Notice of Convocation of the 168th Ordinary General Meeting of Shareholders

Dentsu Inc.

(Securities code: 4324)

March 8, 2017

Our Shareholders

1-8-1, Higashi-shimbashi, Minato-ku, Tokyo

Dentsu Inc.

Shoichi Nakamoto, Representative Director, Senior Executive Vice President

Notice of Convocation of the 168th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 168th Ordinary General Meeting of Shareholders. The meeting will be held as follows. If you are unable to attend the meeting, you can exercise your right to vote by paper form or via the Internet. Please review the Reference Material for the General Meeting of Shareholders and vote.

1. **Date and Time**

   10:00 AM, March 30 (Thu.), 2017

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

2. **Place**

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

   Sumitomo Realty & Development Shiodome Hamarikyu Building, Belle Salle Shiodome

3. **Agenda of the Meeting**

   Matters to be Reported

   (1) Business report for the 168th business term (January 1, 2016 to December 31, 2016), consolidated financial statements, and audit reports on consolidated financial statements by the Accounting Auditor and Audit and Supervisory Committee

   (2) Report on financial statements for the 168th business term (January 1, 2016 to December 31, 2016)

   Proposals to be Resolved

   Proposal 1 Appointment of 8 Directors who are not Audit and Supervisory Committee Members

   Proposal 2 Appointment of Accounting Auditor

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

Notice concerning items posted on the Company's website

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

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

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

Reference Material for the General Meeting of Shareholders

Proposals and Reference Material

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

The terms of office of 5 Directors who are not Audit and Supervisory Committee Members will expire at the conclusion of this General Meeting of Shareholders. In order to further enhance the management framework, we will increase the number of Directors who are not Audit and Supervisory Committee Members by 3, and therefore request the appointment of 8 Directors who are not Audit and Supervisory Committee Members.

Under the stipulations of the Articles of Incorporation, the terms of office for the Directors who are not Audit and Supervisory Committee Members appointed at this General Meeting of Shareholders shall be until the end of the Ordinary General Meeting of Shareholders to be held in March 2018.

The Audit and Supervisory Committee exchanged opinions with the Representative Director regarding the status of the Board of Directors and the status of business execution, insight, and abilities, etc., of each candidate for Director. As a result, the Audit and Supervisory Committee has determined that each candidate appropriately qualifies for Director of the Company.

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

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
1	Toshihiro Yamamoto May 31, 1958 4,099 shares (New candidate for Director)	April 1981 Joined Dentsu July 2008 EPM, Communication Design Center, Dentsu April 2009 Head of Communication Design Center, Dentsu April 2010 Head of Communication Design Center; Managing Director, MC Planning Division, Dentsu April 2011 Executive Officer, Dentsu June 2014 Director, Executive Officer, Dentsu January 2016 Director, Senior Vice President, Dentsu March 2016 Senior Vice President, Dentsu January 2017 President and CEO, Dentsu (current post) (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Toshihiro Yamamoto has operational experience in media contents and business development and possesses a wealth of experience from a managerial standpoint. As Executive Officer of the Company since April 2011, he has actively provided opinions and advice, etc., from his standpoint as assistant for domestic operations and as being in charge of media business as well as digital business, contributing to resolution of management issues and improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company. (Situation of important con-current posts) Director, WOWOW Inc. Corporate Auditor, Kyodo Television, Ltd.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
2	Shoichi Nakamoto November 15, 1950 17,561 shares	April 1973 Joined Dentsu December 2001 Managing Director, Finance & Accounting Division, Finance Unit, Dentsu June 2006 Executive Officer and Head of Finance Unit, Dentsu June 2007 Senior Vice President; Head of Finance Unit; Managing Director, Finance & Accounting Division, Dentsu June 2008 Senior Vice President and Managing Director, Finance & Accounting Division, Dentsu April 2009 Senior Vice President, Dentsu June 2009 Director, Senior Vice President, Dentsu April 2011 Director, Executive Vice President, Dentsu April 2013 Director, Senior Executive Vice President, Dentsu January 2017 Representative Director, Senior Executive Vice President, Dentsu (current post) (Responsibilities) Assistance to the President, Group CFO, direct management, corporate management (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Shoichi Nakamoto has operational experience in finance and accounting, and possesses a wealth of experience from a managerial standpoint. As Director of the Company since June 2009, he has actively provided opinions and advice, etc., concerning Group management from finance and accounting standpoint, implemented IFRS, and made financial improvements, contributing to improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company. (Situation of important con-current posts) Non-executive Director, Dentsu Aegis Network Ltd.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
3	Yoshio Takada March 19, 1955 3,879 shares	April 1977 Joined Dentsu June 2007 Managing Director, TV Division, Media Contents Unit, Dentsu April 2009 Executive Officer and Managing Director, TV Division, Dentsu April 2010 Executive Officer, Dentsu April 2012 Executive Officer and Managing Director, Media Services / Radio, TV & Entertainment Division, Dentsu April 2013 Senior Vice President, Dentsu June 2013 Director, Senior Vice President, Dentsu January 2016 Director, Executive Vice President, Dentsu January 2017 Representative Director, Executive Vice President, Dentsu (current post) (Responsibilities) Domestic operations management (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Yoshio Takada has operational experience in media contents, and possesses a wealth of experience from a managerial standpoint. As Director of the Company since June 2013, he has actively provided opinions and advice, etc., concerning Group management from his standpoint as assistant for domestic operations and created strong partnerships with media companies and other business partners contributing to improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
4	Timothy Andree April 28, 1961 5,713 shares	March 2002 Joined the National Basketball Association as Senior Vice President, Communications & Marketing December 2005 Joined BASF Corporation as CCO May 2006 Joined Dentsu America, LLC. as CEO June 2008 Executive Officer, Dentsu November 2008 Dentsu Holdings USA, LLC., President & CEO (current post) April 2012 Senior Vice President, Dentsu April 2013 Executive Vice President, Dentsu June 2013 Director, Executive Vice President, Dentsu (current post) (Responsibilities) Overseas operations management (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Timothy Andree has operational experience overseas, and possesses a wealth of experience from a managerial standpoint. As Director of the Company since June 2013, he has actively provided opinions and advice, etc., concerning Group management from the standpoint of promoting global businesses and enhanced the presence of overseas operations, contributing to improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company. (Situation of important con-current posts) Executive Chairman, Dentsu Aegis Network Ltd. President & CEO, Dentsu Holdings USA, LLC.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
5	Wataru Mochizuki April 5, 1956 816 shares (New candidate for Director)	April 1979 Joined Dentsu July 2007 Managing Director, Account Management Division, Dentsu April 2013 Executive Officer, Dentsu January 2016 Senior Vice President, Dentsu (current post) (Responsibilities) Assistance for domestic operations management (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Wataru Mochizuki has operational experience in account management, and possesses a wealth of experience from a managerial standpoint. As Executive Officer of the Company since April 2013, he has actively provided opinions and advice, etc., from his standpoint as being in charge of account management for domestic operations, coordinated and promoted the entire account management, contributing to improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company. (Situation of important con-current posts) Director, FRONTAGE INC.
6	Yoshiharu Sengoku September 5, 1957 10,588 shares (New candidate for Director)	April 1980 Joined Dentsu July 2008 Managing Director, Creative Development Center, Dentsu July 2010 EPM, Business Management Division, Dentsu October 2010 Managing Director, Business Management Division, Dentsu April 2011 Managing Director, Corporate Strategy Division, Dentsu April 2012 Managing Director, Business Management Division, Dentsu October 2012 Managing Director, Corporate Strategy Division, Dentsu April 2014 Executive Officer, Dentsu (current post) (Responsibilities) Assistance for direct management, assistance for corporate management (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Yoshiharu Sengoku has operational experience mainly in corporate strategy, and possesses a wealth of experience from a managerial standpoint. As Executive Officer of the Company since April 2014, he has actively provided opinions and advice, etc., from his standpoint as assistant for direct management, promoted the medium-term management plan, contributing to improvement of corporate management of the Company. In light of these achievements, it has been judged that he can be expected to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
7	Arinobu Soga March 27, 1965 1,000 shares (New candidate for Director)	April 1988 Joined Dentsu June 2015 Managing Director, Finance & Accounting Division, Dentsu January 2017 Executive Officer; Managing Director, Corporate Strategy Division, Dentsu (current post) (Responsibilities) Assistance to Group CFO, corporate strategy, IR/information disclosure (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Arinobu Soga has operational experience in contents sector as well as finance and accounting, and possesses a wealth of experience from a managerial standpoint. As Managing Director of the Company since June 2015, he has actively provided opinions and advice, etc., from his standpoint as assistant to Group CFO, contributing to improvement of corporate value of the Company and promotion of corporate reforms. In light of these achievements, it has been judged that he can be expected to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company.

Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
8	Nobuko Matsubara January 9, 1941 0 share (New candidate for Outside Director)	April 1964 Entered the Ministry of Labour (currently the Ministry of Health, Labour and Welfare) March 1987 Director of International Labour Division October 1991 Director-General of Women's Bureau June 1995 Director-General of Labour Standards Bureau July 1996 Director-General of Labour Relations Bureau July 1997 Vice-Minister of the above Ministry April 1999 President of Japan Association for Employment of Persons with Disabilities (currently Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers) September 2002 Ambassador of Japan to Italy November 2002 Ambassador of Japan to Italy; Ambassador of Japan to Albania; Ambassador of Japan to San Marino; Ambassador of Japan to Malta January 2006 Advisor, Japan Institute of Workers' Evolution (currently Japan Institute for Women's Empowerment & Diversity Management) July 2006 Chairwoman, Japan Institute of Workers' Evolution June 2008 Outside Director, Daiwa Securities Group Inc. (current post) July 2012 Honorary Chairwoman, Japan Institute of Workers' Evolution (current post) June 2015 Outside Director, Ebara Corporation (current post) (Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Ms. Nobuko Matsubara had long worked on the labor policies of Japan in the Ministry of Labour (currently the Ministry of Health, Labour and Welfare), and has specialized expertise and a wealth of experience concerning labor problems. In light of these achievements, it has been judged that she can be expected to utilize her experience, etc., in the supervision of management and ensuring a safe and civilized working environment, etc. Although she has not been involved in corporate management in the past aside from roles as Outside Director, due to the above mentioned expertise and experience gained from serving at various executive positions in the Ministry of Labour (currently the Ministry of Health, Labour and Welfare), the Company believes that she will appropriately execute her duties as an Outside Director who is not an Audit and Supervisory Committee Member of the Company. (Situation of important con-current posts) Honorary Chairwoman, Japan Institute of Women's Empowerment & Diversity Management Outside Director, Daiwa Securities Group Inc. Outside Director, Ebara Corporation

(Note 1) Mr. Toshihiro Yamamoto con-currently serves as Director of WOWOW INC. and Corporate Auditor of Kyodo Television, Ltd., which both have business relationships with the Company. In addition, Kyodo Television, Ltd. is in competition with the Company in the content production business.

(Note 2) Dentsu Aegis Network Ltd. at which Mr. Shoichi Nakamoto serves as Non-executive Director and Mr. Timothy Andree serves as Executive Chairman, is a company that oversees Dentsu's overseas business operations and has a business relationship with the Company. Additionally, there are loans through group financing between Dentsu and Dentsu Aegis Network Ltd. and bank guarantee commitment.

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

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

(Note 5) Ms. Nobuko Matsubara is an Outside Director candidate pursuant to Item 7, Paragraph 3, Article 2 of the Order for Enforcement of the Companies Act. She meets the standards for an independent officer as stipulated by the Tokyo Stock Exchange, Inc. as well as the "Independence Standards for Outside Directors at Dentsu Inc." (http://www.dentsu.co.jp/vision/isod.html) as stipulated by the Company. If approval is given for Ms. Nobuko Matsubara to be appointed as Outside Director who is not an Audit and Supervisory Committee Member, the Company will register her as an independent officer with the Tokyo Stock Exchange.

(Note 6) Ms. Nobuko Matsubara con-currently serves as Honorary Chairwoman of Japan Institute of Women's Empowerment & Diversity Management, Outside Director of Daiwa Securities Group Inc. and Outside Director of Ebara Corporation, all of which have business relationships with the Company, but the amount of transactions during fiscal year 2016 were less than 1% of net sales of the Company and there is no issue with her independence. Additionally, there are no vested interests between Ms. Nobuko Matsubara and the Company.

(Note 7) At Ebara Corporation, at which Ms. Nobuko Matsubara serves as Outside Director, it came into light on September 16, 2016 that there was a violation of Building Standards Act in the renewal construction of pipes by Ebara at residential complexes (implemented during July 2009 and November 2011), and Ebara was ordered to take corrective measures by the Ministry of Land, Infrastructure, Transport and Tourism as well as relevant administrative agencies. Ms. Matsubara was not aware of this situation until she was reported of the order for corrective measures, but she has been providing opinions and advice from standpoint of compliance on a regular basis. After the discovery of the violation, she appropriately fulfilled her duties toward the investigation into the cause and prevention of recurrence through actions such as presenting her opinion at a Board of Directors' meeting.

(Note 8) If the appointment of Ms. Nobuko Matsubara is approved, the Company will conclude a contract for limitation of liability with her for a maximum liability amount of 10 million yen or the minimum liability amount stipulated in Paragraph 1, Article 425 of the Companies Act, whichever is higher.

(Note 9) There are no vested interests between the other candidates for Directors who are not Audit and Supervisory Committee Members and the Company.

Proposal No. 2: Appointment of Accounting Auditor

The term of office of the Accounting Auditor of the Company, Deloitte Touche Tohmatsu LLC, will expire and it will retire from the position of Accounting Auditor at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, it is proposed to appoint KPMG AZSA LLC as the Company's new Accounting Auditor. This proposal is based on the resolution of the Audit and Supervisory Committee.

1. Reasons for candidacy as an Accounting Auditor

To date, accounting audits of the Company, domestic subsidiaries, and overseas subsidiaries of the Company were conducted respectively by accounting firms of different networks, but from the viewpoint of factors such as the effectiveness and efficiency of audit implementations across the entire Group, the Audit and Supervisory Committee and the senior management agreed that the unification would be preferable. With bids by multiple accounting firms and deliberations with the senior management, a resolution was reached concerning the candidate for Accounting Auditor.

The reasons for the Audit and Supervisory Committee to nominate KPMG AZSA LLC as a candidate are that KPMG AZSA LLC is considered to possess expertise, independence and an internal control system required for the Company's Accounting Auditor, as well as a system to perform centralized audits of the Company's global activities. Thus, the Company determines that KPMG AZSA LLC is appropriate as the Company's Accounting Auditor.

2. Candidate for Accounting Auditor

The outline of the candidate is as follows:

(As of December 31, 2016)

Name	KPMG AZSA LLC
Office locations	Principal Office: 1-2 Tsukudo-cho, Shinjuku-ku, Tokyo Subordinate Office: Sapporo, Sendai, Hokuriku, Kitakanto, Yokohama, Nagoya, Kyoto, Osaka, Kobe, Hiroshima, Fukuoka
History	July 1, 1985: Asahi Shinwa & Co. was established October 1, 1993: Asahi Shinwa & Co. merged with Inoue Saito Eiwa Audit Corporation (established on April 5, 1978) and changed its name to Asahi & Co. January 1, 2004: Asahi & Co. merged with AZSA Co. (established on February 26, 2003) and changed its name to KPMG AZSA & Co. July 1, 2010: KPMG AZSA & Co. became a limited liability audit corporation and changed its name to KPMG AZSA LLC
Profile	<Capital> 3,000,000,000 yen <Number of Employees> Partners (CPA): 554 (of which 31 senior partners) Professionals (CPA): 2,616 (Junior CPA): 10 (Administration): 2,460 Total: 5,460 Number of clients (to which audit certification services are provided): 3,489 companies

Business Report

(From January 1, 2016 to December 31, 2016)

I Items Pertaining to the Current State of the Corporate Group

1. Business Progress and Results

(1) Business progress and results

The Japanese economy during the fiscal year 2016 under review continued on a moderate recovery trend from an improvement in the employment and earnings environment, despite signs of weakness in some areas due to the strengthening yen and decline in stock prices since the beginning of the year. Meanwhile, the global economy lacked vigor overall, owing to factors such as issues surrounding Brexit, the UK's exit from the EU, the reignition of financial instability in Europe, and a deceleration in the economies of emerging markets, particularly China, despite the strong US economy.

The growth rate forecast for worldwide advertising expenditure in the 2016 calendar year published in September 2016 by the Company's global media communication agency and subsidiary Carat showed a 4.4% increase over the previous year. By region, Japan showed a 1.8% increase over the previous year, Europe, the Middle East and Africa (hereinafter "EMEA") showed a 3.0% increase, the Americas showed a 5.5% increase, and the Asia Pacific region (excluding Japan; hereinafter "APAC") showed a 4.8% increase.

Under such circumstances, the business results of the Group's Japan business operations during the fiscal year under review (from January 1, 2016 to December 31, 2016) were solid, owing to factors such as an improvement in the gross profit margin at the Company and contributions from domestic group companies, resulting in gross profit of 363,242 million yen (4.3% increase year on year (Note)). Additionally, the gross profit organic growth rate in international business operations showed a 5.7% increase. Positive growth was also achieved in all regions, with growth of 6.9% in EMEA, 3.1% in the Americas and 7.9% in APAC. Gross profit in international business operations showed an 18.1% increase, excluding the effects of foreign exchange.

As a result, the Group posted 838,359 million yen in revenue (2.4% increase year on year), 789,043 million yen in gross profit (3.5% increase), 166,565 million yen in underlying operating profit (3.8% increase), 137,681 million yen in operating profit (7.4% increase), 112,972 million yen in underlying net profit attributable to owners of the parent (0.4% decrease), and 83,501 million yen in profit for the year attributable to owners of the parent (0.5% increase).

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

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

(Note) Within this document, "the same period of the previous year" refers to the same period (from January 1, 2015 to December 31, 2015) that corresponds to the fiscal year under review (from January 1, 2016 to December 31, 2016). For the same period of the previous year, the period for consolidation for the Company and its consolidated subsidiaries with a fiscal year-end in March was from January 1, 2015 to December 31, 2015, and for the Company's consolidated subsidiaries with a fiscal year-end in December, the same period, respectively.

(2) Record of Income for Reportable Segments

1) Japan business

Gross profit of 363,242 million yen (4.3% increase year on year) and underlying operating profit of 97,362 million yen (7.7% increase) were posted.

2) International business

In international business operations, as foreign exchange rates shifted to a stronger yen, gross profit was limited to 426,014 million yen, 2.9% increase year on year, and underlying operating profit of 69,059 million yen (1.6% decrease).

(3) Financial results of the Company

As to Dentsu's non-consolidated financial results (Japanese GAAP, from January 1, 2016 to December 31, 2016), the Company posted non-consolidated net sales of 1,600,196 million yen (2.6% increase year on year), gross profit of 234,846 million yen (3.6% increase), operating income of 64,736 million yen (15.3% increase), ordinary income of 97,131 million yen (17.3% increase), and net income of 91,962 million yen (51.0% increase).

2. Issues to be Addressed

With the completion of the acquisition of Aegis Group plc (current Dentsu Aegis Network Ltd.) in March 2013, the Dentsu Group has evolved into a truly global network.

In recent years, advancements in technology have been made, and as the behavior of consumers changes drastically, it is now possible for companies to provide unprecedentedly rich brand experience to customers while significantly improving the accuracy and efficiency of marketing activities by organically combining various measures in marketing activities. Under such circumstances, the Group strives to evolve into the world's leading global network to contribute to raising corporate value for every type of client, and formulated the medium-term management plan "Dentsu 2017 and Beyond" which started from the fiscal year ended March 31, 2014. The following four points were set forth as targets for the fiscal year ending December 31, 2017.

- Organic gross profit growth of 3-5% (5 year CAGR)
- Ratio of gross profit from international (non-Japanese) business of 55% or higher
- Ratio of gross profit from the digital domain of 35% or higher
- Underlying operating margin of 20% or higher

(Note) Underlying operating margin = Underlying operating profit / gross profit

Specific issues and measures toward achieving the medium-term management plan are as follows.

(1) Diversifying the portfolio on a global basis

The gross profit organic growth rate in international business for the fiscal year under review was 5.7%, achieving a rate higher than competitors in consecutive years. The composition ratio of international business in gross profit was 54% during the fiscal year ended December 31, 2016 and on par with the same period of the previous year; however, excluding the effects of foreign exchange, gross profit in the international business was up 18.1% year on year, demonstrating strong progress.

The Group believes reasons for such growth to include growth of digital network as well as expanded business from existing clients and solid acquisition of new accounts by providing one-stop solutions to meet client needs by cooperating and coordinating, leveraging each group company's unique strengths through the Group's unique "One P&L" business model for international business. Additionally, the Group implemented numerous M&A transactions that will contribute to acquiring resources and strengthening competitiveness required to create future foundations for growth, exemplified by the acquisition of the US-based Merkle Group Inc. during the fiscal year ended December 31, 2016.

Moving forward, the Group will work to globally expand its strengths in the digital sector and the content-business, while making use of M&As to establish and expand a globally competitive global network.

(2) Evolution and expansion of the digital sector

Gross profit in the Japanese digital sector grew by 8.6% year on year in the fiscal year ended December 31, 2016.

Overseas, the Group acquired various resources to contribute to growth in the digital sector, centered on large-scale M&A, in the fiscal year under review as well. Due to growth via M&As and internal growth, gross profit of the digital sector in international business grew by 15.7% year on year.

As a result, the share of digital across the entire Group in the fiscal year ended December 31, 2016 successfully reached 35%, the target figure for the fiscal year ending December 31, 2017.

As the digital shift of marketing activities at clients accelerates, customer needs in the digital sector for the advertising industry are becoming increasingly varied and sophisticated.

・Programmatic in the media buying sector
・Digital solutions, such as creative and contents
・Data analysis to contribute to decision-making in business and consumer engagement strategy

The above examples show that the roles of agencies are undergoing further expansion, and the Group will continue to utilize aggressive M&As and work to improve its capabilities and quality of service.

Additionally, during the previous year, Dentsu identified some instances that were or potentially were unsuitable for digital advertising services by the Company and some group companies in Japan. These were confined to Japan. Dentsu in Japan set up the committee after identifying these instances and the committee drew on advice from third-party professionals to identify issues and their causes and to formulate measures to prevent recurrence. Dentsu also took the interim step of rolling out an internal framework in Japan to launch a unit that would check on digital advertising orders, placements, and invoicing independently from the operations handling such work. In light of issues that the investigation identified, Dentsu has launched the additional industry-leading measures in Japan to prevent such issues from recurring by eradicating the causes of unsuitable practices. Although the Company believes that this issue will not materially affect the Company's financial results, it will continue to actively pursue initiatives to prevent recurrence.

(3) Re-organizing business processes and improving profitability

In the international businesses, although there were increases in expenses in line with technology investment, etc., as a result of continuous cost controls in the Japan business, the consolidated underlying operating margin for the fiscal year ended December 31, 2016 was 21.1%.

While achieving growth in the top line both Japan and international businesses, the Group have achieved during the fiscal year ended December 31, 2016 the goal of "underlying operating margin of 20% or higher" set forth as one of the target figures for the fiscal year ending December 31, 2017. In the Japan business, the Company recognizes the requirement for continuous improvement of business processes in light of issues in the digital realm as described above, and will prepare, promote and execute a roadmap toward realizing continuous business growth in consideration of the above.

(4) Further reinforcing the business platform in the Japanese market which is the core competence

The Group's greatest strength is the strong business platform in Japan, and this has not changed. Toward strengthening competitiveness, the Group has engaged in strengthening specialization via group reorganization, including the Company, in areas of emphasis centered on digital and promotion, while diligently working toward improving profitability. As a result, in the Japan business for the fiscal year under review, positive growth was achieved both in gross profit and underlying operating profit.

In Japan, as behavior of consumers changes rapidly, the effectiveness of online and offline consumer action data is ever increasing, and corporate marketing activities that utilize such information are seeing higher levels of activity. In light of such changes in the environment, the Group will strive to strengthen its structure and advance capabilities in digital solutions including marketing intelligence domain across the entire Group.

In addition, through cooperation with players in the media and contents sector, measures that aim to create new profit models and improve value in various media types, and adding an additional layer of strength to competitiveness in the mass media business, the Company will work to increase its problem-solving abilities and capability to create profits in a greater number of domains in its efforts to evolve into a "partner" to support the success of clients from a variety of angles.

Additionally, regarding various sports events, etc., the Company provides support for creating marketing plans and sponsor sales. The Company will continue to fulfill its role as the exclusive marketing agency.

As stated above, the Group has steadily executed various measures toward achieving the goals of the medium-term management plan. As a result, from a comprehensive perspective, also given factors such as recent foreign exchange movements, the Company believes that it has achieved overall target figures initially planned for the fiscal year ending December 31, 2017, with its business results for the fiscal year ended December 31, 2016.

Meanwhile, uncertainty and fluidity in international affairs has grown significantly higher since the previous year, and the structural reform in the Group's domestic businesses is an urgent issue. As a result, in addition to the current medium-term management plan in progress, the Group believes that the formulation and presentation of a new management plan from a medium-term perspective under a new management structure is imperative and appropriate. To present a new medium-term management plan to stakeholders as soon as possible, the Group will accelerate the formulation process.

Additionally, the Company was investigated by relevant authorities for issues regarding the labor management, and on December 28, 2016, the Tokyo Labor Bureau filed charges against the Company as a corporate entity and the Company's employees under allegations that there were violations of the Labor Standards Act. The Company has considered these facts extremely seriously.

Moving forward, the Company reaffirms that an environment in which all employees can work both mentally and physically healthy and can realize personal growth through various workstyles according to varying values is the most important aspect of achieving continuous growth of the Company, and recognizes that realizing such a working environment is the Company's responsibility toward society, and advances working

environment reforms.
Setting optimizing workloads, reviewing our organizational management approach and systems, and evolving our labor culture as the most pressing issues, and centered on the "Working Environment Reforms Commission" which has been established on November 2016, the Company is now working full strength toward producing results in improving the working environment and eliminating excessive overtime. Under a dedicated Executive Officer, the Company is promoting thorough compliance with laws and regulations and measures to prevent recurrence. While continuously evaluating the progress and effectiveness of the above, appropriate disclosures will be made by a supervisory committee that has been established comprising of external experts.

Finally, measures are also in place to strengthen CSR activities on a global scale.
The Group is promoting activities with 2020 as the target year in four key areas, including environment, based on the "Dentsu Group Medium-term CSR Strategy 2020" defined in 2015. Such measures have been well-received, and the Company was selected for the first time during the fiscal year under review as an index component of the Dow Jones Sustainability Indices for the Asia Pacific region (DJSI Asia Pacific), a global investment index measuring social responsibility.
In June 2016, at the suggestion of UN Secretary-General, in cooperation with five major global advertising groups, the Company declared that it would work toward Sustainable Development Goals (SDGs). This campaign, known as the Common Ground, is beyond competitive business relationships and a revolutionary initiative to approach global social issues.
Moving forward, the Group, as a global leading group in the communications sector, will strengthen appropriate activities and continue to improve its corporate value.
For details on individual activities, see the Dentsu Integrated Report (http://www.dentsu.com/csr).

3. Changes in Assets and Profit and Loss Status

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

IFRS (International Financial Reporting Standards)

	165th Term From April 1, 2013 to March 31, 2014	166th Term From April 1, 2014 to March 31, 2015	167th Term From April 1, 2015 to December 31, 2015	(Reference) From January 1, 2015 to December 31, 2015	168th Term (the fiscal year under review) From January 1, 2016 to December 31, 2016
Revenue (Millions of yen)	**659,772**	**728,626**	**706,469**	**818,566**	**838,359**
Gross profit (Millions of yen)	**614,654**	**676,925**	**669,489**	**761,996**	**789,043**
Operating profit (Millions of yen)	**107,283**	**132,305**	**107,265**	**128,212**	**137,681**
Profit for the year (attributable to owners of the parent) (Millions of yen)	**66,507**	**79,846**	**72,653**	**83,090**	**83,501**
Basic earnings per share (attributable to owners of the parent) (Yen)	**241.49**	**276.89**	**254.05**	**289.95**	**292.85**
Total equity attributable to owners of the parent (Millions of yen)	**901,012**	**1,080,364**	**1,068,216**	**1,068,216**	**932,742**
Total assets (Millions of yen)	**2,685,933**	**3,159,534**	**3,066,075**	**3,066,075**	**3,155,230**

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

(Note 2) From the 166th business term, the consolidated financial statements of the Company are prepared in accordance with IFRS under the Paragraph 1 of Article 120 of the Ordinance on Company Accounting. Additionally, for reference, figures based on IFRS for the 165th business term are presented as well.

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

(Note 4) Figures assuming an accounting period for the Group of the twelve-month period from January to December for the previous fiscal year are presented for reference. These figures have not been audited by the Accounting Auditor.

Japanese GAAP

	165th Term From April 1, 2013 to March 31, 2014	166th Term From April 1, 2014 to March 31, 2015
Net sales (Millions of yen)	**2,309,359**	**2,419,278**
Ordinary income (Millions of yen)	**82,538**	**82,578**
Net income (Millions of yen)	**38,800**	**45,818**
Net income per share (Yen)	**140.89**	**158.89**
Net assets (Millions of yen)	**908,495**	**1,057,513**
Total assets (Millions of yen)	**2,638,319**	**3,075,028**

(Note 1) Figures under Japanese GAAP for the 166th business term have not been audited by the Accounting Auditor.

(Note 2) Net income per share is calculated based on the average number of shares during the period.

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

	165th Year From April 1, 2013 to March 31, 2014	166th Year From April 1, 2014 to March 31, 2015	167th Year From April 1, 2015 to December 31, 2015	(Reference) From January 1, 2015 to December 31, 2015	168th Year (the fiscal year under review) From January 1, 2016 to December 31, 2016
Net sales (Millions of yen)	**1,515,062**	**1,535,105**	**1,156,186**	**1,560,136**	**1,600,196**
Ordinary income (Millions of yen)	**69,667**	**76,458**	**63,826**	**82,826**	**97,131**
Net income (Millions of yen)	**46,953**	**63,950**	**53,565**	**60,903**	**91,962**
Net income per share (Yen)	**170.49**	**221.77**	**187.30**	**212.52**	**322.52**
Net assets (Millions of yen)	**651,629**	**776,574**	**790,255**	**790,255**	**857,206**
Total assets (Millions of yen)	**1,482,661**	**1,649,418**	**1,613,950**	**1,613,950**	**1,673,415**

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

(Note 2) Net income per share is calculated based on the average number of shares during the period.

(Note 3) Figures assuming an accounting period for the Group of the twelve-month period from January to December for the previous fiscal year are presented for reference. These figures have not been audited by the Accounting Auditor.

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

In September 2016, through subsidiary Dentsu Aegis Network Ltd., the Company acquired 68.3% of issued shares which were held by Merkle Group Inc. for 101,218 million yen.

Meanwhile, in September 2016, the Company sold 9.00 million shares of common stock that it held in Recruit Holdings Co., Ltd. for 30,718 million yen.

In other areas, no special item reported. The status of business combinations within the Group are as stated in "10. Status of Significant Subsidiaries."

5. Status of Financing and Capital Investment

To finance for payment in relation to the acquisition of a company at Dentsu Aegis Network Ltd., the Group procured funds totaling 0.77 billion dollars (approximately equal to 89.6 billion yen) by October 2016 via borrowings from financial institutions.

6. Main Business Description of the Group

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

7. Main Business Offices of the Company

Headquarters (Minato-ku, Tokyo)

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

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

8. Situation of Employees of the Group

Number of Employees	Change from Previous Year-end
55,843 persons	**Increase of 8,519 persons**

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

9. Major Lenders

Lender	Year-end Balance of Loans Payable
	(Millions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	**60,000**
Syndicated loan (Note 1)	**30,000**
Meiji Yasuda Life Insurance Company	**20,000**
Development Bank of Japan Inc.	**15,120**
Nippon Life Insurance Company	**10,000**
Mizuho Bank, Ltd.	**89,697** **[USD 770 million]**
Mitsubishi UFJ Trust and Banking Corporation	**46,596** **[USD 400 million]**
Syndicated loan (Note 2)	**46,596** **[USD 400 million]**
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	**11,183** **[USD 96 million]**
Sumitomo Mitsui Banking Corporation	**11,183** **[USD 96 million]**
Mizuho Bank, Ltd.	**17,160** **[GBP 120 million]**
Mitsubishi UFJ Trust and Banking Corporation	**8,580** **[GBP 60 million]**

(Note 1) Syndicate with Mizuho Bank, Ltd. as lead manager and another company.

(Note 2) Syndicate with Mizuho Bank, Ltd. as lead manager and another company.

10. Status of Significant Subsidiaries

Company Name	Location	Capital or Stake (Millions of yen)	Shareholding Ratio (%)	Main Business Description
Dentsu Aegis Network Ltd.	England London	**GBP 78 million**	**100.0**	Controlling company for overseas business operations
Merkle Group Inc.	Maryland USA	**USD 0 million**	**73.4 (73.4)**	Data-driven and technological advertising marketing primarily in the USA
Beijing Dentsu Advertising Co., Ltd.	China Beijing	**RMB 17 million**	**70.0**	Advertising in China
Dentsu Tec Inc.	Chuo-ku, Tokyo	**2,650**	**100.0**	Planning and production for sales promotions, events, print, etc.
Information Services International-Dentsu, Ltd.	Minato-ku, Tokyo	**8,180**	**61.8 (0.0)**	Information systems building; software sales and support for various business areas

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

(Note 2) The number of consolidated subsidiaries, including significant subsidiaries, is 844 companies, and the number of associates accounted for using the equity method affiliates is 64 companies.

(Note 3) In line with business restructuring dated January 4, 2017, the organizational name of Dentsu Tec Inc. has been changed to Dentsu Live Inc.

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

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

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

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

The year-end dividend for this year was resolved to be 45 yen per share at the meeting of the Board of Directors held on February 14, 2017, comprehensively taking into consideration the aforementioned factors. As a result, because Dentsu has already paid 40 yen per share as an interim dividend, the annual dividend will be 85 yen per share, a 10 yen increase over the previous year.

II Shares and Subscription Rights to Shares

1. Items Related to Shares

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

(2) Types of issued shares and total number of shares Common shares **288,410,000** shares
(Of which treasury shares **3,273,259** shares)

(3) Number of shareholders **33,228** persons

(4) Major Shareholders (Top 10)

Shareholder	No. of Shares Held	Percentage of Total Shares Issued
	(Shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust accounts)	**28,110,500**	**9.86**
Kyodo News	**18,988,800**	**6.66**
Jiji Press, Ltd.	**16,878,680**	**5.92**
Japan Trustee Services Bank, Ltd. (Trust accounts)	**16,764,100**	**5.88**
STATE STREET BANK AND TRUST COMPANY 505001	**9,559,128**	**3.35**
Group Employees' Stockholding Association	**6,135,216**	**2.15**
Mizuho Bank, Ltd.	**5,000,000**	**1.75**
Yoshida Hideo Memorial Foundation	**4,984,808**	**1.75**
Recruit Holdings Co., Ltd.	**4,929,900**	**1.73**
Tokyo Broadcasting System Television, Inc.	**4,000,000**	**1.40**

(Notes) 1. The number of shares held by each trust bank includes shares related to trust services.
2. The Percentage of Total Shares Issued is calculated excluding treasury shares (3,273,259 shares).

(5) Other Important Items Related to Shares

To enhance shareholder value and further improve capital efficiency, at the meeting of the Board of Directors on February 14, 2017, the Company resolved to conduct a share repurchase of its common stock via an open market purchase on the Tokyo Stock Exchange with a maximum repurchase of 5 million shares and a maximum repurchase cost of 20 billion yen, from the period between February 20, 2017 to May 31, 2017.

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

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

No items to report.

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

No items to report.

(3) Other important items regarding subscription rights to shares

No items to report.

III Items Related to Company Executives

1. Names, etc., of Directors

Name	Position and Responsibilities
Tadashi Ishii	Representative Director, President & CEO
Shoichi Nakamoto	Director, Senior Executive Vice President (Responsibilities) Assistance to President, Group CFO, direct management, corporate management
Yoshio Takada	Director, Executive Vice President (Responsibilities) Domestic operations management, domestic operations (Account Planning Unit), Group
Timothy Andree	Director, Executive Vice President (Responsibilities) Overseas operations management
Kunihiro Matsushima	Director, Executive Officer (Responsibilities) Assistance for corporate management (overseas), IR, information disclosure
Kenichi Kato	Director, Audit and Supervisory Committee Member (full-time)
Atsuko Toyama	Director, Audit and Supervisory Committee Member
Toshiaki Hasegawa	Director, Audit and Supervisory Committee Member
Kentaro Koga	Director, Audit and Supervisory Committee Member

(Notes)

1. Directors Yuzuru Kato, Akira Tonouchi, Kazufumi Hattori, Toshihiro Yamamoto, Yutaka Nishizawa, and Masaki Fukuyama resigned from their positions as Directors with the expiration of their terms of office at the conclusion of the March 30, 2016 Ordinary General Meeting of Shareholders.
2. Director Tadashi Ishii resigned from his position as Representative Director, President & CEO on January 22, 2017, and representative rights were granted to Directors Shoichi Nakamoto and Yoshio Takada on January 23 of the same year.
3. Upon approval at the Ordinary General Meeting of Shareholders held on March 30, 2016, the Company has changed its governance structure to a Company with an Audit and Supervisory Committee. In line with this change, an Audit & Supervisory Board Member Kaoru Shimura resigned from his positions as Audit & Supervisory Board Member with the expiration of his terms of office at the conclusion of the aforementioned General Meeting of Shareholders. Additionally, Audit & Supervisory Board Members, Kenichi Kato, Atsuko Toyama, Toshiaki Hasegawa, and Kentaro Koga resigned from their positions as Audit & Supervisory Board Member with the expiration of their terms of office at the conclusion of the aforementioned General Meeting of Shareholders, and at the same time, assumed the office of Directors who are Audit and Supervisory Committee Members.
4. Of the Directors who are Audit and Supervisory Committee Members, Atsuko Toyama, Toshiaki Hasegawa, and Kentaro Koga are Outside Directors pursuant to Article 2, Item 15 of the Companies Act.
5. Of the Directors who are Audit and Supervisory Committee Members, Atsuko Toyama, Toshiaki Hasegawa, and Kentaro Koga are designated Independent Directors pursuant to the Tokyo Stock Exchange Securities Listing Regulations.
6. Director who is an Audit and Supervisory Committee Member Kentaro Koga has many years of experience as an university associate professor (accounting) and has an appreciable extent of knowledge on finance and accounting.
7. The Company has concluded a contract for limitation of liability with Directors who are Audit and Supervisory Committee Members for a maximum liability amount of 10 million yen or the minimum liability amount stipulated in Article 423, Paragraph 1 of the Companies Act, whichever is higher.
8. To work toward further enrichment of the duties of the Audit and Supervisory Committee, the Company designates a Full-time Audit and Supervisory Committee Member, and Director Kenichi Kato fulfills this role.

3. Total Amount of Remuneration for Company Executives

	Directors (excluding Audit and Supervisory Committee Members) (Of which are Outside Directors)	Directors (Audit and Supervisory Committee Members) (Of which are Outside Directors)	Audit & Supervisory Board Members (Of which are Outside Audit & Supervisory Board Members)	All Officers (of which are Outside Officers)
Monthly Remuneration	246 million yen: 11 persons (3 million yen) (2 persons)	60 million yen: 4 persons (33 million yen) (3 persons)	25 million yen: 5 persons (7 million yen) (3 persons)	332 million yen: 16 persons (44 million yen) (5 persons)
Bonuses	195 million yen: 11 persons (- million yen) (- persons)	- million yen: - persons (- million yen) (- persons)	- million yen: - persons (- million yen) (- persons)	195 million yen: 11 persons (- million yen) (- persons)
Total	441 million yen: 11 persons (3 million yen) (2 persons)	60 million yen: 4 persons (33 million yen) (3 persons)	25 million yen: 5 persons (7 million yen) (3 persons)	527 million yen: 16 persons (44 million yen) (5 persons)

(Notes)

1. The Company changed its governance structure from a Company with an Audit & Supervisory Board to a Company with an Audit and Supervisory Committee on March 30, 2016.
2. The annual remuneration amount for Directors before the transition to a Company with an Audit and Supervisory Committee was approved by shareholders at the Ordinary General Meeting of Shareholders held on June 27, 2013. The resolution limits the amount to 1,200 million yen per year (of which up to 18 million yen per year is applied to Outside Directors). The annual remuneration amount for Audit & Supervisory Board Members was approved by shareholders at the aforementioned General Meeting of Shareholders. The resolution limits the amount to 132 million yen per year.
3. The annual remuneration amounts for Directors who are not Audit and Supervisory Committee Members and Directors who are Audit and Supervisory Committee Members, after the transition to a Company with an Audit and Supervisory Committee, were approved by shareholders at the Ordinary General Meeting of Shareholders held on March 30, 2016. The resolution limits the amounts to 1,200 million yen per year and 150 million yen per year, respectively.
4. Directors who are not Audit and Supervisory Committee Members in the table above include Directors before the transition to a Company with an Audit and Supervisory Committee. The totals for fixed monthly remuneration respectively include amounts for six Directors and five Audit & Supervisory Board Members who resigned at the conclusion of the Ordinary General Meeting of Shareholders held on March 30, 2016.
5. Bonuses in the table above shows the amount approved at the meeting of the Board of Directors held in February 2017 within the limit of remuneration for Directors stated in Note 3. above. The Company does not pay bonuses to Audit & Supervisory Board Members and Directors who are Audit and Supervisory Committee Members.
6. The Audit and Supervisory Committee considered the above, and did not find any particular points of note.

4. Summary of Policy on Determining Remuneration for Directors

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

Its content is as follows: the performance-linked bonus portion for model business results accounts for 40% of overall remuneration, the index for performance evaluation of business results is consolidated operating profit, and the total amount of bonus remuneration will vary according to the level of achievement.

The total of monthly remuneration which is a fixed remuneration and performance-linked bonuses shall be within the limit for remuneration (1,200 million yen per year) approved at the 167th Ordinary General Meeting of Shareholders. From the viewpoint of securing transparency, remuneration for individual Directors who are not Audit and Supervisory Committee Members (including portions paid for service as Executive Officers) will be determined by resolution of the Board of Directors within the aforementioned limits of the

remuneration approved at the General Meeting of Shareholders after explanations are given on the appropriateness, etc., of the remuneration amounts to Independent Outside Directors of the Audit and Supervisory Committee and their opinions are received.
Additionally, remuneration to Directors who are Audit and Supervisory Committee Members will consist solely of fixed monthly remuneration considering their duties. The gross amount of this monthly remuneration will be determined within the limits of the remuneration (within 150 million yen per year) approved at the 167th Ordinary General Meeting of Shareholders.
Remuneration to individual Directors who are Audit and Supervisory Committee Members will be determined after deliberation by Directors who are Audit and Supervisory Committee Members, within the aforementioned limits of the remuneration approved at the General Meeting of Shareholders.

5. Items Related to Outside Directors

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

Category / Name	Status of Major Activities
Outside Director Atsuko Toyama	Attended all 17 meetings of the Board of Directors, all 4 meetings of the Audit & Supervisory Board, and all 9 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks as necessary, utilizing her rich experience in educational and cultural administration. As also stated in “I 2. Issued to be Addressed,” although issues concerning inappropriate operations in digital advertising services and issues regarding long working hours and labor management became apparent during the fiscal year under review, she has been executing her duties by placing emphasis on the viewpoints of the Company’s compliance and securing appropriateness of operations on a daily basis. After the above issues came to light, while receiving reports as necessary and monitoring the progress of investigation of the facts, clarifying causes, and formulation of measures to prevent recurrence, regarding issues surrounding long working hours and labor management, she participated in a resolution to determine the establishment of a supervisory committee composed of external experts with the objective of verifying improvement in the working environment, and is appropriately fulfilling her duties.
Outside Director Toshiaki Hasegawa	Attended 16 of the 17 meetings of the Board of Directors, all 4 meetings of the Audit & Supervisory Board, and all 9 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks as necessary, utilizing his rich experience as an international business lawyer. As also stated in “I 2. Issued to be Addressed,” although issues concerning inappropriate operations in digital advertising services and issues regarding long working hours and labor management became apparent during the fiscal year under review, he has been executing his duties by placing emphasis on the viewpoints of the Company’s compliance and securing appropriateness of operations on a daily basis. After the above issues came to light, while receiving reports as necessary and monitoring the progress of investigation of the facts, clarifying causes, and formulation of measures to prevent recurrence, regarding issues surrounding long working hours and labor management, he participated in a resolution to determine the establishment of a supervisory committee composed of external experts with the objective of verifying improvement in the working environment, and is appropriately fulfilling his duties.

Outside Director Kentaro Koga	Attended 16 of the 17 meetings of the Board of Directors, all 4 meetings of the Audit & Supervisory Board, and all 9 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks as necessary, mainly utilizing his rich experience as a university associate professor (accounting). As also stated in "I 2. Issued to be Addressed," although issues concerning inappropriate operations in digital advertising services and issues regarding long working hours and labor management became apparent during the fiscal year under review, he has been executing his duties by placing emphasis on the viewpoints of the Company's compliance and securing appropriateness of operations on a daily basis. After the above issues came to light, while receiving reports as necessary and monitoring the progress of investigation of the facts, clarifying causes, and formulation of measures to prevent recurrence, regarding issues surrounding long working hours and labor management, he participated in a resolution to determine the establishment of a supervisory committee composed of external experts with the objective of verifying improvement in the working environment, and is appropriately fulfilling his duties.

(Note) The Company changed its governance structure from a Company with an Audit & Supervisory Board to a Company with an Audit and Supervisory Committee on March 30, 2016. The above records show the status of attendance at meetings of the Audit & Supervisory Board before the transition, and meetings of the Audit and Supervisory Committee after the transition.

6. Evaluation of Effectiveness of the Board of Directors

To continuously increase the effectiveness of the Board of Directors, the Company implemented surveys to all Directors regarding the effectiveness and appropriateness of corporate supervision by the Board of Directors and the status of performance of their own duties as Directors, while conducting interviews with Outside Directors. Upon receiving reports regarding the results from the secretariat of the Board of Directors, the Board of Directors conducted analysis and evaluation on the overall effectiveness of the Board of Directors.

According to the analysis and evaluation of the fiscal year ended December 31, 2016, the composition, operation and content of deliberations of the Board of Directors are generally appropriate, adequate deliberations are being made via active exchange of opinions, etc., and it was confirmed that the effectiveness and appropriateness of management supervision by the Board of Directors has been secured. Meanwhile, issues have been discovered in points such as implementing measures to promote understanding of proposals, periodic reporting regarding the state of progress of important strategies, strengthening measures and monitoring toward thorough compliance with corporate ethics and feedback from investors such as questions and opinions. By aiming to improve them in the future, the Company will work to further improve the effectiveness and appropriateness of the monitoring of management by the Board of Directors.

IV Items Related to the Accounting Auditor

1. Name of the Accounting Auditor

Deloitte Touche Tohmatsu LLC

2. Remuneration to the Accounting Auditor

(1) Fee for Accounting Auditor relating to this fiscal year 179 million yen

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

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

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

337 million yen

(Note) The Company paid the Accounting Auditor for services such as advice and direction regarding the business management of the Company, which are not included within the scope of work of Article 2, Paragraph 1 of the Certified Public Accountants Act.

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

Dentsu Aegis Network, Merkle Group Inc. and Beijing Dentsu Advertising Co., Ltd., which are important Dentsu overseas subsidiaries, are audited (limited to provisions under foreign laws and regulations corresponding to the Companies Act or Financial Instruments and Exchange Act) by entities (those with certification corresponding to a certified public accountant or accounting auditor overseas) other than the Company's accounting auditor.

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

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

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

Consolidated Statement of Financial Position

(As of December 31, 2016)

(Unit: Million yen)

Assets		Liabilities and Equity	
Account item	**Amount**	**Account item**	**Amount**
Current assets	1,618,111	Current liabilities	1,599,235
Cash and cash equivalents	242,410	Trade and other payables	1,230,496
Trade and other receivables	1,275,044	Borrowings	130,490
Inventories	18,862	Other financial liabilities	26,781
Other financial assets	17,814	Income tax payables	34,248
Other current assets	60,621	Provisions	1,179
Non-current assets classified as held for sale	3,357	Other current liabilities	176,030
		Liabilities directly associated with non-current assets classified as held for sale	8
Non-current assets	1,537,118		
Property, plant and equipment	193,757	Non-current liabilities	574,033
Goodwill	718,717		
Intangible assets	274,074	Borrowings	273,108
Investment property	37,837	Other financial liabilities	166,216
Investments accounted for using the equity method	55,691	Liability for retirement benefits	31,377
		Provisions	4,295
Other financial assets	224,723	Other non-current liabilities	20,141
Other non-current assets	13,183	Deferred tax liabilities	78,893
Deferred tax assets	19,133	Total liabilities	**2,173,269**
		Total equity attributable to owners of the parent	932,742
		Share capital	74,609
		Share premium account	99,751
		Treasury shares	(20,168)
		Other components of equity	121,346
		Retained earnings	657,203
		Non-controlling interests	49,218
		Total equity	**981,961**
Total assets	**3,155,230**	Total liabilities and equity	**3,155,230**

Consolidated Statement of Income

(From January 1, 2016 to December 31, 2016)

(Unit: Million yen)

Account item	Amount
Turnover (Note)	4,924,933
Revenue	838,359
Cost	49,316
Gross profit	789,043
Selling, general and administrative expenses	659,885
Other income	16,588
Other expenses	8,063
Operating profit	137,681
Share of results of associates	3,362
Profit before interest and tax	141,044
Finance income	5,104
Finance costs	13,230
Profit before tax	132,918
Income tax expense	43,572
Profit for the year	89,345
Profit attributable to:	
Owners of the parent	83,501
Non-controlling interests	5,844

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

Consolidated Statement of Changes in Equity

(From January 1, 2016 to December 31, 2016)

(Unit: Million yen)

	Total equity attributable to owners of the parent						
				Other components of equity			
	Share capital	Share premium account	Treasury shares	Share options	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges	Net change in financial assets designated as at fair value through other comprehensive income
As of January 1, 2016	74,609	99,751	(20,155)	48	171,132	10,222	83,639
Profit for the year							
Other comprehensive income					(133,729)	(3,101)	17,109
Comprehensive income for the year	-	-	-	-	(133,729)	(3,101)	17,109
Repurchase of treasury shares			(13)				
Disposal of treasury shares		(0)	0				
Dividends							
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control							
Transfer from other components of equity to retained earnings							(16,339)
Other changes				(0)			
Transactions with owners - total	-	(0)	(12)	(0)	-	-	(16,339)
As of December 31, 2016	74,609	99,751	(20,168)	48	37,403	7,120	84,409

(Unit: Million yen)

	Total equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
As of January 1, 2016	(4,003)	261,039	652,972	1,068,216	34,526	1,102,743
Profit for the year		-	83,501	83,501	5,844	89,345
Other comprehensive income	(3,630)	(123,352)		(123,352)	(229)	(123,582)
Comprehensive income for the year	(3,630)	(123,352)	83,501	(39,851)	5,614	(34,237)
Repurchase of treasury shares		-		(13)		(13)
Disposal of treasury shares		-		0		0
Dividends		-	(22,811)	(22,811)	(4,581)	(27,392)
Transactions with non-controlling interests in subsidiaries that do not result in a loss of control		-	(72,798)	(72,798)	13,658	(59,139)
Transfer from other components of equity to retained earnings		(16,339)	16,339	-		-
Other changes		(0)		(0)		(0)
Transactions with owners - total	-	(16,339)	(79,270)	(95,622)	9,077	(86,545)
As of December 31, 2016	(7,634)	121,346	657,203	932,742	49,218	981,961

Nonconsolidated Balance Sheet

(As of December 31, 2016)

(Unit: Million yen)

Assets

Account item	Amount
Current assets	647,528
Cash and deposits	164,983
Notes receivable-trade	31,403
Accounts receivable-trade	369,401
Securities	100
Works	796
Work in process	5,237
Supplies	44
Prepaid expenses	1,221
Deferred tax assets	2,386
Other	73,341
Allowance for doubtful accounts	(1,388)
Non-current assets	1,025,887
Property, plant and equipment	190,441
Buildings, net	46,881
Structures, net	785
Vehicles, net	23
Tools, furniture and fixtures, net	1,987
Land	140,764
Intangible assets	10,248
Software	10,074
Other	173
Investments and other assets	825,197
Investment securities	168,776
Shares of subsidiaries and associates	580,114
Investments in other securities of subsidiaries and associates	9,887
Investments in capital of subsidiaries and associates	2,715
Long-term loans receivable	49,277
Other	14,980
Allowance for doubtful accounts	(555)
Total assets	**1,673,415**

Liabilities

Account item	Amount
Current liabilities	591,986
Notes payable-trade	5,920
Accounts payable-trade	401,333
Short-term loans payable	104,863
Current portion of long-term loans payable	2,720
Lease obligations	7
Other payables	15,696
Accrued expenses	16,443
Income taxes payable	19,067
Advances received	13,213
Deposits received	1,685
Unearned revenue	115
Provision for directors' bonuses	83
Provision for loss on guarantees	29
Other	10,805
Non-current liabilities	224,222
Long-term loans payable	178,996
Lease obligations	7
Provision for retirement benefits	15,186
Deferred tax liabilities	20,472
Deferred tax liabilities for land revaluation	5,243
Other	4,317
Total liabilities	**816,208**

Net Assets

Account item	Amount
Shareholders' equity	773,478
Capital stock	74,609
Capital surplus	100,106
Legal capital surplus	76,541
Other capital surplus	23,564
Retained earnings	618,930
Legal retained earnings	722
Other retained earnings	618,208
Reserve for advanced depreciation of non-current assets	3,850
General reserve	445,500
Retained earnings brought forward	168,857
Treasury shares	(20,168)
Valuation and translation adjustments	83,679
Valuation difference on available-for-sale securities	81,837
Deferred gains or losses on hedges	9,600
Revaluation reserve for land	(7,758)
Subscription rights to shares	48
Total net assets	**857,206**
Total liabilities and net assets	**1,673,415**

Nonconsolidated Statement of Income

(From January 1, 2016 to December 31, 2016)

(Unit: Million yen)

Account item	Amount	
Net sales		1,600,196
Cost of sales		1,365,350
Gross profit		234,846
Selling, general, and administrative expenses		170,109
Operating income		64,736
Non-operating income		
Interest and dividend income	30,753	
Profit distributions	6,262	
Other	2,933	39,949
Non-operating expenses		
Interest expenses	1,917	
Amortization of long-term prepaid expenses	3,684	
Other	1,951	7,554
Ordinary income		97,131
Extraordinary income		
Gain on sales of non-current assets	4,598	
Gain on sales of investment securities	26,058	
Other	2,702	33,360
Extraordinary loss		
Loss on sales of non-current assets	275	
Loss on sales of shares of subsidiaries and associates	1,417	
Loss on liquidation of subsidiaries and associates	800	
Impairment loss	243	
Special retirement expenses	4,047	
Other	852	7,638
Income before income taxes		122,853
Income taxes-current	31,069	
Income taxes-deferred	(178)	30,891
Net income		91,962

Nonconsolidated Statement of Changes in Net Assets

(From January 1, 2016 to December 31, 2016)

(Unit: Million yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
As of January 1, 2016	74,609	76,541	23,564	100,106
Changes of items during the period				
Dividends from retained earnings				-
Increase in provision of reserve for advanced depreciation of non-current assets due to change in tax rate				-
Reversal of reserve for advanced depreciation of non-current assets				-
Net income				-
Reversal of revaluation reserve for land				-
Purchase of treasury shares				-
Disposal of treasury shares			(0)	(0)
Changes in items other than shareholders' equity during the period – net				-
Total changes of items during the period	-	-	(0)	(0)
As of December 31, 2016	74,609	76,541	23,564	100,106

	Shareholders' equity						
	Retained earnings					Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward			
As of January 1, 2016	722	3,868	445,500	100,383	550,474	(20,155)	705,035
Changes of items during the period							
Dividends from retained earnings				(22,811)	(22,811)		(22,811)
Increase in provision of reserve for advanced depreciation of non-current assets due to change in tax rate		55		(55)	-		-
Reversal of reserve for advanced depreciation of non-current assets		(73)		73	-		-
Net income				91,962	91,962		91,962
Reversal of revaluation reserve for land				(694)	(694)		(694)
Purchase of treasury shares					-	(13)	(13)
Disposal of treasury shares					-	0	0
Changes in items other than shareholders' equity during the period – net					-		-
Total changes of items during the period	-	(18)	-	68,474	68,456	(12)	68,443
As of December 31, 2016	722	3,850	445,500	168,857	618,930	(20,168)	773,478

(Unit: Million yen)

	Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments		
As of January 1, 2016	82,119	11,674	(8,621)	85,171	48	790,255
Changes of items during the period						
Dividends from retained earnings				-		(22,811)
Increase in provision of reserve for advanced depreciation of non-current assets due to change in tax rate				-		-
Reversal of reserve for advanced depreciation of non-current assets				-		-
Net income				-		91,962
Reversal of revaluation reserve for land				-		(694)
Purchase of treasury shares				-		(13)
Disposal of treasury shares				-		0
Changes in items other than shareholders' equity during the period – net	(282)	(2,073)	863	(1,492)	(0)	(1,492)
Total changes of items during the period	(282)	(2,073)	863	(1,492)	(0)	66,951
As of December 31, 2016	81,837	9,600	(7,758)	83,679	48	857,206

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

February 16, 2017

To the Board of Directors of
Dentsu Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Tsutomu Hirose

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Tokio Suzuki

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masanori Toyoizumi

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masaharu Haraguchi

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of December 31, 2016 of Dentsu Inc. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in equity for the fiscal year from January 1, 2016 to December 31, 2016, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of the disclosures required under IFRS pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the financial position of Dentsu Inc. and its consolidated subsidiaries as of December 31, 2016, and the results of their operations for the fiscal year then ended.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

February 16, 2017

To the Board of Directors of
Dentsu Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Tsutomu Hirose

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Tokio Suzuki

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masanori Toyoizumi

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Masaharu Haraguchi

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements, namely, the nonconsolidated balance sheet as of December 31, 2016 of Dentsu Inc. (the "Company"), and the related nonconsolidated statements of income and changes in net assets for the 168th fiscal year from January 1, 2016 to December 31, 2016, and the related notes to nonconsolidated financial statements, and the accompanying supplemental schedules.

Management's Responsibility for the Nonconsolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, the nonconsolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the nonconsolidated financial position of Dentsu Inc. as of December 31, 2016, and the results of its operations for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Audit Report

We have created this Auditors' Report based on the unanimous opinions of all Audit and Supervisory Committee Members, concerning the Directors' execution of their duties over the Company's 168th fiscal year between January 1, 2016 and December 31, 2016. The Auditors' Report is as follows.

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

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

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

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

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

With regard to internal control systems, we have received regular reports from the Directors, Executive Officers, and others on the status of the establishment and operation of structures aimed at ensuring that Directors execute their duties in conformance with the law and regulations and the Articles of Incorporation, based on the Guidelines for the Audit and Supervisory Committee's Implementation of Audits of Internal Control Systems and the Checklist for the Audit and Supervisory Committee's Implementation of Audits of Internal Control Systems established through consultations among all Audit and Supervisory Committee Members, on the contents of resolutions passed at Board of Directors' meetings on maintaining the other structures set out in the enforcement regulations of the Companies Act as being necessary for ensuring the competence of operations undertaken at limited companies and corporate groups composed of the limited company in question and its subsidiaries and necessary for execution of duties by the Audit and Supervisory Committee, and the structures which are being maintained based on the resolutions in question, requested explanations as necessary, and expressed our opinion.

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

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

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

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

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

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

2. Audit results

(1) Results of the audit of the Business Report

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

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

3) We recognize the contents of the resolutions formed by the Board of Directors regarding the internal control systems as being appropriate. We do not recognize any items which require special mention regarding the

contents of the Business Report concerning the internal control systems in question, including the internal control systems for financial statements.

In addition, as stated in the Business Report, during the previous year, it was discovered that there were issues concerning inappropriate operations in digital advertising services as well as issues regarding long working hours and labor management. Regarding inappropriate operations in digital advertising services, advices have been received from bodies such as the in-house investigation committee which includes external experts, and concerning issues regarding long working hours and labor management, bodies such as the Working Environment Reforms Commission and a supervisory committee composed of external specialists have been established, and we have confirmed that the Company is working toward measures to prevent recurrence of each of the above issues. We will continue to monitor the management and progress by the Board of Directors regarding the above. Furthermore, we also recognize that continuous efforts are necessary to improve the establishment and operation of internal control systems, and while continuing to observe the state of improvements, we will monitor the management by the Board of Directors to enrich the internal control systems, including the compliance system and risk management system.

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

We recognize the methods and results of Deloitte Touche Tohmatsu, the limited liability audit corporation carrying out the audit as being appropriate.

February 17, 2017

Dentsu Inc. Audit and Supervisory Committee

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

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