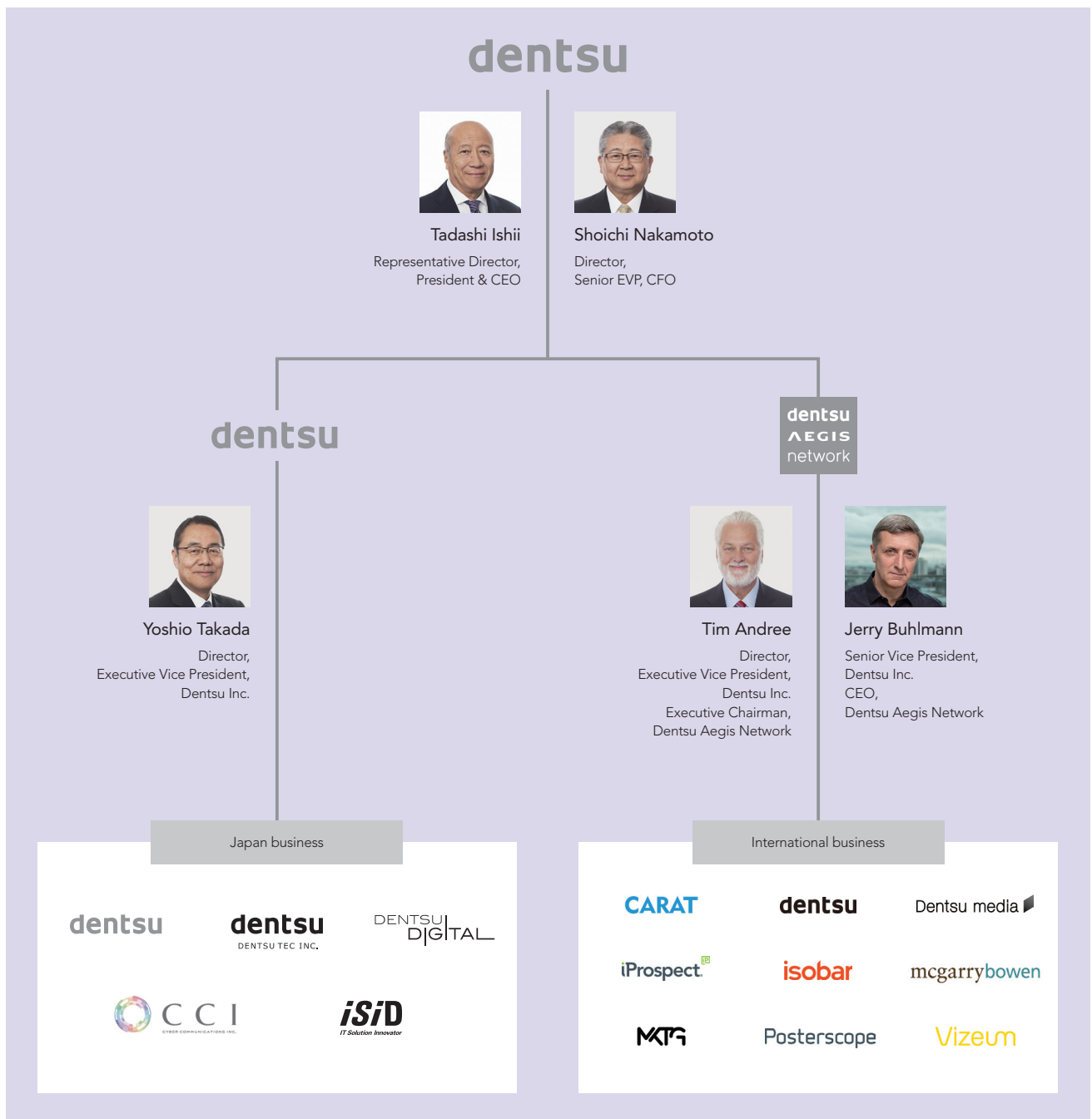


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## The Dentsu Group's Management Structure

The Japan business is spearheaded by Dentsu, while the international business is led by Dentsu Aegis Network (DAN), which includes Aegis's and Dentsu's legacy international businesses.

### Management Structure



## Dentsu's Corporate Governance Implementation Structure

Dentsu Inc. (hereinafter the Company), as a company with an Audit and Supervisory Committee, transfers authority for important business execution in part from the Board of Directors to the directors. It thus achieves an expeditious, effective business execution system, and enhances the supervisory function of directors through the board.

As of March 30, 2016, the board comprises nine directors (of which three are independent, outside directors), four of whom (three being outside directors) are Audit and Supervisory Committee members. Among the factors considered in nominating members of the Board of Directors are diversity in experience, insight, ability, and gender.

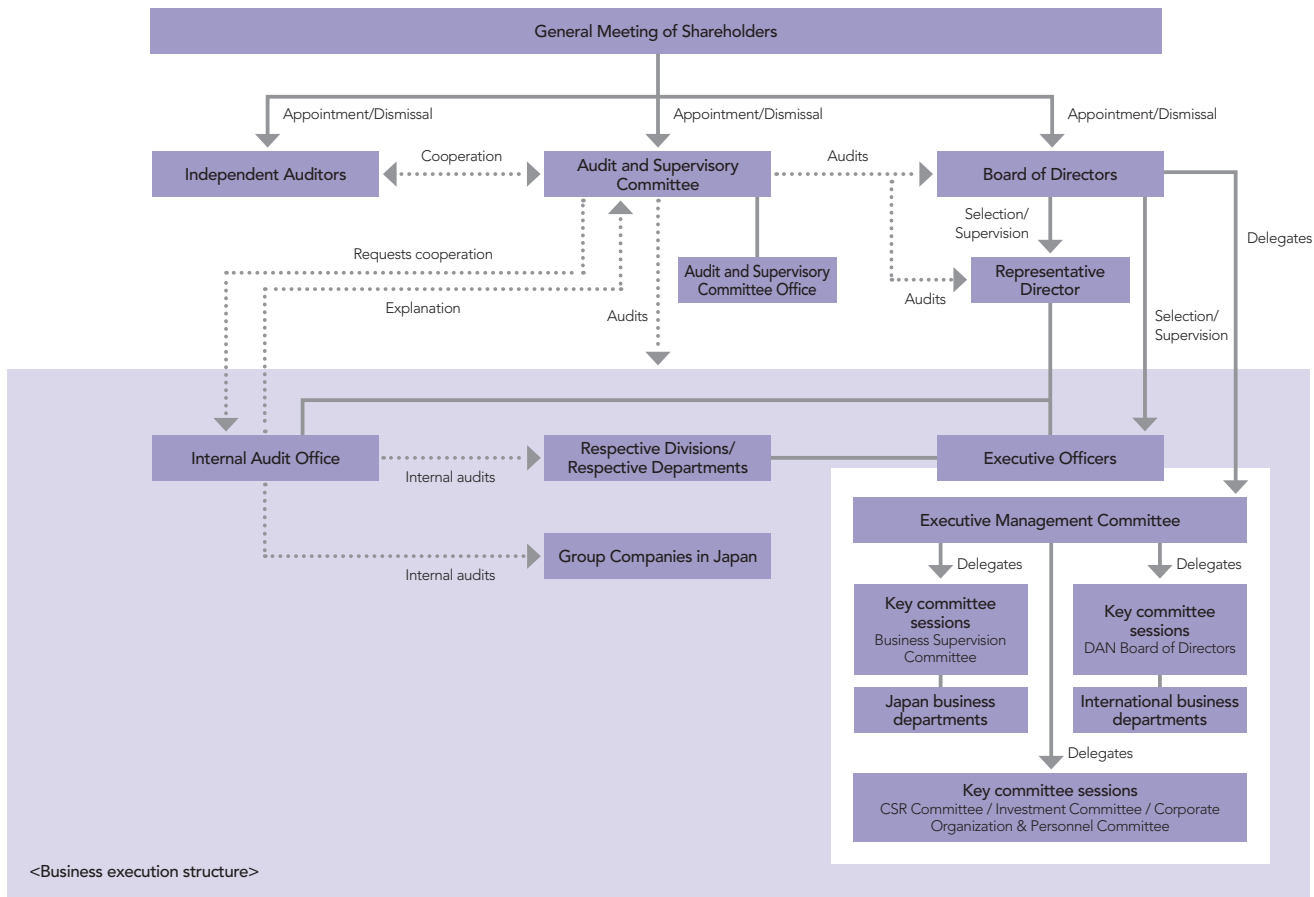
Further, Dentsu has introduced a Director and Executive Officer System to clarify roles and responsibilities, and to reinforce the effectiveness of its management and operations systems.

Under the Board of Directors, we set up an Executive Management Committee, comprising the representative director, executive officers, and executive directors. This committee makes decisions on important matters relating to management, and conducts preliminary deliberations on board resolutions.

The Supervisory Committee and the Executive Management Committee together ensure the proper functioning of our business, making the principal operational decisions and so being responsible for earnings.

The Company has divided its business into the Japan and international business areas, under the auspices of its Business Supervision Committee and the Dentsu Aegis Network Board of Directors, respectively. The committee oversees revenue-related matters, while the board exercises overall authority.

### Corporate Governance Structure



<Business execution structure>

## Change of Governance Structure

Dentsu Inc. changed from being a company with an Audit & Supervisory Board to being one with an Audit and Supervisory Committee at the end of the Ordinary General Meeting of Shareholders in March 2016.

Even though Dentsu had been well organized under its previous configuration, with an Audit & Supervisory Board, the change in corporate governance structure was in response to the implementation of the Corporate Governance Code by the Tokyo Stock Exchange on June 1, 2015. It was also decided that we would voluntarily change the composition of the Board of Directors—so that at least one-third of the members would be independent, outside directors to enhance our auditing and monitoring functions—and set up an Audit and Supervisory Committee.

The main role of the Board of Directors from then on would be the supervision of business execution, to enable expeditious decision-making and effective business execution by individuals in an executive position. With this change, the Dentsu Group aims to improve the soundness and transparency of management and the speed of decision-making in order to further increase corporate value.



**Toshiaki Hasegawa,**  
Lawyer

Dentsu Inc.,  
Director  
Member of the Audit and  
Supervisory Committee (Outside)  
Representative of T.Hasegawa &  
Co., Law Offices

## Implementation of New Corporate Governance Structure

In 2016, the corporate community in Japan has seen a continuation of the corporate governance reforms that started in the previous year. The degree to which the revised Companies Act and the Corporate Governance Code—implemented in May and June of 2015, respectively—have had an effect on the conduct of business here is currently being put to the test.

Meanwhile, besides the governance reform, Dentsu has implemented innovative changes. It has changed its closing date for accounting from the end of March to the end of December, adopted International Financial Reporting Standards, and changed its governance structure to reflect the amendment to the Companies Act. The changes have been made to strengthen the internal controls and governance of the entire Group.

For my part, I resigned from the office of auditor and was appointed an outside director and a member of the Audit and Supervisory Committee at the Ordinary General Meeting of Shareholders on March 30, 2016. Some people may view this merely as a change in job title, with the degree of responsibility remaining much the same. However, from the perspective of governance enhancement, significant progress has been made.

Since a member of the Audit and Supervisory Committee is also a director, I will participate in, and exercise voting rights for, resolutions at Board of Directors' meetings. While articulating my position on the pros and cons of management decisions, I am also responsible for the legality of Board of Directors' activities. Although establishing the auditing committee complies with global standards, the management and supervisory system of a company with an Audit & Supervisory Board was so unusual in Japan, that people outside the country found it confusing.

I believe that, through the above drastic reforms, the Dentsu Group has created a governance structure suitable for a truly global company.

V o i c e

## Response to Implementation of the Corporate Governance Code

### Policy Formulation

In response to the implementation of the Corporate Governance Code, the Company formulated a new Corporate Governance Policy to put into practice effective corporate governance and fulfill its responsibilities to its stakeholders (shareholders, clients, employees, and local communities), ensuring sustainable growth and enhancing mid- to long-term corporate value.

Corporate Governance Policy ⇒ <http://www.dentsu.com/whoweare/cgp.html>

### Appointment of Senior Management; Nomination of Director Candidates

When nominating directors who are not already members of the Audit and Supervisory Committee, the representative director—the individual in a Japanese company who has the company seal and represents it in transactions—will submit the proposed names and, to ensure transparency, explain to the independent outside director members of the Audit and Supervisory Committee the reasons for, and suitability of, nominees. Directors shall be nominated by the Board of Directors, which will take into consideration the opinions of outside directors.

When nominating directors who are members of the Audit and Supervisory Committee, the representative director will submit a list of proposed names and, after they have been approved by the Audit and Supervisory Committee, the Board of Directors shall decide the new board members.

For the policies and procedures involved in nominating director candidates, please refer to the Corporate Governance Report.

Corporate Governance Report ⇒ [http://www.dentsu.com/csr/pdf/governance\\_201603\\_en.pdf](http://www.dentsu.com/csr/pdf/governance_201603_en.pdf)

### Formulation of the Independence Standards for Outside Directors

In order to ensure transparency of the Group's corporate governance structure, in November 2015, the Company formulated its Standards for the Independence of Outside Directors, as stated in part below.

The Company deems that any directors who fall into any of the following categories do not meet the standards required of independent outside directors.

1. Persons who have certain relationships with the Company or its subsidiaries.
2. Persons who hold the position of director or other executive of a corporation and who also perform an executive role in the Company.
3. Principal business partners.
4. Auditors of the Company.
5. Outside experts of the Company.
6. Persons who received donations from the Company.
7. Major shareholders.
8. Persons who have fallen under items 2 through 6 in the past.
9. Close relatives.

Independence Standards for Outside Directors at Dentsu Inc. ⇒ <http://www.dentsu.com/whoweare/isod.html>

### Self-evaluation of board's efficacy, summary of results

Since becoming a company with an Audit and Supervisory Committee in FY2016, each year directors will be required to conduct self-evaluations regarding the effectiveness and aptness of the Board of Directors' monitoring of the Company's management, and of their performance of their own duties as directors. Based on the results of the self-evaluations, the Board of Directors will analyze and evaluate the overall effectiveness of the board, before making public an overview.

## Training Directors and Executive Officers

Through ongoing training, opportunities will be made available for directors and executive officers to gain the knowledge necessary to properly carry out their work and responsibilities.

Currently, when directors (excluding outside directors) and executive officers assume their roles, the Company provides them with lectures, given by in-house and outside experts, with respect to the Company's strategies in areas including management, business, finance, laws, and regulations. This enables them to acquire and update the knowledge they require to fulfill their responsibilities. They also have opportunities to find, through discussions, issues to be addressed by the Company and their solutions. Moreover, after becoming directors or auditors, they have opportunities to hold monthly study seminars to obtain the latest information regarding best practices for megatrend issues, with emphasis on the positioning of the environmental, social, and governmental criteria in the Corporate Governance Code.

When new outside directors assume their offices, they are provided with an explanation of the business, organizational structure, and other related Company matters. Then, periodically, they are updated regarding issues currently being addressed by the Company.

## Remuneration

### Policies, procedures for senior management; directors' remuneration

Directors who are not members of the Audit and Supervisory Committee have a performance-linked framework for remuneration. It is designed to ensure that the medium-term management plan goals are achieved, the focus is on the mid- to long-term profit of shareholders, and the motivation to maximize the corporate value of the Company remains high.

The index used to evaluate business performance is the Company's consolidated operating profit, while the total amount of bonuses varies according to the degree to which budgetary goals have been achieved. Performance-linked bonuses, meanwhile, account for 40% of the Company's total remuneration.

The total amount of fixed monthly salaries and performance-linked bonuses is within the remuneration limit approved at the Ordinary General Meeting of Shareholders.

The amount of remuneration of each director who is not a member of the Audit and Supervisory Committee (as well as of each executive officer) is determined by a resolution of the Board of Directors within the above limit of remuneration, and must be approved at the same General Meeting of Shareholders. In order to ensure transparency, the suggested remuneration is explained to committee members, and the final decision is made by shareholders after they have taken into consideration the opinions of the Audit and Supervisory Committee members.

Remuneration for directors who are members of the Audit and Supervisory Committee consists solely of a fixed monthly salary. The gross amount is within the remuneration limit approved at the Ordinary General Meeting of Shareholders.

The amount of remuneration for each director who is a member of the Audit and Supervisory Committee is determined through consultations conducted by the committee directors. The amount is within the above remuneration limit, as approved at the same Ordinary General Meeting of Shareholders.

### Total Amount of Remuneration for Directors and Audit & Supervisory Board Members

	Directors (of which are Outside Directors)	Audit & Supervisory Board Members (of which are Outside Audit & Supervisory Board Members)	All Officers (of which are Outside Officers)
Monthly Remuneration	274 million yen: 12 persons (10 million yen) (2 persons)	75 million yen: 5 persons (21 million yen) (3 persons)	349 million yen: 17 persons (31 million yen) (5 persons)
Bonuses	195 million yen: 9 persons (- yen) (- persons)	- yen: - persons (- yen) (- persons)	195 million yen: 9 persons (- yen) (- persons)
Total	469 million yen: 12 persons (10 million yen) (2 persons)	75 million yen: 5 persons (21 million yen) (3 persons)	544 million yen: 17 persons (31 million yen) (5 persons)

1. The annual remuneration for directors was approved by shareholders at the Ordinary General Meeting of Shareholders held on June 27, 2013. The resolution limits the amount to ¥1,200 million per year (of which up to ¥18 million per year is earmarked for outside directors).

2. The annual remuneration for Audit & Supervisory Board Members was approved by shareholders at the Ordinary General Meeting of Shareholders held on June 27, 2013. The resolution limits the amount to ¥132 million per year.

3. The totals for fixed monthly remuneration include amounts for one director who resigned at the conclusion of the Ordinary General Meeting of Shareholders held on June 26, 2015.

4. Bonuses in the table above show the amount approved at the meeting of the Ordinary Board of Directors held in February 2016. It is within the limit of remuneration for directors stated in Note 1. above. The Company does not pay bonuses to outside directors and Audit & Supervisory Board Members.

5. With the approval by the 167th Ordinary General Meeting of Shareholders, held on March 30, 2016, the Company now has an Audit and Supervisory Committee. At the same meeting, shareholders approved a maximum annual remuneration for those directors who are not members of the Audit and Supervisory Committee of ¥1.2 billion, and a maximum annual remuneration for those directors who are members of the Audit and Supervisory Committee of ¥150 million. Shareholders also agreed that no bonus is to be paid to outside directors.

## Communication with Shareholders and Investors

The Company is working to enhance its mid- to long-term corporate value by disclosing to shareholders and investors such information as management strategies, financial figures, and non-financial particulars. Disclosures are timely, and the Company engages in an ongoing, constructive dialogue with shareholders and investors through its IR activities.

In addition to holding earnings-related presentations twice a year, we aim to achieve wide-ranging, two-way communication with shareholders and investors through individual briefings for institutional investors and analysts held in Japan and other countries.

Policy on Constructive Dialogue with Shareholders → <http://www.dentsu.com/ir/stockandratings/constructivedialogue.html>



The General Meeting of Shareholders



Exhibition panel for the reception at the General Meeting of Shareholders

### Capital Policy and Shareholder Return

The Company employs a capital policy aimed at improving its intrinsic corporate value. As a top priority for capital allocation, it pursues sustainable profit growth with aggressive M&As in growth areas across all markets. Further, through a combination of continued dividend stability and agile treasury stock acquisition, the Company aims to consistently improve shareholder returns, raise capital efficiency, and improve return on equity over the medium term.

### Ordinary General Meeting of Shareholders

At the Company's Ordinary General Meeting of Shareholders, we make every effort to ensure the smooth exercise of shareholders' voting rights. This is done by such measures as the prompt delivery of notices of the Meetings and the introduction of Internet voting. The 166th Meeting, held on June 26, 2015, was attended by 307 shareholders.

### Earnings Presentations

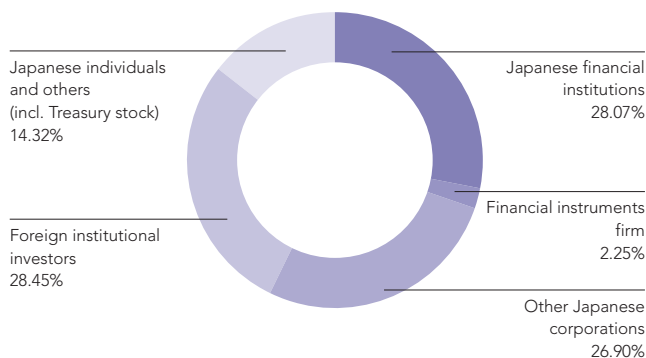
The Company places importance on its relationships with analysts and investors. We hold earnings presentations twice a year to explain our financial situation, provide a general overview, and explain management policies. The documents used at earnings presentations are posted on the Company's website and made available to general investors.

Earnings presentation materials → <http://www.dentsu.com/ir/library/conferencematerials/>

### Shareholder Composition

As of the end of December 2015, there were 31,928 Dentsu shareholders.

#### Ownership and Distribution of Shares



## Dentsu Group Internal Controls

We believe that the Dentsu Group Internal Control System encourages compliance among directors, executive officers, and employees, while at the same time supporting continuous corporate development as Dentsu meets its social responsibilities. The Company has established the Dentsu Group Code of Conduct to ensure that the execution of duties by directors, executive officers, and employees of the Company and its subsidiaries conform to laws and regulations, and that business is conducted appropriately. The code is the foundation on which the internal control system rests.

Based on the code, the Company familiarizes all employees with the relevant business procedures through regulations, manuals and training. Check items relating to risk management and compliance have been created, and inspections are carried out from various perspectives, allowing problems to be discovered and improvements to be developed.

A similar internal control structure is being applied in Group companies, to maintain and improve the corporate value of the entire Group.

Dentsu Group Code of Conduct → <http://www.dentsu.com/csr/overview/codeofconduct.html>

### Risk Management

To ensure the comprehensive management of the entire Group's risks, the members of the CSR Committee (chaired by the director and an executive officer) are drawn from the Group. The CSR Committee monitors the Group's risk management efforts and manages the plan-do-check-act (PDCA) cycle. This ensures that policies and the risk management process are developed, implemented, monitored, and improved in the interests of enabling enhancement to be continuous.

Dentsu sets up rules for the management of risk, in order to maintain and improve a structure that prevents the occurrence of risks and precludes the spread of damage or loss, while minimizing the impact of risk progression should risks materialize.

The Company prioritizes key risks and formulates concrete measures that can be employed should a response be required.

A department is assigned to be responsible for each key risk. These departments develop and implement the requisite measures to reduce risks; compile mid-term progress reports, year-end self-assessments, and guidelines for the succeeding year; and report to the CSR Committee.

Key risks and potential risks, thought likely to eventuate over the medium to long term, are reported by the CSR Committee to the Executive Management Committee. After confirming the status of any risk—whether it can be avoided, reduced, transferred, or retained—the CSR Committee develops and reviews response measures.

To prioritize key risks, the Dentsu Group conducts quantitative and qualitative analyses using a risk map. This data visualization tool takes into consideration the frequency and impact of each risk, and uses correlation analysis to identify key risks.

#### Potential risk that may occur from a medium and long-term perspective and the response status of the Dentsu Group

Potential risk	Outline	Mitigation plan and implementation status
Response to large-scale disasters	In case of crisis—such as disaster, accident, large-scale system failure, and health hazard—there is a risk that the business continuity plan (BCP) and contingency plan do not function properly and that time is required to resume the business.	<ul style="list-style-type: none"> <li>•Developing the initial response manual</li> <li>•Developing the management plans for the taskforce</li> <li>•Streamlining the safety confirmation operation by centralization of the safety information system</li> </ul>
Insufficient coping with globalization	The global strategy may be delayed due to flaw in the international business management systems and inadequate dealing with the measures and local legal system, etc., in the countries and regions where the Company engages in business.	<ul style="list-style-type: none"> <li>•Building an effective governance structure</li> <li>•Fostering global human resources</li> <li>•Strengthening the compliance system</li> </ul>
Reduction of the workload of employees	Health hazards or a decline in productivity of the employees may occur due to long working hours.	<ul style="list-style-type: none"> <li>•Setting the no-overtime days policy</li> <li>•Promoting the planning and taking of annual paid leave</li> <li>•Implementing the "work style innovation."</li> </ul>



## Information Security

### Development of a Management System

The Company set up the Dentsu Group Basic Policy for Information Security and a very strict information security management system to protect the Group's important data, as well as personal and other information received from clients.

The Company has compiled information management and other rules. Company officers and employees are made aware of these and are expected to comply with them. The Company also provides training for new graduate employees and briefings for employees, distributing videos and pamphlets to raise awareness. Given the importance of managers in information management, the Company has also started a new manager training course to educate managers about their roles and responsibilities.

For information management security, in March 2003 the Dentsu Head Office in Tokyo was awarded BS 7799-Part 2:2002 certification, the predecessor of ISO/IEC 27001:2005. This was extended to the entire Company in April 2005, when the Kansai and Chubu offices received the same certification.

In 2015, Dentsu went on to implement ISO/IEC27001:2013 and JIS Q 27001:2014, international standards for information security management systems (ISMS). As of March 31, 2015, Dentsu Inc. and 50 Dentsu Group companies in Japan have this certification.

Dentsu strives to implement stringent information security management for the entire Dentsu Group, to flexibly respond to the ever-changing and increasingly sophisticated environment of information and communication technology.

### Information Security Management System

#### Dentsu Group Basic Policy

Group member companies address information security in all business areas, by putting in place policies and procedures to systematically manage sensitive data. They recognize the role of information security management in protecting important information.

#### 1. Compliance with Laws

Based on requests from our stakeholders, including clients and business partners, we properly address information security management to ensure compliance with relevant laws and regulations. In particular, personal information is strictly managed.

#### 2. Strict Information Management

We will strictly manage information to prevent any leakage, loss, damage or misuse of information, such as confidential client information and personal information. We share such business information only among employees and Group companies with appropriate clearances. In selecting our subcontractors, we take into consideration how they are addressing information security.

#### 3. Maintaining and Improving Achievement Levels

We intend to maintain our current security level and improve it through our PDCA cycle activities. We educate all of our employees, from executives down, regarding information security, so that they can acquire the appropriate knowledge and develop the necessary judgment.

#### 4. Adaptation to Environmental Change

We will continue to update our information security management system and concomitant rules even as we take a flexible approach to environmental changes in our Group's business areas, the information assets handled by our Group, and developments in the area of information and communication technology (ICT).

## Compliance Promotion

### System Management

To ensure that internationally accepted standards are adopted in their global business, the Company formulated the Dentsu Group Code of Conduct, based on the *OECD Guidelines for Multinational Enterprises*, published by the Organization for Economic Cooperation and Development.

According to Dentsu's compliance system, directors and executive officers who discover violations of prevailing laws or who encounter other serious compliance-related issues are required immediately to report their findings to the Board of Directors or the Executive Management Committee. The Audit and Supervisory Committee also must be advised of the circumstances without delay.

If the Audit and Supervisory Committee gives an opinion on the Company's compliance system, or requires that steps be taken to improve the system, directors and executive officers must respond at once and make the recommended changes.

The compliance department develops rules and manuals to maintain and improve the compliance system as it applies to employees. It conducts training programs, led by the CSR Committee, designed to ensure compliance awareness among employees.

A Compliance Line was set up as the designated contact point for the receipt of reports on in-house legal violations. The line has an in-house and an external contact point, calls to the latter being handled by a law office. Operational and information management structures are in place to ensure that those seeking consultation or reporting violations are not penalized in any way. In FY2015, Dentsu Inc. and Dentsu Group employees submitted 15 reports and proposals (FY2014: 10; FY2013: 13; FY2012: 21). All were dealt with by the Company.

Among the activities held by the Dentsu Head Office in its attempt to prevent illicit behavior and raise the level of employee awareness was the showing of an educational video. In addition, to promote understanding of the importance of compliance issues, a compliance website was set up on the Company intranet, and the Compliance Digest booklet was distributed to all Group companies. Each year, compliance training sessions for new and mid-career hires are held at the Company and Group companies.

### Rejection of Antisocial Forces

The Company and all Group enterprises set up a Basic Policy on the Rejection of Organized Crime Groups and Other Antisocial Forces, thereby articulating their determination to take a firm stand against antisocial forces, as groups and individuals seeking economic profit through violence are known in Japan. Business partners have been asked to take the same action.

Basic Policy on the Rejection of Boryokudan (organized crime groups) and Other Antisocial Forces → <http://www.dentsu.co.jp/csr/compliance/compliance.html>

### Bid to End Bribery by Group Companies Abroad

DAN provides compliance training on the intranet for Group companies outside of Japan, the participation rate of which is up to 90%. As a follow-up, each company also holds its own training sessions and strives to raise employee awareness regarding bribery.

### Speak Up! Policy

The risk of fraud and other wrongdoing is a threat to the Group's profitability and reputation. DAN thus established an internal reporting program, called Speak Up!, for reporting any incident of concern or that raises suspicions of wrongdoing in the workplace. Employees can make a report to line managers, HR staff or senior managers, or they can follow internal grievance procedures. Appropriate legal and/or disciplinary action will be taken against perpetrators of fraud and other wrongdoing.

DAN also employs Safecall Limited, an independent specialist that employees can contact anonymously on the phone, by email and through a website, 24 hours a day, 365 days a year, and in a number of languages.



Compliance Digest booklet

Incident of concern or suspicion of wrongdoing within the workplace

- Bullying or harassment
- Theft or fraud
- Bribery and corruption
- Information security breaches (e.g. loss or theft of personal/ sensitive data)
- Abuse or inflation of expenses
- Non-compliance with contractual obligations
- Accounting and tax malpractice