Corporate Governance Report

Last Update: January 8, 2020
Dentsu Group Inc.
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https://www.group.dentsu.com/en/

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

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

1. Basic Policy

Dentsu Group Inc. (the "Company") is a company with an Audit and Supervisory Committee and it strives to (i) promote expeditious decision-making by delegating certain authority from the Board of Directors to the management (i.e., executive officers), (ii) strengthen the monitoring function of the Board of Directors with respect to business execution and (iii) enhance effectiveness of auditing and internal control, in order to enhance corporate value.

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

(1) To respect shareholders' rights and ensure their equal treatment
(2) To consider the interests of stakeholders, and cooperate with them appropriately
(3) To appropriately disclose company information and ensure transparency
(4) To enhance the effectiveness of the supervisory function of the Board of Directors concerning business execution
(5) To engage in constructive dialogue with shareholders who have an investment policy that conforms to the mid- to long-term interests of shareholders

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

☞ Corporate Governance Policy https://www.group.dentsu.com/en/about-us/governance/cgp.html

[Disclosure based on the principles of the Corporate Governance Code]

【Principle 1.4 Cross-Shareholdings】

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

Of such shareholdings strategically held by the Company, in principle, the Board of Directors reviews and considers reducing individual stocks from the viewpoint of whether the profit and related profits, such as the dividend and related profits, are higher than the target capital costs of the Company's stocks, or whether the stock ownership contributes to the maintenance and enhancement of the business relationship with the investee company and the promotion of collaboration. According to this principle, the Board of Directors shall examine the purpose and economic rationale for owning all cross-held shares every year in light of mid- to long term point of view; and disclose the result of such examination in our Corporate Governance Report or similar documents.

The Company determined to sell shares of three companies with less significance in owning them as a result of such examination at the meeting of the Board of Directors held in October last year. Furthermore, in addition to the all shares of three companies mentioned above, the Company sold shares of five companies which had been determined to sell at the Board of Directors held before last year and of value 25.6 billion yen on the balance sheet as of December 2018.

The Company shall exercise the voting rights of such shares at general meetings of shareholders of the relevant companies considering, on a proposal-by-proposal basis, the enhancement of corporate value of such companies

and the mid- to long-term increase in economic profit of the Company and its group companies, taken as a whole, to ensure appropriate voting. With respect to important shareholdings strategically held by the Company, how the votes of such shares are exercised shall be reported to the Board of Directors. In particular, regarding proposals on the following items and other proposals that could damage the corporate value and shareholder value of the Company and Group companies, we will carefully examine and judge whether or not to vote for such proposal, regardless it is a company proposal or a shareholder proposal.
(1) Appointment of director(s) and corporate auditor(s) responsible for material breach of laws and regulations; or misconducts
(2) Introduction of anti-takeover measures
(3) Reorganization such as mergers
(4) Transfer of important assets

When a shareholder who holds our shares for cross-shareholdings (hereinafter referred to as "cross-shareholder") expresses an intention to sell such shares, we will not conduct any act that may hinder the sale or the like, such as suggesting a curtailment of the transaction.
We will also fully verify the economic rationality of our transactions with cross-shareholder and will not engage in any transaction that would prejudice the common interests of us and our shareholders.

【Principle 1.7　Related Party Transactions】

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

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

【Principle 2-6　Fulfilling functions as an asset owner of corporate pension】

In April 2015, the Company moved to a defined contribution pension plan. In light of the fact that the operation of the Company's pension funding will have an impact on building the stable assets of employees, as well as on the state of the Company’s finances, we are hiring new staff with specialized capabilities and systematically appointing and assigning personnel with appropriate qualities, in order to enable the organization in charge of pension management to carry out appropriate activities such as monitoring asset management institutions. We are also receiving appropriate advice from outside experts.

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

The Company shall offer value to clients by resolving their problems through its core competence in the field of marketing communication. Further, the Company shall not only bring brightness and energy to the world, but shall also aim to create new social value and realize a sustainable society by putting its corporate philosophy into practice against continuous challenges.

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

【Principle 3.1 ii) Basic views and guidelines on corporate governance】

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

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

(1) To respect shareholders’ rights and ensure their equal treatment

(2) To consider the interests of stakeholders, and cooperate with them appropriately

(3) To appropriately disclose company information and ensure transparency
(4) To enhance the effectiveness of the supervisory function of the Board of Directors concerning business execution
(5) To engage in constructive dialogue with shareholders who have an investment policy that conforms to the mid- to long-term interests of shareholders

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

1. Policy on determining remuneration

The Company determined the following policies with regard to the compensation of senior management and directors.

(1) With a globally competitive compensation structure and level
(2) The compensation system shall be based on the results of management, in which fixed compensation and variable compensation (performance-linked compensation and share-linked compensation) shall be appropriately balanced.
(3) The level of compensation is determined based on the level in the relevant region.

With regard to the remuneration system and level, the Company will appropriate remuneration system and level in accordance with objective and transparent procedures by comprehensively taking into account corporate value, enterprise size, and remuneration levels, etc., by referring to remuneration market research data from external specialist organizations.

2. Outline of the compensation system

The remuneration system for executive officers shall be established with the aim of clarifying the linkage between remuneration, business performance, and corporate value, and raising the awareness of our executive officers who contribute to the sustainable growth of the Group and the enhancement of corporate value over the mid- to long-term. To embody this policy, we have introduced a new performance-linked stock compensation system for executive officers from FY2019.

Please refer to the following news releases for more information on performance-linked stock compensation plans.

https://www.dentsu.com/news/release/2019/0214-009747.html

Our executive compensation system consists of three basic compensation items: Basic Annual Salary, Annual Bonus, and Mid- to Long-Term Bonus (performance-linked stock compensation) (for details, see II. Status of Decision-making, Execution, and Supervision of Management and Other Corporate Governance Structures 1. Items Pertaining to Organizational Composition, Organization Operation, etc. [Incentive] and [Directors' Remuneration] below).

3. Procedure for determining remuneration

The remuneration of each director shall be calculated based on the formula set forth in the Executive Compensation Rules and the Officers' Share Compensation Rules approved by the Board of Directors and shall be determined in each fiscal year in accordance with the following procedures.

To ensure objectivity and transparency, the amount of remuneration paid to directors who are not Audit and Supervisory Committee members (including that for concurrently serving as executive officers) is determined within the scope of the above compensation frame determined at the general meeting of shareholders after consulting with the Nomination and Compensation Advisory Committee on compensation plan and consider opinions of the Committee expressed for the Board of Directors and disclosing each remuneration to the Board of Directors based on their opinions.

The amount of remuneration paid to directors who are Audit and Supervisory Committee members shall be determined through consultation among them within the scope of the above-mentioned compensation frame resolved at the general meeting of shareholders considering opinions of the Nomination and Compensation Advisory Committee formed through its deliberations after the Board of Directors consults with the Committee on

compensation plan.

From the viewpoint of ensuring objectivity and transparency, the Board of directors shall determine a compensation plan of executive officers after consultation on such plan with the Nomination and Compensation Advisory Committee considering opinions of the Committee formed through its deliberations.

[Principle 3.1 iv) Board policies and procedures in the appointment and dismissal of the senior management and the nomination of Director candidates]

1. Nomination Policy

The Company has established the following policies with regard to the appointment of executive officers (including internal directors who are not members of the Audit and Supervisory Committee but concurrently serve as executive officers):

(1) Appropriately nominate persons who contribute to sustainable growth and mid- to long-term enhancement of corporate value of our group
(2) To have a balance between diversity and expertise from candidates with knowledge, experience and skills related to management and organize a management team to quickly reflect the innovations of our group.

< Criteria for selecting internal director candidates who are not Audit and Supervisory Committee members>

(1) A person who is able to make determinations from a company-wide viewpoint
(2) A person who has expertise with respect to this Company's business
(3) A person who has remarkable business judgment and ability in business execution
(4) A person who has remarkable leadership, foresight and decision and planning ability
(5) A person who has character and insight suitable for internal directors who are not Audit and Supervisory Committee members

<Criteria for selecting candidates for internal director who are Audit and Supervisory Committee members>

(1) A person who has the ability to legally and managerially understand the duties of internal directors who are Audit and Supervisory Committee members
(2) A person who is able to make determinations from a company-wide viewpoint
(3) A person who has remarkable problem-solving and leadership abilities
(4) A person who fulfills other requirements deemed necessary as internal directors who are Audit and Supervisory Committee members

< Criteria for selecting outside director candidates >

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

2. Nomination procedures

With regard to nomination of each director, director candidates shall be nominated by the Board of Directors through the procedures stated below in accordance with the standards stipulated in the rules of directors approved by the Board of Directors.

In nominating directors who are not members of the Audit and Supervisory Committee, from the viewpoint of securing objectivity and transparency, the Board of Directors shall determine director candidates after consultation on the candidate plan with the Nomination and Compensation Committee and considering opinions of the Committee formed through its deliberations.

In nominating directors who are members of the Audit and Supervisory Committee, the Board of Directors shall submit its candidate plan to the Nomination and Compensation Advisory Committee and consider opinions of the Committee formed through its deliberation. After receiving approval from the Audit and Supervisory Committee, candidates shall be decided upon by the Board of Directors.

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

In nominating executive officers, from the viewpoint of ensuring objectivity and transparency, the Board of

Directors shall submit its candidate plan to the Nomination and Compensation Advisory Committee formed through its deliberation. Considering such opinions, the Board of Directors shall appoint executive officers.

In the event that directors or executive officers are deemed not to fulfill their duties adequately, from the viewpoint of ensuring objectivity and transparency, the Board of Directors shall submit its dismissal plan to the Nomination and Compensation Advisory Committee and consider opinions of the Committee formed through its deliberation. Considering such opinions, the Board of Directors shall carry out its dismissal procedures.

【Principle 3.1 v) Explanations by the Board of Directors with respect to the individual appointments, dismissal and nominations of the senior management and the candidates for Directors】

The reasons for the nomination of each director candidate shall be described in the reference material of an Company shall appropriately disclose the reasons for appointment and dismissal of senior management required by laws and regulations.

【Supplementary Principle 4.1.1 Scope delegated to the management】

The Company is a company with an Audit and Supervisory Committee and transfers authority for important business execution in part from the Board of Directors to the 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 of directors over business execution.

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 exclusive of those exclusively resolved by the Board of Directors, matters concerning the entire Dentsu Group consisting of the Company and its subsidiaries (hereinafter, "Dentsu Group") and deliberates on matters to be decided by the Board of Directors.

Moreover, the Company established the Dentsu Japan Network Board to deliberate on important matters of Japan business and the Dentsu Aegis Network Board (DAN Board) to deliberate on important matters of the international business, thereby dividing the business execution system into Japan business sector and the international business sector, and each has responsibility for profit and authority delegated.

With regard to internal controls and risk management, the Company established the Internal Control and Risk Committee to enhance the effectiveness of internal controls and risk management across the entire group.

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

The number of directors will be 12 (no more than 15 as the Articles of Incorporation stipulate) and four Directors (one third of the total members of the board of directors) will be independent outside directors.

【Principle 4.9 Independence standards and qualification for independent directors】

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

☞Independence Standards for Outside Directors

https://www.group.dentsu.com/en/about-us/governance/isod.html

【Supplementary Principle 4.10.1 Use of Optional System】

The Company established the Nomination and Compensation Advisory Committee as an optional advisory body to the Board of Directors to strengthen the independence, objectivity, and accountability of the Board of Directors in determining the nomination and compensation of directors and executive officers, and to further enhance the corporate governance system. The Committee is composed of three or more directors or outside experts appointed by the Board of Directors. The majority of the committee members are independent outside directors and the committee chairman is appointed by a resolution of the Board of Directors from among the members who are independent outside directors. In response to the inquiries from the Board of Directors, the Committee deliberates on matters related to the nomination and compensation of directors and executive officers, and express its opinions to the Board of Directors.

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

The Company's Articles of Incorporation stipulate the number of directors to be no more than 15, and as of March 29, 2018, 12 directors (of which four are independent outside directors) comprise the Board of Directors.

Diversity including gender and nationality; and balanced experience, insight and capability are among the factors that are considered in nominating members of the Board of Directors.

The Company will describe experience, insight, ability and other significant elements of each director candidate in the reference material for the relevant appointment proposal(s) at the ordinary meeting of shareholders.

【Supplementary Principle 4.11.2　Concurrent posts of directors as officers at other listed companies】

Directors may concurrently serve as directors, corporate auditors or officers of other listed companies only to the reasonable extent that they are able to devote their necessary time and effort to appropriately fulfill their roles and responsibilities as officers of the Company and after following necessary procedures and obtaining approval by the Board of Directors. Important concurrent posts of directors will be disclosed in the reference material of the relevant general meeting of shareholders and a business report under applicable laws and regulations, as well as on the Company's website.

☞ Significant Concurrent Positions of Directors
https://www.group.dentsu.com/en/about-us/leadership.html

【Supplementary Principle 4.11.3 Analysis and evaluation of the Board's effectiveness as a whole and disclosure of the summary of the results】

To continuously enhance 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, 2018, 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. While improvements have been made in the appropriate allocation of deliberation time according to the importance of the agenda items identified in the analysis and evaluation in FY 2017, issues have also been identified in terms of the involvement of independent outside directors in nomination and remuneration, management and supervision of Group companies, and feedback from investors. We intend to further improve the effectiveness and appropriateness of management supervision by the Board of Directors.

The following are the items (27 questions in 6 items) of the questionnaire conducted.

(1) Composition and operation of the Board of Directors (7 questions)
(2) Management strategy and business strategy (five questions)
(3) Corporate ethics and risk management (four questions)
(4) Performance monitoring and management's evaluation and compensation (4 questions)
(5) Organizational and business reorganization-related (2 questions)
(6) Dialogue with shareholders (5 questions)

The analysis and evaluation of FY 2019 shall be disclosed in the Corporate Governance Report to be submitted at the end of March, 2020.

【Supplementary Principle 4.14.2　Training policy of Directors of the Board】

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

Currently, when they become directors (excluding outside directors) or executive officers, the Company provides them with lectures conducted by inside and outside experts with respect to the Company's strategies of management, business, finance and other applicable fields and important matters and laws and regulations related thereto, and enables them to acquire and update the knowledge required for their offices. They are also given

opportunities through discussion to find issues to be addressed by the Company group and solutions thereto. Moreover, after becoming directors (excluding outside directors) or executive officers, they are given opportunities to hold study seminars every month to gain the latest information as to the best practices for various megatrend issues.

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

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

【Principle 5.1　Policy for constructive dialogue with shareholders】

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

More specifically, mainly the CEO, CFO and officers in charge of IR and disclosure carry out various activities, such as regular meetings with analysts and institutional investors, roadshows both within and outside of Japan to visit investors individually, and sufficient information disclosure on the Company's website. The Company has established the Group IR Office as a special section so that such activities may effectively function, and the Investor Relations Department closely cooperates with the Group CEO Office, Group Financial Reporting Office, Group Corporate Secretary Office and other relevant sections.

Opinions and requests obtained through IR and other activities are reported to the Group Executive Management Committee or the Board of Directors and utilized in the discussions for enhancement of corporate value.

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

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

For details, please refer to "Disclosure Policy" (established in September 2018) on the Company's website.

☞Disclosure Policy
https://www.group.dentsu.com/en/ir/stockandratings/constructivedialogue.html

【Principle 5.2　Establishing and Disclosing business strategy and business plan】

The Company determines and discloses management policies that aim for mid- to long-term sustainable growth based on our management philosophy, based on an understanding of the cost of capital of our company. In addition, the Company will analyze the progress of the policies formulated each year and make flexible revisions, including plans for the allocation of management resources, such as new business investment, capital investment, and investment in human resource development, as necessary. We will explain these in an easy-to-understand manner at our financial results briefings and general shareholders' meetings.

2. Capital Structure

Ratio of Shares Held by Foreigners	Over 10%, under 20%

[Status of Major Shareholders]

Name	Number of shares held	% of
The Master Trust Bank of Japan, Ltd. (Trust Account)	39,365,600	13.96%
Japan Trustee Services Bank, Ltd. (trust account)	22,461,100	7.97%
General Incorporated Association Kyodo News	18,988,800	6.74%

Jiji Press, Ltd	16,328,680	5.79%
Group Employees' Stockholding Association	5,916,491	2.10%
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)	4,568,300	1.62%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,255,600	1.51%

Presence or absence of controlling shareholder (excluding parent company)	-
Existence of parent company	None

Supplementary explanation

（1） The number of shares held by trust banks includes the number of shares related to trust business.

（2） The Mitsubishi UFJ Financial Group submitted a report of change dated November 19, 2018 to the effect that the Bank of Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. respectively hold the following shares as of November 12, 2018. However, as we were unable to confirm the actual number of shares held as of December 31, 2018, we have not taken into account the situation of the above large shareholders.

Name	Number of shares held Share	Percentage of shares held (%)
Mitsubishi UFJ Bank, Ltd.	588,760	0.20
Mitsubishi UFJ Trust and Banking Corporation	13,798,200	4.78
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	4,165,000	1.44
Mitsubishi UFJ Morgan Stanley Securities	1,555,074	0.54
Total	20,107,034	6.97

（3） Sumitomo Mitsui Trust & Banking Co., Ltd. submitted a report of change dated October 19, 2018 to the effect that Sumitomo Mitsui Trust & Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. respectively hold the following shares as of October 15, 2018. However, as we were unable to confirm the actual number of shares held as of December 31, 2018, we have not taken into consideration the above conditions of large shareholders.

Name	Number of shares held Share	Percentage of shares held (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	10,075,400	3.49
Nikko Asset Management Co., Ltd.,	7,362,300	2.55
Total	17,437,700	6.05

（4） Nomura Securities Co., Ltd. and its co-owners, Nomura Holdings, Inc. and Nomura Asset Management Co., Ltd. submitted a report of change dated October 18, 2018 to the effect that each party respectively held the following shares as of October 15, 2018. However, as we were unable to confirm the actual

number of shares held as of December 31, 2018, we have not taken into account the situation of the above large shareholders.

Name	Number of shares held Share	Percentage of shares held (%)
Nomura Securities Co., Ltd.	2,463,958	0.85
Nomura Holdings, Inc.	100	0
Nomura Asset Management Co., Ltd.	19,050,600	6.61
Total	21,514,658	7.46

（５） Mizuho Securities Co., Ltd. and its co-owners, Mizuho Securities Co., Ltd. and Asset Management One Co., Ltd., submitted a report of change dated July 6, 2018 to the effect that each party respectively hold the following shares as of June 29, 2018. However, as we were unable to confirm the actual number of shares held as of December 31, 2018, we have not taken into account the situation of the above large shareholders. The contents of this report are as follows.

Name	Number of shares held Share	Percentage of shares held (%)
Mizuho Bank, Ltd.	5,000,000	1.73
Mizuho Securities Co., Ltd.	1,372,220	0.48
Asset Management One Co., Ltd.	11,632,200	4.03
Total	18,004,420	6.24

3. Corporate Attributes

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

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

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

The Company owns a listed subsidiary, Information Services International-Dentsu, Ltd. (listed on the First Section of the Tokyo Stock Exchange) and CARTA HOLDINGS Inc. (listed on the First Section of the Tokyo Stock Exchange).

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

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

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

Organizational format	Company with an Audit and Supervisory Committee

[Board of Directors]

Number of Directors in the Articles of Incorporation	15 persons
Term of office of Directors in the Articles of Incorporation	One year
Chairman of the Board of Directors	President
Number of Directors	12 persons
Status of the appointment of Outside Directors	Appointed
Number of Outside Directors	4 persons
Number of Outside Directors specified as Independent Directors	4 persons

Relationship with the Company (1)

Name	Attribute	Relationship with the Company										
		a	b	c	d	e	f	g	h	i	j	k
Nobuko Matsubara	Other											
Toshiaki Hasegawa	Lawyer											
Kentaro Koga	Academic											
Etsuko Katsu	Academic											

Relationship with the Company (2)

Name	Member of the Audit and Supervisory Committee	Independent Director	Supplementary Explanation Regarding a Compliant Item	Reason for Appointment
Nobuko Matsubara		○		<Reason for Appointment as an Outside Director> Ms. Nobuko Matsubara has 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 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 an 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. <Reason for Designation as an Independent Director> By the independence standards established by the Tokyo Stock Exchange (Guidelines concerning Listed Company Compliance, etc. III. 5. (3) -2) and the Company's independence standards for outside directors established based on these guidelines, there is no reason to deny independence, nor is there any particular reason to believe that there is a risk of a conflict of interest with general shareholders. Therefore, the Company designates Ms. Matsubara as an independent director.
Toshiaki Hasegawa	○	○	Lawyer	<Reason for Appointment as an Outside Director> Mr. Toshiaki Hasegawa has specialized expertise and wealth of experience as an international business lawyer. As an outside corporate auditor of the Company since June, 2011, 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. Although he has not been involved in corporate management in the past aside from roles as outside director and outside corporate auditor, due to his contribution to securing the soundness of the Company's management as outside director and outside corporate auditor 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. <Reason for Designation as an independent director> By the independence standards established by the Tokyo Stock Exchange (Guidelines concerning Listed Company Compliance, etc.III. 5. (3)-2) and the Company's independence standards for outside directors established based on these guidelines, there is no reason to deny independence, nor is there any particular reason to believe that there is a risk of a conflict of interest with general shareholders. Therefore, the Company designates Mr. Hasegawa as an independent director.
Kentaro Koga	○	○	Associate Professor, Graduate School of International Corporate Strategy,Hitotsubashi University	<Reason for Appointment as an Outside Director> Mr. Kentaro Koga has specialized expertise and wealth of experience on accountancy as an associate professor at a graduate school. As an outside corporate auditor of the Company since June, 2012, 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 after the Company shifted to a company with Audit and Supervisory Committee. Although he has not been involved in corporate management in the past aside from roles as outside director and outside corporate auditor, due to his contribution to securing the soundness of the Company's management as Outside Director and outside corporate auditor 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. <Reason for Designation as an Independent Director> By the independence standards established by the Tokyo Stock Exchange (Guidelines concerning Listed Company Compliance, etc.III. 5. (3)-2) and the Company's independence standards for outside directors established based on these guidelines, there is no reason to deny independence, nor is there any particular reason to believe that there is a risk of a conflict of interest with general shareholders. Therefore, the Company designates Mr. Koga as an independent director.
Etsuko Katsu	○	○	Professor, School of Political Science and Economics, Meiji University Outside Director, Mitsui O.S.K. Lines, Ltd.	<Reason for Appointment as an Outside Director> Ms. Etsuko Katsu has many years of operational and research experience at companies and universities, and possesses specialized knowledge and a wealth of experience in international finance, international economy, and

				economic policies as a university professor. Although she has not been involved in corporate management in the past aside from roles as outside director, she gained enough knowledge and experience through her experience including management at university. In light of these activities, it has been judged that she can be expected to utilize her experience, etc., in audit, etc. of management as a director who is an Audit and Supervisory Committee member. <Reason for Designation as an Independent Director> By the independence standards established by the Tokyo Stock Exchange (Guidelines concerning Listed Company Compliance, etc. III. 5. (3)-2) and the Company's independence standards for outside directors established based on these guidelines, there is no reason to deny independence, nor is there any particular reason to believe that there is a risk of a conflict of interest with general shareholders. Therefore, the Company designates Ms. Katsu as independent director.

[Audit and Supervisory Committee]

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

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

Audit and Supervisory Committee and employees' independence from executive directors

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

Status of Cooperation between Audit and Supervisory Committee, Independent Auditors, and Internal Auditing Section

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

[Voluntary Committees]

Voluntary committees corresponding to a nomination committee or remuneration committee	Established
Committee's Name, Composition, and Attributes of Chairperson	

	Committee's Name	Total number of Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination and Compensation Committee	3	0	1	2	0	0	Outside Director
Committee Corresponding to Remuneration Committee	Nomination and Compensation Committee	3	0	1	2	0	0	Outside Director

Supplementary Explanation

The Nomination and Compensation Committee has the functions of both the Nominating Committee and the Compensation Committee, and its outline and activities are as follows.
(1) Membership: The Nomination and Compensation Committee consists of three members, two are Audit and Supervisory Committee members and one is the President and CEO.
(2) Date of Establishment: July 1, 2019.
(3) Details of deliberations: A total of four meetings were held in FY2019.
The first meeting: July 30, 2019. Deliberation of policies on nomination, remuneration, and succession planning.

The 2nd meeting: August 7, 2019. ① Resolution on policies of nomination, remuneration, and succession planning, ② Deliberation on policies relating to the transition to a holding company structure, and ③ Resolution on participation in a remuneration survey by an external remuneration research organization and participation in management survey by an outside management survey organization.

The 3rd meeting: September 30, 2019. ①Resolution of the system and remuneration policy accompanying the transition to the holding company structure, ②Reporting and deliberation on the results of remuneration and management surveys.

The 4th meeting： October 31, 2019. Deliberation and resolution of proposals to the Board of Directors on nominations and individual remuneration for directors and executive officers for FY2020.

[Independent Directors]

Number of Independent Directors	4 persons

Other Items Pertaining to Independent Directors

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

[Incentive]

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

Supplementary Explanation Regarding Said Item

Based on the approval of the 170th Ordinary General Meeting of Shareholders held in March 2019, we introduced a new performance-linked stock compensation system as a mid- to long-term bonus. As a result, an annual bonus (performance-linked remuneration) is applied to internal directors who are not Audit and Supervisory Committee members, and a mid-to long-term bonus (performance-linked remuneration) is applied. For details, please refer to [Directors' Remuneration] below.

Those granted stock options	-

Supplementary Explanation Regarding Said Item －

[Directors' Remuneration]

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

Supplementary Explanation Regarding Said Item

The total amount of remuneration for directors who are not Audit and Supervisory Committee members in the fiscal year ended December 2018 was 446 million yen (including a total of 15 million yen in remuneration to outside directors), of which the monthly salary accounted for 291 million yen (including a total of 15 million yen in remuneration to outside Directors) and the performance-linked bonus accounted for 155 million yen. The total amount of remuneration for directors who are Audit and Supervisory Committee members was 81 million yen (including a total of 45 million yen in remuneration to outside directors). Total consolidated remuneration to Director Timothy Andree was 638 million yen.

Details are as described in the securities report.

Policy on deciding remuneration amounts and their calculation method	Yes

Disclosure of Remuneration Amounts and Their Calculation Method

1. Policy on determining remuneration

See above mentioned with respect to Principle 3-1-3 (Board policies and procedures in determining the remuneration of the senior management and directors)

2. Amount of remuneration or the method for calculating that amount

(1) Compensation structure

An outline of the calculation method for each compensation item is as follows.

① Basic Annual Salary

The basic annual salary is set to an appropriate amount based on remuneration market research data from external specialist organizations.

② Annual bonus

Annual bonuses will be paid or not based on the basic annual salary and according to the consolidated business performance of each fiscal year during the term of office in accordance with the Directors' Compensation Rules.

③ Mid- to long-term bonuses

Mid- to long-term bonuses will be determined by calculating fixed points based on the basic annual salary and adjusting the base points (1 point = 1 share) calculated on the first share price for each fiscal year during the term of office according to the consolidated business performance of the three consecutive fiscal years including the applicable fiscal year in accordance with the Directors' Share

Compensation Rules. In the event of payment or non-payment (hereinafter referred to as the "Vesting Date"), the Company will, through the trust fund, pay the Company's shares, etc., in accordance with the number of fixed points at a ratio of 50% in stock and 50% in money (the amount of which shall be calculated based on the share price of the Vesting Date).

(2) Compensation Ratio

The percentage of fixed and variable compensation at the time of achievement of the Performance Objectives is approximately 60% to 40%.

(3) Compensation fluctuations

Variable compensation varies from 0% to 150% of fixed compensation (basic annual salary). By setting up a variable remuneration limit above fixed remuneration, raising the share of stock payments, and sharing interests with shareholders and other stakeholders, we will strengthen the motivation of executives for the sustainable growth of the Group and the enhancement of corporate value over the medium to long term.

(4) Applicable remuneration items

The following table shows the compensation items applicable to each director category.

(Legend: Yes = Yes/No = No = No; ※only those who serve concurrently as executive officer)

	Fixed remuneration	Variable pay	
	Monetary reward		Stock compensation
	Basic Annual Salary	Annual bonus	Mid-and long-term bonuses
Internal Directors who are not Audit and Supervisory Committee members	Yes	Yes	Yes ※
Outside Directors who are not Audit and Supervisory Committee members	Yes	None	None
Internal Directors who are Audit and Supervisory Committee members	Yes	None	None
Outside Directors who are Audit and Supervisory Committee members	Yes	None	None

※Annual bonus and mid- to long-term bonuses shall be provided solely to those who concurrently serve as executive officers.

(5) Performance targets

Performance targets for variable compensation will be set appropriately for each fiscal year, taking into account the macro and micro economic environment and our business environment.

(6) Maximum Allowance

Our compensation for directors is as follows.

1) Monetary compensation

The total amount of monetary remuneration paid to directors who are not Audit and Supervisory Committee members is within the scope of the remuneration limit approved at the 167th Ordinary General Meeting of Shareholders (within 1.2 billion yen per year).

The total amount of monetary remuneration paid to directors who are Audit and Supervisory Committee members is within the scope of the remuneration limit approved at the 167th Ordinary General Meeting of Shareholders (within 150 million yen per year).

2) Share Compensation Frame

The total amount of remuneration paid to executive officers, including directors concurrently serving as executive officers, is within the scope of remuneration approved at the 170th Ordinary General Meeting of Shareholders.

3. Procedure for Determining Remuneration

Decisions on remuneration for individual directors shall be made in each fiscal year in accordance with

the following procedures based on the calculation formula set forth in the Directors' Compensation Regulations and the Directors' Share Compensation Regulations established with the approval of the Board of Directors.

With regard to the amount of remuneration paid to directors who are not Audit and Supervisory Committee members (including those who concurrently serve as executive officers), from the viewpoint of ensuring transparency, we will explain the appropriateness of remuneration to independent outside directors and, based on their opinions, disclose the amount of individual remuneration to the Board of Directors within the scope of the remuneration set forth above resolved at the General Meeting of Shareholders and determine the total amount of remuneration based on the accumulated amount.

The amount of remuneration paid to directors who are Audit and Supervisory Committee members shall be determined through consultation between them within the above-mentioned remuneration limit resolved at the general meeting of shareholders.

[Support Structure for Outside Directors]

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

[Status of those who retired from representative directors, etc.]

Names of Advisors, etc. who retired representative directors, etc.

Name	Title	Activity	Full time or not Remuneration, etc.	Date of retirement from CEO	Term
Tateo Mataki	Corporate Advisor	Industry group or economic organizations, etc.	Full time No remuneration	June 28, 2007	One year
Tatsuyoshi Takashima	Corporate Advisor	Industry group or economic organizations, etc.	Full time No remuneration	April 1, 2011	One year
Tadashi Ishii	Executive Advisor	Advising for the executives of the Company	Full time Receive remuneration	January 22, 2017	One year

The total number of Corporate Advisors, etc., who retired from representative directors positions	3 persons

Other Items

(1) In executing contract with a corporate advisor or executive advisor, deliberation and approval on their roles; and terms and conditions of such contract shall be required by the Group Executive Management Committee to which the Board of Directors entrusts steering business operations in Japan.
(2) The term of a corporate advisor or executive advisor shall be one year and approval of the Group Executive Management Committee shall be required if the contract is renewed.

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

The Company is a company with an Audit and Supervisory Committee and transfers authority for important business execution in part from the Board of Directors to the 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 of directors over business execution.

The Company's Articles of Incorporation stipulate the number of directors to be no more than 15, and as of January 8, 2020, 12 Directors (of which four are outside directors) comprise the Board of Directors and four Directors who are Audit and Supervisory Committee members (of which three are outside directors) were appointed. Diversity including gender and nationality; balanced experience, insight and capability are among the

factors that are considered in nominating members of the Board of Directors.

Of the four Directors who are Audit and Supervisory Committee members, three outside directors, and of the eight directors who are not Audit and Supervisory Committee members, one outside director will satisfy the independence standards formulated by the Company and are expected to fulfill a monitoring role on the Board of Directors with respect to business execution by making good use of each director's extensive experience in his or her respective fields.

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 exclusive of those exclusively resolved by the Board of Directors, matters concerning the entire Dentsu Group and deliberates on matters to be decided by the Board of Directors.

Moreover, while authority for Group Companies in Japan has been transferred to "Dentsu Japan Network," established in virtual in-house company and deliberating important matters in Japan business and the "Dentsu Aegis Network Board of Directors" deliberating important matter of the international business, thereby dividing the business execution system into Japan business sector and the international business sector, and each has responsibility for profit and authority delegate.

In nominating directors who are not Audit and Supervisory Committee members, the Board of Directors will submit a candidate plan and, in order to secure objectivity and transparency, consult with the Nomination and Compensation Advisory Committee and consider its opinions formed through its deliberation; and determine candidates.

In nominating directors who are Audit and Supervisory Committee members, the Board of Directors will submit a candidate plan, and consult with the Nomination and Compensation Advisory Committee and consider its opinions formed through its deliberation. After receiving approval from the Audit and Supervisory Committee, candidates shall be decided upon by the Board of Directors.

In nominating executive officers, from the viewpoint of ensuring objectivity and transparency, the Board of Directors shall submit a candidate plan to the Nomination and Compensation Advisory Committee and consixder opinions of the Committee formed through its deliberation. Considering such opinions, the Board of Directors shall appoint executive officers.

The amount of remuneration of each director who is not a member of the Audit and Supervisory Committee (including that for the role of executive officers) will be determined by a resolution of the Board of Directors within the limit of remuneration to be approved at the ordinary general meeting of shareholders; and from the viewpoint of ensuring objectivity and transparency, such decision will be made after consulting with the Nomination and Compensation Advisory Committee on compensation plan and considering the opinions of the Committee expressed for the Board of Directors and disclosing each remuneration to the Board of Directors. The amount of remuneration of each director who is a member of the Audit and Supervisory Committee will be determined through deliberation among them within the limit of remuneration approved at the general meeting of shareholders after the Board of Directors consults with the Nomination and Compensation Advisory Committee on a compensation plan and considers opinions of the Committee formed through its deliberation.

The amount of remuneration of each executive officer who does not concurrently serve as a director will be determined from the viewpoint of ensuring objectivity and transparency, such decision will be made after consulting with the Nomination and Compensation Advisory Committee on compensation plan and considering the opinions of the Committee expressed for the Board of Directors and disclosing each remuneration to the Board of Directors.

3. Reason for Choosing the Current Corporate Governance Structure

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

Ⅲ Status of Measures Pertaining to Shareholders and Other Stakeholders

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

Rights

	Supplemental Explanation
Early sending of convocation notices for General Meeting of Shareholders	Convocation notices are sent not later than three weeks before the date of the General Meeting of Shareholders. With regard to the 170th Ordinary General Meeting of Shareholders held on March 28, 2019, the convocation notices were put on our website in advance on February 27 (Wed.) and submitted on March 6 (Wed.).
Exercise of voting rights through digital means	Taking into consideration the convenience of shareholders for exercising their voting rights, the Company introduced online voting from the 156th Ordinary General Meeting of Shareholders (held on June 29, 2005). Additionally, the Company also made online exercise of voting rights from mobile phones and use of ICJ's voting platform available from the 159th Ordinary General Meeting of Shareholders (held on June 27, 2008).
Participation in a digital voting platform and other efforts aimed at improving the voting environment for institutional investors	The Company uses ICJ's voting platform.
Provision of the convocation notice (summary) in English	Since the 166th Ordinary General Meeting of Shareholders (held on June 26, 2015), aimed at enhancing constructive dialogue with shareholders and responding to the increasing ratio of foreign institutional investors, the Company creates an English version of the pre-mailed convocation notice and posts it on the Company's website.
Other	The Company explains the business report, etc., in a visual and easy to understand manner at the General Meeting of Shareholders.

2. Status of IR Activities

	Supplemental Explanation	Explanation from the Representative Director
Preparation and publication of Disclosure Policy	We have enacted a Disclosure Policy to disclose information to shareholders, investors, and securities analysts in a timely, accurate and fair manner in accordance with related laws and regulations such as the Financial Instruments and Exchange Act and the regulations of the Stock Exchange, where our shares are listed. For more information, please visit our website. →Disclosure Policy https://www.group.dentsu.com/en/ir/stockandratings/constructivedialogue.html	
Holding of regular briefings for analysts and institutional investors	Briefings on business performances are held twice a year at the timing of every quarter settlement. The Company holds roadshows every year and visits individual investors in Japan.	Yes
Posting of IR documents on the website	Earnings announcement materials for analysts and institutional investors and earnings briefing material and other disclosed documents, and integrated reports which include non-financial information are posted on the Company's website.	
Establishment of a section (persons in charge of) related to IR	Group IR Office	

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

	Supplemental Explanation
Rules on respecting the position	The Company places priority on corporate governance, respect for human

of stakeholders in internal regulations, etc.	rights, improvement of working environment, environmental preservation, fair business practices, solving consumer problems and contributing to community development as important fields, and the Company recognizes that it is the fulfillment of its social responsibility to work independently to solve social issues and realize a sustainable society, with all stakeholders in mind. In order to fulfill its social responsibility, the Company established the Dentsu Group Code of Conduct (posted on the Company's website) which articulates what all Dentsu Group managers and employees must undertake in order to fulfill their respective responsibilities to society and each Dentsu Group company is committed to complying with the Code.
Implementation of environmental protection, CSR, and other activities	The Company's website introduces the status of such activities.
Establishment of policies, etc., pertaining to the provision of information to stakeholders	The Company discloses necessary information properly and in a timely manner in order to prioritize the interests of shareholders. (From the Dentsu Group Code of Conduct)

Ⅳ Items Pertaining to the Internal Control System

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

The Internal Control System at the Company is designed to encourage compliance among directors, executive officers, and employees while it supports continuous corporate development as the Company strives to meet its social responsibilities.

The Company and its subsidiaries (hereinafter called as "Dentsu Group") has chosen the Dentsu Group Code of Conduct to define the parameters of acceptable behavior, which ensure directors, executive officers and employees of Dentsu Group to comply with all laws, regulations, and the Articles of Incorporation during the course of their duties and that business is conducted appropriately, and will maintain and enhance the Internal Control System.

(1) Compliance System for Directors, Executive Officers, and Employees

① Directors and executive officers must perform their duties appropriately, in accordance with rules such as the Board of Directors' Rules, Rules for the Operation of the Group Executive Management Committee, Directors' Rules, and Executive Officers' Rules.

② If a director or an executive officer discovers a violation of the prevailing laws or comes across any other serious compliance-related issue, it is imperative that he/she reports it without delay to the relevant organizations of the Company including the Board of Directors and the Group Executive Management Committee. The Group Risk and Internal Audit Office must also be immediately advised of the circumstances.

③ The departments reporting to the CSR Committee create internal policies and manuals and conduct training to improve and enhance the compliance system for employees.

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

⑤ If the Audit and Supervisory Committee states opinions on the Company's compliance system or require steps to improve the system, directors and executive officers must respond without delay and make the recommended improvements.

⑥ The Company has established a department to facilitate the termination of business relationships with organized crime groups and elements thereof—termed "antisocial forces" in Japan—when a link is discovered and to resolutely refuse any and all future transactions. This department functions as the liaison between the affected in-house divisions and the relevant authorities to expedite an appropriate course of action.

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

① In addition to meetings of the Board of Directors, the Company holds meetings of the Board of Group Executive Management Committee, Dentsu Japan Network Board, Dentsu Aegis Network Board (DAN Board) and Various Committees. These meetings provide opportunities to discuss important matters pertaining to management policy and strategy, and to make executive decisions.

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

(3) Storage and Management of Information Related to the Execution of Duties by directors and executive officers

Information concerning the execution of duties by directors and executive officers is stored and managed appropriately, in accordance with the Company's Documentation Management Rules and Information Management Rules.

(4) Risk Management System

① The Company establishes risk management regulations to maintain and improve a structure that precludes the spread of damage or loss and minimizes the impact of risk progression in the event risks become reality. The Company performs self-checks with regard to the situation of risk management under the Internal Control and Risk Committee, selects key risks to be handled, and implements risk management based on concrete response plans.

② The response policy for material risks in management and other material items concerning risk management are reported to the Board of Directors and the Audit and Supervisory Committee.

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

The Company maintains an Audit and Supervisory Committee Office, which consists of employees who assist the Audit and Supervisory Committee in their duties. This office reports directly to the Audit and Supervisory Committee,

thereby preserving its independence from directors and executive officers (excluding directors who are Audit and Supervisory Committee members) and effectiveness of instructions from Audit and Supervisory Committee.

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

① Policies are in place to define issues that directors (excluding directors who are Audit and Supervisory Committee members), executive officers, and employees (hereinafter called "officers and employees") of the Company and its subsidiaries are required to report to the Audit and Supervisory Committee, while at the same time, the system ensures that significant matters that have an impact on the Company's business operations or business results are reported by executives and employees to the Audit and Supervisory Committee in a certain and prompt manner.

② In the event that the Audit and Supervisory Committee request information other than that indicated above, executives and employees of Dentsu Group are still required to respond without delay.

③ It will be ensured that parties who report under the condition of the previous items do not receive harmful treatment as a result of reporting.

④ Pursuant to laws and regulations, a policy will be defined to account for expenses, etc., incurred during the course of execution of duties by the Audit and Supervisory Committee, and this information will be disseminated to concerned parties.

⑤ To enhance audit effectiveness, the Internal Audit Office and independent auditors collaborate.

(7) Internal Control System for the Dentsu Group, including Subsidiaries

Starting with the following items, matters that subsidiaries must establish and operate as members of the Dentsu Group will be defined, and the establishment, operation, and improvement of the Dentsu Group's internal control system will be promoted.

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

② In addition to receiving periodic reports from subsidiaries concerning the business operations, business results, and other significant matters that may have a significant effect on the business operation or business results of the Company, subsidiaries will request advance approval or report to the Company.

③ Through Dentsu Aegis Network, which oversees each overseas subsidiary within the Dentsu Group, decision-making and business execution in overseas business operations will be made in an efficient manner.

④ Subsidiaries will define standards pursuant to the Dentsu Group Code of Conduct, and by resolution of a meeting of the Board of Directors, etc., will ensure compliance and risk management as members the Dentsu Group.

(8) System to Ensure Appropriateness of Financial Reporting

① Through the Internal Control and Risk Committee, the Company continually supports a system that ensures appropriateness in financial reporting by the Group.

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

③ The Group Risk and Internal Audit Office monitors the internal control system from a perspective free of operational bias to assess the effectiveness of internal controls related to financial reporting.

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

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

Ⅴ Other

1. Introduction of anti-takeover measures

Introduction of anti-takeover measures	None

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

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

(1) Management Structure for Corporate Information

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

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

(2) Timely Disclosure System

a. Identification of Material Facts, etc.

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

1) Facts Determined

In the case that the head of each division (managing director) handles work that has a high possibility of becoming a material fact, etc., of the Company, he/she must immediately report its contents to the director in charge of disclosure, head of the Group Corporate Communication Office or Information Management Committee Secretariat.

2) Facts Occurred

In the case that a material fact, etc., other than in 1) above, the head of the presiding department must check it and immediately report the contents of the material fact, etc., to the director in charge of disclosure, head of the Group Corporate Communication Office or Information Management Committee Secretariat.

Additionally, the Group Corporate Communication Office also endeavors to identify material facts by exchanging information with relevant departments such as the Group CEO Office, the Group Corporate Secretary Office (Information Management Committee Secretariat), and the Group FP&A Office, etc.

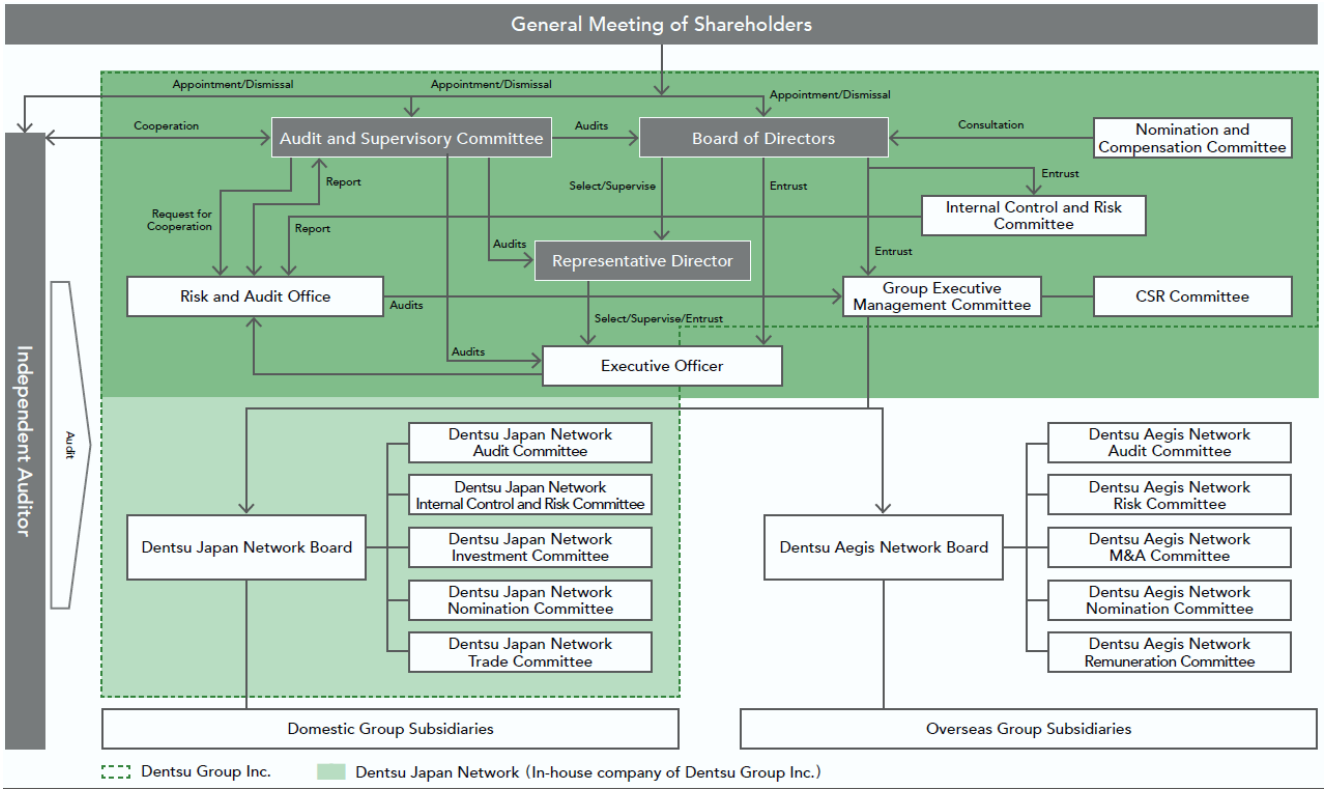
b. Disclosure of Material Facts, etc.

The Group Corporate Communication Office is in charge of disclosure and announcements to news media.

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

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

Corporate Governance Structure



Grasping and Disclosing System of Company Information

