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Pursuing Working Environment Reforms

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On July 5, 2017, Dentsu in Japan was charged with violations of the Labor Standards Law, and hereafter the Company's liability will be taken up by the Tokyo Summary Court in a formal open trial. We take this situation very seriously, and extend our deepest apologies to stakeholders and the general public for the tremendous disruption and concern we have caused.

On November 1 last year, we launched the Dentsu Working Environment Reforms Commission. In an effort to avoid a recurrence of labor issues we are determined to comply with laws and regulations, improve the working environment and prevent long working hours. Since then, we have been dealing with highly urgent issues. Based on active discussions within the Company and opinions and advice from many outside professionals and experts, we recognize that it is only possible to steer drastic and sustainable reforms by stepping into the foundation of an established business process that has been in practice for many years. Although reforms involve pain, great effort and time, we aim to achieve our goal by the end of 2018 to establish a corporate infrastructure in Japan that enables all employees to maintain physical and mental health as well as personal development by offering diverse career tracts that reflect employee values.

In the progression of our reform pursuits it is necessary that management, beginning with me, the president & CEO, remains completely committed to the process of rolling out reforms. The success of our endeavors will also depend heavily on each employee fully understanding our objectives and acting accordingly.

To this end, until now we have been receiving feedback directly from employees through a series of face-to-face town-hall meetings, while also involving management and employees at all levels of the organization in the process of planning and implementing a Working Environment Reform Plan.

This process has been revelatory. Within the Company, it has been one of our firmly

held beliefs over the years that there was a trade-off between shortening working hours and striving to improve our business and results. But in exchanging views with numerous employees and experts outside the organization as part of preparations for this reform plan, I realized that such a belief was misplaced. I am convinced that shorter working hours can be compatible with corporate growth if we remove misconceptions and overhaul our business processes from the ground up. Reducing working hours is vital for the physical and mental health of each and every employee. The wellbeing of our people underpins our drive for reform.

We will continue to evaluate the effectiveness of reforms with the oversight of outside directors appointed at the Ordinary General Meeting of Shareholders in March this year and the Independent Advisory Committee for Labor Environmental Reform Activities installed in February.

Since the autumn of last year, the Company in Japan has been implementing measures to deal with the highly urgent issue of reforming our work environment. We have implemented viable measures in order of execution, while confirming these fundamental reforms as our comprehensive reform plan. Through these reforms we would like to create a new Dentsu.

Creating a new Dentsu begins with bolstering the management of employee wellbeing. The reforms we implement will concurrently reduce working hours and advance work quality, as we endeavor to foster sustainable growth for our employees and the organization. I understand that this will not be easy, however I am absolutely determined to accomplish this reform.