

Corporate Governance

● Basic Perspective

The pursuit of optimal corporate governance is critical for achieving Dentsu's goal of creating new social values and sustainable societies. We aim to achieve sustainable growth and enhance corporate value by ensuring transparent, fair, rapid, and decisive decision-making, as well as the effective allocation of management resources.

To this end, we will continue to improve corporate governance by:

1. Respecting shareholders' rights and ensure their equal treatment
2. Considering the interests of stakeholders, including shareholders, and cooperate with them appropriately
3. Appropriately disclosing company information and ensure transparency
4. Enhancing the effectiveness of the supervisory function of the Board of Directors concerning business execution
5. Engaging in constructive dialogue with shareholders who have an investment policy that conforms to the mid- to long-term interests of shareholders

● Promotion of Corporate Governance

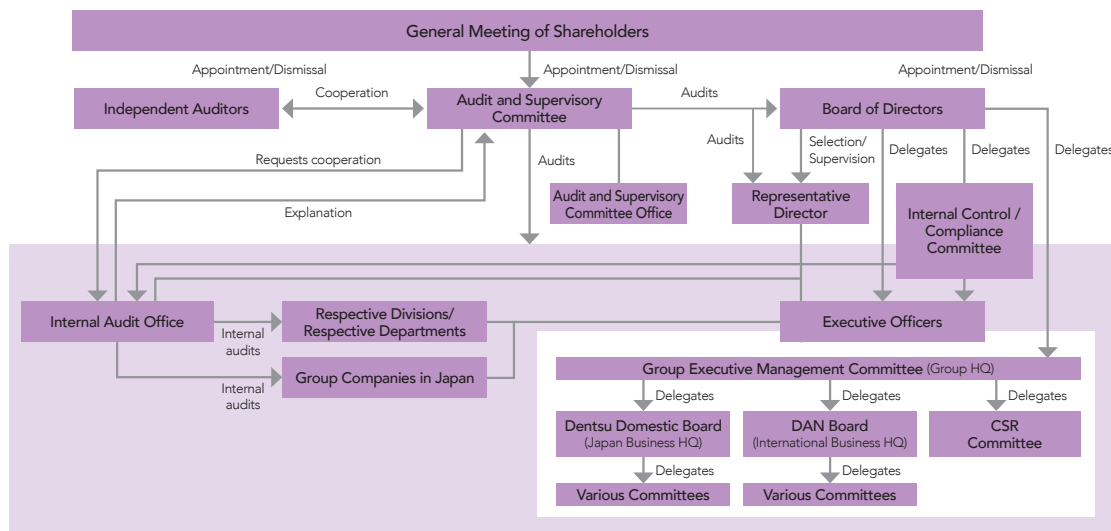
Dentsu has an Audit and Supervisory Committee comprising individuals in executive positions appointed by the Board of Directors to promote swift and effective decision-making in the conduct of business. At the same time, we have reinforced the supervisory function of the Board of Directors over executive officers.

As of January 1, 2019, the Board of Directors comprises 12 Directors (of whom four are independent outside directors). We have appointed four directors who are Audit and Supervisory Committee members (of whom three are outside directors). Under the Board of Directors is the Group Executive Management Committee, comprising executive officers, including the representative director and executive directors. This committee makes decisions on important matters relating to management and conducts preliminary deliberations on Board of Directors agenda items. Furthermore, we delegate authority on domestic group business to the "Dentsu Domestic Board" and set up the "DAN Board" for the international business. In the business execution structure of Japan Business HQ and International Business HQ, we delegate profit responsibilities and authority to each. In addition, the Internal Control and Compliance Committee, which has been delegated by the Board of Directors on internal control and risk management, has been established to improve the effectiveness of internal control and risk management.

Through these systems, we are ensuring soundness, transparency and efficiency of management, and are working to improve corporate value over the medium to long term.

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

Corporate Governance Structure



Appointment of Senior Management; Nomination of Director Candidates

When nominating directors who are not 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 having selected, 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_201903_en.pdf](http://www.dentsu.com/csr/pdf/governance_201903_en.pdf)

Effectiveness, Self-evaluation of Board of Directors

To ensure the maximum effectiveness of the Board of Directors, a questionnaire was submitted to all Board members pertaining to the efficacy and appropriateness of the Board's supervision of management. Based on results of analysis and evaluation by a third party, Overall efficacy were analyzed and evaluated. The analysis and evaluation for FY2017 indicated that the composition, operation, and items deliberated by the Board of Directors were generally appropriate. It was noted that sufficient deliberation had been conducted through the exchange of opinions, and confirming that the Board remained effective and appropriate in its supervision of operations. In the future, the Company will strive to make improvements on the issues identified in these areas, in order to further improve the effectiveness and appropriateness of management oversight by the Board of Directors.

Issues identified

- Involvement of independent outside directors in nomination and remuneration
- Group company management and supervision
- Opinions and other feedback from investors.

Training for Directors and Executive Officers

Directors and executive officers are provided with trainings and continuous opportunities to acquire essential knowledges for executing duties in order to properly fulfill given roles.

Specific Examples of Training

Position	When appointed	After appointment
Directors and Executive Officers	<ul style="list-style-type: none"> • Training on Dentsu management, business and financial strategies, related important matters and laws • Discussion related to identifying and formulating solutions to Dentsu Group issues 	<ul style="list-style-type: none"> • Monthly study seminars as opportunity to acquire the latest information regarding best practices and megatrend-related issues
Outside Directors	<ul style="list-style-type: none"> • Explanation of Dentsu's business, organizational structure, etc. 	<ul style="list-style-type: none"> • Regular provision of information related to business issues, etc.

Compensation for Directors, Audit and Supervisory Board Members

Each fiscal year, Dentsu determines the appropriate compensation for Directors as well as Audit and Supervisory Board members based on corporate value, scale, and compensation levels, referencing compensation market survey data from external specialized institutions.

The Company introduced a new policy stipulating a performance-based stock compensation plan as a medium- to long-term bonus that was approved at the 170th Ordinary General Meeting of Shareholders, held in March 2019.

The plan clarifies the relationship between compensation for Audit and Supervisory Board members and Directors on one hand, and Dentsu's performance and corporate value on the other.

The plan is designed to promote shared interests with stakeholders, while raising awareness among Audit and Supervisory Board members and Directors. The latter Company members contribute to the sustainable growth, and enhance the medium- to long-term corporate value, of the Dentsu Group.

For details, please refer to the following news release:

Notice Regarding Introduction of Performance-based Stock Compensation Plan

 [Notice Regarding Introduction of Performance-based Stock Compensation Plan http://www.dentsu.com/news/release/2019/0214-009747.html](http://www.dentsu.com/news/release/2019/0214-009747.html)

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

	Directors (excluding Audit and Supervisory Committee Members)(Of which are Outside Directors)	Directors (Audit and Supervisory Committee Members)(Of which are Outside Directors)	All Directors (of which are Outside Directors)
Monthly Remuneration	291 million yen: 10 persons (15 million yen) (1 persons)	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 (- yen) (- persons)	- yen: - persons (- yen) (- persons)	155 million yen: 7 persons (- yen) (- persons)
Total	446 million yen: 10 persons (15 million yen) (1 persons)	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. Bonuses in the table above shows the amount approved at the meeting of the Board of Directors held in February 2018 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.
3. The Audit and Supervisory Committee considered the above, and did not find any particular points of note.
4. With regard to the above, decision-making policies, concepts and processes were confirmed and examined by the Audit and Supervisory Committee, but it found no problems.

Nomination and Compensation Committee

In July 2019, Dentsu set up a Nomination and Compensation Committee. It advises the Board of Directors and reinforces its functional independence, objectivity, and accountability in connection with the nomination, compensation, and other matters related to directors as well as Audit and Supervisory Board members. It also serves to enhance corporate governance.

For details, please refer to the following news release:

WEB Notice Concerning Establishment of Nomination and Compensation Committee <http://www.dentsu.com/news/release/2019/0628-009842.html>

● Dentsu Group Internal Control System

Internal Control System

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 Dentsu Group Code of Conduct is positioned as a shared behavioral code to ensure that directors, executive officers, and employees of Dentsu and its subsidiaries carry out their duties in compliance with the law, regulations, and the Company's Articles of Incorporation. The code also ensures that business is conducted appropriately, while the Internal Control and Compliance Committee works to maintain and improve internal controls. In accordance with Internal Control and Compliance Committee policies, the CSR Committee and other committees formulate rules and develop manuals to inculcate a thorough awareness of proper business execution among all employees through training and other activities.

There are business-related check items for risk management and compliance, while a broad range of inspections are conducted. The items checked include the appropriateness of rules; whether business is conducted in accordance with the rules; and if reporting of, and responses to, problems are prompt, in order that issues might be identified and issues improved. We also establish internal control mechanisms at Group companies to maintain and enhance corporate value throughout the entire Dentsu Group.

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

● Dentsu Group Risk Management

Risk Management

Under the Internal Control and Compliance Committee, which is chaired by the executive director in charge of internal controls as a system for comprehensively managing Group-wide risks, the Dentsu Group strives to achieve continuous improvement by understanding Group risk management conditions and formulating, executing, monitoring, and improving policies and risk management processes using the four-step PDCA management method. We establish risk management rules, as well as formulate and execute specific response plans, prioritized in order of risk severity. This we do to maintain and improve our system to prevent risks and to minimize their impact should they occur. Departments and directors are assigned responsibility for each key risk. They formulate and implement response plans to reduce the likelihood of risk; submit mid-term progress reports; and prepare year-end self-assessments as well as guidelines for the next fiscal year after they have been discussed by the Internal Control and Compliance Committee. The committee then shares risk awareness and the proposed responses with the Board of Directors and Audit and Supervisory Committee, and monitors situations as appropriate.

Compliance

● Compliance Promotion System

Dentsu formulated the Dentsu Group Code of Conduct, according to which directors and executive officers who discover violations of prevailing laws or who encounter other serious compliance-related issues are required to report their findings immediately to the Executive Committee, Internal Control and Compliance Committee, as well as the Audit and Supervisory Committee. To maintain and improve the level of employee compliance and ensure employee awareness of compliance-related issues, rules and manuals are developed and training programs conducted.

In addition, a Compliance Line was set up for the reporting of internal violations and an external contact point handled by a law office was established to ensure that those seeking consultation or reporting violations are in no way penalized.

In FY2018 (ended December 2018), Dentsu Inc. and Dentsu Group employees in Japan submitted twenty-four reports and proposals (FY2017: 9; FY2016: 7; FY2015: 15), all of which were addressed. Moreover, the booklet Compliance Digest was distributed to all Group companies to promote an understanding of compliance.



The Compliance Digest booklet

● Corruption Prevention Response

In accordance with the Dentsu Group Code of Conduct, which underpins our CSR activities, we have anti-corruption policies to ensure that we conduct business in an honest, fair, and transparent manner. In compliance with bribery regulations in the countries and communities around the world where we do business, Dentsu is proscribed from involvement in corrupt acts designed to enable the Company to obtain unfair profits.

In order to meet our social responsibilities and conduct sound business activities, we shall strive always to cultivate compliance awareness through in-house training.

Message

Message from Outside Director

Dentsu Group Corporate Governance

Toshiaki Hasegawa

Outside Director
(Audit and Supervisory Committee member)



The shape of corporate governance at the Dentsu Group will change substantially starting in 2020. This is because the Group will come under a pure holding company, Dentsu Group Inc., one that governs and manages subsidiaries through stock ownership and does not conduct business in the advertising agency or any other. Its businesses will be handled by the subsidiaries, including Dentsu Inc. Thus, we should consider how the conversion will improve the Dentsu Group's governance and how we might use this system to contribute to the anticipated improvement.

Dentsu Inc. has been conducting business in advertising while managing subsidiaries as an operating holding company. However, improving Group company governance and Groupwide internal controls has become a substantial burden, because we must also consider how these apply to our global subsidiaries.

Through the Group's conversion to a holding company structure, Dentsu Inc. will become a new subsidiary of the holding company. This does not mean that Dentsu Inc. will never manage subsidiaries that handle a portion of the Group's domestic businesses. Instead, the move will allow the company to focus almost entirely on the execution of Japan business.

It can be said that the most significant theme to consider when discussing current Dentsu Group governance is the question of how we can improve aspects of global governance that also apply to overseas subsidiaries.

It will be up to the holding company to improve the

effectiveness of our global governance system. The roles of Groupwide governance and business execution will be divided among the holding company and its subsidiaries.

While Group management through a holding company has a number of merits, probably the most important aspect is that it facilitates the introduction of major management reform. Separating decisions regarding management strategy from those of business execution management will more clearly delineate responsibilities, leading to more efficient management and faster decision-making.

Progress in globalization and digitalization has resulted in demand for speedy management. The success of our business depends on how quickly, yet precisely, we respond to the needs of customers and clients.

Converting to a pure holding company structure will help the Group function more flexibly by contributing to business integration, M&As, as well as the diversification and reorganization of internal Group businesses. By delegating the execution of business to subsidiaries, we can cut costs by slimming down the holding company, while revitalizing the businesses managed by subsidiaries and clarifying management responsibilities.

Since this will result in smooth personnel administration and labor management, we anticipate greater employee motivation.

In short, by converting to a holding company structure, the Dentsu Group is confident that it can improve Group governance and achieve next-level growth.

Board Members/Management As of March 28, 2019

● Board Members

Representative Directors



Toshihiro Yamamoto



Yoshio Takada



Nobuyuki Tohya

Directors



Shun Sakurai



Tim Andree



Arinobu Soga



Hiroshi Igarashi



Nobuko Matsubara
(Outside Director)

Directors / Audit and Supervisory Committee Members



Yoshiharu Sengoku



Toshiaki Hasegawa
(Outside Director)



Kentaro Koga
(Outside Director)



Etsuko Katsu
(Outside Director)

● Executive Officers

President & CEO

Toshihiro Yamamoto

Executive Officers

Yoshio Takada
Nobuyuki Tohya
Tim Andree
Arinobu Soga
Hiroshi Igarashi
Shun Sakurai
Jun Shibata
Takashi Yagi
Yutaka Ishikawa
Yuichi Okubo
Keiichi Maeda
Takaki Hibino

Hidemi Matsuo
Norihiko Kuretani
Shigeru Ishida
Kiyoshi Nakamura
Norio Kamijo
Motohiro Yamagishi
Akira Ando
Tetsuji Hirose
Norihiko Sakata
Ichiro Itani
Masaya Nakamura
Norifumi Adachi

Soichi Takahashi
Masao Tatsuuma
Chieko Ohuchi
Hiromi Suzuki
Seikyo Son
Keiichi Yoshizaki
Nick Priday
Shinichi Maeda
Nobutaka Hayashi
Shuji Yamaguchi
Koki Sato