

August 10, 2022

## Dentsu Group releases Integrated Report 2022

Dentsu Group Inc. (Tokyo: 4324; ISIN: JP3551520004; President & CEO: Hiroshi Igarashi; Head Office: Tokyo; Capital: 74,609.81 million yen) announced today the release of its annual Integrated Report 2022.



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


“Maximizing the Dentsu Group's corporate value for all of the stakeholders.” The report includes a message from Hiroshi Igarashi, who assumed the position of President & CEO this year, as well as details of the progress and results of the Medium-term Management Plan, now in its second year, including the upgraded targets announced in February.

In order to evolve into a "Business to Business to Society" company that addresses the business challenges of our clients and the social issues that lie ahead, the report focuses not only on financial information, but also on our people strategy, actions against environmental issues, and social contribution through collaborations with our clients.

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### CEO Message



**Maximizing dentsu Corporate Value— Collaborating with clients to resolve social issues and evolve into a Business to Business to Society (B2B2S) entity generating medium- to long-term value**

**Hiroshi Igarashi**  
Representative Director,  
President & CEO, Dentsu Group Inc.

**The evolution into a B2B2S entity**

This fiscal year, I assumed the role of President and CEO of Dentsu Group Inc. I have worked face-to-face with our clients, typically within the Eigy (account management division), over the past 38 years since joining Dentsu in 1984.

In retrospect, I believe our clients consistently envisioned the need to add value for future generations. Handling proposals that tackle core client issues while maintaining that same perspective often led me to experience both obstacles and friction, but I will never forget the sense of accomplishment whenever those proposed solutions were realized, motivating both society and consumers.

I find that anticipating the social issues transcending our clients' challenges, comprehensively confronting them, and finally proposing and implementing solutions yields the greatest pleasure in our work. That process lies precisely at the heart of "an invitation to the never before," as we discover unique social value for clients and make that value a reality for a future yet unknown. We are driven by the principle of delivering outcomes for our clients and the wider society. In other words, our activities integrate issues concerning Society, transcending the existing B2B into "Business to Business to Society," or B2B2S. This is what defines our Dentsu Group management policy.

A recent example is "Chirbaot," a first of its kind recipe bot which uses AI to tackle food loss by

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### Value creation model of Dentsu Group "Business to Business to Society (B2B2S)"

Dentsu Group's Value Creation Model is rooted in contribution to society through solving client's business challenges.

In order to solve increasingly complex social challenges, it is important to form a community that connects people and organizations that resonate with a single purpose.

Dentsu Group aims to serve as a community member by leveraging its capabilities originating from digital and data technologies, named "Customer Transformation & Technology," and its traditional

strength of Marketing Communication, to provide Integrated Growth Solutions to clients, which organically integrates a breadth of solutions.

Inside Dentsu Group, there are talents with diverse backgrounds and expertise spanning data, technology and innovation.

Individual employees autonomously collaborate within Dentsu Group and with external partners in order to create Integrated Growth Solutions for our clients.

Talent is the largest asset of Dentsu Group. Through new hiring and acquisition, we actively seek to acquire

new talents, while constantly investing in providing a broad range of skill development programs and creating a working environment that enables employees to demonstrate their abilities and ambitions.

Underpinning this series of value-creating processes are our *Northstar* ("an invitation to the never before"), corporate governance that respects stakeholder interests, and the 2030 Sustainability Strategy and Sustainable Business Board (SBB) that provide long-term perspectives.

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## People Strategy

Dentsu Group aims to maximize the potential of its diverse talents, the foundation of its corporate value.

**Our People Policy**  
We believe the growth of the individual drives the growth of the organization. The company's role is therefore to maximize the potential of our talent and invest in our people. Dentsu Group believes each individual has autonomy, which combined with a passion for collaboration, creates a basis for learning, development and growth for all of our people. Dentsu Group is a place where 65,000 individuals come together to be the best they can be. We value and nurture talent within the Group and those who join us, to drive success in everything we do.

**Our Initiatives**  
Providing opportunities where all employees can thrive is a group-wide initiative, rather than one limited to the HR department. We believe it is important to foster a corporate culture that aims high, radically collaborates and promotes personal growth rooted in the spirit of our 8 WAYS to the Never Before ways that we believe are closer to the needs of society and add value to life. This cannot be achieved in the short term; it is the culmination of daily employee experiences that fosters organizational culture. Accordingly, our goal is to incorporate "experiences that expand one's possibilities" in all of our activities. This includes efforts to attract brilliant new talent to our family, to engage with employees to work with good motivation, and to support individuals and teams

to grow. It is also important to promote and develop the capabilities of outstanding leaders, who will be the drivers of corporate culture in all areas. We will foster development to ensure we upgrade the skills and capabilities of our leaders including programs like change leadership, inspiring inclusion and inspiring leadership focused on communications and storytelling. We continue to invest in technology platforms that allow us to see the talent we have across the entire Group, so we can best serve our clients.

Our leaders are our influencers and the drivers of our culture and how we work—investing will drive a virtuous circle to attract even more talent to the Group.

**Attract**  
Competition for talents is intensifying in all industries and markets. In order to transform the business and pivot towards new growth areas, we must attract talent with new and different skills. The Group engages in a wide range of specific activities to respond to differing business needs and HR

**Engage**  
Let everyone be at the top of their game

**Leadership**  
Develop leaders able to tackle teams, the business, and the Group

**Technologies & Data**  
Build human-focused information infrastructure

**Grow**  
Foster development, leading to career growth

**Attract**  
Welcome talented individuals to the Group

**Engage**  
Let everyone be at the top of their game

**Leadership**  
Develop leaders able to tackle teams, the business, and the Group

**Technologies & Data**  
Build human-focused information infrastructure

**Grow**  
Foster development, leading to career growth

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## 2030 Sustainability Strategy

In 2021, we launched our 2030 Sustainability Strategy, created through deep engagement with our stakeholders and an understanding of our material issues as a company and an industry. Our priority focus areas—climate action, sustainable consumption, diversity and inclusion, responsible media and trust—continue to evolve.

**Sustainable world**  
We made strong progress in our decarbonization efforts during 2021, reducing our Scope 1 and 2 emissions by 29.0% against our FY2019 baseline, and by 10.6% compared to FY2020. In FY2021, our market-based Scope 1 and 2 emissions were 24,503 tons of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e), compared to 26,955 tCO<sub>2</sub>e in FY2020 and 33,962 tCO<sub>2</sub>e in FY2019. The reduction was in part due to remote working, but these reductions can be largely attributed to our ongoing commitment to power our operations with 100% renewable electricity, including continued efforts to switch to local renewable tariffs and to procure in-country renewable electricity certificates. Our international operations continue to be powered by 100% renewable electricity, maintaining 100% status. Our Scope 3 emissions against our FY2019 baseline associated with business travel reduced by 87.5%. We also reduced water by 85.1%, waste by 33% and paper by 67.5%. In November 2021, COP26 delegates reminded the world that the window to meet the Paris Agreement goals is closing. The conference was the first time that climate pledges made under the 2015 Paris Agreement were revisited, and resulted in nearly 200 countries supporting the Glasgow Climate Pact, agreeing to cut emissions to prevent going beyond 1.5°C.

Dentsu Group has responded by increasing our level of ambition, setting a deep decarbonization target by 2040 for the international business, which became one of the first companies in the world to have a net-zero target approved. This external validation by The Science Based Targets initiative (SBTi) under their new Net-Zero Standard creates transparency around our commitment and plans. In the lead-up to COP26 and throughout the conference, we advocated for change across business and society. With the Dentsu International Global CEO Wendy Clark in attendance, we supported direct calls to action and deepened our engagement with leading stakeholders and industry efforts like the World Economic Forum and the We Mean Business Coalition. As members of the World Business Council for Sustainable Development (WBCSD), we were also proud to sign the WBCSD Business Manifesto for Climate Recovery. The Manifesto sets out 12 action priorities framed around reducing, removing and reporting emissions, and highlights the importance of public-private collaboration in driving climate action. We were one of 108 members to sign the Manifesto, which inspired the world's most sustainable and

**2030 Sustainability Strategy**

<b>Sustainable world</b> We will achieve the goal to reduce carbon and more sustainable future for all stakeholder groups to join this movement.	<b>Fair and open society</b> We will create a society that is based on trust and respect, and where everyone has the opportunity to thrive.	<b>Digital for good</b> We will ensure the positive potential of communication and technology is realized, building trust and transparency, and enhancing lives.
<b>Climate Action</b> Achieve Net Zero emissions by FY2040.	<b>Sustainable Consumption</b> Expand our carbon footprint to include all stakeholders, and promote responsible choices.	<b>Digital Rights</b> Create a culture of transparency and accountability, and ensure we are in society.
<b>Create Opportunity</b> Expand our diverse and inclusive workforce.	<b>Promote Equality</b> Ensure the inclusion of all groups in our business, and promote equality.	<b>Digital Citizenship</b> Create a culture of transparency and accountability, and ensure we are in society.

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## CASE 2

**Tokyo Game Show 2021 metaverse experience**  
A key has developed for new experiences that can be shared between brands and their consumers. The digital acceleration prompted by COVID-19 boosted the popularity of virtual events, driving the rapid expansion of the XR\* market. At the Tokyo Game Show 2021 Online, one of the largest gaming festivals in the world, the Dentsu Group designed the event's infrastructure. This included the IT system architecture and Virtual Reality (VR) spaces. Our Group-wide experience in event management allowed us to design an event experience befitting the Tokyo Game Show and to over 200,000 attendees. By incorporating cutting-edge data technologies with our strengths in user-focused creativity, we provided our clients and partners with new experiences for their customers, including 3D advertising and VR commerce.

**CASE 3**  
**Space satellite images reduce food waste, regulating supply and demand**  
In order to reduce food waste, Dentsu Group is working with the Japan Aerospace Exploration Agency (JAXA) to use space satellite images to improve supply forecast accuracy of farm products by observing and analyzing their stage of growth. Improved accuracy of supply ensures the quantity of distribution—and therefore prices as well—of seasonal vegetables are more predictable. This creates impact on the marketing behaviors of players in the value chain. Dentsu Group can then ensure that television advertisements are placed for seasonal products in conjunction with the forecasted supply. The coordination between supply and demand reduces food waste. The imagery-related system has been developed through collaboration between a number of companies within the Dentsu Group, including Dentsu Inc., Dentsu Kyushu, Information Services International, Dentsu (SSD) and Data Artist.

\*AR (Augmented Reality), VR (Virtual Reality), MR (Mixed Reality) and HMR (Hologram Mixed Reality)

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## Dentsu Group at a glance

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

**Integrated Growth Solutions**  
Integrating our diverse capabilities across the Group, Delivering top-tier growth for our clients, partners and marketing.

**FY2021 Highlights**  
Net revenue: 976.5 billion yen  
Organic growth rate: 13.1%  
Underlying operating profit: 179.0 billion yen  
Operating margin: 18.3%  
Underlying dividend payout ratio: 30.0%  
Underlying ROE: 13.8%

**Markets**  
Founded in Japan, now operating globally  
c. 145 countries and regions  
Total Group employees: c. 65,000 talents

**Fast-growth area**  
We are well positioned in the fast-growth areas of the market. Group consolidated net revenue generated from CTEI in FY2021: 29.1%.

**Medium-term Management Plan**  
Transformation & Growth  
Organic growth: FY2023 versus FY2020 CAGR 4-5%  
Customer Transformation & Technology to reach 50% of Group net revenue over time  
Operations & Margin  
17.0-18.0% operating margin through FY2023, reaching 18.0% average  
Capital allocation priorities & Shareholder returns  
Group investment in operations, capabilities & services: c. 70 billion yen to FY2024  
Discontinued M&A with 250-300 billion yen from FY2021  
Progressive dividend, reaching 35% payout ratio of underlying basic EPS by FY2024  
Social Impact & ESG  
46% absolute reduction in CO<sub>2</sub> by FY2030 (in markets where operational)  
100% new operating globally  
Dentsu, need a flexible workforce, flexible management to reach 30% by FY2030 (Dentsu Japan Network 20%)  
Dentsu International 50%

**Sustainability**  
Our 2030 Sustainability Strategy  
Sustainable world  
Fair and open society  
Digital for good

**Establishment of Sustainable Business Board** + p. 31  
Independent and diverse board to deliver sustainable growth + p. 39

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