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Notice of Convocation of the 170th Ordinary General Meeting of Shareholders

Dentsu Inc.

March 6, 2019

To Our Shareholders

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

Dentsu Inc.

Toshihiro Yamamoto, Representative Director, President and CEO

Notice of Convocation of the 170th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 170th 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 28 (Thu.), 2019

*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 170th business term (January 1, 2018 to December 31, 2018), 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 170th business term (January 1, 2018 to December 31, 2018)

Proposals to be Resolved

Proposal No. 1 Matters Concerning Approval of Absorption-type Company Split Agreement

Proposal No. 2 Partial Amendments to the Articles of Incorporation

Proposal No. 3 Appointment of 8 Directors who are not Audit and Supervisory Committee Members

Proposal No. 4 Appointment of 1 Director who is an Audit and Supervisory Committee Member

Proposal No. 5 Matters Concerning Introduction of Performance-based Stock Compensation Plan

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>).

To Our Shareholders

We are pleased to present our notice of convocation of the 170th Ordinary General Meeting of Shareholders to be held on March 28, 2019.

We would appreciate your attendance.

For your reference, this notice contains the Business Report for the 170th business term and proposals to be submitted at the 170th Ordinary General Meeting of Shareholders.



Toshihiro Yamamoto
Representative Director, President and CEO

Reference Material for the General Meeting of Shareholders

Proposals and Reference Material

Reference Matters Concerning Proposals No. 1 and No. 2

Proposals No. 1 and No. 2 stated in pages 5 through 12 of this Convocation Notice both relate to the decision below.

Reasons for shifting to a pure holding company structure

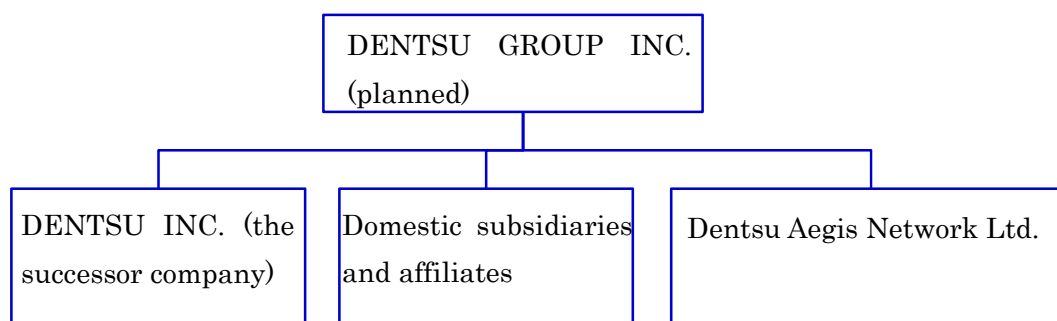
The operating environment of the Dentsu Group has been changing radically. In order to respond appropriately and promptly to this series of changes and realize sustainable growth of the Dentsu Group going forward, it is indispensable to establish the most appropriate group governance structure and at the same time, from a Group-wide perspective, promote the acquisition and allocation of internal and external management resources on a timely basis.

In recognizing the above, the Dentsu Group will, by shifting to a pure holding company structure, strengthen the group management structure and continue to intensify and expand its business foundation aiming for sustainable growth of the group as a whole.

The Dentsu Group will continue to promote a business transformation of the group and facilitate the management of richly diverse human resources in the group as well as the creation of an organizational culture that is open to those both inside and outside the group; and the Dentsu Group will strive to achieve the enhancement of its corporate value as a global network facilitating the creation of diversified value that enriches society.

After the company split, Dentsu will remain a company with an audit and supervisory committee as well as a company whose shares are listed on the Tokyo Stock Exchange.

(Group structure following the shift to a pure holding company (planned))



Proposal No. 1: Matters Concerning Approval of Absorption-type Company Split Agreement

1. Reasons for implementing the absorption-type company split

The DENTSU Group has decided to shift to a pure holding company structure, as stated on page 4 of this convocation notice.

In order to achieve this shift, DENTSU INC. (“Dentsu”) and DENTSU SUCCESSOR PREPARATORY CORPORATION INC. (the “Successor Company”), which is wholly owned by Dentsu as a preparatory company for implementing the absorption-type company split, have decided to effect an absorption-type company split effective as of January 1, 2020 (the “Absorption-type Split”), whereby the Successor Company will succeed to any and all businesses that are being operated by Dentsu (except for the businesses pertaining to the control or management of the business activities of the companies whose shares are owned by Dentsu and pertaining to the management of the Dentsu Group), and thus executed a certain absorption-type company split agreement in respect of the Absorption-type Split as of February 19, 2019.

This Proposal is to seek the shareholders’ approval of the contents of the above-mentioned absorption-type company split agreement.

*It is being scheduled that, as of January 1, 2020, the effective date of the Absorption-type Split, the trade name of Dentsu will be changed to “DENTSU GROUP INC.” and that of the Successor Company to “DENTSU INC.”

2. Outline of the contents of the absorption-type company split agreement

The contents of the absorption-type company split agreement executed with the Successor Company are as follows:

Absorption-type Company Split Agreement (copy)

DENTSU INC. (“Party A”) and DENTSU SUCCESSOR PREPARATORY CORPORATION INC. (“Party B”) enter into this Absorption-type Company Split Agreement (this “Agreement”) as set forth below, regarding a absorption-type company split whereby Party B will succeed to the rights and obligations held by Party A in respect of Party A’s own business (the “Company Split”).

Section 1. (Absorption-type company split)

As a result of the Company Split, Party A shall cause Party B to succeed to, and Party B shall assume, the rights and obligations described in Paragraph 1 of Section 3 pertaining to any and all businesses that Party A operates (except for the businesses pertaining to the control or management of the business activities of the companies whose shares are owned by Party A and pertaining to the management of the Dentsu Group, the “Business”).

Section 2. (Trade names and domiciles of the companies that are the parties to the Company Split)

The following companies are the parties to the Company Split:

(1) Party A (splitting company in the absorption-type company split)

Trade name : DENTSU INC. (the trade name is scheduled to be changed to “DENTSU GROUP INC.” as of the Effective Date (referring to the Effective Date prescribed in Section 6; the same applies hereinafter)).

Domicile: 1-8-1 Higashi-Shimbashi, Minato-ku, Tokyo

(2) Party B (successor company in the absorption-type company split)

Trade name: DENTSU SUCCESSOR PREPARATORY CORPORATION INC. (the trade name is scheduled to be changed to “DENTSU INC.” as of the Effective Date).

Domicile: 1-8-1 Higashi-Shimbashi, Minato-ku, Tokyo

Section 3. (Rights and obligations to be assumed)

1. The assets, liabilities, employment contracts, and other rights and obligations that Party B shall assume from Party A as a result of the Company Split are specified in “Itemized List of Rights and Obligations to be Assumed” attached hereto.
2. The assumption of the liabilities specified in the preceding Paragraph shall be effected in the form of a concomitant assumption of liabilities; provided, however, that, as between Party A and Party B, Party B shall ultimately bear the relevant liability, and in the event Party A has borne the relevant liability by performing it or in any other manner, Party A shall be entitled to demand from Party B indemnification of the full amount Party A has borne.

Section 4. (Consideration for the Company Split)

Upon the Company Split, Party B shall issue 248,000 ordinary shares and allocate and deliver all of them to Party A.

Section 5. (Amounts of Party B’s stated capital and reserves)

The amounts by which Party B’s stated capital and reserves shall be increased as a result of the Company Split are as follows:

- (1) Stated capital
9,950,000,000 yen
- (2) Capital reserve (*shihonjunbikin*)
2,450,000,000 yen
- (3) Profit reserve (*riekijunbikin*)

Amount of profit reserve shall not be increased as a result of the Company Split.

Section 6. (Effective date of the Company Split)

The date upon which the Company Split takes effect (the “Effective Date”) shall be January 1, 2020; provided, however, that this may be changed, as necessary, by agreement through discussion between Party A and Party B.

Section 7. (Approval by the general meeting of shareholders)

By the date immediately preceding the Effective Date, each of Party A and Party B shall seek approval from the general meeting of its shareholders of this Agreement and the matters required in respect of the Company Split.

Section 8. (Non-compete obligation)

Party A shall not be subject to a non-compete obligation in respect of the Business even after the Effective Date.

Section 9. (Amendment and cancellation of this Agreement)

During the period after the execution of this Agreement and until the Effective Date, Party A and Party B may amend the terms of the Company Split or any other content of this Agreement, or cancel this Agreement, by agreement through discussion between Party A and Party B, in the event a material change has occurred in the financial standing or the business performance of Party A or Party B due to a natural disaster or other reason, or in the event it has otherwise become necessary to do so.

Section 10. (Effect of this Agreement)

This Agreement shall lose its effect if the approval by the general meeting of the shareholders of either Party A or Party B, which is prescribed in Article 7, is not obtained by the date immediately preceding the Effective Date.

Section 11. (Matters to be discussed)

Any matter not stipulated in this Agreement or any other matter necessary in respect of the Company Split shall be determined through discussion between Party A and Party B in accordance with the purport of this Agreement.

IN WITNESS WHEREOF, this Agreement shall be prepared in duplicate, and upon affixing the names and seals by Party A and Party B, each shall retain a counterpart.

February 19, 2019

Party A: 1-8-1 Higashi-Shimbashi, Minato-ku, Tokyo

DENTSU INC.

President & CEO Toshihiro Yamamoto

Party B: 1-8-1 Higashi-Shimbashi, Minato-ku, Tokyo

DENTSU SUCCESSOR PREPARATORY CORPORATION INC.

Representative Director Tadashi Nagae

(Attachment)

Itemized List of Rights and Obligations to be Assumed

The assets, liabilities, employment contracts, and other rights and obligations that Party B shall assume from Party A as a result of the Company Split (the "Rights and Obligations to be Assumed") shall be the rights and obligations that are stipulated below and that belong to Party A as of the Effective Date.

1. Assets

(1) Current assets

The cash and money on deposit (limited to the amount necessary as the working capital for the Business), accounts receivable, bills receivable, inventory and other liquid assets, that are held by Party A in respect of the Business (except for the items listed below):

- (i) short-term loans made to the subsidiaries and affiliated companies (except for the loans that have come into existence as a result of making payments, on behalf of the subsidiaries, for the accounts payable owed by the relevant subsidiaries in respect of the Business and the loans made to DENTSU MANAGEMENT SERVICES INC. for the settlement of payments for the transfers pertaining to factoring transactions); and
- (ii) refunded tax, etc.

(2) Fixed assets

(a) The tangible fixed assets, intangible fixed assets, investments and other fixed assets, that are held by Party A in respect of the Business (except for the items listed below):

- (i) real property, such as land and buildings owned by Party A, and the instruments, fixtures and other fixed assets related to such real property (except for those that are used exclusively for the Business);
- (ii) security deposits for leasing real property for the branch offices and other business offices;
- (iii) shares of the subsidiaries, affiliated companies and other companies, and investment account securities, etc.; and
- (iv) long-term loans made to the subsidiaries, affiliated companies, and other entities in which investments are made.

(b) In addition to the items listed in (a) above, software, information and communication equipment/instruments, etc., and telephone subscription rights, that are owned by Party A (regardless of whether they pertain to the Business).

2. Liabilities

(1) Current liabilities

The accounts payable, bills payable, arrearages, accrued expenses, deposits received, advance receipts and other current liabilities, that are owed by Party A in respect of the Business (except for the items listed below):

- (i) short-term borrowings owed to subsidiaries or affiliated companies (except for the borrowings that have come into existence as a result of collecting, on behalf of such subsidiaries, accounts receivables owned by the relevant subsidiaries in respect of the Business); and
- (ii) tax liabilities, etc.

(2) Fixed liabilities

The allowances for retirement benefits and other fixed liabilities that are owed by Party A in respect of the Business (except for the items listed below):

- (i) corporate bonds and long-term borrowings;
- (ii) deferred tax liabilities pertaining to securities, etc. and revaluation; and
- (iii) security deposits received in respect of real property, such as land and buildings.

3. Employment contracts, etc.

The contractual status in respect of the employment contracts pertaining to all of the employees being employed by Party A as of the Effective Date (including those who have been seconded, part-time employees, contract employees, and temporary employees; and whether the employees have been engaged in the Business is irrelevant), and the rights and obligations based on such contracts.

4. Intellectual property rights

The intellectual property rights owned by Party A in respect of the Business (except for patent rights, trademark rights, design rights and utility model rights).

5. Permits, licenses, etc.

Of the licenses, permits, authorizations, approvals, registrations, notifications, etc., that are held or have been completed by Party A in respect of the Business, those that can be assumed legally.

6. Other rights and obligations

The contractual status in respect of the contracts executed by Party A in respect of the Business (including any contract ancillary or related to such contracts; the same applies hereinafter) other than the employment contracts, and the rights and obligations based on such contracts (except for those pertaining to the contracts listed below):

- (i) real property leasing contracts pertaining to the branch offices or other business offices in which Party A is the lessee or the lessor;
- (ii) contracts related to the guarantee of the liabilities owed by Dentsu Aegis Network Ltd. and its subsidiaries; and
- (iii) contracts pertaining to the assets (including intellectual property rights) and liabilities that are not assumed by Party B.

Notwithstanding the descriptions in Paragraphs 1 through 6 above, the rights and obligations—which are found, subsequent to the execution of this Agreement, to be impossible or

extremely difficult to be assumed through the Company Split for a legal or other regulatory reason (including those regarding which it has become clear that it is impossible to obtain the consent of the counterparty to the relevant contract that is contractually required for the assumption, and also those regarding which it has become clear that either Party A or Party B would be forced to make a significant additional payment as a result of the assumption)—shall be excluded from the Rights and Obligations to be Assumed.

3. Summary of the contents of the matters set forth in Article 183 of the Regulation for Enforcement of the Companies Act

(1) Matters concerning the appropriateness of the provisions on matters listed in Item 4 of Article 758 of the Companies Act

(i) Matter regarding the number of shares to be delivered

Upon the Absorption-type Split, the Successor Company shall newly issue 248,000 ordinary shares and allocate and deliver all of them to Dentsu, the splitting company. Because the Successor Company is a wholly-owned subsidiary of Dentsu, and the Successor Company will deliver to Dentsu all of the shares it will newly issue upon the Absorption-type Split, it is possible to prescribe any number for the number of shares to be delivered by the Successor Company. Therefore, Dentsu has determined that the above-mentioned number of shares, which was decided through discussion between the two companies, is appropriate.

(ii) Matter regarding the amounts by which the stated capital and reserves of the Successor Company will be increased as a result of the Absorption-type Split

The amounts by which the stated capital and reserves of the Successor Company will be increased as a result of the Absorption-type Split are as described below, and Dentsu has determined that they are appropriate amounts in light of the substance of the business of the Successor Company after the Absorption-type Split and the rights and obligations that the Successor Company will be made to assume from Dentsu.

Stated Capital	9,950,000,000 yen
Capital reserve	2,450,000,000 yen
Profit reserve	0 yen

(2) Substance of the balance sheet of the Successor Company as of the date of its establishment

The Successor Company was established on February 12, 2019, and because its first business year has not finished yet, there is no “most recent business year” either. The substance of the balance sheet of the Successor Company as of the date of its establishment is as follows:

(unit : million yen)

Item	Amount	Item	Amount
(Assets)		(Net Assets)	
Current Assets		Equity	
Cash and Deposits	100	Stated Capital	50
		Capital Reserve	50
Total Assets	100	Total Liabilities and Net Assets	100

(3) Disposition of material assets, incurrence of material liability, or other events materially affecting the conditions of the corporate assets in respect of the Successor Company that occurred after the date of the establishment of the Successor Company

There is no relevant event.

(4) Disposition of material assets, incurrence of material liability, or other events materially affecting the conditions of the corporate assets in respect of Dentsu that occurred after the last day of the most recent business year of Dentsu

There is no relevant event.

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the Proposal

In line with the transition to a pure holding company structure scheduled on January 1, 2020 as stated in Proposal No. 1 “Matters Concerning Approval of Absorption-type Company Split Agreement,” amendments will be made to Article 1 of the Articles of Incorporation (COMPANY NAME) and necessary amendments will be made to Article 2 of the Articles of Incorporation (PURPOSES).

Provided Proposal No. 1 “Matters Concerning Approval of Absorption-type Company Split Agreement” is approved as originally proposed and the absorption-type company split takes effect in accordance with the absorption-type company split agreement approved by Proposal No. 1, amendments to the Articles of Incorporation proposed hereby will take effect on the effective date of the absorption-type company split, that is, January 1, 2020 (if the effective date of the absorption-type company split is changed in accordance with the said absorption-type company split agreement, the effective date of the absorption-type company split after the change).

2. Contents of the amendments

The current Articles of Incorporation shall be partially amended as follows.

(Portions to be amended are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>ARTICLE 1 COMPANY NAME</p> <p>The name of the Company shall be Kabushiki Kaisha <u>Dentsu</u>, and it shall be referred to in English as <u>DENTSU INC.</u></p>	<p>ARTICLE 1 COMPANY NAME</p> <p>The name of the Company shall be Kabushiki Kaisha <u>Dentsu Group</u>, and it shall be referred to in English as <u>DENTSU GROUP INC.</u></p>
<p>ARTICLE 2 PURPOSES</p> <p>The business purposes of the Company shall be as follows:</p> <p>1. to 36. (Omitted)</p> <p><u>37. control and management of companies engaged in the following activities through shareholdings of such companies</u></p> <p><u>(1) planning and production of advertising;</u></p> <p><u>(2) to (65) (Omitted)</u></p> <p><u>(66) consulting services incidental or related to sub-items (1) to (65) above (except for the cases in which consulting services are defined in sub-items (1) to (65) above);</u></p> <p><u>38. to 40. (Omitted)</u></p>	<p>ARTICLE 2 PURPOSES</p> <p>The business purposes of the Company shall be as follows <u>as well as control and management of companies engaged in the following activities through shareholdings of such companies.</u></p> <p>1. to 36. (Unchanged)</p> <p>(Deleted)</p> <p><u>37. to 100. (Unchanged)</u></p> <p>(Deleted)</p> <p><u>101. to 103. (Unchanged)</u></p>


Proposal No. 3: Appointment of 8 Directors who are not Audit and Supervisory Committee Members


The terms of office of 8 Directors who are not Audit and Supervisory Committee Members will expire at the conclusion of this General Meeting of Shareholders.


Accordingly, we request the appointment of 8 Directors who are not Audit and Supervisory Committee Members. 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 2020.


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


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


Candidate No.	Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
1	 <p>Toshihiro Yamamoto May 31, 1958 4,159 shares (Candidate for Director)</p>	<p>April 1981 Joined Dentsu July 2008 EPM, Communication Design Center, Dentsu April 2009 Head of Communication Design Center, Dentsu April 2010 Head of Communication Design Center; Managing Director, MC Planning Division, Dentsu April 2011 Executive Officer, Dentsu June 2014 Director, Executive Officer, Dentsu January 2016 Director, Senior Vice President, Dentsu March 2016 Senior Vice President, Dentsu January 2017 President & CEO, Dentsu March 2017 Representative Director, President & CEO, Dentsu (current post)</p> <p>(Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Toshihiro Yamamoto has operational experience in media contents and business development and possesses a wealth of experience from a managerial standpoint. As President & CEO of the Company since January 2017 and as Representative Director of the Company since March 2017, he has actively provided opinions and advice, etc. from his standpoint of supervising Group management. He is addressing the urgent issue of working environment reforms as the responsible person and is contributing to concrete results. 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 the President & CEO of the Company.</p> <p>(Situation of important con-current posts) Corporate Auditor, Kyodo Television, Ltd. Non-executive Director, Dentsu Aegis Network Ltd. Outside Director, Rakuten Data Marketing, Inc.</p>


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	 <p>Yoshio Takada March 19, 1955 4,155 shares (Candidate for Director)</p>	<p>April 1977 Joined Dentsu June 2007 Managing Director, TV Division, Media Contents Unit, Dentsu April 2009 Executive Officer and Managing Director, TV Division, Dentsu April 2010 Executive Officer, Dentsu April 2012 Executive Officer and Managing Director, Media Services / Radio, TV & Entertainment Division, Dentsu April 2013 Senior Vice President, Dentsu June 2013 Director, Senior Vice President, Dentsu January 2016 Director, Executive Vice President, Dentsu January 2017 Representative Director, Executive Vice President, Dentsu January 2018 Representative Director, Executive Officer, Dentsu (current post)</p> <p>(Responsibilities) Assistance to the President Construction business management Taskforce</p> <p>(Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Yoshio Takada has operational experience in media contents, and possesses a wealth of experience from a managerial standpoint. As Director of the Company since June 2013 and as Representative Director since January 2017, he has actively provided opinions and advice, etc., concerning Group management from his standpoint as an Assistant to the President and created strong partnerships with media companies and other business partners contributing to improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company.</p>


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	 <p>Nobuyuki Tohya July 27, 1959 3,686 shares (Candidate for Director)</p>	<p>April 1982 Joined Dentsu July 2008 Managing Director, Interactive Media Division, Dentsu January 2010 Managing Director, Digital Business Division, Dentsu April 2012 Executive Officer, Dentsu March 2018 Representative Director, Executive Officer, Dentsu (current post)</p> <p>(Responsibilities) Assistance to the President Group corporate management</p> <p>(Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Nobuyuki Tohya has operational experience in media and digital sectors, and possesses a wealth of experience from a managerial standpoint. As Representative Director of the Company since March 2018, he has been working actively from his standpoint as being in charge of corporate management and contributing to improvement of corporate management of the Company, such as strengthening of the management structure and governance. 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.</p> <p>(Situation of important con-current posts) Non-executive Director, Dentsu Aegis Network Ltd.</p>

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	 <p>Shun Sakurai December 14, 1953 145 shares (New candidate for Director)</p>	<p>April 1977 Joined the Ministry of Posts and Telecommunications</p> <p>July 2008 Director-General, Telecommunications Bureau, Ministry of Internal Affairs and Communications (MIC)</p> <p>September 2012 Director-General, Global ICT Strategy Bureau, MIC</p> <p>June 2013 Vice-Minister for Policy Coordination (Postal and Communications), MIC</p> <p>July 2015 Vice-Minister, MIC</p> <p>September 2016 Cooperate Advisor, Sumitomo Mitsui Trust Bank, Limited</p> <p>January 2018 Executive Officer, Dentsu (current post)</p> <p>June 2018 Outside Director, Tokyu Fudosan Holdings Corporation (current post)</p> <p>(Responsibilities) Assistance to the President Management of Group-wide Basis</p> <p>(Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Shun Sakurai has many years of experience in postal and telecommunications affairs and has experience as an Outside Director of a company, and possesses a wealth of experience from a social and managerial standpoint. As Executive Officer of the Company since January 2018, he has been actively addressing the strengthening of the corporate management structure. In light of these achievements, it has been judged that he can be expected to utilize his experience, etc., in the improvement of corporate management and supervision of operations as a Director who is not an Audit and Supervisory Committee Member of the Company.</p> <p>(Situation of important con-current posts) Non-executive Director, Dentsu Aegis Network Ltd. Outside Director, Tokyu Fudosan Holdings Corporation</p>

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	 <p>Timothy Andree April 28, 1961 11,065 shares (Candidate for Director)</p>	<p>March 2002 Joined the National Basketball Association as Senior Vice President, Communications & Marketing</p> <p>December 2005 Joined BASF Corporation as CCO</p> <p>May 2006 Joined Dentsu America, LLC. as CEO</p> <p>June 2008 Executive Officer, Dentsu</p> <p>November 2008 President & CEO, Dentsu Holdings USA, LLC. (current post)</p> <p>April 2012 Senior Vice President, Dentsu</p> <p>April 2013 Executive Vice President, Dentsu</p> <p>June 2013 Director, Executive Vice President, Dentsu</p> <p>January 2018 Director, Executive Officer, Dentsu (current post)</p> <p>(Responsibilities) Overseas operations management Executive Chairman & CEO, Dentsu Aegis Network Ltd.</p> <p>(Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Timothy Andree has operational experience overseas, and possesses a wealth of experience from a managerial standpoint. As Director of the Company since June 2013, he has actively provided opinions and advice, etc., concerning Group management from the standpoint of overseas operations management and enhanced the presence of overseas operations, contributing to improvement of corporate value of the Company. In light of these achievements, it has been judged that he can be expected to continue to utilize his experience, etc., in the execution of business and supervision of management as a Director who is not an Audit and Supervisory Committee Member of the Company.</p> <p>(Situation of important con-current posts) Executive Chairman & CEO, Dentsu Aegis Network Ltd. President & CEO, Dentsu Holdings USA, LLC.</p>

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

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	 <p>Hiroshi Igarashi July 23, 1960 3,959 shares (Candidate for Director)</p>	<p>April 1984 Joined Dentsu April 2013 Managing Director, Account Management Division, Dentsu January 2017 Executive Officer, Dentsu March 2018 Director, Executive Officer, Dentsu (current post)</p> <p>(Responsibilities) Domestic operations management</p> <p>(Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member) Mr. Hiroshi Igarashi has operational experience in account management, and possesses a wealth of experience from a managerial standpoint. As Director of the Company since March 2018, he has actively provided opinions and advice, etc. from his standpoint of being in charge of domestic operations management and contributing to improvement of corporate management of the Company. In light of these achievements, it has been judged that he can be expected to 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.</p> <p>(Situation of important con-current posts) Director, FRONTAGE INC. Director, Dentsu Digital, Inc.</p>

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	 <p>Nobuko Matsubara January 9, 1941 752 shares (Candidate for Outside Director)</p>	<p>April 1964 Entered the Ministry of Labour (currently the Ministry of Health, Labour and Welfare)</p> <p>March 1987 Director of International Labour Division</p> <p>October 1991 Director-General of Women's Bureau</p> <p>June 1995 Director-General of Labour Standards Bureau</p> <p>July 1996 Director-General of Labour Relations Bureau</p> <p>July 1997 Vice-Minister of the above Ministry</p> <p>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)</p> <p>September 2002 Ambassador of Japan to Italy</p> <p>November 2002 Ambassador of Japan to Italy; Ambassador of Japan to Albania; Ambassador of Japan to San Marino; Ambassador of Japan to Malta</p> <p>January 2006 Advisor, Japan Institute of Workers' Evolution (currently Japan Institute for Women's Empowerment & Diversity Management)</p> <p>July 2006 Chairwoman, Japan Institute of Workers' Evolution</p> <p>June 2008 Outside Director, Daiwa Securities Group Inc.</p> <p>July 2012 Honorary Chairwoman, Japan Institute of Workers' Evolution (current post)</p> <p>June 2015 Outside Director, Ebara Corporation</p> <p>March 2017 Outside Director, Dentsu (current post)</p> <p>(Reasons for candidacy as a Director who is not an Audit and Supervisory Committee Member)</p> <p>Ms. Nobuko Matsubara had long worked on the labor policies of Japan in the Ministry of Labour (currently the Ministry of Health, Labour and Welfare), and has specialized expertise and a wealth of experience concerning labor problems. As Director of the Company since March 2017, she has actively provided opinions and advice, etc., contributing to improvement of operational governance of the Company. In light of these achievements, it has been judged that she can be expected to utilize her experience, etc., in the supervision of management and ensuring a safe and civilized working environment, etc. as an Outside Director who is not an Audit and Supervisory Committee Member. Although she has not been involved in corporate management in the past aside from roles as Outside Director, due to the above mentioned expertise and experience gained from serving at various executive positions in the Ministry of Labour (currently the Ministry of Health, Labour and Welfare), the Company believes that she will continue to appropriately execute her duties as an Outside Director who is not an Audit and Supervisory Committee Member of the Company.</p> <p>(Situation of important con-current posts)</p> <p>Honorary Chairwoman, Japan Institute of Women's Empowerment & Diversity Management</p>

- (Note 1) Mr. Toshihiro Yamamoto con-currently serves as Corporate Auditor of Kyodo Television, Ltd. and Outside Director of Rakuten Data Marketing, Inc., which both have business relationships with the Company. In addition, Kyodo Television, Ltd. is in competition with the Company in the content production business. The Company is collaborating with Rakuten Data Marketing, Inc. in providing new marketing solutions utilizing big data.
- (Note 2) Dentsu Aegis Network Ltd., at which Mr. Toshihiro Yamamoto, Mr. Nobuyuki Tohya, Mr. Shun Sakurai, and Mr. Arinobu Soga serve as Non-executive Directors and Mr. Timothy Andree serves as Executive Chairman & CEO, is a company that oversees Dentsu's overseas business operations and has a business relationship with the Company.
- (Note 3) Mr. Shun Sakurai con-currently serves as Outside Director of Tokyu Fudosan Holdings Corporation, which has a business relationship with the Company.
- (Note 4) Mr. Timothy Andree con-currently serves as President & CEO of Dentsu Holdings USA, LLC. which has a business relationship with the Company.
- (Note 5) Mr. Hiroshi Igarashi con-currently serves as Director of FRONTAGE INC. and Director of Dentsu Digital Inc., which both have business relationships with the Company and are in competition with the Company in the advertising business.
- (Note 6) Ms. Nobuko Matsubara is an Outside Director candidate pursuant to Item 7, Paragraph 3, Article 2 of the Order for Enforcement of the Companies Act. She meets the standards for an independent officer as stipulated by the Tokyo Stock Exchange, Inc. as well as the "Independence Standards for Outside Directors at Dentsu Inc." (<http://www.dentsu.co.jp/vision/isod.html>) as stipulated by the Company. If the appointment of Ms. Nobuko Matsubara as Outside Director who is not an Audit and Supervisory Committee Member is approved at this General Meeting of Shareholders, the Company will register her again as an independent officer with the Tokyo Stock Exchange.
- (Note 7) Ms. Nobuko Matsubara con-currently serves as Honorary Chairwoman of Japan Institute of Women's Empowerment & Diversity Management, which has a business relationship with the Company, but the amount of transactions during fiscal year 2018 were less than 1% of net sales of the Company and there is no issue with her independence. Additionally, there are no vested interests between Ms. Nobuko Matsubara and the Company.
- (Note 8) Ms. Nobuko Matsubara currently serves as Outside Director of the Company, and she will have served as Outside Director for 2 years since her appointment at the conclusion of this General Meeting of Shareholders.
- (Note 9) The Company has concluded a contract for limitation of liability with Ms. Nobuko Matsubara for a maximum liability amount of 10 million yen or the minimum liability amount stipulated in Paragraph 1, Article 425 of the Companies Act, whichever is higher. If the appointment of Ms. Nobuko Matsubara as Director who is not an Audit and Supervisory Committee Member is approved at this General Meeting of Shareholders, the Company intends to continue the contract for limitation of liability with her.
- (Note 10) There are no vested interests between the other candidates for Directors who are not Audit and Supervisory Committee Members and the Company.

Proposal No. 4: Appointment of 1 Director who is an Audit and Supervisory Committee Member

Ms. Atsuko Toyama, a Director who is an Audit and Supervisory Committee Member, will resign at the conclusion of this General Meeting of Shareholders.

Therefore, we request the appointment of 1 Director who is an Audit and Supervisory Committee Member as a substitute for Ms. Atsuko Toyama.

Under the stipulations of Paragraph 2, Article 22 of the Articles of Incorporation, the term of office for the Director who is an Audit and Supervisory Committee Member appointed at this General Meeting of Shareholders shall be until the end of the Ordinary General Meeting of Shareholders to be held in March 2020.

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

The candidate for Director who is an Audit and Supervisory Committee Member is as follows.

Name Date of Birth No. of Dentsu Shares Held	Bio, Position, Responsibilities, Reasons for Appointment, and Situation of Important Con-current Positions
 <p>Etsuko Katsu April 3, 1955 0 shares (New candidate for Outside Director)</p>	<p>April 1978 Joined The Bank of Tokyo, Ltd. (currently MUFJ Bank, Ltd.) January 1992 Research Division, The Japan Research Institute, Limited April 1995 Associate Professor of Finance and Economics, Ibaraki University April 1998 Associate Professor, School of Political Science and Economics, Meiji University January 2001 Member of Council of Custom and Foreign Exchange, Ministry of Finance April 2003 Professor, School of Political Science and Economics, Meiji University (current post) January 2007 Member, Labour Policy Council, Ministry of Health, Labour and Welfare April 2008 Vice President International, Meiji University March 2015 Member, Council for Science and Technology, Ministry of Education, Culture, Sports, Science and Technology (current post) June 2016 Outside Director, Mitsui O.S.K. Lines, Ltd. (current post)</p> <p>(Reasons for candidacy as a Director who is an Audit and Supervisory Committee Member)</p> <p>Ms. Etsuko Katsu has many years of operational and research experience at companies and universities, and possesses specialized knowledge and a wealth of experience in international finance, international economy, and economic policies as a university professor. Although she has not been involved in corporate management in the past aside from roles as Outside Director, she gained enough knowledge and experience through her experience including management at university. In light of these achievements, it has been judged that she can be expected to utilize her experience, etc., in audit, etc. of management as a Director who is an Audit and Supervisory Committee Member of the Company.</p> <p>(Situation of important con-current posts)</p>

	Professor, School of Political Science and Economics, Meiji University Outside Director, Mitsui O.S.K. Lines, Ltd.
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- (Note 1) Ms. Etsuko Katsu is an Outside Director candidate pursuant to Item 7, Paragraph 3, Article 2 of the Order for Enforcement of the Companies Act.
- (Note 2) Ms. Etsuko Katsu con-currently serves as Professor of Meiji University and as Outside Director of Mitsui O.S.K. Lines, Ltd. Meiji University and Mitsui O.S.K. Lines, Ltd. have business relationships with the Company, but the amount of transactions during fiscal year 2018 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. Etsuko Katsu and the Company.
- (Note 3) If the appointment of Ms. Etsuko Katsu as Director who is an Audit and Supervisory Committee Member is approved at this General Meeting of Shareholders, the Company intends to conclude a contract for limitation of liability with 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 4) Ms. Etsuko Katsu meets the standards for an independent officer as stipulated by the Tokyo Stock Exchange, Inc. as well as the “Independence Standards for Outside Directors at Dentsu Inc.” (<http://www.dentsu.co.jp/vision/isod.html>) as stipulated by the Company. If the appointment of Ms. Etsuko Katsu as Director who is an Audit and Supervisory Committee Member is approved at this General Meeting of Shareholders, the Company will register her as an independent officer with the Tokyo Stock Exchange.

Proposal No. 5: Matters Concerning Introduction of Performance-based Stock Compensation Plan

1. Reasons for the proposal

Dentsu has decided to newly introduce a performance-based stock compensation plan (the “Plan”), which will apply to the Company’s Executive Officers (including any Executive Officer who concurrently serves as a Director; the same applies hereinafter) as a mid- to long-term bonus with the objective of further increasing motivation for the “execution of strategy from a mid- to long-term perspective” which has been a mission of the Directors and the Executive Officers. Introduction of the Plan will further clarify the link between the Executive Officers’ compensation, on the one hand, and the Company’s business performance and corporate value, on the other hand, and promote the sharing of interests with shareholders and other stakeholders. As a result, the Company will be able to heighten the awareness of the Executive Officers who are supposed to contribute to sustainable growth and the enhancement of the corporate value of the Dentsu Group over the medium to long term. Therefore, the Company has determined that its introduction of the Plan is appropriate.

The Plan will be administered as compensation to the Company’s Executive Officers and not as compensation to its Directors. However, when the Company prescribed a rule at the 167th Ordinary General Meeting of Shareholders held on March 30, 2016, to the effect that the aggregate amount of monetary compensation paid to the Directors who are not audit and supervisory committee members would be 1.2 billion yen per annum, the Company obtained the shareholders’ approval on the basis that such aggregate amount of compensation would include the amount of compensation paid for the services performed as Executive Officers by those who concurrently serve as Directors. Therefore, in connection with the administration of the Plan in respect of the Executive Officers who concurrently serve as Directors, the Company seeks shareholders’ approval at this General Meeting of Shareholders for administering the Plan, apart from the above-mentioned monetary compensation, in respect of the Executive Officers who concurrently serve as Directors and also for the framework thereof.

2. Distribution of stock compensation under the Plan

(1) Outline of the Plan

The Plan is a performance-based stock compensation plan, which works as follows: Dentsu ordinary shares are acquired through a trust (the trust established pursuant to the Plan, the “Trust”) using the money Dentsu contributes to the trust. Dentsu ordinary shares and the amount of money equivalent to the value of the Dentsu ordinary shares calculated based on the market value thereof (the market value of a Dentsu ordinary share will be the closing price of such share on the Tokyo Stock Exchange on the day the market value calculation is required (or, if there is no closing price for such day, the immediately preceding closing price); the same applies hereinafter) (such shares and amount of money collectively, the “Dentsu Shares, etc.”) are distributed, as described in Paragraph (5) below, by the Trust to the Company’s Executive Officers appointed after the introduction of the Plan (including those who subsequently retired from office; the same applies hereinafter) based on the Company’s business performance in accordance with the Officers Stock Benefit Regulations established by the Company’s Board of Directors. As described in Paragraph (5) below, as a general rule, the Executive Officers will actually receive a distribution of Dentsu Shares, etc., after a lapse of three consecutive fiscal years from each first fiscal year for which the distribution is to be made.

(2) Subjects of the Plan

The Company's Executive Officers including the Executive Officers who concurrently serve as Directors will be the beneficiaries of the Plan.

Executive Officers will be entitled to receive a distribution of the Dentsu Shares, etc., on the condition that the Executive Officer has not been discharged for a legitimate reason and has satisfied all other beneficiary requirements prescribed in the Officers Stock Benefit Regulations.

Incidentally, if Proposal No.3 (Appointment of 8 Directors who are not Audit and Supervisory Committee Members) is approved and passed in its original form, seven Directors will be subjects of the Plan as Executive Officers who concurrently serve as Directors.

(3) Money to be contributed by Dentsu

On the condition that this proposal is approved and passed in its original form, the Company will administer the Plan in respect of the fiscal year ending on the last day of December 2019 (the "First Fiscal Year") and each subsequent fiscal year and thereby distribute the Dentsu Shares, etc. to the Executive Officers. As the funds for the Trust to acquire Dentsu ordinary shares for this purpose, the Company will contribute money to the Trust in the amount deemed appropriate in the light of the aforementioned objective. Of such amount, the money the Company will contribute as the funds necessary for the distribution of the Dentsu Shares, etc. to be made to the Executive Officers who concurrently serve as Directors is explained below.

At the time of the creation of the Trust (May 2019 (planned)), the Company will contribute up to 200 million yen in total to the Trust regarding the funds necessary for the First Fiscal Year in respect of the Executive Officers who concurrently serve as Directors.

After the First Fiscal Year, so long as the Trust continues to exist, the Company will additionally contribute money to the Trust, for each fiscal year as a general rule, up to 900 million yen in total in respect of the Executive Officers who concurrently serve as Directors; provided, however, that when the Company is to make such additional contribution, if there remains in the assets of the Trust any Dentsu ordinary shares or money (the "Remaining Shares, etc.") apportioned to the Executive Officers who concurrently serve as Directors, the balance obtained by deducting from the above-mentioned relevant maximum amounts the amount of such Remaining Shares, etc., (with regard to a Dentsu ordinary share, the closing price of such Dentsu ordinary share on the Tokyo Stock Exchange for the last day of the immediately preceding fiscal year (or, if there is no closing price for such day, the immediately preceding closing price)) be the maximum amount for the additional contribution.

During each fiscal year, the Company may contribute money to the Trust on more than one occasion until the aggregate amount contributed within the relevant fiscal year reaches the relevant maximum amounts described above.

When the Company has decided to make an additional contribution, it will be disclosed appropriately in a timely manner.

(Note 1) In addition to the above-described contribution of money to the Trust as the funds necessary to cause the distribution to be made to the Executive Officers who concurrently serve as Directors, the Company will also contribute money, as the funds necessary for the distribution to be made to the Executive Officers who are not concurrently serving as Directors, up to 600 million yen in total in the First Fiscal Year, and thereafter, up to 2.7 billion yen in total (or if there are any Remaining Shares, etc., pertaining to the Executive Officers who are not concurrently serving as Directors, up to the balance obtained by deducting the amount of such Remaining Shares, etc.) for, as a general rule, each fiscal year.

(4) Method of acquiring Dentsu ordinary shares

As for the acquisition of Dentsu ordinary shares by the Trust, the Trust will acquire Dentsu ordinary shares with the money contributed as described in Paragraph (3) above, by means of either a purchase through the securities exchange or an acceptance of treasury shares disposed of by the Company. The Company will not issue new shares to the Trust.

Details of the acquisition of Dentsu ordinary shares by the Trust will be disclosed appropriately in a timely manner.

(Note 2) The total number of Dentsu ordinary shares that the Trust can actually acquire will be the sum resulting from adding the number of Dentsu ordinary shares that can be acquired with the money contributed, as described in (Note 1) above, as the funds necessary for the distribution to be made to the Executive Officers who are not concurrently serving as Directors.

(5) Distribution of Dentsu Shares, etc. to Executive Officers

In respect of each fiscal year while in office, each Executive Officer will be granted, on a certain day during the relevant fiscal year (the "Point Grant Day"), the number of points calculated in accordance with the calculation formula prescribed in the Officers Stock Benefit Regulations (the "Basic Points") as compensation for the performance of the Executive Officer's duties during the relevant fiscal year. And by completing the prescribed procedures by a certain date (the "Vesting Date"), after a lapse of three consecutive fiscal years the first fiscal year of which is the fiscal year in which the Point Grant Day falls (such three consecutive fiscal years, the "Business Performance Assessment Period"), the Executive Officer can acquire, on the Vesting Date, the right to receive a distribution of the Dentsu Shares, etc. from the Trust. At such time, the number of the Basic Points granted to each Executive Officer in the relevant first fiscal year will be adjusted in accordance with the calculation formula prescribed in the Officers Stock Benefit Regulations based on the business performance during the Business Performance Assessment Period (such adjusted points, the "Finalized Points," and the Basic Points and the Finalized Points collectively, the "Relevant Points").

Thereafter, the relevant Executive Officer will be able to receive from the Trust a distribution of the Dentsu Shares, etc., in the amount corresponding to the number of Finalized Points (as a general rule, the number of Dentsu ordinary shares calculated based on half the number of the Finalized Points, and the amount of money equivalent to the market value, as of the Vesting Date, of the number of Dentsu ordinary shares calculated based on the remaining half of the number of the Finalized Points).

The maximum total number of Dentsu ordinary shares to be calculated based on the total number of the Relevant Points granted to the Executive Officers is 1.44 million shares (approximately 0.5% of our outstanding shares (excluding treasury shares) as of December 31, 2018) for each fiscal year, of which up to 360,000 shares will be allocated to the Executive Officers who concurrently serve as Directors (approximately 0.1%). The said maximum numbers of shares were determined by comprehensively considering such factors as the current level of executive compensation and the trend in the number of Executive Officers. However, if actions such as a share split, allotment of shares without contribution (kabushiki-musho-wariate), or consolidation of shares are taken in respect of Dentsu ordinary shares, the said maximum numbers of shares will be reasonably adjusted in accordance with the relevant ratio, etc.

If any Executive Officer who expected to receive a distribution of the Dentsu Shares, etc., deceases before the Vesting Date, such Executive Officer's surviving family, within certain limitations, may, by completing prescribed procedures, receive an amount of money equivalent to the market value, as of the time of the relevant death, of the

number of Dentsu ordinary shares calculated based on the number of the Basic Points granted to such Executive Officer as of the time of death.

In order for the Trust to be able to make a distribution in cash, the Trust may sell any Dentsu ordinary shares it holds as necessary.

(6) Voting rights, etc. pertaining to Dentsu ordinary shares held by the Trust

Pursuant to the instruction of the Trust Administrator, who will be independent of Dentsu, the voting rights pertaining to Dentsu ordinary shares held by the Trust will not be exercised at all. Such arrangement is intended to secure neutrality in relation to the Company's management.

Furthermore, it is being planned that, at the time of the termination of the Trust, the Company will acquire free of charge all of the Dentsu ordinary shares existing as a residual asset of the Trust and cancel them by a resolution of the Board of Directors.

(7) Other matters

Other details regarding the Trust Plan will be determined by the resolution of the Company's Board of Director within the boundaries described above.

[Reference]

Corporate Governance Structure

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

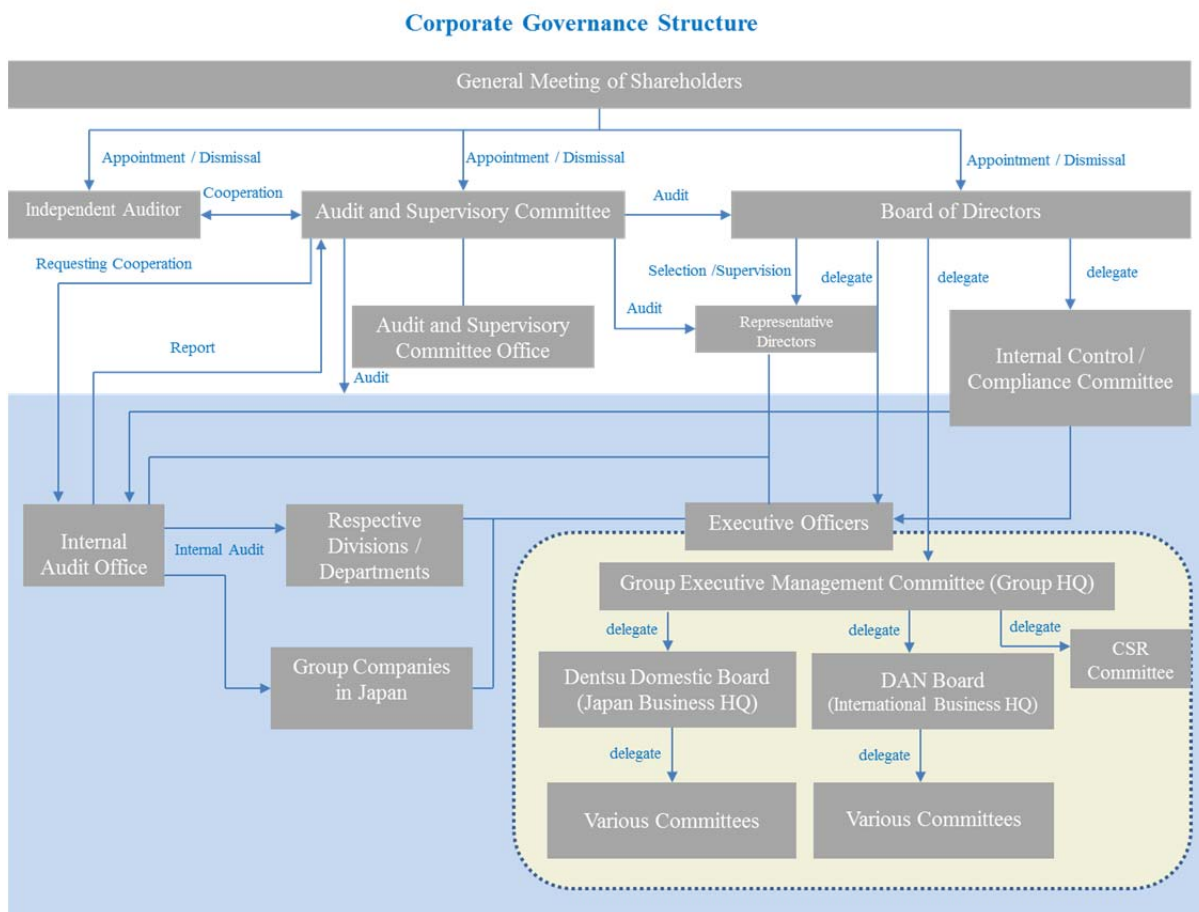
As of January 1, 2019, 12 Directors (of whom 4 are independent Outside Directors) comprise the Board of Directors and 4 of them are appointed as Directors who are Audit and Supervisory Committee Members (of whom 3 are Outside Directors).

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

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

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

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



Business Execution Structure (From January 1, 2019 onward)

Position	Name	Responsibilities
*President & CEO	Toshihiro Yamamoto	
*Executive Officer	Yoshio Takada	Assistance to the President Construction business management Taskforce
*Executive Officer	Nobuyuki Tohya	Assistance to the President Group corporate management
*Executive Officer	Timothy Andree	Overseas operations management Executive Chairman & CEO, Dentsu Aegis Network Ltd.
*Executive Officer	Arinobu Soga	CFO Assistance for Group corporate infrastructure management Assistance for Group corporate management IR/information disclosure Assistance for overseas operations management
*Executive Officer	Hiroshi Igarashi	Domestic operations management
Executive Officer	Shun Sakurai	Assistance to the President Group corporate infrastructure management
Executive Officer	Jun Shibata	Integration coordination management (parent company, Group in Japan) Assistance for Group corporate management
Executive Officer	Takashi Yagi	Assistance for Group corporate infrastructure management
Executive Officer	Yutaka Ishikawa	Assistance for domestic operations management
Executive Officer	Yuichi Okubo	Assistance for domestic operations management
Executive Officer	Keiichi Maeda	Assistance for Group corporate infrastructure management
Executive Officer	Takaki Hibino	Assistance for overseas operations management
Executive Officer	Hidemi Matsuo	Assistance for domestic operations management
Executive Officer	Norihiro Kuretani	Assistance for domestic operations management
Executive Officer	Shigeru Ishida	Assistance for Group corporate infrastructure management
Executive Officer	Kiyoshi Nakamura	Assistance for taskforce
Executive Officer	Norio Kamijo	Domestic operations
Executive Officer	Motohiro Yamagishi	Domestic operations
Executive Officer	Akira Ando	Domestic operations
Executive Officer	Tetsuji Hirose	Domestic operations, Kansai region assignment
Executive Officer	Norihiko Sakata	Domestic operations
Executive Officer	Ichiro Itani	Domestic operations
Executive Officer	Masaya Nakamura	Overseas operations
Executive Officer	Norifumi Adachi	Domestic operations
Executive Officer	Soichi Takahashi	Sports business
Executive Officer	Masao Tatsuuma	Domestic operations
Executive Officer	Chieko Ohuchi	Group corporate
Executive Officer	Hiromi Suzuki	Domestic operations
Executive Officer	Seikyo Son	Domestic operations
Executive Officer	Keiichi Yoshizaki	Domestic operations
Executive Officer	Nick Priday	Overseas operations, CFO, Dentsu Aegis Network Ltd.
Executive Officer	Shinichi Maeda	Domestic operations, Kansai region assignment
Executive Officer	Nobutaka Hayashi	Domestic operations
Executive Officer	Shuji Yamaguchi	Digital business of Group in Japan
Executive Officer	Koki Sato	Digital business of Group in Japan

Marked with * are candidates for Director.

Business Report

(From January 1, 2018 to December 31, 2018)

I Items Pertaining to the Current State of the Corporate Group

1. Business Progress and Results

(1) Business progress and results

Effective from the first quarter of the fiscal year under review, the Group has adopted IFRS 15 “Revenue from Contracts with Customers.” As a result, for certain transactions, changes have been made to revenue recognition upon fulfilment of performance obligations. Moreover, for certain transactions, the amount of revenue to be recognized has been changed from the net amount to the gross amount. The rates of increase/decrease adjusted for these impacts are indicated below as rates in “real terms.”

The Japanese economy during the fiscal year 2018 under review remained on a moderate recovery track as improvements in both corporate earnings and the employment and earnings environment continued. Meanwhile, the global economy remained robust, despite uncertain prospects because of concerns about intensifying trade friction triggered by the protectionist policies of the US.

The growth rate forecast for worldwide advertising expenditure in the 2018 calendar year published in January 2019 by the Company’s overseas headquarters Dentsu Aegis Network Ltd. was 4.1%. Forecasts by region were as follows: Japan 0.2%; Europe, the Middle East and Africa (hereinafter “EMEA”) 3.3%; the Americas 4.0%; and the Asia Pacific region (excluding Japan; hereinafter “APAC”) 6.3%.

Under such circumstances, the business results of the Group’s Japan business operations during the fiscal year under review (from January 1, 2018 to December 31, 2018) were stronger than the previous year, resulting in revenue less cost of sales of 369,258 million yen (2.0% increase year on year, 2.0% increase in real terms). The revenue less cost of sales organic growth rate (internal growth rate factoring out acquisitions and the effect of exchange rates) of the international business operations was 4.3% for the entire Group. By region, positive growth of 7.4% and 4.9% was achieved in EMEA and in the Americas, respectively, while the growth rate was negative 1.7% in APAC. Revenue less cost of sales of the international business operations increased to 563,852 million yen (9.3% increase year on year, 9.3% increase in real terms) mainly owing to the contribution of M&A.

As a result, the Group posted 1,018,512 million yen in revenue (9.7% increase year on year, 7.2% increase in real terms) and 932,680 million yen in revenue less cost of sales (6.3% increase, 6.3% increase in real terms). Owing mainly to an increase in expenses for working environment reforms and an increase in IT expenses for the purpose of improving the corporate infrastructure for a new growth phase in the international business operations, underlying operating profit was 153,229 million yen (6.5% decrease, 6.5% decrease in real terms), operating profit was 111,638 million yen (18.7% decrease, 18.7% decrease in real terms), underlying net profit attributable to owners of the parent was 97,419 million yen (9.7% decrease, 9.7% decrease in real terms), profit for the year attributable to owners of the parent was 90,316 million yen (14.4% decrease, 14.4% decrease in real terms).

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

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

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

(2) Record of Income for Reportable Segments

1) Japan business

Revenue less cost of sales of 369,258 million yen (2.0% increase year on year, 2.0% increase in real terms) and underlying operating profit of 80,268 million yen (9.6% decrease, 9.6% decrease in real terms) were posted.

2) International business

Revenue less cost of sales of 563,852 million yen (9.3% increase year on year, 9.3% increase in real terms) and underlying operating profit of 72,963 million yen (2.9% decrease, 2.9% decrease in real terms) were posted.

(3) Financial results of the Company

As to Dentsu's non-consolidated financial results (Japanese GAAP, from January 1, 2018 to December 31, 2018), the Company posted non-consolidated net sales of 1,539,962 million yen (1.4% decrease year on year), gross profit of 231,520 million yen (1.3% increase), operating income of 48,604 million yen (10.5% decrease), and ordinary income of 75,414 million yen (1.9% decrease). Net income was 94,841 million yen (49.2% increase) mainly because of the recording of a gain on sales of shares of subsidiaries and associates.

2. Issues to be Addressed

In the Japan business operations, having positioned fiscal year 2017 and fiscal year 2018 as the reform period, the Group accorded the top priority to working environment reforms. Regarding the international business operations, the momentum maintained since the acquisition in 2013 of the Aegis Group, current Dentsu Aegis Network Ltd. (hereinafter "DAN"), is on a recovery trend owing to the well-balanced regional business development and the business portfolio centering on growth fields. Going forward, the Group will address business transformation of the entire Group in order to achieve sustainable growth of both the Japan business operations and the international business operations.

(1) Japan business

1) Review of the working environment reforms

In the Japan business, the Company has promoted working environment reforms for two years to achieve

both reduced working hours and improved operational quality so as to restructure the overall functions of the corporate infrastructure. Working environment reforms are inextricably linked with the Company's business transformation.

With "Thorough enforcement of time management and enhanced care for employees," "Work-Diet through the thorough review of workflows and business process improvement," and "Development of Smart Work Styles by strengthening internal infrastructure such as ICT" as the pillars of reform efforts, we worked on a range of measures. As a result of these measures, total work hours per employee steadily decreased to 1,952 hours in 2018, almost the same level as planned. In addition, the effects of many of the various measures we have implemented, including initiatives in the robotic process automation (RPA) field, are expected to amplify from now on. The infrastructure is being put in place that enables employees who are the source of value creation to maintain good conditions and "maximize time used for creating added value for customers and society," and we will continue our efforts to ensure that the achievements can be displayed throughout the Group in Japan.

2) Strengthening of capabilities in the digital sector in Japan

Regarding the Group's digital business in Japan, we announced a capital and business alliance with SEPTENI HOLDINGS CO., LTD.; and a capital and business alliance with VOYAGE GROUP, Inc. and Cyber Communications inc. in October 2018 with the objective of strengthening the business foundation. By combining resources possessed by the Company and resources of each party and further strengthening the resources, we will work to offer the finest-quality services in the digital advertising field.

Moreover, in order to help clients promote transformation, it is necessary to expand and enhance capabilities of the Dentsu Group. In digital marketing sector, which is positioned as a priority issue in Japan, we worked to strengthen capabilities in three sectors: solutions, advertising, and data technology. By further solidifying our capabilities in these sectors, we aim to secure a position as a chosen partner of our clients in their efforts to promote transformation.

(2) International business

1) Establishing a strong business foundation

In the Group's international business, we also made vigorous investment in fiscal year 2017 and fiscal year 2018 to establish a strong business foundation in the following three categories. First of all, with the aim of improving productivity, we have introduced strong common platforms, systems and shared services to the global network, which are expected to lead to business transformation over the long term. Moreover, we have established the Growth Platform, which is a unique system for facilitating collaboration among organizations by making the "operating model" function effectively, to achieve top-line growth. We think these platforms will accelerate sharing of knowledge and cases of best practices gained through the business of DAN and contribute to enhancement of the quality of new business processes. At the same time, we vigorously promoted M&A to secure growth potential and access to cutting-edge services and technologies and also to secure attractive human resources. Furthermore, we are also promoting investment in human resources, including the review of the incentive program in 2018, in order to retain and attract excellent human resources inside and outside the Group.

2) Maintaining the recovering momentum

From 2019 onward, we will focus on the following three priority fields to expand the recovering momentum.

- Further top-line growth by offering comprehensive services

Offering solutions through comprehensive services is important for further top-line growth of DAN. This approach is contributing to the recent success in winning accounts and DAN will work to enhance this competence in a higher dimension, encompassing more brands and regions.

- Ongoing innovation and stronger uniqueness

DAN has been vigorously working to acquire advanced technology and ideas. Going forward, DAN will continue to make efforts to strengthen technology, data, and analytics through collaboration with major platformers and to acquire new technology and talented human resources in the digital sector through M&A, in order to achieve differentiation and stronger uniqueness in an increasingly intensifying competitive environment.

- Higher profitability

DAN has vigorously invested in common platforms, etc. so far and will work to further enhance efficiency of business operations in the next several years and to realize higher profitability. Having appointed a person whose mission is to achieve ongoing improvement of operational excellence, DAN will step up its efforts with a greater emphasis on improving operational efficiency throughout DAN.

(3) Business transformation throughout the Group

The Group will continue to reinforce the common foundation for growth of the Japan business and the international business and enhance capabilities and human resources from the perspective of the Group as a whole. In this regard, we intend to accelerate transformation, such as collaboration with external management resources not only overseas but also in Japan. In the rapidly changing environment, it is crucially important to establish a structure that enables swift decision-making from a medium- to long-term perspective, and thus, we are promoting transition to a pure holding company structure.

(4) Guidance for consolidated performance for years up to 2020

The Group has set guidance for consolidated performance for the years up to 2020 as follows.

- 1) Achieve an organic growth rate of revenue less cost of sales of 3% or higher (CAGR for the three years up to 2020), which shows the momentum of the business as a whole
- 2) Continue year-on-year improvement in operating margin, which is an indicator of profitability, with 2018 as the bottom
- 3) Regarding shareholder returns, while maintaining stable dividend distribution, we will consider appropriate distribution of profit to shareholders, by taking into consideration earnings and cash flow performance.

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

The Group has updated its Medium-term CSR Strategy. We have selected key CSR issues for the Group, including respect of human rights and reduction in environmental impacts and plan ongoing monitoring of

progress.

Regarding Sustainable Development Goals (SDGs) that are much discussed worldwide, Dentsu Team SDGs, a cross-functional team whose members are drawn from Group companies in Japan, is spearheading initiatives to raise the awareness of society at large about SDGs and to raise the profile of SDGs by conducting a consumer survey on SDGs and creating the SDGs Communication Guide. Also, as part of the “Common Ground” campaign in cooperation with five major global advertising groups, the Group continues to be engaged in an initiative worldwide supporting NGOs with the aim of eliminating malaria and tuberculosis.

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

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

The Dentsu Group will continue our ceaseless efforts to play a leading role in the creation of value for all its stakeholders and the wider society.

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)

	167th Term From April 1, 2015 to December 31, 2015	(Reference) From January 1, 2015 to December 31, 2015	168th Term From January 1, 2016 to December 31, 2016	169th Term From January 1, 2017 to December 31, 2017	170th Term (the fiscal year under review) From January 1, 2018 to December 31, 2018
Revenue (Millions of yen)	706,469	818,566	838,359	928,841	1,018,512
Revenue less cost of sales (Millions of yen)	669,489	761,996	789,043	877,622	932,680
Operating profit (Millions of yen)	107,265	128,212	137,681	137,392	111,638
Profit for the year (attributable to owners of the parent) (Millions of yen)	72,653	83,090	83,501	105,478	90,316
Basic earnings per share (attributable to owners of the parent) (Yen)	254.05	289.95	292.85	373.11	320.39
Total equity attributable to owners of the parent (Millions of yen)	1,068,216	1,068,216	932,742	1,093,211	1,047,619
Total assets (Millions of yen)	3,066,075	3,066,075	3,155,230	3,562,857	3,638,488

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

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

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

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

	167th Term From April 1, 2015 to December 31, 2015	(Reference) From January 1, 2015 to December 31, 2015	168th Term From January 1, 2016 to December 31, 2016	169th Term From January 1, 2017 to December 31, 2017	170th Term (the fiscal year under review) From January 1, 2018 to December 31, 2018
Net sales (Millions of yen)	1,156,186	1,560,136	1,600,196	1,561,528	1,539,962
Ordinary income (Millions of yen)	63,826	82,826	97,131	76,837	75,414
Net income (Millions of yen)	53,565	60,903	91,962	63,556	94,841
Net income per share (Yen)	187.30	212.52	322.52	224.82	336.44
Net assets (Millions of yen)	790,255	790,255	857,206	939,212	991,086
Total assets (Millions of yen)	1,613,950	1,613,950	1,673,415	1,764,774	1,838,638

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

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

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

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

In August 2018, the Company sold all shares of common stock of Kakaku.com, Inc. (35,016,000 shares) held by the Company for approximately 79.3 billion yen.

Moreover, in December 2018, the Company acquired 26,895,000 shares of common stock of SEPTENI HOLDINGS CO., LTD. for approximately 7.0 billion yen through a tender offer.

Furthermore, on January 1, 2019, the Company acquired 13,441,506 shares of common stock of CARTA HOLDINGS, INC. through a share exchange between CARTA HOLDINGS, INC. (trade name changed from VOYAGE GROUP, Inc. on the same date) as the share exchange wholly-owning parent company and Cyber Communications inc., which was a wholly owned subsidiary of the Company, as the share exchange wholly-owned subsidiary. CARTA HOLDINGS, INC. is a holding company that holds all shares of common stock of VOYAGE GROUP, Inc. and of Cyber Communications inc. VOYAGE GROUP, Inc. Split Preparation Company to which all businesses (excluding rights and obligations necessary for managing subsidiaries) were transferred from the former VOYAGE GROUP, Inc. on January 1, 2019 through an absorption-type split changed its trade name to VOYAGE GROUP, Inc. on the same date.

5. Status of Financing and Capital Investment

To finance redemption of the existing liabilities and strategic investment contributing to enhancement of the Group's corporate value, the Group issued unsecured straight bonds (80.0 billion yen) in October 2018.

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 Significant Subsidiaries.”

8. Situation of Employees of the Group

Number of Employees	Change from Previous Year-end
62,608 persons	Increase of 2,544 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)
MUFG Bank, Ltd.	60,000
Syndicated loan (Note)	30,000
Meiji Yasuda Life Insurance Company	20,000
Nippon Life Insurance Company	10,000
Development Bank of Japan Inc.	9,680
MUFG Bank, Ltd.	154,956 [USD 1,396 million]
Sumitomo Mitsui Banking Corporation	55,056 [USD 496 million]
Mizuho Bank, Ltd.	51,970 [GBP 370 million]
MUFG Bank, Ltd.	8,427 [GBP 60 million]

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

10. Status of Significant Subsidiaries

Company Name	Location	Capital or Stake (Millions of yen)	Shareholding Ratio (%)	Main Business Description
Dentsu Aegis Network Ltd.	London England	GBP 78 million	100.0	Controlling company for overseas business operations
Merkle Group Inc.	Maryland USA	USD 0 million	74.0 (74.0)	Data-driven and technological advertising marketing primarily in the USA
Beijing Dentsu Advertising Co., Ltd.	Beijing China	RMB 17 million	98.0	Advertising in China
Cyber Communications inc.	Chuo-ku, Tokyo	490	100.0	Media representative business for online advertising
Dentsu Digital Inc.	Minato-ku, Tokyo	442	100.0	Consulting; development and implementation; and operational and execution support concerning all aspects of digital marketing
Dentsu Tec Inc.	Chiyoda-ku, Tokyo	1,000	100.0	Planning and production for sales promotions, events, print, etc.
Information Services International-Dentsu, Ltd.	Minato-ku, Tokyo	8,180	61.8 (0.0)	Information systems building; software sales and support for various business areas

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

(Note 2) The number of consolidated subsidiaries, including significant subsidiaries, is 976 companies, and the number of associates accounted for using the equity method affiliates is 74 companies.

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

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

Dentsu considers the return of profits an important management issue. Dentsu will work for comprehensive profit return through a combination of a maximization of corporate value through long-term business growth, continued and stable dividend distribution, flexible acquisition of treasury shares, etc., in accordance with the changes in the management environment surrounding the Company. Dividends for each term shall be decided taking into consideration the necessary internal reserve for sustained investment for business growth, consolidated performance trends, financial situation and other factors, while placing an emphasis on stability. While paying attention to the stability of management and financial soundness, the Company is aggressively seeking to create additional business opportunities by responding to the globalization of corporate activities, technological development, etc., through aggressive activities such as investment. By further improving the Group's competitiveness, profitability and business growth, the Company wishes to enhance returns to shareholders through improving fundamental corporate value.

The year-end dividend for this year was resolved to be 45 yen per share at the meeting of the Board of Directors held on February 14, 2019, comprehensively taking into consideration the aforementioned factors. As a result, because Dentsu has already paid 45 yen per share as an interim dividend, the annual dividend will be 90 yen per share.

III Items Related to Company Executives

1. Names, etc., of Directors

Name	Position and Responsibilities
Toshihiro Yamamoto	Representative Director, President & CEO
Yoshio Takada	Representative Director, Executive Officer (Responsibilities) Assistance to President
Nobuyuki Tohya	Representative Director, Executive Officer (Responsibilities) Corporate management
Wataru Mochizuki	Director, Executive Officer (Responsibilities) Assistance to President
Timothy Andree	Director, Executive Officer (Responsibilities) Overseas operations management, Executive Chairman of Dentsu Aegis Network Ltd.
Arinobu Soga	Director, Executive Officer (Responsibilities) Assistance for Management of Group-wide Basis (corporate strategy, CFO), Assistance for corporate management, Assistance for overseas operations management (overall corporate matters)
Hiroshi Igarashi	Director, Executive Officer (Responsibilities) Domestic operations management
Nobuko Matsubara	Director
Yoshiharu Sengoku	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 Shoichi Nakamoto and Kenichi Kato resigned from their positions as Directors with the expiration of their terms of office at the conclusion of the March 29, 2018 Ordinary General Meeting of Shareholders.
2. Of the Directors, Atsuko Toyama, Toshiaki Hasegawa, Kentaro Koga, and Nobuko Matsubara are Outside Directors pursuant to Article 2, Item 15 of the Companies Act.
3. Of the Directors, Atsuko Toyama, Toshiaki Hasegawa, Kentaro Koga, and Nobuko Matsubara are designated Independent Directors pursuant to the Tokyo Stock Exchange Securities Listing Regulations.
4. Director who is an Audit and Supervisory Committee Member Kentaro Koga has many years of experience as a university associate professor (accounting) and has an appreciable extent of knowledge on finance and accounting.
5. The Company has concluded a contract for limitation of liability with each of Directors Yoshiharu Sengoku, Atsuko Toyama, Toshiaki Hasegawa, Kentaro Koga, and Nobuko Matsubara for a maximum liability amount of 10 million yen or the minimum liability amount stipulated in Article 423, Paragraph 1 of the Companies Act, whichever is higher.
6. To work toward further enrichment of the duties of the Audit and Supervisory Committee, the Company designates a Full-time Audit and Supervisory Committee Member, and Director Yoshiharu Sengoku fulfills this role. He resigned from his position as Director who is not an Audit and Supervisory Committee Member with the expiration of his term of office at the conclusion of the March 29, 2018 Ordinary General Meeting of Shareholders and was elected as Director who is an Audit and Supervisory Committee Member at the said Ordinary General Meeting of Shareholders.

3. Total Amount of Remuneration for Company Executives

	Directors (excluding Audit and Supervisory Committee Members) (Of which Outside Directors)	Directors (Audit and Supervisory Committee Members) (Of which Outside Directors)	All Officers (Of which Outside Directors)
Monthly Remuneration	291 million yen: 10 persons (15 million yen) (1 person)	81 million yen: 5 persons (45 million yen) (3 persons)	372 million yen: 14 persons (60 million yen) (4 persons)
Bonuses	155 million yen: 7 persons (- million yen) (- persons)	- million yen: - persons (- million yen) (- persons)	155 million yen: 7 persons (- million yen) (- persons)
Total	446 million yen: 10 persons (15 million yen) (1 person)	81 million yen: 5 persons (45 million yen) (3 persons)	527 million yen: 14 persons (60 million yen) (4 persons)

(Notes)

1. The annual remuneration amounts for Directors who are not Audit and Supervisory Committee Members and Directors who are Audit and Supervisory Committee Members were approved by shareholders at the Ordinary General Meeting of Shareholders held on March 30, 2016. The resolution limits the amounts to 1,200 million yen per year and 150 million yen per year, respectively.
2. Monthly Remuneration in the table above includes the amount for two Directors who resigned from their positions as Directors who are not Audit and Supervisory Committee Members and for one Director who resigned from his position as Director who is an Audit and Supervisory Committee Member at the conclusion of the March 29, 2018 Ordinary General Meeting of Shareholders. Moreover, one Director who resigned from his position as Director who is not an Audit and Supervisory Committee Member assumed the position of Director who is an Audit and Supervisory Committee Member after his resignation. The amount of his remuneration is included in both the amount for Directors who are not Audit and Supervisory Committee Members and the amount for Directors who are Audit and Supervisory Committee Members in the table above. Therefore, the total number of Directors differs from the total number of Officers by 1.
3. Bonuses in the table above show the amount approved at the meeting of the Board of Directors held in February 2019 within the limit of remuneration for Directors stated in Note 1. above. The Company does not pay bonuses to Directors who are Audit and Supervisory Committee Members.
4. Regarding the above, the Audit and Supervisory Committee checked and reviewed the determination policy, the approach, and the process, 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 (excluding Outside Directors) incorporates a performance-linked system.

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

The total of monthly remuneration which is a fixed remuneration and performance-linked bonuses shall be within the limit for remuneration (within 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 (excluding Outside Directors) (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.

Provided that the approval is secured at the 170th Ordinary General Meeting of Shareholders to be held on March 28, 2019, the Company intends to introduce a new Performance-Based Stock Compensation Plan for Executive Officers (including any Executive Officer who con-currently serves as a Director) of the Company as a medium- to long-term bonus to further enhance the motivation for the “execution of strategy from a medium- to long-term perspective,” which is the mission of officers. In conjunction with the introduction of the new plan, the Company intends to revise the basic annual compensation (monthly payments) and annual bonus.

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	<p>Attended all 17 meetings of the Board of Directors and 13 of the 14 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks from an objective and professional perspective as an Outside Director, utilizing her rich experience in educational and cultural administration.</p> <p>In the fiscal year under review, she received reports as necessary, monitored progress and made proposals regarding the status of improvement in the working environment. Thus, she is appropriately fulfilling her duties.</p>
Outside Director Toshiaki Hasegawa	<p>Attended all 17 meetings of the Board of Directors and all 14 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks from an objective and professional perspective as an Outside Director, utilizing his rich experience as an international business lawyer.</p> <p>In the fiscal year under review, he received reports as necessary, monitored progress and made proposals regarding the status of improvement in the working environment. Thus, he is appropriately fulfilling his duties.</p>
Outside Director Kentaro Koga	<p>Attended 16 of the 17 meetings of the Board of Directors and 13 of the 14 meetings of the Audit and Supervisory Committee held in the fiscal year under review. Made remarks from an objective and professional perspective as an Outside Director, mainly utilizing his rich experience as a university associate professor (accounting).</p> <p>In the fiscal year under review, he received reports as necessary, monitored progress and made proposals regarding the status of improvement in the working environment. Thus, he is appropriately fulfilling his duties.</p>
Outside Director Nobuko Matsubara	<p>Attended all 17 meetings of the Board of Directors held in the fiscal year under review. Made remarks from an objective and professional perspective as an Outside Director, utilizing her specialized expertise and rich experience concerning labor issues.</p> <p>In the fiscal year under review, she received reports as necessary, monitored progress and made proposals regarding the status of improvement in the working environment. Thus, she is appropriately fulfilling her duties.</p>

6. Evaluation of Effectiveness of the Board of Directors

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

According to the analysis and evaluation of the fiscal year ended December 31, 2018, the composition, operation and content of deliberations of the Board of Directors are generally appropriate, adequate deliberations are being made via active exchange of opinions, etc., and it was confirmed that the effectiveness and appropriateness of management supervision by the Board of Directors have been secured. Regarding the issue 1) appropriate allocation of time for deliberation according to the degree of importance of agenda items that was revealed by the analysis and evaluation of the fiscal year ended December 31, 2017, improvements were seen. On the other hand, other issues have been revealed concerning points such as 2) involvement of independent Outside Directors in nomination and determination of remuneration, 3) management and supervision of Group companies, and 4) feedback of investors' opinions. By aiming to improve them in the future, the Company will work to further improve the effectiveness and appropriateness of the monitoring of management by the Board of Directors.

IV Items Related to the Accounting Auditor

1. Name of the Accounting Auditor

KPMG AZSA LLC

2. Remuneration to the Accounting Auditor

- (1) Fee for Accounting Auditor relating to this fiscal year 161 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 and in order to assess whether sufficient audit quality is assured, has checked the time required to audit each audit item and the audit fees as well as the audit plans and the results for previous fiscal years, and upon considering the appropriateness of the time required for audit and the 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

316 million yen

(Note) The Company paid the Accounting Auditor for services such as preparation of comfort letters associated with the issuance of corporate bonds, which are not included within the scope of work of Article 2, Paragraph 1 of the Certified Public Accountants Act.

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

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

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

- (1) The Audit and Supervisory Committee may dismiss the Accounting Auditor upon unanimous approval from all Audit and Supervisory Committee Members if it is determined that any of the reasons stipulated in Article 340, Paragraph 1 of the Companies Act apply and dismissal is appropriate.
- (2) Considering factors such as the independence and business execution of the Accounting Auditor, the Audit and Supervisory Committee may submit a proposal to a General Meeting of Shareholders to elect, dismiss or refuse to reappoint the Accounting Auditor if it is found that there is a possibility of a significant threat to the auditing operations of the Company, such as difficulty by the Accounting Auditor to execute business appropriately, and in the event that it is determined that such action is required from the viewpoint of effectiveness and efficiency, etc., of audit implementation, as stipulated in Article 399-2, Paragraph 3 of the Companies Act.

Consolidated Statement of Financial Position

(As of December 31, 2018)

(Unit: Million yen)

Assets		Liabilities and Equity	
Account item	Amount	Account item	Amount
Current assets	1,935,586	Current liabilities	1,785,608
Cash and cash equivalents	416,668	Trade and other payables	1,341,461
Trade and other receivables	1,368,728	Borrowings	104,879
Inventories	28,580	Other financial liabilities	47,395
Other financial assets	15,090	Income tax payables	42,981
Other current assets	106,516	Provisions	1,575
Non-current assets classified as held for sale	2	Other current liabilities	247,315
Non-current assets	1,702,902	Non-current liabilities	742,130
Property, plant and equipment	199,207	Corporate bonds and borrowings	433,980
Goodwill	786,851	Other financial liabilities	163,362
Intangible assets	249,921	Liability for retirement benefits	30,675
Investment property	37,089	Provisions	4,705
Investments accounted for using the equity method	39,897	Other non-current liabilities	18,133
Other financial assets	348,537	Deferred tax liabilities	91,272
Other non-current assets	14,242	Total liabilities	2,527,738
Deferred tax assets	27,155	Total equity attributable to owners of the parent	1,047,619
		Share capital	74,609
		Share premium account	99,751
		Treasury shares	(40,194)
		Other components of equity	160,735
		Retained earnings	752,717
		Non-controlling interests	63,129
		Total equity	1,110,749
Total assets	3,638,488	Total liabilities and equity	3,638,488

Consolidated Statement of Income

(From January 1, 2018 to December 31, 2018)

(Unit: Million yen)

Account item	Amount
Turnover (Note)	5,357,278
Revenue	1,018,512
Cost	85,831
Revenue less cost of sales	932,680
Selling, general and administrative expenses	820,058
Other income	11,168
Other expenses	12,151
Operating profit	111,638
Share of results of associates	2,699
Gain on sales of shares of associates	52,127
Profit before interest and tax	166,465
Finance income	6,839
Finance costs	24,553
Profit before tax	148,751
Income tax expense	51,250
Profit for the year	97,501
Profit attributable to:	
Owners of the parent	90,316
Non-controlling interests	7,185

(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, 2018 to December 31, 2018)

(Unit: Million yen)

	Total equity attributable to owners of the parent						
	Share capital	Share premium account	Treasury shares	Other components of equity			
				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, 2018	74,609	99,751	(40,182)	48	69,734	6,231	151,258
Cumulative effects of changes in accounting policies							
Restated balance as of January 1, 2018	74,609	99,751	(40,182)	48	69,734	6,231	151,258
Profit for the year							
Other comprehensive income					(45,845)	133	(21,718)
Comprehensive income for the year	-	-	-	-	(45,845)	133	(21,718)
Repurchase of treasury shares			(12)				
Disposal of treasury shares		(0)	0				
Dividends							
Transactions with non-controlling interests							
Transfer from other components of equity to retained earnings							941
Other changes				(48)			
Transactions with owners – total	-	(0)	(12)	(48)	-	-	941
As of December 31, 2018	74,609	99,751	(40,194)	-	23,888	6,364	130,482

(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, 2018	-	227,272	731,759	1,093,211	56,923	1,150,134
Cumulative effects of changes in accounting policies		-	(3,850)	(3,850)		(3,850)
Restated balance as of January 1, 2018	-	227,272	727,909	1,089,360	56,923	1,146,284
Profit for the year		-	90,316	90,316	7,185	97,501
Other comprehensive income	(7,558)	(74,989)		(74,989)	(3,745)	(78,735)
Comprehensive income for the year	(7,558)	(74,989)	90,316	15,326	3,439	18,766
Repurchase of treasury shares		-		(12)		(12)
Disposal of treasury shares		-		0		0
Dividends		-	(25,370)	(25,370)	(7,229)	(32,600)
Transactions with non-controlling interests		-	(31,684)	(31,684)	10,321	(21,363)
Transfer from other components of equity to retained earnings	7,558	8,500	(8,500)	-		-
Other changes		(48)	48	0	(324)	(324)
Transactions with owners – total	7,558	8,452	(65,507)	(57,067)	2,766	(54,300)
As of December 31, 2018	-	160,735	752,717	1,047,619	63,129	1,110,749

Nonconsolidated Balance Sheet

(As of December 31, 2018)

(Unit: Million yen)

Assets		Liabilities	
Account item	Amount	Account item	Amount
Current assets	690,327	Current liabilities	571,362
Cash and deposits	264,328	Notes payable-trade	5,771
Notes receivable-trade	27,261	Accounts payable-trade	378,203
Accounts receivable-trade	324,039	Short-term loans payable	97,285
Works	1,239	Current portion of long-term loans payable	2,720
Work in process	4,999	Lease obligations	7
Supplies	37	Other payables	13,746
Prepaid expenses	2,129	Accrued expenses	16,549
Deferred tax assets	4,059	Income taxes payable	27,202
Other	63,242	Advances received	19,618
Allowance for doubtful accounts	(1,009)	Deposits received	2,570
Non-current assets	1,148,311	Unearned revenue	199
Property, plant and equipment	186,100	Provision for directors' bonuses	125
Buildings, net	46,710	Other	7,361
Structures, net	778	Non-current liabilities	276,189
Vehicles, net	32	Bonds payable	80,000
Tools, furniture and fixtures, net	2,877	Long-term loans payable	126,960
Land	135,702	Lease obligations	18
Intangible assets	10,641	Provision for retirement benefits	17,674
Software	10,468	Deferred tax liabilities	42,832
Other	173	Deferred tax liabilities for land revaluation	4,276
Investments and other assets	951,568	Asset retirement obligations	438
Investment securities	248,069	Other	3,989
Shares of subsidiaries and associates	575,116	Total liabilities	847,551
Investments in other securities of subsidiaries and associates	52,997	Net Assets	
Investments in capital of subsidiaries and associates	13,036	Shareholders' equity	863,114
Long-term loans receivable	44,161	Capital stock	74,609
Other	19,055	Capital surplus	100,106
Allowance for doubtful accounts	(867)	Legal capital surplus	76,541
		Other capital surplus	23,564
		Retained earnings	728,592
		Legal retained earnings	722
		Other retained earnings	727,870
		Reserve for advanced depreciation of non-current assets	3,722
		General reserve	445,500
		Retained earnings brought forward	278,647
		Treasury shares	(40,194)
		Valuation and translation adjustments	127,971
		Valuation difference on available-for-sale securities	131,151
		Deferred gains or losses on hedges	6,729
		Revaluation reserve for land	(9,909)
		Total net assets	991,086
Total assets	1,838,638	Total liabilities and net assets	1,838,638

Nonconsolidated Statement of Income

(From January 1, 2018 to December 31, 2018)

(Unit: Million yen)

Account item	Amount	
Net sales		1,539,962
Cost of sales		1,308,442
Gross profit		231,520
Selling, general, and administrative expenses		182,915
Operating income		48,604
Non-operating income		
Interest and dividend income	22,634	
Profit distributions	8,528	
Other	3,533	34,697
Non-operating expenses		
Interest expenses	1,454	
Amortization of long-term prepaid expenses	4,031	
Other	2,400	7,887
Ordinary income		75,414
Extraordinary income		
Gain on sales of non-current assets	4	
Gain on sales of shares of subsidiaries and associates	59,634	
Other	786	60,426
Extraordinary loss		
Loss on valuation of shares of subsidiaries and associates	4,272	
Other	928	5,201
Income before income taxes		130,640
Income taxes-current	37,997	
Income taxes-deferred	(2,199)	35,798
Net income		94,841

Nonconsolidated Statement of Changes in Net Assets

(From January 1, 2018 to December 31, 2018)

(Unit: Million yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
As of January 1, 2018	74,609	76,541	23,564	100,106
Changes of items during the period				
Dividends from retained earnings				-
Reversal of reserve for advanced depreciation of non-current assets				-
Net income				-
Purchase of treasury shares				-
Disposal of treasury shares			(0)	(0)
Forfeiture of subscription rights to shares				-
Changes in items other than shareholders' equity during the period – net				-
Total changes of items during the period	-	-	(0)	(0)
As of December 31, 2018	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, 2018	722	3,785	445,500	209,113	659,122	(40,182)	793,656
Changes of items during the period							
Dividends from retained earnings				(25,370)	(25,370)		(25,370)
Reversal of reserve for advanced depreciation of non-current assets		(63)		63	-		-
Net income				94,841	94,841		94,841
Purchase of treasury shares					-	(12)	(12)
Disposal of treasury shares					-	0	0
Forfeiture of subscription rights to shares					-		-
Changes in items other than shareholders' equity during the period – net					-		-
Total changes of items during the period	-	(63)	-	69,534	69,470	(12)	69,458
As of December 31, 2018	722	3,722	445,500	278,647	728,592	(40,194)	863,114

(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, 2018	147,335	8,082	(9,909)	145,507	48	939,212
Changes of items during the period						
Dividends from retained earnings				-		(25,370)
Reversal of reserve for advanced depreciation of non-current assets				-		-
Net income				-		94,841
Purchase of treasury shares				-		(12)
Disposal of treasury shares				-		0
Forfeiture of subscription rights to shares				-	(48)	(48)
Changes in items other than shareholders' equity during the period – net	(16,183)	(1,352)		(17,536)		(17,536)
Total changes of items during the period	(16,183)	(1,352)	-	(17,536)	(48)	51,874
As of December 31, 2018	131,151	6,729	(9,909)	127,971	-	991,086

Independent Auditor's Report

February 19, 2019

The Board of Directors
Dentsu Inc.

KPMG AZSA LLC

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

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

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

We have audited the consolidated financial statements, comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the related notes of Dentsu Inc. as at December 31, 2018 and for the year from January 1, 2018 to December 31, 2018 in accordance with Article 444-4 of the Companies Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not to express 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.

(TRANSLATION)

Opinion

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

Emphasis of Matter

We draw attention to the significant subsequent events in the notes to consolidated financial statements, whereby the Company has resolved at the Board of Directors meeting held on February 19, 2019, to split by means of a company split any and all business that are being operated by the Company to the Successor Company, and has executed the Absorption-type Company Split Agreement between the Company and the Successor Company on the same date.

Our opinion is not modified in respect of this matter.

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

Independent Auditor's Report

February 19, 2019

The Board of Directors
Dentsu Inc.

KPMG AZSA LLC

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

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

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

We have audited the financial statements, comprising the nonconsolidated balance sheet, the nonconsolidated statement of income, the nonconsolidated statement of changes in net assets and the related notes, and the supplementary schedules of Dentsu Inc. as at December 31, 2018 and for the year from January 1, 2018 to December 31, 2018 in accordance with Article 436-2-1 of the Companies Act.

Management's Responsibility for the Financial Statements and Others

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

Auditor's Responsibility

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

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

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

(TRANSLATION)

Opinion

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

Emphasis of Matter

We draw attention to the significant subsequent events in the notes to nonconsolidated financial statements, whereby the Company has resolved at the Board of Directors meeting held on February 19, 2019, to split by means of a company split any and all business that are being operated by the Company to the Successor Company, and has executed the Absorption-type Company Split Agreement between the Company and the Successor Company on the same date.

Our opinion is not modified in respect of this matter.

Other Matter

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

Notes to the Reader of Independent Auditor's Report:

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

(TRANSLATION)

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 170th fiscal year between January 1, 2018 and December 31, 2018. The Auditors' Report is as follows.

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

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

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

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

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

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

In addition, with regard to internal controls related to the Financial Report, we have received reports from the Directors, Executive Officers, and others as well as from Accounting Auditors

(TRANSLATION)

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 shares, 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 (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

(TRANSLATION)

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 nor Directors' execution of duties, including the internal control systems for financial statements.

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

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

February 19, 2019

Dentsu Inc. Audit and Supervisory Committee

Full-time Audit and Supervisory Committee Member

Yoshiharu Sengoku (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.