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Notice of Convocation of the 169th Ordinary General Meeting of Shareholders

Dentsu Inc.

(Securities code: 4324)
March 7, 2018

To Our Shareholders

1-8-1, Higashi-shimbashi, Minato-ku, Tokyo
Dentsu Inc.
Toshihiro Yamamoto, Representative Director, President and CEO

Notice of Convocation of the 169th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 169th Ordinary General Meeting of Shareholders. The meeting will be held as follows. If you are unable to attend the meeting, you can exercise your right to vote by paper form or via the Internet. Please review the Reference Material for the General Meeting of Shareholders and vote.

1. Date and Time

10:00 AM, March 29 (Thu.), 2018

*Doors are scheduled to open at 9:00 AM.

2. Place

8-21-1, Ginza, Chuo-ku, Tokyo

Sumitomo Realty & Development Shiodome Hamarikyu Building, Belle Salle Shiodome

3. Agenda of the Meeting

Matters to be Reported

(1) Business report for the 169th business term (January 1, 2017 to December 31, 2017), consolidated financial statements, and audit reports on consolidated financial statements by the Accounting Auditor and Audit and Supervisory Committee

(2) Report on financial statements for the 169th business term (January 1, 2017 to December 31, 2017)

Proposals to be Resolved

Proposal No. 1 Appointment of 8 Directors who are not Audit and Supervisory Committee Members

Proposal No. 2 Appointment of 4 Directors who are Audit and Supervisory Committee Members

If you are attending the meeting, please submit the enclosed voting form at the front desk.
Please bring this notice of convocation with you to the meeting.
Because it is expected to be crowded right before the start of the meeting, we suggest that you arrive early.
We have not prepared gifts for shareholders who attend the meeting. We appreciate your understanding.

Notice concerning items posted on the Company's website

(1) Of the business report, consolidated financial statements, and financial statements that were audited by the Audit and Supervisory Committee and the Accounting Auditor during the preparation of their respective audit reports, the documents attached to this notice of convocation exclude the following items. Pursuant to laws and regulations and Article 19 of the Company's Articles of Incorporation, these items are available on the Company's website (http://www.dentsu.co.jp/ir/shares/sokai.html) and are not contained within this notice of convocation.

1. Business Report: III 2. Situation of Important Con-current Posts
5. Items Related to Outside Directors
(2) Important Con-current Posts and Relationship with Dentsu
V Company System and Policy
2. Consolidated Financial Statements: Notes to Consolidated Financial Statements
3. Financial Statements: Notes to Financial Statements

(2) If there are any corrections to items in the Reference Material for the General Meeting of Shareholders, business report, consolidated financial statements, and financial statements, they will be promptly posted on the Dentsu website (http://dentsu.co.jp/ir/shares/sokai.html).

Reference Material for the General Meeting of Shareholders

Proposals and Reference Material

Proposal No. 1: Appointment of 8 Directors who are not Audit and Supervisory Committee Members

The terms of office of 8 Directors who are not Audit and Supervisory Committee Members will expire at the conclusion of this General Meeting of Shareholders. In order to thoroughly implement working environment reforms and business transformation, which are the issues the Company is currently addressing, and to further enhance the management framework, we request the appointment of 8 Directors who are not Audit and Supervisory Committee Members.

Under the stipulations of the Articles of Incorporation, the terms of office for the Directors who are not Audit and Supervisory Committee Members appointed at this General Meeting of Shareholders shall be until the end of the Ordinary General Meeting of Shareholders to be held in March 2019.

The Audit and Supervisory Committee exchanged opinions with the Representative Directors regarding the status of the Board of Directors and the status of business execution, insight, and abilities, etc., of each candidate for Director. As a result, the Audit and Supervisory Committee has determined that each candidate appropriately qualifies for Director who is not an Audit and Supervisory Committee Member of the Company.

The candidates for Directors who are not Audit and Supervisory Committee Members are as follows.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
1	Toshihiro Yamamoto May 31, 1958 4,124 shares (Candidate for Director)	April 1981 Joined Dentsu July 2008 EPM, Communication Design Center, Dentsu April 2009 Head of Communication Design Center, Dentsu April 2010 Head of Communication Design Center; Managing Director, MC Planning Division, Dentsu April 2011 Executive Officer, Dentsu June 2014 Director, Executive Officer, Dentsu January 2016 Director, Senior Vice President, Dentsu March 2016 Senior Vice President, Dentsu January 2017 President & CEO, Dentsu March 2017 Representative Director, President & CEO, Dentsu (current post) (Responsibilities) President & CEO, Corporate infrastructure management (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Toshihiro Yamamoto has operational experience in media contents and business development and possesses a wealth of experience from a managerial standpoint. As President & CEO of the Company since January 2017 and as Representative Director of the Company since March 2017, he has actively provided opinions and advice, etc. from his standpoint of supervising Group management. He is striving to formulate and implement specific measures to address the urgent issue of working environment reforms as the head of the Dentsu Working Environment Reforms Commission and is contributing to resolution of management issues and improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company. (Situation of important con-current posts) Corporate Auditor, Kyodo Television, Ltd. Non-executive Director, Dentsu Aegis Network Ltd. Outside Director, Rakuten Data Marketing, Inc.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
2	Yoshio Takada March 19, 1955 4,012 shares (Candidate for Director)	April 1977 Joined Dentsu June 2007 Managing Director, TV Division, Media Contents Unit, Dentsu April 2009 Executive Officer and Managing Director, TV Division, Dentsu April 2010 Executive Officer, Dentsu April 2012 Executive Officer and Managing Director, Media Services / Radio, TV & Entertainment Division, Dentsu April 2013 Senior Vice President, Dentsu June 2013 Director, Senior Vice President, Dentsu January 2016 Director, Executive Vice President, Dentsu January 2017 Representative Director, Executive Vice President, Dentsu January 2018 Representative Director, Executive Officer, Dentsu (current post) (Responsibilities) Assistance to the President (Executive Committee Member) (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Yoshio Takada has operational experience in media contents, and possesses a wealth of experience from a managerial standpoint. As Director of the Company since June 2013 and as Representative Director since January 2017, he has actively provided opinions and advice, etc., concerning Group management from his standpoint as an Assistant to the President and created strong partnerships with media companies and other business partners contributing to improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
3	Nobuyuki Tohya July 27, 1959 3,428 shares (New candidate for Director)	April 1982 Joined Dentsu July 2008 Managing Director, Interactive Media Division, Dentsu January 2010 Managing Director, Digital Business Division, Dentsu April 2012 Executive Officer, Dentsu (current post) (Responsibilities) Corporate management (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Nobuyuki Tohya has operational experience in media and digital sectors, and possesses a wealth of experience from a managerial standpoint. As Executive Officer of the Company since April 2012, he has actively provided opinions and advice, etc. from his standpoint as being in charge of media contents, etc. of domestic operations and contributing to improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
4	Wataru Mochizuki April 5, 1956 1,829 shares (Candidate for Director)	April 1979 Joined Dentsu July 2007 Managing Director, Account Management Division, Dentsu April 2013 Executive Officer, Dentsu January 2016 Senior Vice President, Dentsu March 2017 Director, Senior Vice President, Dentsu January 2018 Director, Executive Officer, Dentsu (current post) (Responsibilities) Assistance to the President (Executive Committee Member) (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Wataru Mochizuki has operational experience in account management, and possesses a wealth of experience from a managerial standpoint. As Director of the Company since March 2017, he has actively provided opinions and advice, etc. from his standpoint as being in charge of account management for domestic operations, coordinated and promoted the entire account management, contributing to improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company. (Situation of important con-current posts) Director, FRONTAGE INC. Representative Director, Dentsu Live Inc.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
5	Timothy Andree April 28, 1961 10,928 shares (Candidate for Director)	March 2002 Joined the National Basketball Association as Senior Vice President, Communications & Marketing December 2005 Joined BASF Corporation as CCO May 2006 Joined Dentsu America, LLC. as CEO June 2008 Executive Officer, Dentsu November 2008 President & CEO, Dentsu Holdings USA, LLC. (current post) April 2012 Senior Vice President, Dentsu April 2013 Executive Vice President, Dentsu June 2013 Director, Executive Vice President, Dentsu January 2018 Director, Executive Officer, Dentsu (current post) (Responsibilities) Overseas operations management (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Timothy Andree has operational experience overseas, and possesses a wealth of experience from a managerial standpoint. As Director of the Company since June 2013, he has actively provided opinions and advice, etc., concerning Group management from the standpoint of overseas operations management and enhanced the presence of overseas operations, contributing to improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company. (Situation of important con-current posts) Executive Chairman, Dentsu Aegis Network Ltd. President & CEO, Dentsu Holdings USA, LLC.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
6	Arinobu Soga March 27, 1965 1,000 shares (Candidate for Director)	April 1988 Joined Dentsu June 2015 Managing Director, Finance & Accounting Division, Dentsu January 2017 Executive Officer; Managing Director, Corporate Strategy Division, Dentsu March 2017 Director, Executive Officer, Dentsu (current post) (Responsibilities) Assistance for corporate infrastructure management (corporate strategy, CFO) Assistance for corporate management (finance and accounting, legal affairs, communications) Assistance for overseas operations management (overall corporate matters) (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Arinobu Soga has operational experience in contents sector as well as finance and accounting, and possesses a wealth of experience from a managerial standpoint. As Director of the Company since March 2017, he has actively provided opinions and advice, etc. from his standpoint of being in charge of corporate strategy and finance and accounting, contributing to improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company. (Situation of important con-current posts) Non-executive Director, Dentsu Aegis Network Ltd.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
7	Hiroshi Igarashi July 23, 1960 3,721 shares (New candidate for Director)	April 1984 Joined Dentsu April 2013 Managing Director, Account Management Division, Dentsu January 2017 Executive Officer, Dentsu (current post) (Responsibilities) Domestic operations management (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Hiroshi Igarashi has operational experience in account management, and possesses a wealth of experience from a managerial standpoint. As Executive Officer of the Company since January 2017, he has actively provided opinions and advice, etc. from his standpoint of being in charge of account management of domestic operations and contributing to improvement of corporate management of the Company. In light of these achievements, it has been judged that he can be expected to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company. (Situation of important con-current posts) Director, FRONTAGE INC.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
8	Nobuko Matsubara January 9, 1941 278 shares (Candidate for Outside Director)	April 1964 Entered the Ministry of Labour (currently the Ministry of Health, Labour and Welfare) March 1987 Director of International Labour Division October 1991 Director-General of Women's Bureau June 1995 Director-General of Labour Standards Bureau July 1996 Director-General of Labour Relations Bureau July 1997 Vice-Minister of the above Ministry April 1999 President of Japan Association for Employment of Persons with Disabilities (currently Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers) September 2002 Ambassador of Japan to Italy November 2002 Ambassador of Japan to Italy; Ambassador of Japan to Albania; Ambassador of Japan to San Marino; Ambassador of Japan to Malta January 2006 Advisor, Japan Institute of Workers' Evolution (currently Japan Institute for Women's Empowerment & Diversity Management) July 2006 Chairwoman, Japan Institute of Workers' Evolution June 2008 Outside Director, Daiwa Securities Group Inc. (current post) July 2012 Honorary Chairwoman, Japan Institute of Workers' Evolution (current post) June 2015 Outside Director, Ebara Corporation March 2017 Outside Director, Dentsu (current post) (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Ms. Nobuko Matsubara had long worked on the labor policies of Japan in the Ministry of Labour (currently the Ministry of Health, Labour and Welfare), and has specialized expertise and a wealth of experience concerning labor problems. As Director of the Company since March 2017, she has actively provided opinions and advice, etc., contributing to improvement of operational governance of the Company. In light of these achievements, it has been judged that she can be expected to utilize her experience, etc., in the supervision of management and ensuring a safe and civilized working environment, etc. as an Outside Director who is not an Audit and Supervisory Committee Member. Although she has not been involved in corporate management in the past aside from roles as Outside Director, due to the above mentioned expertise and experience gained from serving at various executive positions in the Ministry of Labour (currently the Ministry of Health, Labour and Welfare), the Company believes that she will continue to appropriately execute her duties as an Outside Director who is not an Audit and Supervisory Committee Member of the Company. (Situation of important con-current posts) Honorary Chairwoman, Japan Institute of Women's Empowerment & Diversity Management Outside Director, Daiwa Securities Group Inc.

(Note 1) Mr. Toshihiro Yamamoto con-currently serves as Corporate Auditor of Kyodo Television, Ltd. and Outside Director of Rakuten Data Marketing, Inc., which both have business relationships with the Company. In addition, Kyodo Television, Ltd. is in competition with the Company in the content production business. The Company is collaborating with Rakuten Data Marketing, Inc. in providing new marketing solutions utilizing big data.

(Note 2) Dentsu Aegis Network Ltd. at which Mr. Toshihiro Yamamoto and Mr. Arinobu Soga serve as Non-executive Director and Mr. Timothy Andree serves as Executive Chairman, is a company that oversees Dentsu's overseas business operations and has a business relationship with the Company.

(Note 3) Mr. Timothy Andree con-currently serves as President & CEO of Dentsu Holdings USA, LLC. which has a business relationship with the Company.

(Note 4) Mr. Wataru Mochizuki and Mr. Hiroshi Igarashi con-currently serve as Directors of FRONTAGE INC., which has a business relationship with the Company and is in competition with the Company in the advertising business.

(Note 5) Mr. Wataru Mochizuki con-currently serves as Representative Director of Dentsu Live Inc., which has a business relationship with the Company in the event business.

(Note 6) Ms. Nobuko Matsubara is an Outside Director candidate pursuant to Item 7, Paragraph 3, Article 2 of the Order for Enforcement of the Companies Act. She meets the standards for an independent officer as stipulated by the Tokyo Stock Exchange, Inc. as well as the "Independence Standards for Outside Directors at Dentsu Inc." (http://www.dentsu.co.jp/vision/isod.html) as stipulated by the Company. If the appointment of Ms. Nobuko Matsubara as Outside Director who is not an Audit and Supervisory Committee Member is approved at this General Meeting of Shareholders, the Company will register her again as an independent officer with the Tokyo Stock Exchange.

(Note 7) Ms. Nobuko Matsubara con-currently serves as Honorary Chairwoman of Japan Institute of Women's Empowerment & Diversity Management and Outside Director of Daiwa Securities Group Inc., both of which have business relationships with the Company, but the amount of transactions during fiscal year 2017 were less than 1% of net sales of the Company and there is no issue with her independence. Additionally, there are no vested interests between Ms. Nobuko Matsubara and the Company.

(Note 8) Ms. Nobuko Matsubara currently serves as Outside Director of the Company, and she will have served as Outside Director for 1 year since her appointment at the conclusion of this General Meeting of Shareholders.

(Note 9) The Company has concluded a contract for limitation of liability with Ms. Nobuko Matsubara for a maximum liability amount of 10 million yen or the minimum liability amount stipulated in Paragraph 1, Article 425 of the Companies Act, whichever is higher. If the appointment of Ms. Nobuko Matsubara as Director who is not an Audit and Supervisory Committee Member is approved at this General Meeting of Shareholders, the Company intends to continue the contract for limitation of liability with her.

(Note 10) There are no vested interests between the other candidates for Directors who are not Audit and Supervisory Committee Members and the Company.

Proposal No. 2: Appointment of 4 Directors who are Audit and Supervisory Committee Members

The terms of office of 4 Directors who are Audit and Supervisory Committee Members will expire at the conclusion of this General Meeting of Shareholders. Therefore, we request the appointment of 4 Directors who are Audit and Supervisory Committee Members.

Under the stipulations of the Articles of Incorporation, the terms of office for the Directors who are Audit and Supervisory Committee Members appointed at this General Meeting of Shareholders shall be until the end of the Ordinary General Meeting of Shareholders to be held in March 2020.

This proposal has been approved by the Audit and Supervisory Committee.

The candidates for Directors who are Audit and Supervisory Committee Members are as follows.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
1	Yoshiharu Sengoku September 5, 1957 10,821 shares (Candidate for Director)	April 1980 Joined Dentsu July 2008 Managing Director, Creative Development Center, Dentsu July 2010 EPM, Business Management Division, Dentsu October 2010 Managing Director, Business Management Division, Dentsu April 2011 Managing Director, Corporate Strategy Division, Dentsu April 2012 Managing Director, Business Management Division, Dentsu October 2012 Managing Director, Corporate Strategy Division, Dentsu April 2014 Executive Officer, Dentsu March 2017 Director, Executive Officer, Dentsu January 2018 Director, Dentsu (current post) (Reasons for candidacy as a Director who is an Audit and Supervisory Committee Member) Mr. Yoshiharu Sengoku has operational experience mainly in corporate strategy, and possesses a wealth of experience from a managerial standpoint. As Director who is not an Audit and Supervisory Committee Member of the Company since March 2017, he has actively provided opinions and advice, etc., from his standpoint as being in charge of compliance and CSR, contributing to improvement of corporate management of the Company. In light of these achievements, it has been judged that he can be expected to utilize his experience, etc., in audit, etc. of management as a Director who is an Audit and Supervisory Committee Member of the Company.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
2	Atsuko Toyama December 10, 1938 0 shares (Candidate for Outside Director)	April 1962 Official of the Ministry of Education, Science, Sports and Culture (MESSC) June 1991 Director-General, Local Education Support Bureau, MESSC July 1992 Director-General, Higher Education Bureau, MESSC July 1994 Commissioner, Agency for Cultural Affairs June 1996 Ambassador Extraordinary and Plenipotentiary, Embassy of Japan in Turkey April 2000 Director-General, The National Museum of Western Art, Tokyo April 2001 Minister of Education, Culture, Sports, Science and Technology April 2001 President, Independent Administrative Institution National Museum of Art April 2004 President, Panasonic Education Foundation April 2005 President, New National Theatre Foundation March 2007 President, The Toyota Foundation (current post) June 2008 Outside Audit & Supervisory Board Member, Dentsu March 2016 Outside Director (Audit and Supervisory Committee Member), Dentsu (current post) (Reasons for candidacy as a Director who is an Audit and Supervisory Committee Member) Ms. Atsuko Toyama possesses a wealth of expertise and experience concerning educational administration and the promotion of sports and culture from her experience as a Cabinet minister as the Minister of Education, Culture, Sports, Science and Technology. As Outside Director who is an Audit and Supervisory Committee Member of the Company, utilizing her wealth of experience in educational and cultural administration, she has actively provided opinions and advice, etc., contributing to improvement of corporate governance of the Company. In light of these achievements, it has been judged that she can be expected to continue to utilize her experience, etc., in the audit of management. Although she has not been involved in corporate management in the past aside from roles as Outside Director or Outside Audit & Supervisory Board Member, due to her contribution to securing the soundness of the Company's management as Outside Director who is an Audit and Supervisory Committee Member of the Company, the Company believes that she will continue to appropriately execute her duty as an Outside Director who is an Audit and Supervisory Committee Member. (Situation of important con-current posts) President, The Toyota Foundation

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
3	Toshiaki Hasegawa September 13, 1948 0 shares (Candidate for Outside Director)	April 1977 Registered as an attorney (Dai-Ichi Tokyo Bar Association) January 1982 Partner, Ohashi, Matsugae, and Hasegawa Law Office January 1990 Representative, T. Hasegawa & Co. Law Offices (current post) June 2011 Outside Audit & Supervisory Board Member, Dentsu March 2016 Outside Director (Audit and Supervisory Committee Member), Dentsu (current post) (Reasons for candidacy as a Director who is an Audit and Supervisory Committee Member) Mr. Toshiaki Hasegawa has specialized expertise and a wealth of experience as an international business lawyer. As Outside Director who is an Audit and Supervisory Committee Member of the Company, he has actively provided opinions and advice, etc. from a legal viewpoint, contributing to improvement of corporate governance of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the audit of management as an Outside Director who is an Audit and Supervisory Committee Member of the Company. Although he has not been involved in corporate management in the past aside from roles as Outside Director or Outside Audit & Supervisory Board Member, due to his contribution to securing the soundness of the Company's management as Outside Director who is an Audit and Supervisory Committee Member of the Company, the Company believes that he will continue to appropriately execute his duty as an Outside Director who is an Audit and Supervisory Committee Member. (Situation of important con-current posts) Representative, T. Hasegawa & Co. Law Offices

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
4	Kentaro Koga August 11, 1961 300 shares (Candidate for Outside Director)	April 1985 Joined Mitsubishi Research Institute, Inc. May 1993 Completed master's course in the Graduate School, Division of Business, Columbia University June 1999 Completed doctor's course in the Graduate School, Division of Business Administration, Harvard University; received doctorate in business administration April 2001 Assistant Professor, School of Commerce, Waseda University January 2002 Assistant Professor, Department of Accountancy, University of Illinois July 2009 Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (current post) June 2012 Outside Audit & Supervisory Board Member, Dentsu June 2013 Outside Corporate Auditor, Resona Bank, Ltd. (current post) March 2016 Outside Director (Audit and Supervisory Committee Member), Dentsu (current post) (Reasons for candidacy as a Director who is an Audit and Supervisory Committee Member) Mr. Kentaro Koga has specialized expertise and wealth of experience on accountancy as an associate professor at a graduate school. As Outside Director who is an Audit and Supervisory Committee Member of the Company, he has actively provided opinions and advice, etc., from an economical viewpoint, contributing to improvement of corporate governance of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the audit of management as an Outside Director who is an Audit and Supervisory Committee Member of the Company. Although he has not been involved in corporate management in the past aside from roles as Outside Director or Outside Audit & Supervisory Board Member, due to his contribution to securing the soundness of the Company's management as Outside Director who is an Audit and Supervisory Committee Member of the Company, the Company believes that he will continue to appropriately execute his duty as an Outside Director who is an Audit and Supervisory Committee Member. (Situation of important con-current posts) Associate Professor, Graduate School of International Corporate Strategy, Hitotsubashi University Outside Corporate Auditor, Resona Bank, Ltd.

(Note 1) Ms. Atsuko Toyama, Mr. Toshiaki Hasegawa, and Mr. Kentaro Koga are Outside Director candidates pursuant to Item 7, Paragraph 3, Article 2 of the Order for Enforcement of the Companies Act.

(Note 2) Ms. Atsuko Toyama con-currently serves as President of The Toyota Foundation, which does not have any special relationship with the Company.

(Note 3) Mr. Kentaro Koga con-currently serves as Outside Corporate Auditor of Resona Bank, Ltd., which has a business relationship with the Company. He also serves as Associate Professor of Hitotsubashi University Graduate School, which does not have any special relationship with the Company.

(Note 4) Ms. Atsuko Toyama, Mr. Toshiaki Hasegawa, and Mr. Kentaro Koga are currently Directors (Outside Directors) who are Audit and Supervisory Committee Members of the Company. They will have served as Directors (Outside Directors) who are Audit and Supervisory Committee Members for

approximately 2 years since their appointment at the conclusion of this General Meeting of Shareholders.

(Note 5) The Company has concluded contracts for limitation of liability with Ms. Atsuko Toyama, Mr. Toshiaki Hasegawa, and Mr. Kentaro Koga for a maximum liability amount of 10 million yen or the minimum liability amount stipulated in Paragraph 1, Article 425 of the Companies Act, whichever is higher. In the event that the above 3 persons are appointed as Directors who are Audit and Supervisory Committee Members at this General Meeting of Shareholders, the Company intends to continue the contracts for limitation of liability with the 3 persons in question. If the appointment of Mr. Yoshiharu Sengoku as Director who is an Audit and Supervisory Committee Member is approved at this General Meeting of Shareholders, the Company intends to conclude a contract for limitation of liability with him for a maximum liability amount of 10 million yen or the minimum liability amount stipulated in Paragraph 1, Article 425 of the Companies Act, whichever is higher.

(Note 6) Ms. Atsuko Toyama, Mr. Toshiaki Hasegawa, and Mr. Kentaro Koga meet the standards for an independent officer as stipulated by the Tokyo Stock Exchange, Inc. as well as the “Independence Standards for Outside Directors at Dentsu Inc.” (http://www.dentsu.co.jp/vision/isod.html) as stipulated by the Company. If the appointment of the above 3 persons as Directors who are Audit and Supervisory Committee Members is approved at this General Meeting of Shareholders, the Company will register them again as independent officers with the Tokyo Stock Exchange.

(Note 7) There are no vested interests between the other candidates for Directors who are Audit and Supervisory Committee Members and the Company.

[Reference]

Corporate Governance Structure

The Company is a company with an Audit and Supervisory Committee and has transferred authority for important business execution in part from the Board of Directors to Executive Officers to establish an expeditious and effective business execution system. At the same time, the Company is working to enhance the Board of Directors' supervisory function over business execution.

As of January 1, 2018, 12 Directors (of whom 4 are independent Outside Directors) comprise the Board of Directors and 4 of them are appointed as Directors who are Audit and Supervisory Committee Members (of whom 3 are Outside Directors).

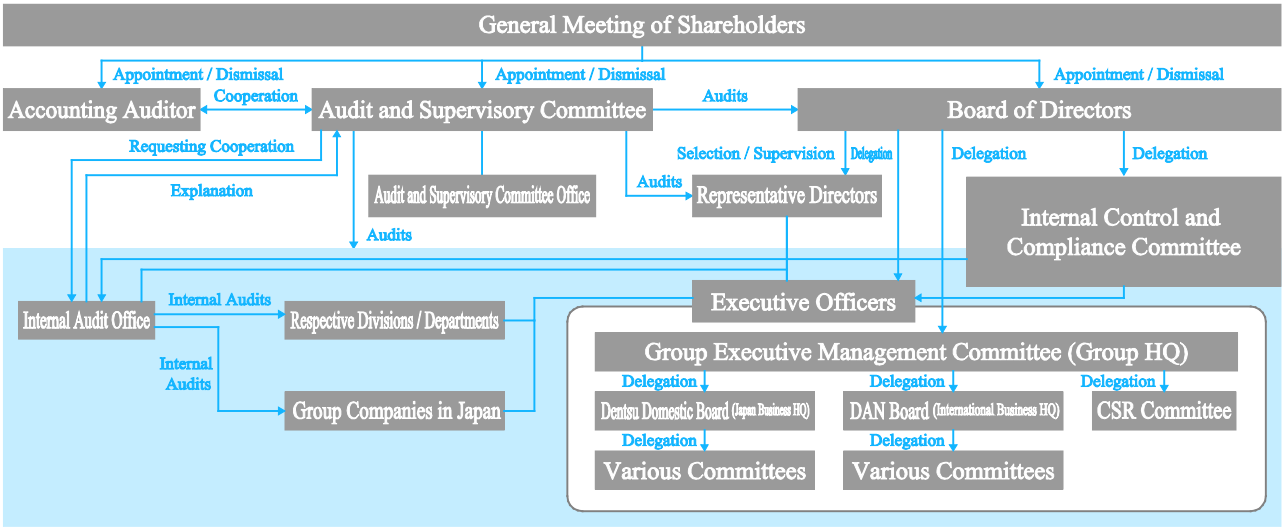
Positioned under the Board of Directors is the "Group Executive Management Committee" consisting of Representative Directors and Executive Officers, including Executive Directors, which makes decisions on important business matters concerning the entire Dentsu Group and deliberates on matters to be decided by the Board of Directors. Moreover, while authority for the domestic Group business has been transferred to "Dentsu Domestic Board," the "DAN Board" has been established for the international business, thereby dividing the business execution system into the Japan business sector and the international business sector, and each has responsibility for profit and authority delegated.

The Internal Control and Compliance Committee has been established, which is accorded responsibility by the Board of Directors for internal control and risk management, to enhance effectiveness of internal control and risk management.

Through this structure, the Company seeks to ensure management soundness, transparency, and efficiency and enhance corporate value over the medium to long term.

The Company's corporate governance structure is shown in the diagram below.

Corporate Governance Structure



Business Execution Structure (From January 1, 2018 onward)

Marked with * are candidates for Director.

Position	Name	Responsibilities
*President & CEO	Toshihiro Yamamoto	President & CEO, Corporate infrastructure management
*Executive Officer	Yoshio Takada	Assistance to the President (Executive Committee Member)
*Executive Officer	Nobuyuki Tohya	Corporate management
*Executive Officer	Wataru Mochizuki	Assistance to the President (Executive Committee Member)
*Executive Officer	Timothy Andree	Overseas operations management Executive Chairman, Dentsu Aegis Network
*Executive Officer	Arinobu Soga	Assistance for corporate infrastructure management (corporate strategy, CFO) Assistance for corporate management (finance and accounting, legal affairs, communications) Assistance for overseas operations management (overall corporate matters)
*Executive Officer	Hiroshi Igarashi	Domestic operations management
Executive Officer	Naoki Tani	Assistance for corporate infrastructure management (domestic Group policy)
Executive Officer	Jerry Buhlmann	Assistance for overseas operations management CEO, Dentsu Aegis Network
Executive Officer	Takashi Yagi	Assistance for corporate infrastructure management President, Dentsu Inc. Kansai Domestic operations, Kansai region
Executive Officer	Yutaka Ishikawa	Assistance for domestic operations management (media content)
Executive Officer	Yuichi Okubo	Assistance for domestic operations management (client business)
Executive Officer	Keiichi Maeda	Assistance for corporate infrastructure management (internal audit)
Executive Officer	Takaki Hibino	Assistance for overseas operations management (overall business)
Executive Officer	Hidemi Matsuo	Assistance for domestic operations management (planning solutions)
Executive Officer	Jun Shibata	Assistance for corporate management (human resources systems and working environment reforms)
Executive Officer	Shigeru Ishida	Assistance for corporate infrastructure management (liaison and risk management)
Executive Officer	Shun Sakurai	Assistance for corporate infrastructure management (overall internal control)
Executive Officer	Kiyoshi Nakamura	Assistance for taskforce (2020 event-related tasks)
Executive Officer	Norio Kamijo	Domestic operations
Executive Officer	Motohiro Yamagishi	Domestic operations
Executive Officer	Akira Ando	Domestic operations, Kansai region
Executive Officer	Tetsuji Hirose	Domestic operations, Kansai region
Executive Officer	Norihiro Kuretani	Domestic operations
Executive Officer	Norihiko Sakata	Domestic operations
Executive Officer	Ichiro Itani	Domestic operations
Executive Officer	Masaya Nakamura	Overseas operations (overseas assignment)
Executive Officer	Norifumi Adachi	Domestic operations, Chubu region
Executive Officer	Soichi Takahashi	Domestic operations
Executive Officer	Masao Tatsuuma	Domestic operations
Executive Officer	Chieko Ohuchi	Corporate
Executive Officer	Hiromi Suzuki	Domestic operations
Executive Officer	Seikyo Son	Domestic operations
Executive Officer	Keiichi Yoshizaki	Domestic operations
Executive Officer	Nick Priday	Overseas operations CFO, Dentsu Aegis Network

Business Report

(From January 1, 2017 to December 31, 2017)

I Items Pertaining to the Current State of the Corporate Group

1. Business Progress and Results

(1) Business progress and results

The Japanese economy during the fiscal year 2017 under review remained on a moderate recovery track owing to improvements in both corporate earnings and the employment and earnings environment. The global economy was on a recovery trend overall, centering on the US, despite concerns, such as uncertainties regarding the management and implementation of policies by the new US administration, developments concerning Brexit, the UK's exit from the EU, and the unstable international situation.

The growth rate forecast for worldwide advertising expenditure in the 2017 calendar year published in January 2018 by the Company's overseas headquarters Dentsu Aegis Network Ltd. was 3.1%. Forecasts by region were as follows: Japan 1.0%; Europe, the Middle East and Africa (hereinafter "EMEA") 2.3%; the Americas 3.1%; and the Asia Pacific region (excluding Japan; hereinafter "APAC") 4.6%.

Under such circumstances, the business results of the Group's Japan business operations during the fiscal year under review (from January 1, 2017 to December 31, 2017) were somewhat weaker than the previous year, partly due to the absence of large-scale events, such as the Games of the XXXI Olympiad (2016 Summer Olympics in Rio de Janeiro), resulting in gross profit of 361,902 million yen (0.4% decrease year on year). The gross profit organic growth rate (internal growth rate factoring out acquisitions and the effect of exchange rates) of the international business operations was 0.4% for the entire Group. By region, positive growth of 3.1% was achieved in EMEA, while growth rates were negative 1.5% and negative 0.6% in the Americas and in APAC, respectively. Gross profit of the international business operations increased greatly to 516,052 million yen (21.1% increase year on year) mainly owing to the contribution of M&A.

As a result, the Group posted 928,841 million yen in revenue (10.8% increase year on year) and 877,622 million yen in gross profit (11.2% increase). Owing mainly to little growth of the gross profit organic growth rate and expenses recorded for working environment reforms, underlying operating profit was 163,946 million yen (1.6% decrease), operating profit was 137,392 million yen (0.2% decrease), underlying net profit attributable to owners of the parent was 107,874 million yen (4.5% decrease). Profit for the year attributable to owners of the parent was 105,478 million yen (26.3% increase) mainly because of an increase in gains on revaluation of earnout liabilities/M&A related put-option liabilities.

Underlying operating profit is a profit indicator to measure recurring business performance which is calculated as operating profit added with amortization of M&A related intangible assets, acquisition costs, share-based compensation expenses related to acquired companies, and one-off items such as impairment loss and gain/loss on sales of non-current assets.

Underlying net profit attributable to owners of the parent is an indicator to measure recurring net profit attributable to owners of the parent which is calculated as net profit (attributable to owners of the parent) added with adjustment items related to operating profit, revaluation of earnout liabilities/M&A related put-option liabilities, tax-related and NCI profit-related and other one-off items.

(Note) An earnout is a contractual provision stating that only a certain portion of the total purchase price is to be paid at the time of the acquisition and the remaining portion is to be payable at a later date according to the future actual results of the acquired business.

(2) Record of Income for Reportable Segments

1) Japan business

Gross profit of 361,902 million yen (0.4% decrease year on year) and underlying operating profit of 88,801 million yen (8.8% decrease) were posted.

2) International business

Gross profit of 516,052 million yen (21.1% increase year on year) and underlying operating profit of 75,146 million yen (8.8% increase) were posted.

(3) Financial results of the Company

As to Dentsu's non-consolidated financial results (Japanese GAAP, from January 1, 2017 to December 31, 2017), the Company posted non-consolidated net sales of 1,561,528 million yen (2.4% decrease year on year), gross profit of 228,472 million yen (2.7% decrease), operating income of 54,289 million yen (16.1% decrease), ordinary income of 76,837 million yen (20.9% decrease), and net income of 63,556 million yen (30.9% decrease).

2. Issues to be Addressed

In the Japan business operations, according the top priority to working environment reforms, the Group is making an all-out effort to fundamentally overhaul the ways of working and work styles. Having positioned fiscal year 2017 and fiscal year 2018 as the reform period, the Group is working to re-establish a foundation for sustainable growth.

At the same time, it is increasingly important for the Group, both in Japan and overseas, to respond to digitization, such as by utilization of data and technology. Amid such change in the environment, the Group also recognizes that it is an urgent issue to achieve business transformation to enable the Group to create value truly required by clients and society.

Specific issues and initiatives concerning "working environment reforms" centering on the Japan business and "business transformation" in the Group are as follows.

(1) Working environment reforms

We take the court ruling on the Company's violation of Japan's Labor Standards Act very seriously and apologize to our shareholders and all the other stakeholders.

As a member of society, we deeply regret that we could not fulfill our social responsibilities. The Company is undertaking fundamental reforms to ensure thorough compliance with laws and regulations, eradication of excessive overtime work, and improvement of the working environment. The Company is promoting working environment reforms to achieve both reduced working hours and improved operational quality so as to restructure the overall functions of the corporate infrastructure. Working environment reforms are inextricably linked with the Company's business transformation.

With "Thorough enforcement of time management and enhanced care for employees," "Work-Diet through the thorough review of workflows," and "Development of Smart Work Styles" as the pillars of reform efforts in 2017, we worked on a range of improvement and reform measures. Moreover, the Company established the Independent Advisory Committee for Labor Environment Reform Activities consisting of external experts. The committee oversees and provides advice on the Company's working environment reform measures, and verifies their efficacy. As a result of these measures, total work hours per employee decreased to 2,031 hours,

below the 2017 target of 2,100 hours set forth in the Working Environment Reform Plan and the usage rate of paid-holiday per employee increased from 56.0% in the previous year to 64.0%. Going forward, the Company will thoroughly implement working environment reforms and the Group aims to become an enterprise that regains the confidence of its employees, clients, shareholders and investors, and in society at large.

(2) Business transformation in the Group

1) Japan business

Although the Group's Japan business saw decreases in both gross profit and underlying operating profit in fiscal year 2017 compared with the previous year in the aftermath of the record-high profit achieved in the previous year and owing to the impact of working environment reforms, gross profit of the Japan business was the second highest in the Company's history.

The Company will continue to strengthen competitiveness in order to achieve sustainable growth of the Japan business. In line with the technological innovation centering on digital technology, everything is changing—clients, the advertising industry, and consumer behavior. Increasingly, clients emphasize the return on advertising investment. The Group considers it is necessary to continuously refine its integrated planning methodology based on technology and data.

As an example of specific reforms, in the digital sector, in order to further enhance functions of "People-Driven Marketing™," an integrated planning platform launched by the Group in the previous fiscal year, the Group is promoting its standard implementation through reshaping the Group's structure, while at the same time vigorously promoting collaboration and tie-ups with partners that have a high degree of specialization. Through enrichment of functions, vigorous collaboration with external parties, investment and other initiatives, the Group aims to further strengthen competitiveness in the marketing and communication sectors. As business issues of clients become increasingly sophisticated and complex, it is important to offer solutions that also address the inherent business issues of clients. Thus, the Group is expanding the service line in the business design sector, such as clients' management and business development. In addition to several thousands of clients, the Group has diverse points of contact with media, platformers, etc. By deepening collaboration with them and by combining the Group's capabilities with those of partners, the Group will address initiatives that go beyond the conventional business sectors. To evolve into clients' "best partner for realization of business transformation," the Group will promote various measures and implement business transformation of the Group itself.

2) International business

With the completion of the acquisition of Aegis Group plc (current Dentsu Aegis Network Ltd.) in March 2013, the Dentsu Group has evolved into a truly global network, and has since continued with its vigorous promotion of the international business. In fiscal year 2017, the Group faced new challenges as many clients overhauled conventional marketing and shifted toward more data-driven marketing tailored to the digital era.

In anticipation of these changes, the Group implemented numerous M&A transactions that will contribute to acquiring resources and strengthening competitiveness required to create future foundations for growth and worked to improve its capabilities and quality of service in the digital sector. As a result, fiscal year 2017 was a record year for net new business, generating 5.2 billion dollars in media billings. We intend to maintain this momentum and continue investment in the data sector. In particular, in the data marketing sector, Merkle

Group Inc. (Merkle), which the Group acquired in fiscal year 2016, is spearheading the Group's efforts to implement "M1," a data platform developed by Merkle, so that it can be utilized globally throughout the Group to create synergy and achieve higher growth. Furthermore, to achieve long-term business growth, the Group is investing for the purpose of establishing common corporate infrastructure and shared services that contribute to standardization of operations, swift decision-making, and improvement of operational efficiency. Going forward, the Group will strive to establish and expand a global network that is competitive throughout the world and promote business transformation overseas as well.

Measures are also in place to strengthen CSR activities on a global scale.

The Group is promoting activities with 2020 as the target year in four key areas, including environment, based on the "Dentsu Group Medium-term CSR Strategy 2020" defined in 2015. Also, as part of the "Common Ground" campaign to work toward Sustainable Development Goals (SDGs) in cooperation with five major global advertising groups, the Group is engaged in an initiative supporting NGOs with the aim of eliminating malaria and tuberculosis. In the fiscal year under review, the Group started updating the current Medium-term CSR Strategy. The Group will seek opinions of employees, such as about selection of key CSR issues, creating an opportunity for not only management but also employees to consider relationships between their work and society so that the Group will fulfill its social responsibilities more than ever through its business activities.

Moving forward, the Group will strengthen activities worthy of a global leading group in the communications sector and continue to improve its corporate value.

For details on individual activities, see the Dentsu Integrated Report (http://www.dentsu.com/csr).

3. Changes in Assets and Profit and Loss Status

(1) Changes in the Dentsu Group's assets and profit and loss status

IFRS (International Financial Reporting Standards)

	166th Term From April 1, 2014 to March 31, 2015	167th Term From April 1, 2015 to December 31, 2015	(Reference) From January 1, 2015 to December 31, 2015	168th Term From January 1, 2016 to December 31, 2016	169th Term (the fiscal year under review) From January 1, 2017 to December 31, 2017
Revenue (Millions of yen)	**728,626**	**706,469**	**818,566**	**838,359**	**928,841**
Gross profit (Millions of yen)	**676,925**	**669,489**	**761,996**	**789,043**	**877,622**
Operating profit (Millions of yen)	**132,305**	**107,265**	**128,212**	**137,681**	**137,392**
Profit for the year (attributable to owners of the parent) (Millions of yen)	**79,846**	**72,653**	**83,090**	**83,501**	**105,478**
Basic earnings per share (attributable to owners of the parent) (Yen)	**276.89**	**254.05**	**289.95**	**292.85**	**373.11**
Total equity attributable to owners of the parent (Millions of yen)	**1,080,364**	**1,068,216**	**1,068,216**	**932,742**	**1,093,211**
Total assets (Millions of yen)	**3,159,534**	**3,066,075**	**3,066,075**	**3,155,230**	**3,562,857**

(Note 1) From the 167th business term, the Company and its subsidiaries with fiscal year-ends other than December 31 changed the fiscal year-ends to December 31. In line with this change, the consolidated fiscal year-end date was changed from March 31 to December 31, and the 167th business term is the nine-month period from April 1, 2015 to December 31, 2015. Additionally, the fiscal year-end date of Dentsu Aegis Network Ltd., which operates the Group's overseas advertising business, and the subsidiaries under its control, is December 31 as it was previously; hence the Group consolidates financial results of Dentsu Aegis Network for the twelve-month period from January 1, 2015 to December 31, 2015 into the consolidated financial results for the167th business term.

(Note 2) Figures assuming an accounting period for the Group of the twelve-month period from January to December for the 167th business term are presented for reference. These figures have not been audited by the Accounting Auditor.

(Note 3) Basic earnings per share is calculated based on the average number of shares during the period.

(2) Changes in Dentsu's assets and profit and loss status

	166th Term From April 1, 2014 to March 31, 2015	167th Term From April 1, 2015 to December 31, 2015	(Reference) From January 1, 2015 to December 31, 2015	168th Term From January 1, 2016 to December 31, 2016	169th Term (the fiscal year under review) From January 1, 2017 to December 31, 2017
Net sales (Millions of yen)	**1,535,105**	**1,156,186**	**1,560,136**	**1,600,196**	**1,561,528**
Ordinary income (Millions of yen)	**76,458**	**63,826**	**82,826**	**97,131**	**76,837**
Net income (Millions of yen)	**63,950**	**53,565**	**60,903**	**91,962**	**63,556**
Net income per share (Yen)	**221.77**	**187.30**	**212.52**	**322.52**	**224.82**
Net assets (Millions of yen)	**776,574**	**790,255**	**790,255**	**857,206**	**939,212**
Total assets (Millions of yen)	**1,649,418**	**1,613,950**	**1,613,950**	**1,673,415**	**1,764,774**

(Note 1) The non-consolidated financial statements of the Company are prepared in accordance with Japanese GAAP.

(Note 2) Figures assuming an accounting period for the Group of the twelve-month period from January to December for the 167th business term are presented for reference. These figures have not been audited by the Accounting Auditor.

(Note 3) Net income per share is calculated based on the average number of shares during the period.

4. Status of the Acquisition or Disposal of Other Companies' Shares and Other Equity

No items to report.

5. Status of Financing and Capital Investment

To finance for payment in relation to the acquisition of a company at Dentsu Aegis Network Ltd. and redemption of the existing liabilities, the Group procured funds totaling 1.3 billion dollars (approximately equal to 146.9 billion yen) in March 2017 via borrowings from financial institutions.

6. Main Business Description of the Group

The Dentsu Group, with the communications domain at its core, is engaged in a wide range of business activities. From management and operating solutions to the implementation of marketing and communications strategies for advertisers as well as media and content holders, the Group works to provide the best integrated solutions capabilities in Japan and in the global market. Specifically, the Dentsu Group offers management and operating consulting, advertising strategy formulation and production work, ad placement in various media, various marketing services, and content services in the areas of sports and entertainment, focusing on the advertising segment, as well as communications-related services such as IT management and related consulting services.

7. Main Business Offices of the Company

Headquarters (Minato-ku, Tokyo)

Dentsu Inc. Kansai (Osaka City, Osaka), Dentsu Inc. Chubu (Nagoya City, Aichi)

(Note) Significant subsidiaries of the Company are as stated in “10. Status of Important Subsidiaries.”

8. Situation of Employees of the Group

Number of Employees	Change from Previous Year-end
60,064 persons	**Increase of 4,221 persons**

(Note) The above number of employees indicates the number of working employees.

9. Major Lenders

Lender	Year-end Balance of Loans Payable
	(Millions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	**60,000**
Syndicated loan (Note)	**30,000**
Meiji Yasuda Life Insurance Company	**20,000**
Development Bank of Japan Inc.	**12,400**
Nippon Life Insurance Company	**10,000**
Mitsubishi UFJ Trust and Banking Corporation	**90,400 [USD 800 million]**
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	**67,348 [USD 596 million]**
Sumitomo Mitsui Banking Corporation	**56,048 [USD 496 million]**
Syndicated loan (Note)	**45,200 [USD 400 million]**
Mizuho Bank, Ltd.	**18,234 [GBP 120 million]**
Mitsubishi UFJ Trust and Banking Corporation	**9,117 [GBP 60 million]**

(Note) Syndicate with Mizuho Bank, Ltd. as lead manager and another company.

10. Status of Significant Subsidiaries

Company Name	Location	Capital or Stake (Millions of yen)	Shareholding Ratio (%)	Main Business Description
Dentsu Aegis Network Ltd.	London England	**GBP 78 million**	**100.0**	Controlling company for overseas business operations
Merkle Group Inc.	Maryland USA	**USD 0 million**	**73.8 (73.8)**	Data-driven and technological advertising marketing primarily in the USA
Beijing Dentsu Advertising Co., Ltd.	Beijing China	**RMB 17 million**	**70.0**	Advertising in China
cyber communications inc.	Chuo-ku, Tokyo	**490**	**100.0**	Media representative business for online advertising
Dentsu Tec Inc.	Chiyoda-ku, Tokyo	**1,000**	**100.0**	Planning and production for sales promotions, events, print, etc.
Information Services International-Dentsu, Ltd.	Minato-ku, Tokyo	**8,180**	**61.8** (**0.0**)	Information systems building; software sales and support for various business areas

(Note 1) The Shareholding Ratio is the holding ratio of voting rights. The figures in parentheses in Shareholding Ratio represents shares held indirectly.

(Note 2) The number of consolidated subsidiaries, including significant subsidiaries, is 911 companies, and the number of associates accounted for using the equity method affiliates is 68 companies.

11. Policy Regarding Exercise of Right to Determine Distribution of Surplus, etc., by the Board of Directors as Stipulated in the Articles of Incorporation (Article 459, Paragraph 1 of the Companies Act)

Regarding matters provided for in each Item of Article 459, Paragraph 1 of the Companies Act, such as the distribution of dividends, etc., the Company has stipulated in the Articles of Incorporation that it may decide upon such matters by a resolution of the Board of Directors, unless otherwise provided for in the applicable laws and regulations.

Dentsu considers the return of profits an important management issue. Dentsu will work for comprehensive profit return through a combination of a maximization of corporate value through long-term business growth, continued and stable dividend distribution, flexible acquisition of treasury shares, etc., in accordance with the changes in the management environment surrounding the Company. Dividends for each term shall be decided taking into consideration the necessary internal reserve for sustained investment for business growth, consolidated performance trends, financial situation and other factors, while placing an emphasis on stability.

While paying attention to the stability of management and financial soundness, the Company is aggressively seeking to create additional business opportunities by responding to the globalization of corporate activities, technological development, etc., through aggressive activities such as investment. By further improving the Group's competitiveness, profitability and business growth, the Company wishes to enhance returns to shareholders through improving fundamental corporate value.

The year-end dividend for this year was resolved to be 45 yen per share at the meeting of the Board of Directors held on February 13, 2018, comprehensively taking into consideration the aforementioned factors. As a result, because Dentsu has already paid 45 yen per share as an interim dividend, the annual dividend will be 90 yen per share, a 5 yen increase over the previous year.

II Shares and Subscription Rights to Shares

1. Items Related to Shares

(1) Total number of authorized shares Common shares **1,100,000,000** shares

(2) Types of issued shares and total number of shares Common shares **288,410,000** shares
(Of which treasury shares **6,511,082** shares)

(3) Number of shareholders **42,251** persons

(4) Major Shareholders (Top 10)

Shareholder	No. of Shares Held	Percentage of Total Shares Issued
	(Shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust accounts)	**31,329,200**	**11.11**
Japan Trustee Services Bank, Ltd. (Trust accounts)	**19,375,500**	**6.87**
Kyodo News	**18,988,800**	**6.74**
Jiji Press, Ltd.	**16,678,680**	**5.92**
STATE STREET BANK AND TRUST COMPANY 505001	**7,955,155**	**2.82**
Group Employees' Stockholding Association	**5,963,698**	**2.12**
Mizuho Bank, Ltd.	**5,000,000**	**1.77**
Yoshida Hideo Memorial Foundation	**4,984,808**	**1.77**
Recruit Holdings Co., Ltd.	**4,929,900**	**1.75**
Japan Trustee Services Bank, Ltd. (Trust account 5)	**4,439,000**	**1.57**

(Notes) 1. The number of shares held by each trust bank includes shares related to trust services.
2. The Company holds 6,511,082 treasury shares but is excluded from the major shareholders listed above.
3. The Percentage of Total Shares Issued is calculated excluding treasury shares.

(5) Other Important Items Related to Shares

To enhance shareholder value and further improve capital efficiency, at the meeting of the Board of Directors on February 14, 2017, the Company resolved to conduct a share repurchase of its common stock via an open market purchase on the Tokyo Stock Exchange with a maximum repurchase of 5 million shares and a maximum repurchase cost of 20 billion yen, from the period between February 20, 2017 to May 31, 2017, and conducted the share repurchase as follows.
Result of the share repurchase
1) Repurchase period: From February 20, 2017 to May 17, 2017
2) Total number of shares repurchased: 3,235,300 shares of common stock
3) Total repurchase price: 19,999,625,960 yen

2. Items Related to Subscription Rights to Shares, etc.

(1) Summary of contents of subscription rights to shares held by company executives, etc. as of the final day of the fiscal year under review that were issued as compensation for business execution

Subscription rights to shares issued based on the resolution made at the meeting of the Board of Directors on June 13, 2014

(All the subscription rights to shares described below were extinguished on February 13, 2018 because the conditions for exercising the rights were not satisfied.)

Number of holders of subscription rights to shares	1 Director of the Company (excluding Audit and Supervisory Committee Members and Outside Directors) (Note)
Number of subscription rights to shares	10
Class of shares to be issued upon exercise of subscription rights to shares	Common stock
Number of shares to be issued upon exercise of subscription rights to shares	1,000 shares
Issue price of subscription rights to shares	3,200 yen
Pay-in price per share when exercising subscription rights to shares	4,195 yen
Exercise period for subscription rights to shares	From June 1, 2018 to May 31, 2021
Conditions for exercising subscription rights to shares	1) Holders of subscription rights to shares may exercise their subscription rights to shares only within the "exercise period for subscription rights to shares" and only if the Company's business performance satisfies the criteria stipulated below, which were established based on the targets set forth in the medium-term management plan, Dentsu 2017 and Beyond. The decision as to whether the Company has satisfied such business performance stipulated above will be made by referring to the consolidated statement of income described in the summary of financial statements of the Company for the accounting year set forth in (i) below. (Financial figures under IFRS will be converted to figures under Japanese GAAP for application.) In the event there is a significant change in the conceptual basis of the financial figures to be referred to, such as any change in the applicable accounting standards, the Company will determine at its Board of Directors an appropriate indicator to be referred to the extent deemed reasonable. (i) The Company's business performance year: Fiscal year 2017 (ii) Consolidated gross profit: 720.0 billion yen or higher (iii) Operating margin before amortization of goodwill*1: 20% or higher *1 Operating margin before amortization of goodwill equals adjusted operating profit*2 divided by gross profit *2 Adjusted operating profit: Operating profit before amortization of goodwill and M&A related intangible assets 2) No successor of any holder of subscription rights to shares may exercise these subscription rights to shares. 3) If the exercise of subscription rights to shares would cause the total number of outstanding shares of the Company to exceed the current total number of authorized shares, such subscription rights to shares may not be exercised. 4) Subscription rights to shares must be exercised in groups of five units. 5) Other conditions for exercising subscription rights to shares shall be pursuant to the contract for allotment of subscription rights to shares.

(Note) Subscription rights to shares held by the Director mentioned above were issued when the said Director was an employee (manager) of the Company.

(2) Summary of contents of subscription rights to shares that were issued to employees, etc., during the fiscal year under review as compensation for business execution

No items to report.

(3) Other important items regarding subscription rights to shares

No items to report.

III Items Related to Company Executives

1. Names, etc., of Directors

Name	Position and Responsibilities
Toshihiro Yamamoto	Representative Director, President & CEO
Shoichi Nakamoto	Representative Director, Senior Executive Vice President (Responsibilities) Assistance to President, Group CFO, direct management, corporate management
Yoshio Takada	Representative Director, Executive Vice President (Responsibilities) Domestic operations management
Timothy Andree	Director, Executive Vice President (Responsibilities) Overseas operations management, Executive Chairman of Dentsu Aegis Network Ltd.
Wataru Mochizuki	Director, Senior Vice President (Responsibilities) Assistance for domestic operations management
Yoshiharu Sengoku	Director, Executive Officer (Responsibilities) Assistance for direct management, assistance for corporate management
Arinobu Soga	Director, Executive Officer (Responsibilities) Assistance to Group CFO, corporate strategy, IR/information disclosure
Kenichi Kato	Director, Audit and Supervisory Committee Member (full-time)
Atsuko Toyama	Director, Audit and Supervisory Committee Member
Toshiaki Hasegawa	Director, Audit and Supervisory Committee Member
Kentaro Koga	Director, Audit and Supervisory Committee Member
Nobuko Matsubara	Director

(Notes)

1. Directors Tadashi Ishii and Kunihiro Matsushima resigned from their positions as Directors with the expiration of their terms of office at the conclusion of the March 30, 2017 Ordinary General Meeting of Shareholders.
2. Of the Directors, Atsuko Toyama, Toshiaki Hasegawa, Kentaro Koga, and Nobuko Matsubara are Outside Directors pursuant to Article 2, Item 15 of the Companies Act.
3. Of the Directors, Atsuko Toyama, Toshiaki Hasegawa, Kentaro Koga, and Nobuko Matsubara are designated Independent Directors pursuant to the Tokyo Stock Exchange Securities Listing Regulations.
4. Director who is an Audit and Supervisory Committee Member Kentaro Koga has many years of experience as a university associate professor (accounting) and has an appreciable extent of knowledge on finance and accounting.
5. The Company has concluded a contract for limitation of liability with each of Directors Kenichi Kato, Atsuko Toyama, Toshiaki Hasegawa, Kentaro Koga, and Nobuko Matsubara for a maximum liability amount of 10 million yen or the minimum liability amount stipulated in Article 423, Paragraph 1 of the Companies Act, whichever is higher.
6. To work toward further enrichment of the duties of the Audit and Supervisory Committee, the Company designates a Full-time Audit and Supervisory Committee Member, and Director Kenichi Kato fulfills this role.

3. Total Amount of Remuneration for Company Executives

	Directors (excluding Audit and Supervisory Committee Members) (Of which are Outside Directors.)	Directors (Audit and Supervisory Committee Members) (Of which are Outside Directors.)	All Officers (Of which are Outside Directors.)
Monthly Remuneration	261 million yen: 10 persons (11 million yen) (1 person)	81 million yen: 4 persons (45 million yen) (3 persons)	342 million yen: 14 persons (56 million yen) (4 persons)
Bonuses	106 million yen: 8 persons (- million yen) (- persons)	- million yen: - persons (- million yen) (- persons)	106 million yen: 8 persons (- million yen) (- persons)
Total	367 million yen: 10 persons (11 million yen) (1 person)	81 million yen: 4 persons (45 million yen) (3 persons)	448 million yen: 14 persons (56 million yen) (4 persons)

(Notes)

1. The annual remuneration amounts for Directors who are not Audit and Supervisory Committee Members and Directors who are Audit and Supervisory Committee Members were approved by shareholders at the Ordinary General Meeting of Shareholders held on March 30, 2016. The resolution limits the amounts to 1,200 million yen per year and 150 million yen per year, respectively.
2. Bonuses in the table above shows the amount approved at the meeting of the Board of Directors held in February 2018 within the limit of remuneration for Directors stated in Note 1. above. The Company does not pay bonuses to Directors who are Audit and Supervisory Committee Members.
3. The Audit and Supervisory Committee considered the above, and did not find any particular points of note.

4. Summary of Policy on Determining Remuneration for Directors

With the intent of raising motivation toward maximizing the Company's corporate value in tandem with the medium to long term interests of shareholders, remuneration for Directors who are not Audit and Supervisory Committee Members incorporate a performance-linked system.

Its content is as follows: the performance-linked bonus portion for model business results accounts for 40% 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 monthly remuneration which is a fixed remuneration and performance-linked bonuses shall be within the limit for remuneration (1,200 million yen per year) approved at the 167th Ordinary General Meeting of Shareholders. From the viewpoint of securing transparency, remuneration for individual Directors who are not Audit and Supervisory Committee Members (including portions paid for service as Executive Officers) will be determined by resolution of the Board of Directors within the aforementioned limits of the remuneration approved at the General Meeting of Shareholders after explanations are given on the appropriateness, etc., of the remuneration amounts to Independent Outside Directors of the Audit and Supervisory Committee and their opinions are received.

Additionally, remuneration to Directors who are Audit and Supervisory Committee Members will consist solely of fixed monthly remuneration considering their duties. The gross amount of this monthly remuneration will be determined within the limits of the remuneration (within 150 million yen per year) approved at the 167th Ordinary General Meeting of Shareholders.

Remuneration to individual Directors who are Audit and Supervisory Committee Members will be determined after deliberation by Directors who are Audit and Supervisory Committee Members, within the aforementioned limits of the remuneration approved at the General Meeting of Shareholders.

5. Items Related to Outside Directors

(1) Status of Major Activities in the Fiscal Year under Review

Category / Name	Status of Major Activities
Outside Director Atsuko Toyama	Attended 14 of the 15 meetings of the Board of Directors and all 15 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks from an objective and professional perspective as an Outside Director, utilizing her rich experience in educational and cultural administration. In the fiscal year under review, she received reports as necessary, monitored progress and made proposals regarding the status of improvement in the working environment. Thus, she is appropriately fulfilling her duties.
Outside Director Toshiaki Hasegawa	Attended all 15 meetings of the Board of Directors and all 15 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks from an objective and professional perspective as an Outside Director, utilizing his rich experience as an international business lawyer. In the fiscal year under review, he received reports as necessary, monitored progress and made proposals regarding the status of improvement in the working environment. Thus, he is appropriately fulfilling his duties.
Outside Director Kentaro Koga	Attended 14 of the 15 meetings of the Board of Directors and 14 of the 15 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks from an objective and professional perspective as an Outside Director, mainly utilizing his rich experience as a university associate professor (accounting). In the fiscal year under review, he received reports as necessary, monitored progress and made proposals regarding the status of improvement in the working environment. Thus, he is appropriately fulfilling his duties.
Outside Director Nobuko Matsubara	Attended all 9 meetings of the Board of Directors held in the fiscal year under review since her assumption of office as a Director who is not an Audit and Supervisory Committee Member. Made remarks from an objective and professional perspective as an Outside Director, utilizing her specialized expertise and rich experience concerning labor issues. In the fiscal year under review, she received reports as necessary, monitored progress and made proposals regarding the status of improvement in the working environment. Thus, she is appropriately fulfilling her duties.

6. Evaluation of Effectiveness of the Board of Directors

To continuously increase the effectiveness of the Board of Directors, the Company implemented surveys to all Directors regarding the effectiveness and appropriateness of corporate supervision by the Board of Directors and analysis and evaluation were performed by a third-party institution. Upon receiving reports regarding the results from the secretariat of the Board of Directors, the Board of Directors conducted analysis and evaluation on the overall effectiveness of the Board of Directors.

According to the analysis and evaluation of the fiscal year ended December 31, 2017, the composition, operation and content of deliberations of the Board of Directors are generally appropriate, adequate deliberations are being made via active exchange of opinions, etc., and it was confirmed that the effectiveness and appropriateness of management supervision by the Board of Directors has been secured. Meanwhile, issues have been discovered in points such as 1) appropriate allocation of time for deliberation according to the degree of importance of agenda items, 2) periodic reporting regarding the state of progress of important strategies, 3) strengthening monitoring of compliance and the whistleblower system, and 4) feedback of investors' opinions. By aiming to improve them in the future, the Company will work to further improve the effectiveness and appropriateness of the monitoring of management by the Board of Directors.

IV Items Related to the Accounting Auditor

1. Name of the Accounting Auditor

KPMG AZSA LLC

2. Remuneration to the Accounting Auditor

(1) Fee for Accounting Auditor relating to this fiscal year 150 million yen

(Note 1) The total amount of fees to be paid to the Accounting Auditor is stated since fees in relation to audit attestation based on the Companies Act and those based on the Financial Instruments and Exchange Act are not clearly classified under the terms of the audit contract concluded between the Company and the Accounting Auditor.

(Note 2) The Audit and Supervisory Committee of the Company, in observance of the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, has compared the time required to audit each audit item and audit fees of the previous Accounting Auditor and the current Accounting Auditor, and checked the audit plan for the fiscal year under review, and upon considering the appropriateness of time required for audit and audit fee quotations for the fiscal year under review, agrees to the fees of the Accounting Auditor under Article 399, Item 1 and Item 3 of the Companies Act.

(2) Amount of cash and other financial benefits to be paid by Dentsu and its subsidiaries

321 million yen

(Note) The Company paid the Accounting Auditor for services such as agreed-upon procedures, which are not included within the scope of work of Article 2, Paragraph 1 of the Certified Public Accountants Act.

3. Status of Audits of Subsidiaries by Entities Other than Dentsu's Accounting Auditor

Dentsu Aegis Network, which is an important Dentsu overseas subsidiary, and certain other overseas subsidiaries are audited (limited to provisions under foreign laws and regulations corresponding to the Companies Act or Financial Instruments and Exchange Act) by KPMG firms (those with certification corresponding to a certified public accountant or accounting auditor overseas), which belong to the same network as the Company's accounting auditor.

4. Policy on Dismissal or Non-reappointment of the Accounting Auditor

(1) The Audit and Supervisory Committee may dismiss the Accounting Auditor upon unanimous approval from all Audit and Supervisory Committee Members if it is determined that any of the reasons stipulated in Article 340, Paragraph 1 of the Companies Act apply and dismissal is appropriate.

(2) Considering factors such as the independence and business execution of the Accounting Auditor, the Audit and Supervisory Committee may submit a proposal to a General Meeting of Shareholders to elect, dismiss or refuse to reappoint the Accounting Auditor if it is found that there is a possibility of a significant threat to the auditing operations of the Company, such as difficulty by the Accounting Auditor to execute business appropriately, and in the event that it is determined that such action is required from the viewpoint of effectiveness and efficiency, etc., of audit implementation, as stipulated in Article 399-2, Paragraph 3 of the Companies Act.

Consolidated Statement of Financial Position

(As of December 31, 2017)

(Unit: Million yen)

Assets		Liabilities and Equity	
Account item	Amount	Account item	Amount
Current assets	1,836,584	Current liabilities	1,742,215
Cash and cash equivalents	305,760	Trade and other payables	1,380,875
Trade and other receivables	1,410,454	Borrowings	89,325
Inventories	22,074	Other financial liabilities	43,030
Other financial assets	21,934	Income tax payables	23,366
Other current assets	74,525	Provisions	2,070
Non-current assets classified as held for sale	1,835	Other current liabilities	203,091
		Liabilities directly associated with non-current assets classified as held for sale	456
Non-current assets	1,726,272		
		Non-current liabilities	670,507
Property, plant and equipment	196,659	Borrowings	371,187
Goodwill	798,177	Other financial liabilities	146,076
Intangible assets	274,502	Liability for retirement benefits	19,210
Investment property	37,360	Provisions	4,983
Investments accounted for using the equity method	56,752	Other non-current liabilities	19,497
Other financial assets	327,356	Deferred tax liabilities	109,552
Other non-current assets	15,062	Total liabilities	**2,412,722**
Deferred tax assets	20,401	Total equity attributable to owners of the parent	1,093,211
		Share capital	74,609
		Share premium account	99,751
		Treasury shares	(40,182)
		Other components of equity	231,185
		Retained earnings	727,846
		Non-controlling interests	56,923
		Total equity	**1,150,134**
Total assets	**3,562,857**	Total liabilities and equity	**3,562,857**

Consolidated Statement of Income

(From January 1, 2017 to December 31, 2017)

(Unit: Million yen)

Account item	Amount
Turnover (Note)	5,187,300
Revenue	928,841
Cost	51,218
Gross profit	877,622
Selling, general and administrative expenses	751,957
Other income	23,347
Other expenses	11,620
Operating profit	137,392
Share of results of associates	4,222
Profit before interest and tax	141,614
Finance income	20,302
Finance costs	12,254
Profit before tax	149,662
Income tax expense	36,520
Profit for the year	113,142
Profit attributable to:	
Owners of the parent	105,478
Non-controlling interests	7,663

(Note) Turnover represents the total amount billed and billable to clients by the Group, net of discounts, VAT and other sales-related taxes. Disclosure of turnover information is not required under IFRS; however, it is voluntarily disclosed in the Consolidated Statement of Income since management has concluded the information is useful for users of financial statements.

Consolidated Statement of Changes in Equity

(From January 1, 2017 to December 31, 2017)

(Unit: Million yen)

	Total equity attributable to owners of the parent						
				Other components of equity			
	Share capital	Share premium account	Treasury shares	Share options	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges	Net change in financial assets designated as at fair value through other comprehensive income
As of January 1, 2017	74,609	99,751	(20,168)	48	37,403	7,120	84,409
Profit for the year							
Other comprehensive income					32,331	(888)	66,510
Comprehensive income for the year	-	-	-	-	32,331	(888)	66,510
Repurchase of treasury shares			(20,014)				
Disposal of treasury shares		(0)	0				
Dividends							
Transactions with non-controlling interests							
Transfer from other components of equity to retained earnings							337
Other changes							
Transactions with owners - total	-	(0)	(20,013)	-	-	-	337
As of December 31, 2017	74,609	99,751	(40,182)	48	69,734	6,231	151,258

(Unit: Million yen)

	Total equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
As of January 1, 2017	(7,634)	121,346	657,203	932,742	49,218	981,961
Profit for the year		-	105,478	105,478	7,663	113,142
Other comprehensive income	11,547	109,501		109,501	978	110,479
Comprehensive income for the year	11,547	109,501	105,478	214,979	8,642	223,621
Repurchase of treasury shares		-		(20,014)		(20,014)
Disposal of treasury shares		-		0		0
Dividends		-	(25,516)	(25,516)	(2,735)	(28,252)
Transactions with non-controlling interests		-	(8,980)	(8,980)	1,798	(7,182)
Transfer from other components of equity to retained earnings		337	(337)	-		-
Other changes		-		-		-
Transactions with owners – total	-	337	(34,834)	(54,510)	(937)	(55,448)
As of December 31, 2017	3,913	231,185	727,846	1,093,211	56,923	1,150,134

Nonconsolidated Balance Sheet

(As of December 31, 2017)

(Unit: Million yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	679,541	Current liabilities	618,663
Cash and deposits	177,504	Notes payable-trade	5,535
Notes receivable-trade	27,628	Accounts payable-trade	387,731
Accounts receivable-trade	348,576	Short-term loans payable	104,475
Securities	100	Current portion of long-term loans payable	47,920
Works	1,095	Lease obligations	5
Work in process	5,056	Other payables	10,726
Supplies	42	Accrued expenses	16,361
Prepaid expenses	1,479	Income taxes payable	6,087
Deferred tax assets	2,075	Advances received	28,204
Other	117,439	Deposits received	3,181
Allowance for doubtful accounts	(1,455)	Unearned revenue	110
		Provision for directors' bonuses	130
Non-current assets	1,085,232	Other	8,191
Property, plant and equipment	185,113	Non-current liabilities	206,898
Buildings, net	46,254	Long-term loans payable	129,680
Structures, net	741	Lease obligations	8
Vehicles, net	23	Provision for retirement benefits	17,186
Tools, furniture and fixtures, net	2,391	Deferred tax liabilities	50,836
Land	135,702	Deferred tax liabilities for land revaluation	4,276
		Asset retirement obligations	437
Intangible assets	9,711	Other	4,473
Software	9,538	Total liabilities	**825,561**
Other	173	Net Assets	
		Shareholders' equity	793,656
Investments and other assets	890,407	Capital stock	74,609
Investment securities	272,812	Capital surplus	100,106
Shares of subsidiaries and associates	584,382	Legal capital surplus	76,541
Investments in other securities of subsidiaries and associates	11,849	Other capital surplus	23,564
Investments in capital of subsidiaries and associates	2,925	Retained earnings	659,122
Long-term loans receivable	2,329	Legal retained earnings	722
Other	16,588	Other retained earnings	658,399
Allowance for doubtful accounts	(480)	Reserve for advanced depreciation of non-current assets	3,785
		General reserve	445,500
		Retained earnings brought forward	209,113
		Treasury shares	(40,182)
		Valuation and translation adjustments	145,507
		Valuation difference on available-for-sale securities	147,335
		Deferred gains or losses on hedges	8,082
		Revaluation reserve for land	(9,909)
		Subscription rights to shares	48
		Total net assets	**939,212**
Total assets	**1,764,774**	Total liabilities and net assets	**1,764,774**

Nonconsolidated Statement of Income

(From January 1, 2017 to December 31, 2017)

(Unit: Million yen)

Account item	Amount	
Net sales		1,561,528
Cost of sales		1,333,055
Gross profit		228,472
Selling, general, and administrative expenses		174,182
Operating income		54,289
Non-operating income		
Interest and dividend income	21,056	
Profit distributions	6,405	
Other	3,259	30,722
Non-operating expenses		
Interest expenses	2,008	
Amortization of long-term prepaid expenses	4,073	
Other	2,092	8,174
Ordinary income		76,837
Extraordinary income		
Gain on sales of non-current assets	10,201	
Other	556	10,758
Extraordinary loss		
Loss on sales of non-current assets	1,033	
Other	1,015	2,048
Income before income taxes		85,547
Income taxes-current	21,054	
Income taxes-deferred	937	21,991
Net income		63,556

Nonconsolidated Statement of Changes in Net Assets

(From January 1, 2017 to December 31, 2017)

(Unit: Million yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
As of January 1, 2017	74,609	76,541	23,564	100,106
Changes of items during the period				
Dividends from retained earnings				-
Reversal of reserve for advanced depreciation of non-current assets				-
Net income				-
Reversal of revaluation reserve for land				-
Purchase of treasury shares				-
Disposal of treasury shares			(0)	(0)
Changes in items other than shareholders' equity during the period – net				-
Total changes of items during the period	-	-	(0)	(0)
As of December 31, 2017	74,609	76,541	23,564	100,106

	Shareholders' equity						
	Retained earnings					Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward			
As of January 1, 2017	722	3,850	445,500	168,857	618,930	(20,168)	773,478
Changes of items during the period							
Dividends from retained earnings				(25,516)	(25,516)		(25,516)
Reversal of reserve for advanced depreciation of non-current assets		(64)		64	-		-
Net income				63,556	63,556		63,556
Reversal of revaluation reserve for land				2,151	2,151		2,151
Purchase of treasury shares					-	(20,014)	(20,014)
Disposal of treasury shares					-	0	0
Changes in items other than shareholders' equity during the period – net					-		-
Total changes of items during the period	-	(64)	-	40,255	40,191	(20,013)	20,177
As of December 31, 2017	722	3,785	445,500	209,113	659,122	(40,182)	793,656

(Unit: Million yen)

	Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
As of January 1, 2017	81,837	9,600	(7,758)	83,679	48	857,206
Changes of items during the period						
Dividends from retained earnings				-		(25,516)
Reversal of reserve for advanced depreciation of non-current assets				-		-
Net income				-		63,556
Reversal of revaluation reserve for land				-		2,151
Purchase of treasury shares				-		(20,014)
Disposal of treasury shares				-		0
Changes in items other than shareholders' equity during the period – net	65,497	(1,517)	(2,151)	61,828		61,828
Total changes of items during the period	65,497	(1,517)	(2,151)	61,828	-	82,005
As of December 31, 2017	147,335	8,082	(9,909)	145,507	48	939,212

(TRANSLATION)

Independent Auditor's Report

February 16, 2018

The Board of Directors
Dentsu Inc.

KPMG AZSA LLC

Toshiya Mori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kohei Shingaki (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the related notes of Dentsu Inc. as at December 31, 2017 and for the year from January 1, 2017 to December 31, 2017 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

(TRANSLATION)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above, which were prepared in accordance with the latter part of Article 120-1 of the Ordinance of Companies Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, present fairly, in all material respects, the financial position and the results of operations of Dentsu Inc. and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:
The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

(TRANSLATION)

Independent Auditor's Report

February 16, 2018

The Board of Directors
Dentsu Inc.

KPMG AZSA LLC

Toshiya Mori (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kentaro Maruta (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kohei Shingaki (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

We have audited the financial statements, comprising the nonconsolidated balance sheet, the nonconsolidated statement of income, the nonconsolidated statement of changes in net assets and the related notes, and the supplementary schedules of Dentsu Inc. as at December 31, 2017 and for the 169th fiscal year from January 1, 2017 to December 31, 2017 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the

supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Dentsu Inc. for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Other Matter

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

Audit Report

We have created this Auditors' Report based on the unanimous opinions of all Audit and Supervisory Committee Members, concerning the Directors' execution of their duties over the Company's 169th fiscal year between January 1, 2017 and December 31, 2017. The Auditors' Report is as follows.

1. Methods and contents of the audits undertaken by the Audit and Supervisory Committee

We have, in addition to setting out the guiding principles for undertaking audits, allocating audit-related duties, etc., and receiving reports from each Audit and Supervisory Committee Member on the implementation status and results of their audits, also received reports from Directors, Executive Officers, and Accounting Auditors on the execution status of their duties, and requested explanations of them as necessary.

Each Audit and Supervisory Committee Member has communicated with Directors and Executive Officers in accordance with the Audit and Supervisory Committee's Standards and in accordance with the Audit Plan (concerning guiding principles for undertaking audits, allocating audit-related duties, etc.) which was established through consultations among all Audit and Supervisory Committee Members, made all efforts to gather information and maintain an appropriate environment for the audit, and audited Directors and Executive Officers' execution of their duties so as to ensure their compliance with the law and the sound management of the Company.

(1) Methods and contents of the audit relating to the Business Report

In addition to attending the Board of Directors Meeting, other important meetings and committees, we have received reports from the Directors, Executive Officers, and others on the execution status of their duties, requested explanations of them as necessary, inspected important documents, etc., including written authorizations, received regular reports from the Internal Audit Office and Legal Affairs Division, and surveyed the state of operations and assets at the Company, including the internal control systems such as the structure for legal compliance and other areas and the risk management structure.

With regard to internal control systems, we have received regular reports from the Directors, Executive Officers, and others on the status of the establishment and operation of structures, requested explanations as necessary, and expressed our opinion on the contents of resolutions passed at Board of Directors' meetings on matters set out in Article 399-13, Paragraph 1, Item 1 (b) and (c) of the Companies Act and the structures which are being maintained based on the resolutions in question, based on the Guidelines for the Audit and Supervisory Committee's Implementation of Audits of Internal Control Systems and the Checklist for the Audit and Supervisory Committee's Implementation of Audits of Internal Control Systems established through consultations among all Audit and Supervisory Committee Members.

In addition, with regard to internal controls related to the Financial Report, we have received reports from the Directors, Executive Officers, and others as well as from Accounting Auditors on the evaluation of the internal controls in question and on the status of the audit, and have requested explanations as necessary.

From the perspective of auditing the Dentsu Group as a whole, in addition to attending the relevant committee meetings we have communicated with the Directors, Auditors, and other officers of major subsidiary companies, etc., conveyed information on a mutual basis, exchanged opinions and received reports from the Internal Audit Office on the status of audits of Group companies. We have also traveled to the major subsidiary companies as necessary where we have received explanations on the situation in the

companies in question and exchanged opinions.

We have also requested the Directors to submit confirmation letters of Directors' execution of duties concerning competitive transactions by Directors, transactions where there is a conflict of interest between the Director and the Company, any pro grata payoffs provided by the Company, any transactions with subsidiary companies or shareholders which fall outside regular practices and the acquisition and disposal, etc., of treasury share, and have surveyed these letters.

(2) Methods and contents of audits concerning financial statements, annexed specifications, and consolidated financial statements

In addition to the above, we have monitored and verified the Accounting Auditors to ascertain whether they have maintained an independent position and carried out their audits appropriately, while receiving reports from Accounting Auditors on the execution status of their duties and requesting explanations on an as-needed basis. We have also received notifications from the Accounting Auditors stating that the structures intended to ensure that duties are carried out appropriately and (i.e., the items set out in the company accounting regulations) have been maintained appropriately in accordance with the Quality Management Standards for Audits, and requested explanations as necessary.

Based on the above methods, we have added our reviews to the Business Report and annexed specifications for the fiscal year in question, the financial statements for the fiscal year in question (comprising the balance sheet, statement of income, statement of changes in net assets, and notes to financial statements) and their annexed specifications, and to the consolidated financial statements (comprising the consolidated statement of financial position, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements, prepared in accordance with stipulations of Article 120, Paragraph 1 of the Ordinance on Company Accounting, which allow for preparation with the omission of a portion of items required for disclosure by International Financial Reporting Standards), and have reviewed the Accounting Auditors' methods and results.

2. Audit results

(1) Results of the audit of the Business Report

1) We recognize the Business Report and annexed specifications as being in accordance with the law and regulations, and as representing the situation of the company correctly.

2) We do not consider that any fraudulent acts or major violations of the law or regulations have been committed by the Directors in the execution of their duties, including in any duties concerning subsidiary companies, etc.

3) We recognize the contents of the resolutions formed by the Board of Directors regarding the internal control systems as being appropriate. We do not recognize any items which require special mention regarding the contents of the Business Report concerning the internal control systems in question, including the internal control systems for financial statements.

In addition, as stated in the Business Report, during the previous year, the Company received a court ruling on the Company's violation of Japan's Labor Standards Act. We recognize that the Company has taken this very seriously and deeply regrets that it could not fulfill its social responsibilities. We also confirm that the Company is undertaking fundamental reforms to ensure thorough compliance with laws and regulations,

eradication of excessive overtime work, and improvement of the working environment, and moreover, an independent advisory committee oversees and verifies these reforms. We will continue to monitor these initiatives by the Board of Directors and their progress.

(2) Results of the audit of financial statements and annexed specifications and consolidated financial statements

We recognize the methods and results of KPMG AZSA LLC, the limited liability audit corporation carrying out the audit as being appropriate.

February 19, 2018

Dentsu Inc. Audit and Supervisory Committee

Full-time Audit and Supervisory Committee Member
Kenichi Kato (Seal)
Audit and Supervisory Committee Member
Atsuko Toyama (Seal)
Audit and Supervisory Committee Member
Toshiaki Hasegawa (Seal)
Audit and Supervisory Committee Member
Kentaro Koga (Seal)

(Note) Audit and Supervisory Committee Member Atsuko Toyama, Audit and Supervisory Committee Member Toshiaki Hasegawa and Audit and Supervisory Committee Member Kentaro Koga are Outside Directors pursuant to Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.