

July 21, 2023

Implementing the “Mindset and Behavior Reform” Promoted by the dentsu Japan Reform Committee

The Board of Directors of Dentsu Group Inc. (hereinafter referred to as “the Company”) has resolved to implement the “Mindset and Behavior Reform” promoted by the dentsu Japan Reform Committee in order to continuously improve the effectiveness of Dentsu Group’s recurrence prevention measures. At the same time, the Company will continue to compile and disseminate information on the reform’s aims, pillars of countermeasures/objectives, and specific measures.

Background

On May 15, 2023, the Company established the dentsu Japan Reform Committee with the aim of fulfilling its responsibility to all stakeholders by reforming its approach to work, appointing Hiroshi Igarashi, the Company’s Representative Executive Officer, President & CEO, as chair. Since the committee’s establishment, the Company has set up a recurrence prevention policy based on the Mindset and Behavior Reform and has been promoting Group-wide initiatives. In addition, on June 9 the Company received the “Report on Inappropriate Coordination, etc., on Tokyo 2020 Olympic and Paralympic Games” from the Investigation and Review Committee (Chair: Mr. Masayuki Ikegami, former Supreme Court Justice), and its content and initiatives to prevent recurrence were announced in a news release and on the Company’s website.

In response to the recommendations from the Investigation and Review Committee received on June 9, the Company has decided to implement the Mindset and Behavior Reform promoted by the dentsu Japan Reform Committee in order to continuously improve the effectiveness of the Group’s efforts to prevent recurrence of issues stemming from deficiencies or lack of fairness and transparency in the organizational culture, legal and compliance matters, and business processes (recurrence prevention measures).

Mindset and Behavior Reform for recurrence prevention

- Aim: To raise awareness of social responsibilities and improve transparency, as well as clarify the rules and processes that must be followed
- Pillars of countermeasures / objectives
 - (1) Establishment of an organizational culture that ensures proper corporate activities
 - Objectives
 - Establishing an organizational culture where integrity is prioritized

- Sharing attitudes to learn from failure
- Creation of an organizational culture under the lead of the management team
- Creation of a personnel system to implement the desired organizational culture

(2) Strengthening of the risk management system and legal/compliance functions

Objectives

- Appropriate management of whistleblowing systems, and establishment of mechanisms to detect signs of violations
- Systematization of various trainings and ensuring their completion by all management members and employees
- Adding requirements for understanding and experience in corporate tasks as a condition for promotion to management positions

(3) Introduction of business processes that ensure fair and transparent transactions

Objectives

- Clarify processes to minimize various risks while fulfilling social responsibilities in the execution of each business operation
- Monitoring of business performance by a team of experts

Specific measures to prevent recurrence

Regarding specific measures, in addition to those that have already been implemented or are being implemented, the main additional measures that have been newly decided are listed below.

(1) Establishment of an organizational culture that ensures proper corporate activities

- Ensure familiarity with the Dentsu Group Code of Conduct
- Further commitment and implementation of corporate culture reform by the dentsu Japan Chief Culture Officer
- Promote dialogue between management and employees to discuss proper corporate activities
- Take strict disciplinary measures against those involved in this case
- Further optimizations and revisions of the personnel system
- Clarification of personnel requirements for leaders and reflection in promotions and evaluations

(2) Strengthening of our risk management system and legal/compliance functions

- Improve the whistleblowing process and implement whistleblowing platforms
- Systemize compliance areas and further enhance compliance measures
- Expand the legal and compliance organizations
- Strengthen monitoring function via internal audits
- Implement flexible risk management within the dentsu Japan Risk Committee

- Establish a compliance manager (tentative name) in each organization responsible for business execution
- Further consider restoration of corporate order through a disciplinary system

(3) Introduction of business processes that ensure fair and transparent transactions

- Fielding of external advisors (experts)
- Development and operation of business guidelines (public business guidelines, sports business guidelines, guidelines for the prevention of fraudulent bidding, etc.)
- Establishment and operation of rules for secondment when there is a conflict of interest.
- Appointment of dedicated personnel for transaction management (procurement/purchasing)

dentsu Japan Reform Committee members (as of July 21, 2023)

Chair	Hiroshi Igarashi	Representative Executive Officer, President & CEO, Dentsu Group Inc.
Deputy Chair	Arinobu Soga	Representative Executive Officer, Executive Vice President & Chief Governance Officer, Dentsu Group Inc.
Member	Tadashi Nagae	Head of Corporate Secretary & Deputy General Counsel, Dentsu Group Inc.
Member	Toshihiko Itami	Lawyer
Member	Genta Yoshino	Lawyer
Member	Yasuo Daito	Lawyer
Leader	Norihiro Kuretani	CEO, dentsu Japan
Leader / Secretary General	Yoshimasa Watahiki	COO, dentsu Japan

Mr. Itami, a member of the Investigation and Review Committee, has also been appointed to the dentsu Japan Reform Committee to ensure the effectiveness and consistency of the reform. In addition, as Chair of the dentsu Japan Reform Committee, the President & CEO of Dentsu Group Inc. has offered to voluntarily return 100% of his monthly executive compensation for three months in fiscal 2023 as part of his commitment to completing the reform, and the Company has accepted this offer.

Note: The content of “Report on Inappropriate Coordination, etc., on Tokyo 2020 Olympic and Paralympic Games” and a summary of its recommendations can be viewed by accessing the link below.

https://www.group.dentsu.com/en/about-us/governance/investigation_report.html

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