Corporate Governance Report

Last Update: March 31, 2021
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

Basic Policy

Under the new Vision and Value of "an invitation to the never before." formulated in October 2020 as the desired direction which Dentsu Group aims for in the long term, and the eight principles of conduct based on the Vision and Value, Dentsu Group Inc. (hereinafter referred to as the "Company") recognizes that realizing the "Medium-term Management Plan ― Sustainable Growth through Transformation ―" announced in February 2021 leads to the sustainable growth of Dentsu Group and a medium to long term improvement in its corporate value and will build the best corporate governance for realizing the plan.

The Company has adopted a corporate governance structure that is defined as a company with an audit and supervisory committee, which (i) promotes expeditious decision-making by delegating certain authority from the Board of Directors to executive officers, (ii) strengthens the supervisory function over business execution made by the Board of Directors, where at least one-third of the directors are independent outside directors and (iii) enhances 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 medium 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 medium 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

[Reasons for not implementing principles of the Corporate Governance Code]

The Company implements all principles of the Corporate Governance Code.

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

[Principle 1.4 Cross-Shareholdings]

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

Of such strategic shareholdings, the Company, in principle, reviews and considers reducing individual stocks through sale, etc. 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 medium to long term point of view; and disclose the result of such examination in our Corporate Governance Report or similar documents.

Under the above basic policy, the Company sold shares of six companies (worth 205,152 million yen in market capitalization as of the end of December 2019) in the previous year.

In addition, the Company has already sold shares of three companies this year. Moreover, the Company's Board of Directors resolved to sell shares of two companies, which have not yet been sold yet, at its meeting held in December 2020 and the Company will proceed with their sale, as necessary.

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 medium to long term corporate value of such companies and the medium 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, the Company will carefully examine and judge whether or not to vote for such proposals, regardless of them being 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

Regarding the voting rights which the Company has exercised at general meetings of shareholders of the companies in which the Company has cross-shareholdings in FY2020, the Company exercised its voting rights in favor of all proposals, as none of them threatened to damage the corporate value and shareholder value of the said companies.

When a shareholder who holds the Company's shares for cross-shareholdings (hereinafter referred to as "cross-shareholder") expresses an intention to sell such shares, the Company will not conduct any act that may hinder the sale or the like, such as suggesting a curtailment of the transaction. The Company will also fully verify the economic rationality of its transactions with cross-shareholder and will not engage in any transaction that would prejudice the common interests of the Company and its 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, even if the transaction does not fall under the above, the Company distributes 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]

The Company's employees (excluding its contract employees and temporary staff) are all seconded from other companies and the Company does not have its own corporate pension system as the Company applies the corporate pension systems of their respective companies for these employees. In April 2015, Dentsu Inc., the Company's main operating subsidiary, transitioned to a defined contribution pension plan. Since the management of corporate pension contributions affects the stable asset formation of employees, the personnel in the relevant corporate pension organization have acquired the qualifications of a corporate pension manager, etc. in order to enable the corporate pension organization to conduct appropriate activities such as monitoring the investment institution. In addition, Dentsu Inc. assigns staff with specialized skills to Group companies that are entrusted with the management of corporate pension plans, and regularly receives appropriate advice from outside experts.

[Principle 3.1.1 Company Objectives (e.g., business principles), business strategies and business plans]

In February 2021, Dentsu Group formulated "Medium-term Management Plan" targeting the four years from FY2021 to FY2024 as the basic policy for realizing a medium - to long -term growth. In the plan, Dentsu Group defines its purpose as "We exist to realize a better society by contributing to the growth of our clients, partners, and all consumers." It positions "Integrated Growth Solutions," which realize top line growth for its clients beyond marketing by integrating its diverse capabilities across the Group, at the core of the business strategy. Furthermore, Dentsu Group promotes "dentsu Sustainable Business Solutions," which support its clients to create positive impact on the society through their businesses while realizing their growth.

In October 2020, Dentsu Group announced its new Vision and Value consisting of a tag line "an invitation to the never before." and an eight-item code of conduct "8 WAYS," setting the direction it aims for in the long term.

Under the new Vision and Value, Dentsu Group will build a culture of co-creation by promoting and accelerating collaboration for value creation with companies and individuals within the Dentsu Group around the world as well as with external partners, and deeply instill a corporate culture that links diversity to competitiveness. At the same time, based on this corporate culture, the Company will aim to complete the Medium-term Management Plan while flexibly responding to any changes, and achieve sustainable growth for our group by continuing to contribute to the growth of our customers and society as a whole.

Please refer to the following press release which includes the Medium-term Management Plan.
→ https://www.group.dentsu.com/en/news/release/000387.html

Please refer to the Company's website below for the new Vision and Value.
→ https://brand.dentsu.com/en/

[Principle 3.1.2 Basic views and guidelines on corporate governance]

To realize the Company's aim to create a better society through contribution to growth of its customers, partners, and all consumers, pursuing the best corporate governance is important. The Company shall ensure sustainable growth and enhance medium- 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 medium- to long-term interests of shareholders

[Principle 3.1.3 Board policies and procedures in determining the compensation of the senior management and directors]

1. Policy on determining compensation

The Company has 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 (annual bonus (monetary compensation) and performance-based stock compensation (medium- to long-term bonus)) shall be appropriately balanced.
(3) The level of compensation is determined based on the level in the relevant region.

With regard to the compensation, the Company establishes appropriate system and level in each fiscal year in accordance with objective and transparent procedures by comprehensively taking into account corporate value, enterprise size, and compensation levels and so on by referring to compensation market research data from external specialist organizations.

2. Outline of the compensation system

The compensation system for executive officers shall be established with the aim of clarifying the linkage between compensation, 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 medium- to long-term. To embody this policy, we have introduced a new performance-based stock compensation system for executive officers (including executive officer who concurrently serves as a director) from FY2019.

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

→ https://www.dentsu.co.jp/en/news/release/2019/0214-009747.html

The Company's executive compensation system consists of three basic compensation items: Basic Annual Salary, Annual Bonus, and Performance-based Stock Compensation (medium- to long-term bonus). (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' Compensation] below).

3. Procedure for determining compensation

The compensation 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 compensation paid to directors who are not Audit and Supervisory Committee members (including those who are 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 Compensation Committee on compensation plan and considering the opinions expressed by the Committee to the Board of Directors and disclosing each compensation to the Board of Directors based on their opinions.

The amount of compensation 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.

From the viewpoint of ensuring objectivity and transparency, the Board of directors shall determine a compensation plan of executive officers (limited to those not concurrently serving as directors) after consultation on such plan with the Compensation Committee and considering the opinions expressed by the Committee upon deliberation to the Board of Directors and disclosing each compensation to the Board of Directors based on their opinions.

[Principle 3.1.4 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 medium- 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.

In addition, candidates for each director are appointed based on the following criteria stipulated in the Rules of the Board of Directors.

<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 internal director candidates 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 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 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 regarding the relevant appointment proposal(s) of the general meeting of shareholders.

In appointing executive officers, from the viewpoint of ensuring objectivity and transparency, the Board of Directors shall submit its candidate plan to the Nomination Committee and consider opinions of the committee formed through its deliberation. Considering such opinions, the Board of Directors shall appoint executive officers.

In the event that a director or an executive officer is deemed as not to be fulfilling their duties adequately, from the viewpoint of ensuring objectivity and transparency, the Board of Directors shall submit its dismissal plan to the Nomination Committee and consider opinions of the Committee formed through its deliberation. Based on such opinions, the Board of Directors shall carry out its dismissal procedures.

[Principle 3.1.5 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 regarding the relevant appointment proposal(s) of the general meeting of shareholders to which the proposal to nominate the director is submitted, and the 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 outside of those exclusively resolved by the Board of Directors, matters concerning the entire Dentsu

Group consisting of the Company and its subsidiaries (hereinafter referred to as “Dentsu Group”) and deliberates on matters to be decided by the Board of Directors.

Moreover, the Company established the Dentsu Japan Network Board (at Dentsu Japan Network, an internal company) to deliberate on important matters of Japan business and the Dentsu International 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, in January 2020, the Company established the Internal Control and Risk Committee in place of previous Internal Control and Compliance 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 13 (no more than 15 as the Articles of Incorporation stipulate) and 5 (at least one third of the total members of the board of directors) directors will be independent outside directors.

[Principle 4.9 Independence standards and qualification for independent directors]

The Company revised Independence Standards for Outside Directors at Dentsu Group Inc. in January 2021.

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]

On July 1, 2019, the Company established the Nomination and Compensation Committee as an optional advisory body to further enhance the corporate governance structure and strengthen the independence, objectivity, and accountability of the Board of Director’s functions in determining the nomination and compensations of the directors and executive officers. The Company set up two committees, the Nomination Committee and the Compensation Committee as of April 1, 2020, to transform the Nomination and Compensation Committee into more specialized advisory bodies by separating the functions related to nomination/dismissal and compensation. Each committee consists 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. The Nomination Committee is responsible for the nomination and succession planning of directors and executive officers, and the Compensation Committee is responsible for deliberating items concerning the determination of individual compensation of the directors who are not a member of Audit and Supervisory Committee and executive officers. Each committee shall report 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 31, 2021, thirteen (13) directors (of which five (5) 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) of the general 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.

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

In order to continuously enhance the effectiveness of the Board of Directors, the Company conducts an annual questionnaire survey of all directors on the effectiveness and appropriateness of management supervision by the Board of Directors, and conduct analyses and evaluations by a third-party organization. The Board of Directors, after receiving reports from the Secretariat of the Board of Directors on the results, analyzes and evaluates the effectiveness of the Board of Directors as a whole, and remedies the issues so as to maintain and improve its effectiveness.

1. Changes to the effectiveness evaluation method for FY2020

Until FY2019, the Company had been implementing effectiveness evaluation using a questionnaire survey. In FY2020, the Company adopted interviews by a third party targeting all directors to identify issues more from a medium- to long-term perspective, given the changes in the Board of Directors such as the transition to a holding company and promotion of diversity in the board and taking into consideration the announcement of the Medium-term Management Plan.

(1) Evaluation method in FY2020

(i) Questionnaire survey (targeting all directors)
Conducted a questionnaire survey ahead of interviews

(ii) Interviews by a third-party organization (targeting all directors)
A newly added process. Received unreserved opinions by guaranteeing anonymity

(iii) Opinion exchange session by all directors (targeting all directors)
A process improved this year. Held a session for exchanging opinions regarding issues identified in the result of the questionnaire survey with all directors and the third-party organization.

(2) Main items in the questionnaire survey and interviews in FY2020
*The questionnaire items (32 questions, six items)

(i) Strategic alignment and engagement (management strategy, capital policy, review of business portfolio, ESG responses, business risks, dialogues with shareholders, etc.; nine questions)
(ii) Composition and system of the Board of Directors (succession plan, skill set, etc.; three questions)
(iii) Process and practical operations of the Board of Directors (operation of the Board of Directors meetings, deliberation themes, training, etc.; eight questions)
(iv) Management supervision (risk management, global governance system, governance system of a listing company's subsidiaries; eight questions)
(v) Culture and dynamics of the Board of Directors (two questions)
(vi) Supervisory function (targeting directors who are members of the Audit and Supervisory Committee alone; two questions)

2. Outline of analysis result and evaluation

(1) Issues identified in the previous fiscal year (FY2019) and progress in remedying them

Evaluation of the issue of "management and supervision of group companies" identified in analysis and evaluation in FY2019 improved thanks to the shift to a holding company. Evaluation of the issue of "provision of information necessary for deliberation of strategies" improved as the Company enhanced provision of information through utilization of online portal, etc.

However, issues such as "CEO successor nurturing plan" and "provision of information necessary for deliberation of strategies" continued to be identified as issues where there is room for further improvement.

(2) Future issues and initiatives for improvement

As a result of the Company's embarking on major changes to the governance system in April 2020 such as the shift to a holding company and promotion of diversity of the Board of Directors, new issues also surfaced. The Company shall strive to further strengthen corporate governance by further improving effectiveness of the Board of Directors through initiatives for solving these issues.

(i) Promotion of meticulous improvement of the long-term vision and management strategy and the governance system that supports the vision and strategy

The long-term vision and management strategy should be reviewed as necessary to reflect changes in the environment surrounding the Company and implementation of various measures for improving corporate value, and the Company also should not hesitate to flexibly review the organizational format and governance

structure relevant for supporting achievement of the vision and strategy. The important thing is that all members of the Board of Directors share the latest long-term vision and management strategy and implement them with a sense of speed under an appropriate governance structure. The Company shall promote meticulous improvement toward this.

(ii) Enhancement of discussions regarding ESG and building common awareness of the Board of Directors

With the recognition that ESG is an important theme for improving corporate value, the Board of Directors shall deepen discussions regarding sustainability strategy for the entire group and establish a supervisory function of the related initiatives.

(iii) Vitalizing important discussions at the Board of Directors meetings and deepening of communications of the Board of Directors

The Company shall discuss the annual schedule, etc., set forth deliberation themes for the Board of Directors meetings, and decide the meeting schedule for deepening discussions of important themes at the Board of Directors meetings. At the same time, it will implement measures to enable smooth communications among directors including outside directors.

[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 Dentsu Group and solutions thereto. Moreover, after becoming directors (excluding outside directors) or executive officers, they are given opportunities to attend study seminars on a regular basis 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 medium- 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, individual meetings using telephone and video conference system, 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 it closely cooperates with the Group Planning Office, Group FR/FP&A Office, Group Corporate Secretary Office, and other relevant sections. The Company has established Group IR Office in Tokyo and London to enable a structure for communicating with securities analysts, investors, and shareholders in Japan and abroad.

Opinions and requests obtained through IR and other activities are periodically 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 "quiet period" during which the Company must withhold information with respect to financial results.

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

For details, please refer to "Disclosure Policy" (established in September 2018) on the Company's website.
→ https://www.group.dentsu.com/en/ir/stockandratings/constructivedialogue.html

[Principle 5.2 Establishing and Disclosing business strategy and business plan]

In February 2021, Dentsu Group formulated and announced the “Medium-term Management Plan” spanning over four years from FY2021 to FY2024 as the basic policy to realize medium- to long-term growth. 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. The Company will explain them in an easy-to-understand manner at its financial results briefings and general shareholders' meetings.

2. Capital Structure

Ratio of Shares Held by Foreigners	More than 20%, below 30%

[Status of Major Shareholders]

Name	Number of shares held	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,883,000	14.51%
Kyodo News Association	18,988,800	6.74%
Jiji Press Co., Ltd.	16,028,680	5.69%
Custody Bank of Japan, Ltd. (Trust Account)	11,557,600	4.10%
SMBC Nikko Securities Inc.	7,723,400	2.74%
Merkle Group Inc.	7,324,500	2.60%
Dentsu Group Employee Shareholding Association	6,292,703	2.23%
Hideo Yoshida Memorial Foundation	4,984,808	1.77%
Recruit Holdings Co., Ltd.	4,929,900	1.75%
Custody Bank of Japan, Ltd. (Trust Account 9)	4,389,300	1.56%

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 for trust business.

(2) In addition to the above, the Company holds 6,695,819 shares in treasury stock.

(3) On the list of shareholders, of the shares in the name of Merkle Group Inc. (7,324,500 shares), (i) 4,736,425 shares are the shares the Company issued to the former shareholders (about 300 parties) of Merkle Group Inc. when it made Merkle Group Inc. into a wholly owned subsidiary on April 15, 2020, and (ii) 2,581,200 shares were issued by the Company as equity compensation to the core management of Merkle Group Inc. (25 officials) on April 17, 2020, as it made Merkle Group Inc. its wholly owned subsidiary. Both the shares (i) and (ii) are merely deposited to the account in the name of Merkle Group Inc. and the beneficial owners of these shares are Merkle Group Inc.’s former shareholders or its core management, who also retain the right to execute the voting rights, and the number of shares held by Merkle Group Inc. in reality is 6,875 shares after excluding the shares (i) and (ii).

(4) Nomura Securities Co., Ltd. and its former co-owners, Nomura Holdings, Inc., Nomura International PLC and Nomura Asset Management Co., Ltd. submitted a report of change dated January 7, 2021, to the effect that each respectively held the following shares as of December 31, 2020. However, the Company has not been able to confirm the actual number of shares held as of December 31, 2020, and it has not taken into account the situation of the above large shareholders. The contents of the report are as follows.

Name	Number of shares held
Nomura Securities Co., Ltd.	119,109
Nomura Holdings, Inc.	2,400,000
Nomura International PLC	755,844
Nomura Asset Management Co., Ltd.	23,163,800
Total	26,319,644

(5) Sumitomo Mitsui Trust & Banking Co., Ltd. submitted a report of change dated December 22, 2020, to the effect that Sumitomo Mitsui Trust & Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. respectively hold the following shares as of December 15, 2020. However, as the Company was unable to confirm the actual number of shares held as of December 31, 2020, it has not taken into consideration the above conditions of large shareholders. The contents of this report are as follows.

Name	Number of shares held
Sumitomo Mitsui Trust & Asset Management Co., Ltd.	8,118,200
Nikko Asset Management Co., Ltd.	8,364,000
Total	16,482,200

(6) Mizuho Bank, Ltd. and its co-owners, Mizuho Securities Co., Ltd., Mizuho Trust & Banking Co., Ltd., and Asset Management One Co., Ltd., submitted a report of change dated December 7, 2020, to the effect that each party respectively hold the following shares as of November 30, 2020. However, as the Company was unable to confirm the actual number of shares held as of December 31, 2020, it has not taken into account the situation of the above large shareholders. The contents of this report are as follows.

Name	Number of shares held
Mizuho Bank, Ltd.	3,500,000
Mizuho Securities Co., Ltd.	353,504
Mizuho Trust & Banking Co., Ltd.	380,000
Asset Management One Co., Ltd.	10,438,100
Total	14,671,604

3. Corporate Attributes

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

In order to establish a structure that can provide integrated solutions to the diverse challenges faced by its customers on a global basis, the Company has formed a corporate group consisting of companies that conduct business in areas and regions in which it should complement and companies that possess advanced expertise through mergers and acquisitions, capital alliance, and other means.

To enhance the effectiveness of group management, it is the Company's basic policy to hold all shares issued by subsidiaries directly or indirectly. However, some of its subsidiaries have increased their competitiveness by securing independence and maintaining their listing in light of the special characteristics of their business domains, their unique corporate culture, and the recruitment of human resources.

The Company has two such listed subsidiaries: Information Services International-Dentsu, Ltd. (listed on the First Section of the Tokyo Stock Exchange; hereinafter referred to as "ISID") and CARTA HOLDING, Inc. (listed on the First Section of the Tokyo Stock Exchange; hereinafter referred to as "CARTA").

ISID is a subsidiary whose main business is the construction and maintenance of information systems, sales of various business software, and consultation services. The Company believes that maintaining ISID's competitiveness and acquiring highly specialized human resources through independent management will lead to improvement in values offered to the customers of our consolidated group companies.

CARTA is a subsidiary engaged in the partner sales business and the ad platform business for digital advertising, as well as the consumer business, including the operation of owned media and e-commerce sites. CARTA's independent management has enabled it to quickly respond to a rapidly changing business environment, maintain its unique corporate culture, and achieve the acquisition of highly specialized human resources. The Company believes that this has helped to improve the values offered to the customers of our consolidated group companies.

In order to ensure the appropriate execution of business and the overall optimization of the corporate group, the Company or Dentsu Inc. has dispatched directors and corporate auditors to these subsidiaries. As a general rule, the Company respects the judgment of the management of these subsidiaries, and strives to ensure that the interests of the shareholders and other stakeholders of these subsidiaries are not unduly impaired.

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	13 persons
Status of the appointment of Outside Directors	Appointed
Number of Outside Directors	5 persons
Number of Outside Directors specified as Independent Directors	5 persons

Relationship with the Company (1)

Name	Attribute	Relationship with the Company										
		a	b	c	d	e	f	g	h	i	j	k
Gan Matsui	Lawyer											

Toshiaki Hasegawa	Lawyer											
Kentaro Koga	Academic											
Etsuko Katsu	Academic											
Simon Laffin	Kaikeishi											

Relationship with the Company (2)

Name	Member of the Audit and Supervisory Committee	Independent Director	Supplementary Explanation Regarding a Compliant Item	Reason for Appointment
Gan Matsui	-	○	Lawyer	<Reason for appointment as an outside director> Mr. Matsui served as a prosecutor for the years at the Tokyo District Public Prosecutors' Special Investigation Department, the Criminal Investigation Department, and the Special Trial Department, as well as the Deputy Chief Prosecutor of the High Public Prosecutor's Office and the Chief of the Criminal Department of the Supreme Public Prosecutors Office. During this period, Mr. Matsui was directly involved in the investigation trials of a number of major social crimes such as economic and taxation cases, and based on his experience of leading those cases, he is well acquainted with the importance of crisis-response measures which are taken by companies and other organizations in emergency situations. Furthermore, based on his experience and knowledge, he has served as chairman of a third-party committee that focuses on legal compliance and crisis management issues at companies and government agencies, and has also assumed the position of outside director of companies. Since February 2017, as the chairperson of the Independent Advisory Committee for Labor Environment Reform Activities, he has been making significant contributions to the promotion of the Company's labor environment reform plan by providing supervision and proactive opinions and recommendations regarding the reform of the working environment. Since March 2020, Mr. Matsui has been making tremendous contributions regarding compliance and governance as an outside director of the Company. In the past, he has not been involved in the management of the Company by any means other than becoming an outside director or an outside

				auditor. However, based on the above achievements, the Company believes that he will be able to continue to utilize his experience to supervise and provide advice on overall management as an Outside Director who is not a member of the Audit and Supervisory Committee 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 Mr. Matsui as an independent director.
Toshiaki Hasegawa	○	○	Lawyer	<Reason for appointment as an outside director> Mr. Toshiaki Hasegawa has specialized expertise and extensive experience as an international business lawyer. As an outside director who is a member of the Audit and Supervisory Committee, he has actively expressed opinions and made suggestions from a legal perspective, thereby contributing to improvement of corporate governance of the Company. In light of these achievements, the Company expects Mr. Hasegawa to offer his knowledge and experience for auditing our management as an outside director who is a member of the Audit and Supervisory Committee of the Company which is currently a pure holding company. Although he has not been involved in corporate management in the past aside from roles as outside director and outside corporate auditor, given his contribution to securing the soundness of the Company's management as outside director who is a member of the Audit and Supervisory Committee, 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, Business Administration, Hitotsubashi University Business School	<Reason for appointment as an outside director> Mr. Kentaro Koga has specialized expertise and extended experience on accountancy as an associate professor at a graduate school. As an outside director who is a member of the Audit and Supervisory Committee, he has actively provided opinions and suggestions from an economic perspective, thereby contributing to improvement of corporate governance of the Company. In light of these achievements, the Company expects him to offer his knowledge and expertise for auditing the Company's management as an outside director who is a member of the Audit Supervisory Committee of the Company which is currently a pure holding company. Although he has not been involved in corporate management in the past aside from roles as outside director or outside auditor, due to his contribution to securing the soundness of the Company's management as outside director who is a member of the Audit Supervisory Committee 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. Katsu has extensive experience and specialized knowledge in finance, international economy, economic policy, and global human resource development as a university professor after a long period of work and research at a private company and university. As a member of the Audit and Supervisory Committee, she has actively contributed to improving the Company's management governance by providing comments and recommendations, including from an economic perspective. Based on these achievements, the Company expects Ms. Katsu to offer her knowledge and experience for auditing its management as an outside director who is a member of the Audit and Supervisory Committee of the Company which is currently a pure holding company. Although she has not been involved in corporate management in the past aside from roles as outside director, given her contribution to securing the soundness of the Company's management as outside director who is an Audit and Supervisory Committee member, the Company believes that she will continue to appropriately execute her 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 Ms. Katsu as independent director.
Simon Laffin	○	○	Chairman of the Audit Committee, Dentsu International Limited, Non-Executive Director, Watkin Jones plc	<Reason for appointment as an outside director> Mr. Simon Laffin has assumed the role of the financial officer of a business company, or of an outside director of a public and unpublished company, and has extensive experience and knowledge of corporate management and auditing. In

				addition, he served as an outside director of Aegis Group plc prior to the acquisition by the Company. After the acquisition, he served as chairman of the Audit Committee of Dentsu International Limited, an intermediate holding company for the Company's overseas business, and he has abundant knowledge of the Company's overseas business. In light of these achievements, the Company expects him to continue to offer his knowledge and expertise for auditing the Company's management as an outside director who is a member of the Audit Supervisory Committee 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 Mr. Laffin as independent director.

[Audit and Supervisory Committee]

	All Members (Persons)	Full-time Member (Persons)	Internal Directors (Persons)	Outside Directors (Persons)	Chairperson
Audit and Supervisory Committee	5	1	1	4	Director

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

Directors 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 assigns dedicated staff to 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 requests 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, as necessary. 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 Committee	8	0	3	5	0	0	Outside Director
Committee Corresponding to Remuneration Committee	Compensation Committee	8	0	3	5	0	0	Outside Director

Supplementary Explanation

The Company in July 2019 established the Nomination and Compensation Committee as an advisory body of the Board of Directors. On April 1, 2020, the Company set up two committees, the Nomination Committee and the Compensation Committee to transform the Nomination and Compensation Committee into more specialized advisory bodies by separating the functions related to nomination/dismissal and compensation. The profile and status of activities of these Committees are as follows.

1. Nomination and Compensation Committee

(Established) Established on July 1, 2019, as an advisory body to the Board of Directors.

(Members) The majority of the committee members are outside directors and the committee chairperson is appointed from among the members who are independent outside directors.

(Process) The committee deliberates and reports on nomination, compensation, and succession plan of directors and executive officers based on advice by the Board of Directors and submit reports to the Board of Meeting for decision.

(Results) A total of three meetings were held in FY2020 and the main deliberation items in FY2020 are as follows.

- Deliberation on succession plan policy
- Deliberation and reporting regarding skill matrix of directors

2. Nomination Committee

(Established) Established on April 1, 2020, as an advisory body to the Board of Directors by transforming the Nomination and Compensation Committee.

(Members) The majority of the committee members are outside directors and the committee chairperson is appointed from among the members who are independent outside directors.

(Process) The committee deliberates and reports on nomination and succession plan of directors and executive officers based on advice by the Board of Directors and submit reports to the Board of Meeting for decision.

(Results) A total of five meetings were held in FY2020 and the main deliberation items in FY2020 are as follows.
- Deliberation and reporting on nomination policy and succession plan policy
- Deliberation and reporting regarding succession plan
- Deliberation and reporting regarding candidates for directors and executive officers

3. Compensation Committee

(Established) Established on April 1, 2020, as an advisory body to the Board of Directors by transforming the Nomination and Compensation Committee.

(Members) The majority of the committee members are outside directors and the committee chairperson is appointed from among the members who are independent outside directors.

(Process) The committee deliberates and reports on compensation of directors and executive officers based on advice by the Board of Directors and submit reports to the Board of Meeting for decision.

(Results) A total of six meetings were held in FY2020 and the main deliberation items in FY2020 are as follows.
- Deliberation and reporting regarding revision of the performance-based stock compensation system
- Implementation of a survey on executive compensation by a third-party organization
- Deliberation and reporting regarding individual compensation proposal for directors and executive officers

[Independent Directors]

Number of Independent Directors	5 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-based remuneration system

Supplementary Explanation Regarding Said Item

Based on approval at the 170th Ordinary General Meeting of Shareholders held in March 2019, the Company introduced a new performance-based stock compensation system as a medium- to long-term bonus. As a result, annual bonuses (performance-based compensation) and performance-based stock compensation (medium- to long-term bonus) are applied to internal directors who are not Audit and Supervisory Committee members but are also executive officers. For details, please refer to [Directors' Compensation] below.

Those who granted stock options	None

Supplementary Explanation Regarding Said Item －

[Directors' Compensation]

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

Supplementary Explanation Regarding Said Item

The total amount of compensation for directors who are not Audit and Supervisory Committee members for the fiscal year ended December 31, 2020, was 246 million yen (including a total of 15 million yen in compensation to outside directors), of which the monthly salary accounted for 241 million yen (including a total of 15 million yen in compensation to outside directors) and the phantom stock (medium- to long-term bonus) accounted for 4 million yen, and there was no amount of performance-based stock compensation (medium- to long-term bonus) to be disclosed for the fiscal year ended December 31, 2020. The phantom stock (medium- to long-term bonus) is a type of monetary compensation for the Company's executive officers for the fiscal year ended December 31, 2020, in which points calculated by dividing a certain base amount by the average stock price of the Company's common stock in January 2020 are awarded to the executive officers, who can receive payment at the end of February 2023, after three consecutive business years would have passed from the said fiscal year as the first year, in the amount calculated by multiplying the price of the Company's common stock at that time with the number of the above points. It is awarded to one director and executive officer who do not have a securities account managing the shares of the companies

listed in Japan in place of performance-based stock compensation. The amount of phantom stock (medium- to long-term bonus) mentioned above represents the amount recorded as expense in the relevant period based on the Japanese accounting standards.

The total amount of compensation for directors who are Audit and Supervisory Committee members was 92 million yen (including a total of 56 million yen in compensation to outside directors). Total consolidated compensation to Director Timothy Andree was 382 million yen while that for Director Nick Priday was 180 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 compensation

See above mentioned with respect to Principle 3.1.3 (Board policies and procedures in determining the compensation of the senior management and directors).

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

(1) Compensation structure

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

(i) Basic annual salary

The basic annual salary is a fixed monthly monetary compensation and is paid at a fixed time each month. As for the basic annual salary for directors, the fixed amount stipulated in the Officers Compensation Rules is paid in accordance with the nature of the duties of directors, and as for the basis annual salary for executive officers, the appropriate amount of compensation for each officer is set in accordance with the position of each officer, taking into account the Company’s corporate value, company size, and compensation level, referring to the compensation market survey data from an external specialist organization for each fiscal year.

(ii) Annual bonus

The annual bonus is a performance-based monetary compensation paid to executive officers in accordance with the Officers Compensation Rules based on the numerical values of the following indices for each fiscal year during which the officer is in office .

The base amount of the annual bonus to be paid to each executive officer in the event that the numerical value of the following indicator for each fiscal year achieves that target shall be the amount of the basic annual salary as compensation for executive officers multiplied by 15%, and within the range of fluctuation described in (3) below, the amount calculated in accordance with the calculation formula stipulated in the Officers Compensation Rules based on the numerical value of the following indicator shall be paid at a certain time after the Ordinary General Meeting of Shareholders for the relevant fiscal year.

Prior to fiscal 2020, the Group's consolidated operating income (based on International Financial Reporting Standards (IFRS), the same shall apply hereinafter) had been used as an indicator for calculating the annual bonus. From fiscal 2021 and onward, the Company will adopt, as an indicator for calculating the annual bonus, the consolidated adjusted operating income of the Group or the consolidated adjusted operating income of the Company's Japan business (both of which are based on International Financial Reporting Standards (IFRS), the same shall apply hereinafter), depending on the responsibilities of the officers to whom the bonus is paid. The Company has decided to adopt such indicators since it is a profit indicator that measures the performance of the Company's business on a regular basis, and the Company believes that it is more appropriate as an indicator for evaluating the business results for one year.

(iii) Performance-based stock compensation (medium- to long-term bonuses)

The performance-based stock compensation (medium- to long-term bonuses) is a performance-based stock compensation to be paid to executive officers in accordance with the Officers Compensation Rules and the Officers Stock Benefit Regulations based on the numerical values of the following indices for each of the three consecutive fiscal years from the fiscal year in which the officer is appointed. Directors and corporate auditors to whom performance-based stock compensation (medium- and long-term bonuses) is applied receive, on a certain date during each consolidated fiscal year during which they are in office (the "Point Grant Date"), a number of points calculated

in accordance with the calculation formula set forth in the Share Benefit Regulations for Directors and Corporate Auditors (the "Base Points") as compensation for the execution of their duties during the relevant consolidated fiscal year. In addition, by taking the prescribed procedures by a certain date (the "Vesting Date") after the passage of three consecutive consolidated fiscal years, the first of which is the consolidated fiscal year in which the point-granting date falls (the "Performance Evaluation Period"), the grantee may acquire the right to receive benefits of the Company's shares, etc. from a trust (the "Trust") established for the payment of performance-based stock compensation (medium- to long-term bonus) as of the Vesting Date. An officer to whom a performance-based stock compensation (medium- to long-term bonuses) is applied shall be entitled to receive, on a certain date of the relevant consolidated fiscal year (hereinafter referred to as the "Point Grant Date") in respect of each consolidated fiscal year during which he or she is appointed, the "Base Points" (amount of basic annual salary as remuneration for each executive officer for the relevant consolidated fiscal year × 50% ÷ average closing price of the Company's shares for one month in January of the relevant consolidated fiscal year) as consideration for the performance of their duties in the relevant consolidated fiscal year, and shall be entitled to the right to receive the Company's shares, etc. from a trust (hereinafter referred to as the "Trust") established for the payment of a performance-based stock compensation (medium- to long-term bonuses) on a certain date (hereinafter referred to as the "Performance Evaluation Date") by taking prescribed procedures by the day after the expiration of the three consecutive consolidated fiscal years (hereinafter referred to as the "Performance Evaluation Period") to which the Points Granted. In doing so, the number of Base Points granted to each Officer in the first consolidated fiscal year will be adjusted based on the values of the following indicators in accordance with the formula stipulated in the Officers Stock Benefit Regulations (hereinafter, such adjusted points shall be referred to as "Defined Points," and Base Points and Defined Points shall be collectively referred to as "Points"). Thereafter, such officers may receive the Company's shares, etc. from the Trust in accordance with the number of Defined Points (in principle, the number of the Company's common shares calculated corresponding to half of the Defined Points and an amount equal to the market value of the number of the Company's common shares calculated corresponding to the remaining half of the Defined Points as of the vesting date).
Prior to fiscal 2020, the simple average of the Group's consolidated gross profit organic growth rate over three fiscal years had been used as an indicator for calculating performance-based stock compensation (medium- to long-term bonus). From fiscal 2021 and onwards, the Company will adopt a combination of total shareholder return (TSR) and the Group's consolidated adjusted operating income as indicators for calculating performance-based stock compensation (medium- to long-term bonus). The Company has decided to adopt such indicators since the Company believes that it is appropriate to use total shareholder return (TSR) as an indicator that aligns with shareholders and other stakeholders, and that it is appropriate to use the Group's consolidated adjusted operating income, which is a profit indicator that measures the performance of the Group's business on a constant basis, as an indicator for evaluating operating results for one year.

(2) Ratio of fixed compensation to variable compensation

The ratio of fixed compensation (basic annual salary as compensation for executive officers) to variable compensation shall be approximately 60%:40% when the indicator for each variable compensation achieves the target value (see (5) below).

(3) Variation range of variable compensation

The variable compensation varies between 0% and 150% of the fixed compensation (basic annual salary as compensation for executive officers). By setting the upper limit of variable compensation at an amount that exceeds the fixed compensation, also by increasing the ratio of compensation paid in stocks and by sharing interests with shareholders and other stakeholders, the Company intends to strengthen the motivation of officers to realize the sustainable growth and medium- to long-term enhancement of corporate value of the Group

(Range of fluctuation after FY2020)

(i) When the indicator for each variable compensation achieves the target

Basic annual salary as compensation for executive officers 100%, annual bonus 15%, performance-based stock compensation (medium- to long-term bonus) 50% (fixed compensation 60%: variable compensation 40%)

(ii) When the indicator for each variable compensation falls below the lower threshold

Basic annual salary as compensation for executive officers 100%, (fixed compensation 100%: variable compensation 0%)

(iii) When the indicator for each variable compensation exceeds the upper threshold

Basic annual salary as compensation for executive officers 100%, annual bonus 50%, performance-based stock compensation (medium- to long-term bonus) 100% (fixed compensation 40%: variable compensation 60%)

In the case of (i) above, annual bonus will be 5% of basic annual salary as compensation for executive officers and performance-based stock compensation (medium- to long-term bonus) will be 60% of basic annual salary before fiscal 2020.

In case of (ii) above, annual bonus and performance-based stock compensation (medium- to long-term bonus) will not be paid before fiscal 2020.

In the case of (iii) above, annual bonus will be 5% of basic annual salary as compensation for executive officers and performance-based stock compensation (medium- to long-term bonus) will be 145% of basic annual salary before fiscal 2020.

(4) Applicable compensation items

The officers' compensation items applicable to each type of officers are as follows.

- Inside directors who are not Audit and Supervisory Committee members:
  Basic annual salary as compensation for executive officers: yes (※1), annual bonus: yes(※2), performance-based stock compensation (medium- to long-term bonuses): yes(※2)
  *Annual bonus and performance-based stock compensation (medium- to long-term bonuses) are limited to those who concurrently serve as executive officers
- Outside directors who are not Audit and Supervisory Committee members
  Basic annual salary: yes, annual bonus: no, performance-based compensation (medium- to long-term bonuses): no
- Internal directors who are Audit and Supervisory Committee members:
  Basic annual salary: yes, annual bonus: no, performance-based compensation (medium- to long-term bonuses): no
- Outside directors who are Audit and Supervisory Committee members
  Basic annual salary: yes, annual bonus: no, performance-based compensation (medium- to long-term bonuses): no

※1 The basic annual salary as compensation for executive officers is limited to those who concurrently serve as executive officers.

※2 Only internal directors who are not members of the Audit and Supervisory Committee concurrently serve as executive officers are eligible.

(5) Performance indicators

Targets of indicators to determine variable compensation will be set appropriately for each fiscal year based on the macro and micro economic environment and the Company's business environment.

The target value of the simple average of the Group's consolidated gross profit organic growth rate over the three fiscal years as an indicator for performance-based stock compensation (medium- to long-term bonus) before FY2020 is 3%.

The target value of the index for performance-based stock compensation (medium- to long-term bonus) for FY2021 and thereafter is as follows.

Indicator	Target value	Composition ratio (*1)
Total Shareholder Return (TSR)	Tokyo Stock Price Index (TOPIX)	30%
	Average Total Shareholder Return (TSR) for peer group (*2)	20%
The Group's Consolidated Adjusted Operating Income	Compound Annual Growth Rate (CAGR)	50%

*1 This is the composition ratio of the amount that would constitute performance-based stock compensation (medium- to long-term bonus) if all the figures for each indicator were the target values.

*2 Six companies, WPP plc, Omnicom Group Inc., Publics Groupe S.A., INTERPUBLIC GROUP OF COMPANIES, INC., Accenture PLC and Hakuhodo DY Holdings Inc. are selected as the peer group, which are defined as competitors of the Group.

(6) Maximum amount of payment

The maximum amount of compensation paid to the Company's directors and executive officers is as follows.

(i) Monetary compensation (basic annual salary and annual bonus, etc.)

The upper limit of the total amount of financial compensation to directors who are not members of the Audit and Supervisory Committee (including compensation of executive officers who concurrently serve as executive officers) is resolved to be 1.2 billion yen per year (including an annual amount of 18 million yen for outside directors) at the 167th Ordinary General Meeting of Shareholders.

In addition, the upper limit of the total compensation of directors who are members of the Audit and Supervisory Committee was resolved to be 150 million yen per year at the 167th Ordinary General Meeting of Shareholders.

(ii) Stock compensation (performance-based stock compensation)

With regard to share compensation for internal directors who are not Audit and Supervisory Committee members (limited to those who concurrently serve as executive officers; hereinafter the same shall apply in this item), it was resolved at the 170th Ordinary General Meeting of Shareholders that the maximum amount of cash to be contributed by the Company per fiscal year as the source of the acquisition of common stock to be acquired through the trust established under the Share Compensation System shall be 900 million yen, and the maximum number of shares in common stock to be paid to internal directors who are not Audit and Supervisory Committee members per fiscal year shall be 360,000 shares.

(7) Procedure for determining compensation

Please refer to the previous section (Principle 3-1-3: Policies and procedures for the Board to determine the compensation for the management and board members).

[Support Structure for Outside Directors]

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

In addition, when either of the Nomination Committee and the Compensation Committee is held, the secretariat of the respective committee briefs the outside directors in advance on the contents of the agenda items and other matters.

[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	Dentsu Inc. Senior Advisor (Sodan yaku)	Industry group or economic organizations, etc.	Full time No compensation	June 28, 2007	One year
Tatsuyoshi Takashima	Dentsu Inc. Senior Advisor (Sodan yaku)	Industry group or economic organizations, etc.	Full time No compensation	March 31, 2011	One year
Tadashi Ishii	Dentsu Group, Inc. Senior Advisor (Sodan yaku)	Advising for the executives of the Company, etc.	Full time Receives compensation	January 22, 2017	One year

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

representative directors positions	

Other Items

(1) When a former representative director, president and chief executive officer is appointed as a Senior Advisor (Sodanyaku) and Executive Advisor (Komon) to the Company, the Board of Directors deliberates on the roles expected of the person and the treatment thereof.
(2) A former representative director, president and chief executive officer is appointed as Senior Advisor (Sodanyaku) and Executive Advisor (Komon) for one year and the appointment must be approved by the Board of Directors for reappointment.
(3) When a former representative director, president and chief executive officer assumes the position of Senior Advisor (Sodanyaku) and Executive Advisor (Komon) of Dentsu Inc., a wholly owned subsidiary, the Company deliberates on the roles expected of the person by the Board of Directors and the treatment thereof at the Dentsu Japan Network Board, which is entrusted with the governance of domestic Group companies by the Board of Directors.
(4) The term of office of a former representative director, president and chief executive officer appointed as Senior Advisor (Sodanyaku) and Executive Advisor (Komon) of Dentsu Inc. is one year, and reappointment requires the approval of the Dentsu Japan Network Board.

2. Items pertaining to business execution, audit & supervision, nomination, compensation determination, and other functions (overview of the current corporate governance structure)

The Company is a company with an Audit and Supervisory Committee and partially transfers the authority to execute important businesses from the Board of Directors to executive officers to create an expeditious and highly effective business execution system. At the same time, the Company is strengthening the Board of Directors' supervision function over business execution.

The Company's Articles of Incorporation stipulates the number of its directors at a maximum of 15. As of March 31, 2021, the Board of Directors comprises 13 directors (of whom, five are outside directors), including five directors who also serve as Audit and Supervisory Committee members (of whom, four are outside directors). In selecting the members of the Board of Directors, consideration is given to the balance among the members in terms of their experience, insights, and skills, and to diversity in terms of gender, nationality, and other elements.
Four outside directors (who are all independent officers who meet the criteria for independence stipulated by the Company for its outside directors), out of the five directors who also serve as Audit and Supervisory Committee members, and one outside director (who is an independent officer who meets the criteria for independence stipulated by the Company for outside directors), out of the eight directors who do not serve as Audit and Supervisory Committee members, provide advice in the Board of Directors as needed based on their extensive experience in their respective area of expertise and help upgrade the Company's management strategy and raise its business efficiency. In addition, they fulfil the supervision function over business execution by the Company's management team from a viewpoint of general shareholders independent from the management team.
The Company concludes a liability limitation agreement with its outside directors, setting the maximum amount of their liability at either 10 million yen or the minimum amount of liability prescribed in Article 425, Paragraph 1 of the Companies Act, whichever is greater.

Positioned under the Board of Directors is the Group Executive Management Committee consisting of representative directors and executive officers, including executive directors. The Committee deliberates on important matters excluding matters to be resolved by the Board of Directors and important business matters for the entire Group and has prior deliberations on matters to be decided by the Board of Directors.

In addition, the Company has established the Dentsu Japan Network Board (within the Dentsu Japan Network, an in-house company), which deliberates on important matters related to the domestic business of our group companies, and the Dentsu International Board, which deliberates on important matters related to the overseas business of our group companies. Through these two bodies, we divide our business execution system into the domestic business division and overseas business division and delegate revenue responsibility and authorities to each of these divisions.

For the nomination of director candidate who are not Audit and Supervisory Committee members, the Board of Directors submits a candidate plan to the Nomination Committee to ensure objectivity and transparency of the nomination process and determines the candidates based on the opinions expressed by the Nomination Committee

following their discussions on the candidate plan submitted by the Board of Directors.

For the nomination of director candidates who serve as Audit and Supervisory Committee members, the Board of Directors submits a candidate plan to the Nomination Committee and, after obtaining the approval from the Audit and Supervisory Committee, determines the candidates based on the opinions expressed by the Nomination Committee following their discussions on the candidate plan submitted by the Board of Directors.

For the selection of executive officers, from the viewpoint of ensuring objectivity and transparency, the Board of Directors submits a candidate plan to the Nomination Committee and determines the candidates based on the opinions expressed by the Nomination Committee following their discussions on the candidate plan submitted by the Board of Directors.

With respect to the amount of compensation for directors who are not Audit and Supervisory Committee members (including the compensation for their role concurrently as executive officers), from the viewpoint of ensuring objectivity and transparency, the Board of Directors submits a compensation proposal to the Compensation Committee, and discloses and determines the amount of compensation to individual directors at a Board of Directors meeting, within the amount of compensation approved at the general meeting of shareholders, based on the opinions expressed by the Compensation Committee following their discussions on the compensation proposal submitted by the Board of Directors. The amount of compensation for directors who serve as Audit and Supervisory Committee members is determined through deliberations among directors serving as Audit and Supervisory Committee members within the limit of compensation approved at the general meeting of shareholders.

With respect to the amount of compensation for executive officers (limited to those who do not concurrently serve as a director), from the viewpoint of ensuring objectivity and transparency, the Board of Directors submits a compensation proposal to the Compensation Committee, and discloses and determines the amount of compensation to individual executive officers at a Board of Directors meeting based on the opinions expressed by the Compensation Committee following their discussions on the compensation proposal submitted by the Board of Directors.

3. Reason for Choosing the Current Corporate Governance Structure

The Company's Board of Directors considers that providing a strategic direction for the Company based on its corporate philosophy is its main role and responsibility and selects a company with Audit and Supervisory Committee structure as a structure to achieve this. 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 Implementation Status of Measures Related to Shareholders and Other Stakeholders

1. Efforts to vitalize the General Meeting of Shareholders and ensure the smooth exercise of voting rights

	Supplemental Explanation
Sending of convocation notices of general meeting of shareholders at an early timing	Convocation notices are mailed out at least three weeks before the date of the general meeting of shareholders. For the 172nd Ordinary General Meeting of Shareholders held on March 26, 2021, convocation notices were mailed out on Thursday, March 4, 2021. The Company also posted a convocation notice on its website on Wednesday, March 3, 2021 before mailing them out.
Exercise of voting rights by an electromagnetic method	Considering shareholder convenience in exercising their voting rights, the Company introduced an online voting platform from the 156th Ordinary General Meeting of Shareholders (June 29, 2005). Furthermore, shareholders were given the options of exercising their voting rights through the internet from their smart phone or through an online voting platform provided by ICJ, Inc. from the 159th Ordinary General Meeting of Shareholders (June 27, 2008).
Participation in an electronic voting platform and other efforts to improve the voting environment for institutional investors	The Company uses an electronic voting platform provided by ICJ, Inc.
Provision of convocation notice (summary) in English	The Company began preparing an English version of convocation notice from the 166th Ordinary General Meeting of Shareholders (June 26,

	2015) to improve constructive dialogues with shareholders and to respond to the growing ratio of overseas institutional investors. The English version of convocation notice is disclosed on the Company's website before the convocation notices are mailed out.
Other	The Company provides easy-to-understand explanations at the general meeting of shareholders by providing visual presentations of its business report and other information.

2. Status of IR Activities

	Supplemental Explanation	Explanation by the Representative Director
Preparation and publication of Disclosure Policy	The Company has established a Disclosure Policy to disclose information to shareholders, investors, securities analysts, and other concerned parties in a timely, accurate, and fair manner in accordance with relevant laws and regulations such as the Financial Instruments and Exchange Act and the regulations of the stock exchanges where our shares are listed. For more information, please visit our website. Disclosure Policy https://www.group.dentsu.com/en/ir/stockandratings/constructivedialogue.html	
Regular briefings for analysts and institutional investors	The Company holds briefings on financial results twice a year following the preparation of full-year results and second quarter results. The Company also holds roadshows every year and visits individual investors in Japan. If it is impossible to provide face-to-face briefings or to pay individual visits under extenuating circumstances, we maintain the opportunities for and the frequency of dialogues using telephone and online video conference systems.	Yes
Regular briefings for overseas investors	The Company holds online video conferences to report on full-year results and each quarterly results. The Company also holds roadshows every year and visits individual investors overseas. If it is impossible to pay individual visits under extenuating circumstances, we maintain the opportunities for and the frequency of dialogues using online video conference systems.	
Posting of IR data on website	The Company posts on its website the materials we use in financial result briefings for analysts and institutional investors, highlights of our business results, other disclosure materials, and Integrated Reports that include non-financial information.	
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
Internal rules and other instruments requiring respect for stakeholders' positions	The Company Group considers that, in addition to compliance, occupational health and safety, human rights protection, social contribution, and environmental preservation activities, we need to voluntarily work on solving social issues with all our stakeholders in mind to fulfill our responsibility to society. To fulfill our social responsibility, we have established the Dentsu Group Code of Conduct (posted on the Company's website) which articulates what all Dentsu Group managers and employees must voluntarily undertake to fulfill their respective responsibilities to society. All Dentsu Group companies have expressed their commitment to complying with the Code.

Implementation of environmental protection, CSR, and other activities	The Company introduces its activities on its website.
Establishment of policies, etc., pertaining to the provision of information to stakeholders	In order to prioritize the interests of our shareholders, the Company discloses all necessary information in a timely and proper manner. (Quoted from the Dentsu Group Code of Conduct)

IV Items Pertaining to the Internal Control System

1. Basic policy on internal control system and their development status

<Basic policy of internal control system>

Internal control system is designed to help directors, executive officers, and employees exercise self-discipline and to help the Company fulfill its social responsibility and achieve growth.

The Company and its subsidiaries (hereinafter called the "Dentsu Group") endeavor to maintain and enhance our internal control systems, positioning the Dentsu Group Code of Conduct as a common set of principles that should be observed to ensure appropriate business execution by directors, executive officers, and employees of the Dentsu Group, in compliance with all laws, regulations, and the Articles of Incorporation.

(1) Compliance system for directors, executive officers, and employees

(i) Directors and executive officers 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.

(ii) Directors and executive officers shall, without delay, report to the Board of Directors, Group Executive Management Committee, or other appropriate bodies, and promptly report to the Audit and Supervisory Committee, any violation of laws or regulations or any other serious compliance-related issue they have identified.

(iii) The sections in charge create rules, manuals, and other necessary instruments, and conduct training and education to maintain and improve the compliance system for employees.

(iv) The Company sets up internal reporting mechanism to report on the violation of laws and regulations and other compliance-related issues and establishes and appropriately operates whistleblowing mechanisms both inside and outside the Company.

(v) If the Audit and Supervisory Committee states its opinions on the Company's compliance system or requires actions to improve the system, directors and executive officers shall respond to them without delay to make improvements.

(vi) The Company establishes a section in charge of facilitating the termination of business relationships with antisocial forces and antisocial organizations and resolutely refusing any demands from them. This section liaises with other collaborative bodies inside and outside the Company in dealing with these situations.

(2) System to ensure efficient execution of duties by directors and executive officers

(i) In addition to the meetings of the Board of Directors, the Company holds the meetings of the Group Executive Management Committee, Dentsu Japan Network Board, Dentsu International Board, and various other committees to ensure efficient execution of duties by directors and executive officers. These meetings provide opportunities to make decisions on important matters pertaining to our management policy and strategy in an appropriate and timely manner.

(ii) Decisions made by the above conference bodies and so on are communicated through the Company's corporate structure. In case of emergency, they are promptly communicated to all employees using internal electronic bulletin boards and other means to facilitate expeditious business execution.

3) Storage and management structure 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

(i) The Company has established risk management rules to maintain and improve structures to minimize any damage from the actualization of risks. In addition, we perform self-inspection of the risk management status under the Internal Control and Risk Committee, identify key risks that should be addressed as a matter of priority, and conduct risk management based on specific action plans.

(ii) Approaches to material business risks and other important matters concerning risk management are reported to the Board of Directors and the Audit and Supervisory Committee.

(5) Organizations that support the Audit and Supervisory Committee and their independence

The Company has established the Audit and Supervisory Committee Office as an organizational structure for employees who assist the duties of the Audit and Supervisory Committee. As an organization directly reporting

to the Audit and Supervisory Committee, the Office ensures independence from directors (excluding directors who are Audit and Supervisory Committee members) and the effectiveness of instructions from the Audit and Supervisory Committee.

(6) Reporting system to the Audit and Supervisory Committee and improving audit effectiveness

(i) The Company establishes rules with respect to the matters that directors (excluding directors who are Audit and Supervisory Committee members), executive officers, and employees (hereinafter, "Officers and Employees") of the Company Group should report to the Audit and Supervisory Committee of the Company. At the same time, the Company ensures that reporting provided by Officers and Employees on important matters that affect the Company's business operations or business results is made or communicated securely and speedily to the Audit and Supervisory Committee of the Company.

(ii) Officers and Employees of the Dentsu Group shall, without delay, provide a report to the Audit and Supervisory Committee of the Company upon their request even if they are requested to provide a report on matters that are not mentioned in the immediately preceding paragraph.

(iii) The Company ensures that a person who has made a report pursuant to either of the preceding paragraphs will not be disadvantaged as a result of such reporting.

(iv) Pursuant to laws and regulations, the Company establishes policies on the handling of expenses, etc., incurred in connection with the execution of duties by Audit and Supervisory Committee members and informs such policies to concerned parties.

(v) The Company ensures collaboration between the Internal Audit Office and independent auditors to improve the effectiveness of audits.

(7) Internal control system for the corporate group including subsidiaries

The Company defines matters that its subsidiaries must organize and operate as members of the Dentsu Group including those stated below and promotes the establishment, operation, and improvement of internal control systems in the Dentsu Group.

(i) The Company establishes the Dentsu Group Code of Conduct as a set of principles to be observed by the Dentsu Group including its subsidiaries. Each subsidiary makes a resolution to adopt the said Code.

(ii) The Company requires subsidiaries to provide periodic reports on their business operations, business results, and other important matters, and ensures that subsidiaries seek pre-approval from, or provide a report to, the Company on certain matters that could have a material impact on the Company's business operations or results.

(iii) The Company efficiently makes decisions and executes businesses in its overseas business through Dentsu International that oversees the overseas group companies.

(iv) The Company ensures compliance and manages risks as the Dentsu Group by making its subsidiaries establish appropriate rules based on the Dentsu Group Code of Conduct or make resolutions at their Board of Directors or other appropriate bodies.

(8) System to ensure appropriateness of financial reporting

(i) The Company endeavors to maintain and continually improve systems to ensure appropriateness of the Dentsu Group's financial reporting under the Internal Control and Risk Committee.

(ii) Subsidiaries and sections involved in business execution perform self-inspections through the course of day-to-day operations to determine whether the internal controls organized and established are functioning properly.

(iii) The Group Risk and Internal Audit Office monitors internal controls from a perspective that is independent from business operations and assesses the effectiveness of internal controls related to financial reporting.

<The status of the internal control system>

In line with the above basic policy on internal control resolved by the Board of Directors, the Company has established risk management rules, document management rules, and other internal rules, and has held the Internal Control and Risk Committee and other committees, and the department in charge of internal control is taking the lead in developing and operating the internal control system. The following is a summary of the status of operation.

(1) In order to ensure the appropriateness of the Group's operations, we have identified in advance the target companies, established rules to be observed as a corporate group, and require each company to comply with the rules. At the end of each fiscal year, we check whether the domestic and overseas companies are conducting their

operations in accordance with the relevant rules, and if there are any issues, we request them to make improvements.
(2) Risk management is carried out in accordance with the "Risk Management Rules" through the following processes: (i) identification of risks that may hinder the achievement of the Company's management objectives, (ii) evaluation of the identified risks, (iii) identification of "material risks" that may have a significant impact on the Company, (iv) formulation of plans for dealing with "material risks" to minimize the risks, and (v) reporting on the progress of dealing with "material risks. (4) Formulation of plans to minimize risks, and (5) Reporting on progress in addressing "material risks. Each specialized department takes the lead in formulating and implementing response plans, and the entire company responds.
(3) With regard to the system to ensure the appropriateness of financial reporting, in April 2020, in response to the "Internal Control Reporting System" stipulated in Article 24-4-4 of the Financial Instruments and Exchange Act, we formulated the "Basic Plan" which stipulates the companies to be evaluated, the business processes to be evaluated, and the evaluation system, etc., after consultation with the accounting auditor. In accordance with the Basic Plan, the Company's business execution departments and each of the subject companies conduct self-assessments of the operation status of the internal control system in their daily operations, and the subject companies report the results to the Company.

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

The Company has established a dedicated section to facilitate the termination of business relationships with antisocial forces and organizations and to resolutely refuse any demands made by them. This section fulfills its role by liaising with relevant entities within and outside the Company. Furthermore, following the nationwide enforcement of ordinances on the exclusion of antisocial forces in October 2011, we revised various internal rules, established a framework to terminate business relationships with antisocial forces, and resolved to strengthen the screening procedures of 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.

An overview of the Company's internal structures for the timely disclosure of its corporate information are as described below.

(1) On our timely disclosure system

The Company has established a Disclosure Policy and discloses information in a timely, accurate, and fair manner according to relevant laws and regulations such as the Financial Instruments and Exchange Act of Japan, rules established by the stock exchanges on which our shares are listed, and other relevant instruments.

Material facts, etc. concerning the Company and its subsidiaries are centrally managed by the Information Management Committee based on the Rules for the Timely Disclosure of Information and Insider Trading and the 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 obtains information within the Company based on the duty of notification of material facts, etc., described below and determines the level of information management and the 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 Officers and Employees who have received such information and, if necessary, requests the relevant Officers and Employees to submit a written confirmation note on the receipt of information and the prohibition of equity trading in order to ensure rigorous information management and to prevent insider trading until the disclosure of such information.

(2) Timely disclosure system

a. Comprehension of material facts, etc.

The rules mentioned above stipulate the duty to notify material facts, etc. as shown below.

(i) Facts Determined

If the head of any office handles any work that is likely to become a material fact, etc. of the Company, he/she must immediately report its details to the director in charge of disclosure, head of the Group Corporate Communication Office, or the Information Management Committee Secretariat.

(ii) Facts Occurred

If any material fact, etc. other than in (i) above occurs, the head of the responsible section must check such a fact and report its details to the director in charge of disclosure, the head of the Group Corporate Communication Office, or the Information Management Committee Secretariat.

Additionally, the Group Corporate Communication Office endeavors to obtain information on material facts, etc. through information exchange with relevant sections such as the Group Planning Office, the Group Corporate Secretary Office (Information Management Committee Secretariat), and the Group FR/FP&A Office.

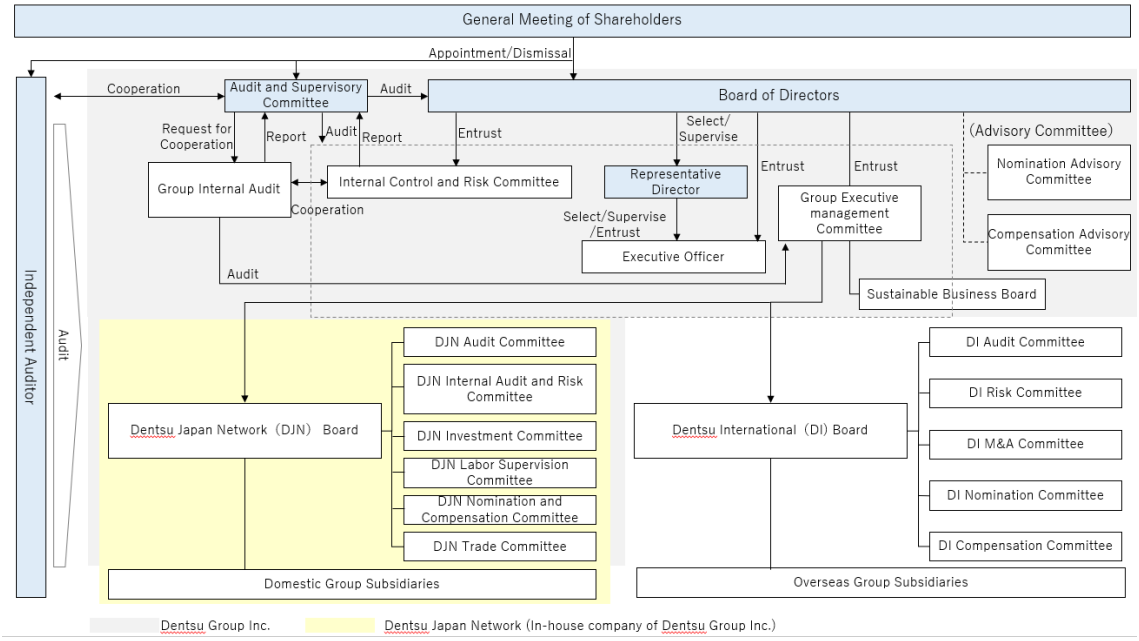
b. Disclosure of material facts, etc.

The Group Corporate Communication Office is the section in charge of information disclosure and announcements to news organizations.

The contents and timing of announcements are determined by consultations among the sections in charge of the information to be disclosed and the Group Corporate Communication Office. With respect to material facts, etc., however, the director in charge of disclosure makes final decisions.

Announcements are made by the Group Corporate Communication Office to news organizations based on the prescribed rules such as TD-NET. In addition, documents released to news organizations are posted on the Company's website promptly after the release to the media.

Corporate Governance Structure



Disclosure System

