

**Pasona Group Inc.**

Representative: Yasuyuki Nambu, Group CEO and President  
Inquiries: Investor Relations Department  
TEL: +81-3-6734-0223  
Listing Code No.: 2168  
[www.pasonagroup.co.jp/english/](http://www.pasonagroup.co.jp/english/)

The corporate governance of Pasona Group Inc. (hereinafter referred to as “Pasona Group” or the “Company”), including its corporate governance policies, structure, systems, and initiatives, are outlined below.

## **I Basic Stance Concerning Corporate Governance and Basic Information on Capital Structure and Corporate Attributes and Other Matters**

### **1. Basic Stance**

Based on its corporate philosophy of providing "Solutions to Society's Problems," which has been unchanged since its founding, Pasona Group has always been a social solutions company dedicated to its mission of assisting all aspects of life for all those around us. Our mission is contributing toward a sustainable society and working toward a society capable of achieving a "Smart Life Initiative" to create lives of abundance for people.

Underpinned by this philosophy and the Company’s mission to society, Pasona Group is committed to continuously enhancing its corporate value and securing benefits for all shareholders and stakeholders (interested parties) with whom our values resonate.

Going forward, Pasona Group must maintain its presence as 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 confidence and pride.

To aid its mission, Pasona Group continues to strengthen the corporate governance function and to ensure that management maintains the highest respect for legal compliance and ethical standards.

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

## **Reasons for Non-compliance with the Principles of the Corporate Governance Code**

### **Supplementary Principle 4-10-1 Use of an Optional Structure (Creation of Advisory Committees, etc.)**

Although Pasona Group has no independent advisory committees such as a nominating committee and a compensation committee, which may be created if so decided by the Company, its outside directors fully carry out their functions by actively voicing their opinions at the board of directors meetings and by appropriately engaging themselves and dispensing advice during reviews of important matters.

For the nomination of director candidates and the determination of compensation granted to directors who are not the members of the Supervisory Committee, the outside directors are briefed in advance and their opinions are incorporated into the decision-making.

The Company will continue to look into the possibility of establishing advisory committees, etc.

### **Principle 5-2 Establishing and Disclosing Business Strategies and Business Plans**

The board of directors discusses medium-term business plans and tracks progress. It reviews and revises medium- and long-term business strategies in addition to policies and business plans as appropriate.

In a rapidly changing business environment in which the Company needs to make quick and appropriate business decisions, the Company does not prepare medium-term business plans for disclosure purposes lest investors be misguided or prejudiced by information containing uncertainties that may prevail during the planning stage.

The Company will continue to look into the possibility of preparing medium-term business plans that may be available for external disclosure.

### Disclosure Based on the Principles of the Corporate Governance Code

#### **Principle 1.4 Cross-shareholdings**

The Company may hold shares in listed companies for cross-shareholding when such shareholding is warranted from medium- and long-term perspectives so as to strengthen and maintain relationships with clients and business partners, to expand its business, or to start a business alliance from which the Company expects to gain business benefits with the ultimate goal of increasing its corporate value.

If the Company holds shares in listed companies for cross-shareholding purposes, it reviews and verifies whether desired results have been accomplished or expected business benefits have been obtained as a result of the Company holding such shares, and the board of directors decides whether it is appropriate to continue holding the shares. It disposes of such shares when it considers that the rationale for holding them no longer exists.

The Company will exercise its voting rights appropriately by deciding whether the resolution is consistent with the Company's shareholding policy and whether it contributes to the sustainable growth of the invested company and enhancement of its shareholders' interests, in addition to contributing to the enhancement of the interests of the Company's investors and shareholders.

#### **Principle 1.7 Transactions with Related Parties**

The rules of the board of directors, as set forth by said board of directors, expressly stipulate that any and all transactions by a director that compete with the Company's business or involve any conflicts of interest between the director and the Company are subject to a resolution of the board of directors. Such transactions, if any, are submitted to the board of directors, including the independent outside directors, on a case-by-case basis for approval, and post-transaction reports are also required. A mechanism is also in place to ensure that the terms of trade to be agreed on with respect to such transactions will not disadvantage the Company.

#### **Principle 2-6 Fulfilling Roles of Corporate Pension Funds as Asset Owners**

In an effort to improve professional management provided for the pension funds and to fulfill the roles expected of an asset owner, the Company fills pension management-related positions with the personnel previously associated with human resources, finance, and accounting departments so as to take advantage of their expertise and knowledge in these fields.

A pension management committee is also in place to deliberate and decide on important matters so as to ensure the safe and efficient management of pension assets. It also dispenses appropriate advice as needed to the administrative unit responsible for performing day-to-day operations relating to fund management.

#### **Principle 3.1 (i) Management Philosophy, Business Strategies, and Management Plans**

Please refer to "Pasona Group Corporate Philosophy" on the Pasona Group website.

[www.pasonagroup.co.jp/english/company/philosophy\\_e.html](http://www.pasonagroup.co.jp/english/company/philosophy_e.html)

Regarding business strategies, please refer to the presentation material for the financial results meeting held on July 20, 2020.

[https://www.pasonagroup.co.jp/Portals/0/resources/english/ir/data/presentation/2005\\_presen\\_en.pdf](https://www.pasonagroup.co.jp/Portals/0/resources/english/ir/data/presentation/2005_presen_en.pdf)

#### **Principle 3.1 (ii) Basic Views and Guidelines on Corporate Governance**

Please refer to "I 1. Basic Stance" in this report.

#### **Principle 3.1 (iii) Policies and Procedures for Determining the Remuneration of Directors**

Please refer to "II 1. Composition of Internal Organizations, Management, and Other Structures – Directors' Compensation" in this report.

#### **Principle 3.1 (iv) Policies and Procedures for Nominating Director Candidates and Dismissing Directors**

The basic policy is to select candidates who are superior in personality, possess insight suitable, and who are desired joining the board of directors. For outside directors, the Company particularly looks for persons with strong expertise in management, finance, accounting, law, or other disciplines needed to drive the sustainable growth of the Company and to elevate its corporate value over the medium and long terms. Prior to the official nomination of candidates by a resolution of the board of directors, the Company consults outside directors and briefs them on prospective candidates, including their professional histories and reasons for recommendation. Opinions of the outside directors are sought and incorporated into the decision-making by the board of directors.

Mr. Seiichiro Morimoto, Mr. Haruo Funabashi and Mr. Kazuo Furukawa, who are qualified as independent outside directors, are expected to provide invaluable insight and opinions from an independent perspective at the board of directors meetings.

If, in the opinion of the Company, a director fails to sufficiently fulfill his or her function, with such constituting grounds

for dismissal, the outside directors are briefed on the reasons for the proposed dismissal, among others, before the matter is brought to the board of directors. After the board of directors reaches a decision upon incorporating the opinions of the outside directors, the issue is forwarded to the General Meeting of Shareholders for its approval.

### **Principle 3.1 (v) Reasons for the Nomination of Individual Director Candidates**

In the reference documents attached to the “Notice of the Ordinary General Meeting of Shareholders,” the Company discloses the reasons for nominating individual candidates for director positions. For details, please refer to said reference documents posted on our website.

### **Supplementary Principle 4.1.1 Scope of Matters Delegated to Management**

The board of directors is responsible for making decisions on matters required by law and by the articles of incorporation, in addition to important matters of Pasona Group and the Pasona Group companies. The rules of the board of directors, which said board of directors have adopted via its own resolution, stipulate that M&As, reorganization, the disposal and acquisition of significant assets, and substantial investments and loans are subject to a resolution of the board of directors.

Having elected and shifted to a corporate governance structure known as a “company with a supervisory committee” under the amended *Companies Act*, Pasona Group may delegate authority from the board of directors to the individual directors for decisions on certain matters involving important business execution. Further, an executive officer system was created in an effort to accelerate decision-making through the delegation of individual business execution decisions to the representative director and other senior management members and to executive officers. The details of such delegation are stated in the organizational rules and regulations, etc., which were adopted by a resolution of the board of directors.

### **Principle 4.9 Independence Criteria and Qualifications for Outside Directors**

The Company considers that an outside director or an outside director candidate is “independent” if he or she satisfies the following independence criteria set forth by the Company:

- No relative within a second degree of kinship is or has been an executive director of the Company or any of its subsidiaries.
- No business transaction exceeding 2% of the Company’s consolidated net sales was conducted in the last three business years between Pasona Group and the company where he or she currently serves in the capacity of executive officer or employee.
- He or she never received compensation exceeding 10 million yen on an annual basis directly from Pasona Group in the last three business years for services rendered as a legal, accounting, or taxation professional or as a consultant (except for payments in the form of compensation for services rendered as the Company’s officer or in the form of fees paid to the organization or firm of his or her affiliation).
- He or she is not an executive officer of an organization that has received donations from Pasona Group in excess of 10 million yen on an annual basis in the last three business years.

### **Supplementary Principle 4.11.1 Composition of the Board of Directors**

When nominating candidates for the positions of director, the Company takes into account the balance, diversity, and size of the board of directors as a whole. The policies and procedures for the selection of director candidates are shown in Principle 3-1 (iv) above. In the opinion of the Company, the maximum numbers of directors who are not Supervisory Committee members and of directors who are Supervisory Committee members should be 15 and five, respectively, to ensure appropriate, speedy, and fair decision-making on important matters and to administer proper supervision over business execution.

### **Supplementary Principle 4.11.2 Concurrent Posts Held by Directors**

The names of directors, including independent outside directors, who concurrently hold positions elsewhere as officers of other listed companies, are disclosed each year in reference documents for the General Meeting of Shareholders and in business reports.

### **Supplementary Principle 4.11.3 Effectiveness Evaluation of the Board of Directors**

Each year, the Company sends out a questionnaire survey to directors in order to evaluate the effectiveness of the entire board of directors. The evaluation and analysis results, which are reported to the board of directors, may lead to an operational review and other actions on the board, if necessary, to further enhance the board’s effectiveness.

### **Outline of the evaluation results of the board of directors' effectiveness in FY2019**

In April 2020, a questionnaire survey for FY2019 was sent out. The directors were requested to perform an assessment (including a self-assessment) on the following matters:

- (1) Matters concerning his or her execution of professional duties
- (2) Matters concerning the effectiveness of the entire board of directors
- (3) Matters concerning the organization of the board of directors
- (4) Matters concerning the operational state of the board of directors
- (5) Matters concerning deliberation by the board of directors

### (6) Matters concerning support, etc., for directors

An evaluation of the latest questionnaire's results and analysis results was reported to the board of directors meeting held in May 2018, at which issues that surfaced from the evaluation and others matters on the agenda were discussed. Given the active engagement by the directors in open and lively discussions where their respective expertise was well presented, along with the proper manner in which the board proceeded with the deliberation, the Company believes that the effectiveness of the board of directors is being ensured. The Company will continue to look into and take action as appropriate to further enhance the effectiveness of the entire board of directors.

### **Supplementary Principle 4.14.2 Training Policy for Directors**

The Company's directors and executive officers receive the legal and compliance training necessary to perform their audit and supervisory duties and functions. In addition, they visit business subsidiaries as appropriate to develop a better understanding of the Pasona Group companies and their businesses.

To help outside directors perform their expected roles in full, the Company continuously provides them with opportunities to learn the corporate group's business, finances, organizations, and other matters upon their appointments and throughout their tenures.

### **Principle 5.1 Policy for Constructive Dialogue with Shareholders**

In an effort to encourage all stakeholders, including shareholders, investors, and local residents, to develop a greater understanding of the Company, a policy of fair, timely, and appropriate disclosure of important information pertaining to the Company (including management, business, and financial matters) is in place, with the goal of earning due recognition and trust from society.

- (i) The Investor Relations Department is responsible for communication with shareholders in general, with the titled executive officer in charge of the Investor Relations Department exercising oversight.
- (ii) To enhance communication with shareholders, the head of the Investor Relations Department works organically with the respective heads of departments related to finance and accounting, corporate planning, administration, legal, and other functions and of operating divisions to ensure prompt information-sharing and fact verification.
- (iii) Twice a year, the Company organizes presentation meetings for institutional investors and security analysts to discuss the Company's interim and full-year results, in addition to individual meetings and interviews and small-group meetings, which are scheduled from time to time. The Company proactively communicates with shareholders and investors by posting news and information on the pages dedicated to investor relations on the Company's website.
- (iv) The opinions and concerns voiced by shareholders while engaged in such dialogue as above are reported to the management meeting and to the board of directors by the titled executive officer in charge of the Investor Relations Department.
- (v) When communicating with shareholders, special care is taken to ensure compliance with the Company's anti-insider trading regulations, which govern the Company's handling of material facts. The Company refrains from making any comments regarding business results or answering any inquiries related thereto in the two-week period prior to the announcement of business results, known as the "quiet period."

For more details on our disclosure policy, please refer to "Disclosure Policy" on our website.  
[www.pasonagroup.co.jp/english/ir/disclosure\\_e.html](http://www.pasonagroup.co.jp/english/ir/disclosure_e.html)

As for the Company's structure and details regarding IR activities, please refer to "III 2. Status of IR Activities" and "V 2. Other Matters Concerning Corporate Governance Structure" in this report.

## CORPORATE GOVERNANCE REPORT

### 2. Capital Structure

Percentage of shares held by foreign corporations and other foreign investors 20% or more; less than 30%

#### Principal Shareholders

Shareholders	Number of shares held	Percentage of shares (%)
Yasuyuki Nambu	14,763,200	37.00
Nambu Enterprise Inc.	3,738,500	9.37
BNYM NON-TREATY DTT	1,861,600	4.67
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,318,600	3.30
AVI GLOBAL TRUST PLC	1,129,100	2.83
CREDIT SUISSE AG HONG KONG TRUST A/C CLIENT	782,800	1.96
Custody Bank of Japan, Ltd. (Trust Account E)	757,852	1.90
Pasona Group Employees' Shareholding Association	618,800	1.55
BNYM TREATY DTT 15	607,400	1.52
AVI JAPAN OPPORTUNITY TRUST PLC	604,500	1.52

Controlling shareholder

—

Parent company

Not applicable

Supplementary Notes:

- 1, The shareholders named above were the principal shareholders as of November 31, 2020.
2. In addition to the aforementioned, the Company's treasury stock totaled 1,793,047 shares, which carry no voting rights per the provision of the Companies Act, Article 308, Paragraph 2.
3. The Company has introduced a "Board Benefit Trust" (BBT) and an "Employment Stock Ownership Plan" (J-ESOP). The 757,852 shares of the Company held in connection with these programs by Custody Bank of Japan, Ltd. (Trust Account E) are not counted toward the Company's treasury stock.
4. A "Change Report," which pertains to a large shareholder report, was submitted for public inspection on October 21, 2019. It states that Tempered Investment Management LTD. owned the following shares as of October 10, 2019. Said entity is not listed as a principal shareholder in the above table, as the Company has not verified the number of shares under its substantial ownership.  
The description that appears in the Change Report is shown below:  
Tempered Investment Management LTD. 2,847,400 shares (6.83%)
5. A "Change Report," which pertains to a large shareholder report, was submitted for public inspection on December 8, 2020. It states that Asset Value Investors Limited owned the following shares as of December 1, 2020. Said entity is not listed as a principal shareholder in the above table, as the Company has not verified the number of shares under its substantial ownership.  
The description that appears in the Change Report is shown below:  
Asset Value Investors Limited 1,701,500 shares (4.08%)

### 3. Corporate Structure

Stock listings	First Section, Tokyo Stock Exchange
Fiscal year-end	May 31
Business classification	Service industry
Number of employees (consolidated) as of the previous fiscal year end	1,000 or above
Net sales (consolidated) as of the previous fiscal year end	No less than ¥100 billion but less than ¥1 trillion
Number of consolidated subsidiaries as of the previous fiscal year end	No less than 50 subsidiaries but less than 100 subsidiaries

### 4. Policies for the Protection of Minority Shareholders from the Adverse Consequences of Transactions between the Company and the Controlling Shareholder

—

### 5. Special Circumstances That May Have Material Impact on Corporate Governance

## CORPORATE GOVERNANCE REPORT

The Company is examining the capital ties with its affiliated companies by considering a wide array of factors, such as the enhancement of Pasona Group's corporate value, the Company's financial strategy and fundraising, and the business, scale, and future growth potential of its affiliated companies.

In order to manage the group in an integrated manner, the Company has signed a group management agreement with its affiliated companies and has a system in place that allows it to receive reports on important matters. Despite this, however, the Company has not signed the said agreement with its listed subsidiaries and has a policy to protect the minority shareholders of its listed subsidiaries and to ensure that its listed subsidiaries stay independent as listed companies.

Benefit One Inc. is a listed subsidiary of the Company that is listed on the First Section of the Tokyo Stock Exchange. Benefit One Inc. is developing business in the area of outsourcing, which is one of the core businesses of Pasona Group. It is also believed that the ownership of Benefit One Inc. plays a significant role in allowing Pasona Group to achieve sustainable growth.

The Company and Benefit One Inc. do business together in various ways such as providing services to one another, working together to receive orders for projects, and exchanging personnel so as to create a business synergy between the two companies. However, in order to protect its minority shareholders and to ensure that it stays independent as a listed company, Benefit One Inc. operates independently from the Company. In addition, more than one-third of the eight directors (three directors) of Benefit One Inc. are appointed as independent outside directors, and their independence is maintained so as to prevent any conflicts of interest with the general shareholders.

## II Overview of Business Management Organization and Other Corporate Governance Systems Related to Managerial Decision-making, Business Execution, and Supervision

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

Type of organizational structure

Company with a supervisory committee

#### Directors

Maximum number of directors as stipulated in the Company's articles of incorporation	20
Term of office for directors as stipulated in the Company's articles of incorporation	One year
Chairman of the board of directors	Company president
Number of directors	9
Election of outside directors	Elected
Number of outside directors	3
Number of outside directors designated as independent directors	3

### Relationship with the Company (1)

Name	Status	Relationship with the Company (Note)											
		a	b	c	d	e	f	g	h	i	j	k	
Seiichiro Morimoto	Appointed from the outside									△			
Haruo Funabashi	Appointed from the outside												
Kazuo Furukawa	Appointed from the outside												

Note: Categories for "Relationship with the Company (1)"

“○” when the director presently falls or has recently fallen under the category

“△” when the director fell under the category in the past

“●” when a close relative of the director presently falls or has recently fallen under the category

“▲” when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company



## CORPORATE GOVERNANCE REPORT

- c. Executive of a fellow subsidiary company of the Company
- d. Party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to compensation as a director/auditor
- g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/auditor are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

## Relationship with the Company (2)

Name	Member of the Supervisory Committee	Designation as an independent director	Supplementary explanation	Reason for appointment
Seiichiro Morimoto	✓	✓	<p>Mr. Morimoto received advisory fees from the Company in the past, and for this reason, he was an “executive of a client or supplier company of the Company.” In the opinion of the Company, however, the amount provided to Mr. Morimoto was negligible in monetary value (less than ¥5 million). The Company has concluded that Mr. Morimoto would cause no conflict of interest with the general shareholders.</p>	<p>Mr. Morimoto has extensive experience in university management, and the broad insight he has gained during the course of his professional career, together with his independent standpoint, can be utilized to strengthen the board’s decision-making and auditing &amp; supervisory functions. The Company is of the opinion that Mr. Morimoto properly fulfills his duties as an outside director who also sits in the Supervisory Committee.</p> <p>In addition to the independence criteria for outside directors set forth by the Company, Mr. Morimoto satisfied the standards set forth by the Tokyo Stock Exchange for independent directors, who must be appointed by listed companies to protect the interests of general shareholders.</p> <p>Hence, Mr. Morimoto has been designated as an independent director.</p>
Haruo Funabashi	✓	✓	—	<p>Mr. Funabashi has extensive experience working in administration and as an outside director of a listed company. He also has the broad insight he has gained during the course of his professional career, together with his independent standpoint, can be utilized to strengthen the board’s decision-making and audit and supervisory functions.</p> <p>The Company is of the opinion that Mr. Funabashi properly fulfills his duties as an outside director who also sits in the Supervisory Committee.</p> <p>In addition to the independence criteria for outside directors set forth by the Company, Mr. Funabashi satisfied the standards set forth by the Tokyo Stock Exchange for independent directors, who must be appointed by listed companies to protect the interests of general shareholders.</p> <p>Hence, Mr. Funabashi has been designated as an independent director.</p>



## CORPORATE GOVERNANCE REPORT

Name	Member of the Supervisory Committee	Designation as an independent director	Supplementary explanation	Reason for appointment
Kazuo Furukawa	✓	✓	—	<p>Mr. Furukawa has served as a director, president and COO of Hitachi, Ltd., and possesses knowledge in technical fields such as information telecommunication. He also has extensive experience in working in corporate management. Therefore, the broad insight he has gained during the course of his professional career, together with his independent standpoint, can be utilized to strengthen the board's decision-making and audit and supervisory functions.</p> <p>The Company is of the opinion that Mr. Furukawa properly fulfills his duties as an outside director who also sits in the Supervisory Committee.</p> <p>In addition to the independence criteria for outside directors set forth by the Company, Mr. Furukawa satisfied the standards set forth by the Tokyo Stock Exchange for independent directors, who must be appointed by listed companies to protect the interests of general shareholders.</p> <p>Hence, Mr. Furukawa has been designated as an independent director.</p>

### Supervisory Committee

#### Committee's Composition and the Attributes of the Chairperson

	Total number of Supervisory Committee members	Full-time members	Inside directors	Outside directors	Chairperson
Supervisory Committee	4	1	1	3	Inside director

Appointment of directors and/or staff to support the Supervisory Committee	Appointed
--	-----------

#### Matters Related to Independence from Executive Directors of the Directors Who Are also Supervisory Committee Members, Along with Their Assistant Staff

The personnel of the Supervisory Committee Office assist in the duties of the Supervisory Committee as dedicated support staff. Such staff hold no managerial positions in any activities relating to the business execution of the Company, and they perform duties under the command of the Supervisory Committee. Personnel changes and transfers, personnel evaluations, and disciplinary actions affecting such staff are subject to the prior approval of the Supervisory Committee.

#### Cooperation among the Supervisory Committee, Accounting Auditors, and Internal Audit Department

The Supervisory Committee informs the Internal Audit Department of the audit policy and audit plan and receives reports on the internal audit plan and the individual internal audit results, etc., from the Internal Audit Department. In addition, the

## CORPORATE GOVERNANCE REPORT

Supervisory Committee works closely with the Internal Audit Department to build a system that enables effective audits of the entire Company group. The accounting auditors and the Supervisory Committee meet regularly and cooperate with each other through exchanges of opinions and information.

### Committees Formed upon the Company's Decision to Do So

Committees equivalent to a nominating committee or a compensation committee created upon the Company's decision to do so	None
--	------

### Independent Directors

Number of independent directors	3
---------------------------------	---

### Incentives

Initiatives and implementation status concerning incentives for directors	Performance-linked stock compensation plan
---	--

## Supplementary Explanation

The compensation of each director who is not a member of the Supervisory Committee is determined by taking into consideration a variety of factors, including his or her position, standing, responsibilities, and level of contribution to the Company. The Company has introduced a performance-linked stock compensation plan (hereinafter referred to as the "Plan") to directors (excluding the directors who are members of the Supervisory Committee, the outside directors, and non-executive directors) and titled executive officers. (This is limited to those who were directors before they transferred to a company with a Supervisory Committee. They are hereinafter referred to as "Directors, etc.>"). This aims to clearly link the compensation of the Directors, etc., to the Company's operational results and to share value and motivate directors to make greater contribution to the Company's mid-term and long-term performance and its corporate value.

### Directors' Compensation

Status of disclosure of directors' compensation	Disclosure on select directors only
---	-------------------------------------

## Supplementary Explanation

Compensation paid to directors and auditors (13<sup>th</sup> period)

- Compensation for 5 directors who were not members of the Supervisory Committee: ¥258 million
- Compensation for 7 directors who were members of the Supervisory Committee: ¥51 million (including ¥36 million for outside directors)

Note: Compensation limits

1. As of the end of the 13th period, there were five directors who were not members of the Supervisory Committee and four directors who were members of the Supervisory Committee (including 4 outside directors).
2. For directors who are not members of the Supervisory Committee: Up to ¥600 million per annum (including ¥50 million for outside directors)  
For directors who are members of the Supervisory Committee: Up to ¥100 million per annum

Directors who received ¥100 million or more in compensation on a consolidated basis are disclosed in the financial report together with their respective compensation amounts.

Policy on the determination of the amount of compensation and its computation method	Available
--	-----------

## Disclosure Details of the Policy Regarding the Determination of the Amount of Compensation and the Computation Method

The Company set forth a remuneration limit payable to directors, which was approved by the shareholders at the Ordinary General Meeting of Shareholders held on August 18, 2017.

The remuneration for directors (excluding directors who are members of the Supervisory Committee, outside directors, and non-executive directors) consists of fixed, basic compensation and performance-linked stock compensation, which is designed to motivate them to make greater contribution to the Company's medium- and long-term results and to enhance corporate value. As a general rule, the performance-linked stock compensation is designed to be approximately 20% to 45% of the total compensation when the performance target is achieved. On the other hand, out of consideration of the

## CORPORATE GOVERNANCE REPORT

supervising directors who conduct administration work, the compensation for other directors is only composed of the fixed compensation.

The basic, fixed portion of the compensation of each director who is not a member of the Supervisory Committee is, subject to the compensation limits approved by the Shareholders' Meeting, determined by a number of factors, including his or her position, standing, responsibilities, and contribution to the Company, in addition to the opinions of the outside directors, who are informed, beforehand, of the computation method and other factors used or considered by the internal directors to arrive at a specific sum of compensation during a meeting where they discuss compensation. However, the fixed compensation for a director who is a member of the Supervisory Committee is determined through discussions between the directors who are Supervisory Committee members themselves.

Performance-linked stock compensation, which is scalable to the degree of business goals achieved in a business year, is computed for each director (excluding the directors who are members of the Supervisory Committee, the outside directors and non-executive directors) by using a method pre-determined by the board of directors and based on a basic coefficient assigned to each director according to his or her position.

The remuneration for the directors who also serve as members of the Supervisory Committee consists solely of fixed compensation, given their independent positions with no involvement in the business execution of the Company. For the evaluation metrics, in addition to using the consolidated operating profit that results from business activities and the current net income that is attributable to stockholders of the parent company, a specific maximum amount has been set to increase transparency and objectivity.

### Support Structure for Outside Directors

The Supervisory Committee Office and the Corporate Planning Division cooperate as appropriate to respond to opinions and problems pointed out by the outside directors.

In principle, when holding a board of directors meeting, the Corporate Planning Division, which performs administrative functions for the board of directors, notifies the details of the agenda to the outside directors three days before the date of the meeting. For a matter on the agenda that is considered important by the director in charge of the Corporate Planning Headquarters, the outside directors are briefed on the matter in advance of the meeting by the Corporate Planning Division or by the director in charge of the matter.

## 2. Matters Related to Functions of Business Execution, Auditing and Supervision, and Nomination and Decisions on Compensation, etc. (Outline of the Current Corporate Governance Structure)

### 1. Business Execution Functions

#### Board of Directors

In addition to making decisions about important management-related matters, Pasona Group also oversees the work done by the directors. It has nine directors on its board of directors, of which five directors are non-members of the Supervisory Committee (three men and two women), and the remaining four directors (all men) include three independent outside directors who are Supervisory Committee members. Also, by making one third of the directors independent outside directors, the monitoring function of the Board of Directors has improved.

#### Management Meeting

A Management Meeting, which is composed of five directors who are not Supervisory Committee members, one full-time Supervisory Committee member, and 13 titled executive officers, is held twice a month, in general, so as to allow decisions concerning important matters affecting the entire Company to be made quickly and efficiently.

#### Executive Officer System

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

#### Internal Control Systems Committee and Others

Pasona Group has established and maintains five cross-divisional committees, which are subordinate organs to the Management Meeting and which report directly to the president. They are charged with the implementation of specific actions geared to ensuring internal control, risk management, and greater customer satisfaction, among others. They are:

- (1) Internal Control Systems Committee;
- (2) Compliance Committee;
- (3) CS/ES Committee;
- (4) Environment Committee;
- (5) Risk Management Committee; and
- (6) SDGs Committee.

### 2. Audit and Supervisory Functions

#### a. Internal Audits

The CIU Department and the Group Internal Audit Department conduct internal audits in accordance with the internal

## CORPORATE GOVERNANCE REPORT

auditing guidelines and rules, and the internal auditing guidelines and rules for affiliated companies to monitor the Company's state of compliance with statutory requirements and internal regulations and to prevent incidents caused by operational errors and wrongdoings, in an effort to ensure better business operations and greater management efficiency. The Group Internal Audit Department, and Internal Control Systems Committee check the development and operation of the internal control system.

The full-time members of the Supervisory Committee receive reports on the findings of individual internal audits, attend internal audit meetings held every quarter in general, and receive reports from the head of the CIU Department and the head of the Group Internal Audit Department. A periodic information exchange session is scheduled every month with the head of the CIU Department and the head of the Group Internal Audit Department, in order to ensure proper business execution, monitor the state of compliance, improve business practices, and share findings and corrective actions after audits. The parties also engage in close information exchanges to discuss plans for auditing policies by the Supervisory Committee and internal auditing policies, among others.

### b. Audits by Supervisory Committee

The Supervisory Committee of the Company consists of four members: one full-time director and three outside directors. The Supervisory Committee members monitor the Company's overall state of business execution through a variety of audit activities. They attend the board of directors meetings and other important meetings, receive business reports from directors, conduct accounting audits for affiliated companies, review important documents and records, examine the appropriateness of the auditing method employed by the accounting auditor, and hold periodic meetings with the CIU Department and the Group Internal Audit Department. The Committee's audit findings are reported to the board of directors either verbally or in writing, and it advises or makes corrective recommendations where appropriate. The Supervisory Committee Office has been established to provide assistant staff to the Supervisory Committee.

### 3. Reasons for Adopting the Current Corporate Governance Structure

In addition to strengthening the audit and supervisory functions of the Board of Directors as well as enhancing corporate governance, the Company has adopted a corporate governance structure that involves having a supervisory committee, for the purpose of improving management efficiency by delegating authority to directors so that quick decisions can be made. It is believed that by adopting this structure, the Company will be able to make management decisions quickly in response to changes in the business environment and to conduct business in a timely and appropriate manner.

## III Status of Initiatives and the Implementation of Measures for Shareholders and Other Interested

### Parties

#### 1. Measures Aimed at Revitalizing Shareholders Meetings and Facilitating the Exercise of Voting Rights

	Explanatory comments
Scheduling of shareholders' meetings to avoid peak periods	Pasona Group generally convenes its Ordinary General Meeting of Shareholders annually in late August or thereafter.
Proxy voting by electronic means	Proxy voting via the internet and others is permitted.
Measures to provide institutional investors with better proxy voting environments, including issuer's participation in the Electronic Voting Platform	The Company participates in the Electronic Voting Platform for Foreign and Institutional Investors, operated by ICJ, Inc.
Providing the "Notice of the Ordinary General Meeting of Shareholders" in English (summary)	The "Notice of the Ordinary General Meeting of Shareholders" is provided in English (summary) and posted on the Timely Disclosure Network (TDnet) of the Tokyo Stock Exchange as well as on the Company's website.
Others	Posting of the "Notice of the Ordinary General Meeting of Shareholders" and the "Notice of Resolutions of the General Meeting of Shareholders" on the Company's website; in addition, prior to being sent to all shareholders, the "Notice of the Ordinary General Meeting of Shareholders" is posted on TDnet and the Company's website.  <a href="http://www.pasonagroup.co.jp/english/ir/info/stockholders_meeting_e.html">www.pasonagroup.co.jp/english/ir/info/stockholders_meeting_e.html</a>

**2. Status of IR Activities**

	Presentation by the president	Explanatory comments
Creation and publication of the Disclosure Policy	—	Pasona Group has implemented a policy of fair, timely, and appropriate disclosure of important information pertaining to the Company (including management, business, and financial matters). Our Disclosure Policy is posted on the Company’s website in order to encourage all stakeholders, including shareholders, investors, and local residents, to develop a greater understanding of the Company with the goal of earning due recognition and trust from society.  <a href="http://www.pasonagroup.co.jp/english/ir/disclosure_e.html">www.pasonagroup.co.jp/english/ir/disclosure_e.html</a>
Periodic presentations for analysts and institutional investors	No	A presentation designed for institutional investors is held every six months so as to explain the Company’s business performance for the period under review, along with forecasts and outlook. Investor presentation materials are disclosed via the Company’s website.
IR material disclosed on the Company’s website	—	A separate website has been established specifically for IR disclosure. The published information includes business results, presentation materials, press releases including timely disclosure, annual securities reports, quarterly reports, the “Notice of the Ordinary General Meeting of Shareholders,” the “Notice of Resolutions of the Ordinary General Meeting of Shareholders,” stock information, and the IR schedule. In addition, English translations of IR materials and corporate information are posted on the Company’s website for overseas investors.  <a href="http://www.pasonagroup.co.jp/english/ir/">www.pasonagroup.co.jp/english/ir/</a>
Creation of the IR Dept. (IR officer)	—	The Company has established a department dedicated to matters relating to investor relations. Known as the “Investor Relations Department,” it has eight dedicated personnel that focus on and engage in IR activities.
Others	—	After the annual general meeting of shareholders (August), a “shareholders newsletter” is issued and posted on the Company’s website. The Company sends reports to shareholders every August. For the first, second, and third quarters, quarterly IR letters summarizing our business results and activities are posted on the Company’s website.

**3. Maintaining Respect for the Status and Position of Stakeholders**

	Explanatory comments
Internal guideline or code concerning respect for stakeholder positions	In accordance with the corporate philosophy of Pasona Group: “Solutions to Society’s Problems,” we promote diversity aimed at giving all individuals the freedom to choose and the opportunity to work in a job that they like. Our mission is to serve as a “Life Producer”—one that creates spiritually fulfilling lives and that “harnesses the potential of the individual.” In order to fulfill our corporate social responsibility of “creating a society in which all people can map out a fulfilling life plan and choose a career that compliments their varied lifestyles, whether they are individuals returning to the workforce or desiring a change of direction in life, or individuals who are determined to pursue their life goals,” we have established <i>The Work of PASONA GROUP</i> and the <i>PASONA GROUP Corporate Action Constitution</i> in which we pledge to uphold our mission and respect the status and position of our stakeholders.
Implementation of environmental protection and CSR activities	Pasona Group has established <i>The PASONA GROUP CSR Policy</i> to ensure that all officers and employees fulfill corporate social responsibility (CSR) by developing a correct understanding of our corporate philosophy, putting this philosophy into action, and serving local communities as “social activists.” In order to preserve a healthy, beautiful planet for



future generations, we value the Earth’s limited resources as good corporate citizens and are working to protect the environment through our corporate activities, with the aim of establishing Pasona Group as an environmentally conscious organization. Pasona Group has also rolled out a variety of activities to help people with disabilities gain social independence. The Company works toward expanding employment opportunities for people with disabilities who have difficulties finding jobs despite their willingness to join the workforce and helps them unleash their potential.

Pasona Group strongly believes that “talent knows no handicap,” Its Art Village Project is an art-based project aimed at promoting greater engagement and participation in society by people with disabilities and empowering them with independence. Another example is Pasona Heartful Inc., a special subsidiary of Pasona Group, which directly employs persons with disabilities. Through these and other activities, Pasona Group has been working hard to fulfill its corporate social responsibility.

A separate website has been established specifically for environmental protection and CSR activities. The annual CSR report is also available via this link below.

[www.pasonagroup.co.jp/english/csr/csr\\_e.html](http://www.pasonagroup.co.jp/english/csr/csr_e.html)

Since its inception, Pasona Group has promoted diversity by providing a variety of ways in which our employees can play active roles through gainful employment irrespective of their age, gender, nationality, employment status, or disabilities, and by planning and implementing various personnel policies that are designed to enable each of our employees to maximize their strengths and potential. We promote gender equality in training and in placing the right people in the right jobs. As a result, 63.5% of our employees are female. Moreover, 52.1% of all management positions are currently occupied by women.

The Company has also developed a system that enables our employees to continue playing an active role in key stages of their personal lives, including maternity, parenting, and caring for aging members of the family by offering a broad range of employment options, including telecommuting, reduced hours, and flextime. In 2010, we created a daycare center at the Pasona Group head office, which is available for use by all our employees. As a result of these efforts, all female employees have returned to work after giving birth to their first child. In addition, female employees having two or more children account for 48.6% of all female employees.

Programs for human resources development and career development support for women are available, including career training specific to the length of service, function, and rank, in addition to specialist training. For female leaders of tomorrow, the Company launched “Wonder Woman Training.” Since its launch in 2014, it has produced one president, fourteen executive officers, and twenty three senior-level supervisors.

Looking ahead, we will continue to practice diversity management and will make every effort to create jobs and serve as “Life Producers” for all employment seekers.

Others

- Ratio of female executives: 32.1%
- Ratio of female managers: 52.1%
- Ratio of female employees: 63.5%
- Ratio of female employees returning to work after giving birth: 100%

Note: All figures are combined totals for Pasona Group and Pasona Inc. as of May 31, 2020.

In 2017, in recognition of the Company’s efforts to promote female participation in the workforce, the Ministry of Health, Labour and Welfare awarded Pasona Group with a Level 3 (highest-level) Eruboshi1 certification.

1 “Eruboshi” certification: A ranking system established by the Ministry of Health, Labour and Welfare based on the Act on Promotion of Women's Participation and Advancement in the Workplace. Organizations are rated on a scale of 1 to 3 according to the number of prescribed requirements satisfied

Others

### Health Management

As a company that harnesses the potential of the individual, Pasona Group strives to create a physically and mentally healthy lifestyle that is spiritually fulfilling for all the people that it is involved with. Under the top management's policy on managing health, the Company pledges to help people maintain their health by conducting various health-related business activities.

### Efforts to Improve Health

Pasona Group has launched the @Health+Care scheme at Job-Hub Square at Pasona Group headquarters, with the goal of having its employees come to work every day in good health and in high spirits while maintaining their "Social Work-life Balance." It offers a wide range of programs to suit every employee's requirements for staying healthy. An on-site gym and exercise studios encourage employees to work out by building exercise into their work schedules. For employees with special needs to improve their health, two-month programs are administered under the supervision of an industrial physician employed by Pasona Group.

Furthermore, "work-life facilitators" are available for consultation on any issues relating to the well-being of employees and their families, including career-related and family-related issues such as balancing job responsibilities and family obligations, parenting, and care for aging members of the household. The work-life facilitators are always on hand when employees need support, dispensing advice and staying in touch. A similar consultation framework is also in place for temporary staff.

Other activities hosted by the Company include lectures on health topics such as mental health and eating habits, and a community called "Walk with PASONA," launched in April 2015, the community encourages participants to improve their physical health via walking with the help of wearable activity trackers. A number of employees and temporary staff have joined the community and successfully incorporated walking into their daily regimen.

In recognition of these efforts and outstanding health management practices, Pasona Group, Pasona Inc., Benefit One Inc., and Benefit One Health care Inc. were certified as Certified Health and Productivity Management Organizations<sup>1</sup> under the large-enterprise category (White 500) by the Certified Health and Productivity Management Organization Recognition Program organized by the Ministry of Economy, Trade and Industry and the Japan Health Council in 2020.

Pasona Group will continue to enhance its health maintenance support as part of its effort to encourage people to lead productive personal and professional lives in sound physical and mental health through greater awareness of the importance of healthy living.

<sup>1</sup> Certified Health and Productivity Management Organization Recognition Program: The program commends corporations noted for outstanding health and productivity management practices that address local health-related challenges and for taking actions as advocated by Nippon Kenko Kaigi. A total of 1,476 corporations made the list's large-enterprise category in 2020.

## IV Matters Concerning Internal Control System

### 1. Basic Stance and Development/Operation Status of Internal Control

1. Structure and system to ensure that the directors and employees of the Company and its subsidiaries execute their duties in conformity with legal requirements and their respective articles of incorporation
  - (1) The Company established a corporate code of conduct. Designed to fully familiarize the officers and employees of the Company and its subsidiaries with the corporate philosophy that underpins all activities, the corporate code of conduct helps imbue stronger compliance mindset in the officers and employees.
  - (2) The directors of the Company and its subsidiaries are monitored by the boards of directors, the Management Meeting,



## CORPORATE GOVERNANCE REPORT

and other organs of respective entities to ensure their compliance with laws, regulations, and their articles of incorporation and to confirm that their actions are in line with the corporate philosophy.

- (3) The Compliance Committee was established as an organ to set forth the basic standards of conduct to be observed by officers and employees of the Company and its subsidiaries in carrying out their day-to-day business. It also implements and supervises activities aimed at promoting compliance within the Company and at its subsidiaries. The activities of the Compliance Committee are reported to the board of directors on a periodic basis.
  - (4) In an attempt to detect at the early stage of illegal acts, and to prevent such acts committed on organizational and individual levels, the Company has established an internal reporting system covering the entire Pasona Group companies. Internal reporting contact points have been set up both within and outside the Company for officers and employees to file a report.
  - (5) The CIU Department and the Group Internal Audit Department conduct internal audits of the Pasona Group companies. It reviews the validity, appropriateness, and legality of business execution and improves the Company's internal controls.
  - (6) Based on the corporate code of conduct, the Company takes a resolute attitude in opposition to criminal and anti-social forces and refuses and severs any relationship with such parties. A department has been designated to handle illicit demands, and rules and regulations governing reporting and response procedures are in place to increase the Company's readiness to fight back in cooperation with the relevant authorities, including law enforcement, as appropriate.
  - (7) Legal appropriateness is maintained by electing outside directors who do not have any conflict of interest with the Company and by strengthening mutual monitoring and mutual oversight among the directors.
  - (8) Audits are performed by the full-time Supervisory Committee members and the outside directors who are Supervisory Committee members and who, by definition, have no conflict of interest with the Company.
2. Structure and system to maintain and manage information relating to the directors' execution of their duties
- Pasona Group takes full steps to ensure that the preparation, maintenance, and disposal of important documents that relate to decisions made by the directors and reports submitted to the directors are carried out in accordance with the established document management regulations.
3. Rules, structure, and system to manage risks of loss within the Company and at its subsidiaries
- (1) Risks are managed in accordance with the group's risk management rules. For the full enforcement of the rules, a crisis management manual has been prepared and distributed to all officers.
  - (2) The Pasona Group CEO & president maintains ultimate responsibility for risk management functions. In day-to-day terms, however, the responsibility for risk management is centralized within the Risk Management Committees established within the Company and at its major subsidiaries, and the executive officer in charge of the Corporate Governance Headquarters is charged with risk oversight.
  - (3) The Risk Management Committees boosts readiness to respond to incidents by identifying and classifying anticipated risks based on the crisis management manual, such that necessary information is distributed throughout the group promptly in the event of a crisis.
  - (4) The CIU Department and the Group Internal Audit Department of the Company perform audits on the daily risk control administered by the divisions of the Company and by its subsidiaries.
4. Structure and system to ensure the efficiency of execution of the directors' duties at the Company and its subsidiaries
- (1) The segregation of responsibilities and authority among directors, as outlined in each company's organizational rules and regulations, is designed to ensure well-defined accountability and maximum operational efficiency.
  - (2) In addition to the regular board of directors meeting, which is scheduled every month, extraordinary sessions may be scheduled as needed. The Management Meeting, which is attended by the directors who are not members of the Supervisory Committee, the full-time Supervisory Committee members, and titled executive officers, serves as a forum for deliberating management issues related to business execution.
  - (3) Subsidiaries may decide on the frequency of regular board of directors meetings to suit their size, and the frequency is stipulated in their respective rules on the board of directors. The frequency suggested by the Company is once every month or at least once every quarter, and the Corporate Planning Division periodically checks the actual frequency. In addition to the regular meetings, subsidiaries may schedule extraordinary board of directors meetings as appropriate.
  - (4) The boards of directors of the Company and its subsidiaries decide on management policies, matters as required by law, and other important management matters, and provide supervision over business execution.
5. Structure and system to ensure appropriate conduct by the corporate group comprising the Company and its subsidiaries
- In addition to the matters stated in 1. through 4. above:
- (1) Pasona Group sends its officers to serve as directors or auditors of its subsidiaries. Their attendance at the boards of directors meetings of subsidiaries and the performance of audits on all subsidiaries allow the Company to keep abreast of the status of subsidiaries and to provide supervision over management at such subsidiaries.
  - (2) The Company and its subsidiaries have concluded a group management agreement, which stipulates that subsidiaries report all important matters relating to the execution of directors' duties to the Company.
  - (3) The Company's CIU Department and the Group Internal Audit Department conduct internal audits of the Company

## CORPORATE GOVERNANCE REPORT

and its subsidiaries, reports its findings during internal audit meetings attended by the full-time directors, the Supervisory Committee members, and by titled executive officers, and performs necessary management as circumstances may require.

- (4) In order to ensure the appropriateness of financial reporting, the Company's Internal Control Systems Committee formulates an internal control system evaluation plan in accordance with Internal Control Systems Committee rules, monitors internal control system evaluations conducted by the Group Internal Audit Department, and prepares internal control system reports, which are submitted to the board of directors.
6. Matters concerning directors and employees who are assigned to assist in the duties of the Supervisory Committee  
The Company has created a Supervisory Committee Office, which is staffed by personnel dedicated to offering assistance in the duties of the Supervisory Committee.
7. Matters concerning the independence from other directors of the directors and employees who assist in the duties of the Supervisory Committee (excluding directors who are Supervisory Committee members) and matters relating to ensuring the effectiveness of the Supervisory Committee's instructions directed to such directors and employees
  - (1) The employees who assist in the duties of the Supervisory Committee do not concurrently hold positions that pertain to the business execution of the Company, and they perform their duties under the command of the Supervisory Committee.
  - (2) For personnel changes and transfers, personnel evaluations, and disciplinary actions pertaining to such assistants, the prior approval of the Supervisory Committee is obtained.
8. Structure and system for whistleblowing by directors and employees of the Company and its subsidiaries to the Company's Supervisory Committee and the system to ensure that the directors and employees who filed reports to the Supervisory Committee of the Company or to auditors of the subsidiaries suffer no adverse consequences in retaliation for filing a report
  - (1) All matters that could significantly damage the Company's credibility, matters that could have significant, adverse impact on the Company's business results, and illegal or fraudulent acts by officers or employees, including all suspected cases thereof, must be reported promptly to the Supervisory Committee or the auditor of the company of his or her affiliation as soon as detected, and this rule is enforced to the fullest extent. The auditor at a subsidiary that received a report from a whistleblower must immediately forward the report to the Supervisory Committee of the Company. If a report is filed through an internal reporting system in place at the Company or its subsidiaries, it must be forwarded immediately to the Supervisory Committee of the Company.
  - (2) The Company and its subsidiaries must put in place and fully enforce compliance hotline regulations prohibiting any action against whistleblowers in retaliation for filing a report.
9. Policy on the processing of expenses arising from the execution of duties by the Supervisory Committee members and the systems and structure for ensuring that the Supervisory Committee's audit is effectively conducted
  - (1) Advances for anticipated expenses or for the reimbursement of expenses as incurred in connection with the execution of duties by the Supervisory Committee members and any other expenses or monetary obligations arising out of the execution of such duties are processed properly based on written requests from the Supervisory Committee members.
  - (2) The Supervisory Committee works closely with the president and representative director, accounting auditors, the CIU Department and the Group Internal Audit Department, the Supervisory Committee Office, and subsidiaries' auditors, and holds meetings from time to time to exchange information.

## 2. Basic Stance and Development/Operation Status of Systems Aimed at Eliminating Anti-social Forces

A structure to eliminate anti-social forces was set up, as below.

1. Pursuant to its corporate code of conduct, Pasona Group takes a resolute attitude in opposition to criminal and anti-social forces and refuses and severs any relationship with such parties.
2. A department has been designated to handle illicit demands, etc., and rules and regulations governing reporting and response procedures are in place to increase the Company's readiness to fight back in cooperation with the relevant authorities, including law enforcement, as appropriate.

## V Others

### 1. Measures to Prevent Hostile Takeovers

Measures to prevent hostile takeovers

None

## Supplementary Explanation

Pasona Group recognizes this as a significant management issue and is carefully considering the requirements.

### 2. Other Matters Concerning Corporate Governance Structure

### 1. Internal structure and systems relating to timely disclosure

Pasona Group is responsible for an overall management strategy that encompasses all Pasona Group companies, the optimal allocation of resources among them, and boosting corporate governance and managerial transparency for the corporate group, while allowing business subsidiaries to stay focused on their specific business domains where they seek growth opportunities with agility and based on their own strategies.

Important information collected by the Company is authorized for disclosure by the representative director and the executive officer in charge of the Investor Relations Department, who has been designated as the Company's information manager under the rules of the Tokyo Stock Exchange. Furthermore, all appropriate steps are taken to ensure that the directors of the Company and the Pasona Group companies, as well as their employees, are educated on the importance of timely disclosure.

#### (1) Information collection and management

All financial information relating to all affiliated companies is compiled by the Finance and Accounting Division. Business and operating information on affiliated companies in Japan is compiled by the Corporate Planning Division, while business and operating information on affiliated companies outside Japan is compiled by the International Business Division. All material information is forwarded by these divisions to the information officer for his or her review. The centralized handling structure ensures that all material information relating to Pasona Group and the Pasona Group companies is collected and maintained without delay or omission.

#### (2) Clarifying timely disclosure criteria and standards

Pasona Group has put in place a set of information disclosure rules and has clarified disclosure criteria and standards so as to enable each department within the corporate group 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. Information outside the scope of disclosure information stipulated under the aforementioned exchange regulations is disclosed promptly, if the representative director, the information manager, the executive officer in charge of the Investor Relations Department, the executive officer in charge of the Public Relations Department, and the Corporate Information Officer conclude upon mutual consultation that such disclosure is appropriate.

#### (3) Establishment of a department dedicated to disclosure duties

Pasona Group has established the Investor Relations Department with eight dedicated personnel to assume responsibility for matters relating to information disclosure. Subject to a resolution of the board of directors, information earmarked for timely disclosure is posted by the Investor Relations Department on 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.

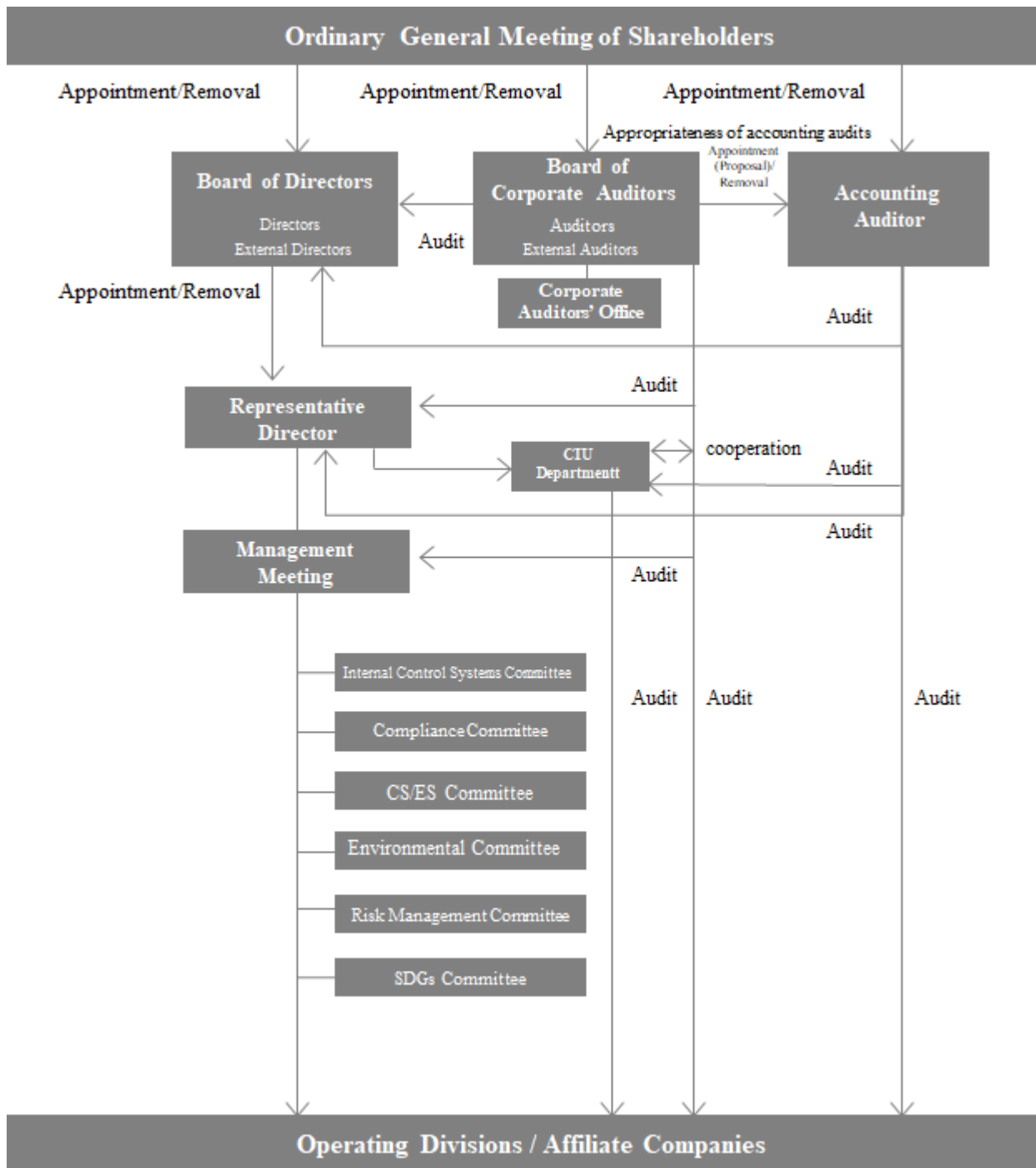
### 2. Prevention of insider trading

Pasona Group has established stringent internal rules to control the purchase and sale of the Company's shares by insiders, including employees who have or can have access to material facts of the Company during the course of their business activities, officers holding posts of general manager or above, and directors, among others. Measures are in place to prevent insider trading, including training and seminars, and other initiatives to fully familiarize them with the danger and consequences of insider trading.

### 3. Internal monitoring structure for timely disclosure

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

**Pasona Group's Corporate Governance and Internal Management Structure**



# CORPORATE GOVERNANCE REPORT

Internal structure for timely disclosure

