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Pasona Group Inc.

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Pasona Group Inc. (“Pasona Group” or “the Company”) is pleased to outline its corporate governance policies, structure, systems and initiatives as follows.

I. Basic Stance Concerning Corporate Governance, Capital and Corporate Structure, and Other Fundamental Information

1. Basic Stance

Providing “Solutions to Society’s Problems” lies at the heart of Pasona Group’s corporate philosophy. With this as its guiding principle, Pasona Group strives “to support job seekers in making the most of their abilities and in reaching their full potential.” Driven by an unwavering ambition and high sense of purpose, the Company’s mission is to continue embracing challenges with high aspirations and dedication towards creating a new social infrastructure.

Underpinned by this philosophy and mission statement, Pasona Group is committed to continuously enhancing its corporate value and securing mutual benefits for all stakeholders (interested parties) including shareholders. Accordingly, the Pasona Group has identified a number of key objectives, critical to its future as an ongoing concern. Going forward, Pasona Group strives to become a company needed by society, a company that offers true “Social Work Life Balance” to working people, a company that invokes a feeling of trust and security in its clients, and a company whose employees can take up challenges with pride.

To this end, Pasona Group continues to strengthen the corporate governance function and to ensure management maintains the highest respect for regulatory compliance and ethical standards.

As a leading company in the human resources sector, the Pasona Group recognizes the need to consistently enhance Company and industry credibility as the means not only to fulfill its responsibilities to all stakeholders, but also to reinforce its business platform and enhance corporate value.

2. Capital Structure

Percentage of shares held by foreign corporations and other foreign investors:

10% or more, less than 20%

【Principal Stockholders】

Stockholders	Number of Shares Held	Percentage Share (%)
Yasuyuki Nambu	147,632	35.41
Nambu Enterprise Inc.	37,378	8.97
State Street Bank and Trust Company 505223	32,364	7.76
Sanrio Company, Ltd.	12,000	2.88
State Street Bank and Trust Company	11,127	2.67
State Street Bank and Trust Company 505225	7,310	1.75
State Street Bank and Trust Company	7,022	1.68
Mellon Bank, N.A. as agent for its client Mellon Omnibus US Pension	6,962	1.67

CORPORATE GOVERNANCE

Pasona Group Employees' Shareholding Association	5,622	1.35
Japan Trustee Services Bank, Ltd. (Trust Account)	4,528	1.09

Majority Shareholder (Excluding the Parent Company):	—
Parent Company:	Not applicable

Supplementary Explanation

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3. Corporate Structure

Stock Listings:	First Section Tokyo Stock Exchange
Fiscal Year-End:	May 31
Business Classification:	Service industry
Number of Employees (Consolidated):	1,000 and above
Net Sales (Consolidated):	¥100 billion and above, less than ¥1,000 billion
Number of Consolidated Subsidiaries:	10 subsidiaries and more, less than 50 subsidiaries

4. Policies for the Protection of Minority Shareholders in Transactions with Such Parties as Controlling Shareholders

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5. Other Important Matter Concerning Corporate Governance

Benefit One Inc., a consolidated subsidiary, is listed on the Second Section of the Tokyo Stock Exchange (Securities Code: 2412). It is engaged in specialized activities and operates on an autonomous basis. In the context of the Group's business activities, certain directors hold concurrent positions among Group companies, services are provided on a mutual basis and business exchange is frequent. Notwithstanding the aforementioned, Benefit One Inc. is engaged in independent business activities.

Yasuyuki Nambu, Group CEO and President of the Company, his immediate and close relatives, Nambu Enterprise Inc. and other companies in which Yasuyuki Nambu and his close relatives hold a majority of voting rights calculated (hereafter collectively called "Yasuyuki Nambu and Others") combine for 49.5% of Pasona Group Inc.'s voting rights as of November 30, 2011. In business transactions with Yasuyuki Nambu and Others, the Company has adopted the basic policy to determine appropriate trade conditions considering such conditions as are applied to business transactions with third parties.

II. The Status of Management Decision-Making, Executive and Supervisory Organizational Structures, and Other Corporate Governance Systems

1. The Composition of Internal Organizations, Management and Other Structures

Type of Organizational Structure:	Auditor system
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【Directors】

Number of Directors in Company's Articles:	15
Term of Directors in Company's Articles:	One year
Chairman of the Board of Directors:	Company president
Number of Directors:	12
Status of Outside Directors:	Outside directors have been appointed
Number of Outside Directors:	2
Number of Independent Members within the Outside Directors:	2

Relationship with the Company (1)

Name	Status	Relationship with the Company (Note)								
		a	b	c	d	e	f	g	h	i
Hajime Hirasawa	Appointed from another company				○	○			○	
Hiroaki Eto	Appointed from another company				○				○	

Note: Nature of relationship with the Company.

- Appointed from the parent company
- Appointed from another related company
- Principal stockholder of the Company
- Holds a concurrent position as external director or external corporate auditor with another company
- Holds a concurrent position as executive director or executive officer with another company
- An executive director, dependent of an executive director, close family member of an executive director of the Company or a related party of the Company
- An individual serving as director receiving compensation or other financial benefits from the Company's parent company or a subsidiary of the Company
- Has executed a limited liability agreement with the Company
- Other

Relationship with the Company (2)

Name	Independent Director	Supplementary Explanation Concerning Relationship with the Company	Reason for Appointment as Outside Director of the Company
Hajime Hirasawa	○	President and representative director of Faith, Inc., chairman of Nippon Columbia Co., Ltd., outside director of Benefit One Inc., and concurrent director of other companies.	Drawing on a wealth of management experience, Mr. Hirasawa contributes to enhancing the Company's decision-making process. Pasona Group believe that he has secured a certain degree of independence from the Company because he is appointed from another company.
Hiroaki Eto	○	Advisor to Mizuho Trust & Banking Co., Ltd., outside director of Sapporo Holdings Ltd., and concurrent director of other companies.	Drawing on a wealth of management experience, Mr. Eto contributes to enhancing the Company's decision-making process. Pasona Group believe that he has secured a certain degree of independence from the Company because he is appointed from another company.

【Corporate Auditors】

Adoption of an Auditor System:	An auditor system has been adopted
Number of Auditors in Company's Articles:	5
Number of Corporate Auditors:	4

Status of Collaboration between Corporate Auditors, Independent Auditors, and Internal Audit Department

During the fiscal year ended May 31, 2011, corporate auditors held discussions with the Independent Auditor on 15 occasions. Corporate Auditors will seek explanations from Independent Auditors as and when required. Standing auditors receive individual internal audit reports detailing the results of each internal audit. At the same time, standing auditors attend monthly internal audit meetings, receive reports from the General Manager of the Internal Audit Department, and participate in all processes to ensure appropriate and acceptable internal business operations, strict compliance with legal requirements and rules, improvement in business activities and guidance items, and common sharing of reports. Moreover, monthly meetings are scheduled between corporate auditors and the General Manager of the Internal Audit Department to exchange information.

In addition, corporate auditors participate in formulating audit policies and plans, as well as internal audit policies, and ensure the comprehensive exchange of information.

Status of Outside Corporate Auditors:	Outside Corporate auditors have been appointed
Number of Outside Corporate Auditors :	3
Number of Independent Members within the Outside Corporate Auditors	3

Relationship with the Company (1)

Name	Status	Relationship with the Company (Note)								
		a	b	c	d	e	f	g	h	i
Takeshi Goto	Appointed from another company				○				○	
Haruo Funabashi	Appointed from another company				○	○			○	
Kouichirou Matsuura	Other								○	

Note: Nature of relationship with the Company.

- a. Appointed from the parent company
- b. Appointed from another related company
- c. Principal stockholder of the Company
- d. Holds a concurrent position as external director or external corporate auditor with another company
- e. Holds a concurrent position as executive director or executive officer with another company
- f. An executive director, dependent of an executive director, close family member of an executive director of the Company or a related party of the Company
- g. An individual serving as director receiving compensation or other financial benefits from the Company's parent company or a subsidiary of the Company
- h. Has executed a limited liability agreement with the Company
- i. Other

Relationship with the Company (2)

Name	Independent Auditors	Supplementary Explanation Concerning Relationship with the Company	Reason for Appointment as Outside Corporate Auditor of the Company
Takeshi Goto	○	Concurrently outside auditor of Benefit One Inc.	Drawing on a wealth of experience, Mr. Goto provides objective opinions and views while also ensuring audit compliance with legal requirements. Pasona Group believe that he has secured a certain degree of independence from the Company because he is appointed from another company.
Haruo Funabashi	○	Concurrently CEO of Sirius Institute Inc., outside corporate auditor of Nihon Employment Creation Organization Inc.	Drawing on a wealth of experience, Mr. Funabashi provides objective opinions and views while also ensuring audit compliance with legal requirements. Pasona Group believe that he has secured a certain degree of independence from the Company because he is appointed from another company.
Kouichirou Matsuura	○	Concurrently President of Maison franco-japonaise.	Drawing on a wealth of experience, Mr. Matsuura provides objective opinions and views while also ensuring audit compliance with legal requirements. Pasona Group believe that he has secured a certain degree of independence from the Company because he is appointed from another corporation.

【Independent Members】

Number of Independent Auditors:

5

*Matters Concerning Other Independent Auditors***【Incentives】**Initiatives and Implementation Status
Concerning Incentives for Directors:

Pasona has adopted a stock option system

Supplementary Explanation

The Company adopted a stock option system as an incentive to directors to further promote stockholder-oriented management and to reinforce the interests of stockholders.

Eligibility for Stock Options:

Directors, outside directors, employees, directors of subsidiary companies, employees of subsidiary companies.

Supplementary Explanation

Options are granted based on an evaluation of actual contribution against expected performance. Stock options are considered as one of effective initiatives to help raise motivation, cultivate a corporate culture that recognizes contributions to improving business results, and enhance corporate value from a mid to long-term perspective.

【Directors' Compensation】

Status of Disclosure of individual directors' Compensation :

Only a part of individual directors' Compensation are disclosed.

Supplementary Explanation

Compensation paid to directors and auditors for the fiscal year ended May 31, 2011

- Compensation for 14 directors: ¥264 million (including ¥10 million for outside directors)
- Compensation for 4 auditors: ¥29 million (including ¥13 million for outside auditors)

Notes:

1. There were 12 directors and 4 auditors as of May 31, 2011.
2. Compensation limit For all directors: ¥600 million
 For all auditors: ¥50 million

Director compensation does not include salary payments applicable to concurrent positions held.

There were no directors' and auditors' bonuses that were appropriated as expenses in the fiscal year ended May 31, 2011.

Policy regarding the determination of the amount of compensation and computation method:

Applicable

Disclosure details of Policy regarding the determination of the amount of compensation and computation method

Upon the resolution of certain items at its 1st Annual General Meeting of Shareholders held on August 20, 2008,

the Company established a maximum limit with respect to compensation paid to directors. Within the confines of this limit, compensation is paid according to such factors as each director's position, standing, role and contribution to the Company's performance.

The maximum annual limit set following the Company's 1st Annual General Meeting of Shareholders held on August 20, 2008 was an aggregate total of ¥600 million for directors (of which an aggregate annual total of ¥50 million was applicable to outside directors), and an aggregate annual total of ¥50 million for corporate auditors.

【Outside Director and Outside Auditor Support Structure and System】

The Corporate Strategy & Planning Division responds in an appropriate manner to the opinions and comments raised by external directors.

The Internal Audit Department in conjunction with the Corporate Strategy & Planning Division responds in an appropriate manner to the opinions and comments raised by external auditors.

The Corporate Strategy & Planning Division provides administrative support to the Board of Directors. In principle, the Department distributes the details of agenda items for each Board of Directors' meeting to external directors and external auditors three days prior to the meeting.

In the event an agenda item is deemed by the General Manager, Corporate Strategy & Planning Division to be of significant importance, the General Manager, Corporate Strategy & Planning Division or the relevant director in charge provides prior explanations to independent directors and external auditors.

2. Matters Concerning the Executive, Audit and Oversight, Nomination, Compensation and Other Functions

1. Executive Function

Board of Directors

Pasona Group's Board of Directors is comprised of 12 members, 2 of whom are appointed from outside the Company.

Board of Corporate Auditors

Pasona Group's Board of Corporate Auditors is comprised of 4 members, 3 of whom are appointed from outside the Company.

Management Meetings

In principle, Management Meetings are held twice each month. Management Meetings are attended by executive directors and standing auditors to discuss those matters of significant importance that impact the Company and the Group as a whole. The purpose of each meeting is to garner the opinions of a broad cross

section of participants and to ensure serious consideration of significant matters.

Executive Officers System, Executive Officers' Meeting

Pasona Group has adopted an executive officer system to promote functional separation between execution and supervision.

In principle, an executive officers' meeting is held once a month in an effort to strengthen the Company's system of business execution.

Internal Control Systems Committee, Other

Constituting a supplementary tier to its management meetings, Pasona Group has established and maintains four committees (the Internal Control Systems Committee, the Compliance Committee, the CS/ES Committee and the Environment Committee) across all divisions. These initiatives to establish specific committees are a measure of Pasona Group's efforts to enhance risk management, raise customer satisfaction and promote increased efficiency in every facet of the Company's business activities.

2. Audit and Oversight Function

a. Internal Audit

The Internal Audit Department, which reports directly to the president, and was established in accordance with internal auditing guidelines and rules, strives to ensure compliance with statutory requirements and internal regulations. At the same time, the Department endeavors to prevent incidents caused by operational error and malpractice as well as improving business operations and management efficiency. In addition, Internal Control Department checks development and operation of Internal Control System.

b. Audit Structure

The Company's audit structure consists of a Board of Corporate Auditors. The Board of Corporate Auditors is comprised of 3 external appointees and 1 standing corporate auditor for a total of 4 members. Members of the Board of Corporate Auditors attend important meetings such as those of top management meetings and others, listen business reports from the Board of Directors, audit affiliated companies, and examine important documents and accounting records. The Board of Corporate Auditors also works closely with the Internal Audit Department in regulatory meetings and with independent accounting auditors. The Board of Corporate Auditors provides a written or oral report to the Board of Directors of its findings and is required to make comment and pursue follow up and amendment when required. Corporate Auditors' Office was established to assist the Corporate Auditors.

c. Independent Accounting Audit

There are no special interests between the Company's independent accounting auditor, Deloitte Touche Tohmatsu, the Company, or its operating officers engaged in the audit function. The Company has executed an audit agreement with the independent accounting auditor. Compensation is paid to the independent accounting

auditor in accordance with this agreement. The certified public accountants that undertook the independent audit of the Company's third accounting period were as follows.

- Names of certified public accountants that undertook independent accounting audit of the Company:

Deloitte Touche Tohmatsu LLC

Appointed limited liability employees (Managing Partners): Yuji Momozaki, Shintaro Nakai, Ken Nakahara

Note: Number of continuous audit years: Not more than seven years.

3. Reason for adopting the current system

Accordingly, Pasona Group has adopted the auditor system. Within the overall confines of this auditor system, the Company maintains a Board of Directors, executive officer system, Board of Corporate Auditors and an Advisory Board. In addition, certain directors and corporate auditors are appointed from outside the Company. Through these means, Pasona Group strives to ensure an adequate system of checks and balances is in place to monitor and supervise management. Furthermore, in order to bolster the monitoring function of the Board of Directors, two of the 12-member Board of Directors are appointed from outside the Group, while three of the Company's four corporate auditors are also external appointments. Accordingly, over thirty percent of the Company's directors and corporate auditors come from outside the Group.

III. Status of Initiatives and Implementation Concerning Stockholders and Other Interested Parties

1. Measures Aimed at Revitalizing Stockholders’ Meetings and the Smooth Exercise Of Voting Rights

	Explanatory Comments
Scheduling of Stockholder Meetings to Avoid Peak Periods:	Pasona Group generally convenes its general meeting of stockholders in late August annually.

2. Status of IR Activities

	Presentation by the Group CEO and President	Explanatory Comments
Creation and publication of Disclosure Policy:	—	The Company is committed to providing all relevant and important management, business and financial information to all stakeholders including shareholders, investors, and the communities in which we operate in a timely, accurate and fair manner. This information is provided and disclosed with the aim of promoting a better understanding of the Company, to allow all stakeholders to appropriately assess the Company and to engender trust.
Periodic Presentation for Analysts and Institutional Investors:	Yes	The Group CEO and President and CFO deliver a presentation at the end of the interim and full-year periods. Each presentation covers the Company’ business performance for each term under review as well as forecasts. Investor presentation materials are disclosed on the Company’s homepage.
IR Material Disclosed on the Company’s Homepage:	—	A separate homepage has been established specifically for IR disclosure. Published information includes business results, press releases and items of topical interest, investor presentation materials, stockholder and stock

		price information and IR schedule.
Creation of an IR Dept. (IR Officer)	—	A director has been appointed to assume responsibility for the handling of information specific to IR. Accordingly, the Company has established an Investor Relations Department and identified 4 full-time personnel to focus on and engage in IR activities.

3. Maintaining Respect for the Status and Position of Stakeholders

	Explanatory Comments
Internal Rules and Regulations that Promote Respect for the Status and Position of Stakeholders	In the preamble to the Company’s Rules of Employment and The Work of PASONA GROUP, Pasona Group identifies its corporate philosophy and mission statements which emphasizes respect for the status and position of stakeholders.
Implementation of Environmental Protection and CSR Activities	Through its Group Corporate Mission Environmental Statement, Pasona Group has proclaimed that as a good corporate citizen, it maintains a wholehearted commitment in every facet of its activities to conserve natural resources and to prevent the destruction of the global environment. In addition, and consistent with The Work of PASONA GROUP, the Pasona Group is clarifying its stance toward corporate social responsibility (CSR) and environment protection. The Pasona Group is an active participant in “Team Minus 6%” and is making every effort to prevent the further onset of global warming. The Pasona Group is also committed to supporting the disabled in their search for employment opportunities. Breaking through barriers, Pasona Group is supporting the disabled, with a strong will to work, to utilize their individual skills and abilities and to secure an independent position in the employment market. For example, based on the concept that “talent knows no handicap,” the Pasona Group has utilized the medium of art to promote greater participation in society for people with disabilities. The Art Village Project is one of many initiatives promoted by Pasona Group to provide freedom and independence without discrimination. In addition, Pasona Heartful Inc., a special subsidiary, directly employs disabled persons. Through these and other activities, Pasona Group strives to fulfill its corporate social

	responsibility.
Policy Formulation for the Disclosure of Information to Stakeholders	Pasona Group has implemented a policy to openly disclose relevant and important information (management, financial and business information) in a timely fashion through its homepage. In this manner, the Company strives to promote increased transparency and to generate greater confidence and trust with all stakeholders including shareholders, investors, and the local communities it serves.

IV. Matters Concerning Structure and Systems Concerning Internal Control

1. Fundamental Stance, Structure and Systems Concerning Internal Control

1. The Structure and System to Ensure that Directors, in the Execution of their Duties, Comply with Legal Requirements and the Company’s Articles of Incorporation

- (1) To ensure that the directors act according to Pasona Group’s corporate code of conduct, comply with legal requirements and reflect its corporate philosophy, they will be monitored through the Board of Directors and Management Committee.
- (2) The Compliance Committee oversees across the organization – it examines the status of measures taken to ensure that officers are complying with the law, makes improvements as necessary, and conducts training.
- (3) The activities of the Compliance Committee are quarterly reported to the Board of Directors.
- (4) External directors, who have no stake or interest in the Company, are appointed and initiatives implemented to reinforce the audit and oversight of directors. In this manner, Pasona Group strives to secure legal compliance.
- (5) On this basis, standing corporate auditors and external auditors, who have no stake or interest in the Company, are responsible for the oversight function.
- (6) Pasona Group encourages directors to attend external compliance seminars.

2. The Structure and System to Maintain and Manage Information Relating to Directors in the Execution of their Duties

Pasona Group takes steps to ensure that the preparation, maintenance and disposal of important documents that relate to director decisions and reports are conducted according to the established document management regulations.

3. The Structure and System to Manage Risk and Crisis

- (1) Crises are managed in accordance with the Group’s Risk Management Rules. In an effort to ensure strict adherence, a Crisis Management Manual is distributed to all officer and employees.
- (2) The Pasona Group CEO and President maintains ultimate responsibility for the risk management

function. In general terms, however, the responsibility for risk management is centralized in the Risk Management Committee and the executive officer of the Administration Division is charged with overseeing risk throughout the Group.

- (3) Guided by the Crisis Management Manual, the Risk Management Committee identifies and classifies specific risks and ensures that relevant information can be distributed throughout the Group in the event of a crisis.
- (4) The Internal Audit Department undertakes audits of each operating division and reports on the status of everyday risk management.

4. The Structure and System to Ensure Efficiency in the Execution of Directors' Duties

- (1) The segregation of director duties and authority is outlined in organizational rules and regulations. In this manner, Pasona Group has established a structure and system to ensure individual director responsibilities and procedures for the execution of director duties are clearly defined to ensure maximum efficiency.
- (2) Board of Directors' meetings is regularly scheduled once a month. Additional meetings are held as and when required. Management issues relating to the execution of duties are also deliberated by executive directors and corporate auditors at Management Meetings.
- (3) The Board of Directors determines executive policy, matters pertaining to law and other important management matters. At the same time, the Board of Directors oversees the status of business execution.

5. The Structure and System to Ensure that Employees, in the Execution of their Duties, Comply with Legal Requirements and the Company's Articles of Incorporation

- (1) By formulating its corporate code of conduct and explaining its basic philosophy towards corporate activities, Pasona Group strives to entrench compliance mindset.
- (2) The Internal Audit Department conducts audits into the activities of each operating division.
- (3) To make the internal reporting system easier to use, Pasona Group has instituted external places for reporting. This is selectable by the person who is reporting. Pasona Group intends to further add to this system.
- (4) The Compliance Committee, Compliance Department and the Internal Audit Departments work together to determine the existence or otherwise of compliance issues and matters relating the Group's compliance systems. When necessary, they prepare reports to the Board of Directors and suggest improvements.

6. The Structure and System to Ensure Appropriate Conduct by the Corporate Group comprising the Parent Company and Its Subsidiaries

- (1) Directors and corporate auditors from Pasona Group Inc. are dispatched to subsidiary companies as non-executive directors and corporate auditors so that such directors and corporate auditors gain an

insight into the status of subsidiary company management and oversee their activities through attendance of board of directors meetings and audits conducted by corporate auditors.

- (2) Pasona Group's Internal Audit Department conducts audits of the Company and its Group companies. Results of internal audits are reported to executive directors and standing corporate auditors at internal audit meetings. Action is taken as and when considered appropriate and necessary.
- (3) In order to ensure the adequacy of financial reporting, the Company's Internal Control Committee formulates internal control systems evaluation plans in accordance with Internal Control Committee rules, monitors internal control systems evaluations conducted by The Internal Control Department, and prepares the appropriate reports, which are submitted to the Board of Directors.
- (4) As a part of the Group's compliance structure and systems, using the internal reporting system established by Group companies (excluding publicly listed companies), officers and employees of all Group companies are able to directly report to the internal or external reporting sites.

7. Matters Concerning Requests by Corporate Auditors to Appoint Support Staff

Pasona Group has established a Corporate Auditors' Office as a system that its personnel assist the auditors full time.

8. Matter Concerning the Independence from Directors of Employees Appointed According to Item 7.

Prior approval of the Board of Corporate Auditors is required for the personnel transfer, evaluation and reprimand of employees assisting corporate auditors.

9. The Structure and System to Facilitate Communication with Corporate Auditors by Directors and Employees and Other Reporting

We are working to ensure that directors and employees will promptly report, according to the established system, to Corporate Auditors any incident or matter, or any potential incident or matter that may significantly damage the Company's reputation and credibility, or its business performance including illegal or inappropriate behavior by any of the Group's employees. In addition, under the system established to protect individuals who report an incident of impropriety, this information is promptly submitted to corporate auditors.

10. The Structure and System to Promote Increased Efficacy in the Execution of Corporate Auditors' Auditing Activities

Corporate auditors will convene meetings as and when required with the Group CEO and President, accounting auditor, Internal Audit Department, Corporate Auditors' Office and auditors of subsidiary companies to bolster collaboration and information exchange.

11. Fundamental Stance, Structure and Systems Concerning eliminating antisocial forces

A structure and system to eliminate antisocial forces

- (1) Based on its Code of Conduct, the Pasona Group is resolute in its commitment to refrain from any

connection with antisocial forces.

- (2) The General Affairs Division has been appointed to oversee the Group’s response to undue and other claims. At the same time, rules and regulations will be drawn up to ensure that an adequate response is taken and report submitted at the time of an incident. The Group is firm in its commitment to coordinate with law enforcement and other institutions.

Please refer to reference material “Pasona Group’s corporate governance and internal management structure” attached.

V. Other

1. Measures to Prevent Hostile Takeover

Measures to Prevent Hostile Takeover: Not applicable

Supplementary Explanation

Pasona Group recognizes this as a significant management issue and is carefully considering its need.

2. Matters Concerning Other Corporate Governance Structures and Systems

Pasona Group is pleased to outline its internal timely information disclosure structure and systems as follows.

1. Basic Stance

Providing “Solutions to Society’s Problems” lies at the heart of the Group’s corporate philosophy. With this as its guiding principle, Pasona Group strives “to harvest the potential of the individual” Driven by an unwavering ambition and high sense of purpose, the Company’s mission is to continue embracing challenges with high aspirations and dedication towards creating a new social infrastructure.

As a leader in the human resources services industry, the Group recognizes that consistently enhancing its credibility and standing within society as well as that of the industry as a whole is essential to fulfilling its responsibilities to all stakeholders. Accordingly, Pasona Group continues to strengthen the corporate governance function and to ensure management maintains the highest respect for regulatory compliance and ethical standards. In addition, Pasona Group formulated its Code of Conduct “The Work of PASONA GROUP — the PASONA GROUP Corporate Action Constitution”. In this Code, the Company has clearly declared its commitment to wholeheartedly become a company needed by society, a company that offers true “Social Work Life Balance” to working people, a company that invokes a feeling of trust and security in its clients, a company whose employees can take up challenges with pride, and a company that is attractive to stockholders.

Of these aspirations, the proper and timely disclosure of business activities that have an impact on investment decisions as well as information relating to significant determinations is of particular importance in building and maintaining relationships of trust with stakeholders. For this reason, Pasona Group has formulated a set of information disclosure rules. In addition to disclosure requirements stipulated under the rules of Japan’s financial instruments exchange, the Companies Act and the Financial Instruments and Exchange Act, these rules call the voluntary disclosure of all appropriate information to enhance management transparency and facilitate a

better understanding of the Company's corporate value.

2. Internal Structure and Systems relating to Timely Disclosure

In addition to its role as a pure holding company, Pasona Group's functions are to formulate management strategies that encompass the entire Group, undertake the optimal allocation of management resources and promote efforts to boost corporate governance while enhancing management transparency. At the same time, the Company is charged with the responsibilities of securing growth opportunities for each of its operating subsidiary companies and to focus on overseeing the strategic and flexible execution of business operations.

Important information compiled by the Company is authorized for disclosure by the representative director or the executive officer appointed to assume responsibility for the handling of information in charge of Investor Relations Department. Furthermore, all appropriate steps are taken to ensure that Company and Group directors as well as employees are educated in the importance of timely disclosure.

(1) Information Compilation and Management

All financial information relating to affiliated Group companies is compiled by the Finance & Accounting Division. Business and operating information for domestic affiliated Group companies is compiled by the Corporate Planning Division while business operating information for overseas affiliated Group companies is compiled by the International Business Department. The executive officer appointed to assume responsibility for the handling of information specific to IR oversees the consolidation of all important information. Based on this workflow process, the Group has established a structure to ensure that all Group matters of material fact are compiled and managed without delay or omission.

(2) Clarifying Timely Disclosure Criteria and Standards

Pasona Group has put in place a set of information disclosure rules and clarified disclosure criteria and standards to enable each Group department to quickly determine the importance of information as well as the necessity for disclosure. In principle, information disclosure is undertaken in accordance with the security listing regulations issued by the Tokyo Stock Exchange. In the event the Company determines that information outside the scope of disclosure information stipulated under the aforementioned exchange regulations requires disclosure, following deliberations between the representative director, the executive officer appointed to assume responsibility for the handling of information specific to IR, the executive officer in charge of Public Relations Department and the director appointed to oversee the handling of information, that information is disclosed in a timely fashion.

(3) Establishment of a Specialist Disclosure Department

Pasona Group has established an Investor Relations Department to assume responsibility for matters relating to the disclosure of information. This department is comprised of a general manager who oversees three specialist staff.

Subject to a resolution of the Board of Directors, information earmarked for timely disclosure is registered by the Investor Relations Department with the Timely Disclosure network (TDnet) of the Tokyo Stock Exchange in accordance with the Exchange's security listing regulations. Information registered with TDnet is also promptly posted on the Company's website.

(4) Formulating a Disclosure Policy

Pasona Group formulated its disclosure policy in an effort to ensure that timely and appropriate information was disclosed in a fair and accurate manner taking into consideration the perspectives of investors.

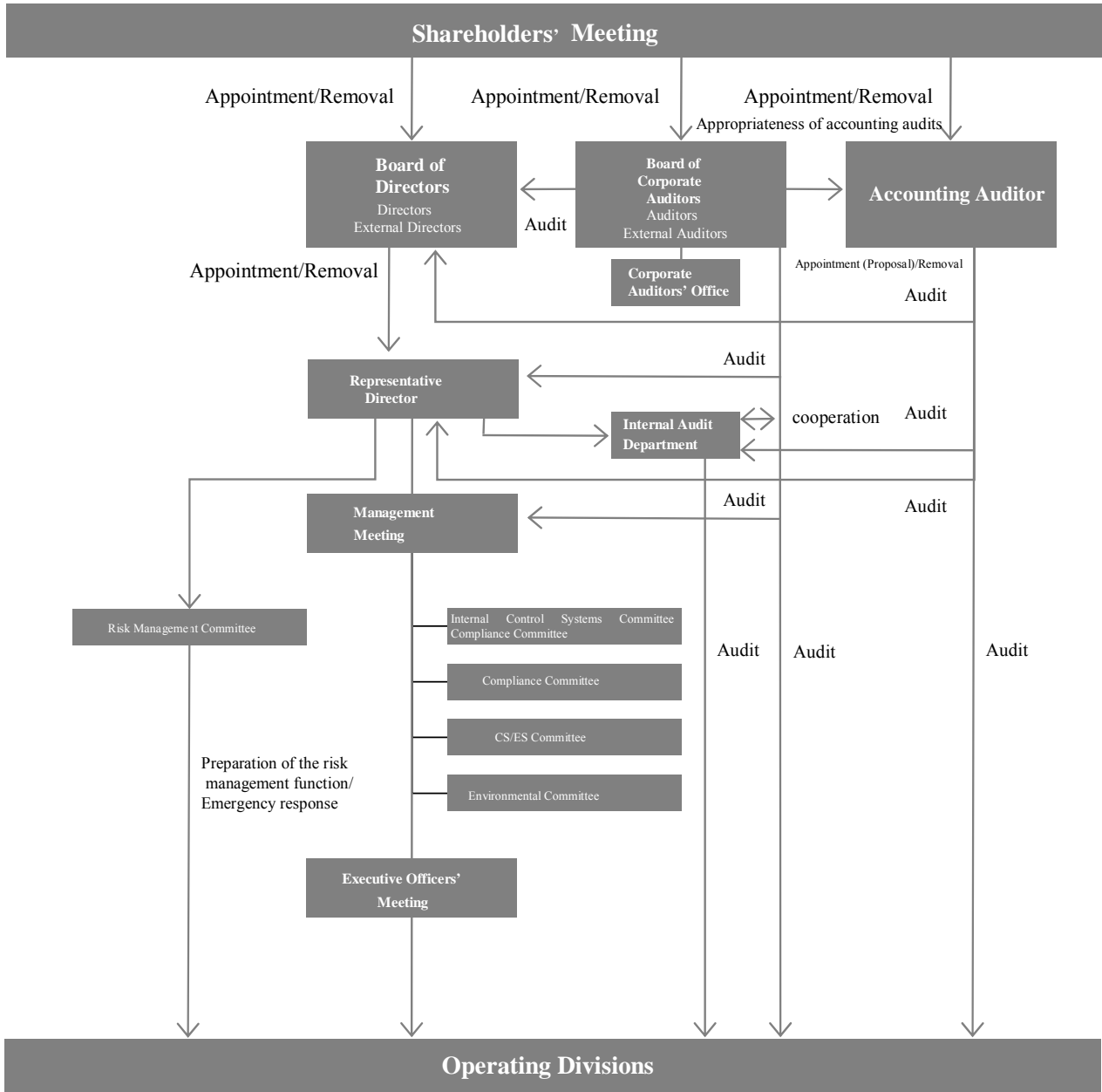
3. The Prevention of Insider Trading

Pasona Group has established stringent internal rules relating to the purchase and sale of the Company's shares by employees, general managers, directors and other officers who are conversant with material matters as they relate to the Company in the normal course of carrying out business activities. All appropriate steps are taken to prevent insider trading including the strict adherence to a policy of education and training and ensuring that all employees are fully aware of the concerns and consequences.

4. Monitoring the Company's Internal Timely Disclosure Structure and Systems

The Internal Audit Department, which reports directly to the representative director, conducts regular internal audits of the Company's information disclosure structure and systems in order to confirm that appropriate monitoring is undertaken to ensure open and fair timely disclosure.

[Reference: Pasona Group’s corporate governance and internal management structure]



< In-house Organization Chart with respect to Timely Disclosure >

