Corporate Governance Report

Last Update: March 30th, 2016
Dentsu Inc.
Tadashi Ishii, President & CEO
Contact: IR Department
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") is a company with an Audit and Supervisory Committee and it strives 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, in order to enhance corporate value.

Under such system, 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

For the Company's response policy to the Corporate Governance Code, please also refer to Dentsu's Corporate Governance Policy.

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

[Reasons for not Implementing Certain Principles of the Code]

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

With the transition to a company with an Audit and Supervisory Committee from this business year (from FY2016), 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

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

Concerning remuneration for directors who are not members of the Audit and Supervisory Committee, 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.

The total amount of fixed monthly salaries and performance-linked bonuses shall be within the remuneration limit (within 1.2 billion yen per year) approved at the 167th Ordinary General Meeting of Shareholders.

The amount of remuneration of each director who is not a member of the Audit and Supervisory Committee (including that for the role of executive officers) will be determined by a resolution of the board of directors within the above limit of remuneration to be approved at the same general meeting of shareholders; and from the view point of ensuring transparency, such decision will be made considering the opinions of the members of the Audit and Supervisory Committee who are independent directors after explaining to them the reasonableness of the amount of remuneration.

Remuneration to directors who are members of the Audit and Supervisory Committee will consist solely of a fixed monthly salary in exchange for the execution of their duties. The gross amount of this monthly salary will be determined within the remuneration limit (within 150 million yen per year) approved at the 167th General Meeting of Shareholders.

The amount of remuneration of each director who is a member of the Audit and Supervisory Committee will be determined through consultation by directors who are members of the Audit and Supervisory Committee within the above limit of remuneration to be approved at the same general meeting of shareholders.

[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 candidates who are not members of the Audit and Supervisory Committee shall be stipulated in the rules of officers of the Company, and mainly 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 this 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 who are not members of the Audit and Supervisory Committee

Standards in nominating director candidates who are members of the Audit and Supervisory Committee shall be stipulated in the rules of officers of the Company, and mainly 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 directors who are members of the Audit and Supervisory Committee
(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 directors who are members of the Audit and Supervisory Committee

Standards in nominating outside director candidates shall be stipulated in the rules of officers of the Company, and mainly 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

In nominating directors who are not members of the Audit and Supervisory Committee, the representative director will submit his candidate plan and, in order to secure transparency, explain to the independent outside directors, who are members of the Audit and Supervisory Committee, 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. In nominating directors who are members of the Audit and Supervisory Committee the representative director will submit his candidate plan, and after receiving approval from the Audit and Supervisory Committee, candidates shall be decided upon by the board of directors.

[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]

The reasons for the nomination of each director candidate shall be described in the reference material of a general meeting of shareholders regarding the proposals for the appointment of each director.

[Supplementary Principle 4.1.1 Scope delegated to the management]

As a company with an Audit and Supervisory Committee, the Company transfers authority for important business execution in part from the board of directors to the directors to establish an expeditious and effective business execution system, and aims to enhance the supervisory function of directors through the board of directors.

Specifically, the Company established the executive management committee that consists of the representative director and executive officers, including executive directors under the board of directors which deliberates on important business matters and matters to be decided by the board of directors before deliberation 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 in order to divide the business execution system in to the Japan business sector and international business sector and each has responsibility for profit and authority delegated 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)]

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 for Outside Directors 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 March 30, 2016, nine directors (of which three are independent outside directors) comprise the board of directors.

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

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

Directors 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 and obtaining approval by the board of directors. Important concurrent posts of directors 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.

☞ Situation of important concurrent posts
http://www.dentsu.com/whoweare/summary/directors/concurrentposts.html

[Supplementary Principle 4.14.2 Training policy of directors]

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) 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 assume their offices, they are provided with an explanation of the business, organization structure and other related matters of the Company, and after assuming their offices, 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 on Constructive Dialogue with Shareholders (established December 2015) on the Company's website.

☞Policy on 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)	26,082,800	9.04
Kyodo News	18,988,800	6.58
Jiji Press, Ltd.	17,228,680	5.97
Japan Trustee Services Bank, Ltd. (trust accounts)	16,135,900	5.59
State Street Bank and Trust Company 505001 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd)	10,407,314	3.61
Group Employees' Stockholding Association	6,186,552	2.15
Mizuho Bank, Ltd. (Standing proxy: Trust & Custody Services 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 (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	4,167,103	1.44

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.

Organizational format	Company with an Audit and Supervisory Committee

[Board of Directors-related]

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	Nine persons
Status of the appointment of Outside Directors	Appointed
Number of Outside Directors	3 persons
Number of Outside Directors specified as independent Directors	3 persons

Relationship with the Company (1)

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

*j: Business executor (person in question only) of an organization to which listed companies give donations

Relationship with the Company (2)

Name	Member of the Audit and Supervisory Committee	Independent Director	Supplementary Explanation Regarding a Compliant Item	Reason for Appointment
Atsuko Toyama	○	○	Outside Director Atsuko Toyama is Chief Director of NPO National Council on Fujisan World Heritage. Although Dentsu is a corporate supporter, the amount that the Company contributes is extremely small and does not affect Ms. Toyama's independence.	<Reason for Appointment as Outside Director> Ms. Atsuko Toyama has vast knowledge and experience in educational administration and promotion of sports and cultural programs amassed from her experience as a former Minister of Education, Culture, Sports, Science and Technology. Since June 2008, she has actively provided opinions and proposals as an outside corporate auditor of the Company and contributed to improving the managerial governance of the Company. Based on such accomplishments, the Company, after transitioning to a company with an Audit and Supervisory Committee, determines that it can expect her to utilize her experience, etc., for the

				auditing, etc., of management as an outside director who is a member of the Audit and Supervisory Committee. Ms. Toyama has never been involved with company management in the past other than as an outside director or outside corporate auditor. However, due to the above reasons and through her contributions as an outside corporate auditor of Dentsu for eight years to secure healthy management of the Company, Dentsu determines that she can perform her duties as an outside director who is a member of the Audit and Supervisory Committee appropriately. <Reason for Designation as an Independent Director> By the independence standards established by the Tokyo Stock Exchange (Guidelines concerning Listed Company Compliance, etc.III. 5. (3)-2 and Dentsu's independence standards for outside directors established based on these guidelines, there is no reason to deny independence, nor is there any particular reason to believe that there is a risk of a conflict of interest with general shareholders. Therefore, the Company designates Ms. Toyama as an independent director.
Toshiaki Hasegawa	○	○	Lawyer	<Reason for Appointment as Outside Director> Mr. Toshiaki Hasegawa has a wealth of expertise and experience as an international public relations lawyer. Since June 2011, he has actively provided opinions and proposals from a legal perspective as an outside corporate auditor of the Company and contributed to improving the managerial governance of the Company. Based on such accomplishments, the Company, after transitioning to a company with an Audit and Supervisory Committee, determines that it can expect him to utilize his experience, etc., for the auditing, etc., of management as an outside director who is a

				member of the Audit and Supervisory Committee. Mr. Hasegawa has never been involved with company management in the past other than as an outside director or outside corporate auditor. However, due to the above reasons and through his contributions as an outside corporate auditor of Dentsu for five years to secure healthy management of the Company, Dentsu determines that he can perform his duties as an outside director who is a member of the Audit and Supervisory Committee appropriately. <Reason for Designation as an Independent Director> By the independence standards established by the Tokyo Stock Exchange (Guidelines concerning Listed Company Compliance, etc.III. 5. (3)-2 and Dentsu's independence standards for outside directors established based on these guidelines, there is no reason to deny independence, nor is there any particular reason to believe that there is a risk of a conflict of interest with general shareholders. Therefore, the Company designates Mr. Hasegawa as an independent director.
Kentaro Koga	○	○	Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University	<Reason for Appointment as Outside Director> Mr. Kentaro Koga has a wealth of expertise and experience in accounting as a graduate school associate professor. Since June 2012, he has actively provided opinions and proposals from an economic perspective as an outside corporate auditor of the Company and contributed to improving the managerial governance of the Company. Based on such accomplishments, the Company, after transitioning to a company with an Audit and Supervisory Committee, determines that it can expect him to utilize his experience, etc., for the auditing, etc., of management as an outside director who is a member of the Audit and Supervisory Committee.

				Mr. Koga has never been involved with company management in the past other than as an outside director or outside corporate auditor. However, due to the above reasons and through his contributions as an outside corporate auditor of Dentsu for four years to secure healthy management of the Company, Dentsu determines that he can perform his duties as an outside director who is a member of the Audit and Supervisory Committee appropriately. <Reason for Designation as an Independent Director> By the independence standards established by the Tokyo Stock Exchange (Guidelines concerning Listed Company Compliance, etc.III. 5. (3)-2 and Dentsu's independence standards for outside directors established based on these guidelines, there is no reason to deny independence, nor is there any particular reason to believe that there is a risk of a conflict of interest with general shareholders. Therefore, the Company designates Mr. Koga as an independent director.

[Audit and Supervisory Committee]

	All Members (Persons)	Permanent Member (Persons)	Directors (Persons)	Outside Directors (Persons)	Chair
Audit and Supervisory Committee	4	1	1	3	Director

Existence of directors and employees to aid the duties of the Audit and Supervisory Committee	Yes

Audit and Supervisory Committee Members and employees' independence from executive directors

As a structure to perform assistant work by such director and employees for the Audit and Supervisory Committee, such as secretariat work of the Audit and Supervisory Committee related to items pertaining to the independence of executive directors, the Company has established the Audit and Supervisory Committee Office. The Company positions dedicated staff in this organization as a structure to receive instructions and orders from the Audit and Supervisory Committee to perform evaluations, personnel transfers, etc., with approval from the Audit and Supervisory Committee. This ensures independence from business executive departments and effectiveness of instructions from members of the Audit and Supervisory Committee.

Status of Cooperation between Audit and Supervisory Committee Members, Accounting Auditor, and Internal Auditing Section

The Audit and Supervisory Committee will request reporting from the Company's accounting auditor and the internal audit section as necessary with respect to the process and results of their respective audits, and ensure communications among the relevant parties through exchanging necessary information. They may also request reporting from the internal audit section concerning the status of establishment and operation of internal control.

[Voluntary Committees]

Voluntary committees equivalent to a nomination committee or remuneration committee	None

[Independent Director-related]

Number of independent Directors	3 persons

Other Items Pertaining to Independent Directors

All outside directors who fulfill the requirements of independent directors are designated as independent directors.

Atsuko Toyama is Chief Director of NPO National Council on Fujisan World Heritage. Although Dentsu is a corporate supporter, the amount that the Company contributes is extremely small and does not affect Ms. Toyama's independence.

[Incentive-related]

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

Supplementary Explanation Regarding Said Item

Concerning remuneration for directors who are not members of the Audit and Supervisory Committee, 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 and the index for performance evaluation of business results is consolidated operating profit, which varies according to the level of achievement.

Those granted stock options	–

Supplementary Explanation Regarding Said Item

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[Directors' Remuneration-related]

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

Supplementary Explanation Regarding Said Item

The total amount of remuneration for directors in the year ended December 2015 was 469 million yen, of which the monthly salary accounted for 274 million yen (including a total of 10 million yen in remuneration to outside directors) and the performance-linked bonus accounted for 195 million yen. Total consolidated remuneration to Representative Director Tadashi Ishii was 116 million yen and total consolidated remuneration to Director Timothy Andree was 486 million yen. Details are as described in the securities report.

Policy on deciding remuneration amounts and their calculation method	Yes

Disclosure of Remuneration Amounts and Their Calculation Method

Concerning remuneration for Directors who are not Audit and Supervisory Committee members, 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.

The total amount of fixed monthly salaries and performance-linked bonuses shall be within the remuneration limit (within 1.2 billion yen per year) approved at the 167th Ordinary General Meeting of Shareholders. The amount of remuneration of each director who is not a member of the Audit and Supervisory Committee (including that for the role of executive officers) will be determined by a resolution of the board of directors within the above limit of remuneration to be approved at the same general meeting of shareholders; and from the view point of ensuring transparency, such decision will be made considering the opinions of the members of the Audit and Supervisory Committee who are independent directors after explaining to them the reasonableness of the amount of remuneration.

Remuneration to directors who are members of the Audit and Supervisory Committee will consist solely of a fixed monthly salary in exchange for the execution of their duties. The gross amount of this monthly salary will be determined within the remuneration limit (within 150 million yen per year) approved at the 167th Ordinary General Meeting of Shareholders.

The amount of remuneration of each director who is a member of the Audit and Supervisory Committee will be determined through consultation by directors who are members of the Audit and Supervisory Committee within the above limit of remuneration to be approved at the same general meeting of shareholders

[Support Structure for Outside Directors]

The secretariat of the board of directors reports to outside directors (of which all are directors who are members of the Audit and Supervisory Committee) on the agenda, etc., beforehand when meetings of the board of directors are held. Additionally, as the section in charge of aiding members of the Audit and Supervisory Committee, the Audit and Supervisory Committee Office was established, where dedicated staff engage in all work related to the duties of members of the Audit and Supervisory Committee in order to support them.

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

As a company with an Audit and Supervisory Committee, the Company transfers authority for important business execution in part from the board of directors to the directors to establish an expeditious and effective business execution system, and aims to enhance the supervisory function of directors through the board of directors.

The Company's Articles of Incorporation stipulate the number of directors to be no more than 15, and as of March 30, 2016, nine directors (of which three are outside directors) comprise the board of directors and four directors who are members of the Audit and Supervisory Committee are appointed. Diversity in experience, insight and ability are among the factors that are considered in nominating members of the board of directors.

Of the four directors who are members of the Audit and Supervisory Committee, all three outside directors will satisfy the independence standards formulated by the Company and are expected to fulfill a monitoring role on the board of directors with respect to business execution by making good use of each director's extensive experience in his or her respective fields.

The Company established the executive management committee that consists of the representative director and executive officers, including executive directors under the board of directors which deliberates on important business matters and matters to be decided by the board of directors before deliberation 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 in order to divide the business execution system in to the Japan business sector and international business sector and each has responsibility for profit and authority delegated by the board of directors.

In nominating directors who are not members of the Audit and Supervisory Committee the representative director will submit his candidate plan and, in order to secure transparency, explain to the independent outside directors, who are members of the Audit and Supervisory Committee, 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. In nominating directors who are members of the Audit and Supervisory Committee the representative director will submit his candidate plan, and after receiving approval from the Audit and Supervisory Committee, candidates shall be decided upon by the board of directors.

The amount of remuneration of each director who is not a member of the Audit and Supervisory Committee (including that for the role of executive officers) will be determined by a resolution of the board of directors within the limit of remuneration to be approved at the same general meeting of shareholders; and from the view point of ensuring transparency, such decision will be made considering the opinions of the members of the Audit and Supervisory Committee who are independent directors after explaining to them the reasonableness of the amount of remuneration. The amount of remuneration of each director who is a member of the Audit and Supervisory Committee will be determined through consultation by directors who are members of the Audit and Supervisory Committee within the limit of remuneration to be approved at the same general meeting of shareholders.

3. Reason for Choosing the Current Corporate Governance Structure

The main role of the Company's board of directors is to control the Company strategically along with its corporate philosophy and it chooses a company with an Audit and Supervisory Committee as the structure in order to achieve that objective The board of directors delegates a large part of its decision-making authority regarding business execution to the management (including the representative director) and urges expeditious and resolute business judgment thereby. The board of directors also enhances corporate value by appropriately fulfilling its monitoring function toward overall management, including its management strategy and Medium-term Management Plan.

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

	Supplemental Explanation
Early sending of convocation notices for general shareholders' meetings	Convocation notices are sent not later than three weeks before the date of the general meeting of shareholders.
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 156th Ordinary General Shareholders' Meeting (held on June 29, 2005). Additionally, Dentsu also made online exercise of voting rights from mobile phones and use of ICJ's voting platform available from the 159th Ordinary General Shareholders' Meeting (held on June 27, 2008).
Participation in a digital voting platform and other efforts aimed at improving the voting environment for institutional investors	Dentsu uses ICJ's voting platform.
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 and posts 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

	Supplemental Explanation	Explanation from 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.	Yes
Holding of regular briefings for foreign institutional investors	The Company holds roadshows every year and visits individual foreign investors.	Yes
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.	
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

	Supplemental Explanation
Rules on respecting the position of stakeholders in internal regulations, etc.	Dentsu considers focusing on all stakeholders, not only on the Dentsu Group, 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 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 has chosen the Dentsu Group Code of Conduct to define the parameters of acceptable behavior, which ensures that Directors, Executive Officers and employees of Dentsu and its subsidiaries 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 creating, operating, and improving internal control system.

1. Compliance System for Directors, Executive Officers, and Employees

(1) 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.

(2) 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 reports it without delay to the Board of Directors or the Executive Management Committee. The Audit and Supervisory Committee must also be immediately advised of the circumstances.

(3) The departments reporting to the CSR Committee create internal policies and manuals and conduct training to improve and enhance the compliance system for employees. The Internal Audit Office, which reports directly to the President & CEO, conducts internal audits.

(4) The Company has set up an internal reporting and proposal system to respond appropriately in the event a law is broken or some other internal compliance issue arises.

(5) If Audit and Supervisory Committee states opinions on the Company's compliance system or require steps to improve the system, Directors and Executive Officers must respond without delay and make the recommended improvements.

(6) The Company has established 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. System to Ensure Efficient Execution of Duties by Directors and Executive Officers

(1) In addition to meetings of the Board of Directors, Dentsu holds meetings of the Board of Executive Officers, Executive Management Committee, Business Supervision Committee, various important committee sessions, and expert committees. These meetings provide opportunities to discuss important matters pertaining to management policy and strategy, and to make executive decisions.

(2) Items resolved at such meetings are communicated to all employees through the corporate structure for prompt reflection in the execution of duties. Urgent items are posted on the internal electronic bulletin board in the interest of rapid dissemination.

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 Rules and Information Management Rules.

4. Risk Management System

(1) Dentsu establishes the Risk Management Rules to maintain and improve a structure that precludes the spread of damage or loss and minimizes the impact of risk progression in the event risks become reality. The Company prioritizes key risks and formulates concrete measures that can be put into effect should a response be required.

(2) Responsibility for monitoring the status of risk management efforts at Dentsu falls primarily on internal control divisions, under the CSR Committee. Efforts are directed toward self-inspection and approaches to strengthen the risk management system.

5. Internal Structure to Support the Audit and Supervisory Committee and their Independent Status

The Company maintains an Audit and Supervisory Committee Office, which consists of employees who assist the Audit and Supervisory Committee in their duties. This office reports directly to the Audit and Supervisory Committee, thereby preserving its independence from Directors and Executive Officers (excluding directors who are members of the Audit and Supervisory Committee) and effectiveness of instructions from members of the Audit and Supervisory Committee.

6. System for Reporting to the Audit and Supervisory Committee and Improving Audit Effectiveness

(1) Policies are in place to define issues that Directors (excluding directors who are members of the Audit and Supervisory Committee), Executive Officers, and employees (hereinafter called "officers and employees") of Dentsu and its subsidiaries are required to report to Dentsu Audit and Supervisory Committee, while at the same time, we ensure that reports by officers and employees to Dentsu Audit and Supervisory Committee of any development that might impact the operations or the operating performance of the Company are made and communicated swiftly and surely.

(2) In the event that Dentsu Audit and Supervisory Committee request information other than that indicated above, officers and employees of Dentsu and its subsidiaries are still required to respond without delay.

(3) 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.

(4) Under the provision of the law, a policy shall be established on the processing of expenses, etc., occurring in accordance with the execution of duties by the Audit and Supervisory Committee members, which shall be disseminated to those concerned.

(5) To enhance audit effectiveness, the Internal Audit Office and Independent Auditors collaborate to handle any such requests from the Audit and Supervisory Committee.

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

Dentsu establishes items, starting with the following, for subsidiaries to develop and operate as members of the Dentsu Group, and advances the establishment, operation, and improvement of the internal control system within the Dentsu Group.

(1) The Dentsu Group Code of Conduct was drafted as the standard for acceptable corporate behavior and embraces the entire Group, including subsidiaries. Each subsidiary passes a resolution on the adoption of the Code.

(2) Dentsu requires regular reports from subsidiaries on material items including the operation of subsidiaries and their performance, while at the same time, the Company ensures that subsidiaries request approval from Dentsu in advance and report to Dentsu on certain matters that might impact the operations or the operating performance of the Company.

(3) Dentsu makes decisions in overseas business operations and the execution of duties efficiently through Dentsu Aegis Network Ltd., which manages Dentsu Group companies overseas.

(4) Subsidiaries establish appropriate rules based on the Dentsu Group Code of Conduct or pass resolutions by their Board of Directors, to ensure compliance and risk management as part of the Dentsu Group.

8. System to Ensure Appropriateness of Financial Reporting

(1) Through the CSR Committee, Dentsu continually supports a system that ensures appropriateness in financial reporting by the Group.

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

(3) 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 and other relevant detailed rules. 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

a. 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 division (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.

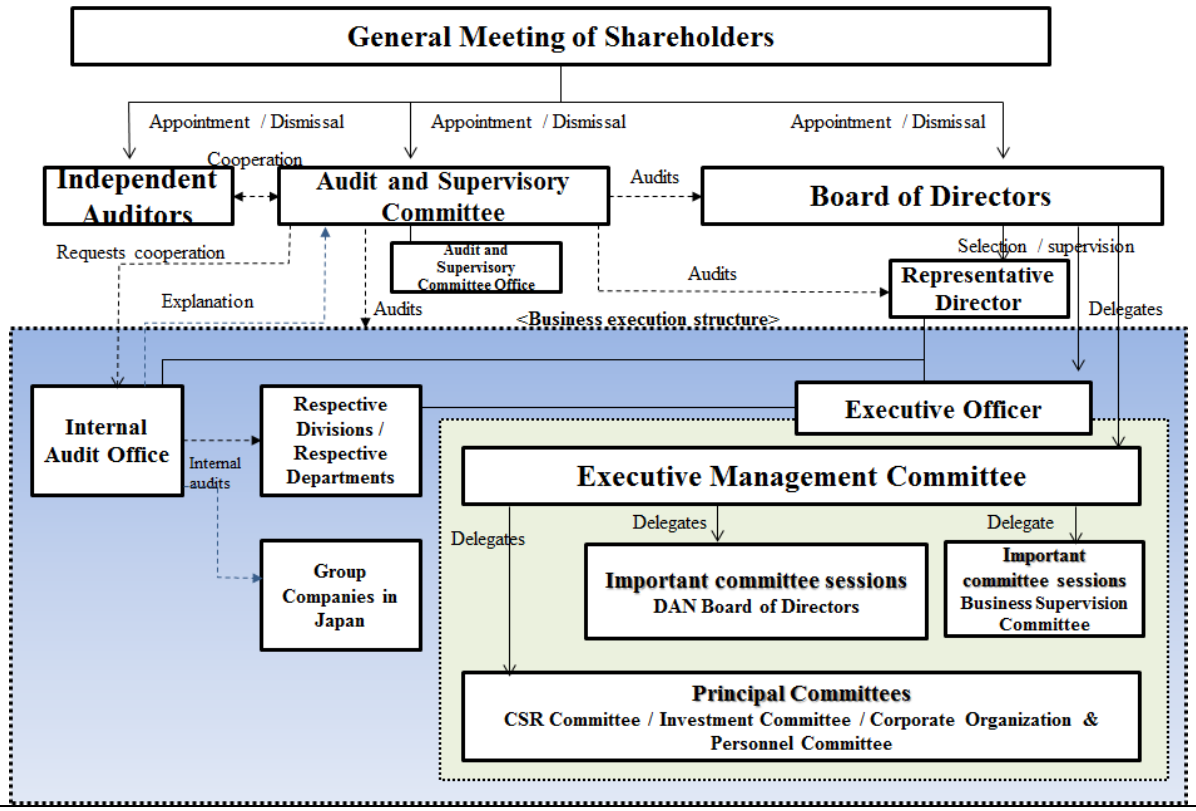
b. Disclosure of Material Facts, etc.

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.

Corporate Governance Structure



Understanding and Disclosure System for Company Information

