This notice is not being provided in, and copies of it may not be distributed or sent into, the United States.

March 25, 2020
Dentsu Group Inc.
Representative Director and CEO: Toshihiro Yamamoto
(Tokyo Stock Exchange, First Section; Securities Code: 4324)
Contact: Group Corporate Communications Office
Executive Director Shusaku Kannan
TEL：+81-3-6217-6601

Notice of Transfer of Treasury Shares by Private Placement as Dentsu Group accelerates option buy-out of Merkle, resulting in 100% ownership

- **Accelerated Merkle option buy-out and retention scheme for Merkle's key management team deliver single digit accretion of underlying basic earnings per share for FY2020**
- **100% ownership of Merkle allows for acceleration of the final stage of integration as Dentsu Group offering remains centers around Integrated Growth Solutions for our clients.**
- **Dentsu Group treasury shares placed as stock compensation to a small number of Merkle's key management aligning synergies achieved through Merkle becoming a wholly-owned subsidiary.**

(Acquisition of parent company shares by a subsidiary pursuant to Article 135, Paragraph 2, Item 5 of the Companies Act and Article 23, Item 8 of the Ordinance for Enforcement of the Companies Act)

Dentsu Group Inc. (Headquarters: Minato-ku, Tokyo; Representative Director and CEO: Toshihiro Yamamoto; Capital 74,609,810,000 yen; the "Company") hereby provides the following notice, having passed a resolution at a meeting of its board of directors held today to dispose of treasury shares as set forth below.

Accelerating the Merkle option buy-out and adopting the retention scheme for Merkle's key management team result in the transfer of 7,324,500 of Dentsu Group treasury shares. If consummated*, these transactions will consist of:

1. A disposal of treasury shares ("Disposal of Treasury Shares for Merger Consideration") in which OrangeCo Merger Sub, Inc. (hereinafter, "MergerSub"), a wholly-owned subsidiary established by the Company in the United States, will implement an absorption-type merger (a so-called reverse triangular merger under U.S. law; hereinafter, the "Merger") with the Company's U.S. subsidiary "Merkle Group Inc." (Headquarters: State of Maryland, U.S.; Chairman & CEO: David Williams; hereinafter "Merkle"). As consideration for the Merger, cash and common shares of the Company will be delivered to minority shareholders of Merkle in exchange for shares of Merkle, subject certain terms and conditions. Merkle will become a wholly-owned subsidiary of the Company (see I below)
2. A disposal of treasury shares for paying share compensation to the important management of Merkle after the Merger for the purpose of retention ("Disposal of Treasury Shares for Share Compensation") (see II below).

*The consummation of the transaction is subject to (i) the parties entering into definitive agreements and (ii) the satisfaction or waiver of certain conditions as set forth in the definitive agreements

I Disposal of Treasury Shares for Merger Consideration

1. Overview of Disposal

(1) Pay-in period	From April 9, 2020 to April 17, 2020.
(2) Class and number of shares subject to disposal	4,743,300 common shares
(3) Disposal price	2,467 yen per share
(4) Amount of funds procured	11,701,721,100 yen
(5) Method of disposal	Disposal by private placement.
(6) Planned acquirer	MergerSub
(7) Other	The Company has submitted an extraordinary report pursuant to the Financial Instruments and Exchange Act with respect to the Disposal of Treasury Shares for Merger Consideration

2. Purpose of and Reasons for Disposal

(1) Purpose of Disposal of Treasury Shares for Merger Consideration

In 2016, through Dentsu Aegis Network U.S. Holdings Inc. (hereinafter, “DAN US”), the Company acquired a majority stake (approximately 63%) in Merkle, which is one the largest independent U.S. data marketing companies. DAN US is a wholly-owned U.S. subsidiary of Dentsu Aegis Network Limited (hereinafter “DAN”), which is a consolidated subsidiary of the Company that manages overseas business. With respect to the remaining shares of Merkle, certain put options were granted to the respective shareholders (collectively, “Merkle Shareholders”), exercisable starting in 2021, enabling them to require that DAN US acquire their Merkle shares. The expectation was that, after the put options are exercised, Merkle would become a wholly-owned subsidiary of DAN US.

In recent years, amid increasing demand for data marketing at customer companies, Merkle’s services have been steadily growing in scale and have achieved sound growth.

Additionally, Merkle, as a subsidiary leading the CRM field, will play an increasingly important role in the Group Company’s overseas business strategy going forward.

In light of the foregoing circumstances, the Company determined that making Merkle a wholly-owned subsidiary of DAN earlier, without waiting until 2021 when Merkle Shareholders can exercise their put options, and accelerating Merkle’s integration with DAN, will contribute to improving the Group Company’s corporate value. The Company has therefore decided to pursue an alternative transaction with Merkle Shareholders. Specifically, the put options currently held by Merkle Shareholders are expected to be canceled and the Merger is expected to be implemented, with Merkle becoming a wholly-owned subsidiary of DAN US.

Through the Merger, all of the rights and duties of MergerSub will transfer to Merkle and be extinguished, and as consideration for the Merger, each Merkle Shareholder will be paid cash and common shares of the Company in exchange for shares of Merkle, subject to certain terms and conditions. Thus, it is envisioned that, by allotting cash and common shares of the Company to Merkle's shareholders as consideration for the shares of Merkle, Merkle Shareholders will be provided with an opportunity to enjoy any synergies achieved through Merkle's becoming a wholly-owned subsidiary.

The Company's common shares to be delivered as such merger consideration shall be subject to transfer restrictions until the last day of June 2021 in accordance with an agreement expected to be entered into between DAN US and Merkle Shareholders.

<Details of the Purpose of Disposal of Treasury Shares for Merger Consideration>

The acquisition of Merkle by DAN has been transformative, delivering significant commercial and financial benefit. As Dentsu Group shifts towards providing clients with integrated growth solutions we look to further integrate our services into one consistent global offering. The acceleration of the option buyout and final stage of the integration of Merkle provides the Dentsu Group with a strong competitive advantage vs our peers. The decision to purchase the remaining shares of Merkle ahead of the 2021 buyout date brings Dentsu Group two major advantages:

① Securing key personnel

As part of the acceleration of the Merkle option buyout, DAN has agreed an additional stock compensation scheme via Dentsu Group shares for Merkle's key management team under restrictions that will be cancelled on the condition that each member of them receiving common shares stays with Merkle for a certain period (The term of restriction is set from the disposal date to December 31, 2023).

Securing the expertise and knowledge of the team will ensure Merkle continues to produce market leading growth and reduces the risk of attrition of senior management. Retention of key talent will ensure growth for the business going forward and provides clarity and certainty for key Merkle employees.

The move also ensures that Merkle's talent can be deployed across the Dentsu Group into global roles.

② Accelerated integration

Completing the purchase of Merkle one year early allows for DAN to accelerate the final stages of integration of Merkle into the wider group.

In order to ensure our services are market leading and globally consistent, the structure of the international business has been simplified into three Lines of Business, Creative, Media and CRM. Merkle contributes the majority of the revenues within the CRM line of business. However, as the Dentsu Group expands the Integrated Growth Solutions offer across a wider number of our clients, close integration of our internal assets remains key. The ability to deliver integrated solutions to our clients is a key part of our growth strategy going forward and will ensure our services are easier to navigate for our clients.

(2) Schedule of Disposal of Treasury Shares for Merger Consideration

Date of resolution relating to Disposal of Treasury Shares for Merger Consideration	March 25, 2020
Disposal date for Disposal of Treasury Shares for Merger Consideration	Any day from April 9, 2020 to April 17, 2020 (tentative).
Effective date of the Merger	April 17, 2020 (tentative)

(3) Overview of Merkle

(1) Name	Merkle Group Inc.
(2) Address	State of Maryland, USA
(3) Title and name of representative	David Williams, Chairman & CEO
(4) Nature of business	Offering marketing solution by utilizing data and technology
(5) Capital	USD 97 thousand
(6) Date of establishment	Former company was established in 1971. Current management bought out the company in 1988.
(7) Number of issued shares	9.76 million shares
(8) Fiscal year	End of December
(9) Major shareholders and shareholding ratios	DAN US 66%

3. Amount, Purpose of Use, and Planned Payment Date for Funds to be Procured

(1) Amount of funds to be procured

Total disposal price (yen)	Estimated issuer expenses (yen)	Estimated net proceeds (yen)
11,701,721,100 yen	-	11,701,721,100 yen

(2) Specific purpose of use of funds to be raised

The purpose of the Disposal of Treasury Shares for Merger Consideration is to enable MergerSub, which is a party to the Merger, to acquire the common shares of the Company necessary for the implementation of the Merger (a so-called reverse triangular merger under U.S. law). Accordingly, there is no specific purpose of use of the estimated net proceeds of 11,701,721,100 yen set forth above. It is planned that such funds will be allocated to the Company’s working capital, and they will be managed in the Company’s bank deposit account until the time of actual payment.

4. Reasonableness of Use of Funds

The Disposal of Treasury Shares for Merger Consideration, as set forth in 2. Purpose of and Reasons for Disposal, is a transaction for the purpose of implementing the Merger, and is not intended to be for raising funds.

5. Reasonableness of Disposal Conditions

(1) Basis for Calculation of Disposal Price and Specifics Thereof

The disposal price has been set at 2,467 yen (rounded down to the nearest whole yen), which is the average closing price of the Company's common shares on the Tokyo Stock Exchange ("TSE") for the one-month period immediately preceding the date of the resolution of the board of directors relating to the Disposal of Treasury Shares for Merger Consideration ("Board of Directors Resolution Date").

The disposal price of 2,467 yen represents a 12.0% premium on 2,203 yen, which was the closing price of the Company's common shares on the TSE on the day preceding the Board of Directors Resolution Date, a 24.3% discount on 3,257 yen, which was the average closing price of the Company's common shares on the TSE for the three-month period preceding the Board of Directors Resolution Date (rounded down to the nearest whole yen), and a 31.5% discount on 3,602 yen, which was the average closing price of the Company's common shares on the TSE for the six-month period preceding the Board of Directors Resolution Date (rounded down to the nearest whole yen).

The disposal price was set at the average closing price for the one-month period immediately preceding the Board of Directors Resolution Date because the Company published the "Dentsu Announces Business Restructuring in 7 International Markets, and Changes to the Forecast of Financial Results for the Fiscal Year Ending December 31, 2019" on December 16, 2019 and the "Notice of Recording of Impairment Loss and Revision of Business Performance Forecasts for the Fiscal Year Ending December 2019" on February 12, 2020, and in the time since then the share price presumably has taken into account the Company's recent business performance trends, and, in light of instability in the stock market, it was thought that adopting the average of a certain period, rather than referring to a specific point in time, can eliminate the impact of temporary price fluctuations, and provides a highly objective and reasonable basis for calculation.

In regard to the disposal price calculated in accordance with the foregoing, according to the "Guidelines for Private Placements to a Third Party" of the Japan Securities Dealers Association (enacted April 1, 2010), in principle, the disposal price in an issuance of shares by way of private placement (including disposal of treasury shares; hereinafter the same)—while using as a standard the price as of the business day immediately preceding the board of directors resolution date relating to the issuance of shares (if no trades were made on the immediately preceding business day, then the price on the most recent date before such immediately preceding business day) and taking into account such factors as price or sales volume on the most recent date or immediately preceding date—can be a price that is no less than 90% of the average price for an appropriate period for deciding the pay-in amount, starting from at day at most six months prior to the resolution date and ending on the day immediately preceding the resolution date. The Company has concluded that the disposal calculated as above is consistent with the foregoing and is reasonable.

With respect to the above disposal price, the Company's Audit and Supervisory Committee has represented its opinion that the setting of the disposal price in accordance with the basis for calculation set forth above was reasonable and appropriate and is in accordance with the "Guidelines for Private Placements to a Third Party" of the Japan Securities Dealers Association, and that the disposal price is not especially advantageous to the planned acquirer.

(2) Grounds for Determining that the Number of Shares Subject to Disposal and Extent of Dilution are Reasonable

The total number of the Company's common shares to be disposed of through the Disposal of Treasury Shares for Merger Consideration is 4,743,300 shares, and the dilution ratio of 1.64% (rounded to the second decimal place; 1.71% of a total of 2,766,233 voting rights) with respect to the 288,410,000 total outstanding shares of the Company as of December 31, 2020 is small; accordingly, it is thought that the impact on share dilution and market liquidity will be minor. Further, it is thought that the Merger is expected to deliver single digit accretion of underlying basic earnings per share for FY2020. The merger will also contribute to increasing the Company's corporate value by enhancement of the Company's consolidated management systems and through optimal and efficient usage of management resources, and therefore the Company has determined that the number of shares subject to disposal and the extent of share dilution are reasonable.

6. Reasons for Selection of Planned Acquirer

(1) Overview of Planned Acquirer (as of March 25, 2020)

(1) Name		OrangeCo Merger Sub, Inc. (MergerSub)
(2) Address		State of Maryland, United States
(3) Title and name of representative		Sean Creamer, Director
(4) Nature of business		Established by the Company for the Merger
(5) Capital		USD 100
(6) Date of establishment		March 18, 2020
(7) Number of issued shares		100 shares
(8) Settlement period		End of December
(9) Number of employees		Not applicable.
(10) Major transaction counterparties		Not applicable.
(11) Major transacting bank		Not applicable.
(12) Major shareholders and shareholding ratios		Dentsu Aegis Network U.S. Holdings, Inc.（100%）
(13)		
	Capital relationships	Through DAN, the Company's 100% subsidiary, and DAN US, DAN's 100% subsidiary, the Company holds 100% voting rights of MergerSub.
	Personal relationships	Not applicable.
	Transactional relationships	Not applicable.
	Applicability as interested party	MergerSub is an interested party as it is one of the Company's consolidated companies.
(14) Business performance results and financial condition for most recent three years (consolidated)		Not applicable as the company has just been established.

(Note) MergerSub, the planned acquirer, is a wholly-owned U.S. subsidiary of the Company. As set forth in "IV Matters Relating to Internal Control Systems, 2. Basic Thinking Concerning Elimination of Anti-Social Forces and Status Thereof" of the Corporate Governance Report (January 8, 2020), submitted to the TSE, the Company maintains no relationship with any antisocial force or group, and has established a responsible department in charge, and partners with internal and external cooperative liaisons, to resolutely refuse any demands made by anti-social forces or groups. Further, in response to the enforcement of the "Ordinance for Elimination of Organized Crime Groups" by all prefectural level governments since October 2011, the Company revised its internal rules and established systems for the elimination of Organized Crime Groups, and also implemented verification operations to ensure that no transaction counterparty is an organized crime group-related person. In light of the foregoing, the Company has confirmed that neither MergerSub nor any of its officers is an anti-social force or an anti-social force-related person, and submitted a confirmation letter to the TSE to that effect.

(2) Reasons for Selection of Planned Acquirer

As set forth above in "2. Purpose of and Reasons for Disposal", the purpose of the Merger is to make Merkle a wholly-owned subsidiary of DAN at an earlier than expected date and accelerate the integration of Merkle into DAN. The Company selected a so-called reverse triangular merger under U.S. law as the specific method for the Merger because it is possible to make Merkle a wholly-owned subsidiary of the Company (the direct parent company will be DAN's wholly-owned U.S. subsidiary DAN US), to allot cash and common shares to Merkle Shareholders as consideration for Merkle shares. This provides Merkle shareholders with an opportunity to enjoy the synergies of being owners of the Dentsu Group, in conjunction with being a wholly-owned subsidiary of Merkle. For this reason, the Company selected MergerSub, which is carrying out the Merger with Merkle, as the planned acquirer for the Disposal of Treasury Shares for Merger Consideration.

(3) Ownership Policies of Planned Acquirer

It is planned that MergerSub, the planned acquirer, will use the common shares of the Company allotted to it as consideration for the Merger; however, if any common shares of the Company allotted to MergerSub are not used as consideration for the Merger as a result of the handling of fractions etc. in accordance with the provisions of the agreement for the Merger, MergerSub plans to dispose of such shares at a reasonable time in accordance with Article 135, Paragraph 3 of the Companies Act.

(4) Confirmed Matters Concerning Existing of Assets Required for Payment by Planned Acquirer

The Company has received a report from MergerSub, the planned acquirer, that going forward MergerSub plans to allocate the pay-in amount for the common shares that MergerSub plans to issue or dispose of by way of a private placement scheduled to be carried out by MergerSub to DAN US. For this reason, the Company has determined that there are no obstacles to the payment for the allotment of the Disposal of Treasury Shares for Merger Consideration.

7. Major Shareholders and Shareholding Ratios after the Disposal

Before the disposal (as of December 31, 2019)	
The Master Trust Bank of Japan, Ltd. (Trust accounts)	12.84%
Kyodo News	6.86%
Japan Trustee Services Bank, Ltd. (Trust accounts)	5.88%
Jiji Press, Ltd.	5.84%
Japan Trustee Services Bank, Ltd. (Trust account 9)	3.22%
Group Employees' Stockholding Association	2.18%
Yoshida Hideo Memorial Foundation	1.80%
Recruit Holdings Co., Ltd.	1.78%
Northern Trust Co. (AVFC) Sub A/C American Clients	1.59%
Tokyo Broadcasting System Television, Inc.	1.44%

(Note)

1. This information is based on the shareholder register as of December 31, 2019.
2. In addition to the above, the Company holds 11,522,056 treasury shares (as of December 31, 2019).
3. Common shares to be allotted for the Disposal of Treasury Shares for Merger Consideration are not intended for long-term holdings. Major shareholders and shareholding ratios after disposal are not presented.

8. Outlook Going Forward

The impact of the Disposal of Treasury Shares for Merger Consideration on the consolidated business performance of the Company for the fiscal year ending December 2020 will be minor.

9. Matters Relating to Procedures for Corporate Code of Conduct

Because the Disposal of Treasury Shares for Merger Consideration (i) has a dilution ratio of less than 25%, and (ii) does not involve a change in controlling shareholder, third-party opinions and shareholder polling as specified in the Article 432 of the TSE’s Securities Listing Regulations will not be required.

10. Business Performance and Equity Finance in the Past Three Years

(1) Business Performance in in the Past Three Years (Consolidated) (Unit: millions of yen).

	Fiscal year ended December 2017	Fiscal year ended December 2018	Fiscal year ended December 2019
Sales*	5,187,300	5,357,278	5,146,802
Revenue	928,841	1,018,512	1,047,881
Operating profit	137,392	111,638	(3,358)
Net profit attributable to parent company shareholders	105,478	90,316	(80,893)
Net profit per share	373.11	320.39	(287.92)

Dividend per share (yen)	90.00	90.00	95.00
Net assets per share (yen)	3,878.03	3,716.33	3,523.11

* Sales is the sum of the amounts of claims billed to the Group Company's customers the total claimable amount against customers (excluding discounts and consumption taxes and other related taxes). Because the management considers sales information to be useful for persons using the financial documents, the disclosures are not IFRS-compliant, but the Company has made voluntary disclosures in its consolidated income statement.

(2) Current Number of Outstanding Shares and Number of Potential Shares (as of December 31, 2019)

	Number of shares	Percentage of outstanding shares
Outstanding shares	288,410,000 shares	100.00%
Number of potential shares at current conversion price (exercise price)	—	—
Number of potential shares at minimum conversion price (exercise price)	—	—
Number of potential shares at maximum conversion price (exercise price)	—	—

(3) Recent Share Prices

① Share Prices over the Past Three Years

	Fiscal year ending December 2017	Fiscal year ending December 2018	Fiscal year ending December 2019
Opening price	5,470 yen	4,775 yen	4,695 yen
Highest price	6,550 yen	5,710 yen	5,350 yen
Lowest price	4,425 yen	4,330 yen	3,310 yen
Closing price	4,775 yen	4,905 yen	3,775 yen

② Share Prices in the Past Six Months

	September	October	November	December	January	February
Opening price	3,605 yen	3,780 yen	3,855 yen	4,005 yen	3,655 yen	3,590 yen
Highest price	4,030 yen	3,970 yen	4,185 yen	4,220 yen	3,840 yen	3,790 yen
Lowest price	3,585 yen	3,575 yen	3,855 yen	3,700 yen	3,560 yen	2,790 yen
Closing price	3,805 yen	3,890 yen	3,970 yen	3,775 yen	3,660 yen	2,812 yen

③ Share Price on Trading Day Immediately Preceding the Date of Resolution for Disposal

	As of March 24, 2020
Opening price	2,113 yen
Highest price	2,206 yen
Lowest price	2,052 yen
Closing price	2,203 yen

(4) Status of Equity Finance in the Past Three Years

① Disposal of Treasury Shares by Private Placement in Conjunction with Introduction of Performance-Linked Share Compensation System

Disposal date	May 31, 2019 (Friday)
Total disposal price	654,750,000 yen
Disposal price	4,365 yen
Number of issued shares at time of disposal	288,410,000 shares
Number of shares subject to disposal	150,000 common shares
Number of issued shares after disposal	288,410,000 shares
Planned acquirer	Trust & Custody Services Bank, Ltd. (Trust E Account)
Initial use of funds at time of disposal	Not applicable.
Planned payment date at time of disposal	Not applicable.
Current state of application of funds	Not applicable.

② Disposal of Treasury Shares by Private Placement in Conjunction with Application of Performance-Linked Share Compensation System

Disposal date	March 5, 2020 (Thursday)
Total disposal price	817,650,000 yen
Disposal price	3,555 yen
Number of outstanding shares at time of disposal	288,410,000 shares
Number of shares subject to disposal	230,000 common shares
Number of outstanding	288,410,000 shares

shares after disposal	
Planned acquirer	Trust & Custody Services Bank, Ltd. (Trust E Account)
Initial use of funds at time of disposal	Not applicable.
Planned payment date at time of disposal	Not applicable.
Current state of application of funds	Not applicable.

II Disposal of Treasury Shares for Share Compensation

1. Overview of Disposal

(1) Disposal date	From April 17 to April 30, 2020
(2) Class and number of shares subject to disposal	2,581,200 common shares
(3) Disposal price	2,467 yen per share
(4) Total disposal price	6,367,820,400 yen
(5) Planned acquirer	25 important members of Merkle’s management: 2,581,200 common shares
(6) Other	The Company has submitted an extraordinary report pursuant to the Financial Instruments and Exchange Act with respect to the Disposal of Treasury Shares for Share Compensation.

2. Purpose of and Reasons for Disposal

In making Merkle a wholly-owned subsidiary of the Company as set forth in I above, the Company decided to grant common shares of the Company to David Williams, Chairman & CEO, and other important members of Merkle’s management team (“Merkle Key Management Team”) as share compensation for the purpose of retaining the Merkle Key Management Team. In accordance with an agreement between DAN and Merkle Key Management Team common shares of the Company paid as share compensation will be subject to transfer restrictions that will be cancelled on the condition that each member of the Merkle Key Management Team receiving common shares stays with Merkle for a certain period (The term of restriction is basically from the allotment date to December 31, 2023). As a result, the Company expects that in addition to being able to retain the Merkle Key Management Team for the duration of such period, the growth of the Group Company’s overseas business and the motivation of the Merkle Key Management Team to expand business will be improved.

In the Disposal of Treasury Shares for Share Compensation, the Company will deliver common shares of the Company to each member of the Merkle Key Management Team in exchange for monetary claims paid as officer compensation to each member of the Merkle Key Management Team being paid to the Company as an in-kind contribution.

3. Basis for Calculation of Disposal Price and Specifics Thereof

To eliminate arbitrariness from the price, the disposal price has been set at 2,467 yen, which is the average of the closing price (rounded down to the nearest whole yen) of the Company's common shares on the Tokyo Stock Exchange ("TSE") for the one-month period immediately preceding the date of the resolution of the board of directors relating to the Disposal of Treasury Shares for Merger Consideration ("Board of Directors Resolution Date").

As set forth above in "I Disposal of Treasury Shares for Merger Consideration, 5. Reasonableness of Disposal Conditions, (i) Basis for Calculation of Disposal Price and Specifics Thereof", the Company has determined that this disposal price is reasonable.

End of Document

For Additional Inquiries

	Tokyo	**London**
Media – Please contact Corporate Communications:	Shusaku Kannan: +81 3 6217 6602 s.kannan@dentsu.co.jp	Dani Jordan: +44 744 7828 Dani.Jordan@dentsuaegis.com
Investors & analysts – Please contact Investor Relations:	Yuji Ito: +81 3 6217 6613 y.ito@dentsu.co.jp	Kate Stewart: +44 (0)203 535 8237 Kate.Stewart@dentsuaegis.com