

FOR IMMEDIATE RELEASE

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Progress Report on Working Environment Reforms

-Dentsu Inc. to complete 'Overhaul of in-house environment and infrastructure reforms' in 2018-

On July 27, 2017, we announced the "Dentsu Japan Working Environment Reform Plan," an initiative developed jointly by management and employees, with input from external consultants. Our overriding objective is full compliance with labor regulations, the elimination of excessive overtime, and a better working environment in Japan. This will be achieved by tackling the root causes of labor issues in Japan - that are often structural and complex - with a program of comprehensive reforms.

The "Dentsu Working Environment Reforms Commission," led by Dentsu Inc. President & CEO, was established in November 2016. In addition, the "Independent Advisory Committee for Labor Environment Reform Activities," made up of external experts and established in February 2017, has been monitoring the effectiveness of the reforms.

There are three key features in our reforms program:

- **Employees' physical and mental health** is the priority of Company management. If we can reduce working hours and improve the quality of our output simultaneously, it will boost the confidence in each employee about his/her personal growth.
- **Wide-ranging business process and workplace improvements**, including employee time management and training, business process, in-house infrastructure, office environment, personnel/evaluation system, and health management.
- **Creating a New Dentsu** by fundamentally changing the way we work.

As set out in the Plan, we have been working on a range of measures to complete the 'Overhaul of in-house work environments and infrastructure' in 2018 in Japan. For 2017, the main pillars of this work were 'Thorough enforcement of time management and enhanced care for employees,' "Work-Diet" through the thorough review of workflows,' and the 'Development of "Smart Work Styles."'

Please refer to the 'Appendix- Measures developed and implemented in 2017' for more detail on these 2017 reforms and the results.

Following these activities, we are preparing the full launch of new measures for 'optimization

of time value,' including a rest interval system, work-from-home system, and flextime system, to help continue zero violation of Article 36¹ and achieve our target of reducing work hours per employee. These measures have already been introduced company-wide in Japan on a trial basis.

In addition, we have started to work on business process re-engineering, personnel/evaluation systems reform, and a new health management policy to completely change Dentsu's work style.

Going forward, we will continue to execute our plans steadily, focusing on full compliance with labor regulations, the reduction of long working hours, and the physical and mental health of our employees. We are all committed to the Working Environment Reforms to ensure that labor issues will never happen again.

Costs relating to the Working Environment Reforms

We invested a total of ¥7 billion in 2017 on the Working Environment Reform initiatives in Japan:

- ¥1.3 billion to cover the recruitment of approximately 300 staff
- ¥4 billion to implement new employee management and workflow systems, including the introduction/enhancement of IT systems such as RPA (Robotic Process Automation) and ICT for business processes re-engineering and outsourcing
- ¥1.7 billion to improve our office environments

For 2018, we plan to invest a further ¥13 billion to accelerate the implementation of these reforms. We will enhance our support for IT, including RPA and ICT, areas in which we saw immediate results in 2017. This includes significant changes to our workflow and talent management systems. The majority of this investment (¥8 billion) will be used to complete the roll-out of the new employee management and workflow systems. A further ¥2.5 billion will be invested to further improve our office environment, plus ¥2.5 billion for additional hires.

¹ Maximum overtime work agreed between management and employees under Article 36 of the Labor Standards Act

Appendix - Measures developed and implemented in 2017

Measures developed and implemented in 2017

1. Reinforcement of regulatory knowledge and insights
 - Trained all employees in labor laws and regulations and prevention of harassment, and tested their comprehension
 - Reduced actual working hours by lowering the upper limit of overtime and ensuring strict compliance with Article 36
 - Established the “Independent Advisory Committee for Labor Environment Reform Activities” in February 2017, inviting outside experts to provide advice, management, and verification for the progress of the reform activities

2. Improvement and reinforcement of employee management
 - Introduced a Time Management Dashboard to visualize employees’ current working situation
 - Appointed executive directors exclusively in charge of human resources management in each division
 - Prohibited employees from remaining in office after work for personal reasons
 - Checked on individual employees whose overtime work hours were near the maximum for several consecutive months
 - Enforced lights-out hours between 10pm and 5am and prohibited work, including overtime work at home
 - Provided extra protection to new employees by applying a stricter working-hours guidelines than the statutory limit to reduce workload
 - Held a “Day for thinking over a New Work Style” in which employees participated during “Death from Overwork Awareness Month” sponsored by the Ministry of Health, Labor, and Welfare.

3. Reallocation of personnel and leveling of workload
 - Reallocated personnel based on the calculation of optimum workload level
 - Immediately increased staffing levels
 - Conducted a thorough review of workflows, driving “Work-Diet” and outsourcing
 - Introduced RPA to 400 workflows (to be expanded further)
 - Added “Compliance with legal and societal rules” and “work efficiency” to evaluation metrics
 - Established a discussion board with vendors to review workflow

4. Improvement of office environment and work efficiency
 - Improved work efficiency through technology making our internal application processes paperless
 - Promoted a teleworking system by providing laptops and smartphones to all employees

and upgrading applications

- Redesigned work areas to create an open space to encourage more face-to-face communications among employees
- Opened satellite offices in 20 locations nationwide
- Improved our meetings environment by managing daily schedules with Outlook, providing TV monitors in meeting rooms, and use of Skype, etc.

5. Better services to maintain employees' health and support family care

- Assigned mental health professionals on-site all times at the Company's in-house health management center to counsel employees as needed
- Established "Family Line" through which employees' families can directly talk about employees' physical and mental health
- Upgraded consultation service for new employees to handle their concerns about work, career, and mental health
- Introduced rest-interval system on a trial basis
- Encouraged employees to take more paid holidays and investigated a new holiday system
- Enhanced nursing care and childcare services

6. More diverse working style alternatives

- Increased the number of departments offering flextime
- Introduced a work-from-home system on a trial basis
- Added a new employee-evaluation metric, "medium-term goal for self-improvement and career development," for non-managers

7. Reviewed our employee evaluation system to strengthen leadership capability

- Conducted 360-degree evaluation and aptitude tests for line managers
- Revised evaluation metrics for managers to emphasize medium-term contributions
- Defined "Development of team members" and "Proper management of work volume" as key evaluation criteria

8. Keeping employees motivated

- Fully compensated employees for any reduction in overtime pay from previous year through an increase in bonus

For '**Thorough enforcement of time management and enhanced care for employees,**' we have appointed executive directors exclusively in charge of employee management in each division and introduced a Time-Management Dashboard to visualize employees' current working situation. In addition, we have: enhanced employee training and put in place a consultation function to raise awareness for, and to deal with, compliance and harassment; established "Family Line" through which employees' families can also talk about employees' physical and mental health; assigned mental health professionals on-site at the

Company's in-house health management center to counsel employees; and created an encouraging environment for employees to take holidays. As a result, we have already witnessed positive improvements, including increases in the number of consultation and holidays taken by employees.

For **“Work-Diet” through the thorough review of workflows,** we carried out a company-wide exercise in Japan to visualize and review our business processes, the starting point for our work-environment reforms. Based on this, we have streamlined workflows through abolition, simplification, automation, and outsourcing. For example, we have automated approximately 400 workflows through RPA before the end of December 2017, and generated 12,000 hours of operations during the month of December 2017.

For **“Development of “Smart Work Styles,”** we have provided all employees laptops and smartphones, in addition to existing desktop PCs, and enhanced our IT infrastructure to support these devices and applications that run on them. We have also improved office environment, including work areas and meeting rooms, to help develop smart work styles. We are steadily moving forward, while closely monitoring the progress driven by these efforts, to establish a new work style through achieving our target of shortening each employee's work hours by 30 minutes a day, or 100 hours per year.

As a result of these measures, we observed the following improvements. Regarding our priority, i.e. zero violation of Article 36, none have been reported since April, except cases of violation in January last year due to lack of understanding of the change at that time in a management rule for permitted working hours from company-based to statutory-based and one case of violation in March. Next, total work hours per employee (including managerial) decreased to 2,031 hours (2,166 hours in 2016), which was below the 2017 target of 2,100 hours.

In addition, the usage rate of paid-holiday per employee was 64.0%, an 8% improvement from 56.0% in the previous year. Although the average figures per employee improved, we still need to work hard to reduce the long working hours of some very busy employees by observing the distribution of working hours. We are fully aware that stronger determination and enhanced capability to carry through the initiatives are required to accomplish our aggressive goal of 1,800 hours by 2019.

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