

dentsu group

Dentsu Group

Integrated Report

2021

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Editorial policy

Editorial policy

The “*Dentsu Group Integrated Report 2021*” outlines the business results and transformation initiatives of Dentsu Group, led by Dentsu Group Inc. which commenced operations as a holding company in January 2020. This report introduces strategies and initiatives centered on the “Medium-term Management Plan: Sustainable Growth through Transformation” announced in February 2021. In addition, the report conveys the Group’s unified management structure under the new vision and values “OUR NORTHSTAR,” and describes the Group’s efforts to enhance sustainability.

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

Period covered by the report

Centered on activities during FY2020 (January 1, 2020 through December 31, 2020), but also refers to preceding and more recent activities.

Organizations covered

Dentsu Group Inc. and Dentsu Group companies

Publication date

July 2021

(Next edition scheduled for publication in August 2022)

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Website introduction



Dentsu Group corporate website

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

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



Dentsu Group IR website

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

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



Dentsu Group Integrated Report 2021 HTML version

<https://www.group.dentsu.com/en/sustainability/reports/2021/>

The HTML version enables readers to browse the integrated report 2021 based on keyword searches.

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

Dentsu Group at a glance

Our purpose → p. 08

The Dentsu Group exists to realize a better society by contributing to the growth of our clients, partners, people, and all consumers

Integrated Growth Solutions → p. 20

Integrating our diverse capabilities across the Group. Delivering top line growth for our clients, beyond marketing

FY2020 Highlights → p. 61

Turnover	Revenue less cost of sales
4.5 trillion yen	835.0 billion yen
Underlying Operating Profit	Underlying ROE
123.9 billion yen	8.1%

Markets → p. 11

Founded in Japan, now operating globally **145** countries and regions

Fast-Growth Areas → p. 20

We are well positioned in the fast-growth areas of the market

Group consolidated revenue (LCoS) generated from digital domain **54%**

Group consolidated revenue (LCoS) generated from Customer Transformation & Technology **28%**

Dentsu Group occupies a unique market position

- | | |
|--------------------------------------|--------------------------------|
| • Transformation and Growth Strategy | • Marketing Technology |
| • Systems Integration | • Creative |
| • CXM (Data and Analytics) | • Media Activation |
| | • Content and Sports Marketing |

People → p. 23

Total Group employees **Over 64,000** talents

Sustainability

dentsu Sustainable Business Solutions → p. 24

Establishment of Sustainable Business Board → p. 37



Medium-term Management Plan → p. 19

Transformation & Growth

- Organic growth Target from 2021:2024 **CAGR 3-4%**
- Ratio of Group revenues generated by Customer Transformation and Technology over time to reach **50%**

Operations & Margin

- Progressive year-on-year improvement in underlying operating margin

The Group target by 2024	DJN by 2022	DI by 2022
17%+	20%	15%

Capital Allocation & Shareholder Returns

- Medium-term Net Debt / EBITDA average (non IFRS 16 basis) **1.5x**
- Progressive dividend policy, payout ratio of underlying basic EPS to reach **35%**

Social Impact & ESG

- Absolute reduction in CO₂ by 2030 **46%**
 - Renewable energy use by 2030 **100%***
 - Improvement in employee engagement score
 - Diverse & inclusive workforce
- * In markets where available

OUR NORTHSTAR

This is a place where people come together without barriers, where trust and respect reign, a place where teams form effortlessly around the needs of each new task.

This is where hearts and minds are open, where diversity is the greatest resource and innovation can come from anyone, anywhere.

This is where data, technology and creativity meet in endless possibilities—and those powers are used for the good of everyone.

This is where change is embraced as the life force of business, helping it adapt and thrive, even in the most challenging times.

Here you'll find the optimists, the entrepreneurs, the first movers—all our many people welcoming the world as one.

This is dentsu.

an invitation to the never before.

dentsu



WHY:

For lasting good

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

We reach for the never before because we prize the enduring over the short term. For us, thinking beyond the here and now is how we become trusted partners, not just to our clients, but to each other and the world around us too. We see one ecosystem of company, clients and society, living and growing together. As leaders in data, technology and creativity, we can do work that's woven into the lives of millions. We have the opportunity, the privilege and the responsibility to use our powers for the lasting good of everyone.

WHAT:

The power of the never before

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

In challenging times, we invite clients to embrace the necessity of change and find radical new ways to win, keep and grow their best customers. Data-driven, ideas-led and technology-empowered, dentsu is uniquely equipped to help businesses leap from what's now to what's next. This is a company of entrepreneurs, optimists and doers. We have the vision, the daring and the practical intelligence to unlock new possibilities for growth when others are fearful of decline.

HOW:

Open teaming

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

To be first movers in an ever-transforming world, our hearts, minds and doors must be wide open—to the power of diversity, to ideas from anyone, anywhere. And by creating the Teaming Platform, we've made openness the organizing principle of our company. Open teaming means erasing borders, bringing down administrative barriers and reaching out beyond dentsu to connect with other bright-minded organizations. Open teaming is talent perfectly shaped around the opportunities we see for our clients and partners.



BENEFITS:

TO OUR CLIENTS

Never-before possibilities

In challenging times, we can say, 'come stand with us'—versus fear, versus sameness, versus worn-out business models. We bring together business acumen, human insights, ideas and technology like no other company can. Let's be collaborative entrepreneurs. Let's work together to transform your brand and the way customers experience it. Let's use the power of change to unlock the new possibilities and build the sustainable growth you need.

TO OUR PEOPLE

Never-before opportunities

Bringing all kinds of different people together to lead clients to unexplored territory is the adventure to which all dentsu is invited. Everyone is welcome to take on new challenges and become part of teams that have no borders or barriers. Anyone can show leadership. Anyone can help. Anyone can influence the outcome.

TO OUR PARTNERS

Never-before connectedness

We know beyond our company there are endless possibilities waiting for a spark of connection. If it can help us get to the never before, we will reach out to any bright-minded organization or individual, anywhere in the world. We will create new value and new businesses with the unstoppable power of diversity.

TO SOCIETY

Never-before commitment

We're not just here for our clients, we're here to ignite meaningful experiences for people across the world. We have a deep understanding of human nature and our own place in a constantly evolving society. As we bring growth to businesses and brands, we will do so in ways that are closer to the needs of society and add value to life as we go.

1 WE DREAM LOUD

夢は大きい方がいい。
その大きさが人を集める。

2 WE INSPIRE CHANGE

変わり続けるからうまくいく。
変わり続けるから最先端。

3 WE TEAM WITHOUT LIMITS

会議で反対されたら感謝する。それは、自分では
思いつかなかった視点。チームで仕事をする意義。

4 WE ALL LEAD

リーダーという職階はない。アイデアを出した人が、
やり遂げた人が、リーダーと呼ばれる。

THE 8 WAYS TO THE NEVER BEFORE

5 WE MAKE IT REAL

企画書やプレゼンはただのプロセス。
実施して成果を上げるのが私たち。

6 WE CLIMB HIGH

残念なことに、
困難は私たちを成長させる。

7 WE CHOOSE EXCITEMENT

迷ったら、面白い方へ。
迷ってなくても、その方がいい。

8 WE ARE A FORCE FOR GOOD

世の中の幸福。
それは、クライアント以上の、私たちのクライアント。

Management messages

- ◇ CEO message p. 08
Toshihiro Yamamoto
Representative Director, President & CEO
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Arinobu Soga
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Representative Director and Executive Vice President

CEO message



The Dentsu Group exists to realize a better society by contributing to the growth of our clients, partners, people, and all consumers.

Toshihiro Yamamoto

Representative Director
President & CEO

Clarifying our value through the crisis of COVID-19

2020 was a challenging year for society, for our clients, our business and of course, our people.

Throughout this year, our people across the organization have shown themselves to be adaptable, demonstrating dedication and resilience. I want to express my thanks for their commitment to our business during a time of tremendous change.

The defining feature of the year was of course the impact of COVID-19. Our primary concern throughout the COVID-19 crisis has been the health, safety and well-being of our people, as well as that of our clients, their customers, and our communities.

Firstly, our people—the engine of our business. I would like to highlight a website. “Women From Home” created by Merlee Jayme, Chief Creative Officer, dentsu APAC. The website shares practical ideas to support our people and their families during the pandemic implemented in our APAC region. (<https://www.dentsuwomenapac.com/>)

The physical and mental health of our people was a top priority across the Group with many initiatives implemented at a market level to support them. Across the Dentsu Group, remote working quickly became common place across the organization to protect the safety and wellbeing of our people and their families. The working life of our people was disrupted, but the business reacted at speed. Our teams strengthened their connections through our collaborative work platforms and ensuring our leaders were visible was

CEO message

more critical than ever. Our new business teams quickly adapted to hosting, and winning, pitches virtually. This was possible through the investment in the operating infrastructure that we have been promoting throughout the Group over the past two years.

Secondly, supporting our clients. By utilizing our research, analysis, and forecasting capabilities, we provided our clients with consumer insights to help them shape their response to the rapidly changing environment we all experienced.

Finally, our communities. We have worked with our clients to plan and implement a variety of solutions that contribute to local communities under the impact of COVID-19. In China, we worked with a pharmacy client to provide free, online medical consultation services during the crisis. Together with another client, we worked to deliver free meals to hospital workers in a highly impacted Asian market.

With this backdrop, there is also an opportunity for us at Dentsu to clarify our meaning, value and purpose in society.

“The Dentsu Group exists to realize a better society by contributing to the growth of our clients, partners, people, and all consumers.”

We believe that fulfilling this mission will sustainably enhance the value we deliver to all our stakeholders including our shareholders.

Review of 2020

As a result of the unprecedented impact of COVID-19 on our industry, the Dentsu Group posted gross profit of 835.0 billion yen (down 9.8% year-on-year,

constant-currency basis) and adjusted operating profit of 123.9 billion yen (down 10.6% year-on-year, constant-currency basis). As a result of swift cost action across the entire Group we were able to deliver an operating margin of 14.8% (down 0.2% year-on-year) as a result of thorough cost control in Japan and abroad. I would like to pay tribute once again to the efforts and ingenuity of our employees, both in Japan and abroad.

The Group recorded a statutory operating loss of 140.6 billion yen and a net loss of 159.5 billion yen (attributable to owners of the parent). As president and CEO of the Group, I recognize my responsibility for these results.

2020 brought much success, both with new client wins and industry recognition. We are honored to be granted the responsibilities of new media accounts such as Kraft Heinz globally excluding the US, McDonald's and Nestlé in China, and Galderma globally, while deepening our relationships with existing clients such as Generali and Heineken.

Responding to the emerging client needs for brand experience consultancies, our CXM and creative lines of business have won many accounts. And I'm proud to announce we have significantly expanded our relationship with American Express, without a formal review through dentsu mcgarrybowen.

In Japan, we announced a joint venture with Toyota, elevating our existing partnership to deliver true digital transformation beyond marketing. The project has started well with the aim of enhancing marketing and data management throughout the

supply chain of Toyota.

The longstanding, trusted partnerships we are developing with our clients demonstrates success as we integrate talent, process, and technology.

These wins stand as a testament to our strategy of leveraging the deep expertise across our Group, with our proven ability to unite them into bespoke solutions for clients across our global network.

We have also been widely recognized by third parties, such as industry analysts.

Forrester placed one of our agencies, Merkle as a leader in the Customer Database and Engagement Agencies Wave and the Adobe Implementation Services Wave. Carat, our global media agency at Dentsu International, also received a placing in the leader category for global media agencies.

In terms of creativity and capability of delivering solutions to our clients, we celebrated Dentsu Inc.'s Yuya Furukawa receiving the President's Award at the D&AD Awards in September for his outstanding contribution to creativity. Dentsu Group was selected as one of the Most Effective Agency Holding Groups at the Effie, with dentsu mcgarrybowen and 360i selected as winning lead agencies.

Through our focus on sustainability, I am pleased to announce that Dentsu International achieved the ambitious goal it set itself in 2015 to procure 100% renewable electricity by the end of 2020. The international business has also committed to becoming a net zero emissions business by 2030. The commitment includes a new science-based target to reduce absolute carbon emissions by 46% and offset

CEO message

all unavoidable emissions through certified greenhouse gas removal projects. We also reconfirmed our listing in the FTSE4Good Index by meeting its ESG standard.

The Group also has announced that it is joining the Valuable 500, which was launched last year at the World Economic Forum's Annual Meeting in Davos, to commit to respecting employee diversity and developing solutions for people with disabilities.

Comprehensive Review and Medium-term Management Plan: “Sustainable Growth through Transformation”

In August 2020, our comprehensive review with four clear objectives was launched in advance of the Medium-term Management Plan.

1. Create a more simplified structure
2. Structurally and permanently lower operating expenses
3. Enhance the efficiency of our balance sheet
4. Maximize long-term shareholder value

We have taken swift action. Announcing a transformation to simplify the business with associated cost savings generating approximately 75 billion yen by 2022 across both Dentsu Japan Network and Dentsu International. Dentsu Japan Network is reorganizing the business into four domains and Dentsu International is integrating 160 agency brands to six. We launched a review of our balance sheet, challenging whether we are the natural owner of all non-trading assets. This review resulted in the sale of the majority of our

holdings in Recruit Holdings and the review continues with two property asset sales in Q1 2021. These actions enabled us to deliver against our fourth objective of improving shareholder value by announcing a 30 billion yen (maximum) buyback in February 2021.

Full details of our transformation and cost saving program are covered later in this report (see p. 12).

In February 2021 we announced the Medium-term Management Plan: “Sustainable Growth through Transformation.” We are executing the Accelerated Transformation Plan and driving Business Transformation to deliver growth and margin improvement from 2022.

Our strategy of Integrated Growth Solutions remains the center point of our vision. With Consumer Intelligence at the core of our capabilities and creativity as our innate competitiveness, we create integrated solutions across the total customer experience beyond marketing.

We are proud to serve 95 of the world's top 100 advertisers as our clients—demonstrating the strength of our offer—our opportunity lies with the ability to deepen those client relationships.

Today, the core competencies of our clients have transformed significantly over time. Consumers require companies to provide social value through their corporate behavior and their products. Consumers interest in corporate social roles and values has risen dramatically, and companies are under intense scrutiny on an unprecedented basis. Companies must ensure transparency and earn the trust and confidence of consumers and the public. The questions facing the

management of every company is how to integrate the creation of social value with the growth of the business.

We provide “dentsu Sustainable Business Solutions” based on our unique consumer intelligence utilizing data and technology, and it is another growth opportunity for the Dentsu Group.

It goes without saying that it is we ourselves who are under scrutiny for the social role and value of our companies. If we are to provide our customers with solutions to create social value, we must first take a hard look at our own actions, straighten up, and fulfill our responsibilities as a corporate citizen.

At the end of March, the Dentsu Group established the Sustainable Business Board, chaired by Wendy Clark, to oversee both the delivery of dentsu Sustainable Business Solutions, which focus on client sustainability, and our own sustainability from the same perspective.

In six months, we have made significant progress, but we recognize there is more to do. I look forward to updating you on our continued progress throughout 2021.

Holding company formation

2020 saw the formation of Dentsu Group Inc. as a holding company to support our two operating units.

To embrace this change we created a new Group vision “an invitation to the never before.” as our NORTHSTAR with eight values common to all of our people across the Group: “The 8 Ways.” The 8 Ways drive behavior and ambition in our people to deliver the best for our clients. Our clients will see one

CEO message

go-to-market offer: dentsu.

Through “one dentsu,” we are creating an environment in which the 64,000 people operating in more than 145 markets can form teams easily across geographical and organizational boundaries, bringing together unique talent and diverse perspectives that can spark innovation from anyone, anywhere. This radical collaboration empowers all individuals to create value and innovation, and gives us the ability to form diverse and new solutions around client needs and sets us apart from our competitors to give us a renewed source of differentiation.

The diversity of our people has never been more important and the creation of a workplace where each individual can thrive is central to the vision of one dentsu.

As part of this transformation, in September our international business rebranded to Dentsu International, symbolizing the unity between the Japan business and the international business strengthening the dentsu brand and uniting all employees. This allows us to leverage our global skills with clients able to access the best talent across the whole of Dentsu Group.

We saw further change at our international business in 2020 as well. Firstly, we welcomed Wendy Clark to the position of Global CEO of Dentsu International Limited and as an executive member of Dentsu Group Inc. in September. Wendy is a highly talented executive with experience from the client side coupled with a strong understanding of the complexities of running a global advertising business.

This is hugely complementary to our growth plans which focus on the delivery of Integrated Growth Solutions. Wendy has already made a positive impact with our people and our clients. I have strong belief she is the right individual to return the international business to growth. In March 2021 Wendy joined the board of Dentsu Group Inc. to strengthen the board, as well as enhance diversity, with greater international representation.

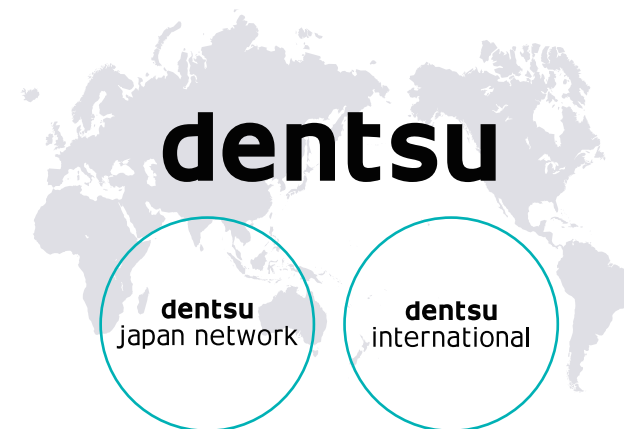
Secondly, in March 2020 we announced the accelerated buyout of the remaining Merkle shares. This delivered single-digit EPS accretion for Dentsu Group in 2020, in addition to ensuring key talent retention and allowing us to accelerate the final stage of the integration of Merkle. As I mentioned earlier, Merkle remains a key contributor to our ambition of reaching 50% revenues from Customer Transformation & Technology over time.

Looking ahead

In July 2021, we enter the 121st year from the founding of the Dentsu Group. The ancient Chinese calendar, which is still popular in Japan, is based on a cycle of 60 years. In other words, it is the start of the third cycle for the Dentsu Group from the July of this year.

In the next 60 years, we will contribute to the creation of a better society while challenging ourselves to change for the better.

We want to continue to be a company that contributes to the growth of our clients, our partners who live and work, so that we can create a better society.



The events of the past 12 months have demonstrated the importance of working together, collaborating, and collectively working towards a common goal. I would like to express my thanks to the 64,000 employees of the Dentsu Group around the world during this difficult time, and thank our clients, partners, and shareholders who support us. Thank you very much for your continued support.

CFO message

Sustainable growth through transformation



Arinobu Soga

Director and Executive Officer

FY2020 review

FY 2020 was a challenging year for society, our clients and our business. The restrictions imposed across the globe impacted spend on advertising and marketing as the COVID crisis caused a slowdown in global demand.

The impact of COVID-19 on our Group was felt from the first quarter of 2020 and continued throughout the year. The second quarter was the trough in our performance and although the Group delivered sequential quarterly improvement through the third and fourth quarters, the Dentsu Group reported organic revenue decline of -11.1% for FY2020.

Dentsu Japan Network reported -8.4% and Dentsu International reported -13.0% organic revenue decline.

In Japan, although client spend on advertising decreased with the pandemic, the digital solutions business maintained momentum throughout the year, supporting clients' ever-growing needs for digital transformation. This remains a significant opportunity for the Group as we enter FY2021. ISID and Dentsu Digital significantly contributed to the group revenue less cost of sales, both posting double-digit organic

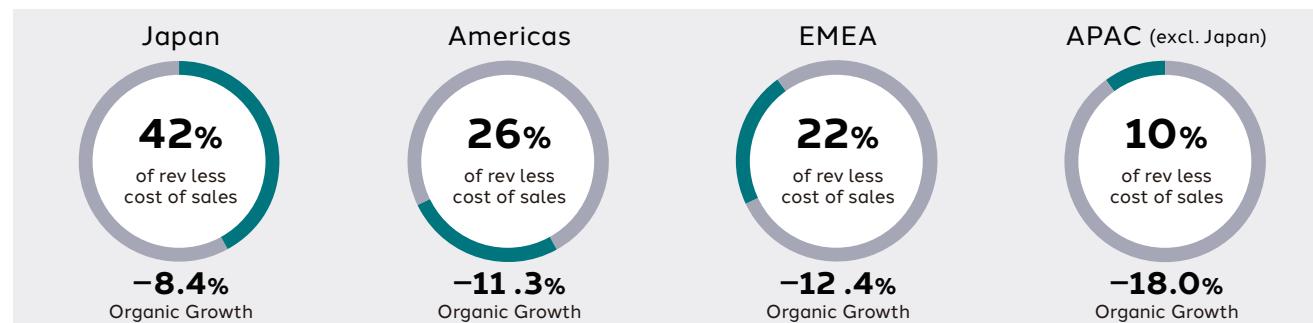
growth for the full year, giving confidence our solutions are well placed to meet clients' needs.

At Dentsu International, media spend remained low throughout the year and our creative service line suffered from a reduction in project-based work due to the impact of the pandemic. However, the CXM service line was much more resilient showing an organic revenue decline of -3.2%, while Merkle saw a decline of only -1%. The CXM business and Merkle in particular are well positioned to see an improvement in revenues in FY2021 as clients increasingly focus on first party data combined with robust ecommerce and D2C strategies. The performance media business also performed well in the final months of FY2020, with client spending focused on personalization and we expect that trend to continue into 2021.

Swift cost actions

In order to mitigate the impact of the expected revenue decline due to COVID-19, we reacted swiftly and took a number of cost actions in the first quarter of 2020. These actions included an immediate review of

FY2020 revenue ratio and organic growth by region



CFO message

contractor roles and arrangements, improvement of business efficiency, and containment of M&A-related expenses by pausing M&A activity.

Personnel cost management was implemented in Japan through more flexible work-time management, and measures at Dentsu International including reduced working hours in exchange for a temporary salary reduction. I would like to offer my personal thanks to all our people who showed such dedication and resilience during an enormously challenging year.

These actions ensured our FY2020 operating margin stabilized at 14.8% as cost savings mitigated the top-line decline. However, as we looked beyond 2020, we recognized the need to ensure these temporary cost savings could become more permanent in order to return the Group to growth and deliver margin improvement.

Comprehensive review

In August 2020, the Group announced a comprehensive review to accelerate the structural reform and business transformation required. Ultimately, the review addressed how to improve value for our shareholders, employees, and clients.

The review launched with four clear focused areas:

1. Create a more simplified structure
2. Structurally and permanently lower operating expenses
3. Enhance the efficiency of our balance sheet
4. Maximize long-term shareholder value

The Group took swift, decisive action, with a

1. Create a more simplified structure: benefiting both clients and internal operations

Dentsu Japan Network will simplify its structure into four business lines: Advertising transformation, Business transformation, Customer experience transformation, and Digital transformation. This new structure will streamline operations, drive revenue synergies as well as create efficiency among corporate functions.

Dentsu International announced the decision to rationalize the number of brands from 160 to six global leadership brands. This will create a simplified, integrated and more efficient organization that is easier for our clients to navigate, reducing duplication and complexity across the business.

2. Structurally and permanently lower operating expenses: 75.0 billion yen saving from 2022

The structural reform announced at Dentsu Japan Network will generate 21 billion yen of cost reductions by 2022 through reviewing the human resource strategy and the reduction of real estate costs.

The transformation at Dentsu International announced on December 7, 2020, will deliver more than 54.7 billion yen of permanent cost reductions from personnel and other sources on an annual basis from the end of FY2021.

These cost reduction programs give us a strong line of sight on margin improvement the Group will deliver in the coming years. The Group remains committed to delivering an operating margin of 20% by 2022 for Dentsu Japan Network and 15% for Dentsu International—aiming to reach 17% at the Group level by 2024.

3. Enhance the efficiency of our balance sheet

On November 30, Dentsu Group announced the decision to divest the majority of its stake in Recruit Holdings, in line with our policy to reduce security assets. In Q4 FY2020, we sold 50 million shares of Recruit Holdings and continue to review our strategic shareholdings.

The review of non-trading assets to enhance shareholder value continues. In March 2021 we announced the sale of two smaller property assets in Japan and we have confirmed the review of the sale of the headquarters building in Shiodome, Tokyo.

4. Maximize long-term shareholder value

A buyback of 30 billion yen (maximum) was announced with our FY2020 results in February 2021 as we look to improve long-term shareholder value. We will continue to consider further shareholder returns following the sale of any additional exceptional assets.

CFO message

number of initiatives announced at the FY2020 results. In the six months after the announcement of the comprehensive review, the Group has made significant progress but there is much more to do. We look forward to updating you on our continued progress throughout FY2021.

Statutory operating loss in FY2020

As a result of the charges relating to the comprehensive review and accelerated transformation combined with an impairment charge, the Group reported a statutory operating loss of 140.6 billion yen in FY2020.

The associated cost of the Accelerated Transformation Plan is 78.3 billion yen by the end of FY2020 with an approximated total amount of 56 billion yen expected for FY2021. These costs will deliver annualized savings of approximately 75 billion yen from FY2022, with about 50 billion yen of savings expected to be booked in FY2021.

The carrying value of goodwill was reviewed for impairment each quarter during FY2020 in view of the global economic impact of the COVID-19 pandemic.

This review resulted in a decision to record a goodwill impairment amounting to 140.3 billion yen by recalculating the net present value of Dentsu International with a conservative view. This will leave the Group well placed as it looks to 2021 and beyond.

Strong balance sheet

The Group closed the year well capitalized, with a strong balance sheet, 530 billion yen of cash and cash equivalents. The Group's credit rating from

Japan's Rating & Investments Information Inc. (R&I) remained at AA-.

Well placed to benefit from digital investments

The impact of COVID-19 accelerated many trends we already recognized within our society and our industry. Digital adoption and direct-to-consumer channels are a necessity for all our clients as consumer behavior continues to evolve. Our clients' have recognized the need to respond, by leveraging data, while creatively engaging with consumers to create meaningful brand experiences.

Our fastest growth area remains digital, with 53.9% of the Groups total revenue less cost of sales from digital activities—a sharp increase from 47.5% in 2019 (640bp YoY).

The Group's total revenue from Customer Transformation & Technology reached 28% of Group revenue in 2020, 25% from Japan and 30% from Dentsu International. Our industry-leading assets including Merkle, ISID and Dentsu Digital have generated together a CAGR of over 20% over the past three years demonstrating our ability to deliver bespoke solutions that address client needs by combining data, analytics, and technology.

This area is where we will focus our M&A spend going forward.

Medium-Term Management Plan and targets

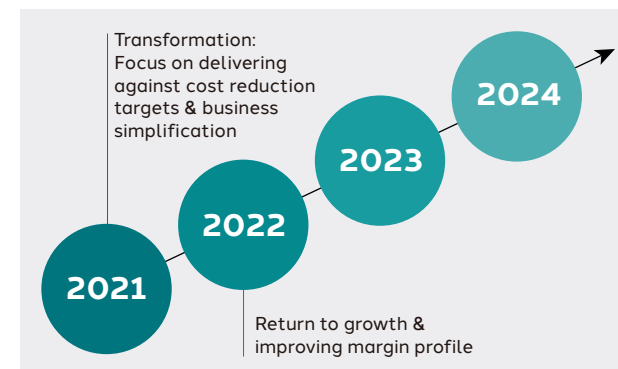
The Dentsu Group Medium-term Management Plan: "Sustainable Growth through Transformation" for the

four-year period from 2021 to 2024 was released in February 2021, providing our stakeholders with a roadmap for the next four years.

FY2021 remains a transitional year for the Group with FY2022 and beyond, delivering a return to growth and improving margin profile.

We have created four pillars against which our targets and commitments are set.

FY2021 remains a transitional year for the Group with FY2022 and beyond delivering a return to growth and improving margin profile



CFO message

Dentsu Group's external targets 2021: 2024

1. Transformation and Growth

- Organic growth of 3-4% CAGR 2021: 2024
- Customer Transformation & Technology to reach 50% of Group revenue less cost of sales over time

2. Operations & Margin

- Progressive year-on-year improvement in underlying operating margin: 17%+ by 2024 (DJN:20%, DI:15% by 2022)

3. Capital allocation & Shareholder returns

- Medium-term average of 1.5x Net Debt / EBITDA (non IFRS 16 basis)
- Dividend payout ratio to reach 35% of underlying basic EPS over the next few years

4. Social Impact & ESG

- 46% absolute reduction in CO₂ & 100% renewable energy (in markets where available) by 2030
- Improvement in employee engagement score
- Diverse & inclusive workforce

1. Transformation & Growth

Growth will be driven through the continued rollout of Integrated Growth Solutions and dentsu Sustainable Business Solutions.

2. Operations & Margin

Reducing complexity across our business is the focus for our simplification—reducing duplication across the Group improves efficiency and reduces costs.

3. Capital allocation & Shareholder returns

The Group will adopt a disciplined approach to capital allocation with a priority to enhancing shareholder value.

The Group will aim for a medium-term average of 1.5x Net debt / EBITDA, although this may be lower in the short term.

We will invest for growth, both in organic growth through investment in new technology and product innovation, and also in-organic growth through M&A. Acquisitions will be a priority in the coming years with a focus on high growth data and digital assets in both Japan and the international markets.

We have committed to a progressive dividend policy, with the payout ratio reaching 35% of underlying basic EPS over the next few years.

4. Social impact & ESG

We consider it essential to commit to our social impact and ESG goals for the sustainability of our business. Group-wide initiatives, including the establishment of the “Sustainable Business Board,” will support our specific goals.

The outlines of our plans are introduced in other sections (see p. 37).

Looking ahead

Despite the challenges of this year we remain focused on our strategy of delivering Integrated Growth Solutions that drive top-line growth for our clients beyond marketing.

Our high performance and agile culture gives me the utmost confidence the Group can emerge from this crisis stronger with a keen focus on creating value for all our stakeholders.

Corporate governance: shift from creating a robust system to enhancing efficiency

In August 2020, we launched a Comprehensive Review of our business operations and capital efficiency and in February 2021, we announced our Medium-term Management Plan for FY2021–FY2024. Effective corporate governance will support the delivery of our plan and ultimately deliver improved shareholder value.

Of the 13 members of the Dentsu Group Board, five are independent Outside Directors, four non-Japanese Directors, and three female Directors. Together, they represent diversity of voice, with a variety of professional experience.

In FY2019 and FY2020, Outside Directors' meetings were held in addition to our regular Board of Directors' meetings. These provided the opportunity needed to conduct the review of business operations and capital efficiency and support the formulation of our Medium-term Management Plan.

To date, the focus has been on setting up a robust system of governance in line with the Corporate Governance Code. Accordingly, we have Nomination and Compensation Advisory Committees with Outside Directors.

In the future, however, we believe there will be a need to make governance even more effective. Thus, for example, in FY2020, we began to enhance the Board's efficiency. This we are doing—in addition to conducting third-party surveys and producing reports based on these—by having third parties conduct interviews with Board members, publishing reports, and encouraging Directors to openly exchange opinions regarding the reports. We have made continued efforts to enhance the effectiveness of the Board. We make Directors aware of their changing roles, the Board's agenda, and the agenda items that should be discussed by Board members.

The Board will continue its efforts to improve corporate governance. I believe strong corporate governance can support and enhance the corporate value of Dentsu Group over the medium to long term, through sustainable growth.



Shun Sakurai
Representative Director and Executive Vice President,
Dentsu Group Inc.

Teaming to achieve the never before

2020 was a year of unexpected challenges for society, the economy, businesses, and people throughout the world and Dentsu Group pulled together to support our clients and stakeholders in unprecedented ways. The pandemic struck in the midst of our planned transformation of the business and therefore we responded to accelerate its velocity. It was a year of new beginnings and opportunities, demonstrating our resilience and confidence in our future.

We launched Dentsu Group Inc. in January 2020 to create a company that harnesses to the full effect the diversity of our talent and the breadth of our innovation capability. We knew that our future differentiation and competitiveness did not lie solely in holding competitive assets and businesses in 145 markets across the globe, but in how those businesses work together to provide transformative integrated solutions for brands, clients, partners, and society. Dentsu Group aims to organize ourselves into a flat and open network, acting to support “Teaming” across our agencies to stimulate collaboration, linking people, ideas, and solutions to create new value, and encouraging and supporting the development of our talent and efficiency of our delivery.

Our initial focus is to evolve from being a holding company to a “Teaming Company.” In the most simple sense, this means that we do together what can best be done as a Group while empowering

the entrepreneurship and innovation of each organization and individual to stimulate, create, and inspire.

Throughout 2020, we identified areas best aligned at the Group level. We have worked to safeguarding our business through aligned compliance and governance, strengthened communications and reputation management, building common operational and technology platforms and talent development programs. We have also worked on shaping our business by launching a common vision, inviting all stakeholders to pursue the “never before” and establishing a common set of values we call “the 8 Ways.” Shared vision and values are the bond that brings together our diverse talents and bridges cultures.

In February 2021, the Group announced the Medium-term Management Plan with initiatives to review our capital strategy and accelerate transformation as a Group. We have also identified areas to deliver new levels of servicing through joint initiatives and collaboration around data & technology, sports & entertainment, global clients, innovation, industry verticals, and sustainable business solutions.

Initiatives to promote and encourage Teaming will continue to evolve and be dynamic. The diversity of our talent, specialists, and integrated offerings are what drives our innovation. Through Teaming, we will unlock more synergies across the Group and

support the connection of anyone from anywhere in the world to create, ideate, and develop solutions to drive sustainable growth for all our stakeholders.



Tim Andree

Representative Director and Executive Vice President,
Dentsu Group Inc.
Executive Chairman, Dentsu International Limited

Medium-term Management Plan

Sustainable Growth through Transformation

- ◇ Medium-term Management Plan p. 19
- ◇ Integrated Growth Solutions p. 20
- ◇ Dentsu Group's people strategy p. 23
- ◇ dentsu Sustainable Business Solutions p. 24
- ◇ Dentsu Group's value creation model p. 27



Medium-term Management Plan Sustainable Growth through Transformation

The Dentsu Group Medium-term Management Plan: “Sustainable Growth through Transformation” for the period from 2021 to 2024 was released in February 2021, providing our stakeholders with a roadmap for the next four years. In order to achieve transformation and sustainably enhance our corporate value, we will focus on the following four areas.

1. Transformation & Growth

Revenue synergies will be created across the Group by scaling key client relationships and expanding the number of services we are delivering to our clients. By leveraging our diverse assets we can deliver larger

solutions to the problems our clients face. Our growth will be driven through the continued rollout of Integrated Growth Solutions and dentsu Sustainable Business Solutions.

2. Operations & Margin

Reducing complexity across our business is the focus for our simplification—our organization becomes easier to navigate for our clients and our people, and reducing duplication across the Group eases operations and reduces costs.

Our use of near- and offshoring increased over the years. We will look to build on this success creating a more flexible cost model for our business, helping us to deliver value to our clients. Technology will continue to change how our people work together—how we team without limits. A reduction in our real estate needs is under consideration for both the Japan and the international businesses.

Standardizing group functions will generate cost synergies as we look to create a more standardized approach to our Group functions including finance, HR, technology and governance.

3. Capital allocation & Shareholder returns

The Group will adopt a disciplined approach to capital allocation with a priority to enhance shareholder value.

We are in the process of reviewing all non-trading assets to transform the balance sheet. The divesture of non-trading assets will create room inside the

Group to own new assets that support our business strategy. We will invest for growth, both in organic growth through investment in new technology and product innovation, and also in-organic growth through M&A. Acquisitions will focus on high growth data and digital assets in both Japan and the international markets. Fewer acquisitions, but of larger scale in the high-growth area of Customer Transformation & Technology is our execution plan. Our aim is to rebuild a leaner asset portfolio to achieve higher ROE. Return of profit to our shareholders is also a strong focus. Our commitment is to progressively improve the dividend payout ratio based on the underlying basic EPS from 28.5% in 2020 to 35% over the next few years. Going forward, additional shareholder returns will be considered in parallel with the sale of exceptional assets.

4. Social impact & ESG

To integrate our own social impact efforts with business growth we have established the Sustainable Business Board to drive social value for society and clients.

As a group, we are committed to playing our role in mitigating the worst impacts of climate change. We will support the growth of every individual in our organization through a diverse and inclusive culture and drive good governance to generate long-term business success.

Medium-term Targets 2021: 2024

 <p>Transformation and Growth</p> <ul style="list-style-type: none"> • Organic growth of 3-4% CAGR 2021: 2024 • Customer Transformation & Technology to reach 50% of Group revenue less cost of sales over time 	 <p>Operations & Margin</p> <ul style="list-style-type: none"> • Progressive year-on-year improvement in underlying operating margin: 17%+ by 2024 (DJN: 20%, DI:15% by 2022)
 <p>Capital allocation & Shareholder returns</p> <ul style="list-style-type: none"> • Medium-term average of 1.5x Net Debt / EBITDA (non IFRS 16 basis) • Dividend payout ratio to reach 35% of underlying basic EPS over the next few years 	 <p>Social Impact & ESG</p> <ul style="list-style-type: none"> • 46% absolute reduction in CO₂ & 100% renewable energy (in markets where available) by 2030 • Improvement in employee engagement score • Diverse & inclusive workforce

Integrated Growth Solutions

Integrating our diverse capabilities across the Group.

Delivering top-line growth for our clients, beyond marketing.

Our strategy of Integrated Growth Solutions remains the center point of our vision. As we integrate our diverse capabilities across the Group, we will deliver top-line growth for our clients, beyond marketing.

Integrated Growth Solutions create integrated solutions for all customer experiences, starting with consumer intelligence based on data and technology, and using creativity to integrate the Group's diverse capabilities. In doing so, we will achieve growth for our clients. Throughout its history, the Group has expanded its capabilities and diversified its revenue streams by combining traditional and new capabilities. The result is a market position that is unrivalled today.

Content, media activation, and creative form part of our marketing communication practice—while marketing technology, CXM, systems integration, and transformation & growth strategies form part of our Customer Transformation & Technology practice.

Over time, our capabilities have expanded from executional work to strategic projects that deliver greater value to our clients. As digital adoption accelerates, this fits precisely with our competitive advantage as one of the very few integrated global innovators who integrates diverse capabilities. This remains a significant opportunity for the Group in FY2021.

Customer Transformation & Technology

Through our early investment in digital and data our expertise is centered in the fast growth areas of the market where we remain well positioned.

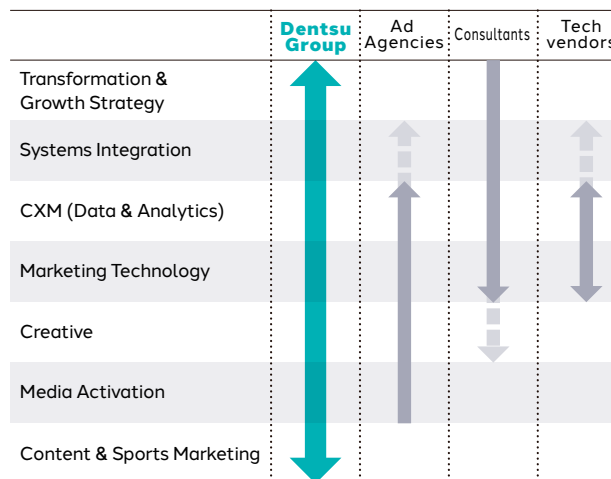
53.9% of our activities are generated from digital activities in 2020—in Dentsu International that reached 67.5% and in Dentsu Japan Network that reached 34.8%.

28% of our group revenue is generated from Customer Transformation & Technology services.

The growth of Customer Transformation & Technology is underpinned by three companies with industry leading capabilities including Merkle, ISiD,

and Dentsu Digital, which together have generated a CAGR revenue growth of over 20% over the past three years, demonstrating our ability to deliver bespoke solutions that address our clients' needs combining data, analytics, and technology.

This is our fastest growth area of the business and where we see greatest potential for the Group in the coming years. Over time we expect to increase the revenue from Customer Transformation & Technology, which is currently 28%, to 50% of Group revenues. This shift will be driven by organic growth—growth from our existing assets supported by investment to develop new products and services—and also by targeted acquisitions.



MERKLE

- 25 years experience in people based marketing creating data-driven and technology enabled solutions delivering customer experiences that drive business growth.

iSiD

- IT Solutions, supporting clients' digital transformation with capabilities spanning technology and creative.
- Strength in fintech, smart enterprises, and logistics innovations.

DENTSU DIGITAL

- Developing integrated solutions combining consulting, development, implementation and operational and executional support with commerce, and advanced creative.

Integrated Growth Solutions

The foundation for outstanding consumer intelligence

Consumer Intelligence underpins the broad capabilities of the Group. This is the data, analytics, and insights that lead to an understanding of consumer behavior. The Group possesses a multilayered array of data and analytics tools and has the human resources to use them to meet the challenges of its clients.

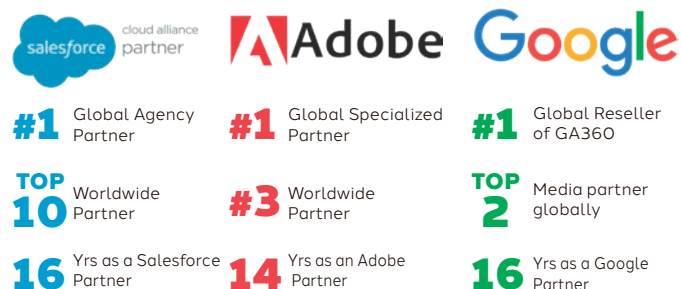
“CCS” and “People Driven Marketing” for media planning and customer journey design and “M1” and “Merkury,” which comprehensively analyze and operate third and first party data, are our proprietary tools.



Wide network of partners

The Group also engages in partnerships and alliances with technology companies and platformers at a group level on a global basis, building relationships that outperform the competition in terms of both quantity and quality. Leveraging our global scale across both the Japan and international businesses allows us to become true partners to platforms such as Google, Facebook, Z Holdings, and Rakuten as well as technology companies such as Salesforce, Adobe, and AWS.

In these partnerships and alliances, we have already achieved a high degree of synergy between our Japanese and international operations, giving the Group a competitive advantage. Through our proprietary solutions, developed in conjunction with these platforms, we are able to differentiate our offerings from those of our peers.



Talent development for growth

In order to continue developing capabilities to meet the needs of our clients, the growth of all our employees is essential.

Thus, to respect the diversity of employees and support their continuous growth, the Group offers access to a wide range of training programs, in conjunction with group-wide programs to help design the careers of all employees. One program promotes flexible assignments across the entire group, while tirelessly striving to create a work environment that enables employees to fully realize their potential.

We believe that fostering a culture in which employees with diverse capabilities can create teams that transcend organizational and geographical constraints will significantly enhance our growth strategy.

Integrated Growth Solutions

CASE 1

Tokyo Game Show 2020 Online Powered by Amazon Japan

From 2020 onward, Dentsu will co-host the Tokyo Game Show (TGS), one of the three largest game shows in the world. TGS 2020 was organized completely online for the first time ever due to the COVID-19 pandemic, and Dentsu worked with Amazon Japan to stream sponsors' videos and offer a live commerce platform with strong content on Amazon.co.jp, allowing visitors to purchase sponsors' products on site. It has become a milestone event in the new era.



TOYOTA CONIQ

CASE 2

TOYOTA CONIQ

A new format of partnerships for our clients' marketing digital transformation is emerging. Toyota: Coniq, a new joint venture with Toyota, which is pursuing its transformation as a mobility company, is one example. Dentsu's people-based solutions are expected to contribute to a deeper layer of the transformation through a united organization involving our client.

Dentsu Group's people strategy

Dentsu Group's commitment to our people means helping everyone develop new skills and realize their growth potential. Through performance development, feedback, access to personal growth, career opportunities, and regular career conversations, we ensure everyone in Dentsu Group is able to own their career development.

By continuing to embed performance development and through timely, open feedback and regular conversations around performance and development, we create a positive culture where everyone can reach their full potential. The leadership model at Dentsu was created to help everyone, no matter where they are on their career journey, to understand what is expected at every level. The leadership model sets out the core competencies and behaviors to all of our employees as *We all Lead*. We have also focused on understanding and developing our people, through talent mapping and succession planning. The need for up-to-date and accurate data continues to grow in importance. We have the foundations in place to better understand the talent pipeline, mobility and resourcing needs across Dentsu Group.

Career development across the Group

Dentsu Group's career framework is designed to outline specific skills and capabilities to help people unlock career opportunities across the business. It is now being rolled out to the organization and employees can see

where their role fits in the organization, be able to understand the skills and experience required at every level, and identify potential future career opportunities. By focusing on role profiling and building "job families," individuals no longer have to consider a single career path based on experience. Everyone can consider a wide range of fresh opportunities based on their skills and aspirations. For the Group, the career framework enables better workforce planning, talent management, and optimization of our workforce capabilities and strengths.

Understanding employees through data and insights

The voice of our employees matters. That is why we run Check In, our global employee engagement survey. This year, through Check In, we've kept our finger on the pulse of our organization, providing an opportunity for everyone to share their voice and created a platform for leaders to access key insights into their teams. The HR function has taken an integrated approach, with one core platform and a common set of questions for better insights across the whole Dentsu Group.

Prioritizing our people during a pandemic

Since the outbreak of the COVID-19 pandemic, Dentsu Group has focused on the health and safety of its employees; paying extra attention to engaging on a regular basis, using various communication channels.

We have offered working from home arrangements, opportunities to connect through technology, learning communities, and listening to our employees on what further support they needed.

The global pandemic has fundamentally changed our expectations and understanding of what "work" and "away from work" is, and how society changes more broadly through the interaction between both. In 2021, we expect the majority of our offices will re-open. We are evolving our ways of working and reaching new levels of support for our people both mentally and physically, so that they continue to thrive at work under very different circumstances. We acknowledge that returning to the office and navigating the changed workspace will amount to a lot for our people to process. With this in mind, we are working together to take measured steps which gradually move us to this new way of working, learning, and interacting as we go.

We are acting on a real opportunity to accelerate our culture with the behaviors and mindsets of radical collaboration, speed and agility, inclusivity, doing the right thing, and accountability for results and outcomes—all coming together to collectively maximize how we work in the future. This will be a key enabler of our transformation journey and an opportunity to deliver meaningful progress for our people, our clients, our business, and our society more broadly.

Our people

dentsu Sustainable Business Solutions

Providing clients with Dentu's solutions that integrate social responsibilities and business growth strategies

dentsu Sustainable Business Solutions (dSBS) are provided to amplify the social value of a client's business with the Group's strengths of creativity based on deep insight into client companies, consumers, and society.

With the massive rise of consumer interest in the social values and functions of businesses, companies are under scrutiny like never before. Moving forward, they must earn their social license to operate by building transparency, trust, and reliability with customers and the wider public.

As a company that has been a bridge between business and society for 120 years, it is our duty to continue to help our clients accelerate their transformation agenda.

At the same time, it is essential that we play a leadership role at the Group management level, as our organization expands globally to deliver dSBS to a wide range of customers and contribute to the growth of society.

In 2021, we set up the Sustainable Business Board (SBB) for this purpose (see p. 37).

Our senior management will participate in and is committed to the promotion of dSBS and Dentsu Group activities as a corporate citizen under one roof. SBB facilitates Knowledge management among the Group companies to deliver SBB, with each Group company leveraging its strengths to customize service for our clients.

For example, the insights on the environmental impact of manufacturing and consumer behavior are shared Group-wide. Meanwhile, Company A, which is responsible for media planning, and Company B, in charge of commerce service development, will provide the components of an integrated solution to clients based on their unique strengths.

Efforts to provide dSBS throughout the Dentsu Group have only just begun, and we expect significant progress to be made as we implement our Medium-term Management Plan.

Newspaper becoming an advertising medium

At the time of our founding, we supported newspaper companies through news distribution and advertising sales. To realize a prosperous society, newspaper became an important advertising medium for increasing awareness and understanding of client products and services that meet consumer needs.



World Expo

At the Japan World Exposition held in Osaka in 1970, we were involved in event management and functioned as an agency for global corporate exhibitors and overseas governments, substantially contributing to advancing relations between entities in Japan and abroad.

1901 1910 1920 1930 1940 1950 1960 1970 1980 1990



Commercial television

Having conducted detailed research into technological developments in the United States, we were confident the era of radio broadcasting would also come to Japan. We created commercial television broadcasting stations with newspaper companies, contributing to the development of a medium that has become indispensable to society by providing a wide range of content: news, culture and entertainment as demanded by consumers.



Sponsored sports

The 1964 Tokyo Olympics were covered live and in color by television broadcasts and in extensive newspaper articles that electrified the entire nation. Dentsu's company-wide efforts contributed to the success of the Tokyo Olympics, expanding the business potential of sporting events.

dentsu Sustainable Business Solutions



Regional revitalization

We 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 charms were depicted using posters and photo albums created in cooperation with town revitalization leaders and local high school students. These contributed to the region’s revitalization.

Using technology to watch sports

To make it easier to understand fencing matches in which it is difficult to capture decisive moments with the naked eye, we utilized machine learning and other technologies to visualize the trajectory of the sword tip as it moves,* using athlete biometric data. We created a new sport-watching experience unlike any in the past.

* The Rhizomatiks fencing tracking and visualization system



At the Summit

At the 2019 G20 summit meeting in Osaka, we supported conference facility construction and international media center operations, while showcasing Japanese cutting-edge technology and conveying Osaka’s appeal and attractions. This strengthened the impression of Japan across the globe.



2000 2010 2020



Combining traditional performing arts with technology

Noh is a traditional performing art in which Japan takes great pride. The Tech-Noh project is about bringing together advanced technology and the beauty of Noh without changing the essence of this traditional performing art. In doing so, we hope to generate new value and interest for the present day.

Isobar Good

Isobar launched Isobar Good, an initiative that uses Isobar’s skills, expertise, and tools to support client-company brands, businesses, and non-governmental organizations. It aims to partner with businesses and brands, to achieve the United Nations’ Sustainable Development Goals (SDGs).



Using AI to evaluate the quality of tuna

TUNA SCOPE is an AI-based system that judges the quality of natural tuna using cross-sectional images of their tails. Developed by Dentsu, ISID, and Sojitz Corporation, the goal behind the development of this system was to pass down skills in the field of tuna evaluation, an area with a serious shortage of successors.

SDGs Business Solutions

Six Dentsu Japan Network companies (Dentsu Inc., Dentsu Tec, Dentsu Public Relations, Dentsu Live, Dentsu Digital, and ISID), collaborated with Material ConneXion Tokyo to launch SDGs Business Solutions that offer consulting services to develop a circular economy to combine SDGs and growth.

<https://www.dentsu.co.jp/en/news/rel/lease/pdf-cms/2020104-1116en.pdf>



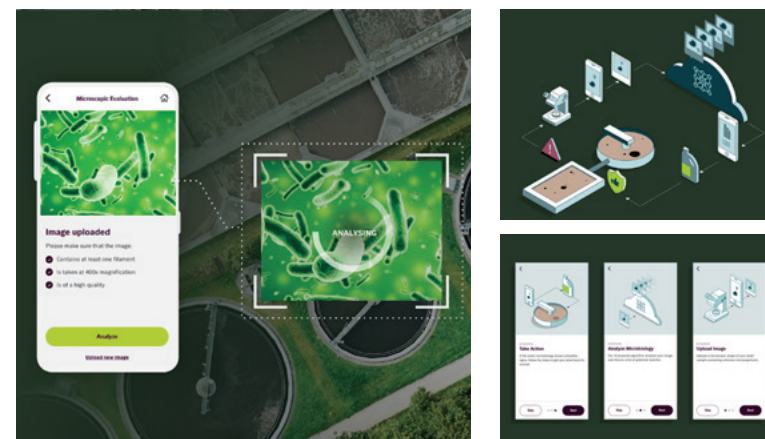
dentsu Sustainable Business Solutions

CASE 1



WATERS takeshiba

An urban development project by East Japan Railway Company in Takeshiba, Tokyo. Dentsu has turned around the not well-known area through an integrated branding approach, from developing its concept and naming based on consumer insight, to designing a plaza—presenting Takeshiba as a symbol of a water capital, Tokyo. Dentsu has collaborated with overseas artists to convey the message “In Takeshiba, city-dwellers can enjoy Tokyo Bay and the Hamarikyu Gardens.” Dentsu succeeded in transforming Takeshiba into a popular destination and now visitors can enjoy the natural environment, biodiversity, and sustainable urban development, all at once without leaving central Tokyo.



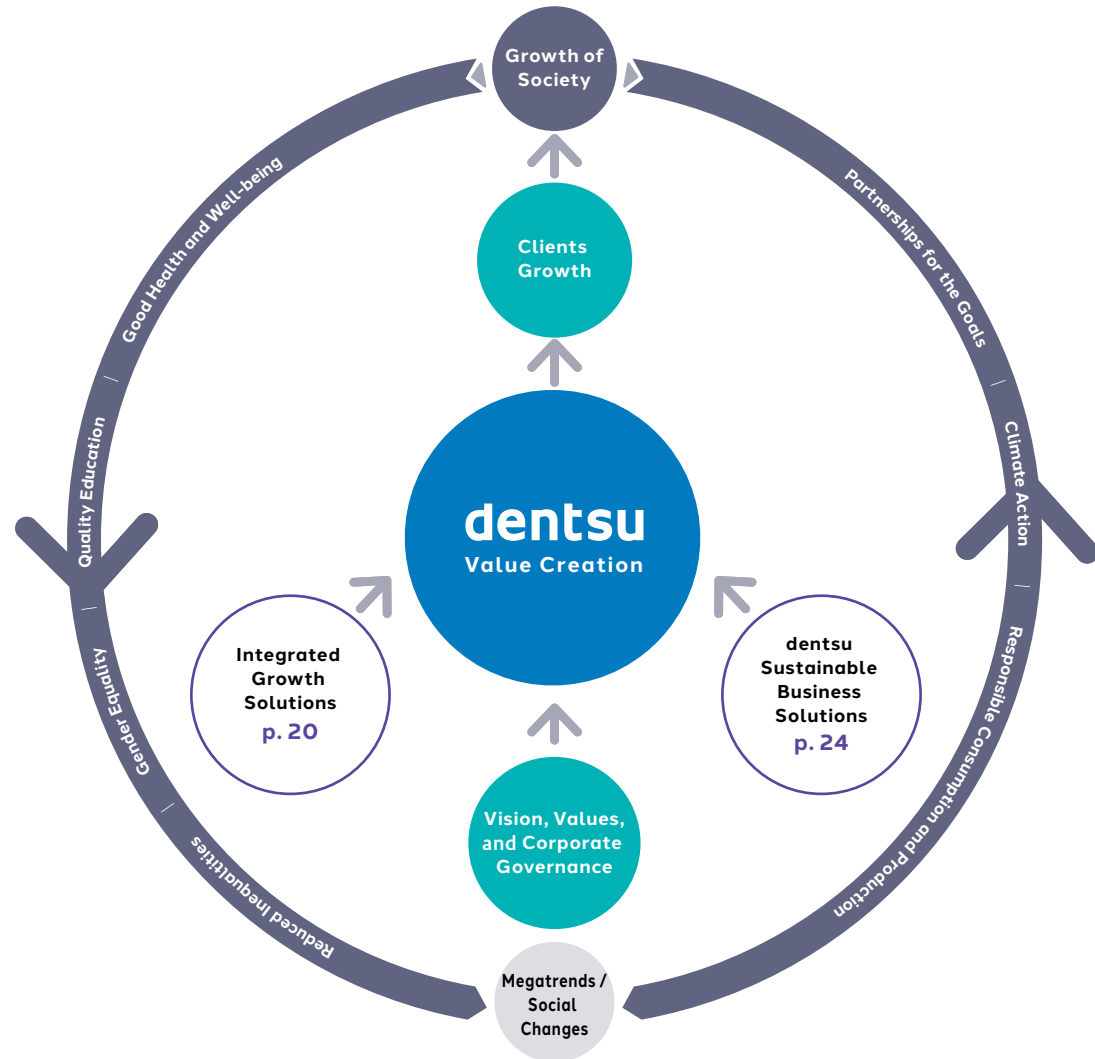
CASE 2

Novozymes’ “Plant Assistant” app to analyze wastewater

Novozymes is the world leader in biological solutions. Isobar worked with the Novozymes team to develop a Plant Assistant app powered by image recognition software and AI to analyze wastewater. In fractions of seconds, the app’s image recognition software and AI can examine an image from a microscope, determine the type of bacteria in the water, and suggest the best and most gentle biological method of treatment. Plant Assistant has reduced analysis of water samples from weeks to seconds, leading to a faster way to clean water.

Dentsu Group’s value creation model

For companies, solving social issues and growing their businesses are now inseparable. Through its businesses, the Dentsu Group will support social issues such as increasing environmental awareness, social disparity, and wellbeing. The solutions which Dentsu Group delivers integrate it’s diverse capabilities in marketing communications, data & analytics, and content. By setting Integrated Growth Solutions and dentsu Sustainable Business Solutions as the dual axis of services provided to our clients, we aim to build a process of value creation that circulates through society, thereby achieving sustainable growth and enhancing corporate value.



Our business

-  **Dentsu Japan Network** p. 29
-  **Integrated Growth Partner:
Architect of Transformation** p. 31
-  **Dentsu International** p. 32

Dentsu Japan Network



Contributing to the sustainable development of our clients and society through transformation

Hiroshi Igarashi

Director and Executive Officer, Dentsu Group Inc.
 President & CEO, Dentsu Japan Network
 Representative Director, President & CEO, Dentsu Inc.

Dentsu Japan Network (hereinafter, “DJN”) business accounted for over 40% of Dentsu Group’s revenue less cost of sales, and half of its underlying operating profit in 2020. DJN has some 20,000 employees at more than 130 companies.

Becoming an Integrated Growth Partner

In times of abrupt change, clients need partners that will work with them to solve complex issues, transform business, and realize growth.

DJN aims to become an “Integrated Growth Partner,” a true partner committed to the sustainable growth of our clients and society. We believe we can provide new value for society by helping our clients expand their businesses. This should result in sustainable growth for ourselves, our clients, and society as one.

Sustainable growth through Integrated Growth Solutions

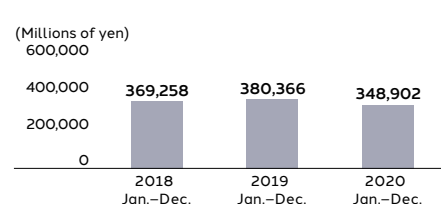
Advances in data and technology have led to more sophisticated and complex advertising, marketing, customer experience design, business development, and business design—our specialty areas.

In order to drive growth for our clients, we must strengthen our expertise in each of these areas. At the same time, our integrated planning and execution must go beyond business domain and organizational frameworks.

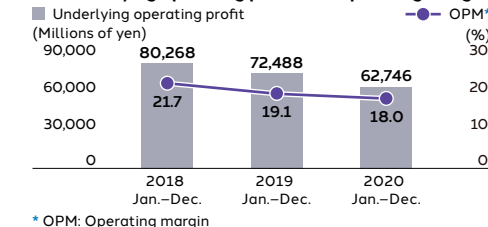
To this end, DJN will leverage the diverse capabilities of each company in the network to provide “Integrated Growth Solutions (IGS)” that contribute to the sustainable development of our clients and society.

Additionally, we will introduce indicators facilitating the measurement of clients’ sustainable growth, that strengthen collaboration, evaluation, and improvements across business domains.

DJN revenue less cost of sales



DJN underlying operating profit and operating margin



Our transformation

To provide clients with IGS, we have redefined our domestic business. Having divided it into four domains—AX, BX, CX, and DX—we plan to boost the value provided by each domain.

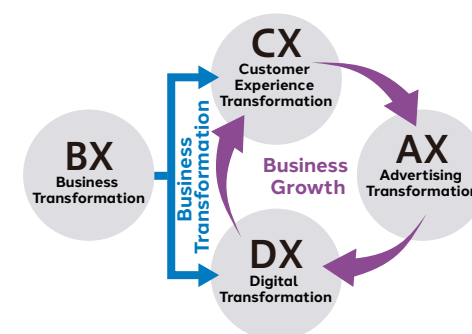
Further, we aim to help optimize the functions of the companies within DJN by grouping them into the four business domains based on specialization and the potential for synergy creation. This will enable us to maximize the capabilities of each company within Japan while strengthening DJN’s competitiveness.

We also plan to strengthen Dentsu Group’s platform businesses (data, sports, other content, etc.) that will add distinctive value across these domains. We will also look to advance and increase efficiencies in our corporate functions.

By enhancing human resources liquidity and specialization, we will seek to maintain a work environment in which employees who help increase value can come together for mutual empowerment. Office environments will be redesigned and workstyle reforms updated to make employees more effective in this age of remote work.

DJN will equip itself with the skill set and mindset necessary to provide IGS, and develop the consumer insights, ideas, and creative capabilities that are our strengths.

By so doing, we aim to achieve a transformation that will generate original DJN value, enabling us to become an Integrated Growth Partner.



AX

Committed to boosting advertising ROI

Advertising Transformation

**Shun Maekawa**

General Manager
Platform Data Department
Data Technology Center
Dentsu Inc.

In digital advertising, television commercials, media creative efforts, and all other advertising activities, improving ROI requires that indicators be directly linked to the sustainable growth of business, the plan-do-check-act cycle based on those indicators, and a data infrastructure that enables the cycle to support continuous improvement.

Data infrastructure is essential for businesses, and must ensure secure environments for consumers and provide value and experiences that make users want to remain connected.

Thus DJN will support data-driven transformation, not only of sophisticated and efficient advertising, but also of business organizations. We will achieve this through the use of “Data Clean Rooms*” and the development of new indicators, which help balance market needs with privacy protection requirements.

* A secure environment that analyzes platform data for each ID within a range of specific consumer permissions.

BX

Empowering clients to achieve sustainable growth

Business Transformation

**Atsuo Habe**

Business Designer
Strategic Projects
Department
Transformation Producers
Division
Dentsu Inc.

Our team provides consulting services that support the development of innovative products and services, leading to the redefinition and redesign of businesses.

Through these projects, we gain a deep understanding of a client’s business strengths and then formulate strategies for them to transition to a business model that generates sustainable earnings throughout their entire business, driven by the development of products and services.

By providing total support, from strategy formulation to execution, we seek to increase the accuracy and speed of subsequent customer experience designs and communication, while also collaborating in the creation of infrastructure for marketing promotions.

CX

Designing customer experiences to transform business

Customer Experience Transformation

**Eri Tagawa**

Planning Director
Data-Driven Planning
Business Department
Manager
Assistant Department
Manager
CX Transformation
Department
Dentsu Digital Inc.

Over the past few years, it has become harder to gain competitive advantage and increasingly important to foster relationships with customers.

At the same time, many clients are under pressure to transform the customer experience they offer, in terms of how they communicate, create products, and engage in sales.

In this environment, specialized DJN teams provide total support, covering a broad area. It includes the formulation of strategies based on a thorough understanding of the client; the design of journeys, services, and UX/UI; the design and development of data infrastructure; as well as the cultivation of human resources who can promote transformation and organizational design.

Our aim is to continue contributing to sustainable business growth as a partner with which to realize the design and fruition of client company transformation leaders.

DX

Planning, developing, and operating marketing databases for clients

Digital Transformation

**Yuichi Nakamura**

Executive Officer
Enterprise IT Business
Department Manager
Information Services
International-
Dentsu, Ltd. (ISID)

In terms of digital transformation in marketing domains, we think in terms of offense and defense. The former involves the transformation of contacts and communications with consumers; the latter requires that a foundation be set up to build core systems and customer management systems.

DJN is the domestic leader in the communications domain and works in conjunction with ISID, which has a wealth of experience in building and implementing such core systems as ERP at large companies. Together, DJN and ISID will combine their knowledge and expertise to offer distinctive marketing-based approaches to support their clients’ business transformation.

Dentsu Digital, Dentsu Isobar (merged with Dentsu Digital on July 1, 2021), and ISID have already formed the cross-functional Dentsu DX Ground, which is a cross-Group organization that addresses client issues and promotes new initiatives.



Shingo Yamahara

General Manager
Dentsu Business
Design Square



Takaaki Nishii

Representative Director,
President & CEO
Ajinomoto Co., Inc.

Architect of Transformation

Ajinomoto Co., Inc, a leading food products manufacturer in Japan has partnered with Dentsu Group to realize its vision of group-wide transformation.

Mr. Nishii, President & CEO of the Ajinomoto Group, has committed to transforming the Group into “a solution-providing group of companies for food and health issues by 2030,” spearheaded a number of reforms, and launched the “Business Model Transformation Task Force.”

Dentsu Group was selected as a partner of the Task Force. Shingo Yamahara, General Manager of Dentsu Business Design Square, who leads the Dentsu Group team discusses the Ajinomoto Group’s themes of transformation, collaboration with business partners, and future visions with Mr. Nishii.

Important Themes of Transformation

Yamahara: Your commitment to transformation has been impressive and the Task Force has devised a variety of measures to support it. What are the important themes of transformation?

Mr. Nishii: There are two important themes to provide solutions for food and health issues whilst contributing to the wellness of one billion people.

The first involves “personalized nutrition.” To help solve individual health issues in the future, it will be essential to provide solutions tailored to the lifestyles of individual consumers.

The second challenge concerns “food resources.” In the future, the currently available sources of protein may not be sustainable, while supplies of food may be adversely affected as water resources risk becoming increasingly depleted. In addition, there are issues surrounding food loss and waste, both of which must be reduced by 50% to realize a sustainable society. We recognize that solutions will not come from our expertise alone.

Never Forget the “Picture of the Future”

Yamahara: I often hear you talk about ventures in connection with the venture capital arm set up by Ajinomoto. Do you believe that instilling a venture spirit is required to deliver transformation?

Mr. Nishii: Yes. Ventures are one important component of our transformation. A venture spirit is indispensable for creating new businesses and generating new value beyond the boundaries of our existing businesses.

We also cannot ignore the power of digital communication to deliver new value to consumers and society. To achieve our goal to change our architecture, I believe we need to have the venture spirit and collaborate with similar-minded firms.

For example, in the area of personalized nutrition, we already have competitive solutions around food—however,

that is not enough to create new value.

To drive innovation, we must partner with innovators who explore ways to capture and convey data about people’s health, or with companies that have expertise to create solutions based on the visualized data.

Yamahara: New value can be created by joining forces with people and companies in different business fields. Promoting such collaboration could be a driving force for your business vision.

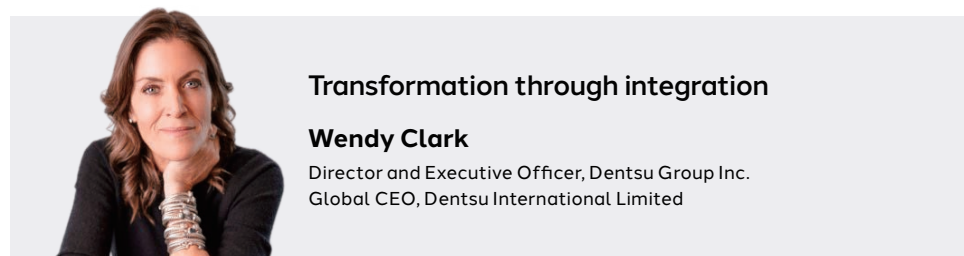
Mr. Nishii: If innovations happened in cooking methods and ideas for preparing food and menu items were produced by artificial intelligence, the human input would need to be reimagined. Likewise, if innovations were to arise in systems for delivering items to customers, we would need to develop products that could be easily transported by those systems. Through collaboration with partners who welcome new challenges, I believe new business fields can be created.

When creating a new business or a new business model, it is important to look 10 years into the future. So, for example, the food we are focused on now, such as plant-based proteins and meat substitutes, may be replaced by yet other new food items within the next decade. Therefore, when considering innovation, we should never forget the “Picture of the Future.”

Yamahara: You have an increasingly broader vision for the future. However, if the scope of the activities becomes too wide, human resources and assets may need to become more concentrated?

Mr. Nishii: I am aware we will need to make choices as we expand our business. Ideally, we want to continuously replace 10% of our sales with new businesses. As a leader, however, I also hope to choose businesses that not only contribute to financial results, but also benefit ever greater numbers of people.

Dentsu International



Together, we are transforming Dentsu International to become the most integrated media and digital marketing communications network in the world. We will do this by radically simplifying our business, and connecting our people, capabilities and products around the needs of our clients, and our market-leading understanding of their consumers.

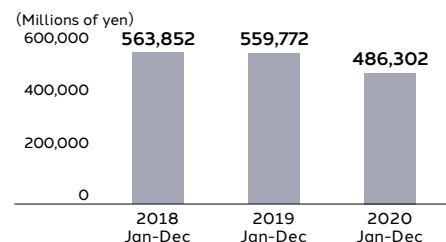
While this journey will take time, I am pleased with the momentum and progress we have made so far. Since joining Dentsu International nine months ago I have been honoured to be part of this team of 45,000 talented people who have delivered so much, and most crucially supported our clients and each other during such uncertain times.

Our people

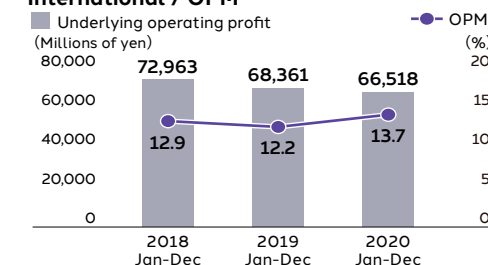
Despite a prolonged period of remote working our team has remained connected and focused. In November 2020, we achieved our highest employee engagement score in three years in our annual survey. This is testament to the resilience of our people, and the visible and accessible leadership we have seen across our business.

The injustices and inequalities too often seen in society were brought into

Revenue less cost of sales of Dentsu International



Underlying operating profit of Dentsu International / OPM*



*OPM: Operating margin

sharp focus in 2020. We continued our commitment to driving and influencing positive change, recognizing that this starts with looking at ourselves and our own organization. To guide and accelerate this vital work we have appointed Chief Equity Officers in each of our regions and invested in inclusive leadership training for our Top 900 managers and action-based training for all employees. We have also committed to being gender balanced at every level of our organization by 2025.

The strength of our talent is the strength of our business. To support the development and growth of our people, we have implemented a Group-wide career framework to enable greater opportunity and mobility; we have introduced tailored talent programs and created a global learning community with over 32,000 participants. The wellbeing of our people remains a key priority and, as we continue to address the impacts of lockdowns and social restrictions, we are bolstering our investment in mental health and wellness support.

I am determined that Dentsu will remain a company of choice for global talent, attracting and retaining the brightest and most diverse minds from across the world.

Our clients and work

We are privileged to have relationships with 95 of the world's top 100 advertisers. We've also recently recorded our highest ever client satisfaction scores. This gives us an incredible foundation to expand and deepen these existing strong client relationships.

Additionally, our business has received significant industry recognition including MediaPost Holding Company of the Year 2020; 2020 Network of the Year at Spikes Asia; Gartner recognition of Merkle as a leader in CXM; Forrester recognition of Isobar as a leader for digital experience. These accolades attest to the strength of our work and enable us to attract new clients and talent.

Our transformed and simplified business

Client feedback to the agency sector is consistent: we must make ourselves easier and more agile to do business with. With this in mind, we are delivering ahead of our internal plans to optimize our 160 agencies to six global brands leadership brands by the end of 2022.

Our accelerated transformation is unequivocally our path to sustainable growth, it will reduce duplication and costs, ensure we return to delivering performance ahead of peers and meeting our stated margin goal of 15% by 2022.

Our social impact

In 2020 we achieved our RE100 commitment to power our company on 100% renewable energy sources where markets allow,* the first holding company to do so. Dentsu International was the first holding company to commit to achieving net zero emissions by 2030, with an approved science-based target to reduce absolute carbon emissions by 46%. Additionally, in the third-party

Carbon Disclosure Project environmental assessment, we achieved an "A-" rating, the highest in the agency sector.

We are the industry leaders and will continue to integrate social good into everything we do.

The year ahead

We look to the year ahead with renewed optimism and unwavering focus on delivering our strategy, transformation and sustained performance. Building on the strong foundations we have laid this year to maximize the opportunities we see in the marketplace and unlock further potential in our own business. We will continue to integrate and optimize our brand portfolio at pace and develop our technology platforms to connect the end-to-end customer journey, bringing together data & insights, products & platforms and processes & talent into one environment. This will enable unrivalled agility, collaboration and innovation at scale for our clients.

There is still a lot to do and even more exciting times to come. We are on the right path and there is much to be proud of already. Onward!

* For a company to be RE100 compliant, it is required to purchase the energy from the same country in which it is used. For nine markets (Russia, Taiwan, Singapore, New Zealand, Hong Kong, Kenya, Sri Lanka, Ghana and Argentina) accounting for 9.7% of Dentsu International's electricity demand, factors beyond Dentsu International's control have prevented adherence with RE100's guidelines to source renewables within the countries' borders. The company has shown ambition by purchasing renewable energy certificates (RECs) from adjacent countries where possible. RE100 supports this approach as an interim measure while the coalition works to improve supply in these markets. For the purposes of reporting and in line with RE100 guidance, the European Economic Area is considered a single market.



Peter Huijboom

Global CEO
Media & Global Clients
Dentsu International Limited

Media Service Line

The power of brand building, content, and storytelling, with the precision of performance, data, and technology

Dentsu International's Media Service Line is the home of Carat, iProspect, and dentsuX, award-winning global agencies who provide clients with integrated media planning and investment services. For many clients, media is their largest marketing investment, and we are well-positioned to increase the contribution it makes to their success.

Marketers have an increasingly wide canvas of media opportunities to design in delivering rich brand experiences to people. They also need to navigate an increasingly complex environment.

Our success in the Media Service Line is grounded in a unique understanding of audiences and the ability to navigate the data-led, technology-driven, and increasingly regulated media landscape. As the agency holding group with the strongest heritage in media, we bring together the power of brand building, content, and storytelling, with the precision of performance, data, and technology.

In 2020, our agencies topped many of the most trusted global media agency rankings. Forrester named Carat as a leader. dentsuX was named the fastest growing global agency network by RECMA. In March, we also launched a repositioned iProspect as an end-to-end media agency network, combining the best of performance marketing with brand building. COMvergence ranked us #2 in their global new business rankings for 2020, further strengthening our enviable global client portfolio of 95 of the world's top 100 advertisers.

We are ready to capitalize on the acceleration in consumers' digital adoption experienced during the pandemic. Media has never been in a more powerful position to fuel our clients' growth and propel society forward.

The economic recovery will see clients increasing their media investment, and we will expand our market share through an ambitious new business agenda, driven by our strong agency proposition. We are evolving our revenue models and simplifying how clients are serviced via the three powerhouse media agencies, supported by world-class scaled services with global common processes and ways of working that enhance efficiency.

As we transform, we are ready to deliver meaningful progress to our clients, partners, shareholders, employees and society through media.



Jean Lin

Global CEO, Creative
Dentsu International Limited

Creative Service Line

Creativity liberated, on-demand

2020 was truly an exciting year of radical transformation. Remote working and a shift in consumption to new digital channels presented Dentsu Group with a new creative canvas to build sustainable brands, and a new teaming model delivering on-demand services for our clients.

During the pandemic, the Creative Service Line launched the innovative Cloud-based, AI-enabled, scaled global content solution "Content Symphony," a solution that provides brands with integrated production services. By integrating right shoring production services with an AI-enabled technology platform, Content Symphony delivers a consistent brand experience at every touchpoint while engaging our clients' audiences with highly personalised, market-relevant content.

This helped to transform our business from a legacy AOR model to AOR on Demand. AOR on Demand retains our deep understanding as a client's long-term strategic partner, without the inflexible legacy infrastructure in every market. It liberates creativity and unleashes the power of Dentsu International's innovative creative talent, wherever in the world they are. This approach saw us expand the American Express global creative assignment at the end of 2020.

Idea-led experiences that align belief and behavior, good and growth

2020 was also a year of radical transparency. As brand behaviors come under scrutiny as never before, there can be no disconnect between brand and experience, and doing good and driving growth. There must also be no discrepancy between belief and behavior—between a brand's promise, and how it authentically delivers that promise in the lives of its consumers, employees and communities.

Brands today are built through connected creative experiences—made possible by technology, made personal by data, and made powerful by ideas. Our two global leadership brands, dentsu mcgarrybowen and Isobar help support the connection of brand and experience around the organizing power of an idea.

Clients today need the best multi-disciplinary teams—no matter where they physically are—to imagine, co-create and solve big business problems creatively.



Craig Dempster

Global CEO,
Merkle and Global CEO,
dentsu CXM
Dentsu International Limited

Customer Experience Management (CXM) Service Line

Connected customer experience

Today's most successful brands are built by providing superior customer experiences across marketing, sales, commerce, and service. The future of this "connected customer experience" is highly personalized, informed by data, and powered by technology. The market opportunity for the Customer Experience Management (CXM) Service Line is in taking the knowledge and insights derived from that data and delivering powerfully targeted and personal moments in time with the brand. These moments, orchestrated across multiple touchpoints, come together to deliver customer outcomes that form experiences, which, over time, create the loyalty and advocacy that build lasting relationships.

CXM is Dentsu International's fastest-growing Service Line, having doubled in revenue over the past four years, driven by Merkle. This matrixed organization operates at the intersection of our capabilities and the distinct industries we serve. Our skilled 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. Our global clients rely on our deep knowledge of the 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, commerce, customer experience, consulting and performance media/creative services, have created differentiation against an evolving competitive landscape. As a result, we have seen consistent strong organic growth over 30 years, even amid significant market disruption, most recently propelled by a global pandemic, along with the collapse of third-party cookies and increasing privacy concerns.

As we move toward a new competitive set of digital transformation powerhouses, our equation for success is **data transformation + digital transformation = customer**

experience transformation. Adding strength to our value proposition are our alliances with partners, such as Google, Adobe, Salesforce, AWS, and others. Through these relationships, we are tapping into the growth of enterprise experience technology and cloud services to enable hyper-personalized experiences for the brands we serve.

As the brands that comprise the CXM Service Line integrate, our go-to market strategy is centered around three broad categories:

- **Data transformation** is defined as the privacy-safe acquisition, management, analysis, and activation of valuable data that informs customer experiences in real time. It all starts with identity—the only way to gain the most complete view of customers is from first-party data that is reconciled across marketing, sales, commerce, and service.
- **Digital transformation** is defined as the modernized system that allows the business to organize around the customer and adapt to changing market opportunities and customer needs. It enables the delivery of personally and contextually relevant moments that form experiences and then foster relationships.
- **Customer experience consulting** comprises strategic advisory services that set the vision of an enterprise to progress through its CX transformation. We partner with brands to create market-level differentiation through a CX framework and the organizational and technology requirements to deliver on it.

Going forward, this Service Line will continue to develop new capabilities relating to customer experience transformation. We have our sights set on becoming the market leader for enabling and activating hyper-personalized customer experiences. 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, competitive differentiation, and ultimately shareholder value.

Sustainability & ESG

 Sustainability: Dentsu Group and society p. 37

 Corporate governance p. 42

 ESG data summary p. 56

Sustainability: Dentsu Group and society

“The Dentsu Group exists to realize a better society by contributing to the growth of our clients, partners, people, and all consumers.”—Toshihiro Yamamoto, Representative Director, President & CEO

Society is facing some of its greatest challenges. Climate change, biodiversity, and inequality are causing exponential disruption. COVID-19 has exposed the fragilities in our global economic system and highlighted the interconnected nature of our borderless world. More and more the role, contribution, and impact of business in society are under the microscope. Investors, governments, and citizens now expect business to deliver social value through their actions and their products. Over the next decade, companies will need to align purpose, strategy, and action with long-term value creation for society to motivate their people and thrive commercially as a sustainable business. This is now essential for organizations looking to maintain their social license to operate.



Dentsu Group is no exception. For 120 years, we have acted as a bridge between business, society, and consumers. We understand the ability we have to transform business models and influence the way that people think, feel, and act. By positioning social value creation at the heart of our business strategy, not only will we be able to better serve our clients and guide them through this disruption, but we can achieve sustainable business growth for another 100 years to come.

This philosophy is at the heart of Dentsu Group Medium-term Management Plan which includes four goals for the business, one of which is a focus on “Social Impact and ESG (Environment, Society, and Governance).” To ensure this goal is prioritized and remains at the heart of our strategy and plan, we have established new governance at the most senior levels of our business, including the creation of a “Sustainable Business Board” dedicated to integrating sustainability at the heart of our growth strategy, culture, and operations. Chaired by Wendy Clark, Global CEO, Dentsu International Limited, the Sustainable Business Board’s mission is to create a sustainable and profitable business model, delivering shared value for Dentsu Group and society.

The Sustainable Business Board will oversee the implementation of the “2030 Sustainability Strategy” with a focus on three core ambitions: creating a Sustainable World, Fair and Open Society, and using Digital for Good. These ambitions represent areas

where Dentsu Group is uniquely positioned to add value, based on our culture, capabilities, and global ecosystem of clients and partners. Our expertise will help guide our clients through disruption and support them to transform their business models through sustainable business solutions.

To achieve these goals, we recognize the importance of embedding sustainability at the heart of our culture. The Sustainable Business Board is committed to ensuring that all 64,000 employees understand the importance of Dentsu Group’s role in society, that sustainability is the lens through which we do business and are inspired to realize our social purpose “To go beyond the here and now to create truly sustainable value for the lasting good of everyone.”

Our priorities

In January, we launched our “2030 Sustainability Strategy” for Dentsu Group. The strategy centres on three priority themes where we believe we can make a material difference to society and the environment.

Sustainable world:

Business as usual is no longer enough, best-in-class environmental performance is now a license to operate. We will accelerate the transition to a low carbon future and reduce the impact of climate change by becoming a Net Zero emissions business by 2030. But the radical decarbonisation of our business and value chain is only the first step. We also recognize that as a digital

communications and marketing network, the biggest impact we have is in our ability to change mindsets and influence behaviors. We can raise awareness and inspire people to take action to combat the climate crisis and to live more sustainable lifestyles. Over the next decade, we are committed to helping 1 billion people make better, more sustainable choices.

Fair and open society:

Opportunity and equality are a basic right, not a privilege, yet inequality continues to plague our global society. As a business, our strength lies in difference. We pledge to seek out diverse perspectives, celebrate difference, and build an inclusive culture where everyone is empowered to bring their authentic self to work. We are also committed to ensuring we offer equity of opportunity to people who face additional challenges or inequality, and we collaborate with partners to do the same. In 2021, we are investing in our people and leaders through purpose-built education and training centred around “Inspiring Inclusion,” understanding our gender balance, setting ambitious goals, and putting in place clear paths to promotion for female talent. And while we are committed to creating opportunity for those who need it most, our role in driving change also lies in our ability to raise awareness and promote equality by spotlighting systemic inequality, including fair and equal access to education, healthcare, employment, and legal aid. We can open people’s eyes, create empathy, and challenge perceptions, helping to push boundaries and confront the difficult realities facing society today. For example,

our “16 Days of Light Campaign” in South Africa sought to tackle normalized attitudes towards gender-based violence by literally shining a light on the darkest corners of South Africa, the locations of femicides. We drove action by asking people to pledge their support and encouraged women to seek help, with astonishing results reaching over 40 million people. By 2030, we aim to reach 1 billion people with campaigns that challenge perceptions and stereotypes.

Digital for good:

We believe digital inclusion is a basic human right and that having the skills and tools to control your own data builds trust and underpins digital wellbeing. However, our Dentsu Consumer Vision research found that seven out of 10 consumers worry that by 2030, they will have less control over their data, and today almost a quarter of consumers globally remain unwilling to share personal information under any circumstance. We are committed to closing the digital divide and helping digital realize its potential for good. Over the next decade, we will develop people’s understanding of the evolving digital landscape and create change for the better, going beyond inclusion to digital wellbeing. We will help people learn about data ownership, introduce more ethical data policies and practices for our entire value chain, and equip 100,000 young people with the skills and tools they need to feel in control of their digital lives. This includes collaborating with a diverse range of stakeholders to bring transparency, balance, and integrity to the industry, maximizing the positive role digital can play.

TOPIC

WBCSD membership

Driving long-term, sustainable change across a highly complex and interconnected world is not without its challenges. No problem exists in isolation, and incremental change is no longer sufficient to fix the world’s most pressing challenges. The World Business Council for Sustainable Development (WBCSD) is a CEO-led organization of over 200 forward-thinking companies working in partnership to accelerate the transition to a sustainable world. Members come from all business sectors and major economies representing a combined revenue of more than US\$8.5 trillion. Dentsu Group became a member of the Council in 2021 under the direction of Hiroshi Igarashi, President and CEO of Dentsu Japan Network and Wendy Clark, Global CEO of Dentsu International. Our collective vision is “To create a world where more than nine billion people are all living well and within the boundaries of our planet, by 2050.” More information on WBCSD here: <https://www.wbcsd.org/>



2020 Highlights

Climate action

In 2020, we continued to deliver best-in-class environmental performance, reducing our overall Scope 1 and 2 carbon emissions by 56.9% since 2015 and procuring 100% renewable energy across our international operations, exceeding our interim 2020 environmental goals.* We achieved an A- in CDP, outperforming our sector and have been listed in the Dow Jones Sustainability Index for the fifth consecutive year since 2016 as well as in the FTSE4Good. We also achieved Silver status in EcoVadis. In July, Dentsu International signed the Business Ambition for 1.5 degrees and committed to achieving Net Zero emissions by 2030, underpinned by a new and approved Science Based Target at 1.5 degrees. In 2020, we cut the total Scope 1 and 2 emissions by 20.6% this year to 26,955 tonnes of CO₂, while the Scope 3 results were 23,066 tonnes. We support the Task Force for Climate-related Financial Disclosures and are currently in preparation for Group-wide disclosures according to its recommendations. For more detailed environment performance data, please refer to the ESG Data Summary (see p. 57).

*For a company to be RE100 compliant, it is required to purchase the energy from the same country in which it is used. For nine markets (Russia, Taiwan, Singapore, New Zealand, Hong Kong, Kenya, Sri Lanka, Ghana and Argentina) accounting for 9.7% of Dentsu International's electricity demand, factors beyond Dentsu International's control have prevented adherence with RE100's guidelines to source renewables within the countries' borders. The company has shown ambition by purchasing renewable energy certificates (RECs) from adjacent countries where possible. RE100 supports this approach as an interim measure while the coalition works to improve supply in these markets. For the purposes of reporting and in line with RE100 guidance, the European Economic Area is considered a single market.

Building a diverse and inclusive workforce

Building a diverse and inclusive workforce remains a priority for Dentsu Group. In 2020, we saw the appointment of Wendy Clark as Global CEO to Dentsu International and saw an increase in the number of women in senior leadership positions in the international business to 35%. In Dentsu Japan Network, the number is 12%. Today 14% of senior leaders across Dentsu Group are women. We joined the Valuable 500 to support disability in the workplace, became a signatory to the United Nations Women's Empowerment Principles and co-founded the "Partnering for Racial Justice in Business initiative" announced at the World Economic Forum in January 2021.

Promoting equality

In April 2020, we rapidly digitised our global social impact programmes including Female Foundry, launching in the United States for the first time and helping to reach our goal of supporting 100 female founded businesses. Female Foundry has now launched in eight countries (Canada, Chile, India, Mexico, Russia, Singapore, South Africa, and the United States). We continued our collaboration with #SeeHer, including developing a gender equality index to help members identify unconscious bias, which was provided to the industry as an open source. It has become the global industry standard for measuring gender bias in ads and programming.

We continue to use the power of media and advertising to drive delivery of the United Nations

Sustainable Development Goals and in particular, SDG3, Health and Wellbeing. In April, on World Malaria Day, we launched a new brand, "Zero Malaria" to unite the global malaria community. Our work to end malaria within a generation remains critical with the World Health Organization expecting cases to increase by 50% in 2021 due to COVID-19. We also joined forces with the Association of National Advertisers in the United States to raise awareness of the importance of the COVID vaccine.

Digital rights

We took proactive action to reduce misinformation and eliminate hateful and harmful content online through strategic partnerships, including the Global Alliance Responsible Media, Conscious Advertising Network, and Responsible Media Forum. To support and empower the next generation during "Lockdown," we took our award-winning schools programme "The Code" online, equipping young people with the digital and creative skills they need to thrive in a virtual world. The Code is now live in nine countries including the United Kingdom and United States and will launch in India in 2021. To date we have reached more than 14,000 young people through The Code.

dentsu Sustainable Business Solutions (dSBS)

Dentsu Group's capabilities in data, creativity, human centric design, and digital mean we are ideally placed to guide and support organizations through disruption. In dentsu Sustainable Business Solutions, we combine these capabilities with rich insights into human

behavior change to meet client demand for integrated solutions that deliver growth and measurable social and environmental impact. Through radical collaboration with our clients and partners, we can help clients and sectors transform to restorative and sustainable business models.

Materiality and/or vision

In 2020, we conducted research into the material risks and opportunities facing Dentsu Group. The process included interviews with investors, clients, activists, and over 300 dentsu colleagues from all over the world. We also leveraged expert insight from the World Economic Forum global risk register, research from the World Business Council for Sustainable Development, the Responsible Media Forum, and the Group’s own thought leadership, including our Digital Society Index and Consumer Vision. Five key themes dominated our research: Climate Change, Sustainable Consumption, Diversity and Inclusion, Reducing Inequality, and Trust—a particular issue for our sector related to issues of digital wellbeing, responsible content, data privacy, and data ethics.







One key theme was universal amongst our stakeholders—the unique ability of the Group to change mindsets and behavior. This insight and the five material themes sit at the heart of our new strategy and vision “We will inspire people everywhere to a new way of living.” And we will do this in three ways: by building a sustainable world, fair and open society, and ensuring digital fulfils its potential for good.

Our 2030 Social Sustainability Strategy

NORTHSTAR
an invitation to the never before.

Group Social Purpose
 For Lasting Good—To go beyond the here and now to create truly sustainable value for the lasting good of everyone

Group Vision
 To inspire people everywhere towards a new way of living

 Sustainable world We will accelerate the transition to a low carbon and more sustainable future and inspire and enable others to join this movement. 	 Fair and open society We will ensure our people and the people around us are treated fairly and have opportunity. 	 Digital for good We will ensure the positive potential of communications is realized; building trust and transparency, and enhancing lives. 			
Climate Action Achieve Net Zero emissions by 2030.	Sustainable Consumption Enable 1bn people to make better, more sustainable, choices.	Create Opportunity Build a diverse and inclusive workforce.	Promote Equality Challenge perceptions of 1bn people to promote equality.	Digital Rights Be open, act with integrity, and keep challenging the role we play in society.	Digital Citizenship Create a generation of responsible, ethical, and empowered digital citizens.

People, Data, Creativity, Supply Chain, Solutions, Shared Action

Sustainable Business Board members



Wendy Clark

Director and Executive Officer, Dentsu Group Inc. Global CEO, Dentsu International Limited



Hiroshi Igarashi

Director and Executive Officer, Dentsu Group Inc. President & CEO, Dentsu Japan Network Representative Director, President & CEO, Dentsu Inc.



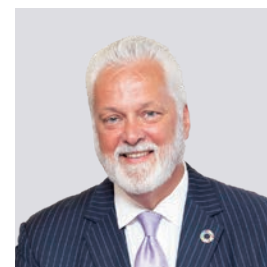
Anna Lungley

Chief Sustainability Officer, Dentsu International Limited



Toshihiro Yamamoto

Representative Director, President & CEO, Dentsu Group Inc.



Tim Andree

Representative Director and Executive Vice President, Dentsu Group Inc. Executive Chairman, Dentsu International Limited



Kuniko Obinata

Director, Diversity & Inclusion Center, Dentsu Public Relations Inc.



Shun Sakurai

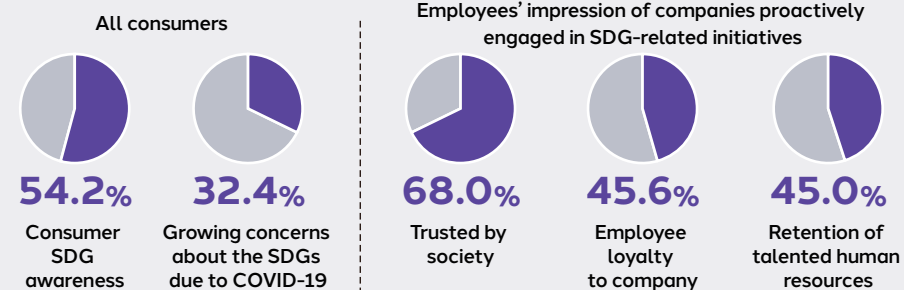
Representative Director and Executive Vice President, Dentsu Group Inc.

Dentsu Team SDGs

Dentsu Japan Network organizes the Dentsu Team SDGs, a Group-wide body that conducts the Consumer Survey on the Sustainable Development Goals (SDGs) in Japan and promotes initiatives aimed at realizing a sustainable society through various educational activities and client company support.



Summary of the Fourth “Consumer Survey on Sustainable Development Goals”



(Survey conducted in January 2021) <https://www.dentsu.co.jp/en/news/release/2021/0426-010368.html>

Assessment from outside institutions

Each year since 2016, Dentsu Group has been selected for inclusion in the Dow Jones Sustainability Asia Pacific Index for five consecutive years. We have also been highly rated by the CDP and EcoVadis, and included in indexes such as the FTSE4Good Index Series.

Member of

Dow Jones Sustainability Indices

Powered by the S&P Global CSA

RE 100 | **C** |

BUSINESS AMBITION FOR 1.5°C |

Corporate governance

Dentsu Group is focused on delivering sustainable growth and enhancing corporate value over the medium to long term. The pursuit of optimal corporate governance will ensure transparency and fairness in decision-making, the effective utilization of management resources, as well as swift and decisive decision-making.

The ultimate goal is to realize a better society by achieving the Group's Medium-term Management Plan, announced in February 2021, as well as contributing to the growth of our clients, partners, people, and all consumers.

Governance enhancement efforts

Institutional design	2016 • Transitioned to a company with an Audit and Supervisory Committee			
Directors	2013 • Appointed a non-Japanese Director	2016 • Appointed a female Director • Appointed three independent Outside Directors	2017 • Increased the number of independent Outside Directors to four	2021 • Increased the number of independent Outside Directors to five
Board of Directors effectiveness evaluations	2016 • Launched effectiveness evaluations (questionnaires)		2020 • Introduced interviews by third parties and roundtable discussions	
Appointment and compensation	2015 • Formulated independent criteria for Outside Directors	2019 • Established the Nomination and Compensation Advisory Committee • Introduced a performance-based stock compensation plan	2020 • Established a Nomination Advisory Committee and Compensation Advisory Committee	2021 • Revised independent criteria for Outside Directors • Formulated a succession plan
Internal Control and Compliance	2017 • Established the Internal Control and Compliance Committee			
Other steps taken	2020 • Distributed tablet devices to Outside Directors and launched digital delivery of Board of Director meeting materials		2021 • Established the Sustainable Business Board	

Messages from Directors



Contributing to enhancing Dentsu Group's corporate value through rigorous governance practices

More than one year has passed since the launch of Dentsu Group Inc.

The spread of COVID-19 throughout 2020 created a difficult business environment for both Dentsu Japan Network and Dentsu International.

Given these circumstances, Dentsu Group has begun a transformation on an unprecedented scale in the Group's history. For these efforts to be successful, it is important that the management and all employees

share a strong sense of purpose and implement changes supported by a consistent governance approach across the entire Group.

Outside Directors are committed to contributing to the growth of Dentsu Group and the enhancement of corporate value by ensuring thorough governance practices on behalf of our shareholders, and all other stakeholders.

Izumi Okoshi

Director/Audit and
Supervisory Committee
Member



Strengthening performance and governance

In 2020, I was appointed a Dentsu Group Director and a member of the Audit and Supervisory Committee. In the wake of rapid changes underway in the global environment, the Board of Directors successively supported management with the launch of the

Group's Comprehensive Review in August followed by the launch of the Medium-term Management Plan in February 2021.

In formulating our Group's Medium-term Management Plan and the Accelerated Transformation Plan, we undertook many discussions covering a broad range of perspectives. The urgency created by COVID-19 served to accelerate our plans to ensure the Group's purpose and strategy are well understood by all our stakeholders.

The Audit and Supervisory Committee has worked with the management to continually enhance the Group's corporate value and ensure a sound financial position and appropriate resource allocation, through

transparent management decision-making processes and their assessment.

We will work to strengthen internal controls, audits, compliance, and risk management in accordance with our corporate governance principles. This will support the management team's implementation of the Medium-term Management Plan to position the Group for recovery. Furthermore, we will fulfill our responsibilities in pursuit and development of an exceptional governance system that supports management and allows for nimble and swift decision-making.

Simon Laffin

Independent Outside
Director/Audit and
Supervisory Committee
Member



Scrutinizing corporate culture and human resource management

It has been a very unusual year with the global COVID-19 pandemic and subsequent lockdowns across most economies. The Board and its committees have had to adapt and use video conferencing for most

meetings. International Directors have not been able to travel to Japan. This has made good governance more difficult, but I think that we have coped well with this extra challenge.

We have two audit committees operating, one for the Japanese businesses and another, which I chair, for international. Both report into the Audit and Supervisory Committee (ASC), which then discusses further any major issues that arise. This works well for us with the size, geographical range and complexity of media businesses. It enables close scrutiny at a detailed level of audit and control matters that would be impossible for the ASC itself to undertake.

Our programme to enhance financial controls is

continuing, particularly this year to look at culture and human resource management. Good controls are founded in strong and consistent processes and rules, but they are operated by thousands of different people across more than 145 countries. We need to ensure that our people are recruited, retained, motivated, developed, and flourish in a positive culture: One that encourages appropriate risk-taking, balancing entrepreneurial spirit with controls that enable us to manage risk. This is, of course, against continuing lockdowns, working from home in many countries, and of course the Accelerated Transformation Plan, which is reorganizing many brands, businesses and teams.

Corporate governance implementation structure

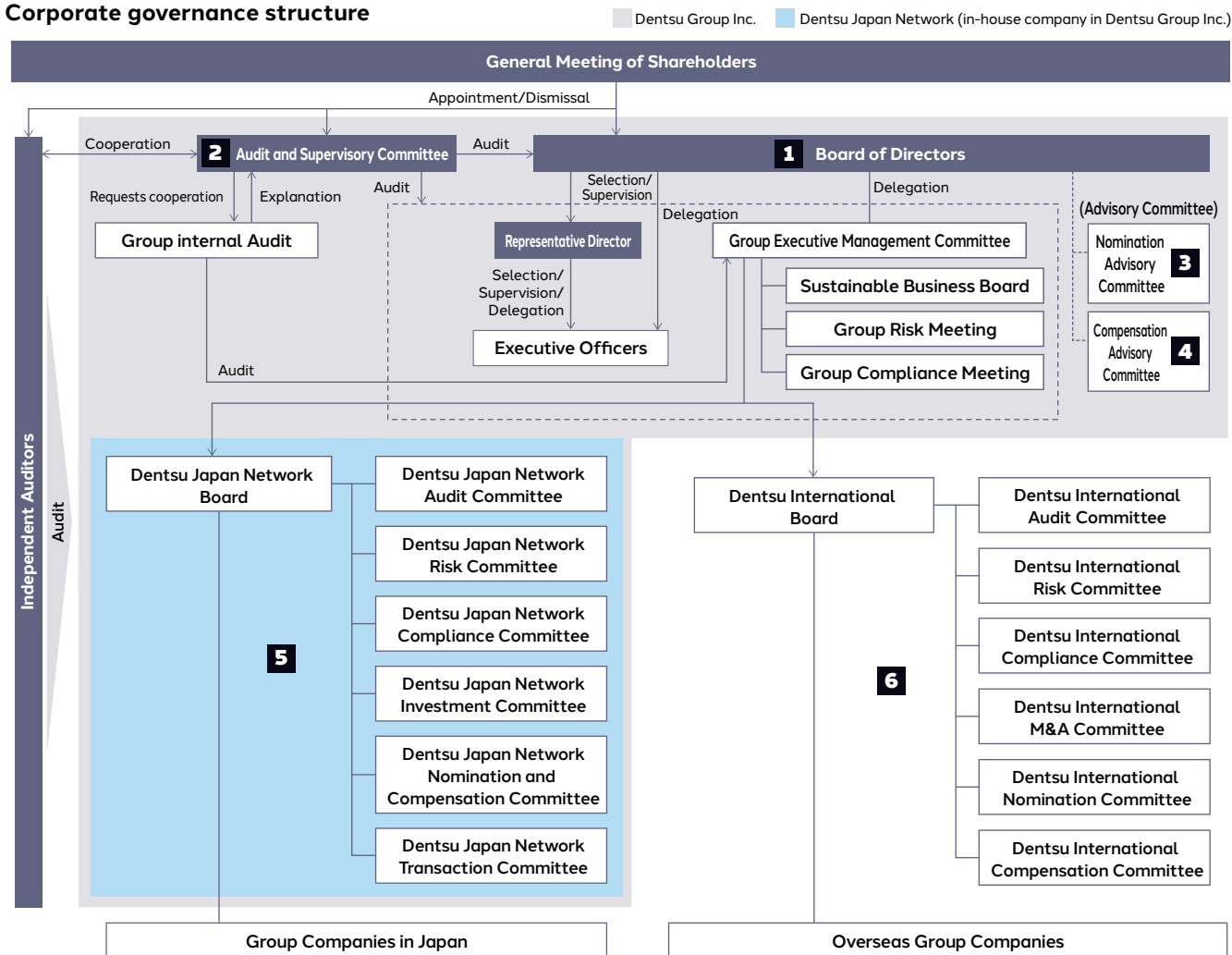
Corporate governance structure

Dentsu Group Inc. (hereinafter, the Company) has adopted a corporate governance structure defined as a Company with an Audit and Supervisory Committee that promotes swift and decisive management decisions by delegating certain authorities from the Board of Directors to Executive Officers. This strengthens the supervisory function provided by the Board of Directors, which includes at least four independent Outside Directors, and enhances effectiveness of auditing and internal control, in an attempt to enhance corporate value.

Under this system, the Company will realize effective corporate governance based on the following basic policy in order to fulfill its responsibilities to its stakeholders including shareholders, clients, employees and local communities, ensure sustainable growth, and enhance its corporate value over the medium to long term.

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

Corporate governance structure



As of July 1, 2021

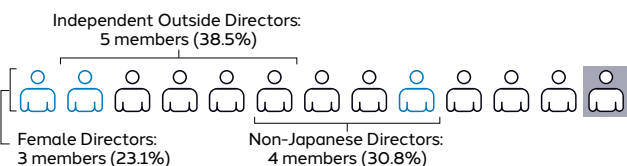
1. Board of Directors

The Company has adopted a form of governance with an Audit and Supervisory Committee, and has transferred authority for important business execution in part from the Board of Directors to Executive Officers in order to realize an expeditious and effective business execution system. As well as exercising a supervisory function over business execution, the Board of Directors determines core management matters for Dentsu Group, such as the establishment of Group management strategy, important management issues, and appointment of Executive Officers.

At present, the Board of Directors is composed of 13 Directors from both within and outside the Company, including five independent Outside Directors, all of whom have advanced knowledge and expertise.

Main agenda items of the Board (which met 18 times in FY2020)

- Medium-term Management Plan
- Comprehensive review of business operations and capital efficiency
- Group capital policy
- Internal Control and Risk Committee reports
- Acceptability of strategically held shares



2. Audit and Supervisory Committee

The Audit and Supervisory Committee is a body composed of all Directors who are Audit and Supervisory Committee members. Working in coordination with the internal control division and the accounting auditor, it engages in audit and supervision of the Executive Officers and Directors who are not Audit and Supervisory Committee members, from the perspectives of compliance and adequacy. The Company presently has five Directors who are Audit and Supervisory Committee members, of which one is from within the Group, and four are independent Outside Directors (of which two have extensive finance and accounting knowledge).

Main agenda items of the Audit and Supervisory Committee

(which met 16 times in FY2020)

- Audit plan formulation
- Status of establishment and implementation of internal control systems
- Assessment of Group companies audit status
- Agreement on compensation, evaluation and reappointment of accounting auditors
- Judgement of appropriateness of accounting auditor's audit
- Opinions on the appointment and compensation of Directors



3. Nomination Advisory Committee

The Nomination Advisory Committee was established as an advisory organization to the Board of Directors in April 2020 by reorganizing the Nomination and Compensation Advisory Committee. The majority of the committee members are Outside Directors, and it is chaired by an independent Outside Director. In response to inquiries received from the Board of Directors, the committee deliberates and reports on matters relating to nomination and succession planning concerning Directors and Executive Officers, and submits items to be decided by the Board of Directors.

The main topics discussed by the Nomination Advisory Committee (which met five times in FY2020)

- Nomination policy
- Succession planning
- Candidates for the positions of Directors and Executive Officers



4. Compensation Advisory Committee

The Compensation Advisory Committee was established as an advisory organization to the Board of Directors in April 2020 by reorganizing the Nomination and Compensation Advisory Committee. The majority of the committee members are Outside Directors, and it is chaired by an independent Outside Director. In response to inquiries received from the Board of

Directors, the committee deliberates and reports on matters relating to compensation concerning Directors and Executive Officers, and submits items to be decided by the Board of Directors.

Main topics discussed by the Compensation Advisory Committee (which met six times in FY2020)

- Amendment of the performance-based stock compensation plan
- Implementation of a management compensation survey by a third-party agency
- Individual compensation for Directors and Executive Officers



Reference: Nomination and Compensation Advisory Committee

The Nomination and Compensation Advisory Committee was established in July 2019 as an advisory body to the Board of Directors, with a majority of Outside Directors and an independent Outside Director as its chairperson. The committee was reorganized into a more specialized advisory body separating the nomination, appointment and dismissal functions from compensation on April 1, 2020, resulting in the Nomination Advisory Committee and the Compensation Advisory Committee.

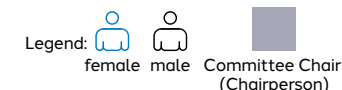
Main topics discussed by the Nomination and Compensation Advisory Committee (which met three times in FY2020)

- Succession planning policy
- Skills matrix of Directors

5. Dentsu Japan Network Board

6. Dentsu International Board






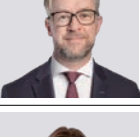

The Company established the Dentsu Japan Network Board (under Dentsu Japan Network, an internal company) to deliberate important matters pertaining to Group companies engaged in the Japan business, and the Dentsu International Board to deliberate important matters pertaining to the Group's international business, thereby dividing the business execution system into the Japan business sector and the international business sector. Each is delegated responsibility for profit and authority for its respective region.









Corporate governance implementation structure

Director skills matrix

● Responsibilities and attributes ◎ Main skill ○ Secondary skill

Portrait	Name	Official position	Director specialization and features								
			Business execution	Supervisory function	Corporate strategy	Business strategy	Management resources	Finance	Accounting	Legal affairs	Organization/ Human resources
	Toshihiro Yamamoto	Nomination Compensation Representative Director	●		◎	○					
	Shun Sakurai	Nomination Compensation Representative Director	●				◎			○	○
	Tim Andree	Nomination Compensation Representative Director	●		○	◎					
	Hiroshi Igarashi	Director	●		○	◎					
	Arinobu Soga	Director	●					◎	○		
	Nick Priday	Director	●					◎	○		
	Wendy Clark	Director	●		○	◎					

● Responsibilities and attributes ◎ Main skill ○ Secondary skill

	Official position	Director specialization and features								
		Business execution	Supervisory function	Corporate strategy	Business strategy	Management resources	Finance	Accounting	Legal affairs	Organization/ Human resources
 Gan Matsui	Outside Independent Nomination Compensation Director		●						◎	○
 Izumi Okoshi	Director / Audit and Supervisory Committee Member		●		○	◎				
 Toshiaki Hasegawa	Outside Independent Nomination Compensation Director / Audit and Supervisory Committee Member		●					◎	○	
 Kentaro Koga	Outside Independent Nomination Compensation Director / Audit and Supervisory Committee Member		●				○	◎		
 Etsuko Katsu	Outside Independent Nomination Compensation Director / Audit and Supervisory Committee Member		●				◎			○
 Simon Laffin	Outside Independent Nomination Compensation Director / Audit and Supervisory Committee Member		●				○	◎		

Board members

Toshihiro Yamamoto

Representative Director

Biography

April 1981	Joined Dentsu Inc.
July 2008	EPM, Communication Design Center, Dentsu Inc.
April 2009	Head of Communication Design Center, Dentsu Inc.
April 2010	Head of Communication Design Center; Managing Director, MC Planning Division, Dentsu Inc.
April 2011	Executive Officer, Dentsu Inc.
June 2014	Director, Executive Officer, Dentsu Inc.
January 2016	Director, Senior Vice President, Dentsu Inc.
March 2016	Senior Vice President, Dentsu Inc.
January 2017	President and CEO, Dentsu Inc.
March 2017	Representative Director, President and CEO, Dentsu Inc.
January 2020	Representative Director, President and CEO, Dentsu Group Inc. (current)

Shun Sakurai

Representative Director

Biography

April 1977	Joined the Ministry of Posts and Telecommunications
July 2008	Director-General, Telecommunications Bureau, Ministry of Internal Affairs and Communications (MIC)
September 2012	Director-General, Global ICT Strategy Bureau, MIC
June 2013	Vice-Minister for Policy Coordination (Postal and Communications), MIC
July 2015	Vice-Minister, MIC
September 2016	Corporate Advisor, Sumitomo Mitsui Trust Bank, Limited
January 2018	Executive Officer, Dentsu Inc.
June 2018	Outside Director, Tokyu Fudosan Holdings Corporation
March 2019	Director, Executive Officer, Dentsu Inc.
January 2020	Director, Executive Vice President, Dentsu Group Inc.
March 2020	Representative Director, Executive Vice President, Dentsu Group Inc. (current)

Tim Andree

Representative Director

Biography

March 2002	Senior Vice President, Communications & Marketing, The National Basketball Association
December 2005	CCO (Chief Communication Officer), BASF Corporation
May 2006	CEO, Dentsu America, LLC.
June 2008	Executive Officer, Dentsu Inc.
November 2008	President & CEO, Dentsu Holdings USA, LLC.
April 2012	Senior Vice President, Dentsu Inc.
March 2013	Executive Chairman, Dentsu Aegis Network Ltd. (currently Dentsu International Limited)
April 2013	Executive Vice President, Dentsu Inc.
June 2013	Director, Executive Vice President, Dentsu Inc.
January 2018	Director, Executive Officer, Dentsu Inc.
January 2019	Executive Chairman & CEO, Dentsu Aegis Network Ltd.
January 2020	Director, Executive Vice President, Dentsu Group Inc.
September 2020	Executive Chairman, Dentsu International Limited (current)
March 2021	Representative Director, Executive Vice President, Dentsu Group Inc. (current)

Hiroshi Igarashi

Director

Biography

April 1984	Joined Dentsu Inc.
April 2013	Managing Director, Account Management Division, Dentsu Inc.
January 2017	Executive Officer, Dentsu Inc.
March 2018	Director, Executive Officer, Dentsu Inc.
January 2020	Director, Executive Officer, Dentsu Group Inc. (current)
	President and CEO, Dentsu Japan Network (current)
	Representative Director, President and CEO, Dentsu Inc. (current)

Arinobu Soga

Director

Biography

April 1988	Joined Dentsu Inc.
June 2015	Managing Director, Finance & Accounting Division, Dentsu Inc.
January 2017	Executive Officer, Managing Director, Corporate Strategy Division, Dentsu Inc.
March 2017	Director, Executive Officer, Dentsu Inc.
January 2020	Director, Executive Officer, Dentsu Group Inc. (current)
March 2020	Corporate Auditor, CARTA HOLDINGS INC. (current)

Nick Priday

Director

Biography

August 1996 Audit Manager, Ernst & Young
August 2003 Director, Aegis Group plc
September 2009 CFO, Aegis Group plc
April 2013 CFO, Dentsu Aegis Network Ltd. (currently Dentsu International Limited)
January 2018 Executive Officer, Dentsu Inc.
March 2020 Director, Executive Officer, Dentsu Group Inc. (current)
October 2020 Director, CFO, Dentsu International Limited (current)

Wendy Clark

Director

Biography

February 2001 SVP/Director, GSD&M
January 2004 SVP, AT&T
January 2008 SVP, The Coca Cola Company
January 2014 President (Sparkling Brands & Strategic Marketing), The Coca Cola Company
January 2016 CEO, DDB Worldwide North America
February 2018 CEO, DDB Worldwide
September 2020 CEO, Dentsu Aegis Network Ltd. (currently Dentsu International Limited)
 Executive Officer, Dentsu Group Inc. (current)
October 2020 Director, Global CEO, Dentsu International Limited (current)
March 2021 Director, Executive Officer, Dentsu Group Inc. (current)

Gan Matsui

Director

Biography

April 1980 Graduated from the Legal Training and Research Institute of Japan, the Supreme Court
October 2007 Prosecutor, Otsu District Public Prosecutors Office
July 2009 Deputy Prosecutor of the Nagoya High Public Prosecutors Office
October 2010 Deputy Prosecutor of Osaka High Public Prosecutors Office
June 2012 Chief Prosecutor General, Chairperson of the Supreme Financial Securities Expert Committee
January 2014 Yokohama Prosecutor
January 2015 Superintending Prosecutor of Fukuoka High Public Prosecutors Office
September 2016 Retired public prosecutor
November 2016 Registered as an attorney at law (Tokyo Bar Association), Yaesu Sogo Law Office (current)
February 2017 Chairman of the Independent Advisory Committee on Labor Environment Reform of Dentsu Inc.
June 2017 Outside Corporate Auditor, Orient Corporation (current)
June 2018 Outside Director, Audit and Supervisory Committee member, Globberide, Inc. (current)
 Outside Corporate Auditor, Totetsu Kogyo Co. (current)
 Outside Corporate Auditor, Nagase & Co., Ltd. (current)
March 2020 Outside Director, Dentsu Group Inc. (current)

Izumi Okoshi

Director, member of Audit and Supervisory Committee

Biography

October 1989 Joined Social Engineering and Research Institute, Inc.
May 1995 Joined Warner Lambert
January 1998 Joined Dentsu Inc.
April 2014 Senior Specialist, Business Creation Division
July 2016 ECD, Business Creation Division
October 2017 EBD, Business D&A Division
January 2018 EBD, Dentsu Innovation Initiative
May 2019 EPD, Data Technology Center
March 2020 Director (Audit & Supervisory Committee Member), Dentsu Group Inc. (current)

Toshiaki Hasegawa

Director, member of Audit and Supervisory Committee

Biography

April 1977 Registered as an attorney at law (Daiichi-Tokyo Bar Association)
January 1982 Partner, Ohashi, Matsueda and Hasegawa Law Offices
January 1990 Representative, Hasegawa Toshiaki Law Office (current)
June 2011 Outside Corporate Auditor, Dentsu Inc.
March 2016 Outside Director, member of the Audit and Supervisory Committee Dentsu Inc. (currently Dentsu Group Inc.) (current)

Kentaro Koga

Director, member of Audit and Supervisory Committee

Biography

April 1985 Joined Mitsubishi Research Institute
May 1993 Completed a master's degree course at the Graduate School of Business Administration, Columbia University
June 1999 Completed the Doctor's degree course at Harvard University's Graduate School of Business Administration and acquired Doctor of Business Administration
April 2001 Assistant Professor of Commerce, Waseda University
January 2002 Assistant Professor, Accounting Department, University of Illinois
July 2009 Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University
June 2012 Outside Corporate Auditor, Dentsu Inc.
June 2013 Outside Corporate Auditor, Resona Bank
March 2016 Outside Director, member of the Audit and Supervisory Committee, Dentsu Inc. (currently Dentsu Group Inc.) (current)
April 2018 Associate Professor, School of Business Administration, Hitotsubashi University Business School (current)

Etsuko Katsu

Director, member of Audit and Supervisory Committee

Biography

April 1978 Joined The Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)
January 1992 Research Division, The Japan Research Institute, Limited
April 1995 Associate Professor of Finance and Economics, Ibaraki University
April 1998 Associate Professor, School of Political Science and Economics, Meiji University
January 2001 Member of Council of Customs and Foreign Exchange Ministry of Finance
April 2003 Professor, School of Political Science and Economics, Meiji University (current)
January 2007 Member, Labor Policy Council, Ministry of Health, Labour and Welfare
April 2008 Vice President International, Meiji University
March 2015 Member, Council for Science and Technology, Ministry of Education, Culture, Sports, Science and Technology (current)
June 2016 Outside Director, Mitsui O.S.K. Lines, Ltd. (current)
March 2019 Outside Director, member of the Audit and Supervisory Committee Dentsu Inc. (currently Dentsu Group Inc.)(current)

Simon Laffin

Director, member of Audit and Supervisory Committee

Biography

November 1990 CFO & Property Director, Safeway plc
January 2009 Non-Executive Director, Mitchells & Butlers
March 2009 Chairman, HozeLock Group
August 2009 Non-Executive Director, Aegis Group plc
August 2011 Chairman, Assura plc
November 2013 Chairman, Flyve Group plc
April 2014 Chairman of the Audit Committee, Dentsu Aegis Network Ltd. (currently Dentsu International Limited) (current)
March 2016 Non-Executive Director, Watkin Jones Group (current)
March 2020 Outside Director, member of the Audit and Supervisory Committee, Dentsu Group Inc. (current)

Initiatives aimed at enhancing effectiveness of governance

Evaluation of the Board's effectiveness

To continuously increase the effectiveness of the Board of Directors, the Company implements an annual survey regarding the effectiveness and appropriateness of corporate supervision by the Board of Directors. Each Director evaluates the effectiveness of the Board of

Directors, which, in turn, are analyzed and evaluated by a third-party institution. On receipt of the results from the secretariat of the Board of Directors, the Board of Directors evaluates the overall effectiveness, addresses issues raised and aims to improve the effectiveness.

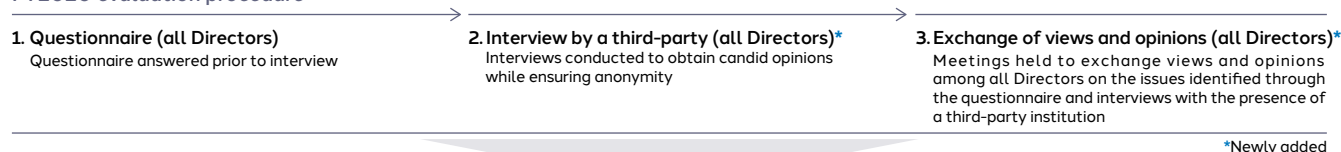
Training for Directors and Executive Officers

Directors and Executive Officers are provided with training and ongoing opportunities to acquire the knowledge essential for executing their duties in order to properly fulfill their given roles.

Change to the method of evaluation on the effectiveness in the fiscal year ended December 31, 2020

<p>The effectiveness of the Board of Directors had been evaluated using a questionnaire method until FY 2019. Due to the changes the Board of Directors underwent during FY 2020 such as the transition to a pure holding company and the promotion of its diversity, and in light of the announcement of the Medium-term Management Plan, the Company adopted an interview method where all Directors are interviewed by a third party in order to identify issues from a more medium- to long-term perspective.</p>	<p>Effectiveness evaluation The FY2020 survey covered the following six items; the questionnaire had a total of 32 questions from 6 categories.</p> <ol style="list-style-type: none"> 1. Strategic alignment and engagement (covering management strategy, capital policy, business portfolio review, ESG response, business risk, dialogue with shareholders); 9 questions. 2. The Board of Directors structure and system (succession plans, skill set); 3 questions. 3. Board of Directors processes and practices (Board management, deliberation themes, training); 8 questions. 4. Management supervision (risk management, global governance system, governance systems of listed subsidiaries); 8 questions. 5. Board of Directors culture and dynamics; 2 questions. 6. The supervisory function (only for Audit and Supervisory Committee members); 2 questions.
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FY2020 evaluation procedure



FY2019 issues and progress

Improvement was seen in the "management and supervision of Group companies," an issue identified in the analysis and evaluation in FY2019 as a result of the transition to a pure holding company. The rating of the "provision of necessary information for deliberation on strategy" improved by the use of online portals and other means to enhance information provision.

However, the "CEO successor training plan" and the "provision of necessary information for deliberation on strategy" were identified as ongoing issues, as there was room for further improvement.

Suggestions and actions for improvement

In January 2020, the Company embarked on major changes to its previous governance system, including the transition to a pure holding company and the promotion of diversity on the Board of Directors, and new suggestions have been made as a result of the process. The Company will aim to further enhance the

effectiveness of the Board of Directors and strengthen its corporate governance through measures to consider these suggestions.

(1) Continuous improvement of the long-term vision, management strategy, and governance system supporting them

The long-term vision and management strategy should be reviewed in a timely and appropriate manner as the environment for the Company changes, and various measures to improve corporate value are implemented. Furthermore, the Company believes that it should not hesitate to flexibly review the organizational form and governance structure suitable for supporting the realization of the long-term vision and management strategy. What is important is that all Directors share the latest long-term vision and management strategy, and measures are implemented in a speedy manner under an appropriate governance system. Accordingly, the Company will pursue continuous improvement.

(2) Enhanced discussions on ESG issues and development of the Board of Directors' common understanding

Recognizing that ESG issues are an important agenda for improving corporate value, the Board of Directors will deepen discussions on the entire Group's sustainability strategy and establish a system to supervise subsequent actions.

(3) Intensified discussions on important topics by the Board of Directors / deeper communications by the Board of Directors

The Company will examine the annual schedule and other matters, set deliberation topics, and fix a schedule for the Board of Directors, with an aim to deepen the Board of Directors' discussions on important topics. At the same time, measures to facilitate communication among Directors, including Outside Directors, will be implemented.

Specific examples of training

Directors and Executive Officers

At the time of appointment	<ul style="list-style-type: none"> • Training on Dentsu Group Inc. management, business and financial strategies, related important matters and laws • Discussion related to identifying and formulating solutions to Dentsu Group issues
After appointment	<ul style="list-style-type: none"> • Regular study seminars as opportunities to acquire the latest information regarding best practices and megatrend-related issues

Outside Directors

At the time of appointment	<ul style="list-style-type: none"> • Explanation of Dentsu Group business, organizational structure
After appointment	<ul style="list-style-type: none"> • Regular provision of information related to business issues

Enhancing board transparency

Executive compensation

(1) Compensation policy

In order to clarify the linkage between the Executive compensation and Dentsu Group’s business performance and corporate value, and to promote the sharing of interests with shareholders and other stakeholders, the Company determines the Executive compensation under the following policy. This also aims to raise the awareness of the Executive Officers to contribute to the sustainable growth of the Group and the enhancement of corporate value over the medium to long term.

The compensation system shall:

- Have a globally competitive structure and level
- Be based on management results, with an appropriate balance of fixed and variable compensation (monetary: annual bonus; performance-based: stock compensation as medium- to long-term bonus)
- Be at a level reflecting that in the relevant region

(2) Variable compensation

To further promote shared interests among stakeholders—including shareholders as well as Directors and Executive Officers—the indicators that had been used until FY2020 to determine variable compensation were revised in FY2021 (ending in December 2021).

The standard values for indicators determining variable compensation are from now on to be set each fiscal year, taking into account the macro- and micro-economic environment, as well as the Group’s business environment.

Compensation ratios (FY2021 revisions)

Fixed compensation: annual base salary as Executive Officers compensation (■) Variable compensation: annual bonus (■), Performance-based stock compensation (medium- to long-term bonus) (■)

If performance indicators meet standard values indicated for each type of variable compensation:



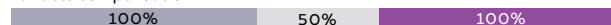
Fixed compensation: 60% Variable compensation: 40%

If performance indicators fall below the lower limit indicated for each type of variable compensation:



Fixed compensation: 100% Variable compensation: 0%

If performance indicators exceed the upper limit indicated for each type of variable compensation:



Fixed compensation: 40% Variable compensation: 60%

* Variable compensation ratios indicate percentages with the annual base salary as 100%. Note:

Directors who are foreign citizens, in principle, receive the main part of their compensation from overseas subsidiaries at which they concurrently serve as officers, and are thus not subject to the system shown above.

Variable compensation indicators

• Annual bonus indicators

Until FY2020: Dentsu Group consolidated operating profit, based on the International Financial Reporting Standards (IFRS).

From FY2021: Depending on the duties of the corporate officers to be compensated, either the Group consolidated underlying operating profit or the consolidated underlying operating profit of business in Japan, based on the IFRS.

Reason: This indicator of profit assesses ongoing business performance and has been determined to be a more appropriate indicator for evaluating business performance over one year.

• Performance-based stock compensation (medium- to long-term bonus)

Until FY2020: The simple three-year average of the Group’s consolidated revenue less the cost-of-sales organic growth rate.

From FY2021: A combination of total shareholder return and Group consolidated underlying operating profit.

Performance Indicator	Benchmark Indicator	Composition ¹
Total shareholder return (TSR)	Tokyo Stock Price Index (TOPIX)	30%
	Average total shareholder return (TSR) among peer group ²	20%
Consolidated underlying operating profit of Dentsu Group	Compound annual growth rate (CAGR)	50%

1. Where the numerical values for indicators are standard values, ratios represent the percentage constituting performance-based stock compensation (medium- to long-term bonus).

2. Six companies comprising WPP plc, Omnicom Group Inc., Publicis Groupe S.A., Interpublic Group of Companies Inc, Accenture plc, and Hokuholdo DY Holdings Inc., were selected as peer competitors of Dentsu Group.

Reason: Total shareholder return is employed as an appropriate indicator in line with the perspective of shareholders and all other stakeholders. To evaluate business performance, it was deemed appropriate to adopt the Group consolidated underlying operating profit that measures constant business performance.

Corporate officer compensation

	Fixed compensation	Variable compensation	
	Monetary compensation	Annual bonus	Stock compensation
Internal Director who is not an Audit and Supervisory Committee member	✓ ¹	✓ ²	✓ ²
Outside Director who is not an Audit and Supervisory Committee member	✓	×	×
Internal Director who is an Audit and Supervisory Committee member	✓	×	×
Outside Director who is an Audit and Supervisory Committee member	✓	×	×

1. Executive Officers compensation, being the annual base salary, is limited to those concurrently serving as Executive Officers.

2. Limited to internal Directors who are not Audit and Supervisory Committee members and who also serve as Executive Officers.

Strategic shareholding

In order to enhance medium- to long-term corporate value by maintaining and strengthening business relationships with its business partners, the Company, apart from pure investment, sometimes holds shares in listed companies that are the Company’s business partners.

Of such strategic shareholdings, Dentsu Group Inc., in principle, reviews and considers reducing individual stocks through sale, depending on whether the profit and related profits, such as the dividend, are higher than the target capital costs of the Company’s stocks, or whether the stock ownership contributes to the maintenance and enhancement of the business relationship with the investee company and the promotion of collaboration.

Accordingly, each year the Board shall examine the purpose and economic rationale for owning all strategic shareholdings, from a medium- to long-term perspective, and disclose the results in our Corporate Governance Report or other documents.

Risk management

Risk management structure

To the right is a list of major risks associated with the execution of Group strategies, business and other activities that may affect the decisions of investors. Under the corporate governance structure presented in the diagram on page 44, Dentsu Group is engaged in a variety of measures to minimize risks as future uncertainties with the potential to hinder the achievement of management goals as well as to take advantage of these risks as opportunities.

Risk management process

In 2020, the Internal Control and Risk Committee met three times to identify and assess risks that are important for Group management based on the Enterprise Risk Management (ERM) approach. In order to prevent the materialization of identified risks and minimize the impact if they materialize, the Committee selected risk sponsors, delegated the formulation and implementation of risk response plans to them, and regularly monitored the response status.

In addition, an Internal Control and Risk Committee was established at Dentsu Japan Network (hereinafter, “DJN”), and a Risk Committee continued at Dentsu International (hereinafter, “DI”), with both engaging in risk management activities. In 2020, the DJN Internal Control and Risk Committee met six times and the DI Risk Committee met four times.

Starting in 2021, the evaluation of and response plans to the risks for the Group will be discussed at the Group Executive Management Meeting. The Group Risk Meeting is newly established as its subordinate organization.

Major risks with the potential to affect investor decisions and their countermeasures

Major risk items	Countermeasures
(1) Risks associated with cyclical changes in the global economy and social changes accelerated by the impact of COVID-19	The Group formulated the Medium-term Management Plan: Sustainable Growth through Transformation, which is designed to transform Dentsu Group business in order to promptly respond to changes in the business environment and accurately seize new business opportunities related to the acceleration of digital adoption.
(2) Risks associated with the development of new businesses from the medium- to long-term perspectives	One of the core pillars of the Medium-term Management Plan mentioned above is the execution of growth strategies through enhancements in areas that support clients' business transformation. This is defined as Customer Transformation & Technology (CT&T). The Group has a stated aim of reaching 50% of Revenue Less Cost of Sales from CT&T. The progress of which is regularly monitored and reported.
(3) Risks related to securing human resources	With a new vision and values consisting of the tagline “an invitation to the never before.” and “the 8 Ways” action guidelines as our long-term orientation, Dentsu Group companies and employees throughout the world are promoting and accelerating the formation of teams aimed at creating value with external partners.
(4) Risk related to the business transformation	DJN and DI are implementing new structural reforms to respond to rapid changes in the business and competitive environments.
(5) Risks associated with the competitive environment and structural changes in the existing advertising industry	
(i) Risk of price competition with advertising and media competitors	The Group attempts to differentiate itself from competitors by providing high added value consisting of consumer insights and integrated solutions, while maintaining strong relationships with clients to avoid excessive price competition.
(ii) Risk of loss of global clients	Same as above
(iii) Risks associated with structural changes in the media environment	Viewing structural changes in the media environment as business opportunities, the Group flexibly allocates and invests Group resources in next-generation media, consistently providing client companies with marketing solutions apposite for the latest consumer behavioral principles.
(iv) Expanded competition with companies in other industries	Viewing changes in the industry structure as business opportunities, the Group plans to integrate and enhance expertise cultivated in the advertising marketing with data and technology, combined with analytics to enter new markets and provide clients with integrated growth solutions.
(v) In-house trend overseas	The Group is enhancing its consulting function to support clients' in-housing ambitions.
(6) Risks related to the content business	Many content business projects are managed as portfolios to diversify content business risks.
(7) Impairment risk of goodwill and intangible assets related to Dentsu International	The impairment tests for each cash-generating unit were conducted every quarter in 2020.
(8) Risks related to information security and cyber security	The Group established a dedicated cyber security department at DJN and DI to ensure safety and responses to new threats.
(9) Risks related to laws and regulations, litigation, etc.	
(i) Risks related to violations of labor laws and regulations	The Group works on establishing a work environment that ensures the mental and physical wellbeing of all employees as one of its top management priorities.
(ii) Risk related to personal and other information	The Group complies with laws and regulations, both in Japan and abroad, including the Act on the Protection of Personal Information and the EU General Data Protection Regulation, and responds promptly to amendments to these laws and regulations.
(10) Risks related to unforeseen incidents, disasters, accidents, etc.	The Group regularly reviews crisis management and business continuity plans (BCP) for DJN and DI to address risks related to unforeseen incidents, disasters, accidents, etc. that are expected in each region and market.

Note: For details, please see “Business and Other Risks” starting on page 8 of the “Financial Report 2021.”

https://www.group.dentsu.com/en/sustainability/reports/2021/pdf/2021_finance.pdf

For “Basic Policy on Internal Control,” please check our website.

https://www.group.dentsu.com/en/about-us/governance/internal_control.html

Promoting compliance

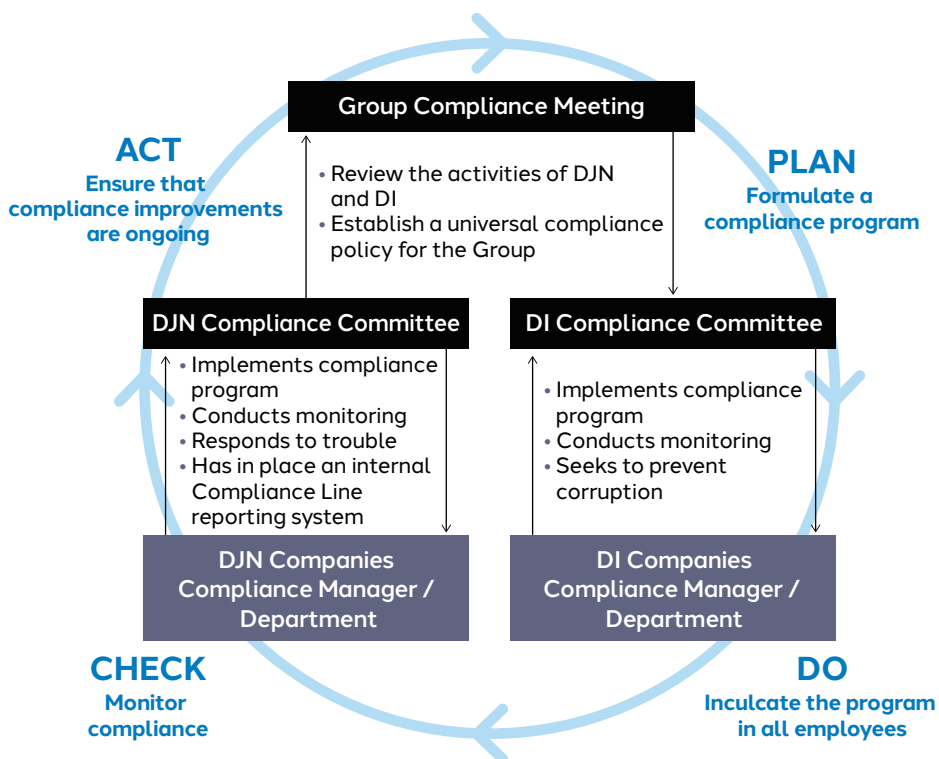
Compliance promotion system

Dentsu Group Inc. formulated the “Dentsu Group Code of Conduct” as a guideline for corporate activities. Compliance is an important pillar of the Group’s Code of Conduct, according to which it formulates rules, produces manuals, conducts training, and carries out other efforts to ensure Directors, Executive Officers and employees are able to carry out their duties appropriately.

The Compliance Committee of Dentsu Japan Network (DJN) was established to promote business in Japan, while the Compliance Committee of Dentsu International (DI) was established to promote overseas business.

In yet a further step, the Company set up the Group Compliance Meeting to supervise the aforementioned committees and make decisions on compliance matters from a global perspective.

Against this background, we are working to maintain and improve compliance through implementation of the plan-do-check-act cycle.



DJN compliance promotion

Compliance programs

Compliance related to the execution of operations involves a variety of measures, including compliance with important laws and regulations related to the advertising business.

Employees receive booklets covering all laws and regulations related to advertising activities, the implementation of information security, human rights, harassment, accounting procedures, and other measures. This is done to make sure of compliance with laws, regulations, and Company rules in all operations, and that reporting and consultation systems are set up should problems arise. Further, employees are given the chance to undertake independent online study.

Monitoring

DJN has put in place a structure for regular reports on the status of compliance at DJN companies. The reports are shared at DJN Compliance Committee meetings.

In terms of internal monitoring, we observe the status of compliance with laws and regulations to appropriately reflect DJN plans for internal monitoring.

Response to trouble

In the event a DJN company officer or employee becomes aware of compliance issues or has any concerns, regulations stipulate that the matter/s must be quickly and accurately reported to a supervisor.

The supervisor immediately reports this to their compliance manager, who contacts the DJN Compliance Committee Secretariat.

Having received a detailed report on the matter from the Secretariat, the DJN Compliance Committee provides guidance regarding investigation of the matter, while not obstructing any DJN company from conducting voluntary inquiries.

Once compliance issues are identified, the relevant DJN company promptly takes corrective action.

“Compliance Line” internal reporting system

DJN set up the Compliance Line reporting system to rapidly identify and resolve compliance violations, as well as to promote compliance by management and sound corporate development.

The Compliance Line operates according to Compliance Line Operational Guidelines and is available for use by all employees.

DI compliance promotion

Compliance programs

Dentsu International (DI) provides detailed and summarized versions of compliance regulations, as well as translations in several languages. It thereby makes sure all officers and employees are familiar with the rules and are able to comply with the requirements.

In addition, management strives to enhance employee awareness by regularly disseminating compliance-related messages to employees, and systematically providing training. Employees are encouraged to gain a deeper understanding and awareness of compliance-related matters.

Monitoring

Through measures including ascertaining attendance at training sessions and collecting answers to compliance questions from Executives each year, DI regularly monitors the penetration of compliance programs, in a bid to realize continuous improvement.

Preventing corruption

DI has in place measures to hinder corruption by providing relevant regulations and training programs.

The Company has a system in place that requires prior reporting and approval before a gift exceeding a specified amount may be accepted. By aggregating report content and approval details in a dedicated department, the system serves to monitor and contain issues.

“Speak Up!” internal reporting system

DI set up the “Speak Up!” internal reporting program that can be used by all DI company officers and employees. In addition to an in-house point of contact, employees may report violations to an independent outside specialist.

The system requires that an employee’s workplace and name be held in strict confidence, with the system designed to function effectively through the imposition of internal regulations ensuring no one is treated unfavorably after using this system.

Dentsu Group Code of Conduct (excerpt)

At Dentsu Group we believe we must be a force for good. When we do the right thing as individuals, it becomes who we are as a company. It’s what makes being a force for good possible, and it starts with each and every one of us. That’s why we expect everyone who works for, or on behalf of, Dentsu Group to understand and live by our Code of Conduct.

The Code of Conduct applies to everyone within the Group. It defines the way we act as part of the Group community and the core principles we are all committed to upholding. It sets out what we can expect of each other, and how we are expected to behave toward our stakeholders including clients and other business partners, shareholders, and our communities.

Please visit our website to read the full text.

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

Manuals tap into creativity

Many compliance-related manuals are complicated and difficult to understand. For employees to gain a good grasp of compliance-related activities, the Group has drawn on creative staff to produce engaging manuals.



ESG data summary

Consolidated data

Governance data

	2016	2017	2018	2019	2020	As of March 2021
Directors	12	12	12	12	12	13
Outside Directors (Independent Outside Directors)	3(3)	4(4)	4(4)	4(4)	5(4)	5(5)
Ratio of independent Outside Directors (%)	25.0	33.3	33.3	33.3	33.3	38.5
Female Directors	1	2	2	2	2	3
Ratio of female Directors (%)	8.3	16.7	16.7	16.7	16.7	23.1
Board of Director meeting attendance rate (%)	95.4	96.9	98.0	96.9	95.6*	**
Attendance rate of independent Outside Directors at Board of Director meetings (%)	96.1	96.3	98.5	93.8	100.0	**

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

** Not calculated as 2021 is in progress.

Social data

Number of employees*

	December 2016	December 2017	December 2018	December 2019	December 2020
Total	55,843	60,064	62,608	66,400	64,533

* Excludes delegated Executive Officers.

Employees and Managers¹

	Total	As of December 2020		
		Male	Female	Female Component(%)
Employees	64,533	33,822	30,711	47.6
Dentsu Japan Network	20,325	13,094	7,231	35.6
Dentsu International	44,208	20,728	23,480	53.1
Managers ²	4,699	4,037	662	14.1
Dentsu Japan Network	4,197	3,709	488	11.6
Dentsu International	502	328	174	34.7

1. Dentsu Japan Network includes Dentsu Group Inc. employee figures.

2. Calculated as Managers within Dentsu Japan Network and Officer class within Dentsu International.

Community activities

	Total	As of December 2020	
		Dentsu Japan Network	Dentsu International
Donations (yen)	979,248,866	43,951,110	935,297,756*
Participants in volunteer activities	5,224	355	4,869
Hours spent participating in volunteer activities	54,701	12,394	42,307

* Exchange rate: £1 ¥140.89

Environmental performance data

	2017	2018	2019	2020
CO ₂ emissions (tons)	119,347	113,791	121,156	50,021
Dentsu Japan Network	45,434	43,746	56,655	32,280
Dentsu International	73,914	70,045	64,501	17,741
CO ₂ emission intensity (tons per FTE)	2.11	1.88	1.89	0.78
Scope 1 (tons)	5,432	4,981	4,888	3,540
Dentsu Japan Network	869	426	344	355
Dentsu International	4,563	4,555	4,544	3,185
Scope 2 (market-based, tons)	48,511	39,130	29,074	23,415
Dentsu Japan Network	28,545	26,513	24,202	20,872
Dentsu International	19,966	12,617	4,872	2,543
Scope 3 (tons)	65,404	69,679	87,194	23,066
1. Purchased goods and services	2,403	2,087	1,481	645
Dentsu Japan Network	1,575	1,311	1,231	531
Dentsu International	828	776	251	114
5. Waste generated in operations	1,114	1,627	1,246	1,097
Dentsu Japan Network	100	152	424	596
Dentsu International	1,014	1,475	822	502
6. Business travel	59,047	62,253	79,417	16,370
Dentsu Japan Network	11,504	11,631	25,406	4,973
Dentsu International	47,543	50,622	54,012	11,397
7. Employee commuting	2,841	3,713	5,049	4,954
Dentsu Japan Network	2,841	3,713	5,049	4,954
Amount of waste (kg)	6,665,499	7,884,635	6,456,545	5,270,342
Dentsu Japan Network*	4,329,249	3,747,229	3,246,545	2,706,342
Dentsu International	2,336,250	4,137,406	3,210,000	2,564,000
Waste recycling rate (Dentsu Inc. only)	91.2%	88.1%	85.7%	86.2%
Water consumption (m ³)	458,786	806,030	776,321	497,525
Dentsu Japan Network	276,347	273,394	315,808	213,321
Dentsu International	182,439	532,636	460,513	284,204

*The figures for Dentsu Japan Network include its own buildings (Ginza Building, Fukuoka Building, Kousan 1 Building, Kousan 3 Building, and Sapporo Building).

Scope and Method of Calculation

- Excluding some Dentsu Group companies
- For CO₂ emissions, Categories 1, 5, 6, and 7 were calculated for Scope 3
- 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

- Based on the calculation standards of WRI (World Resources Institute) GHG Protocol
- The volume of waste generated (in kg) is the sum of general waste and industrial waste (including waste oil, waste plastic)
- 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 CO₂ emissions (greenhouse gas emissions) from the Dentsu Group are verified, and certification is provided (left), by Lloyd's Register Quality Assurance Ltd (LRQA).

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

	2020	Total electricity consumption (kWh)	Amount of renewable energy use (kWh)	Renewable energy usage rate
Dentsu Group (total)		86,675,340	46,842,835	54.0%

* Calculation based on GHG protocol

ESG data summary

Dentsu Inc.

Personnel data

Number of employees

	December 2016	December 2017	December 2018	December 2019	December 2020
Total	6,799	6,927	6,921	7,071	6,907

New graduates hired

	April 2017	April 2018	April 2019	April 2020	April 2021
Total	145	145	141	122	116
Male	82	84	73	66	63
Female	63	61	68	56	53
Female component (%)	43.4	42.0	48.2	45.9	45.7

Career recruitment (by job position, full-year, permanent employee assignment)

	2016	2017	2018	2019	2020
Total	32	99	95	68	24
Male	27	76	74	50	18
Female	5	23	21	18	6
Female component (%)	15.6	23.2	22.1	26.5	25.0

Employee composition ¹

	As of December 2020			
	Male	Female	Total	Ratio (%)
Executive Officers, others ²	29	2	31	0.4
Managers	1,543	163	1,706	24.7
Non-managers	2,317	1,071	3,388	49.1
Contract employees	310	388	698	10.1
Clerical staff	0	486	486	7.0
Partners / senior staff	216	49	265	3.8
Part-timers, others ³	31	34	65	0.9
Seconded from other entities	165	103	268	3.9
Total	4,611	2,296	6,907	100.0

1. Employees on temporary assignments are excluded.

2. Includes Senior Corporate Advisors, Special Advisors, and Executive Officers (excluding Directors and Corporate Auditors).

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

Average age of employees*

Total	41.2
Male	43.2
Female	37.1

* Full-time employees only

Average number of consecutive years served*

Total	14.2
Male	16.6
Female	9.2

* Full-time employees only

Number of employees by age bracket*

Age	Number of people	Ratio (%)
Under 30 years of age	1,131	16.4
30–39 years of age	2,159	31.3
40–49 years of age	1,856	26.9
50–59 years of age	1,459	21.1
Over 60 years of age	302	4.4
Total	6,907	100.0

* Includes staff from other companies assigned to the Dentsu Group; excludes staff from the Dentsu Group dispatched to other companies.

Employee engagement survey

Survey of the company and work (%)

Q1. Have you gained experience, knowledge and skills made possible only by working at Dentsu?*

Q2. Are you proud to work at Dentsu?

Q3. Going forward, do you want to continue working at Dentsu?

	January 2016	January 2017	January 2018	January 2019	June 2020
Q1	94.4	93.2	92.3	92.9	63.9
Q2	86.8	80.2	78.4	80.0	69.6
Q3	75.6	73.5	72.1	72.6	73.9

* "Skills" was added to the question text in 2020.

Work-life balance

Average number of paid vacation days taken

	Average days used	Paid holidays	Usage rate (%)
Male	9.21	20	46.1
Female	9.46	20	47.3
Total	9.29	20	46.5

Number of employees utilizing childcare leave, usage rate, ratio of employees who return to work

	Number of users	Number of eligible employees	Usage rate (%)	Ratio of employees who return to work (%)
Male	150	195	76.9	100
Female	55	55	100.0	100

Total hours worked per year*

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total	2,251	2,265	2,252	2,187	2,166	2,032	1,952	1,903	1,838

* In accordance with working time management changes, since FY2017, the figures for actual time worked have been adopted to calculate total time worked. Management staff are included in these figures.

Leveraging diverse human resources

Employment rate of people with disabilities (%)*

	June 2017	June 2018	June 2019	June 2020	June 2021
Total	2.07	2.14	2.35	2.38	2.73

* Total of four companies under the special subsidiary system (Dentsu Group Inc., Dentsu Solari Inc., Dentsu Inc., and Dentsu Works Inc.), until 2019, three companies combined (Dentsu Inc., Dentsu Solari Inc., and Dentsu Works Inc.)

Number of post-retirement rehires

	2016	2017	2018	2019	2020
Total	46	51	58	67	96
Male	35	41	53	55	79
Female	11	10	5	12	17

Dentsu Japan Network

Internal reporting: Compliance Line reports (cases)

	2016	2017	2018	2019	2020
Total	7	9	24	17	10

Number of internal reported complaints (cases)

	2016	2017	2018	2019	2020
Total	31	85	93	102	54

Dentsu International

Internal reporting: number of “Speak Up!” incident reports (cases)

	2016	2017	2018	2019	2020
Total	22	12	44	35	43

Average age of employees

	As of December 2020
Total	34

Average number of consecutive years served

	As of December 2020
Total	4

Employees by age (%)*

	As of December 2020
Under 30 years of age	35.9
30–39 years of age	39.8
40–49 years of age	17.1
50–59 years of age	6.2
Over 60 years of age	1.1

* Excludes certain employees.

Ratio of employees by years of service (%)

	As of December 2020
Less than one year	21.3
One to three years	35.1
Three to five years	18.0
Five or more years	25.6

Corporate data

-  **Financial data summary** p. 61
-  **Subsidiaries and affiliates** p. 63
-  **Information for shareholders / Share information** p. 64



Financial data summary

Consolidated financial data

	2015 ¹	2016	2017	2018	2019	2020
(Millions of yen)						
Profit and loss statement						
Turnover	4,990,854	4,924,933	5,187,300	5,357,278	5,146,802	4,498,216
Revenue	818,566	838,359	928,841	1,018,512	1,047,881	939,243
Revenue less cost of sales	761,996	789,043	877,622	932,680	939,385	835,042
Operating profit (loss)	128,212	137,681	137,392	111,638	(3,358)	(140,625)
Profit (loss) before tax	126,739	132,918	149,662	148,751	(42,769)	(141,133)
Profit (loss) for the year attributable to owners of the parent	83,090	83,501	105,478	90,316	(80,893)	(159,596)
EBITDA	175,454	184,064	194,073	171,406	160,280	90,063
Underlying operating profit ²	160,438	166,565	163,946	153,229	140,751	123,979
Underlying net profit ³	113,388	112,972	107,874	97,419	76,120	69,890
Balance sheet						
Total assets	3,066,075	3,155,230	3,562,857	3,638,488	3,795,729	3,380,412
Total equity attributable to owners of the parent	1,068,216	932,742	1,093,211	1,047,619	974,977	756,870
Cash flow						
Net cash flow from operating activities	—	143,585	141,557	133,049	79,957	88,313
Net cash flow from investing activities	—	(156,161)	(85,531)	(61,382)	(76,051)	137,013
Net cash flow from financing activities	—	2,539	1,226	57,522	(7,803)	(96,622)
Cash and cash equivalents at end of period	—	242,410	305,760	416,668	414,055	530,692
Number of employees	47,324	55,843	60,064	62,608	66,400	64,533
Number of consolidated subsidiaries	760	844	911	976	1,004	1,007

1. 2015 is 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.

Consolidated financial data

	2015 ¹	2016	2017	2018	2019	2020
Organic growth rate ²	7.0	5.1	0.1	3.4	(1.0)	(11.1)
Dentsu Japan Network	3.9	4.5	(0.3)	2.1	0.4	(8.4)
Dentsu International	9.4	5.7	0.4	4.3	(1.9)	(13.0)
Operating margin ³	21.1	21.1	18.7	16.4	15.0	14.8
Dentsu Japan Network	26.0	26.8	24.5	21.7	19.1	18.0
Dentsu International	16.9	16.2	14.6	12.9	12.2	13.7
Underlying ROE ⁴	10.6	11.3	10.6	9.1	7.5	8.1
Return on assets (ROA) ⁵	—	4.3	4.5	4.1	(1.2)	(3.9)
Ratio of equity attributable to owners of the parent (equity ratio) ⁶	34.8	29.6	30.7	28.8	25.7	22.4
Basic earnings per share (yen)	289.95	292.85	373.11	320.39	(287.92)	(571.19)
Basic underlying profit per share (yen)	395.67	396.20	381.58	345.59	270.94	250.14
Cash dividend per share (yen)	75.00	85.00	90.00	90.00	95.00	71.25
Dividend payout ratio ⁷	25.9	29.0	24.1	28.1	—	—
Underlying dividend payout ratio ⁸	19.0	21.5	23.6	26.0	35.1	28.5

1. 2015 is 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 × 100

4. 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 × 100
(Fiscal year-end before alignment across the Group means March)

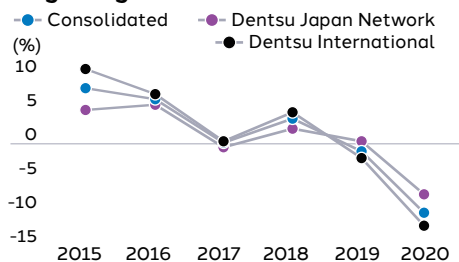
5. ROA (IFRS) = Profit before tax ÷ Average total assets based on total assets at the beginning and end of the fiscal year × 100

6. Ratio of equity attributable to owners of the parent = Equity attributable to owners of the parent ÷ Total assets

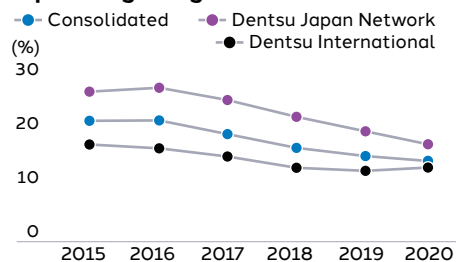
7. Dividend payout ratio = Cash dividend per share ÷ Basic earnings per share × 100

8. Underlying dividend payout ratio = Cash dividend per share ÷ Basic underlying profit per share × 100

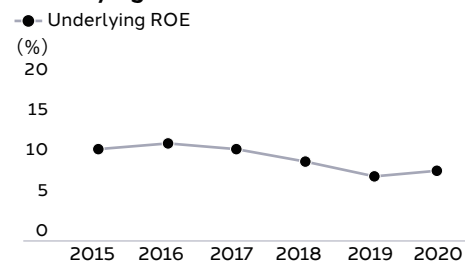
Organic growth rate



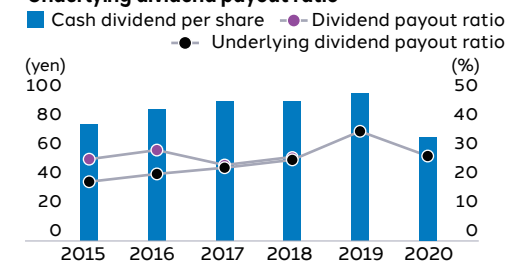
Operating margin



Underlying ROE



Cash dividend per share / Dividend payout ratio / Underlying dividend payout ratio



Subsidiaries and affiliates

As of December 31, 2020, the Dentsu Group includes 1,007 consolidated subsidiaries and 93 affiliated companies accounted for by the equity method.

Consolidated subsidiaries

Dentsu Inc.¹

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: With a business domain defined as “Integrated Communication Design,” Dentsu provides communication-related integrated solutions and such services as management and business consulting

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.²

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

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: Company specializing in the provision of consulting, development, implementation, operation, execution and support services in all the fields of digital marketing

Dentsu Live Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Creating valuable real life experience through development of design, production, management, and overall direction of events & spaces

Dentsu Tec Inc.

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Total planning, production and operation for all promotion domains

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

New Horizon Collective, G.K.

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

Carta Holdings, Inc.³

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.^{1,3}

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.¹

Geographic Area: Japan
Equity Held by Dentsu: 100.0%
Description of Business: Facility management (real estate, building management, office relocation and design), HR solutions, insurance

Dentsu International Limited.¹

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.¹

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

Portman Square US Holdings Ltd.¹

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

Aegis Group Participations Ltd.¹

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

Aegis Triton Ltd.

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

Aegis GPS Holdings Ltd.¹

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 Limited¹

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 SAS¹

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

Aegis International Holding Company BV¹

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

Dentsu Media, S.L.¹

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

Dentsu McGarry Bowen, LLC¹

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

360i LLC¹

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

Dentsu Aegis Network US Holdings, Inc.¹

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

Merkle Group Inc.

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

ISOBAR, Inc.¹

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

Agenciatic - Midia Interativa S.A.

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

Dentsu Aegis (Shanghai) Investment Co., Ltd.¹

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.

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

Dentsu Aegis Network Australia Holdings Pty. Ltd.¹

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

Dentsu Aegis Network Australia Pty. Ltd.¹

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

_____ and 967 other companies

1. Specified subsidiary
2. Although Dentsu’s ownership is 50% or less, the company is considered a subsidiary because Dentsu exerts effective control.
3. Company that submits an annual securities report

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 90 additional companies

* Company that submits an annual securities report

Information for shareholders

(As of December 31, 2020)

Dentsu Group Inc.

Corporate Headquarters

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

Contact Info

Investor Relations Department,
Group IR Office,
1-8-1, Higashi-shimbashi, Minato-ku,
Tokyo 105-7050, Japan
https://contact.group.dentsu.com/m/en_ir

Stock Exchange Listing

Tokyo Stock Exchange, First Section
Securities code: 4324

Capital

¥ 74,609.81 million

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, 2020)

Breakdown of shareholders by type

	Number of shareholders	Number of shares held	Percentage of total number of shares issued
Government and local public entities	1	1,600	0.00
Japanese financial institutions	55	89,012,600	30.86
Japanese securities firms	39	14,912,955	5.17
Other Japanese corporations	664	76,699,827	26.59
Japanese individuals and others (Including treasury stock)	44,176	49,336,609	17.11
Foreign institutions and individuals	666	58,446,409	20.27
Total	45,601	288,410,000	100.00

Major shareholders (top 10)

	Major shareholders	Number of shares held	Percentage of total number of shares issued
1	The Master Trust Bank of Japan, Ltd. (Trust accounts)	40,883,000	14.51
2	Kyodo News	18,988,800	6.74
3	Jiji Press, Ltd.	16,028,680	5.69
4	Custody Bank of Japan, Ltd. (Trust accounts)	11,557,600	4.10
5	SMBCNikko Securities Inc.	7,723,400	2.74
6	Merkle Group Inc.	7,324,500	2.60
7	Group Employees' Stockholding Association	6,292,703	2.23
8	Yoshida Hideo Memorial Foundation	4,984,808	1.77
9	Recruit Holdings Co., Ltd.	4,929,900	1.75
10	Custody Bank of Japan, Ltd. (Trust account 9)	4,389,300	1.56

Notes:

- The number of shares held by each trust bank includes shares related to trust services.
- The Company holds 6,695,819 treasury shares but is excluded from the major shareholders listed above.
- The Percentage of Total Shares Issued is calculated excluding treasury shares.
- Of the shares registered in the name of Merkle Group Inc. on the shareholder list (7,324,500 shares), (1) 4,736,425 shares are those granted to former shareholders of Merkle (about 300 shareholders) when the company became a wholly owned subsidiary on April 15, 2020, and (2) 2,581,200 shares are those granted as share compensation to the key members of the Merkle's management team (25 people) on April 17, 2020 when the company became a wholly owned subsidiary. The shares in both categories of (1) and (2) have been merely deposited in the account maintained under the name of Merkle. Hence, the former shareholders or key management team members of Merkle are the effective owners of these shares and reserve the authority to exercise voting rights. The actual number of shares owned by Merkle is 6,875 shares excluding these shares.

1-8-1, Higashi-shimbashi, Minato-ku, Tokyo 105-7050, Japan