Dentsu Japan

Working Environment Reform Plan

Creating a New Dentsu

July 27, 2017
Our Approach to Driving Reform

Transparent, 2-way

Dedicated glass office

Fully transparent discussion of issues

Reform proposals fielded from employees
Management-Employee Dialogue

25,000+ opinions gathered

- Company-wide questionnaires (3, over 6 months)
- Fielding of suggestions from employees
- Sessions with divisional personnel managers (HRM managing director candidates)
- Employee opinion-exchange sessions → Total of 2,125 attendees across 105 sessions
- Employee recommendation/opinion box

Receive outside opinions in addition to in-house sessions

- Gain insights from outside experts
- Gain insights from the Independent Advisory Committee
Issues in the Workplace

**Issues**

- Death from overwork
- Charged with violation of Labor Standards Act
- Corrective recommendations

**Causes**

- Structures that treated extended overtime as the norm
- Irrational and inefficient company processes
- Excessive disciplinary code
- Lack of consideration for employees’ wellbeing
- Insufficient planning for employee training and assignments
- Negligible compliance to Labor Standards Act
Working Environment Reform Plan

Commitment

0

Target

80

Challenge

20

Goal

100 + NEW

Violations of Article 36: Zero
Harassment: Zero
Overwork: Zero

Achieve full output while reducing work time to 80% via changes to work environment and operations

Dedicate newly released 20% of time to improved employee wellbeing, self-enrichment & QOL, as well as career development

Shift to new working style to contribute to new path of employee and Company growth to create a new Dentsu

2 Years of Working Environment Reform

Evolution of Dentsu
<table>
<thead>
<tr>
<th>Commitment</th>
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<tbody>
<tr>
<td>0</td>
<td>80</td>
<td>20</td>
<td>100</td>
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</table>
Commitment

0

Violations of Article 36:
Zero

Harassment:
Zero

Overwork:
Zero

Fully comply with laws and regulations thus reducing all three issues to zero to avoid a recurrence of labor issues
Commitment

0

Violations of Article 36: Zero
Harassment: Zero
Overwork: Zero

Imbue awareness & compliance with work regulations

Prevent nighttime work

- Prohibit work between 10 pm and 5 am

Establishment of HRM managers throughout the Company

- Implement placement of executive directors in charge of HRM in each division to be responsible for employee time and health management and prevention of harassment

Revise employee evaluation metrics

- Enhance labor regulation training
- Evaluate the understanding of labor regulations
- Introduce “compliance with legal and societal rules” metric to evaluate criteria
- Introduce “work efficiency” metric to evaluate criteria
Commitment

0

Violations of Article 36: Zero
Harassment: Zero
Overwork: Zero

Advance workplace reforms

- Introduce healthcare program for new employees
- Enhance training programs to prevent excessive disciplinary code
- Introduce a leadership survey system to maintain awareness of subordinates’ viewpoints and opinions
- Introduce a time management system that visualizes the current working situation

Counteract harassment & enhance mental health care

- Expand and disseminate different methods of reporting and consultation
- Enhance system that regularly reports information about individuals who are sick or on leave

Pay attention to & care for each employee

- Establish “Work Style Review Week” every year during MHLW’s Death from Overwork Awareness Month (November) for all employees to review their work environment
- Introduce special training program for newly promoted management

●: Currently Underway
●: Currently in Development
Working Environment Reform Plan

Commitment: 0
Target: 80
Challenge: 20
Goal: 100
+ NEW
Achieve full output while reducing employee work time to 80% via reforming work environment and operations

Reduce total work hrs / person in **FY2019** to **80%** (Compared to FY2014)

<table>
<thead>
<tr>
<th>Previous</th>
<th>Goal</th>
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<tbody>
<tr>
<td>Total working hrs / person (Annual)</td>
<td>2,252 hours</td>
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</table>
Simulated reduction in total work hrs / person

Target

80

Achieve full output while reducing employee work time to 80% via reforming work environment and operations.

<table>
<thead>
<tr>
<th>Hours</th>
<th>FY2014 actual</th>
<th>FY2019 goal</th>
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<tbody>
<tr>
<td>4~6%</td>
<td>2,252</td>
<td>1,800</td>
</tr>
<tr>
<td>4~5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5~6%</td>
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<tr>
<td>4.5~5.5%</td>
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- Increase staff, reform employee mindset, change management
- Streamline and standardize work via “Work-Diet”
- Robotic Process Automation (RPA) and outsourcing
- IT investment such as “Smart-Work Style”
Immediately increase personnel numbers, to reduce individual workload
- Recruit full time mid-career employees (now 50)
- Increase contract employees & temp staff (now 224)

Increase number of full-time employees
- 250 employees to be hired in FY2017
  (about 1.5 times the previous year)

Achieve full output while reducing employee work time to 80% via reforming work environment and operations

Increase staff

Target

80
80

Achieve full output while reducing employee work time to 80% via reforming work environment and operations.

Streamline work

- Optimum allocation of human resources
  - Promote “Work-Diet” that reviews and implements visualization of workflows; boost streamlining
    - Complete creation of business list for all 65 departments including Kansai and Chubu. Business inventory scheduled to be completed throughout the entire Company by the end of August
  - Realize Robotic Process Automation (RPA)
    - 300 processes by the end of December, 2017
    - Streamline operations for 58,000 hours a month
  - Reallocate personnel based on optimal departmental levels
  - Introduce a system of “New Talent Management” considering every employees’ career track
Target

80

Achieve full output while reducing employee work time to 80% via reforming work environment and operations

- Reform work conditions through extensive IT investment
  - Enhance “Smart-Work Style”; a teleworking system
  - Introduce a satellite-office system
    - Testing operations in 18 locations in Japan will begin from September this year
  - Introduce a working-from-home system

- Improve business processes in unison with clients and industry organizations
  - Request cooperation from clients
  - Create rules based on industry organization practices
Achieve full output while reducing employee work time to 80% via reforming work environment and operations

**Target**

80

Review entire HRM system including recruitment, education & evaluation

- Review professional duties/grade system so that all employees can remain active regardless of age or employment status
- Establish a system of training and evaluation enabling individual growth in medium to long term
- Boost recruitment of recent graduates and utilize broader methods of recruitment
- Cultivate more supportive environment for female employees
- Examine support measures for management skills, know-how and burden reduction
Working Environment Reform Plan

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Challenge

Reinvest the 20% of time newly released to improve employee physical & mental wellbeing and QOL through encouraging individual learning and life-enhancing experiences
Reinvest the 20% of time newly released to improve employee physical & mental wellbeing and QOL through encouraging individual learning, life-enhancing experiences and career development.

**Challenge**

20

Reform leave-taking programs

- Increase the number of leave days that can be taken consecutively
- Consider one-month sabbatical leave system
- Consider 4-day work week system
- Consider incentives to promote taking leave

Bolster employee health management and care

- Validate a rest interval system to ensure adequate downtime between workdays
- Develop and implement vitality score system, an original Dentsu data health measure

Foster employee development

- Support skills development and pursuit of certifications
- Support family care, child-rearing, and social contribution activities
## Working Environment Reform Plan

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Shift to new working style to contribute to new path of employee and Company growth to create a new Dentsu
Progress Monitoring
Although the progress and effectiveness of the reforms need to be verified from a multifaceted perspective, we are currently focusing on "0" and "80" centering on the actual situation and verification.
The Targets of Fixed Point Observation and Intended Benchmarks (Examples)

- Violations of Article 36: Zero
- Harassment: Zero
- Overwork: Zero

Achieve full output while reducing work time to 80% via changes to work environment and operations

- The number of employees working over the time stipulated in Article 36 (daily / monthly)
- Participation rate of harassment prevention training
- Monthly outside permitted working hours per person
- Monthly number of days working on personal days per person
- Total working hours per person
- Gross profit per person
- Operating profit per person

0 80
The Targets of Fixed Point Observation and Intended Benchmarks (Examples)

- Dedicate newly released 20% of time to improved employee wellbeing, self-enrichment & QOL, as well as career development
- Shift to new working style to contribute to new path of employee and Company growth to create a new Dentsu
- The number of paid holidays taken per person
- The number of people taking special leave
- The rate of increase in employee-realized happiness/respite/creativity
Working Environment Reform Implementation and Monitoring Framework

**Dentsu Working Environment Reforms Commission**
(Headed by President & CEO)

- Scrutinizes and approves implementation and budget plans, and reports on progress

**Board of Directors**

- Supervisory reports from third-party perspectives
- Reports from a business implementation perspective

**Independent Advisory Committee for Labor Environmental Reform Activities**

- Appointment
- Progress reports
- Supervision, verification and advice

**Executive Management Committee**

- Decides on budgeting, system revisions, and introducing policies

**Working Environment Reform Office**

- Executive officers, division and office heads, and HR managers

**Collaboration**
# Working Environment Reforms Process

<table>
<thead>
<tr>
<th>Overhaul in-house environment and infrastructure</th>
<th>Maintain and expand reforms</th>
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<tbody>
<tr>
<td>2017</td>
<td>2019</td>
</tr>
<tr>
<td>2018</td>
<td>Beyond</td>
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## Commitment
- 0
- 80
- 20

## Target
- Commitment to 0
- • Maintain thorough enforcement of compliance
- • Increase staff, improve allocation of human resources
- • Streamline work
- • Develop and roll out systems
- • Improve business processes

## Challenge
- • Plan employee support measures
- • Introduce employee support measures

## Goal
- • Roll out new personnel system
- • Roll out new leave-taking programs
- • Reinvestment of 80
- • Realization of 80
- • GOAL 100
- • NEW 26