



02 Our journey

Realizing a vibrant society where people enjoy a fulfilling life
through people-centered transformations

CEO MESSAGE



Hiroshi Igarashi

Representative Executive Officer,
President & CEO, Dentsu Group Inc.

Introduction

On February 28, 2023, a dentsu employee in Japan was indicted on suspicion of having violated the nation's Antimonopoly Act by rigging bids for contracts to plan and run test events at the Tokyo 2020 Olympic and Paralympic Games. In addition, Dentsu Group Inc. was indicted in accordance with the Dual Criminal Liability Provision of the same Act.

We offer our sincere apologies to our shareholders and all other stakeholders for any inconvenience or concern this may have caused.

As the person responsible for the entire Group, the matter is receiving my fullest attention. We have taken on board the proposals for reform received from the Investigation and Review Committee, consisting of three outside experts, and are reviewing the way the Group approaches business, with a focus on Japan. Henceforth, we will strive to restore confidence in our company for our stakeholders by enacting reforms, and by enhancing compliance and governance in order to prevent the possibility of any future recurrence of the event in question.

Advancing corporate governance further to restore stakeholder trust and enhance corporate value

In recent years, the Group has been revising its business practices and making every effort to create an ideal form of corporate governance under the Board of Directors.

Prior to becoming President & CEO, I had envisioned measures to bolster Group governance, and the steps I considered prudent were not only encapsulated in the medium-term plan but also implemented significantly ahead of schedule.

The first of the three measures I had foreseen as necessary started to take shape in 2022, when Tim Andree and I were appointed, respectively, Chairman of the Board and President & CEO. This made possible the separation of the management oversight and execution functions, separating the role of Chairman and CEO for the first time.

The second was increasing the number of independent outside directors with diverse business experience in Japan and overseas, which led to the restructuring of the Board of Directors.

The third measure, enacted this year, was our transition to a company with three committees: a Nominating Committee, an Audit Committee, and a Compensation Committee. Concurrently, the number of independent outside directors was increased to a majority of Board membership.

The most critical issue facing the Group is the need to strengthen internal controls, which lie at the core of corporate governance. To faithfully reflect the international compliance standards required of the Group throughout our organization, we created the positions of Chief Governance Officer and Chief Culture Officer, and appointed a General

Counsel based in the US. A Group Compliance Committee was established and meets twice yearly to determine and monitor basic compliance, with the aim of managing the risks associated with ethics and compliance under the responsibility of executives.

These deep-seated changes to governance we have been making at the Board level, executive level and throughout the Group since 2016 demonstrate the stringent attitude toward compliance now present throughout the organization.

B2B2S: Resolving social issues together with clients, and achieving sustainable growth

In 2022, we achieved the highest net revenue since our listing on the Tokyo Stock Exchange. I consider this the result of our clients' continued investment in growth aimed at forming deeper bonds with consumers.

In addition, cost structure reforms realized through streamlining the Group-wide organization led to the highest underlying operating profit since our listing.

The operating margin (18.4%*, 20bps higher year-on-year, and 40bps above guidance), basic underlying profit per share (approximately 24% higher year-on-year), and dividend per share (155.25 yen) each posted all-time highs since our listing. Further, with the approximately 40 billion yen returned to shareholders through a share buyback, 2022 represented the highest shareholder returns on record for the Group.

Our clear strategy in pursuit of revenue in the high-growth area of our industry is on track. The profile of business in Customer Transformation & Technology grew 17.5% year-on-year (constant currency basis) in 2022 with a net revenue ratio of 32%, up from 15% in 2016, positioning us well to capture future structural growth in the sector. The expansion of Dentsu Global Services—the global network of diverse talent with expertise in digital solutions—bolstered the underpinnings of this strategy.

For dentsu to continue contributing to client growth and realize its own sustainable growth, we need to focus on resolving social issues, which will require closer collaboration with our clients as well as implementing the B2B2S (Business to Business to Society) management policy we laid forth in 2022.

Together with the Group's aforementioned advances in corporate governance, including internal control enhancements, these steps will help us fulfill our purpose, namely, an invitation to the never before.

* Ex Russia



People-centered transformations

I believe dentsu should help solve the problems and issues at hand, while striving to realize a society in which people can truly experience the joys and pleasures of living. In such a future, people would be more in tune with a wide range of values.

To realize such a future together with our clients, we must confront the ever more complex social issues including climate change, biodiversity loss and rising inequality, and as a result, through the convergence of the three domains of marketing, technology and consulting, create a new market that answers client needs for transformation.

For example, in the consulting domain, related to business strategy and product development, this means harnessing technologies to create new customer experiences, culminating in marketing that delivers true value to society, and resulting in a market that integrates all three domains.

With its extensive portfolio of capabilities, the Group already wields a competitive edge in helping clients achieve transformation and business growth. To stay ahead, in step with market growth, we will need to focus on people-centered transformations that, at their core, unite our capability backed by the investment in advanced technology, including AI, and the transformative creativity of dentsu's talent.

Under this concept, dentsu aims “to be at the forefront of people-centered transformations that shape society.” This vision is based on three underlying factors:

- The need for society, as a collective system of people, to evolve in both mindset and behavior
- A wellspring of talent both within and outside dentsu, to create and realize innovation
- A persistent drive, through dentsu's 120-year history, for consumer insight and know-how

Unleash the power of our people

We believe unlimited possibilities can result from connecting people with one another. To connect people, and therefore promote people-centered transformations, focusing on talent not just within, but also outside the Group, is essential.

To aid this, we will further inculcate Diversity, Equity & Inclusion (DEI) throughout our organization, thus enabling broad-ranging talent to play active roles and firmly establish a fair corporate culture.

The Group Sustainability Committee, set up to strengthen sustainability management, is a body focused on materiality and sustainability strategy, a topic highly relevant to DEI. One of the targets, to be reflected in executive compensation, is for women to represent 45% of the leaders in our Group by 2030 as part of our Medium-term Management Plan.

At the same time, alongside DEI, we intend to focus on expansion, retention, and motivation of our talent to promote people-centered transformations. To that end, in 2023, Chief HR Officer was newly appointed to improve and accelerate the

Dentsu vision
**TO BE AT THE FOREFRONT
OF PEOPLE-CENTERED
TRANSFORMATIONS THAT
SHAPE SOCIETY**

Group-wide global people strategy, and will invest more aggressively than ever in human resources that can breathe our corporate philosophy and underpin our growth.

One dentsu: global management under one vision

One dentsu is a framework we launched this year, and is aimed at strengthening Group competitiveness and advancing client-centric global operations. It also represents the next step along the road to simplification, a Group agenda in the running since 2020.

One dentsu is designed to improve management transparency within the Group, identify key areas and markets based on medium- to long-term strategies, and enable the swift and bold allocation of management resources.

One such effort is Clients & Solutions, a global organization tasked with friction-free provision of dentsu resources to clients.

In promoting One dentsu, we have launched the Group Management Team. This team's diverse members, each with an assigned role, exchange opinions across organizational boundaries to help us to evolve into a truly global company.

The Group Management Team aims to also integrate the Group's diverse capabilities to deliver topline growth for clients, and raise dentsu's corporate value on a continual basis. The creation of a new global management structure follows dentsu's announced intention to integrate Dentsu International and Dentsu Japan Network into a single dentsu organization with one vision from January 1, 2023, and will strengthen the voice of the client in all strategy discussions.

Conclusion

I envision dentsu at the forefront of people-centered transformations, after having assumed an unshakable position in a market where the domains of marketing, technology and consulting are fully converged.

But, to achieve this, we increasingly must focus on solving the problems at hand, while vigorously promoting our growth strategy, as well as internal controls and business transformation.

As a true partner supporting clients, we look to a future in which society, companies, and consumers can advance together to realize a vibrant society where people enjoy a fulfilling life.

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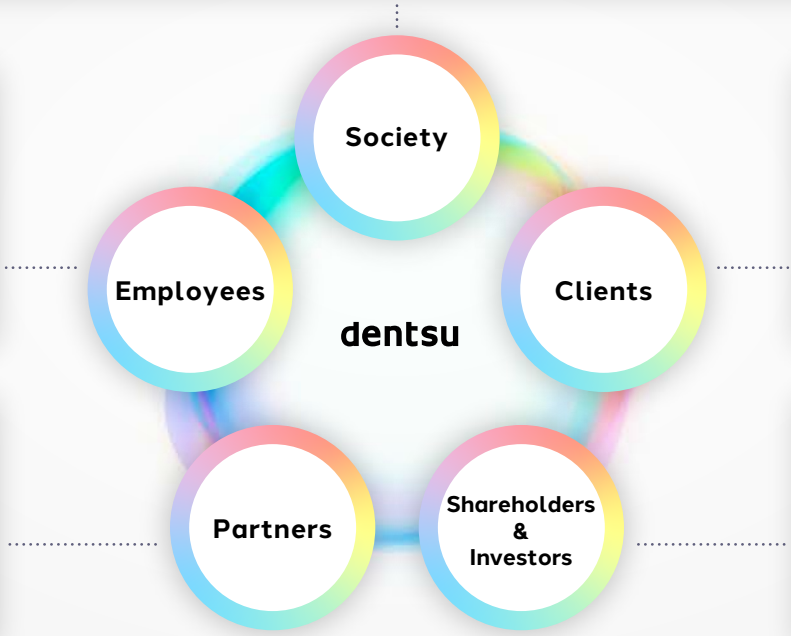
Dentsu's stakeholders

“To be at the forefront of people-centered transformations,” dentsu is collaborating with a wide range of stakeholders to achieve a future in which society, companies, and consumers can all thrive together.

Our mission is to continue creating value for society and consumers. We work with government agencies, municipalities, local communities and NPOs/NGOs to solve social issues through our business. We also create a positive impact on society through social activities, including focusing on the development of future generations.

With their range of talents and skills, our people around the world are the source of our creativity, which is essential if the Group is to realize its purpose. The Group provides the necessary environments and opportunities to enable our people and the Group to grow together by realizing the potential of each individual.

We ensure fair, impartial, and ethical business practices as set forth in the Dentsu Group Code of Conduct. We also address industry-wide issues by collaborating with business partners, and build sustainable supply chains that contribute to clients and society as a whole.



We contribute to clients' business growth as their true partner, through the optimal combination of transformative creativity, consumer knowledge and expertise in the application of Customer Transformation & Technology. Further, by collaborating with clients, we help resolve social issues and create value for society over the medium to long term.

Achieving sustainable growth, enhancing corporate value as well as the creating of value for all our shareholders over the medium to long term while pursuing sound financial position and fair disclosures.

Materiality

Materiality formulation

The Group has significantly revised how it addresses materiality—new material issues as they emerge—in order to realize “an invitation to the never before.” This became our purpose in a bid to maximize corporate value for stakeholders. We view materiality as a key element for dentsu to achieve sustainable growth and value creation in order to evolve into a B2B2S company under a new management structure.

Group materiality

Business ethics & Compliance and Data security

- Business ethics & Compliance
- Risk and crisis management
- Data privacy and cyber security
- Corporate governance

Human capital development

- Human capital development
- Developing future generations
- Focus on well-being and enhancement of how we work

Innovation leadership

- Co-creation and global collaboration
- Technology and creativity for a sustainable society
- Contributing to local communities and society
- Leading innovation with new ideas
- Customer engagement and loyalty
- New value for new markets

Climate action

- Sustainable supply chain management
- Driving sustainable consumption through advertising and business activities
- Getting to net zero, including decarbonizing media

DEI

- Diversity, Equity & Inclusion
- Responsible media
- Respect for human rights

Materiality formulation process

Step 1: Identification of issues

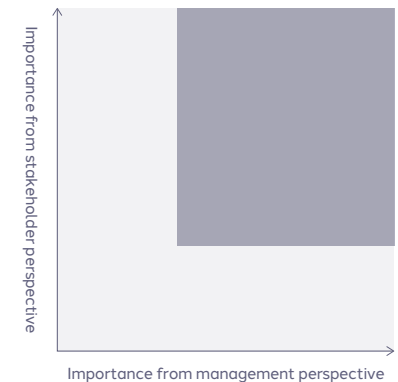
Major issues have been identified in the Group’s current and future-oriented strategies and business models, Board of Directors and sustainability-related meeting materials, and dentsu’s purpose. The issues were narrowed down to 36 after analyses had been carried out of the following matters in dentsu’s business domain:

1. Reports and frameworks published by rating agencies and specialized organizations such as NGOs and NPOs
2. Media reports on sustainability
3. Highly relevant social issues using AI

Step 2: Ranking and grouping of issues

For issues identified in Step 1, questionnaires were issued to, and interviews were conducted with, Group management and stakeholders. In addition, a quantitative assessment was performed. The results of the assessments were mapped based on the two axes of “importance from management perspective” and “importance from stakeholder perspective.” 19 key issues were identified as a result.

The issues were further categorized into 5 major themes, and a materiality draft was created.



Step 3: Management approval

The materiality draft was discussed at the Group Sustainability Committee, the Group Executive Management Meeting, and the Group’s Board of Directors, where the draft’s issues critical for dentsu were confirmed and the draft approved. Starting this year, we plan to implement initiatives to address materiality, as well as to conduct periodic revisions of materiality in response to changes in social conditions, management policies, and stakeholder expectations.

Value Creation Model

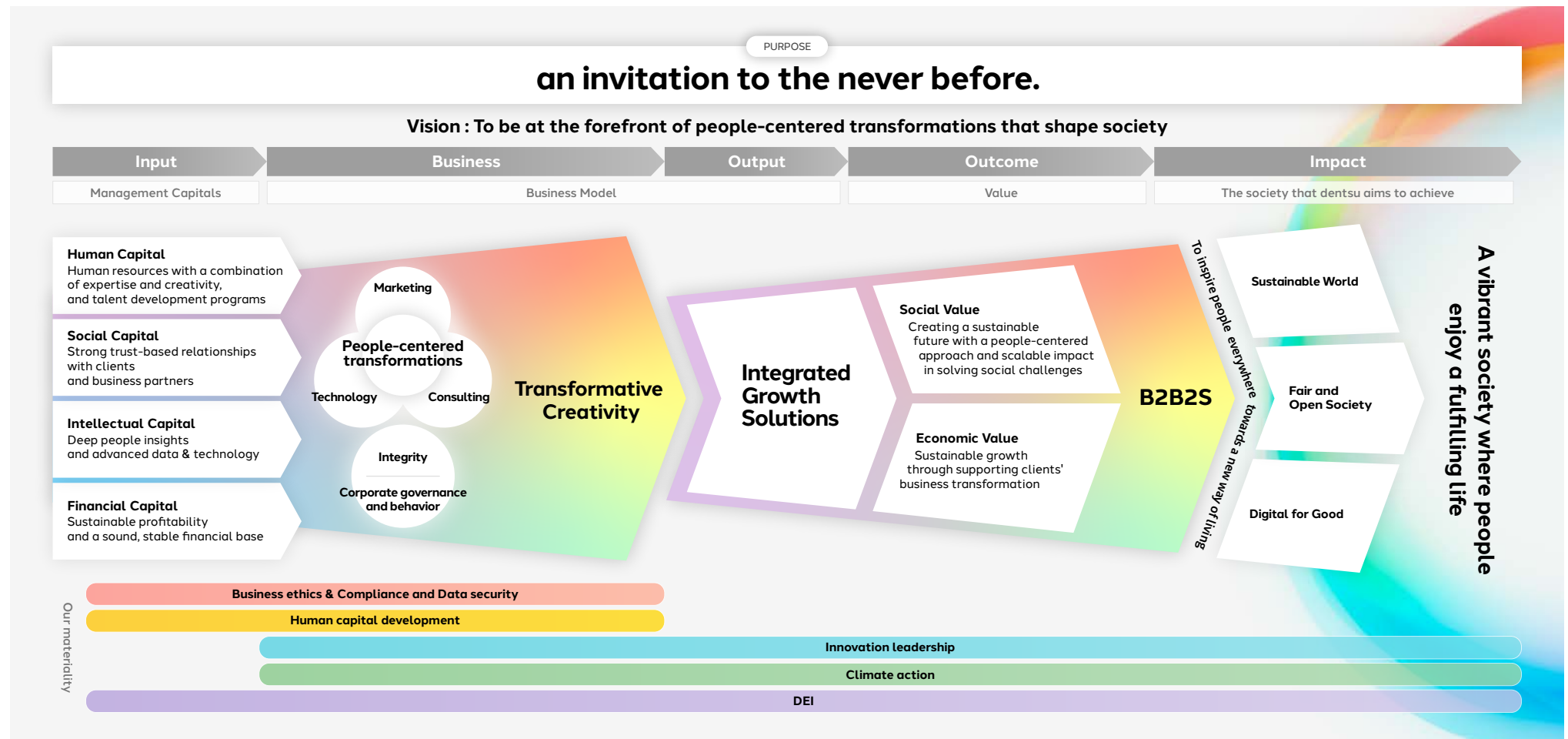
The dentsu Value Creation Model has been formulated to reflect changes in how the Group addresses new material issues as they emerge. The model represents the Group's approach to sustainability.

With our purpose and vision forming the cornerstone of

the Group business activities, our distinctive management resources are the foundation on which our value is created. Meanwhile, our business model is linked to business strategies and Integrated Growth Solutions that leverage the strengths of transformative creativity.

As a B2B2S company that creates economic and social value, we will contribute to the realization of a

vibrant society where people enjoy a fulfilling life. As a group we look to achieve sustainable growth by utilizing management capital for even further value creation that will be enhanced by the growth of dentsu talent and our connection to society.



Diversity, Equity & Inclusion (DEI)

People-centered transformation as a source of competitiveness

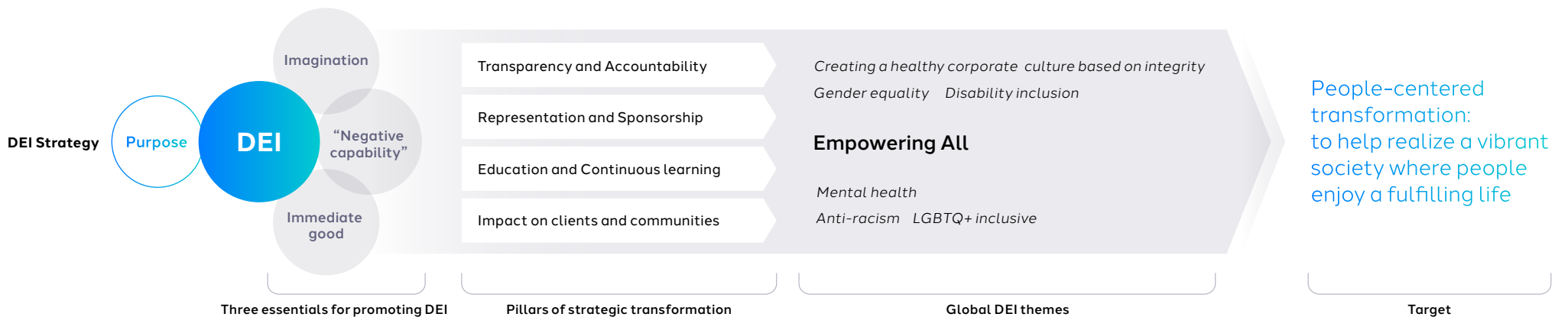
Dentsu’s purpose, “an invitation to the never before.”, cannot be realized without DEI. For us, diversity means not only recognizing the diversity of people, but also creating an environment that nurtures people who can help bring about transformation.

Equity means providing fair opportunities that take into account differences in individual circumstances. Inclusion means bringing together the different strengths of each individual, thus empowering all.

The source of dentsu’s competitiveness lies in the company’s ability to bring together people with diverse perspectives and see that no one has an unfair advantage, so that all can play an active role. This is made clear in the Group’s Code of Conduct, with DEI recognized as the foundation on which our value creation is built.

Dentsu Group Code of Conduct Mutual respect (excerpt)

Dentsu is an anti-racist and anti-biased organization. Through our commitment to Diversity, Equity and Inclusion, we pledge to seek out diverse perspectives, celebrate differences, and build an inclusive culture where everyone is empowered to bring their authentic self to work. We are committed to long-term sustainable change in society and within our business to ensure a culture of fairness, equity and equality for all.



Imagination

This makes us able to embrace differences between others and ourselves, and imagine the world others inhabit. Understanding these differences will help us become more receptive to diverse perspectives.

“Negative capability”*

Facing challenges, and not jumping to conclusions when problems arise. It is important to avoid giving hasty responses to questions that have no right answers, confront adversity together, and learn from others.

*“Negative capability”: Words used by John Keats, a 19th century poet

Immediate good

This refers to the ability to face immediate challenges, and take the necessary actions to resolve them. Resolving immediate issues, one at a time, will lead to social good.

Transparency and accountability

We make ourselves transparent by holding ourselves to account for our actions. Understanding the importance of KPIs allows us to measure and drive progress, while building an inclusive culture.

Representation and sponsorship

We invest in current and future talent. We create a fair workplace for all by attracting a diverse talent and creating an inclusive work environment.

Education and continuous learning

We commit to creating a corporate culture of continuous learning in which all employees—not just the leaders—develop skills through education and learning, and take action for the benefit of others.

Impact on clients and communities

Through our creativity, we are a force for good and growth. We promote inclusive collaboration with our clients, industry, the community, and society at large.

People-centered transformation: to help realize a vibrant society where people enjoy a fulfilling life

B2B2S and higher corporate value

CGO MESSAGE



Arinobu Soga

Representative Executive Officer,
Executive Vice President &
Chief Governance Officer,
Dentsu Group Inc.

Start of One dentsu

As a company with over 120 years of history, ensuring we recognize the structural shifts within our industry and society is in our DNA. We are focusing on meeting our clients' future needs. We have been clear on our view that the future of our industry is greater convergence of marketing, technology and consulting. We have positioned ourselves for this since 2020 with the comprehensive review, the simplification agenda and more recently, in 2023, with the One dentsu philosophy. Under this framework, the entire Group will work as one to accelerate business transformation and operational efficiency.

This structure will also be used to promote business and the governance that supports it, facilitating collaboration that transcends organizational and national borders, in order to enhance the Group's tangible and intangible value.

Significance of the Chief Governance Officer role

We live in a time where corporate social responsibility is increasingly being placed under the spotlight. Although the Group has striven to improve its corporate governance over recent years, we felt a renewed push to address the matter was needed, and to designate a person to spearhead related efforts. Thus, the post of Chief Governance Officer (CGO) was created, coinciding with the announcement of One dentsu.

My remit, as CGO, has several facets, including internal control, compliance, risk management and sustainability. Given the importance of these topics for our stakeholders, I am aware of the weight of responsibility that comes with this position.

My aim as CGO is to improve Group corporate governance and earn the trust of our stakeholders. I believe it is important that our stakeholders see improvements in governance, and that the results are faithfully

communicated for them to judge. This year, as part of our information disclosure, and in addition to the Integrated Report, we began publishing an ESG data book.

Better governance, allied with business growth

The Group's business is to provide integrated solutions that contribute to client development. In addition, through our B2B2S management policy, we have integrated a series of processes into our newly established Value Creation Model, and seek to use business to resolve social issues together with clients.

Business and governance are two sides of the same coin to realize this Value Creation Model, which highlights the need for high quality governance. For this reason, the incident related to the Tokyo 2020 Olympic and Paralympic Games gave the impression that despite its important role in society, the Group suffered from inadequate governance. On behalf of the Group, I hereby offer my sincere apologies for all the concern caused by this incident.

To investigate the events surrounding this incident, in February this year the Group set up a Special Committee staffed by the outside directors. The Special Committee established the Investigation and Review Committee, which comprises three outside experts. This Committee subsequently formulated recommendations to ensure the events involved cannot ever take place again. Based on the advice received, Group executives are taking all possible measures to improve governance.

Effective corporate governance

In consideration of its status as a publicly traded company with global operations engaged in B2B2S, the Group will ensure that the scope of its corporate governance is appropriate.

As of the end of March this year, the Board comprises a majority of independent outside directors with differing skills, backgrounds, genders, and nationalities. In this way we intend to enhance the efficacy of the Board, and ensure it can properly supervise the execution of its duties.

As an additional measure, we have decided to separate the supervisory and executive functions within the Group. To strengthen supervision, we have adopted a board committee structure that includes a Nominating Committee, an Audit Committee, and a Compensation Committee.

Further, we will expand the authority to delegate execution and increase transparency, while accelerating the promotion of business. The following delineates the execution-side structure and initiatives involved.

The highest decision-making body on the execution side is the Group Management Board, responsible for internal control, formulating and monitoring plans in accordance with our basic policies, as well as devising regulations and other internal infrastructure to improve corporate behavior.

The Group Compliance Committee, comprising Group and regional CEOs, is responsible for plan formulation, execution and monitoring, and leads efforts to inculcate awareness of business ethics and compliance among employees.

The Group Risk Committee, led by senior management, is responsible for medium- to long-term strategic risks identification and countermeasure planning. Regional Risk Committees were formed to promote the division of roles, primarily managing operational risks.

The Group Sustainability Committee, comprising a diverse group of experts, is responsible for discussing the achievement of Group KPIs associated with sustainability and ESG.

The fundamental corporate value of our DEI and integrity

Earlier this year, we identified materiality issues critical to achieving dentsu's purpose and sustainable growth. One aspect of such is the critical role played by Diversity, Equity & Inclusion (DEI).

I believe society at large should be inclusive, that it should not exclude based on personal background. In a similar vein, as microcosms of society, companies also need to be inclusive. Since diversity adds a new layer of creation and quality to solutions, with equity supporting diversity and inclusion, DEI sits at the core of the Group as a fundamental corporate value.

To create an environment in which employees—our most important asset—can fully demonstrate their ability and feel motivated, we are recruiting, training, and assigning our talent.

There are a growing number of situations in which experience alone cannot guarantee adequate decision making, given the current instability in the business climate. So, what one might ask, is the one guiding principle employees must adhere to during these tumultuous times?

I believe the answer to this is integrity, as stated in the Dentsu Group Code of Conduct. Integrity means to possess robust moral principles. In sum, we must maintain an environment in which we continually question whether our actions are proper and, if not, then we must correct them, as well as insist others do likewise.

Better governance is something we can all help realize as individuals. With this in mind, I intend to improve the culture and customs by which the Group is directed and controlled. I will focus on realizing a future in which the Group comprises a diverse range of employees who value integrity, and who will participate to the fullest extent of their capabilities.

Medium-term Management Plan

Structural reforms and updated targets

The Medium-term Management Plan, running from 2021 through 2024, has KPI's and targets against four pillars:

- Transformation & Growth
- Operations & Margin
- Capital allocation & Shareholder returns
- Social impact & ESG

The Group has undergone a number of structural reforms over the past two years, with the goal of achieving sustainable growth. This has allowed us to upgrade the 2024 target organic growth rate from a CAGR of 3–4% to 4–5%.

In 2022, the Group reported organic growth of 4.1%, in line with the medium-term guidance. The Group's growth driver, Customer Transformation & Technology (CT&T), grew 17.5% year-on-year (constant currency basis). Strong organic growth combined with four acquisitions in 2022 led CT&T to account for 32.3% of Group net revenue, moving toward the Group target of reaching 50% of revenues from CT&T over time. The capital allocation plan announced in February 2022 created an investment fund for acquisitions to expand the

Group's capabilities in CT&T with funding of between 250 billion and 300 billion yen by 2024.

Our operating margin—an indicator of profitability—reached 18.2% in 2022, exceeding our upgraded medium-term target of 17.0–18.0%. The operating margin was supported by the continued organizational simplification, functional efficiencies and reduction of the Group's property footprint.

We repurchased approximately 40 billion yen worth and retired over 18 million units of our stock, thereby boosting shareholder returns and earnings per share (EPS). In 2022, based on our target dividend payout ratio of 32%, we paid a dividend of 155.25 yen per share, the highest amount since our listing. The medium-term plan targets a dividend payout ratio of 35% by 2024.

Further, in terms of social impact and ESG investing, we reduced CO₂ (Scope 1+2) by 52.8% from 2019 and maintained our 2021 employee engagement score of 68 points. As the Group continues to promote Diversity, Equity & Inclusion in the workplace, we have adopted the goal of having female leaders account for 45% of the Group by 2030.

Focus remains on delivering growth for our clients by providing Integrated Growth Solutions at the convergence of marketing, technology and consulting to maximize corporate value for all of our stakeholders.

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



Transformation & Growth

Organic growth vs. FY2021 through FY2024 CAGR 4–5%.

Customer Transformation & Technology to reach 50% of Group net revenue over time.



Operations & Margin

Operating margin of 17.0–18.0% through FY2023, to reach 18.0% in FY2024.



Capital allocation & Shareholder returns

Progressive dividend, reaching 35% payout ratio of underlying basic EPS by FY2024.

Upper limit of 1.5x Net debt/ Underlying EBITDA at year end (non-IFRS 16 basis); indicative medium-term range of 1.0 to 1.5x.



Social impact & ESG

46% absolute reduction in CO₂ by FY2030, 100% renewable energy by FY2030 (in markets where available).

Improvement in employee engagement score.

Diverse, equal and inclusive workforce; female leaders to reach 45% by FY2030*.

* "Leaders" are defined as directors and executives of the companies across the Group, and the 45% target is set with a 5% flexibility to support diverse perceptions surrounding gender identity and incorporate regionality.