

Last Update: March 31, 2020
Dentsu Group Inc.
Toshihiro Yamamoto, President & CEO
Contact: Group IR Office
Securities Code: 4324
<https://www.group.dentsu.com/jp/>

The status of Dentsu Group Inc.'s corporate governance is as follows.

I. Basic Policy for Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

1. Basic Policy

Dentsu Group Inc. (the "Company") is a company with an Audit and Supervisory Committee and it strives to (i) promote expeditious decision-making by delegating certain authority from the Board of Directors to the management (i.e., executive officers), (ii) strengthen the monitoring function of the Board of Directors with respect to business execution and (iii) enhance effectiveness of auditing and internal control, in order to enhance corporate value.

Under such system, the Company will put effective corporate governance into practice based on the following basic policy in order to fulfill its responsibilities to its stakeholders (such as its shareholders, clients, employees and local communities) and to ensure sustainable growth and enhance mid- to long-term corporate value.

- (1) To respect shareholders' rights and ensure their equal treatment
- (2) To consider the interests of stakeholders, and cooperate with them appropriately
- (3) To appropriately disclose company information and ensure transparency
- (4) To enhance the effectiveness of the supervisory function of the Board of Directors concerning business execution
- (5) To engage in constructive dialogue with shareholders who have an investment policy that conforms to the mid- to long-term interests of shareholders

For the Company's response policy to the Corporate Governance Code, please also refer to the Company's Corporate Governance Policy.

☞ Corporate Governance Policy <https://www.group.dentsu.com/en/about-us/governance/cgp.html>

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

【Principle 1.4 Cross-Shareholdings】

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

Of such shareholdings strategically held by the Company, in principle, the Board of Directors reviews and considers reducing individual stocks from the viewpoint of whether the profit and related profits, such as the dividend and related profits, are higher than the target capital costs of the Company's stocks, or whether the stock ownership contributes to the maintenance and enhancement of the business relationship with the investee company and the promotion of collaboration. According to this principle, the Board of Directors shall examine the purpose and economic rationale for owning all cross-held shares every year in light of mid- to long term point of view; and disclose the result of such examination in our Corporate Governance Report or similar documents.

The Company determined to sell shares of three companies with less significance in owning them as a result of such examination at the meeting of the Board of Directors held in October last year. Furthermore, in addition to the all shares of three companies mentioned above, the Company sold shares of five companies which had been determined to sell at the Board of Directors held before last year and of value 25.6 billion yen on the balance sheet as of December 2018. Going forward, the Company will examine the appropriateness of cross-shareholdings based on the results for fiscal 2019, and will disclose the results after the examination.

The Company shall exercise the voting rights of such shares at general meetings of shareholders of the relevant

companies considering, on a proposal-by-proposal basis, the enhancement of corporate value of such companies and the mid- to long-term increase in economic profit of the Company and its group companies, taken as a whole, to ensure appropriate voting. With respect to important shareholdings strategically held by the Company, how the votes of such shares are exercised shall be reported to the Board of Directors. In particular, regarding proposals on the following items and other proposals that could damage the corporate value and shareholder value of the Company and Group companies, we will carefully examine and judge whether or not to vote for such proposal, regardless it is a company proposal or a shareholder proposal.

- (1) Appointment of director(s) and corporate auditor(s) responsible for material breach of laws and regulations; or misconducts
- (2) Introduction of anti-takeover measures
- (3) Reorganization such as mergers
- (4) Transfer of important assets

When a shareholder who holds our shares for cross-shareholdings (hereinafter referred to as "cross-shareholder") expresses an intention to sell such shares, we will not conduct any act that may hinder the sale or the like, such as suggesting a curtailment of the transaction.

We will also fully verify the economic rationality of our transactions with cross-shareholder and will not engage in any transaction that would prejudice the common interests of us and our shareholders.

【Principle 1.7 Related Party Transactions】

Directors who enter into business competition transactions or conflict of interest transactions stipulated in the Companies Act with the Company shall explain the transactions to the Board of Directors and obtain approval from the same. Such directors shall report the status of such transactions thereafter. The Board of Directors shall strictly implement the rules and appropriately monitor the relevant transactions.

In addition, apart from the transactions stipulated in the Companies Act, the Company shall submit a questionnaire to each director once a year to ascertain whether there is any transaction between the Company and any directors of the Company or consolidated subsidiaries or their close relatives. Other related party transactions, including those with major shareholders, shall be properly disclosed in accordance with applicable laws and regulations, such as the Companies Act or the Financial Instruments and Exchange Act, and applicable rules of the Tokyo Stock Exchange.

【Principle 2-6 Fulfilling functions as an asset owner of corporate pension】

As our employees are seconded from Dentsu Inc., our wholly-owned subsidiary, we apply the corporate pension plan of Dentsu Inc. (excluding our contract employees who have retired from Dentsu Inc. and are receiving the corporate pension). In April 2015, Dentsu Inc. transitioned to a defined contribution pension plan. Since the management of corporate pension contributions affects the stable asset formation of employees, the personnel in the relevant corporate pension organization have acquired the qualifications of a corporate pension manager, etc. in order to enable the corporate pension organization to conduct appropriate activities such as monitoring the investment institution. In addition, Dentsu Inc. assigns staff with specialized skills to Group companies that are entrusted with the management of corporate pension plans, and regularly receives appropriate advice from outside experts.

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

The Company shall offer value to clients by resolving their problems through its core competence in the field of marketing communication. Further, the Company shall not only bring brightness and energy to the world, but shall also aim to create new social value and realize a sustainable society by putting its corporate philosophy into practice against continuous challenges.

To realize the above, pursuing the best corporate governance is important. The Company shall ensure sustainable growth and enhance the mid- to long-term corporate value through transparent and fair decision-making, effective use of management resources and expeditious and resolute decision-making.

【Principle 3.1.2 Basic views and guidelines on corporate governance】

To realize the Company's aim to create new social value and realize a sustainable society, pursuing the best corporate governance is important. The Company shall ensure sustainable growth and enhance mid- to long-term corporate value through transparent and fair decision-making, effective use of management resources and expeditious and resolute decision-making.

For the above purposes, the Company shall work on enhancing corporate governance in accordance with the basic concepts below.

- (1) To respect shareholders' rights and ensure their equal treatment
- (2) To consider the interests of stakeholders, and cooperate with them appropriately
- (3) To appropriately disclose company information and ensure transparency
- (4) To enhance the effectiveness of the supervisory function of the Board of Directors concerning business execution
- (5) To engage in constructive dialogue with shareholders who have an investment policy that conforms to the mid- to long-term interests of shareholders

【Principle 3.1.3 Board policies and procedures in determining the remuneration of the senior management and directors】

1. Policy on determining remuneration

The Company determined the following policies with regard to the compensation of senior management and directors.

- (1) With a globally competitive compensation structure and level
- (2) The compensation system shall be based on the results of management, in which fixed compensation and variable compensation (performance-linked compensation and share-linked compensation) shall be appropriately balanced.
- (3) The level of compensation is determined based on the level in the relevant region.

With regard to the remuneration system and level, the Company will appropriate remuneration system and level in accordance with objective and transparent procedures by comprehensively taking into account corporate value, enterprise size, and remuneration levels, etc., by referring to remuneration market research data from external specialist organizations.

2. Outline of the compensation system

The remuneration system for executive officers shall be established with the aim of clarifying the linkage between remuneration, business performance, and corporate value, and raising the awareness of our executive officers who contribute to the sustainable growth of the Group and the enhancement of corporate value over the mid- to long-term. To embody this policy, we have introduced a new performance-linked stock compensation system for executive officers from FY2019.

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

<https://www.dentsu.com/news/release/2019/0214-009747.html>

Our executive compensation system consists of three basic compensation items: Basic Annual Salary, Annual Bonus, and Mid- to Long-Term Bonus (performance-linked stock compensation) (for details, see II. Status of Decision-making, Execution, and Supervision of Management and Other Corporate Governance Structures 1. Items Pertaining to Organizational Composition, Organization Operation, etc. [Incentive] and [Directors' Remuneration] below).

3. Procedure for determining remuneration

The remuneration of each director shall be calculated based on the formula set forth in the Executive Compensation Rules and the Officers' Share Compensation Rules approved by the Board of Directors and shall be determined in each fiscal year in accordance with the following procedures.

To ensure objectivity and transparency, the amount of remuneration paid to directors who are not Audit and Supervisory Committee members (including that for concurrently serving as executive officers) is determined within the scope of the above compensation frame determined at the general meeting of shareholders after consulting with the Compensation Committee on compensation plan and consider opinions of the Committee expressed for the Board of Directors and disclosing each remuneration to the Board of Directors based on their opinions.

The amount of remuneration paid to directors who are Audit and Supervisory Committee members shall be determined through consultation among them within the scope of the above-mentioned compensation frame resolved at the general meeting of shareholders.

From the viewpoint of ensuring objectivity and transparency, the Board of directors shall determine a compensation

plan of executive officers after consultation on such plan with the Compensation Committee considering opinions of the Committee formed through its deliberations.

[Principle 3.1.4 Board policies and procedures in the appointment and dismissal of the senior management and the nomination of Director candidates]

1. Nomination Policy

The Company has established the following policies with regard to the appointment of executive officers (including internal directors who are not members of the Audit and Supervisory Committee but concurrently serve as executive officers):

- (1) Appropriately nominate persons who contribute to sustainable growth and mid- to long-term enhancement of corporate value of our group
- (2) To have a balance between diversity and expertise from candidates with knowledge, experience and skills related to management and organize a management team to quickly reflect the innovations of our group.

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

< Criteria for selecting internal director candidates who are not Audit and Supervisory Committee members >

- (1) A person who is able to make determinations from a company-wide viewpoint
- (2) A person who has expertise with respect to this Company's business
- (3) A person who has remarkable business judgment and ability in business execution
- (4) A person who has remarkable leadership, foresight and decision and planning ability
- (5) A person who has character and insight suitable for internal directors who are not Audit and Supervisory Committee members

<Criteria for selecting candidates for internal director who are Audit and Supervisory Committee members >

- (1) A person who has the ability to legally and managerially understand the duties of internal directors who are Audit and Supervisory Committee members
- (2) A person who is able to make determinations from a company-wide viewpoint
- (3) A person who has remarkable problem-solving and leadership abilities
- (4) A person who fulfills other requirements deemed necessary as internal directors who are Audit and Supervisory Committee members

< Criteria for selecting outside director candidates >

- (1) A person who has extensive experience in management or who is a professional in legal, accounting, finance and other such fields
- (2) A person who can be independent of the representative director of the Company
- (3) A person who has character and insight suitable for outside directors

2. Nomination procedures

With regard to nomination of each director, director candidates shall be nominated by the Board of Directors through the procedures stated below in accordance with the standards stipulated in the rules of directors approved by the Board of Directors.

In nominating directors who are not members of the Audit and Supervisory Committee, from the viewpoint of securing objectivity and transparency, the Board of Directors shall determine director candidates after consultation on the candidate plan with the Nomination Committee and considering opinions of the Committee formed through its deliberations.

In nominating directors who are members of the Audit and Supervisory Committee, the Board of Directors shall submit its candidate plan to the Nomination Committee and consider opinions of the Committee formed through its deliberation. After receiving approval from the Audit and Supervisory Committee, candidates shall be decided upon by the Board of Directors.

Regarding the proposals for the appointment of each director, the reasons for the nomination of each director candidate shall be described in the reference material of the general meeting of shareholders.

In nominating executive officers, from the viewpoint of ensuring objectivity and transparency, the Board of Directors shall submit its candidate plan to the Nomination Committee formed through its deliberation. Considering

such opinions, the Board of Directors shall appoint executive officers.

In the event that directors or executive officers are deemed not to fulfill their duties adequately, from the viewpoint of ensuring objectivity and transparency, the Board of Directors shall submit its dismissal plan to the Nomination Committee and consider opinions of the Committee formed through its deliberation. Considering such opinions, the Board of Directors shall carry out its dismissal procedures.

【Principle 3.1.5 Explanations by the Board of Directors with respect to the individual appointments, dismissal and nominations of the senior management and the candidates for Directors】

The reasons for the nomination of each director candidate shall be described in the reference material of an Company shall appropriately disclose the reasons for appointment and dismissal of senior management required by laws and regulations.

【Supplementary Principle 4.1.1 Scope delegated to the management】

The Company is a company with an Audit and Supervisory Committee and transfers authority for important business execution in part from the Board of Directors to the executive officers to establish an expeditious and effective business execution system. At the same time, the Company is working to enhance the Board of Directors' supervisory function of directors over business execution.

Positioned under the Board of Directors is the "Group Executive Management Committee" consisting of representative directors and executive officers, including executive directors, which makes decisions on important business matters exclusive of those exclusively resolved by the Board of Directors, matters concerning the entire Dentsu Group consisting of the Company and its subsidiaries (hereinafter, "Dentsu Group") and deliberates on matters to be decided by the Board of Directors.

Moreover, the Company established the Dentsu Japan Network Board to deliberate on important matters of Japan business and the Dentsu Aegis Network Board (DAN Board) to deliberate on important matters of the international business, thereby dividing the business execution system into Japan business sector and the international business sector, and each has responsibility for profit and authority delegated.

With regard to internal controls and risk management, the Company established the Internal Control and Risk Committee to enhance the effectiveness of internal controls and risk management across the entire group.

【Principle 4.8 Effective use of independent directors (policy for efforts when it is deemed necessary to appoint at least one-third of directors as independent directors)】

The number of directors will be 12 (no more than 15 as the Articles of Incorporation stipulate) and four (one third of the total members of the board of directors) or more Directors will be independent outside directors.

【Principle 4.9 Independence standards and qualification for independent directors】

The Company established Independence Standards for outside directors at Dentsu Group Inc. in November 2015. Please refer to the Company's website.

☞ Independence Standards for Outside Directors

<https://www.group.dentsu.com/en/about-us/governance/isod.html>

【Supplementary Principle 4.10.1 Use of Optional System】

1. On July 1, 2019, the Company established the Nomination and Compensation Committee as an optional advisory body to enhance the independence, objectivity and accountability of the Board of Director's functions in determining the nomination and compensations of the directors and executive officers. The Company set up two committees, the Nomination Committee and the Compensation Committee as of April 1, 2020, to transform the Nomination and Compensation Committee into more specialized advisory bodies by separating the function related to nomination/dismissal and compensation. Each Committee consists of three or more directors or outside experts appointed by the Board of Directors. The majority of the committee members are independent outside directors and the committee chairman is appointed by a resolution of the Board of Directors from among the members who are independent outside directors. The Nomination Committee is responsible for the nomination and dismissal of directors and executive officers, and the Compensation Committee is responsible for deliberating items concerning the determination of individual compensation of

the directors who are not a member of Audit and Supervisory Committee and executive officers. Each committee shall report to the Board of Directors.”

【Supplementary Principle 4.11.1 View on the appropriate balance between knowledge, experience, and skills of the Board as a whole and on diversity and appropriate board size】

The Company's Articles of Incorporation stipulate the number of directors to be no more than 15, and as of March 31, 2029, 12 directors (of which four are independent outside directors) comprise the Board of Directors.

Diversity including gender and nationality; and balanced experience, insight and capability are among the factors that are considered in nominating members of the Board of Directors.

The Company will describe experience, insight, ability and other significant elements of each director candidate in the reference material for the relevant appointment proposal(s) at the ordinary meeting of shareholders.

【Supplementary Principle 4.11.2 Concurrent posts of directors as officers at other listed companies】

Directors may concurrently serve as directors, corporate auditors or officers of other listed companies only to the reasonable extent that they are able to devote their necessary time and effort to appropriately fulfill their roles and responsibilities as officers of the Company and after following necessary procedures and obtaining approval by the Board of Directors. Important concurrent posts of directors will be disclosed in the reference material of the relevant general meeting of shareholders and a business report under applicable laws and regulations.

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

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

According to the analysis and evaluation in fiscal year ended December 31, 2019, the composition, operation and deliberation content of the Board of Directors are generally appropriate, and sufficient deliberations are being conducted through lively exchanges of opinions, etc. This confirms that the effectiveness and appropriateness of management supervision by the Board of Directors is ensured. The Nomination and Remuneration Advisory Committee was established in July 2019 to improve the evaluation of the involvement of independent outside directors in nominating and remuneration, which was identified as an issue in the analysis and evaluation for fiscal year 2018. In addition, the evaluation of the feedback of opinions from investors was also improved by enhancing the reporting to the Board of Directors. Nevertheless, "management and supervision of group companies" remains an issue, and other issues have been identified, such as "successor development plan for the CEO" and "provision of information necessary for discussing strategies." We will strive to further improve the effectiveness and appropriateness of management oversight by the Board of Directors by improving these issues in the future.

Items of the questionnaire (6 items 29 questions) are as follows.

- (1) Composition and operation of the Board of Directors (8 questions)
- (2) Management Strategy and Business Strategy (6 questions)
- (3) Corporate Ethics and Risk Management (5 questions)
- (4) Performance Monitoring and Management Evaluation and Compensation (3 questions)
- (5) Organizational and business reorganization (2 questions)
- (6) Dialogue with shareholders, etc. (5 questions)

【Supplementary Principle 4.14.2 Training policy of Directors of the Board】

Directors and executive officers shall be given opportunities for gaining indispensable knowledge for their offices and for continuous training so that they may perform their roles and responsibilities appropriately.

Currently, when they become directors (excluding outside directors) or executive officers, the Company provides them with lectures conducted by inside and outside experts with respect to the Company's strategies of management, business, finance and other applicable fields and important matters and laws and regulations related thereto, and enables them to acquire and update the knowledge required for their offices. They are also given opportunities through discussion to find issues to be addressed by the Company group and solutions thereto. Moreover, after becoming

directors (excluding outside directors) or executive officers, they are given opportunities to hold study seminars every month to gain the latest information as to the best practices for various megatrend issues.

When new outside directors assume their offices, they are provided with an explanation of the business, organization structure and other related matters of the Company, and after assuming their offices, the necessary information related to issues to be addressed by the Company shall be provided to them periodically.

The contents of lectures and other training matters will be reviewed as necessary.

【Principle 5.1 Policy for constructive dialogue with shareholders】

The Company is working on enhancing its mid- to long-term corporate value by disclosing various information, such as management strategy, financial information and non-financial information to shareholders and investors in a timely and proper manner and continuously engaging in constructive dialogue with shareholders and investors through IR activities.

More specifically, mainly the CEO, CFO and officers in charge of IR and disclosure carry out various activities, such as regular meetings with analysts and institutional investors, roadshows both within and outside of Japan to visit investors individually, and sufficient information disclosure on the Company’s website. The Company has established the Group IR Office as a special section so that such activities may effectively function, and the Investor Relations Department closely cooperates with the Group CEO Office, Group Financial Reporting Office, Group Corporate Secretary Office and other relevant sections.

Opinions and requests obtained through IR and other activities are reported to the Group Executive Management Committee or the Board of Directors and utilized in the discussions for enhancement of corporate value.

The Company has established the information control committee to appropriately control insider information and provides a “silent period” during which the Company must withhold dispatching information with respect to financial results.

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

For details, please refer to “Disclosure Policy” (established in September 2018) on the Company's website.

☞ Disclosure Policy

<https://www.group.dentsu.com/en/ir/stockandratings/constructivedialogue.html>

【Principle 5.2 Establishing and Disclosing business strategy and business plan】

The Company determines and discloses medium- to long-term management policies that aim for sustainable growth based on our management philosophy, based on an understanding of the cost of capital of our company. In addition, the Company will analyze the progress of the policies formulated each year and make flexible revisions, including plans for the allocation of management resources, such as new business investment, capital investment, and investment in human resource development, as necessary. We will explain these in an easy-to-understand manner at our financial results briefings and general shareholders' meetings.

2. Capital Structure

Ratio of Shares Held by Foreigners	Over 10%, under 20%
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[Status of Major Shareholders]

Name	Number of shares held	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	35,565,100	12.84%
Kyodo News Association	18,988,800	6.86%
Japan Trustee Services Bank, Ltd. (trust account)	16,280,700	5.88%
Jiji Press Co., Ltd.	16,178,680	5.84%

Japan Trustee Services Bank, Ltd. (Trust account 9)	8,907,000	3.22%
Dentsu Group Employee Shareholding Association	6,047,569	2.18%
Hideo Yoshida Memorial Foundation	4,984,808	1.80%
Recruit Holdings Co., Ltd.	4,929,900	1.78%
NORTHERN TRUST CO.(AVFC) SUB A/C AMERICAN CLIENTS	4,408,818	1.59%
TBS Television Co., Ltd.	4,000,000	1.44%

Presence or absence of controlling shareholder (excluding parent company)	—
Existence of parent company	None

Supplementary explanation

- (1) The number of shares held by trust banks includes the number of shares held by trust banks.
- (2) Nomura Securities Co., Ltd. and its co-owners, Nomura Holdings, Inc, Nomura International PLC and Nomura Asset Management Co., Ltd. submitted a report of change dated January 9, 2020 to the effect that each respectively held the following shares as of December 31, 2019. However, the Company has not been able to confirm the actual number of shares held as of December 31, 2019, the Company has not taken into account the situation of the above large shareholders. The contents of the report are as follows.

Name	Number of shares held Share
Nomura Securities Co., Ltd.	96,586
Nomura Holdings, Inc.	2,400,000
Nomura International PLC	108,872
Nomura Asset Management Co., Ltd.	18,902,200
Total	21,507,658

- (3) Mizuho Bank, Ltd. and its co-owners, Mizuho Securities Co., Ltd. and Asset Management One Co., Ltd., submitted a report of change dated December 6, 2019 to the effect that each party respectively hold the following shares as of November 29, 2019. However, as we were unable to confirm the actual number of shares held as of December 31, 2019, we have not taken into account the situation of the above large shareholders.

The contents of this report are as follows.

Name	Number of shares held Share
Mizuho Bank, Ltd.	3,500,000
Mizuho Securities Co., Ltd.	540,200
Asset Management One Co., Ltd.	11,239,800
Total	15,280,000

- (4) Sumitomo Mitsui Trust & Banking Co., Ltd. submitted a report of change dated November 7, 2019 to the effect that Sumitomo Mitsui Trust & Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd.

respectively hold the following shares as of October 31, 2019. However, as we were unable to confirm the actual number of shares held as of December 31, 2019, we have not taken into consideration the above conditions of large shareholders. The contents of this report are as follows.

Name	Number of shares held Share
Sumitomo Mitsui Trust Asset Management Co., Ltd.	9,391,300
Nikko Asset Management Co., Ltd.,	7,711,000
Total	17,102,300

- (5) Mitsubishi UFJ Financial Group submitted a report of change dated October 21, 2019 to the effect that Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., and Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. respectively held the following shares as of October 14, 2019. However, as we were unable to confirm the actual number of shares held as of December 31, 2019, we have not taken into account the situation of the above large shareholders. The contents of this report are as follows.

Name	Number of shares held Share
Mitsubishi UFJ Trust and Banking Corporation	9,910,600
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	4,353,600
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,790,387
Total	16,054,587

3. Corporate Attributes

Listed exchange and market segment	Tokyo First Section
Accounting period	December
Industry	Service
(Consolidated) Number of employees at the end of the previous business year	Over 1,000
(Consolidated) volume of sales at the end of the previous business year	Over 1 trillion yen
Number of companies (consolidated) at the end of the previous business year	Over 300 companies

4. Policy on the Protection of Minority Shareholders in Transactions, etc., with the Controlling Shareholder

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5. Other Special Circumstances that May Have Significant Impact on Corporate Governance

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

In order to enhance the effectiveness of Group management, we basically hold all of the shares issued by subsidiaries directly or indirectly. However, some of our subsidiaries have increased their competitiveness by securing independence and maintaining their listing in light of the special characteristics of their business domains,

their unique corporate culture, and the recruitment of human resources.

As such companies, we have two listed subsidiaries: Information Services International-Dentsu, Ltd. (listed on the First Section of the Tokyo Stock Exchange, hereinafter "ISID") and CARTA HOLDING, Inc. (listed on the First Section of the Tokyo Stock Exchange, hereinafter "CARTA").

ISID is a subsidiary whose main business is the construction and maintenance of information systems, sales of various business software, and consultation services. We believe that maintaining ISID's competitiveness and acquiring highly specialized human resources through independent management will lead to our group consolidated companies' higher value toward the customers.

CARTA is a subsidiary engaged in the partner sales business and the ad platform business for digital advertising, as well as the consumer business, including the operation of owned media and e-commerce sites. CARTA's independent management has enabled it to quickly respond to a rapidly changing business environment, maintain its unique corporate culture, and achieve the acquisition of highly specialized human resources. We believe that this has helped us to increase our value toward the customer.

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

II Status of Decision-making, Execution, and Supervision of Management and Other Corporate Governance Structures

1. Items Pertaining to Organizational Composition, Organizational Operation, etc.

Organizational format	Company with an Audit and Supervisory Committee
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[Board of Directors]

Number of Directors in the Articles of Incorporation	15 persons
Term of office of Directors in the Articles of Incorporation	One year
Chairman of the Board of Directors	President
Number of Directors	12 persons
Status of the appointment of Outside Directors	Appointed
Number of Outside Directors	5 persons
Number of Outside Directors specified as Independent Directors	4 persons

Relationship with the Company (1)

Name	Attribute	Relationship with the Company										
		a	b	c	d	e	f	g	h	i	j	k
Gan Matsui	Lawyer						△					
Toshiaki Hasegawa	Lawyer											
Kentaro Koga	Academic											
Etsuko Katsu	Academic											
Simon Laffin	Other											

Relationship with the Company (2)

Name	Member of the Audit and Supervisory Committee	Independent Director	Supplementary Explanation Regarding a Compliant Item	Reason for Appointment
Gan Matsui	-	-	Lawyer	Mr. Matsui served as a prosecutor for the years at the Tokyo District Public Prosecutors' Special Investigation

				<p>Department, the Criminal Investigation Department, and the Special Trial Department, as well as the Deputy Chief Prosecutor of the High Public Prosecutor's Office and the Chief of the Criminal Department of the Supreme Public Prosecutors Office. During this period, Mr. Matsui was directly involved in the investigation trials of a number of major social crimes such as economic and taxation cases, and based on his experience of leading those cases, he is well acquainted with the importance of crisis-response measures which are taken by companies and other organizations in emergency situations.</p> <p>Furthermore, based on his experience and knowledge, he has served as chairman of a third-party committee that focuses on legal compliance and crisis management issues at companies and government agencies, and has also assumed the position of outside director of companies. Since February 2017, as the chairperson of the Independent Advisory Committee for Labor Environment Reform Activities, he has been making significant contributions to the promotion of our labor environment reform plan by providing supervision and proactive opinions and recommendations regarding the reform of the working environment.</p> <p>In the past, he has not been involved in the management of the Company by any means other than becoming an outside director or an outside auditor. However, based on the above achievements, we believe that he will be able to utilize his experience not only to reform the working environment of our group companies, but also to supervise and provide advice on overall management as an Outside Director who is not a member of the Audit and Supervisory Committee of the Company which has become a pure holding company.</p>
Toshiaki Hasegawa	○	○	Lawyer	<p><Reason for Appointment as an Outside Director></p> <p>Mr. Toshiaki Hasegawa has specialized expertise and extensive experience as an international business lawyer. As an outside director who is a member of the Audit and Supervisory Committee, he has actively expresses opinions and suggestions from legal perspective, thereby contributing to improvement of</p>

				<p>corporate governance of the Company. In light of these achievements, the Company expects Mr. Hasegawa to offer his knowledge and experience for auditing our management as an outside director who is a member of the Audit and Supervisory Committee of the Company which is currently a pure holding company.</p> <p>Although he has not been involved in corporate management in the past aside from roles as outside director and outside corporate auditor, due to his contribution to securing the soundness of the Company's management as outside director who is a member of the Audit and Supervisory Committee, the Company believes that he will continue to appropriately execute his duty as an outside director who is an Audit and Supervisory Committee member.</p> <p><Reason for Designation as an independent director> By the independence standards established by the Tokyo Stock Exchange (Guidelines concerning Listed Company Compliance, etc.III. 5. (3)-2) and the Company's independence standards for outside directors established based on these guidelines, there is no reason to deny independence, nor is there any particular reason to believe that there is a risk of a conflict of interest with general shareholders. Therefore, the Company designates Mr. Hasegawa as an independent director.</p>
Kentaro Koga	○	○	Associate Professor, Business Administration, Hitotsubashi University Business School	<p><Reason for Appointment as an Outside Director> Mr. Kentaro Koga has specialized expertise and extended experience on accountancy as an associate professor at a graduate school. As an outside director who is a member of the Audit and Supervisory Committee, he has actively provided opinions and suggestions from an economic perspective, thereby contributing to improvement of corporate governance of the Company. In light of these achievements, the Company expects him to offer his knowledge and expertise for auditing the Company's management as an outside director who is a member of the Audit Supervisory Committee of the Company which is currently a pure</p>

				<p>holding company.</p> <p>Although he has not been involved in corporate management in the past aside from roles as outside director, due to his contribution to securing the soundness of the Company's management as outside director, the Company believes that he will continue to appropriately execute his duty as an outside director who is an Audit and Supervisory Committee member.</p> <p><Reason for Designation as an Independent Director> By the independence standards established by the Tokyo Stock Exchange (Guidelines concerning Listed Company Compliance, etc. III. 5. (3)-2) and the Company's independence standards for outside directors established based on these guidelines, there is no reason to deny independence, nor is there any particular reason to believe that there is a risk of a conflict of interest with general shareholders. Therefore, the Company designates Mr. Koga as an independent director.</p>
Etsuko Katsu	○	○	<p>Professor, School of Political Science and Economics, Meiji University Outside Director, Mitsui O.S.K. Lines, Ltd.</p>	<p><Reason for Appointment as an Outside Director> Ms. Katsu has experienced and specialized knowledge in finance, international economy, economic policy, and global human resource development as a university professor after a long period of work and research at a private company and university.</p> <p>As a member of the Audit and Supervisory Committee, she has actively contributed to improving our management governance by providing comments and recommendations, including from an economic perspective.</p> <p>Based on these achievements, the Company expects Ms. Katsu to offer her knowledge and experience for auditing our management as an outside director who is a member of the Audit and Supervisory Committee of the Company which is currently a pure holding company.</p> <p>Although she has not been involved in corporate management in the past aside from roles as outside director, due to her contribution to securing the soundness of the Company's management as outside</p>

				<p>director, the Company believes that she will continue to appropriately execute her duty as an outside director who is an Audit and Supervisory Committee member.</p> <p><Reason for Designation as an Independent Director> By the independence standards established by the Tokyo Stock Exchange (Guidelines concerning Listed Company Compliance, etc. III. 5. (3)-2) and the Company's independence standards for outside directors established based on these guidelines, there is no reason to deny independence, nor is there any particular reason to believe that there is a risk of a conflict of interest with general shareholders. Therefore, the Company designates Ms. Katsu as independent director.</p>
Simon Laffin	○	○	<p>Director, Simon Laffin Business Service Ltd., Chairman of the Audit Committee, Dentsu Aegis Network Ltd.,</p> <p>Non-Executive Director, Watkin Jones Group</p>	<p><Reasons for Appointment as Outside Directors> Simon Laffin has assumed the role of the financial officer of a business company, or of an external director of a public and unpublished company, and has extensive experience and knowledge of corporate management and auditing. In addition, he served as an outside director of Aegis Group plc prior to the acquisition by the Company. After the acquisition, he served as chairman of the Audit Committee of Dentsu Aegis Network Ltd., an intermediate holding company for the Company's overseas business, and he has abundant knowledge of our overseas business.</p> <p>In light of these achievements, the Company expects him to offer his knowledge and expertise for auditing the Company's management as an outside director who is a member of the Audit Supervisory Committee of the Company which is currently a pure holding company.</p> <p><Reason for Designation as an Independent Director> By the independence standards established by the Tokyo Stock Exchange (Guidelines concerning Listed Company Compliance, etc. III. 5. (3)-2) and the Company's independence standards for outside directors established based on</p>

				these guidelines, there is no reason to deny independence, nor is there any particular reason to believe that there is a risk of a conflict of interest with general shareholders. Therefore, the Company designates Mr. Laffin as independent director.
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[Audit and Supervisory Committee]

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

Existence of Directors and employees to aid the duties of the Audit and Supervisory Committee	Yes
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Audit and Supervisory Committee and employees' independence from executive directors

As a structure to perform assistant work by such director and employees for the Audit and Supervisory Committee, such as secretariat work of the Audit and Supervisory Committee related to items pertaining to the independence of executive directors, the Company has established the Audit and Supervisory Committee Office. The Company positions dedicated staff in this organization as a structure to receive instructions and orders from the Audit and Supervisory Committee to perform evaluations, personnel transfers, etc., with approval from the Audit and Supervisory Committee. This ensures independence from business executive departments and effectiveness of instructions from the Audit and Supervisory Committee.

Status of Cooperation between Audit and Supervisory Committee, Independent Auditors, and Internal Auditing Section

The Audit and Supervisory Committee will request reporting from the Company's independent auditors and the internal audit section as necessary with respect to the process and results of their respective audits, and ensure communications among the relevant parties through exchanging necessary information. They may also request reporting from the internal audit section concerning the status of establishment and operation of internal control.

[Voluntary Committees]

Voluntary committees corresponding to a nomination committee or remuneration committee	Established
Committee's Name, Composition, and Attributes of Chairperson	

	Committee's Name	Total number of Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nomination Committee	5	0	1	4	0	0	Outside Director

Committee Corresponding to Remuneration Committee	Compensation Committee	5	0	2	3	0	0	Outside Director
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Supplementary Explanation

At the Board of Directors meeting on March 27, 2020, it was resolved that the Company to set up two committees, namely the Nomination Committee and the Compensation Committee as of April 1, 2020, to reorganize the committee into a more specialized advisory body, by separating the function of nomination/dismissal and decision of remuneration of the Nomination and Compensation Committee. The above describes the two committees that have been reorganized. Until March 31, 2020, the Nomination and Compensation Committee has performed the functions of both the Nominating Committee and the Compensation Committee and the outline and activities of the Nomination and Compensation Committee are as follows.

- (1) Membership: The Nomination and Compensation Committee consists of three members, two are Audit and Supervisory Committee members and one is the President and CEO.
- (2) Date of Establishment: July 1, 2019.
- (3) Details of deliberations: A total of four meetings were held in FY2019.

The first meeting: July 30, 2019. Deliberation of policies on nomination, remuneration, and succession planning.

The 2nd meeting: August 7, 2019. ① Resolution on policies of nomination, remuneration, and succession planning, ② Deliberation on policies relating to the transition to a holding company structure, and ③ Resolution on participation in a remuneration survey by an external remuneration research organization and participation in management survey by an outside management survey organization.

The 3rd meeting: September 30, 2019. ① Resolution of the system and remuneration policy accompanying the transition to the holding company structure, ② Reporting and deliberation on the results of remuneration and management surveys.

The 4th meeting : October 31, 2019. Deliberation and resolution of proposals to the Board of Directors on nominations and individual remuneration for directors and executive officers for FY2020.

[Independent Directors]

Number of Independent Directors	4 persons
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Other Items Pertaining to Independent Directors

All outside directors who fulfill the requirements of independent directors are designated as independent directors.

[Incentive]

Status of Measures Related to Incentives for Directors	Introduction of a performance-linked remuneration system
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Supplementary Explanation Regarding Said Item

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

Those granted stock options	None
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Supplementary Explanation Regarding Said Item –

[Directors' Remuneration]

Status of Disclosure (of Individual Director's Remuneration)	Individually disclosed in part
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Supplementary Explanation Regarding Said Item

The total amount of remuneration for directors who are not Audit and Supervisory Committee members for the fiscal year ended December 31, 2019 was 428 million yen (including a total of 15 million yen in remuneration to outside directors), of which the monthly salary accounted for 345 million yen (including a total of 15 million yen in remuneration to outside Directors) and the performance-linked medium-to long-term bonus accounted for 83 million yen. (one director who is not an Audit and Supervisory Committee member voluntarily returns performance-linked medium-to long-term bonuses after the end of the fiscal year under review on March 6, 2020. The above amount includes 21 million yen in expenses related to performance-linked medium-to long-term bonuses that were voluntarily returned to the Company.) The total amount of remuneration for directors who are Audit and Supervisory Committee members was 81 million yen (including a total of 45 million yen in remuneration to outside directors). Total consolidated remuneration to Director Timothy Andree was 329 million yen.

Details are as described in the securities report.

Policy on deciding remuneration amounts and their calculation method	Yes
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Disclosure of Remuneration Amounts and Their Calculation Method

1. Policy on determining remuneration

See above mentioned with respect to Principle 3-1-3 (Board policies and procedures in determining the remuneration of the senior management and directors)

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

(1) Compensation structure

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

① Basic Annual Salary (monthly remuneration, fixed remuneration, monetary remuneration)

The basic annual salary is a fixed monthly fee. The Company will set an appropriate amount of remuneration for each officer and employee, taking into account the initial corporate value, company size, and remuneration level, referring to the remuneration market survey data from an external specialist organization for each fiscal year.

② Annual bonus (performance-linked remuneration, variable remuneration, monetary remuneration)

The annual bonus is a performance-linked monetary remuneration paid in accordance with the Executive Compensation Regulations subject to the achievement of the Group's consolidated operating income (in accordance with International Financial Reporting Standards (IFRS) targets) for each fiscal year in which our executives are appointed. If the budget achievement rate of consolidated operating income for each business year exceeds 100%, the amount stipulated in the executive remuneration rules shall be paid.

③ Medium-to-long-term bonuses (performance-linked remuneration, variable remuneration, stock remuneration)

Medium-to long-term bonuses are performance-linked stock remuneration paid in accordance with the Executive Compensation Regulations and the Officers Stock Incentive Regulations in accordance with the simple average of the Group's consolidated gross profit growth rate for the three consecutive fiscal years commencing with each fiscal year in which the Directors are appointed. An officer to whom a mid to long-term bonus is applied shall be entitled to receive, on a certain date of the relevant consolidated fiscal year (hereinafter referred to as the "Point Grant Date") in respect of each consolidated fiscal year during which he or she is appointed, a number of points (hereinafter referred to as the "Base Points") calculated in accordance with the calculation formula set forth in the Officers Stock Incentive Regulations for the relevant consolidated fiscal year (hereinafter referred to as the "Base Points") as consideration for the performance of duties in the relevant Consolidated Fiscal Year, and shall be entitled to receive the benefit of the Company's Shares, etc. from a trust (hereinafter referred to as the "Trust") established for the payment of mid to long-term bonus on a certain date by taking prescribed procedures by the day after the expiration of the three consecutive Consolidated Fiscal Years (hereinafter referred to as the "Performance Evaluation Date") to which the Points Granted. In doing so, the number of Base Points

granted to each Officer in the first consolidated fiscal year will be adjusted in accordance with the simple average of the Group's Consolidated Gross Profit Organic Growth Rate during the Performance Evaluation Period in accordance with the formula stipulated in the Officers Stock Incentive Regulations (hereinafter, such adjusted points shall be referred to as "Defined Points," and Base Points and Defined Points shall be collectively referred to as "Points"). Thereafter, such Officers may receive benefits from the Trust for our Shares, etc. in accordance with the number of Defined Points (in principle, a number of our common shares calculated in accordance with half of the Defined Points and an amount equal to the market value of the number of our common shares calculated in accordance with the remaining half of the Defined Points as of the vesting date).

(2) Ratio of fixed and variable compensation

If the performance indicators for each variable remuneration achieve the target value (see (5) below), the ratio of fixed remuneration to variable remuneration will be approximately 60%: 40%.

(3) Fluctuations in variable compensation

The variable remuneration varies from 0% to 150% of the fixed remuneration (basic annual salary). In this way, the upper limit for variable remuneration is set at an amount that exceeds the fixed remuneration amount, and by increasing the proportion of remuneration through shares and sharing interests with shareholders and other stakeholders, the Company aims to strengthen the motivation of executives to achieve sustainable growth of the Group and increase corporate value over the medium-to long-term.

(4) Applicable remuneration items

Remuneration items applicable to each type of director are as follows.

(Legend: Yes = Yes/No = No = No; ※only those who serve concurrently as executive officer)

	Fixed remuneration	Variable pay	
		Monetary reward	Stock compensation
	Basic Annual Salary	Annual bonus	Mid-and long-term bonuses
Internal Directors who are not Audit and Supervisory Committee members	Yes	Yes	Yes ※
Outside Directors who are not Audit and Supervisory Committee members	Yes	None	None
Internal Directors who are Audit and Supervisory Committee members	Yes	None	None
Outside Directors who are Audit and Supervisory Committee members	Yes	None	None

※Annual bonus and mid- to long-term bonuses shall be provided solely to those who concurrently serve as executive officers.

(5) Performance targets

Performance targets for variable compensation will be set appropriately for each fiscal year, taking into account the macro and micro economic environment and our business environment. As an indicator of medium-to long-term bonuses, the Company has set a simple average consolidated gross profit growth rate of 3% for the three fiscal years.

(6) Maximum amount of payment

The maximum amount of remuneration paid to our directors and executive officers is as follows.

① Monetary remuneration

The upper limit of the total amount of financial compensation to a board members who are not members of the Audit and Supervisory Committee (including compensation of directors who concurrently serve as executive officers) is resolved to be 12 billion per year (including the annual amount of 18 million yen per year for Outside Directors) at the 167th general meeting of shareholders.

In addition, the upper limit of the total remuneration of the board members who are members of the Audit and Supervisory Committee was resolved to be 150 million per year at the 167th Annual General Meeting.

② Share remuneration

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

(7) Procedure for Determining Remuneration

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

[Support Structure for Outside Directors]

The secretariat of the Board of Directors reports to outside directors on the agenda, etc., beforehand when Meetings of the Board of Directors are held. Additionally, as the section in charge of aiding Audit and Supervisory Committee members, the Audit and Supervisory Committee Office was established, where dedicated staff engages in all work related to the duties of Audit and Supervisory Committee members in order to support them. In addition, when each of the Nomination Committee and the Compensation Committee is held, the secretariat of each committee reports to the outside directors in advance on the contents of the agenda items and other matters.

[Status of those who retired from representative directors, etc.]

Names of Advisors, etc. who retired representative directors, etc.

Name	Title	Activity	Full time or not Remuneration, etc.	Date of retirement from CEO	Term
Tateo Mataki	Dentsu Inc. Senior Advisor (Sodan yaku)	Industry group or economic organizations, etc.	Full time No remuneration	June 28, 2007	One year
Tatsuyoshi Takashima	Dentsu Inc. Senior Advisor (Sodan yaku)	Industry group or economic organizations, etc.	Full time No remuneration	April 1, 2011	One year
Tadashi Ishii	Dentsu Group, Inc. Senior Advisor (Sodan yaku)	Advising for the executives of the Company	Full time Receive remuneration	January 22, 2017	One year

The total number of Corporate Advisors, etc., who retired from representative directors positions	3 persons
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Other Items

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

2. Items Pertaining to the Functions of Business Execution, Auditing and Supervision, Nomination, Remuneration Decisions, etc. (Overview of the Current Corporate Governance Structure)

The Company is a company with an Audit and Supervisory Committee and transfers authority for important business execution in part from the Board of Directors to the executive officers to establish an expeditious and effective business execution system. At the same time, the Company is working to enhance the Board of Directors' supervisory function of directors over business execution.

The number of board members is stipulated to be 15 or less according to the law. As of March 31, 2020, 12 board members (5 of which are outside board members) are selected, and five board members (4 of which are outside board members) are selected. The members of the Board of Directors take into account the balance of experience, knowledge, capabilities, and diversity, including gender and internationality.

Four of the five board members who are Audit and Supervisory Committee members (all of which are independent officers meeting the Independence Standards of External Board Members) and one of the seven directors who are not Audit and Supervisory Committee members utilize their experiences in each field and expect a supervisory function for business execution by the Board of 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 exclusive of those exclusively resolved by the Board of Directors, matters concerning the entire Group and deliberates on matters to be decided by the Board of Directors.

We have established the Dentsu Japan Network Board (established within the Dentsu Japan Network, an in-house company) to deliberate on important matters related to the domestic business of our group companies, and the Dentsu Aegis Network Board (DAN Board), which deliberates on important matters related to the overseas business of our group companies. Through these two bodies, we divide our business execution system into domestic business divisions and overseas business divisions, and delegate revenue responsibility and authority to each of these divisions.

In nominating directors who are not Audit and Supervisory Committee members, the Board of Directors will submit a candidate plan and, in order to secure objectivity and transparency, consult with the Nomination Committee and consider its opinions formed through its deliberation; and determine candidates.

In nominating directors who are Audit and Supervisory Committee members, the Board of Directors will submit a candidate plan, and consult with the Nomination Committee and consider its opinions formed through its deliberation. After receiving approval from the Audit and Supervisory Committee, candidates shall be decided upon by the Board of Directors.

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

The amount of remuneration of each director who is not a member of the Audit and Supervisory Committee (including that for the role of executive officers) will be determined by a resolution of the Board of Directors within the limit of remuneration to be approved at the ordinary general meeting of shareholders; and from the viewpoint of ensuring objectivity and transparency, such decision will be made after consulting with the Compensation Committee on compensation plan and considering the opinions of the Committee expressed for the Board of Directors and disclosing each remuneration to the Board of Directors.

The amount of remuneration of each director who is a member of the Audit and Supervisory Committee will be determined through deliberation among them within the limit of remuneration approved at the general meeting of shareholders.

The amount of remuneration of each executive officer who does not concurrently serve as a director will be determined from the viewpoint of ensuring objectivity and transparency, such decision will be made after consulting with the Compensation Committee on compensation plan and considering the opinions of the Committee expressed for the Board of Directors and disclosing each remuneration to the Board of Directors.

3. Reason for Choosing the Current Corporate Governance Structure

The main role of the Company's Board of Directors is to control the Company strategically along with its corporate philosophy and it chooses a company with an Audit and Supervisory Committee as the structure in order to achieve that objective. The Board of Directors delegates a large part of its decision-making authority regarding business execution to the management (including the Representative Director) and urges expeditious and resolute business judgment thereby. The Board of Directors also enhances corporate value by appropriately fulfilling its monitoring

function toward overall management, including its management strategy and Medium-term Management Plan.

III Status of Measures Pertaining to Shareholders and Other Stakeholders

1. Status of Efforts towards Vitalizing General Meetings of Shareholders and Smooth Exercise of Voting Rights

	Supplemental Explanation
Early sending of convocation notices for General Meeting of Shareholders	Convocation notices are sent not later than three weeks before the date of the General Meeting of Shareholders. With regard to the 171th Ordinary General Meeting of Shareholders held on March 27, 2020, the convocation notices were put on our website in advance on February 28 (Fri.) and dispatched on March 4 (Wed.).
Exercise of voting rights through digital means	Taking into consideration the convenience of shareholders for exercising their voting rights, the Company introduced online voting from the 156th Ordinary General Meeting of Shareholders (held on June 29, 2005). Additionally, the Company also made online exercise of voting rights from mobile phones and use of ICJ's voting platform available from the 159th Ordinary General Meeting of Shareholders (held on June 27, 2008).
Participation in a digital voting platform and other efforts aimed at improving the voting environment for institutional investors	The Company uses ICJ's voting platform.
Provision of the convocation notice (summary) in English	Since the 166th Ordinary General Meeting of Shareholders (held on June 26, 2015), aimed at enhancing constructive dialogue with shareholders and responding to the increasing ratio of foreign institutional investors, the Company creates an English version of the pre-mailed convocation notice and posts it on the Company's website.
Other	The Company explains the business report, etc., in a visual and easy to understand manner at the General Meeting of Shareholders.

2. Status of IR Activities

	Supplemental Explanation	Explanation from the Representative Director
Preparation and publication of Disclosure Policy	We have enacted a Disclosure Policy to disclose information to shareholders, investors, and securities analysts in a timely, accurate and fair manner in accordance with related laws and regulations such as the Financial Instruments and Exchange Act and the regulations of the Stock Exchange, where our shares are listed. For more information, please visit our website. →Disclosure Policy https://www.group.dentsu.com/en/ir/stockandratings/constructiveialogue.html	
Holding of regular briefings for analysts and institutional investors	Briefings on business performances are held twice a year at the timing of every quarter settlement. The Company holds roadshows every year and visits individual investors in Japan.	Yes
Posting of IR documents on the website	Earnings announcement materials for analysts and institutional investors and earnings briefing material and other disclosed documents, and integrated reports which include non-financial information are posted on the Company's website.	
Establishment of a section	Group IR Office	

(persons in charge of related to IR)		
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3. Status of Efforts Pertaining to Respecting the Position of Stakeholders

	Supplemental Explanation
Rules on respecting the position of stakeholders in internal regulations, etc.	The Company places priority on corporate governance, respect for human rights, improvement of working environment, environmental preservation, fair business practices, solving consumer problems and contributing to community development as important fields, and the Company recognizes that it is the fulfillment of its social responsibility to work independently to solve social issues and realize a sustainable society, with all stakeholders in mind. In order to fulfill its social responsibility, the Company established the Dentsu Group Code of Conduct (posted on the Company's website) which articulates what all Dentsu Group managers and employees must undertake in order to fulfill their respective responsibilities to society and each Dentsu Group company is committed to complying with the Code.
Implementation of environmental protection, CSR, and other activities	The Company's website introduces the status of such activities.
Establishment of policies, etc., pertaining to the provision of information to stakeholders	The Company discloses necessary information properly and in a timely manner in order to prioritize the interests of shareholders. (From the Dentsu Group Code of Conduct)

IV Items Pertaining to the Internal Control System

1. Basic Policy on the Internal Control System and Status of its Development

The Internal Control System at the Company is designed to encourage compliance among directors, executive officers, and employees while it supports continuous corporate development as the Company strives to meet its social responsibilities.

The Company and its subsidiaries (hereinafter called as “Dentsu Group”) has chosen the Dentsu Group Code of Conduct to define the parameters of acceptable behavior, which ensure directors, executive officers and employees of Dentsu Group to comply with all laws, regulations, and the Articles of Incorporation during the course of their duties and that business is conducted appropriately, and will maintain and enhance the Internal Control System.

(1) Compliance System for Directors, Executive Officers, and Employees

- ① Directors and executive officers must perform their duties appropriately, in accordance with rules such as the Board of Directors’ Rules, Rules for the Operation of the Group Executive Management Committee, Directors’ Rules, and Executive Officers’ Rules.
- ② If a director or an executive officer discovers a violation of the prevailing laws or comes across any other serious compliance-related issue, it is imperative that he/she reports it without delay to the relevant organizations of the Company including the Board of Directors and the Group Executive Management Committee. The Group Risk and Internal Audit Office must also be immediately advised of the circumstances.
- ③ The departments reporting to the CSR Committee create internal policies and manuals and conduct training to improve and enhance the compliance system for employees.
- ④ The Company has set up an internal reporting and proposal system to respond appropriately in the event a law is broken or some other internal compliance issue arises.
- ⑤ If the Audit and Supervisory Committee states opinions on the Company’s compliance system or require steps to improve the system, directors and executive officers must respond without delay and make the recommended improvements.
- ⑥ The Company has established a department to facilitate the termination of business relationships with organized crime groups and elements thereof—termed “antisocial forces” in Japan—when a link is discovered and to resolutely refuse any and all future transactions. This department functions as the liaison between the affected in-house divisions and the relevant authorities to expedite an appropriate course of action.

(2) System to Ensure Efficient Execution of Duties by Directors and Executive Officers

- ① In addition to meetings of the Board of Directors, the Company holds meetings of the Board of Group Executive Management Committee, Dentsu Japan Network Board, Dentsu Aegis Network Board (DAN Board) and Various Committees. These meetings provide opportunities to discuss important matters pertaining to management policy and strategy, and to make executive decisions.
- ② Items resolved at such meetings are communicated to all employees through the corporate structure for prompt reflection in the execution of duties. Urgent items are posted on the internal electronic bulletin board in the interest of rapid dissemination.

(3) Storage and Management of Information Related to the Execution of Duties by directors and executive officers

Information concerning the execution of duties by directors and executive officers is stored and managed appropriately, in accordance with the Company’s Documentation Management Rules and Information Management Rules.

(4) Risk Management System

- ① The Company establishes risk management regulations to maintain and improve a structure that precludes the spread of damage or loss and minimizes the impact of risk progression in the event risks become reality. The Company performs self-checks with regard to the situation of risk management under the Internal Control and Risk Committee, selects key risks to be handled, and implements risk management based on concrete response plans.
- ② The response policy for material risks in management and other material items concerning risk management are reported to the Board of Directors and the Audit and Supervisory Committee.

(5) Internal Structure to Support the Audit and Supervisory Committee and their Independent Status

The Company maintains an Audit and Supervisory Committee Office, which consists of employees who assist the Audit and Supervisory Committee in their duties. This office reports directly to the Audit and Supervisory Committee, thereby preserving its independence from directors and executive officers (excluding directors who are Audit and Supervisory Committee members) and effectiveness of instructions from Audit and Supervisory Committee.

(6) System for Reporting to the Audit and Supervisory Committee and Improving Audit Effectiveness

- ① Policies are in place to define issues that directors (excluding directors who are Audit and Supervisory Committee members), executive officers, and employees (hereinafter called “officers and employees”) of the Company and its subsidiaries are required to report to the Audit and Supervisory Committee, while at the same time, the system ensures that significant matters that have an impact on the Company’s business operations or business results are reported by executives and employees to the Audit and Supervisory Committee in a certain and prompt manner.
- ② In the event that the Audit and Supervisory Committee request information other than that indicated above, executives and employees of Dentsu Group are still required to respond without delay.
- ③ It will be ensured that parties who report under the condition of the previous items do not receive harmful treatment as a result of reporting.
- ④ Pursuant to laws and regulations, a policy will be defined to account for expenses, etc., incurred during the course of execution of duties by the Audit and Supervisory Committee, and this information will be disseminated to concerned parties.
- ⑤ To enhance audit effectiveness, the Internal Audit Office and independent auditors collaborate.

(7) Internal Control System for the Dentsu Group, including Subsidiaries

Starting with the following items, matters that subsidiaries must establish and operate as members of the Dentsu Group will be defined, and the establishment, operation, and improvement of the Dentsu Group’s internal control system will be promoted.

- ① The Dentsu Group Code of Conduct was drafted as the standard for acceptable corporate behavior and embraces the entire Group, including subsidiaries. Each subsidiary passes a resolution on the adoption of the Code.
- ② In addition to receiving periodic reports from subsidiaries concerning the business operations, business results, and other significant matters that may have a significant effect on the business operation or business results of the Company, subsidiaries will request advance approval or report to the Company.
- ③ Through Dentsu Aegis Network, which oversees each overseas subsidiary within the Dentsu Group, decision-making and business execution in overseas business operations will be made in an efficient manner.
- ④ Subsidiaries will define standards pursuant to the Dentsu Group Code of Conduct, and by resolution of a meeting of the Board of Directors, etc., will ensure compliance and risk management as members the Dentsu Group.

(8) System to Ensure Appropriateness of Financial Reporting

- ① Through the Internal Control and Risk Committee, the Company continually supports a system that ensures appropriateness in financial reporting by the Group.
- ② Subsidiaries and departments involved in business activities perform self-checks through the course of day-to-day operations to determine if internal controls are functioning properly.
- ③ The Group Risk and Internal Audit Office monitors the internal control system from a perspective free of operational bias to assess the effectiveness of internal controls related to financial reporting.

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

The Company has a department to facilitate the termination of business relationships with organized crime groups and elements thereof—termed “antisocial forces” in Japan—when a link is discovered and to resolutely refuse any and all future transactions. This department functions as the liaison between the affected in-house divisions and the relevant authorities to expedite an appropriate course of action. Upon the nationwide enforcement of the Ordinance on Antisocial Forces from October 2011, the Company revised various internal rules, established a framework to terminate business relationships with antisocial forces, and advanced checks to ensure that business associates of the Company were not involved with antisocial forces.

V Other

1. Introduction of anti-takeover measures

Introduction of anti-takeover measures	None
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2. Other Items Pertaining to the Corporate Governance Structure, etc.

The status of internal structures related to the timely disclosure of corporate information at the Company is as follows.

(1) Management Structure for Corporate Information

The Company established the CSR Committee comprising executive officers and relevant executive directors to oversee the Company's information management. The CSR Committee established the Dentsu Group Basic Policy for Information Security, the Group's basic guidelines regarding information management. Based on this basic policy, the Company established the Information Management Rules, Detailed Rules for the Handling and Management of Information and other relevant detailed rules. The Company thoroughly informs officers and employees of these rules and specifies compliance with them. Additionally, the Company engages in detailed activities such as training for new graduate employees, briefings for employees, and distribution of videos and pamphlets to raise awareness. In particular, taking into consideration the importance of managers in information management, the Company also established a course for new manager training to educate managers on their roles and responsibilities.

On that basis, the Information Management Committee takes on the role of managing material facts, etc., such as insider information based on the Rules for the Timely Disclosure of Information and Insider Trading and Rules of the Information Management Committee. The Director in charge of disclosure (person in charge of information handling) serves as the chairperson of the Information Management Committee and the Group Corporate Secretary Office serves as its secretariat. The Information Management Committee catches information within the Company through the duty of notification of material facts, etc., as stated below and determines the level of information management and period of management for each piece of information as necessary. With respect to information that the Information Management Committee considers may fall under the scope of material facts, the Information Management Committee Secretariat identifies the officer or employee who received the information and, if necessary, request the relevant officer or employee to submit written confirmation note on the receipt of information and prohibition of the sale of shares to ensure thorough information management until the disclosure of said information and prevent insider trading.

(2) Timely Disclosure System

a. Identification of Material Facts, etc.

The above rules clearly state the duty of notification of material facts as follows.

1) Facts Determined

In the case that the head of each division (managing director) handles work that has a high possibility of becoming a material fact, etc., of the Company, he/she must immediately report its contents to the director in charge of disclosure, head of the Group Corporate Communication Office or Information Management Committee Secretariat.

2) Facts Occurred

In the case that a material fact, etc., other than in 1) above, the head of the presiding department must check it and immediately report the contents of the material fact, etc., to the director in charge of disclosure, head of the Group Corporate Communication Office or Information Management Committee Secretariat.

Additionally, the Group Corporate Communication Office also endeavors to identify material facts by exchanging information with relevant departments such as the Group CEO Office, the Group Corporate Secretary Office (Information Management Committee Secretariat), and the Group FP&A Office, etc.

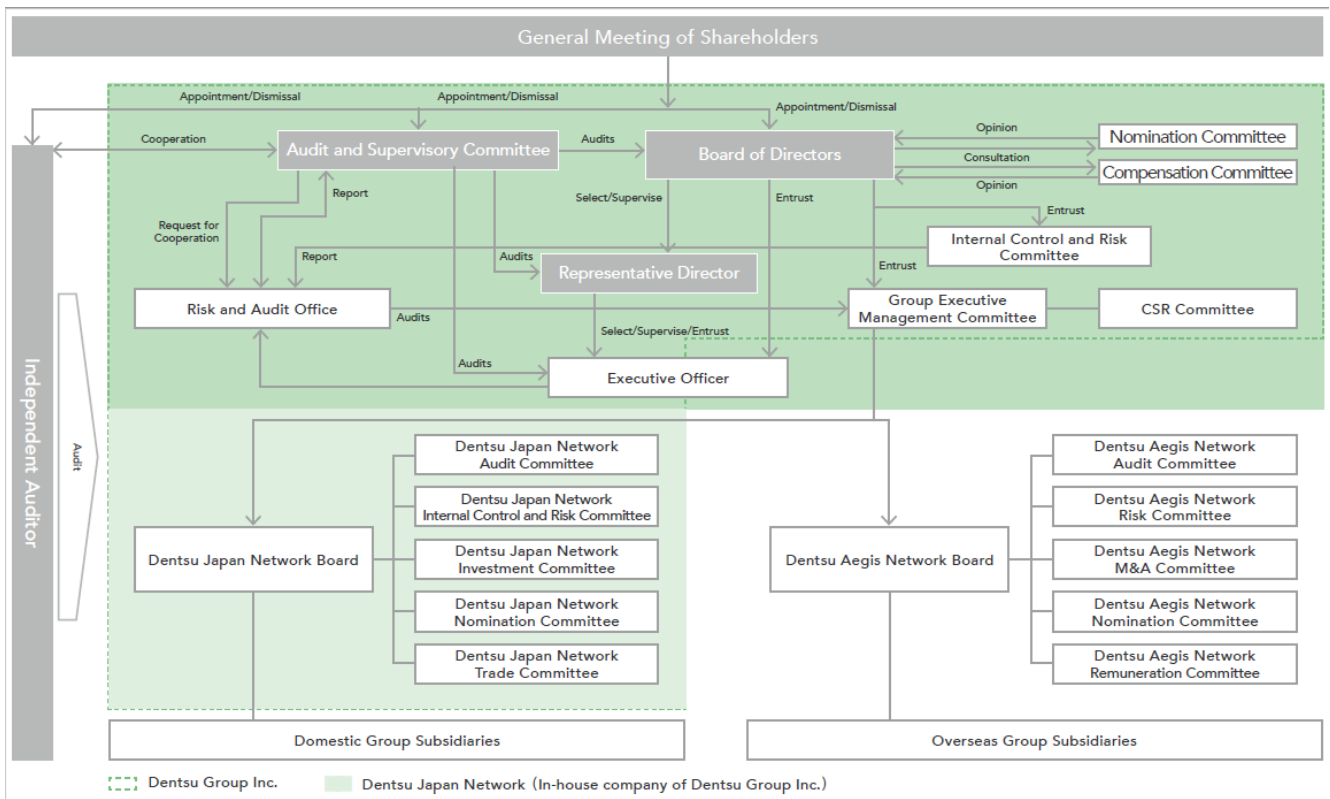
b. Disclosure of Material Facts, etc.

The Group Corporate Communication Office is in charge of disclosure and announcements to news media.

The contents and timing of announcements are determined by the departments presiding over the information to be disclosed and the Group Corporate Communication Office. The director in charge of disclosure makes the final decision on material facts, etc.

Announcements are made by the Group Corporate Communication Office to news media based on prescribed rules such as TD-NET. Additionally, distributed documents are posted on the Company's website immediately after announcement to the media.

Corporate Governance Structure



Grasping and Disclosing System of Company Information

