in different continents and countries. This means that a diverse board is better able to guide a business as globally spread as Dentsu Group.

The role of the Audit and Supervisory Committee (ASC) is crucial in our corporate governance. It reviews financial reporting, control and risk management. This is an area in which I have had relevant experience with many companies. I am a qualified accountant, have served as a CFO in a FTSE-100 company, chaired several UK-listed and private companies, and chaired the audit committee for a number of public companies. The ASC of course has wider responsibilities than a Western-style audit committee, in auditing the performance of the duties of the representative and other executive directors. We need to ensure that the board promotes the company’s sustainable growth and improves corporate value, profitability, and cash efficiency with appropriate risk-taking. I can assure shareholders that the ASC is very active in fulfilling this role!

Dentsu Group is in very interesting, and at times challenging, markets across the world. We face many different and changing challenges, not least in the current year of the COVID-19 pandemic. It is the role of the Board to keep up to date with these challenges and to enhance the Group as markets change. Dentsu Group continues to develop its corporate governance to respond to these challenges. I look forward to contributing fully to the board in fulfilling its duties.



## Compliance and Internal Control Promotion

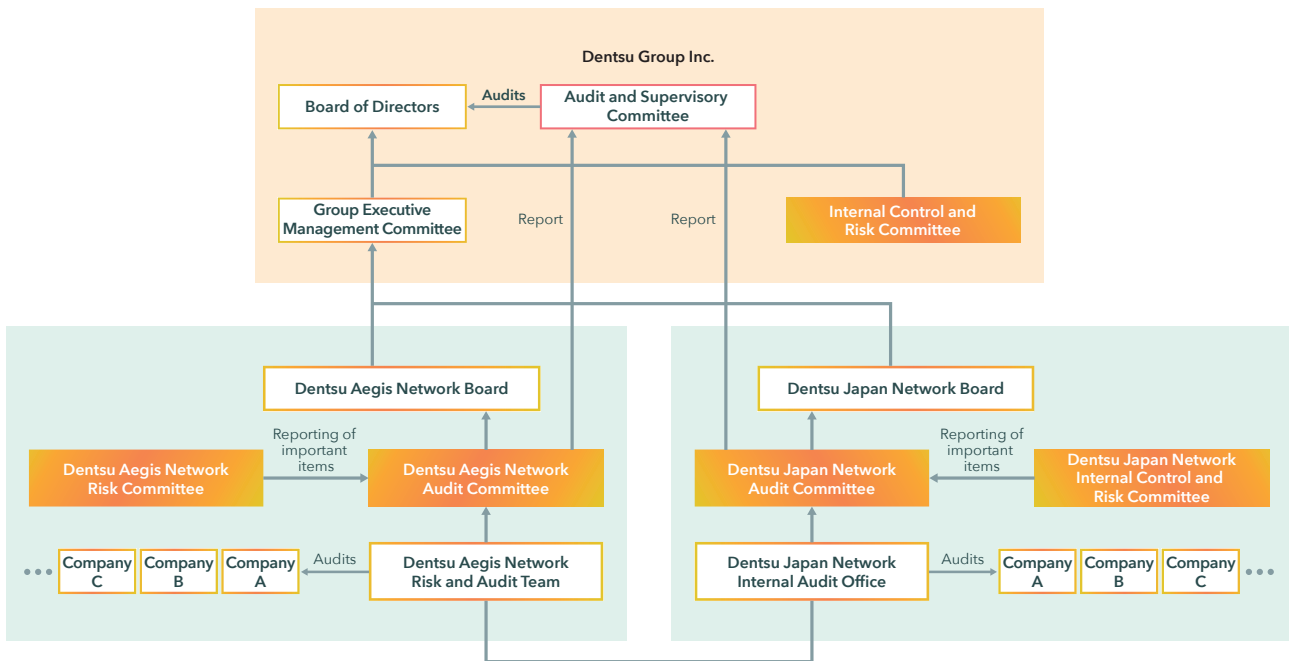
### Compliance Promotion System

Dentsu formulated the Dentsu Group Code of Conduct, according to which directors and executive officers who discover violations of prevailing laws or who encounter other serious compliance-related issues are required to report their findings immediately to the Executive Committee, Internal Control and Risk Committee, as well as the Audit and Supervisory Committee. To maintain and improve the level of employee compliance and ensure employee awareness of compliance-related issues, rules and manuals are developed and training programs conducted.

### Establishment of Compliance Line

In addition, Dentsu Japan Network (DJN) set up a Compliance Line for the reporting of internal violations in the public interest, and an external contact point handled by an outside law office was established to ensure that those seeking consultation or reporting violations are in no way penalized. Moreover, the booklet *Compliance Digest* was distributed to all DJN companies and training was conducted to promote an understanding of compliance.

### Internal Control Promotion Structure



Note: Gray lines and arrows indicate reporting lines for Audit and Supervisory Committee members.

### Establishment of Speak Up!

Dentsu Aegis Network (DAN) established an internal reporting program, called Speak Up!, for reporting any incident of concern or that raises suspicions of wrongdoing in the workplace. Employees can make a report to line managers, HR staff or senior managers, or they can follow internal grievance procedures. Appropriate legal and/or disciplinary action will be taken against perpetrators of fraud and other wrongdoing.

DAN also employs Safecall Limited, an independent specialist that employees can contact anonymously on the phone, by email, and through a website, 24 hours a day, 365 days a year, and in a number of languages.

#### Incident of concern or suspicion of wrongdoing within the workplace

- Bullying or harassment
- Theft or fraud
- Bribery and corruption
- Information security breaches (e.g., loss or theft of personal/ sensitive data)
- Abuse or inflation of expenses
- Non-compliance with contractual obligations
- Accounting and tax malpractice

### Corruption Prevention Response

The Dentsu Group instituted anti-corruption policies to ensure that we conduct business in an honest, fair, and transparent manner. In compliance with bribery regulations in the countries and communities around the world where we do business, Dentsu Group is proscribed from involvement in corrupt acts designed to enable the Company to obtain unfair profits.

In order to meet our social responsibilities and conduct sound business activities, we shall strive always to cultivate compliance awareness through in-house training.

### Bid to End Bribery by Group Companies Abroad

DAN provides compliance training on the intranet for Group companies outside of Japan, the participation rate of which is 90% and more. As a follow-up, each company also holds its own training sessions and strives to raise employee awareness regarding bribery.

### Rejection of Antisocial Forces

The Company and all Group enterprises set up a Basic Policy on the Rejection of Organized Crime Groups and Other Antisocial Forces, thereby articulating their determination to take a firm stand against antisocial forces, as groups and individuals seeking economic profit through violence are known in Japan. Business partners have been asked to take the same action.



For details regarding this policy, please refer to:

<https://www.dentsu.co.jp/en/csr/compliance/compliance.html>

### Tax Behavior Principle

The Dentsu Group formulated its Tax Mission Statement and Tax Strategy to maintain consistency with Dentsu Group business strategies and activities, corporate values and social responsibilities, as well as to maintain and improve Group value by taking appropriate tax positions and paying taxes as appropriate.



For details regarding tax behavior principles, please refer to:

<https://www.dentsu.co.jp/en/csr/compliance/respectforlaws.html>

## Consolidated Financial Data

	2014* <sup>1</sup>	2015* <sup>1</sup>	2016	2017	2018	(Millions of Yen) 2019
<b>Profit and loss statement</b>						
Turnover	4,642,901	4,990,854	4,924,933	5,187,300	5,357,278	5,146,802
Revenue	725,886	818,566	838,359	928,841	1,018,512	1,047,881
Revenue less cost of sales	676,882	761,996	789,043	877,622	932,680	939,385
Operating profit (loss)	137,558	128,212	137,681	137,392	111,638	(3,358)
Profit (loss) before tax	139,004	126,739	132,918	149,662	148,751	(42,769)
Profit (loss) for the year attributable to owners of the parent	81,409	83,090	83,501	105,478	90,316	(80,893)
EBITDA	178,883	175,454	184,064	194,073	171,406	160,280
Underlying operating profit* <sup>2</sup>	133,402	160,438	166,565	163,946	153,229	140,751
Underlying net profit* <sup>3</sup>	89,179	113,388	112,972	107,874	97,419	76,120
<b>Balance sheet</b>						
Total assets	–	3,066,075	3,155,230	3,562,857	3,638,488	3,795,729
Total equity attributable to owners of the parent	–	1,068,216	932,742	1,093,211	1,047,619	974,977
<b>Cash flow</b>						
Net cash flow from operating activities	–	–	143,585	141,557	133,049	79,957
Net cash flow from investing activities	–	–	(156,161)	(85,531)	(61,382)	(76,051)
Net cash flow from financing activities	–	–	2,539	1,226	57,522	(7,803)
Cash and cash equivalents at end of period	–	–	242,410	305,760	416,668	414,055
Number of employees	–	47,324	55,843	60,064	62,608	66,400
Number of consolidated subsidiaries	–	760	844	911	976	1,004

\*1 2014 and 2015 are reported on a pro forma basis.

\*2 Underlying operating profit: KPI to measure recurring business performance which is calculated as operating profit added with amortization of M&A related intangible assets, acquisition costs, share-based compensation expenses related to acquired companies and one-off items such as impairment loss and gain/loss on sales of non-current assets.

\*3 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.

Note: The Group has adopted IFRS 15 "Revenue from Contracts with Customers" from the fiscal year ended December 31, 2018, and IFRS 16 "Leases" from the fiscal year ended December 31, 2019.

The figures for prior years are not restated and based on the former standards.

(%)

	2014*1	2015*1	2016	2017	2018	2019
Organic growth rate*2	–	7.0	5.1	0.1	3.4	(1.0)
Japan	–	3.9	4.5	(0.3)	2.1	0.4
International	10.3	9.4	5.7	0.4	4.3	(1.9)
Operating margin*3	19.7	21.1	21.1	18.7	16.4	15.0
Japan	24.2	26.0	26.8	24.5	21.7	19.1
International	15.3	16.9	16.2	14.6	12.9	12.2
Return on equity*4 (ROE)	8.2	7.7	8.3	10.4	8.4	(8.0)
Underlying ROE*5	9.0	10.6	11.3	10.6	9.1	7.5
Return on assets (ROA)*6	–	–	4.3	4.5	4.1	(1.2)
Ratio of equity attributable to owners of the parent (Equity ratio)*7	–	34.8	29.6	30.7	28.8	25.7
Basic earnings per share (yen)	282.31	289.95	292.85	373.11	320.39	(287.92)
Basic underlying profit per share (yen)	309.26	395.67	396.20	381.58	345.59	270.94
Cash dividend per share (yen)	55	75	85	90	90	95
Dividend payout ratio*8	19.5	25.9	29.0	24.1	28.1	–
Underlying dividend payout ratio*9	17.8	19.0	21.5	23.6	26.0	35.1

\*1 2014 and 2015 are reported on a pro forma basis.

\*2 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.

\*3 Operating margin = Underlying operating profit ÷ Revenue less cost of sales x 100

\*4 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)

\*5 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)

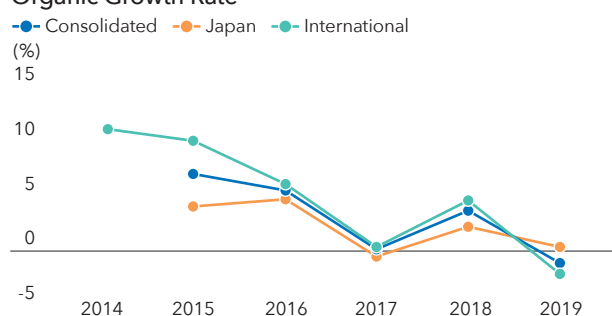
\*6 ROA (IFRS) = Profit before tax ÷ Average total assets based on total assets at the beginning and end of the fiscal year x 100

\*7 Ratio of equity attributable to owners of the parent = Equity attributable to owners of the parent ÷ Total assets

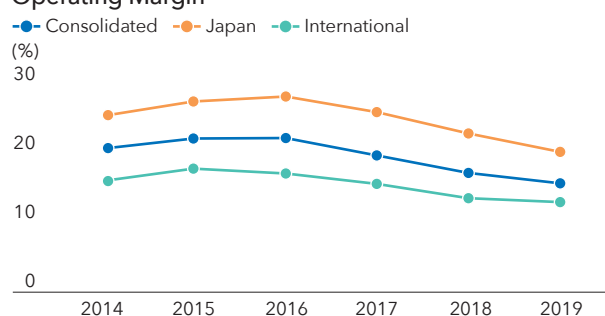
\*8 Dividend payout ratio = Cash dividend per share ÷ Basic earnings per share x 100

\*9 Underlying dividend payout ratio = Cash dividend per share ÷ Basic underlying profit per share x 100

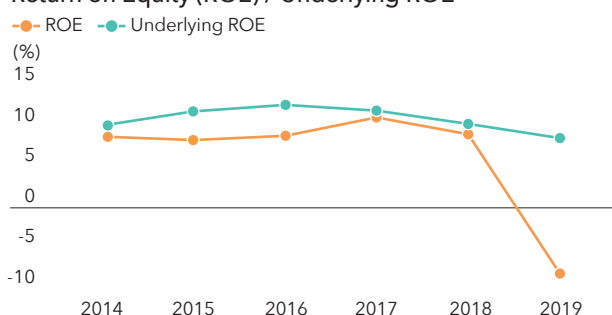
### Organic Growth Rate



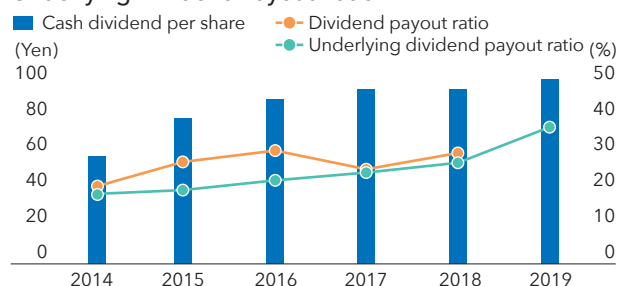
### Operating Margin



### Return on Equity (ROE) / Underlying ROE



### Cash Dividend per Share / Dividend Payout Ratio / Underlying Dividend Payout Ratio



## Consolidated Data

### Governance Data

	2015	2016	2017	2018	2019	As of March 2020
Directors	9	12	12	12	12	12
Outside directors (independent outside directors)	3(3)	3(3)	4(4)	4(4)	4(4)	5(4)
Ratio of independent outside directors (%)	33.3	25.0	33.3	33.3	33.3	33.3
Female directors	1	1	2	2	2	2
Ratio of female directors (%)	11.1	8.3	16.7	16.7	16.7	16.7
Board of Director meeting attendance rate (%)	91.9	95.4	96.9	98.0	96.9	*
Attendance rate of independent outside directors at Board of Director meetings (%)	83.3	96.1	96.3	98.5	93.8	*

\* Not calculated as 2020 is in progress.

### Social Data

#### Number of Employees (Each year-end)

	December 2015	December 2016	December 2017	December 2018	December 2019
Consolidated employees	47,324	55,843	60,064	62,608	66,400

#### Employees and Managers\*

As of December 2019

	Grand total	Male	Female	Female Component
Employees	66,400	34,460	31,940	48.1%
Dentsu Inc.	7,071	4,765	2,306	32.6%
Dentsu Japan Network except for Dentsu Inc.	12,771	8,248	4,523	35.4%
Dentsu Aegis Network	46,558	21,447	25,111	53.9%
Managers	3,261	2,787	474	14.5%
Dentsu Inc.	805	744	61	7.6%
Dentsu Japan Network except for Dentsu Inc.	1,929	1,684	245	12.7%
Dentsu Aegis Network	527	359	168	31.9%

\* Calculated as Managers within Dentsu and domestic Group companies and Officer class within DAN.

#### Community Activities

	Consolidated	Dentsu Japan Network	Dentsu Aegis Network
Donations (Yen)	808,054,171	664,412,477	143,641,694
Participants in volunteer activities	14,941	513	14,428
Hours spent participating in volunteer activities	78,247	5,994	72,253



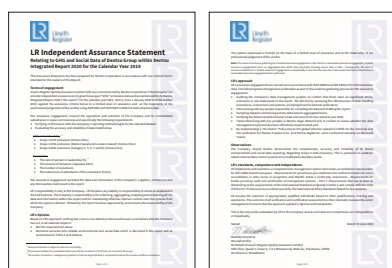
## Environmental Performance Data

	2017	2018	2019
CO <sub>2</sub> emissions (tons)	113,134	113,791	121,156
Dentsu Inc.	28,991	27,624	37,071
Dentsu Japan Network except for Dentsu Inc.	16,443	16,223	19,584
Dentsu Aegis Network	67,700	70,045	64,500
CO <sub>2</sub> emission intensity (tons per FTE)	2.11	1.88	1.89
Scope 1 (tons)	5,611	4,981	4,888
Dentsu Inc.	452	104	89
Dentsu Japan Network except for Dentsu Inc.	417	322	255
Dentsu Aegis Network	4,742	4,555	4,544
Scope 2 (market-based, tons)	48,573	39,130	29,074
Dentsu Inc.	20,287	18,868	16,821
Dentsu Japan Network except for Dentsu Inc.	8,258	7,645	7,381
Dentsu Aegis Network	20,028	12,617	4,873
Scope 3 (tons)	58,949	69,679	87,194
1. Purchased goods and services	2,396	2,087	1,481
5. Waste generated in operations	1,110	1,627	1,246
6. Business travel	52,603	62,253	79,417
7. Employee commuting	2,841	3,713	5,049
Amount of waste (kg)	6,665,499	7,884,635	6,456,545
Dentsu Inc.	2,884,696	2,196,440	1,751,954
Dentsu Japan Network except for Dentsu Inc.	1,444,553	1,550,789	1,494,591
Dentsu Aegis Network	2,336,250	4,137,406	3,210,000
Water consumption (m <sup>3</sup> )	458,786	806,030	776,321
Dentsu Inc.	133,048	125,331	128,459
Dentsu Japan Network except for Dentsu Inc.	143,299	148,063	187,349
Dentsu Aegis Network	182,439	532,636	460,513

### Scope and Method of Calculation

- Excluding some Dentsu Group companies
- Based on the calculation standards of WRI (World Resources Institute) GHG Protocol
- For CO<sub>2</sub> emissions, Categories 1, 5, 6, and 7 were calculated for Scope 3
- The volume of waste generated (in kg) is the sum of general waste and industrial waste (including waste oil, waste plastic)
- The volume of water resources used is the sum of municipal water and gray water at the Tokyo Head Office, and the municipal water used at the Kansai Branch Office and Chubu Branch Office
- For improved accuracy, the values of the previous fiscal years have been revised

### Third-Party Assurance



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

## Individual Data



### Employee-related Data

#### Number of Employees (Each year-end)

	December 2015	December 2016	December 2017	December 2018	December 2019
Dentsu Employees	7,261	6,799	6,927	6,921	7,071

#### New Graduates Hired

	April 2016	April 2017	April 2018	April 2019	April 2020
Total	144	145	145	141	123
Male	88	82	84	73	67
Female	56	63	61	68	56
Female Component (%)	38.9	43.4	42.0	48.2	45.5

#### Number of New Graduates and Mid-career Personnel Hired

	2015	2016	2017	2018	2019
Total	152	176	244	240	68
Male	108	115	158	158	50
Female	44	61	86	82	18
Female Component (%)	28.9	34.7	35.2	34.2	26.5

#### Employee Composition\*1

	As of December 2019			As of March 2020		
	Male	Female	Total	Male	Female	Total
Executive officers, others*2	45	4	49	30	2	32
Managers	1,587	166	1,753	1,608	168	1,776
Non-managers	2,391	1,079	3,470	2,292	1,049	3,341
Contract employees	313	368	681	310	376	686
Clerical staff	0	490	490	0	482	482
Partners / senior staff	174	44	218	170	43	213
Part-timers, others*3	51	34	85	51	35	86
Seconded from other entities	204	121	325	196	116	312
Total	4,765	2,306	7,071	4,657	2,271	6,928

\*1 Employees on temporary assignments are excluded.

\*2 Includes senior corporate advisors, special advisors, and executive officers (excluding Director and Corporate Auditor).

\*3 Indicates permanent part-timers, nonpermanent part-timers, and employees of overseas branches.

### Employee Engagement Survey

#### Survey of the Company and Work (%)

	January 2016	January 2017	January 2018	January 2019
Q. Have you gained experience and knowledge made possible only by working at Dentsu?	94.4	93.2	92.3	92.9
Q. Are you proud to work at Dentsu?	86.8	80.2	78.4	80.0
Q. Going forward, do you want to continue working at Dentsu?	75.6	73.5	72.1	72.6

### Health and Safety

#### Health Checkup Rate

	2015	2016	2017	2018	2019
Total	76.1	95.5	96.6	95.4	97.2

Note: Period of data collection: Nine months spanning April-December 2015

#### Average Age of Employees As of December 2019

Total	40.9
Male	42.8
Female	37.0

#### Average Number of Consecutive Years Served As of December 2019

Total	13.8
Male	16.1
Female	9.1

#### Number of Employees by Generation\* As of December 2019

Under 30 years of age	1,141
30-39 years of age	2,309
40-49 years of age	1,897
50-59 years of age	1,437
Over 60 years of age	287
Total	7,071

\* Includes employees on temporary assignment but does not include accepted temporary assignees.

## Work-Life Balance

### Average Number of Paid Vacation Days Taken

	2015	2016	2017	2018	2019
Total	8.4	11.2	12.8	13.2	12.6
Male	7.5	10.2	12.1	12.9	12.2
Female	10.6	13.9	14.5	14.0	13.4
Leave Taken (%)	42.0	56.0	64.0	66.0	62.8

Note: Period of data collection: Nine months spanning April-December 2015

### Employees Taking Childcare Leave, Reinstatement Ratio

	2015	2016	2017	2018	2019
Total	81	81	106	155	232
Male	15	31	47	102	164
Female	66	50	59	53	68
Reinstatement ratio (%)	100	100	100	100	100

### Total Hours Worked per Year (Per Non-manager Employees)\*<sup>1</sup>

	2015	2016	2017	2018	2019
Total	2,187	2,166	2,031* <sup>2</sup>	1,952	1,903

\*<sup>1</sup> Following the change in management of working hours, the number of actual working hours was revised in FY2017.

\*<sup>2</sup> Including management positions from FY2017.

## Leveraging Diverse Human Resources

### Employment Rate of People with Disabilities (%)\*

	June 2016	June 2017	June 2018	June 2019	June 2020
Total	2.04	2.07	2.14	2.35	2.38

\* As of June of each year, total of four companies under the special subsidiary system (Dentsu Group, Dentsu Solari, Dentsu, Dentsu Works), until 2019, three companies combined (Dentsu, Dentsu Solari, Dentsu Works)

### Number of Post-retirement Rehires

	2015	2016	2017	2018	2019
Total	53	46	51	58	67
Male	44	35	41	53	55
Female	9	11	10	5	12

## Compliance

### Compliance Line Reports (Cases)\*

	2015	2016	2017	2018	2019
Dentsu Total	15	7	9	24	17

\* Total from Dentsu and Group companies in Japan.

## Dentsu Aegis Network

### Average Age of Employees As of December 2019

Total	34.0
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### Average Number of Consecutive Years Served As of December 2019

Total	4.0
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### Employees by Age (%)\* As of December 2019

Under 30 years of age	35.8
30-39 years of age	38.2
40-49 years of age	16.7
50-59 years of age	5.9
Over 60 years of age	1.0

\* Excludes certain employees.

## Subsidiaries and Affiliates

As of December 31, 2019, the Dentsu Group includes 1,004 consolidated subsidiaries and 96 affiliated companies accounted for by the equity method.

### Consolidated Subsidiaries

**Dentsu East Japan Inc.**

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%  
Description of Business: Advertising in the Kanto and Tohoku regions as well as Shizuoka and Niigata prefectures

**Dentsu West Japan Inc.**

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%  
Description of Business: Advertising in the Chugoku region and Shikoku as well as Hyogo, Ishikawa, Fukui and Toyama prefectures

**Dentsu Kyushu Inc.**

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%  
Description of Business: Advertising in Kyushu

**Dentsu Hokkaido Inc.**

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%  
Description of Business: Advertising in Hokkaido

**Dentsu Meitetsu Communications Inc.\*1**

Geographic Area: Japan  
Equity Held by Dentsu: 50.0%  
Description of Business: Total advertising services, specializing in promotion and out-of-home media

**The Goal Inc.**

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%  
Description of Business: Fashion and accessories industry advertising

**Dentsu Ad-Gear Inc.**

Geographic Area: Japan  
Equity Held by Dentsu: 66.7%  
Description of Business: Advertising company specializing in out-of-home media and store promotions

**Dentsu Digital Inc.**

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%  
Description of business: Consulting, development and implementation, management and operation in all digital marketing domains

**Dentsu Live Inc.**

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%  
Description of Business: Planning and production of events, support of operations related to event spaces, etc.

**Dentsu Tec Inc.**

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%  
Description of Business: Planning and production for sales promotions, events, commercials, print, etc.

**Dentsu Direct Marketing Inc.**

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%  
Description of Business: Provision of solutions related to direct and digital marketing

**Carta Holdings, Inc.\*2**

Geographic Area: Japan  
Equity Held by Dentsu: 52.8%  
Description of Business: Group management strategy policy formulation and general corporate operations

**Information Services International-Dentsu, Ltd.\*2 \*3**

Geographic Area: Japan  
Equity Held by Dentsu: 61.8%  
Equity Held Indirectly: 0.0%  
Description of Business: Information systems building; software sales, and support for various business areas

**Dentsu Works Inc.**

Geographic Area: Japan  
Equity Held by Dentsu: 100.0%  
Description of Business: Environment-related consulting, building management, real estate services and business consulting services

**Dentsu Aegis Network Ltd.\*3**

Geographic Area: United Kingdom  
Equity Held by Dentsu: 100.0%  
Description of Business: Headquarters of the Dentsu Group's global business, which oversees operations outside of Japan

**Dentsu Aegis London Ltd.**

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

**Aegis International Ltd.\*3**

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

**Portman Square US Holdings Ltd.\*3**

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

**Aegis Group Participations Ltd.\*3**

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

**Aegis Toriton Ltd.**

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

**Aegis GPS Holdings Ltd.\*3**

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

**Aegis Finance Ltd.**

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

**DAN Regents Place Finance Limited\*3**

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

**Dentsu Aegis Network Central Europe Holding GmbH**

Geographic Area: Germany

Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

**Dentsu Aegis Network Central Europe GmbH**

Geographic Area: Germany  
Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

**Dentsu Aegis Network France SAS\*3**

Geographic Area: France  
Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

**Aegis International Holding Company BV\*3**

Geographic Area: Netherlands  
Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

**Dentsu McGarry Bowen, LLC\*3**

Geographic Area: USA  
Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

**360i LLC\*3**

Geographic Area: USA  
Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

**Dentsu Aegis Network US Holdings, Inc.\*3**

Geographic Area: USA  
Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

**Merkle Group Inc.**

Geographic Area: USA  
Equity Held by Dentsu: 74.6%  
Equity Held Indirectly: 74.6%

**Agenciadic - Midia Interativa S.A.\*3**

Geographic Area: Brazil  
Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

**Dentsu Aegis (Shanghai) Investment Co., Ltd.**

Geographic Area: China  
Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

**Beijing Dentsu Advertising Co., Ltd.**

Geographic Area: China  
Equity Held by Dentsu: 100.0%

**Aegis Media Asia Pacific Pte Ltd.\*3**

Geographic Area: Singapore  
Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

**Dentsu Aegis Network Australia Holdings Pty. Ltd.\*3**

Geographic Area: Australia  
Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

**Dentsu Aegis Network Australia Pty. Ltd.\*3**

Geographic Area: Australia  
Equity Held by Dentsu: 100.0%  
Equity Held Indirectly: 100.0%

\_\_\_\_\_ and 967 other companies

\*1 Although Dentsu's ownership is 50% or less, the company is considered a subsidiary because Dentsu exerts effective control.

\*2 Company that submits an annual securities report

\*3 Specified subsidiary

## Affiliated Companies Accounted for by the Equity Method

### Video Research Ltd.

Geographic Area: Japan  
Equity Held by Dentsu: 34.2%  
Description of Business: TV audience rating surveys, radio audience rating surveys, and other research

### D2C Inc.

Geographic Area: Japan  
Equity Held by Dentsu: 46.0%  
Description of Business: Specializes in digital advertising and marketing for NTT Docomo and other advertising products

### Septeni Holdings Co., Ltd.\*

Geographic Area: Japan  
Equity Held by Dentsu: 21.0%  
Description of Business: Integrated Group company management through shareholdings and other means

\_\_\_\_\_ and 93 additional companies

\* Company that submits an annual securities report

## Information for Shareholders (As of December 31, 2019)

Dentsu Group Inc.  
(Launched on January 1, 2020)

### Corporate Headquarters

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

### Contact Info

#### Investor Relations Department,

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

### Stock Exchange Listing

Tokyo Stock Exchange, First Section  
Securities code: 4324

### Capital

74,609.81 million yen

### Total Number of Shares Issued

288,410,000

### General Meeting of Shareholders

The Ordinary General Meeting of Shareholders is held in Tokyo in March each year.

### Transfer Agent

The Mitsubishi UFJ Trust and Banking Corporation  
4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo  
100-8212, Japan

### Internet Address

<https://www.group.dentsu.com/en/>

## Share Information (As of December 31, 2019)

### Breakdown of Shareholders by Type

	Number of Shareholders	Number of Shares Held	Percentage of Total Number of Shares Issued
Japanese financial institutions	87	92,127,100	31.94
Japanese securities firms	46	9,628,864	3.34
Other Japanese corporations	623	76,661,473	26.58
Japanese individuals and others (Including treasury stock)	39,437	52,330,525	18.14
Foreign institutions and individuals	637	57,662,038	19.99
<b>Total</b>	<b>40,830</b>	<b>288,410,000</b>	<b>100.00</b>

### Major Shareholders (Top 10)

Major Shareholders	Number of Shares Held	Percentage of Total Number of Shares Issued
The Master Trust Bank of Japan, Ltd. (Trust accounts)	35,565,100	12.84
Kyodo News	18,988,800	6.86
Japan Trustee Services Bank, Ltd. (Trust accounts)	16,280,700	5.88
Jiji Press, Ltd.	16,178,680	5.84
Japan Trustee Services Bank, Ltd. (Trust account 9)	8,907,000	3.22
Group Employees' Stockholding Association	6,047,569	2.18
Yoshida Hideo Memorial Foundation	4,984,808	1.80
Recruit Holdings Co., Ltd.	4,929,900	1.78
Northern Trust Co. (AVFC) Sub A/C American Clients	4,408,818	1.59
TBS Television	4,000,000	1.44

#### Notes:

- The number of shares held by each trust bank includes shares related to trust services.
- The Company holds 11,522,056 treasury shares but is excluded from the major shareholders listed above.
- The Percentage of Total Shares Issued is calculated excluding treasury shares.



