

IMMEDIATE RELEASE

October 28, 2021

The Dentsu Group strengthens its digital marketing expertise in Japan by increasing its stake in Septeni Group to 52%

Dentsu Group Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Toshihiro Yamamoto; Head Office: Tokyo; Capital: 74,609.81 million yen; hereinafter referred to as "the Company") announced today that it will increase its stake in Septeni Holdings Co., Ltd. (Representative Director: Koki Sato; Head Office: Tokyo; JASDAQ Securities Code: 4293; hereinafter referred to as "Septeni HD") to 52.01%, making Septeni HD a consolidated subsidiary.

The transaction will further strengthen the digital marketing business within Dentsu Japan Network (hereinafter referred to as "DJN")^{*1}, bringing expertise and scale in the fast growth digital media market. The transaction strengthens the alliance between Septeni Group and DJN, with the aim of becoming the largest and most advanced digital marketing partner for clients in Japan.

As of January 4, 2022 (scheduled), the Company will acquire an additional 82,887,394 of Septeni HD shares through the following three actions:

- i) Dentsu Direct Inc. will become a wholly owned subsidiary of Septeni HD through a share exchange.
- ii) Dentsu Group Inc. will subscribe to the issuance of new shares through a third-party allocation by Septeni HD.
- iii) Dentsu Group Inc. will transfer a portion of Dentsu Digital Inc. shares to Septeni HD.

As a result, by holding 52.01% of Septeni HD shares on a voting rights basis, the Company will make the Septeni Group companies, (holding company Septeni HD), consolidated subsidiaries. On the same day, Dentsu Direct Inc. will become a wholly-owned subsidiary of Septeni HD with Dentsu Digital Inc. becoming an equity-method affiliate of Septeni HD. Septeni HD will stay listed on JASDAQ and maintain its independent management structure.

1. Reason for acquisition of shares

On October 28, 2018, the Company announced that Septeni HD would become an equity-method affiliate through a capital and business alliance, with Dentsu Group Inc. owning 20.98% of Septeni HD. Over the past three years Septeni Group has worked closely with a number of DJN companies (including Dentsu Digital and Dentsu Inc.) to provide innovative, digital-led solutions. The welcoming of the Septeni Group into the Dentsu Group will further expand the synergies between the two Groups, strengthening digital marketing capabilities while accelerating DJN's evolution into an Integrated Growth Partner (IGP)^{*2} that is committed to the sustainable growth of all clients and society.

The Septeni Group is one of Japan's leading internet advertising agency group focused on the fast growth digital marketing business. Septeni Group boasts a wide client base as well as development capabilities in the data solutions field and manga*³ content in the media platform business. It has established a strong competitive position through expansion of its client portfolio combined with expertise in the recruitment and training of digital experts, utilizing data-driven AI-type personnel systems. As a result, the Septeni Group continued to generate growth in gross profit and non-GAAP operating profit despite the COVID-19 crisis.

There are three specific factors of strategic significance in relation to this deepening of the capital and business alliance.

- i) Accelerating digitalization of the advertising business
 - The integration of Septeni Group's digital expertise will allow DJN to provide more sophisticated digital solutions.
 - The client base of Dentsu Digital and Septeni Group are complimentary – allowing for the expansion of DJN's existing client portfolio in Japan, gaining exposure to high growth mobile and D2C advertisers.
 - The deeper alliance will also enable flexible utilization of expertise, with DJN gaining access to Septeni Group's highly skilled engineers to meet the rapidly increasing demand for digital advertising.
- ii) Strengthen capabilities in customer experience design, commerce and activation.
 - The Septeni Group and DJN will provide best in class programmatic advertising and analysis services to clients
 - By utilizing Dentsu Direct's marketing planning capabilities in online/offline integrated marketing and D2C solutions, Septeni Group and DJN can strengthen their integrated solution offerings.
 - The deployment of Septeni Group's CRM and e-commerce advertising services within DJN will allow DJN's existing clients to build wider and more effective relationships with their consumers.
- iii) Strengthening operations and development of services and products.
 - The Septeni Group has engineers with high expertise based in both Japan and overseas, with offshore locations responsible for advertising operations and creative production.
 - Combining these resources with existing Dentsu Japan Network capabilities will allow for deeper collaborations with platforms, creating innovative, data driven solutions for clients.

Since early 2021 DJN has focused on transforming the business into four business domains (AX, BX, CX, and DX)*⁴. Increasing its stake in Septeni HD will enhance the sophistication of the AX (Advertising Transformation) domain. Operations will expand to the domain that straddles the CX and AX domains, followed by the BX and DX domains, and accelerate its evolution into an Integrated Growth Partner.

The Dentsu Group remains committed to the Medium-term Management Plan and targets announced in February 2021.

2. Additional share acquisition method

- i) Share exchange of 3,900 shares of Dentsu Direct common stock and 12,768,600 shares of Septeni HD common stock (all Dentsu Direct shares are to be transferred to Septeni HD. Dentsu Direct and Dentsu Elfto Architect, currently a subsidiary of Dentsu Direct, are to become subsidiaries of Septeni HD.)
- ii) Subscription for new shares issued by Septeni HD through third-party allocation (total 70,118,794 shares of Septeni HD common stock, amount paid per share: 465 yen, total amount paid: 32,605 million yen)
- iii) Transfer of 3,675 shares of Dentsu Digital common stock to Septeni HD (proportion of voting rights of Dentsu Digital shares: 25.0%, total amount received: 31,250 million yen)

Note: The difference between the amount paid of 32,605 million yen and the amount received of 31,250 million yen is approximately 1.3 billion yen.

3. Profile of SEPTENI HOLDINGS CO., LTD.

Name	SEPTENI HOLDINGS CO., LTD.
Location	Sumitomo Fudosan Shinjuku Grand Tower 30F, 8-17-1 Nishi-shinjuku, Shinjuku-ku, Tokyo, Japan
Representative	Koki Sato, Representative Director
Line of business	Representation and management of the Septeni Group companies through the holding of shares and other means
Capital	2,125 million yen
Date of establishment	October 1990
Number of issued shares	138,916,500 shares (as of the end of September 2021)
Fiscal year-end	End of September
Number of employees	Consolidated group (as of the end of September 2021) 1,251 permanent employees / 1,511 other employees
URL	https://www.septeni-holdings.co.jp/en/

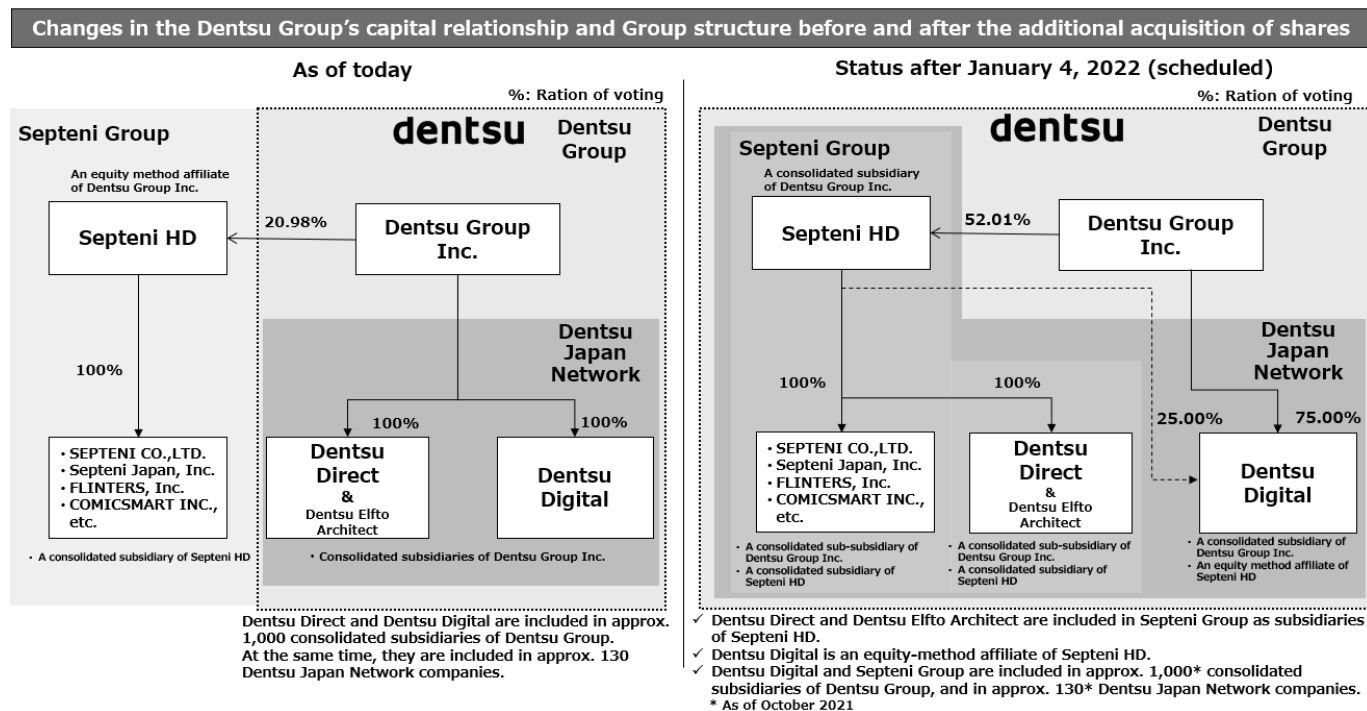
4. Dentsu Group Inc.'s holding of Septeni HD shares before and after the additional acquisition of shares

As of October 28, 2021	26,895,001 shares of common stock (proportion of voting rights held: 20.98%)
After the additional acquisition of shares	109,782,395 shares of common stock (proportion of voting rights held: 52.01%)

5. Schedule

Name Date of conclusion of capital and business alliance agreement	October 28, 2021 (this day)
Effective date of share exchange	January 4, 2022 (scheduled)
Third-party allocation payment date	January 4, 2022 (scheduled)
Share transfer execution date	January 4, 2022 (scheduled)

6. Changes in the Dentsu Group's capital relationship and Group structure before and after the additional acquisition of shares



Reference:

SEPTENI HOLDINGS CO., LTD.: <https://www.septeni-holdings.co.jp/en/>

SEPTENI CO., LTD.: <https://www.septeni.co.jp/en/>

Septeni Japan, Inc.: <https://www.septenijapan.co.jp/>

FLINTERS, Inc.: <https://www.flinters.co.jp/> (Japanese only)

COMICSMART INC.: <https://www.comicsmart.co.jp/> (Japanese only)

Dentsu Group Inc.: <https://www.group.dentsu.com/en/>

Dentsu Digital Inc. : <https://www.dentsudigital.co.jp/> (Japanese only)

DENTSU DIRECT INC.: <https://www.ddir.co.jp/> (Japanese only)

Dentsu Elfto Architect: <https://elfto.com/> (Japanese only)

*1: Dentsu Japan Network (DJN) is an in-house company within Dentsu Group Inc. It also refers to the network itself which consists of approximately 130 Dentsu Group companies in Japan.

<https://www.japan.dentsu.com/en/about.html>

*2: Please refer to this site for details on "Integrated Growth Partner"

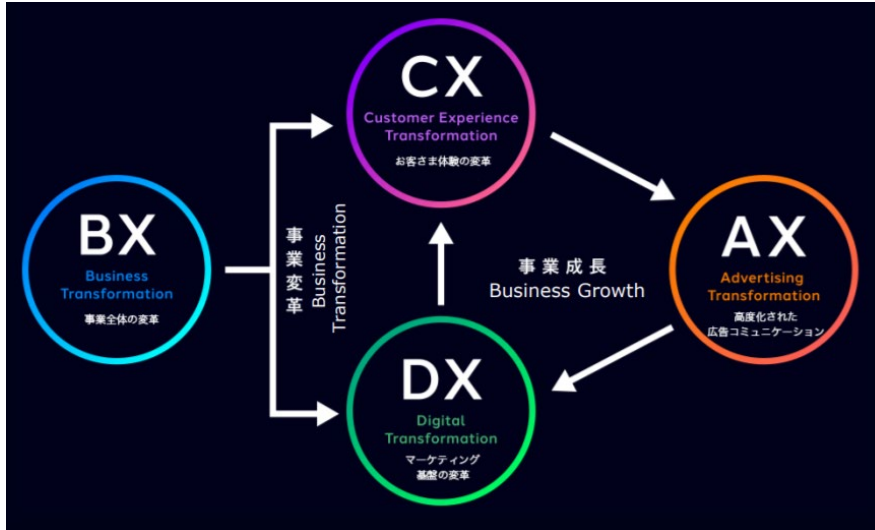
<https://www.japan.dentsu.com/en/>

*3: Manga are Japanese comic books, a very popular art form covering a wide range of genres.

*4: New business domains (AX, BX, CX and DX)

New business domains set based on "the change in business formation" of DJN. DJN is in the process of transforming its business domains into four new business domains (AX, BX, CX and DX) in order to provide client companies with Integrated Growth Solutions of the highest quality and with the most efficient value chain. These solutions are designed to support the growth of client companies from a wider area beyond advertising and marketing, and to contribute to the growth of society as a whole. The specialized services in each domain realized by this transformation and the advanced services across the four domains will bring a cycle of transformation and growth to the business of client companies.

<Japan Business Transformation and Growth Model>



In addition, in order to increase the value created by these four business domains, maximize the power of individual companies, and strengthen its competitiveness, DJN has already implemented or decided to implement various measures to optimize the functions of the DJN companies that make up the Japan business, including the establishment of a virtual organization and grouping the companies from the perspective of areas of expertise and synergies. The main measures are as follows.

AX (Advertising Transformation) domain:

Domain to maximize the sophistication and efficiency of advertising

BX (Business Transformation) domain:

Domain to support the business transformation of client companies

CX (Customer Experience Transformation) domain:

Domain to design and deliver the optimum customer experience

DX (Digital Transformation) domain:

Domain to facilitate transformation of the marketing infrastructure

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