

Compliance

Compliance Promotion System

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

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

In FY2017 (ended December 2017), Dentsu Inc. and Dentsu Group employees in Japan submitted nine reports and proposals (FY2016: 7; FY2015: 15; FY2014: 10), all of which were addressed. Moreover, the booklet Compliance Digest was distributed to all Group companies to promote an understanding of compliance.

Corruption Prevention Response

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

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

Policies on Antisocial Forces

Dentsu rejects all requests from antisocial forces and groups. It has departments that block relationships with groups and offer support through alliances with cooperating entities within and outside the Company. Dentsu and all Group Companies comply with a Basic Policy on the Rejection of Organized Crime Groups and Other Antisocial Forces, in respect of which they take a firm stand against antisocial forces, and at the same time request that business partners do the same.

Basic Policy on the Rejection of Organized Crime Groups and Other Antisocial Forces →

<http://www.dentsu.com/csr/compliance/compliance.html>

Bid to End Bribery by Group Companies Abroad

DAN provides compliance training on the intranet for Group companies outside of Japan, the participation rate of which is up to 90%. As a follow-up, each company also holds its own training sessions and strives to raise employee awareness regarding bribery.

Speak Up! Policy

The risk of fraud and other wrongdoing is a threat to the Group's profitability and reputation. DAN thus established an internal reporting program, called Speak Up!, for reporting any incident of concern or that raises suspicions of wrongdoing in the workplace. Employees can make a report to line managers, HR staff or senior managers, or they can follow internal grievance procedures. Appropriate legal and/or disciplinary action will be taken against perpetrators of fraud and other wrongdoing.

DAN also employs Safecall Limited, an independent specialist that employees can contact anonymously on the phone, by email and through a website, 24 hours a day, 365 days a year, and in a number of languages.



The Compliance Digest booklet

Incident of concern or suspicion of wrongdoing within the workplace

- Bullying or harassment
- Theft or fraud
- Bribery and corruption
- Information security breaches (e.g., loss or theft of personal/ sensitive data)
- Abuse or inflation of expenses
- Non-compliance with contractual obligations
- Accounting and tax malpractice

Progress toward Working Environment Reforms

Working Environment Reforms

In July 2017, we announced a Working Environment Reform Plan.

Based on the three pillars of thorough labor management, enhanced worker protection, the review of workflows through job inventories and smart work styles, we worked on reforming our labor management, business processes, internal infrastructure, office environment, personnel evaluation system, and health management system in 2017. Recognizing that employees with healthy minds and bodies are the foundation on which strong management is built, we aim to foster the self-actualization of each employee while simultaneously reducing hours and increasing operational quality. They will enable us to change the work style of Dentsu employees in Japan and create a new Dentsu.

The Independent Advisory Committee, which comprises outside experts, is currently monitoring our efforts.

Measures developed and implemented in 2017 (excerpt)

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
- 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
- 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

- 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

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

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

- Established "Family Line" through which employees' families can directly talk about employees' physical and mental health
- Introduced rest-interval system on a trial basis
- Encouraged employees to take more paid holidays and investigated a new holiday system

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
- 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



Compliance training



Enforced lights-out hours between 10pm and 5am

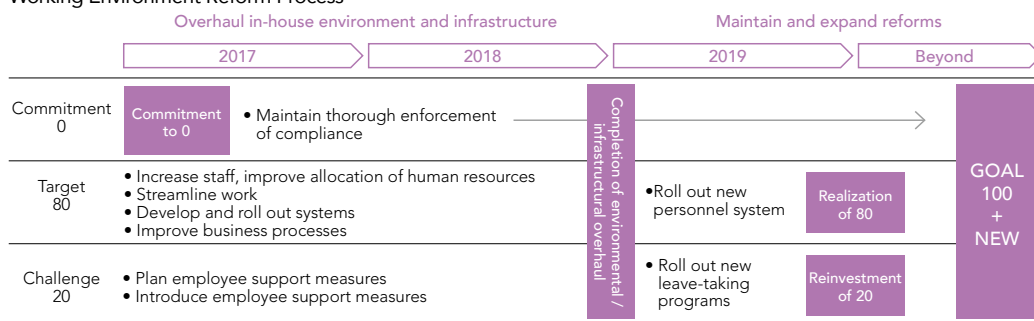


Refurbishing open workplace

Working Environment Reform Plan



Working Environment Reform Process



2017 Achievements

In 2017, the total amount of time worked by employees (including managers) was reduced to 2,031 hours from 2,166 hours in 2016, for a year-on-year reduction of 135 hours. This was less than the 2,100 hour target announced in our Basic Plan for 2017. Following the January 2017 transition to the management of overtime work in excess of statutory working hours (achieved by calculating the number of employees exceeding the Article 36 rule), we found that only one employee exceeded the rule in March and, from April to December, no employee has exceeded the overtime rule. The utilization rate of paid leave per employee was 64.0% in 2017, an 8-point improvement over the 56.0% achieved in the previous year. This was assisted by the use of robotic process automation (RPA), which allowed some 400 work processes previously carried out by humans to be automated by the end of 2017. Thus, the goal of having RPA work processes account for 12,000 hours of work per month had been achieved in December of that year.

In terms of costs incurred related to work environment reforms, we spent ¥1.3 billion for an urgent increase in employees; ¥4.0 billion for operational efficiencies, including the introduction of IT, RPA, and ICT for in-house work inventories, policies such as outsourcing, and labor management; and ¥1.7 billion for office environment improvements, amounting to a total of ¥7.0 billion.

In 2018, we plan to invest a total of ¥13.0 billion, broken down into ¥8.0 billion for promoting the creation of a foundation for future growth through the acceleration of various measures and work environment reforms; ¥2.5 billion for office environment improvements; and ¥2.5 billion for the hiring of additional employees.

Measures to be Implemented in 2018

- The entire Company takes a day off once a month as non-statutory holidays (Input Holidays).
- Employees are able to check their condition when they arrive at work (Vitality Note).
- Dentsu has been developing programs that focus on the growth of individual employees and will make available more than 100 hours per year of learning opportunities.

We will continue to focus our efforts on strictly observing legal requirements and reducing long working hours through the steady execution of our basic plan, while at the same time we will protect the physical and mental health of our employees. In addition, we will promote Company-wide work environment-related reforms, so that past labor problems will never again occur.

Inappropriate Domestic Digital Advertising Business Practices in 2016

An in-house committee—that was formed on August 15, 2016, included outside professionals (attorneys), and was chaired by then-senior executive vice president and CFO Shoichi Nakamoto—drew on advice from third-party professionals (certified fraud examiners and accountants) regarding instances of inappropriate or potentially inappropriate practices within the digital advertising services provided by Dentsu and some Dentsu Group companies in Japan. The committee identified related issues and their causes, and formulated measures to prevent their recurrence.

In January 2017, after having investigated approximately 214,000 invoices issued for digital advertising services in Japan between November 1, 2012, and July 31, 2016, projects involving unsuitable practices were reported individually to advertisers.

The following measures have been adopted to prevent a recurrence of such practices.

1. Since 2016, the independently established Business Process Management Division's Digital Confirmation Section has conducted inconsistency checks on media placement and transaction data. As of this publication, not a single case of impropriety has been detected.
2. We implemented business process reengineering to digitally manage advertising, conducted an extensive inventory of operations, and formulated a standardized work flow in November 2017. From 2018, business process auditing will be conducted by an auditing firm.
3. As part of our promotion of system compliance, in February 2018 we implemented a major overhaul of our online ordering system. This improves work efficiency and accuracy by coordinating advertiser and Dentsu order data and reduces posting and confirmation work. During 2018, this will be linked to reporting and alert systems as we promote further automation.