# Corporate Governance Report

Last Update: December 17th, 2015
Dentsu Inc.
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Securities Code: 4324
http://www.dentsu.com/

The status of Dentsu's corporate governance is as follows.

## *I* Basic Policy for Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

### 1. Basic Policy

Dentsu Inc. (the "Company") will put effective corporate governance into practice based on the following basic policy in order to fulfill its responsibilities to its stakeholders (such as its shareholders, clients, employees and local communities) and to ensure sustainable growth and enhance mid- to long-term corporate value.

(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 mid- to long-term interests of shareholders

As part of such efforts, the Company will change its governance structure into a company with an audit and supervisory committee at the 167th Ordinary General Meeting of Shareholders to be held in March 2016, upon approval of changes to the Articles of Incorporation and other necessary items, in order to (i) promote expeditious decision-making by delegating certain authority from the board of directors to the management (i.e., executive officers), (ii) strengthen the monitoring function of the board of directors with respect to business execution and (iii) enhance effectiveness of auditing and internal control.

With such change, the board of directors will shift to a body that mainly performs a monitoring function with respect to management and enhance corporate value by encouraging executive directors and officers to make expeditious and resolute business decisions.

Furthermore, at the November 2015 meeting of the board of directors, the Company established a Corporate Governance Policy premised on a transition into a company with an audit and supervisory committee. For the Company's response policy to the Corporate Governance Code after the transition, please refer to the Corporate Governance Policy.

☞ Corporate Governance Policy http://www.dentsu.com/whoweare/cgp.html

**[Reasons for not Implementing Certain Principles of the Code]**

[Principle 3.1 v) Explanations with respect to the individual appointments and nominations in the board's appointment of the senior management and the nomination of directors and audit & supervisory board members candidates]

The reasons for the nomination of each outside director or outside audit & supervisory board member candidate are described in the reference material of a general meeting of shareholders. Convocation notices for general shareholders' meetings following the 167th Ordinary General Meeting of Shareholders to be held in March 2016 shall also describe the reasons for the appointments of director candidates other than outside directors.

[Principle 4.7 Roles and responsibilities of independent directors] [Principle 4.8 Effective use of independent directors] [Supplementary Principle 4.8.1 Information exchange and awareness sharing among independent directors] [Supplementary Principle 4.8.2 Development of a structure for communicating with management and cooperating with corporate auditors or corporate auditor board by independent directors] [Supplementary Principle 4.10.1 Involvement and advice of independent directors for examination of such important matters as nominations and remuneration]

Under the current structure (company with an audit & supervisory board), the Company incorporates a

monitoring function carried out by the audit and supervisory board. Therefore, the Company considers attributes such as having sufficient understanding with respect to Dentsu's specialization and particularities in business and extensive experience and knowledge in management, and being able to grasp the Company's management from a panoramic viewpoint and offer opinions and advice from a broader perspective to be suitable attributes for outside directors. The Company expects such outside directors to contribute to improving the Company's corporate value.

Going forward, in order to achieve more effective corporate governance aimed at enhancing the Company's sustainable growth and corporate value, the Company will make the transition from a company with an audit & supervisory board to a company with an audit and supervisory committee at the 167th Ordinary General Meeting of Shareholders to be held in March 2016. At the same time, the Company will nominate three outside directors who satisfy the independence standards formulated by the Company and will aim to develop a structure to respond to the respective principles.

[Supplementary Principle 4.11.3 Analysis and evaluation of the board's effectiveness as a whole and disclosure of the summary of the results]

While the Company currently does not do so, after making the transition to a company with an audit and supervisory committee, directors will conduct a self-evaluation every year with respect to the effectiveness and appropriateness of the board of directors' monitoring of the management of the Company and the performance of their own duties as directors. The board of directors will analyze and evaluate the effectiveness of the board of directors as a whole based on the results of the self-evaluation conducted by each director. An overview of such analysis and evaluation will be disclosed.

**[Disclosure based on the principles of the corporate governance code]**

[Principle 1.4 Shares owned by the company on account of business relationships]

In order to enhance mid- to long-term corporate value by maintaining and strengthening business relationships with its business partners and other similar parties, it is possible that, apart from pure investment, the Company will hold shares in listed companies that are the Company's business partners.

Of such shareholdings strategically held by the Company, with respect to important shareholdings, the board of directors shall examine the purpose and economic rationale for owning such shares every year, considering growth, profitability, business relationship and other relevant factors in light of restricting risks in owning the shares, capital efficiency and other issues. It is the Company's basic policy to sell such shares with the thorough understanding of the relevant business partners if the board of directors decides that there is no rationale for owning them. The Company may also sell such shares strategically owned by the Company considering the market environment, management and financial strategies and other relevant factors even if there is a rationale for owning them.

The Company shall exercise the voting rights of such shares at general meetings of shareholders of the relevant companies considering, on a proposal-by-proposal basis, the enhancement of corporate value of such companies and the mid- to long-term increase in economic profit of the Company and its group companies, taken as a whole, to ensure appropriate voting. With respect to important shareholdings strategically held by the Company, how the votes of such shares are exercised shall be reported to the board of directors.

[Principle 1.7 Related Party Transactions]

The rules of officers of the Company provide that directors who enter into business competition transactions or conflict of interest transactions stipulated in the Companies Act with the Company shall explain the transactions to the board of directors and obtain approval from the same. The rules also provide that such directors shall report the status of such transactions thereafter. The board of directors shall strictly implement the rules and appropriately monitor the relevant transactions.

In addition, apart from the transactions stipulated in the Companies Act, the Company shall submit a questionnaire to each director once a year to ascertain whether there is any transaction between the Company and any directors of the Company or consolidated subsidiaries or their close relatives. Other related party transactions, including those with major shareholders, shall be properly disclosed in accordance with applicable laws and regulations, such as the Companies Act or the Financial Instruments and Exchange Act, and applicable rules of the Tokyo Stock Exchange.

[Principle 3.1 i) Company Objectives (e.g., business principles), business strategies and business plans]

Under the corporate philosophy of the Company group, "Good Innovation.," the Company shall offer value to clients by resolving their problems through its core competence in the field of marketing communication. Further, the Company shall not only bring brightness and energy to the world, but shall also aim to create new social value

and realize a sustainable society by putting its corporate philosophy into practice against continuous challenges.

To realize the above, pursuing the best corporate governance is important. The Company shall ensure sustainable growth and enhance the mid- to long-term corporate value through transparent and fair decision-making, effective use of management resources and expeditious and resolute decision-making.

Please also refer to the Company's website.

☞Corporate philosophy http://www.dentsu.com/whoweare/philosophy.html

☞Medium-term management plan http://www.dentsu.com/ir/data/slides/2013EA2/index.html

[Principle 3.1 ii) Basic views and guidelines on corporate governance]

To realize the Company's aim to create new social value and realize a sustainable society, pursuing the best corporate governance is important. The Company shall ensure sustainable growth and enhance the mid- to long-term corporate value through transparent and fair decision-making, effective use of management resources and expeditious and resolute decision-making.

For the above purposes, the Company shall work on enhancing corporate governance in accordance with the basic concepts below.

(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 mid- to long-term interests of shareholders

For the basic policy premised on the transition to a company with an audit and supervisory committee, please refer to *I*-1. Basic Policy.

[Principle 3.1 iii) Board policies and procedures in determining the remuneration of the senior management and directors]

Concerning remuneration for directors (excluding outside directors), a performance-linked framework is in place that takes into account encouragement of achieving goals set forth in the medium-term management plan in order to focus on the mid- to long-term profit of shareholders and to enhance motivation for maximizing the corporate value of the Company.

The portion of the performance-linked bonus under the model business results accounts for 40% of the total remuneration, the index for performance evaluation of business results is consolidated operating profit, and the total amount of bonus remuneration varies in accordance with the level of achievement of the budget. Each director's remuneration shall be determined by a resolution of the board of directors.

The total of fixed monthly remuneration and performance-linked bonuses will be within the limit of remuneration (1.2 billion yen per year (of which up to 18 million yen per year is applied to outside directors)) approved at the 164th Ordinary General Meeting of Shareholders. Remuneration to outside directors, however, will consist solely of fixed monthly remuneration because of the nature of their duties.

The Company is considering changing this system since remuneration of directors who are members of the audit and supervisory committee will be required to be determined separately from the other directors after making the transition to a company with an audit and supervisory committee. The new budget for remuneration and other necessary matters are to be approved at the ordinary general meeting of shareholders to be held in March 2016.

[Principle 3.1 iv) Board policies and procedures in the appointment of the senior management and the nomination of directors and corporate auditor candidates]

Standards in nominating director (excluding outside director) candidates shall be stipulated in the rules of officers of the Company, and those who have the attributes stated below shall be nominated as such candidates.

(1) A person who is able to make determinations from a company-wide viewpoint
(2) A person who has expertise with respect to the Company's business
(3) A person who has remarkable business judgment and ability in business execution
(4) A person who has remarkable leadership, foresight and decision and planning ability
(5) A person who has character and insight suitable for directors

Standards in nominating audit & supervisory board members (excluding outside audit & supervisory board members) candidates shall be stipulated in the rules of officers of the Company, and those who have the attributes stated below shall be nominated as such candidates.

(1) A person who has the ability to legally and managerially understand the duties of audit & supervisory board members

(2) A person who is able to make determinations from a company-wide viewpoint
(3) A person who has remarkable problem-solving and leadership abilities
(4) A person who fulfills other requirements deemed necessary as audit & supervisory board members

Standards in nominating outside director and outside audit & supervisory board members candidates shall be stipulated in the rules of officers of the Company, and those who have the attributes stated below shall be nominated as such candidates.

(1) A person who has extensive experience in management or who is a professional in legal, accounting, finance and other such fields
(2) A person who can be independent of the representative director of the Company
(3) A person who has character and insight suitable for outside directors or corporate auditors

In nominating directors, including outside directors, the representative director will submit his candidate plan and candidates shall be decided upon by the board of directors. In nominating audit & supervisory board members, including outside audit & supervisory board members, the representative director will submit his candidate plan and, upon deliberation and approval of the audit and supervisory board consisting of a majority of outside audit & supervisory board members, candidates shall be decided upon by the board of directors.

After the transition to a company with an audit and supervisory committee, in nominating directors, including outside directors, the representative director will submit his candidate plan and, in order to secure transparency, explain to the independent outside directors, who are audit and supervisory committee members, the reason, suitability and other factors for such nomination. Considering the opinions of such independent outside directors, candidates shall be decided upon by the board of directors.

[Supplementary Principle 4.1.1 Scope delegated to the management]

In order to establish an expeditious and effective business execution system, the Company has (a) clarified in its rules those matters that must be decided by the board of directors under applicable laws and regulations and those matters that are considered to be appropriate to be decided by the board of directors, and (b) established the executive management committee that consists of the representative director and executive officers, including executive directors, and that deliberates on (i) important business matters, excluding those matters that must be decided by the board of directors, and (ii) matters to be decided by the board of directors before deliberation by the board of directors.

The business execution system is divided into the Japan business sector and international business sector, and each has responsibility for profit and authority delegated by the board of directors. In addition, committees to which the executive management committee has delegated its authority are regarded as principal committees. In this regard, the business supervision committee was established in the Japan business sector and the Dentsu Aegis Network Board was established in the international business sector.

Along with the transition to a company with an audit and supervisory committee, the board of directors of the Company will delegate more authority under the amended Articles of Incorporation in order to promote expeditious decision-making and strengthen the monitoring function by the board of directors.

[Principle 4.8 Effective use of independent directors (policy for efforts when it is deemed necessary to appoint at least one-third of directors as independent directors)]

After making the transition to a company with an audit and supervisory committee, the number of directors will be nine (no more than 15 as the Articles of Incorporation stipulate) and three directors (one third of the total members of the board of directors) will be independent outside directors.

[Principle 4.9 Independence standards and qualification for independent directors]

The Company established Independence Standards for Outside Directors at Dentsu Inc. in November 2015. Please refer to the Company's website.

☞Independence Standards http://www.dentsu.com/whoweare/isod.html

[Supplementary Principle 4.11.1 View on the appropriate balance between knowledge, experience, and skills of the board as a whole and on diversity and appropriate board size]

The Company's Articles of Incorporation stipulate the number of directors to be no more than 15, and as of December 1, 2015, 11 directors (of which two are outside directors) comprise the board of directors.

Diversity in experience, insight and ability are among the factors that will be considered in nominating members of the board of directors.

[Supplementary Principle 4.11.2 Concurrent posts as officers at other listed companies]

Directors and audit & supervisory board members may concurrently serve as directors, corporate auditors or officers of other listed companies only to the reasonable extent that they are able to devote their necessary time

and effort to appropriately fulfill their roles and responsibilities as officers of the Company and after following necessary procedures (including obtaining approval by the board of directors in the case of directors). Important concurrent posts of directors and audit & supervisory board members will be disclosed in the reference material of the relevant general meeting of shareholders and a business report under applicable laws and regulations, as well as on the Company's website.

☞ Important concurrent posts of directors and audit & supervisory board members
http://www.dentsu.com/whoweare/summary/directors/concurrentposts.html

[Supplementary Principle 4.14.2 Training policy of directors and corporate auditors]

Directors and executive officers shall be given opportunities for gaining indispensable knowledge for their offices and for continuous training so that they may perform their roles and responsibilities appropriately.

Currently, when they become directors (excluding outside directors) or executive officers, the Company provides them with lectures conducted by inside and outside experts with respect to the Company's strategies of management, business, finance and other applicable fields and important matters and laws and regulations related thereto, and enables them to acquire and update the knowledge required for their offices. They are also given opportunities through discussion to find issues to be addressed by the Company group and solutions thereto. Moreover, after becoming directors (excluding outside directors), corporate auditors (excluding outside corporate auditors) or executive officers, they are given opportunities to hold study seminars every month to gain the latest information as to the best practices for various megatrend issues.

When new outside directors or corporate auditors assume their offices, they are provided with an explanation of the business, organization structure and other related matters of the Company, and the necessary information related to issues to be addressed by the Company shall be provided to them periodically.

The contents of lectures and other training matters will be reviewed as necessary.

[Principle 5.1 Policy for constructive dialogue with shareholders]

The Company is working on enhancing its mid- to long-term corporate value by disclosing various information, such as management strategy, financial information and non-financial information to shareholders and investors in a timely and proper manner and continuously engaging in constructive dialogue with shareholders and investors through IR activities.

More specifically, mainly the CEO, CFO and officers in charge of IR and disclosure carry out various activities, such as regular meetings with analysts and institutional investors, roadshows both within and outside of Japan to visit investors individually, and sufficient information disclosure on the Company's website. The Company has established an IR Department as a special section so that such activities may effectively function, and the IR Department closely cooperates with the corporate strategy division, finance and accounting division, legal division and other relevant sections.

Opinions and requests obtained through IR and other activities are reported to the executive management committee or the board of directors and utilized in the discussions for enhancement of corporate value.

The Company has established the information control committee to appropriately control insider information and provides a "silent period" during which the Company must withhold dispatching information with respect to financial results.

The Company also conducts a survey of its beneficial shareholders periodically and attempts to grasp the share ownership structure.

For details, please refer to Policy for Constructive Dialogue with Shareholders (formulated December 2015) on the Company's website.

☞Policy for Constructive Dialogue with Shareholders
http://www.dentsu.com/ir/stockandratings/constructivedialogue.html

## 2. Capital Structure

| | |
|---|---|
| Ratio of Shares Held by Foreigners | Over 20%, under 30% |

**[Status of Major Shareholders]**

| Shareholder | Number of Shares Held | % of Total Shares Issued |
|---|---|---|
| The Master Trust Bank of Japan, Ltd. (trust accounts) | 27,100,400 | 9.40 |
| Kyodo News | 18,988,800 | 6.58 |
| Japan Trustee Services Bank, Ltd. (trust accounts) | 17,678,900 | 6.13 |
| Jiji Press, Ltd. | 17,228,680 | 5.97 |
| State Street Bank and Trust Company 505001 | 10,573,206 | 3.67 |

| | | |
|---|---|---|
| Group Employees' Stockholding Association | 6,192,432 | 2.15 |
| Mizuho Bank, Ltd. | 5,000,000 | 1.73 |
| Yoshida Hideo Memorial Foundation | 4,984,808 | 1.73 |
| Recruit Holdings Co., Ltd. | 4,929,900 | 1.71 |
| The Bank of New York Mellon SA/NV 10 | 4,717,053 | 1.64 |

| | |
|---|---|
| Controlling shareholder (excluding parent company) | ― |
| Parent company | None |

**3. Corporate Attributes**

| | |
|---|---|
| Listed exchange and market segment | Tokyo First Section |
| Accounting period | December |
| Industry | Service |
| (Consolidated) Number of employees at the end of the previous business year | Over 1,000 |
| (Consolidated) volume of sales at the end of the previous business year | Over 1 trillion yen |
| Number of companies (consolidated) at the end of the previous business year | Over 300 companies |

**4. Policy on the Protection of Minority Shareholders in Transactions, etc., with the Controlling Shareholder**

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**5. Other Special Circumstances that May Have Significant Impact on Corporate Governance**

Dentsu owns a listed subsidiary, Information Services International-Dentsu, Ltd. (listed on the First Section of the Tokyo Stock Exchange).

In order to secure appropriate business execution within the corporate group and group-wide optimization of the corporate group, Dentsu dispatches Directors and corporate auditors to said subsidiary. However, in principle, the Company respects decisions made by the management team of said subsidiary and makes efforts so as not to unjustly compromise the interests of said subsidiary, shareholders other than the Company, and other stakeholders of said subsidiary.

## *II* Status of Decision-making, Execution, and Supervision of Management and Other Corporate Governance Structures

**1. Items Pertaining to Organizational Composition, Organizational Operation, etc.**

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|---|---|
| Organizational format | Company with an Audit & Supervisory Board |

**[Board of Directors-related]**

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|---|---|
| Number of Directors in the Articles of Incorporation | 15 persons |
| Term of office of Directors in the Articles of Incorporation | One year |
| Chairman of the Board of Directors | President |
| Number of Directors | 11 persons |
| Status of the appointment of Outside Directors | Appointed |
| Number of Outside Directors | Two persons |
| Number of Outside Directors specified as independent Directors | Zero persons |

Relationship with the Company (1)

| Name | Attribute | Relationship with the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Yutaka Nishizawa | From another company | | | | | ○ | | | | | | |
| Masaki Fukuyama | From another company | | | | | ○ | | | △ | | | |

*e: Major business associate of the Company or its business executor
h: Business executor of a business associate of the Company

Relationship with the Company (2)

| Name | Independent Director | Supplementary explanation regarding a compliant item | Reason for appointment |
|---|---|---|---|
| Yutaka Nishizawa | | Outside Director Yutaka Nishizawa is President of Jiji Press Ltd., a business associate of the Company. Mr. Nishizawa is also Representative Director of Central Research Services, Inc. and Chairman of Naigai Josei Chosakai, a foreign policy think tank, which are both business associates of the Company. Transactions between Dentsu and each of these three organizations comprise very small portions of the Company's aggregate net sales. | The Company expects him to supervise and act as a check function for management from the viewpoint of his vast experience and insight as an expert on management honed through his history. |
| Masaki Fukuyama | | Outside Director Masaki Fukuyama is President of the nonprofit cooperative news service Kyodo News, a business associate of the Company. Additionally, he served in the past as Representative Director and Executive Vice Chairman of Kyodo News Co., Ltd., a business associate of the Company. Transaction between Dentsu and each of these organizations comprise very small portions of the Company's aggregate net sales. | The Company expects him to supervise and act as a check function for management from the viewpoint of his vast experience and insight as an expert on management honed through his history. |

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| Voluntary committees equivalent to a nomination committee or remuneration committee | None |

**[Audit & Supervisory Board Member-related]**

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|---|---|
| Establishment of a board of corporate auditors | Established |
| Number of Audit & Supervisory Board Members in the Articles of Incorporation | Five persons |
| Number of Audit & Supervisory Board Members | Five persons |

Status of Cooperation between Audit & Supervisory Board Members, Accounting Auditor, and Internal Auditing Department

The auditing system at Dentsu involves three types of audits: audits by Audit & Supervisory Board Members; book audits, mainly accounting audits from the specialized perspective of Independent Auditors; and internal audits by the Internal Audit Office. Audits by Audit & Supervisory Board Members and audits by Independent

Auditors are required by law. Internal audits, conducted at the discretion of the Representative Director, are voluntary audits principally intended to facilitate an independent evaluation of the Internal Control System as well as to prevent inappropriate behavior within the Company. Cooperation among the Internal Audit Office, Audit & Supervisory Board Members and Independent Auditors may require the Audit & Supervisory Board to request reports from the Independent Auditors and the Internal Audit Office on auditing methods and results of audits, as appropriate. In addition, it is mainly full-time Audit & Supervisory Board Members who meet with other auditors on a regular and individual basis to exchange information. The Internal Audit Office also exchanges information and reports, as appropriate, in response to requests from Audit & Supervisory Board Members or the Audit & Supervisory Board, and participates in a separate exchange of information with the Independent Auditors.

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|---|---|
| Status of the appointment of Outside Audit & Supervisory Board Members | Appointed |
| Number of Outside Audit & Supervisory Board Members | Three persons |
| Number of Outside Audit & Supervisory Board Members specified as independent Audit & Supervisory Board Members | Three persons |

Relationship with the Company (1)

| Name | Attribute | Relationship with the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | 0 |
| Atsuko Toyama | Other | | | | | | | | | | | | ○ | |
| Toshiaki Hasegawa | Lawyer | | | | | | | | | | | | | |
| Kentaro Koga | Academic | | | | | | | | | | | | | |

*l: Business executor (person in question only) of an organization to which the Company gives donations

Relationship with the Company (2)

| Name | Independent Director | Supplementary explanation regarding a compliant item | Reason for appointment |
|---|---|---|---|
| Atsuko Toyama | ○ | Outside Audit & Supervisory Board Member Atsuko Toyama is Chief Director of NPO National Council on Mt. Fuji World Heritage. Although Dentsu is a corporate supporter, the amount that the Company contributes is extremely small and does not affect Ms. Toyama's impartiality as an Outside Audit & Supervisory Board Member at Dentsu. | Ms. Toyama has vast experience and insight as a former cabinet member and is not in a position to be greatly controlled by the Company's management team or have great control over the Company's management team, and will not cause a conflict of interest with general shareholders. |
| Toshiaki Hasegawa | ○ | Lawyer | Mr. Hasegawa has vast experience and insight as an international lawyer and is not in a position to be greatly controlled by the Company's management team or have great control over the Company's management team, and will not cause a conflict of interest with general shareholders. |
| Kentaro Koga | ○ | Associate Professor, Hitotsubashi University Graduate School of International Corporate Strategy | Mr. Koga has vast experience and insight as an expert in accounting and is not in a position to be greatly controlled by the Company's management team or have great control over the Company's management team, and will not cause a conflict of interest with general shareholders. |

[Independent Director-related]

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|---|---|
| Number of independent Directors | Three persons |

Other Items Pertaining to Independent Directors

Ms. Atsuko Toyama is Chief Director of NPO National Council on Mt. Fuji World Heritage. Although Dentsu is a corporate supporter, the amount that the Company contributes is extremely small and does not affect Ms. Toyama's impartiality as an Outside Audit & Supervisory Board Member at Dentsu.

**[Incentive-related]**

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| Status of Measures Related to Incentives for Directors | Introduction of a performance-linked remuneration system |

Supplementary Explanation Regarding Said Item

Concerning remuneration for Directors, a performance-linked framework is in place which takes into account encouragement of achieving goals set forth in the medium-term management plan, the performance-linked bonus portion for model business results accounts for 40 percent of overall remuneration, the index for performance evaluation of business results is consolidated operating profit, and the total amount of bonus remuneration will vary according to the level of achievement. The total of fixed monthly remuneration and performance-linked bonuses shall be within the limit for remuneration (1.2 billion yen per year, of which 18 million yen is applied to Outside Directors) approved at the 164th Ordinary General Meeting of Shareholders. Remuneration to Outside Directors, however, will consist solely of fixed monthly remuneration in exchange for the execution of their duties. Specific amounts for each Director, including Outside Directors, will be determined by resolution of the Board of Directors.

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| Those granted stock options | — |

Supplementary Explanation Regarding Said Item

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**[Directors' Remuneration-related]**

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|---|---|
| Status of Disclosure (of Individual Director's Remuneration) | Individually disclosed in part |

Supplementary Explanation Regarding Said Item

Total remuneration to Directors of the Company for the year ended March 2015 was 698 million yen (excluding total remuneration to Outside Directors of 13 million yen). Total consolidated remuneration to Representative Director Tadashi Ishii was 148 million yen and total consolidated remuneration to Director Timothy Andree was 497 million yen. Details are as described in the securities report.

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|---|---|
| Policy on deciding remuneration amounts and their calculation method | Established |

Disclosure of Remuneration Amounts and Their Calculation Method

Concerning remuneration for Directors, a performance-linked framework is in place which takes into account encouragement of achieving goals set forth in the medium-term management plan, the performance-linked bonus portion for model business results accounts for 40 percent of overall remuneration, the index for performance evaluation of business results is consolidated operating profit, and the total amount of bonus remuneration will vary according to the level of achievement. The total of fixed monthly remuneration and performance-linked bonuses shall be within the limit for remuneration (1.2 billion yen per year, of which 18 million yen is applied to Outside Directors) approved at the 164th Ordinary General Meeting of Shareholders. Remuneration to Outside Directors, however, will consist solely of fixed monthly remuneration in exchange for the execution of their duties. Specific amounts for each Director, including Outside Directors, will be determined by resolution of the Board of Directors.

**[Support Structure for Outside Directors (Outside Audit & Supervisory Board Members)]**

The secretariat of the Board of Directors reports to Outside Directors on the agenda, etc., when meetings of the Board of Directors are held. The Internal Audit Office was established as the section in charge of assisting Audit & Supervisory Board Members including Outside Audit & Supervisory Board Members. Dedicated staff conduct all work related to the duties of Audit & Supervisory Board Members (excluding work related to the Board of Directors' meetings) such as sending convocation notices and compiling meeting minutes, in order to

support Audit & Supervisory Board Members.

**2. Items Pertaining to the Functions of Business Execution, Auditing and Supervision, Nomination, Remuneration Decisions, etc. (Overview of the Current Corporate Governance Structure)**

The Company maintains an Audit & Supervisory Board System and management believes that the current corporate governance framework is sufficient to ensure rapid decision-making and effective internal controls.

Dentsu's Articles of Incorporation set the term of office for Directors at one year or less and the number of Directors at 15 or fewer. As of June 26, 2015, the number of Directors on the Board of Directors was 11, two of whom were Outside Directors. Meanwhile, the maximum term of office for Audit & Supervisory Board Members is four years, in accordance with the Articles of Incorporation and prevailing laws and regulations, and the number of Audit & Supervisory Board Members is set at five or fewer. As of June 26, 2015, the number of members on the Audit & Supervisory Board was five, three of whom were Outside Audit & Supervisory Board Members.

At Dentsu, the Executive Management Committee tackles important business-oriented issues other than those addressed at Board of Directors' meetings and facilitates preliminary discussion of issues that will be brought to the Board of Directors for resolution. In April 2012, Dentsu divided its operations into two segments—one for its business operations in Japan and one for its international business operations—and authority and revenue responsibility were delegated to each. The Company then created two principal executive-level discussion structures that address topics assigned by the Executive Management Committee for discussion and decision-making. These are the Business Supervision Committee, which is responsible for business operations in Japan, and the Dentsu Aegis Network Board of Directors, which is responsible for international business operations. In addition, the Company has the CSR Committee, which undertakes preliminary discussions on specific matters assigned by the Executive Management Committee and makes decisions on the execution of day-to-day business, and the Investment Committee and the Corporate Organization & Personnel Committee, which do the same for matters indicated by the Business Supervision Committee. The Company will strive to further reinforce the business execution structure.

**3. Reason for Choosing the Current Corporate Governance Structure**

Aiming to establish a business management system that expedites responses to changes in the business environment and a management structure that prioritizes compliance, the Dentsu Group has worked to lay this foundation along with efforts to develop and reinforce its business execution system. In June 1999, Dentsu introduced an Executive Officer System to strengthen its business execution function. In April 2009, the Company introduced a Director and Executive Officer System, which retains the old Executive Officer System but clarifies the roles and responsibilities of Directors and Executive Officers more precisely and management believes that the current corporate governance framework is sufficient to ensure rapid decision-making and effective internal controls.

In order to achieve more effective corporate governance aimed at enhancing the Company's sustainable growth and corporate value, the Company will make the transition from a company with an audit & supervisory board to a company with an audit and supervisory committee at the 167th Ordinary General Meeting of Shareholders to be held in March 2016. At the same time, the Company will appoint three Outside Directors who satisfy the independence standards formulated by the Company and will aim to develop a structure to comply with the respective principles of the Corporate Governance Code.

## Ⅲ Status of Measures Pertaining to Shareholders and Other Stakeholders

**1. Status of Efforts towards Vitalizing General Shareholders' Meetings and Smooth Exercise of Voting Rights**

| | Supplementary explanation |
|---|---|
| Early sending of convocation notices for general shareholders' meetings | The Company sends convocation notices earlier than the legal deadline within a manageable scope. |
| Exercise of voting rights through digital means | Taking into consideration the convenience of shareholders for exercising their voting rights, the Company introduced online voting from the 2005 Ordinary General Shareholders' Meeting. Additionally, Dentsu also made online exercise of voting rights from mobile phones and use of ICJ's voting platform available from the 2008 Ordinary General Shareholders' Meeting. |
| Participation in a digital voting platform | The Company uses ICJ's voting platform. |

| | |
|---|---|
| and other efforts aimed at improving the voting environment for institutional investors | |
| Provision of the convocation notice (summary) in English | Since the 166th Ordinary General Shareholders' Meeting (held on June 26, 2015), aimed at enhancing constructive dialogue with shareholders and responding to the increasing ratio of foreign institutional investors, the Company creates an English version of the pre-mailed convocation notice (some parts of the original omitted) and post it on the Company's website. |
| Other | The Company explains the business report, etc., in a visual and easy to understand manner at general shareholders' meetings. |

**2. Status of IR Activities**

| | Supplementary explanation | Explanation by the Representative Director |
|---|---|---|
| Holding of regular briefings for analysts and institutional investors | Briefings are held twice a year at the timing of the full-year settlement and second quarter settlement. | Given |
| Holding of regular briefings for foreign institutional investors | The Company holds roadshows every year and visits individual foreign investors. | Given |
| Posting of IR documents on the website | Earnings announcement materials for analysts and institutional investors and earnings briefing material and other disclosed documents are posted on the Company's website. | Given |
| Establishment of a section (persons in charge of) related to IR | IR Department, Corporate Strategy Division | |

**3. Status of Efforts Pertaining to Respecting the Position of Stakeholders**

| | Supplementary explanation |
|---|---|
| Rules on respecting the position of stakeholders in internal regulations, etc. | The Dentsu Group considers focusing on all stakeholders, not only legal compliance, industrial safety and health, human rights protection, social contribution, and environmental protection activities, in order to voluntarily engage in social issues, as the execution of its social responsibility. In order to fulfill its social responsibility, the Company established the Dentsu Group Code of Conduct (posted on the Company's website) which articulates what all Dentsu Group managers and employees must undertake in order to fulfill their respective responsibilities to society and each Dentsu Group company is committed to complying with the Code. |
| Implementation of environmental protection, CSR, and other activities | The Company's website introduces the status of such activities. |
| Establishment of policies, etc., pertaining to the provision of information to stakeholders | The Company discloses necessary information properly and in a timely manner in order to prioritize the interests of shareholders. (From the Dentsu Group Code of Conduct) |

## *IV* Items Pertaining to the Internal Control System

**1. Basic Policy on the Internal Control System and Status of its Development**

The Company approved a system for ensuring that the execution of Directors' duties conforms to laws and regulations and the Articles of Incorporation and for ensuring appropriate business operations of the Company and those of the Dentsu Group consisting of the Company and its subsidiaries, as stipulated in Article 362, Paragraph 4, Item 6 of the Companies Act, at the Board of Directors' meeting on March 30, 2006. Revisions to the system have been made as appropriate at subsequent Board of Directors' meetings.

The Internal Control System at Dentsu is designed to encourage compliance among Directors, Executive

Officers and employees while it supports continuous corporate development as the Company strives to meet its social responsibilities.

The Company and subsidiaries have chosen the Dentsu Group Code of Conduct to define the parameters of acceptable behavior, which ensures that Directors, Executive Officers and employees comply with all laws, regulations and the Articles of Incorporation during the course of their duties and that business is conducted appropriately. The CSR Committee is charged with maintaining and further enhancing the Internal Control System.

1) Compliance System for Directors, Executive Officers and Employees

i. Directors and Executive Officers must perform their duties appropriately, in accordance with rules such as the Board of Directors' Rules, Rules for the Operation of the Executive Management Committee, Directors' Rules, and Executive Officers' Rules.

ii. If a Director or an Executive Officer discovers a violation of the prevailing laws or comes across any other serious compliance-related issue, it is imperative that he/she report it without delay to the Board of Directors as well as the Executive Management Committee. Audit & Supervisory Board Members must also be immediately advised of the circumstances.

iii. The departments reporting to the CSR Committee create internal policies and manuals and conduct training to maintain and further enhance the compliance system for employees. The Internal Audit Office, which reports directly to the Representative Director, conducts internal audits.

iv. The Company has set up an internal hotline and has also established internal and external contact points for insider reporting to respond appropriately in the event a law is broken or some other internal compliance issue arises.

v. If Audit & Supervisory Board Members state opinions on the compliance system or require steps to improve the system, Directors and Executive Officers must respond without delay and make the recommended improvements.

vi. The Company has a department to facilitate the termination of business relationships with organized crime groups and elements thereof—termed "antisocial forces" in Japan—when a link is discovered and to resolutely refuse any and all future transactions. This department functions as the liaison between the affected in-house division and the relevant authorities to expedite an appropriate course of action.

2) Systems to Ensure Efficient Execution of Duties by Directors and Executive Officers

i. To support the efficient execution of duties by Directors and Executive Officers, the Board of Directors and the Executive Management Committee, and the Business Supervision Committee, all principal committees and specialized committees hold meetings where important matters pertaining to management policy and strategy are determined in an appropriate and flexible manner.

ii. Items resolved at these meetings are conveyed through the corporate structure, with urgent items transmitted to all employees via the internal electronic bulletin board to expedite implementation.

3) Storage and Management of Information Related to the Execution of Duties by Directors and Executive Officers

Information concerning the execution of duties by Directors and Executive Officers is stored and managed appropriately, in accordance with the Company's documentation management regulations and information management rules.

4) Risk Management System

i. To maintain and enhance the structure that prevents risks from occurring and minimizes damage caused in the event such risks become a reality, Dentsu has put risk management rules in place and also prioritizes key risks and formulates concrete measures appropriate for such risks that can be put into effect should a response be required.

ii. Responsibility for monitoring the status of risk management efforts falls primarily on internal control divisions, under the CSR Committee. Efforts are directed toward self-inspection and approaches to maintain and further enhance the risk management system.

5) Internal Structure to Support Audit & Supervisory Board Members and their Independent Status, etc.

The Company maintains an Audit & Supervisory Board Office, which consists of employees who assist Audit & Supervisory Board Members in their duties. The office reports directly to the Audit & Supervisory Board, thereby preserving its independence from Directors and Executive Officers and the effectiveness of instructions given by the Audit & Supervisory Board Members.

6) System for Reporting to Audit & Supervisory Board Members and Improving Audit Effectiveness

i. Rules are in place to identify issues that Directors, Executive Officers and employees of the Company and its subsidiaries (hereinafter "executives and employees") are required to report to Audit & Supervisory Board Members of the Company. In addition, the Company ensures that a report on any significant matter that might impact the operations or the operating performance of the Company shall be made or transmitted by executives and employees to Audit & Supervisory Board Members of the Company in a reliable and swift manner.

ii. In the event that Audit & Supervisory Board Members of the Company request information other than that described in the preceding item, executives and employees of the Company and its subsidiaries are still required to respond without delay.

iii. It shall be ensured that anyone who makes a report in accordance with each of the preceding items will not receive any disadvantageous treatment as a result of such reporting.

iv. Pursuant to laws and regulations, a policy shall be defined to process expenses, etc., incurred in the course of execution of duties by Audit & Supervisory Board Members, and related parties shall be thoroughly informed thereof.

v. To enhance audit effectiveness, the Internal Audit Office and the Independent Auditors closely collaborate to handle requests from the Audit & Supervisory Board Members.

7) Internal Control System for the Dentsu Group, Including Subsidiaries

The Company promotes the development, operation and improvement of the Dentsu Group's internal control system by stipulating internal control issues, including the following items. Subsidiaries must address these issues as members of the Dentsu Group.

i. The Dentsu Group Code of Conduct was drafted as the standard for acceptable corporate behavior and embraces the entire Group, including subsidiaries. Each subsidiary resolves the adoption of the Code.

ii. The Company requests its subsidiaries to report on their operations, operating performance, and other material issues on a regular basis. The Company also ensures that subsidiaries seek prior approval for certain matters that might significantly impact the operations or the operating performance of the Company, or report these matters to the Company.

iii. Decision-making and business execution in our international operations shall be efficiently carried out through Dentsu Aegis Network Ltd., which controls Dentsu Group companies outside of Japan.

iv. Subsidiaries shall ensure compliance and risk management as members of the Dentsu Group by establishing rules in accordance with the Dentsu Group Code of Conduct as appropriate, or through resolutions of the Board of Directors, etc.

8) System to Ensure Appropriateness of Financial Reporting

i. Through the CSR Committee, Dentsu continually supports and improves the system that ensures appropriateness in financial reporting by the Group.

ii. Subsidiaries and departments involved in business activities perform self-checks through the course of day-to-day operations to determine if existing internal controls are functioning properly.

iii. The Internal Audit Office monitors the Internal Control System from a perspective free of operational bias to assess the effectiveness of internal controls related to financial reporting.

### 2. Basic Policy on the Rejection of Antisocial Forces and Status of Its Development

The Company has a department to facilitate the termination of business relationships with organized crime groups and elements thereof—termed "antisocial forces" in Japan—when a link is discovered and to resolutely refuse any and all future transactions. This department functions as the liaison between the affected in-house division and the relevant authorities to expedite an appropriate course of action. Upon the nationwide enforcement of the Ordinance on Antisocial Forces from October 2011, the Company revised various internal rules, established a framework to terminate business relationships with antisocial forces, and advanced checks to ensure that business associates of the Company were not involved with antisocial forces.

## *V* Other

### 1. Introduction of Anti-takeover Measures

| | |
|---|---|
| Introduction of anti-takeover measures | None |

### 2. Other Items Pertaining to the Corporate Governance Structure, etc.

The status of internal structures related to the timely disclosure of corporate information at Dentsu is as follows.

(1) Management Structure for Corporate Information

Dentsu established the CSR Committee comprising Directors and relevant Managing Directors to oversee the Company's information management. The CSR Committee established the Dentsu Group Basic Policy for Information Security, the Group's basic guidelines regarding information management. Based on this basic policy, the Company established the Information Management Rules, Detailed Rules for the Handling and Management of Information, Detailed Rules for Standard ICT Environment Management, and Detailed Rules on Personal Information Management and Storage. The Company thoroughly informs officers and employees of these rules and specify compliance with them. Additionally, the Company engages in detailed activities such as training for new graduate employees, briefings for employees, and distribution of videos and pamphlets to raise awareness. In particular, taking into consideration the importance of managers in information management, Dentsu also established a course for new manager training to educate managers on their roles and responsibilities.

On that basis, the Information Management Committee takes on the role of managing material facts, etc., such as insider information based on the Rules for the Timely Disclosure of Information and Insider Trading and Rules of the Information Management Committee. The Director in charge of disclosure (person in charge of information handling) serves as the chairperson of the Information Management Committee and the Legal Division serves as its secretariat. The Information Management Committee catches information within the Company through the duty of notification of material facts, etc., as stated below and determines the level of information management and period of management for each piece of information as necessary. With respect to information that the Information Management Committee considers may fall under the scope of material facts, the Information Management Committee Secretariat identifies the officer or employee who received the information and, if necessary, request the relevant officer or employee to submit written confirmation note on the receipt of information and prohibition of the sale of shares to ensure thorough information management until the disclosure of said information and prevent insider trading.

(2) Timely Disclosure System

i. Identification of Material Facts, etc.

The above rules clearly state the duty of notification of material facts as follows.

1) Facts Determined

In the case that the head of each department (Managing Director) handles work that has a high possibility of becoming a material fact, etc., of the Company, he/she must immediately report its contents to the Director in charge of disclosure, Managing Director of the Corporate Communications Division or Information Management Committee Secretariat.

2) Facts Occurred

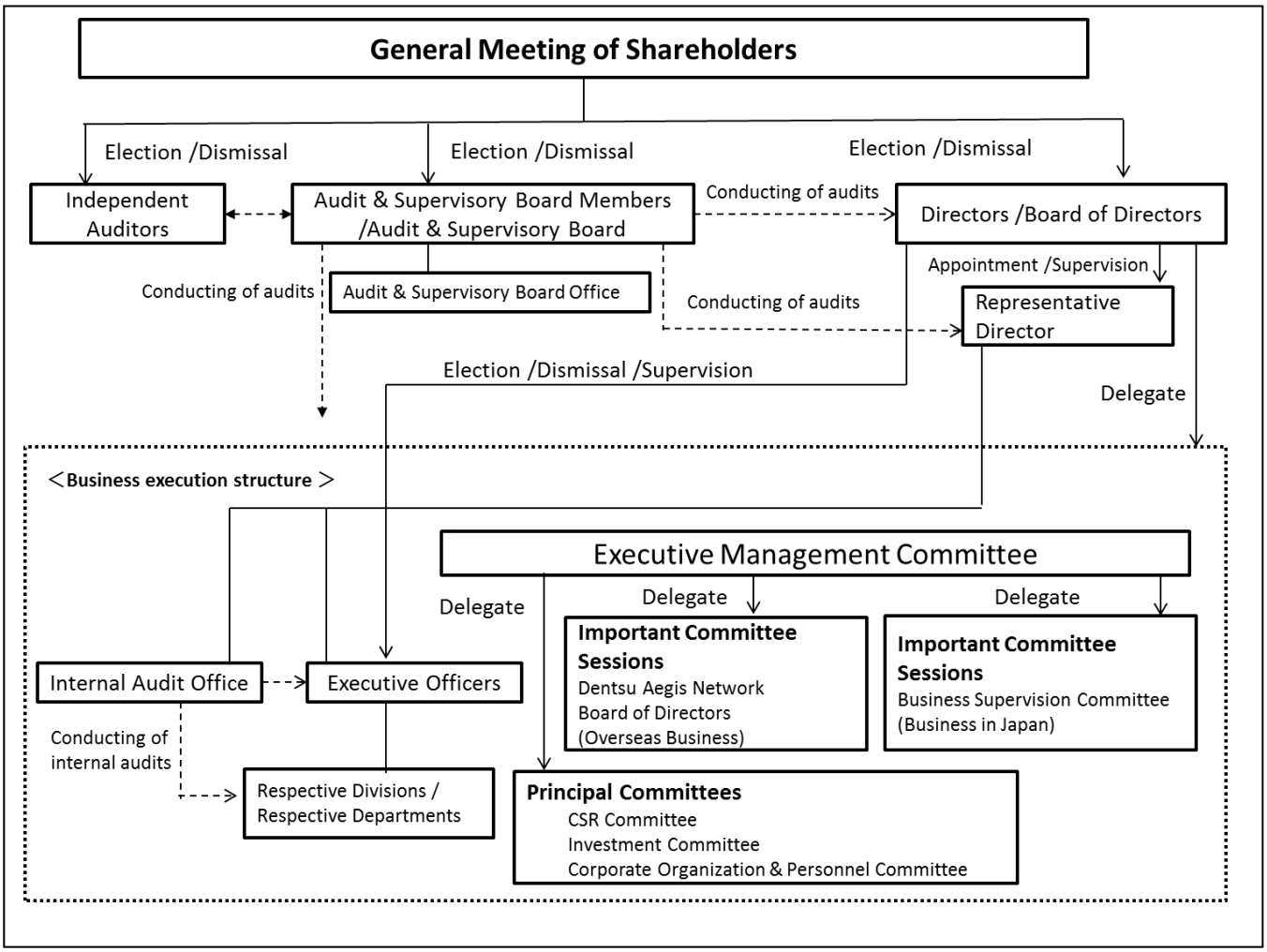
In the case that a material fact, etc., other than in 1) above, the head of the presiding department must check it and immediately report the contents of the material fact, etc., to the Director in charge of disclosure, Managing Director of the Corporate Communications Division or Information Management Committee Secretariat. Additionally, the Corporate Communications Division also checks items referred to principle committees of the Company and the Board of Directors, and endeavor to identify material facts, etc., by exchanging information with relevant departments by means such as weekly contact meetings with the Corporate Strategy Division, Legal Division (Information Management committee Secretariat), and Finance & Accounting Division.

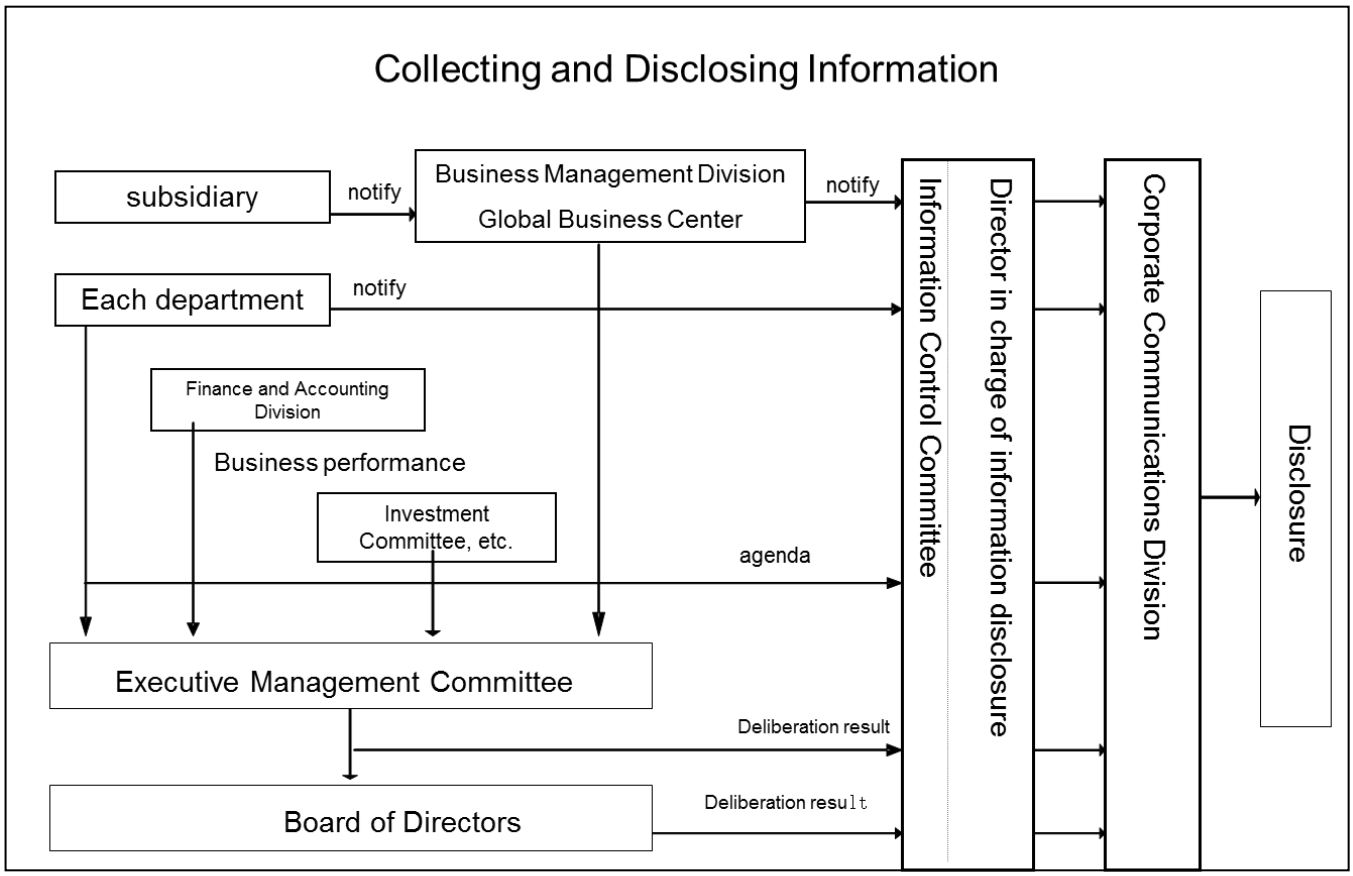
ii. Disclosure of Material Facts, etc.

The Corporate Communications Division is in charge of disclosure and the Corporate Communications Department, Corporate Communications Division is in charge of announcements to news media.

The contents and timing of announcements are determined by the departments presiding over the information to be disclosed and the Corporate Communications Division. The Director in charge of disclosure makes the final decision on material facts, etc.

Announcements are made by the Corporate Communications Department to news media based on prescribed rules such as TD-NET. Additionally, distributed documents are posted on the Company's website immediately after announcement to the media.


General Meeting of Shareholders
Election /Dismissal
Election /Dismissal
Election /Dismissal
Independent Auditors
Audit & Supervisory Board Members /Audit & Supervisory Board
Conducting of audits
Directors /Board of Directors
Appointment /Supervision
Conducting of audits
Audit & Supervisory Board Office
Conducting of audits
Representative Director
Election /Dismissal /Supervision
Delegate
＜Business execution structure＞
Executive Management Committee
Delegate
Delegate
Delegate
Important Committee Sessions
Dentsu Aegis Network Board of Directors (Overseas Business)
Important Committee Sessions
Business Supervision Committee (Business in Japan)
Internal Audit Office
Executive Officers
Conducting of internal audits
Respective Divisions / Respective Departments
Principal Committees
CSR Committee
Investment Committee
Corporate Organization & Personnel Committee


Collecting and Disclosing Information
subsidiary
notify
Business Management Division
Global Business Center
notify
Each department
notify
Finance and Accounting Division
Business performance
Investment Committee, etc.
agenda
Executive Management Committee
Deliberation result
Board of Directors
Deliberation result
Information Control Committee
Director in charge of information disclosure
Corporate Communications Division
Disclosure