

FOR IMMEDIATE RELEASE

February 14, 2019

## **Notice Regarding Introduction of Performance-based Stock Compensation Plan**

Under the notice “Dentsu Announces Revision of Compensation System for Directors and Executive Officers”, which was released on November 14, 2018, Dentsu announced that it was planning to revise its compensation system for directors and executive officers, and, as a major point of focus, newly introduce a performance-based stock compensation plan (the “Plan”) as a mid- to long-term bonus with the objective of further increasing motivation for the “execution of strategy from a mid- to long-term perspective”, which has been a mission of the directors and the executive officers. At the meeting of the Board of Directors held today, a resolution was passed to introduce the Plan in respect of the executive officers (including any executive officer who concurrently serves as a director; the same applies hereinafter), and it was decided that a proposal concerning the Plan would be submitted at the 170th Ordinary General Meeting of Shareholders to be held on March 28, 2019 (the “Shareholders Meeting”). Accordingly, the company makes the following notification.

### 1. Outline of the Plan

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

Introduction of the Plan will further clarify the link between the executive officers’

compensation, on the one hand, and the Company's business performance and corporate value, on the other hand, and promote the sharing of interests with shareholders and other stakeholders. As a result, the Company will be able to heighten the awareness of the executive officers who are supposed to contribute to sustainable growth and the enhancement of the corporate value of the Dentsu Group over the medium to long term.

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

## 2. Subjects of the Plan

The Company's executive officers, including the executive officers who concurrently serve as directors, will be the beneficiaries of the Plan.

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

## 3. Money to be contributed by Dentsu

On the condition that the proposal concerning the Plan is approved and passed in its original form at the Shareholders Meeting, the Company will administer the Plan in respect of the fiscal year ending on the last day of December 2019 (the "First Fiscal Year") and each subsequent fiscal year and thereby distribute the Dentsu Shares, etc., to the executive officers. The Company will contribute money to the Trust as described below in the amount deemed appropriate in the light of the aforementioned objective so that the money will be appropriated as the funds for the Trust to acquire Dentsu ordinary shares for the above purpose.

At the time of the creation of the Trust (May 2019 (planned)), regarding the funds necessary in respect of the First Fiscal Year, the Company will contribute up to 200 million yen in total to the Trust as the portion corresponding to the executive officers who concurrently serve as directors, and up to 600 million yen in total as the portion

corresponding to all other executive officers.

After the First Fiscal Year, so long as the Plan continues to exist, the Company will additionally contribute money to the Trust, for each fiscal year as a general rule, up to 900 million yen in total as the portion corresponding to the executive officers who concurrently serve as directors, and up to 2.7 billion yen in total as the portion corresponding to all other executive officers; provided, however, that when Dentsu is to make such additional contribution, if there remains any Dentsu ordinary shares or money in the assets of the Trust (the "Remaining Shares, etc."), each balance obtained by deducting from the above-mentioned respective maximum amounts the amount of the Remaining Shares, etc., (with regard to a Dentsu ordinary share, the closing price of such Dentsu ordinary share on the Tokyo Stock Exchange for the last day of the immediately preceding fiscal year (or, if there is no closing price for such day, the immediately preceding closing price)) corresponding to the executive officers who concurrently serve as directors, and the amount of the Remaining Shares, etc., corresponding to all other executive officers, respectively, be the maximum amount for the additional contribution.

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

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

#### 4. Method of acquiring Dentsu ordinary shares

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

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

#### 5. Distribution of Dentsu Shares, etc., to executive officers

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

At such time, the number of the Basic Points granted to each executive officer in the relevant first fiscal year will be adjusted in accordance with the calculation formula prescribed in the Officers Stock Benefit Regulations based on the business performance during the Business Performance Assessment Period (such adjusted points, the "Finalized Points," and the Basic Points and the Finalized Points collectively, the "Relevant Points").

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

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

If any executive officer who expected to receive a distribution of the Dentsu Shares, etc., deceases before the Vesting Date, such executive officer's surviving family, within certain limitations, may, by completing prescribed procedures, receive an amount of money equivalent to the market value, as of the time of the relevant death, of the number of Dentsu ordinary shares calculated based on the number of the Basic Points granted to such executive officer as of the time of death.

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

#### 6. Voting rights pertaining to Dentsu ordinary shares held by the Trust

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

#### 7. Handling of dividends pertaining to Dentsu ordinary shares held by the Trust

Dividends pertaining to Dentsu ordinary shares held by the Trust will be received by

the Trust and appropriated for such purposes as the payment of the Dentsu ordinary share acquisition price and the payment of the fee in relation to the Trust. In the event the Trust is to be terminated, money, such as dividends, which remains in the Trust will be donated, in accordance with the provisions of the Officers Stock Benefit Regulations, to charitable organizations that have no interest in the Company or the Company's executive officers.

#### 8. Handling at the time of the termination of the Trust

The Trust will be terminated if an event such as the delisting of Dentsu shares or the abolishment of the Officers Stock Benefit Regulations has occurred.

It is planned that the Company will acquire free of charge all of the Dentsu ordinary shares existing as residual assets of the Trust at the time of the termination of the Trust and cancel them by a resolution of the Board of Directors. With regard to money existing as a residual asset of the Trust at the time of the termination of the Trust, the balance obtained by deducting the amount to be donated to a charitable organization, as described in Paragraph 7 above, will be distributed to the company.

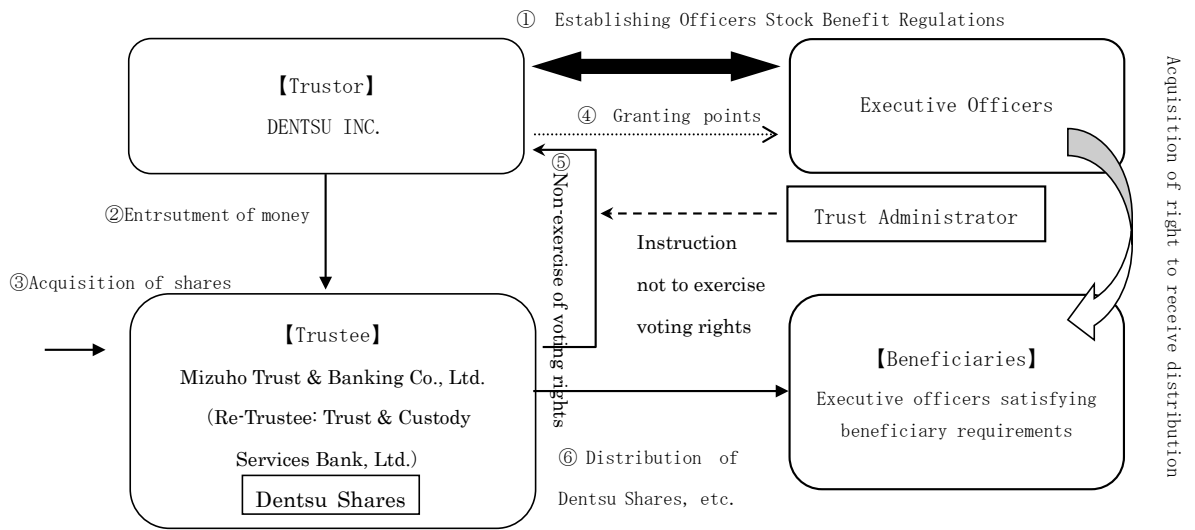
#### 9. Other matters

Other details regarding the Plan will be determined by the resolution of the Board of Directors of the Company within the boundaries described above.

#### [Overview of the Trust]

(i) Name	Board Benefit Trust
(ii) Trustor	DENTSU INC.
(iii) Trustee	Mizuho Trust & Banking Co., Ltd. (Re-Trustee: Trust & Custody Services Bank, Ltd.)
(iv) Beneficiary	Executive officers who satisfy the beneficiary requirements set forth in the Officers Stock Benefit Regulations.
(v) Trust Administrator	Third party with no interest in Dentsu (planned)
(vi) Type of trust	Trusts of money other than money trusts (third-party-benefit trust)
(vii) Date of conclusion of the Trust agreement	May 2019 (planned)
(viii) Date of entrustment of money	May 2019 (planned)
(ix) Period of trust	From May 2019 (planned) until termination of the trust (The trust will continue as long as the Plan continues, without stipulating a specific date of termination.)

<Structure of the Plan>



(1) The Company shall, at the Shareholders Meeting, obtain approval regarding the administration of the Plan in respect of the executive officers who concurrently serve as directors, as well as regarding its framework, and will establish, within the scope of the approval, the Officers Stock Benefit Regulations by resolution of the Board of Directors.

(2) The Trust will be established with the money contributed by the company to the extent approved at the Shareholders Meeting referred to in (1).

(3) By using the money contributed under (2), the Trust will acquire Dentsu ordinary shares either by a purchase through the securities exchange or by an acceptance of treasury shares disposed of by the company.

(4) While in office, the executive officers will be granted the number of points calculated in accordance with the calculation formula prescribed in the Officers Stock Benefit Regulations in respect of each fiscal year. After the relevant business performance assessment period has lapsed, the number of points granted to the executive officers will be adjusted in accordance with the calculation formula prescribed in the Officers Stock Benefit Regulations based on the business performance of the company during the business performance assessment period.

(5) Pursuant to the instruction of the Trust Administrator, who will be independent of Dentsu, the Trust will not exercise the voting rights in respect of Dentsu ordinary shares held by the Trust.

(6) After the relevant business performance assessment period has lapsed, the Trust will distribute the Dentsu Shares, etc., corresponding to the number of points adjusted under (4) to the executive officers who have satisfied the beneficiary requirements prescribed in the Officers Stock Benefit Regulations.

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Contact: Shusaku Kannan  
Managing Director  
Corporate Communications Division  
Telephone: +81 (3) 6216-8042  
E-mail: s.kannan@dentsu.co.jp