

January 13, 2017

## Pasona Group Inc.

Representative: Yasuyuki Nambu, Group CEO and President

Inquiries: Investor Relations Department

TEL: +81-3-6734-0200

Listing Code No.: 2168

[www.pasonagroup.co.jp/english/](http://www.pasonagroup.co.jp/english/)

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

## **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 people 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.

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

### **Supplementary Principle 4.11.3 Self-assessment of the Board of Directors**

Every year, using self-evaluation methods, directors and auditors carry out analysis and evaluation of the entire Board of Directors with regard to its effectiveness. Regarding the fiscal year ended May 31, 2016 (FY2015), a questionnaire survey of directors and auditors was conducted in May 2016. Its content and the results of its analysis were reported to the Board of Directors in June of the same year, which undertook discussion of future challenges and so on. Based on this effectiveness evaluation, the Company will continue to appropriately consider and implement the measures necessary to enhance the supervisory function of the Board of Directors. In addition, the Company is considering disclosure of the summary of results.

## **【Disclosure Based on the Principles of the Corporate Governance Code】**

### **Principle 1.7 Related Party Transactions**

Transactions involving any conflicts of interest between a director and the Company and competing transactions by a director are subject to a resolution of the Board of Directors, as provided for expressly in the rules of the Board of Directors approved by the Board of Directors, and such transactions are reported to and approved by the Board of Directors, including independent outside auditors, on a case-by-case basis. 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 3.1 (i) Company Objectives (e.g., Business Principles), Business Strategies and Business Plans**

Please refer to “PASONA GROUP Corporate Philosophy” on our website.

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

As for business strategies, please refer to presentation material for financial results meeting held on July 22, 2016.

[http://www.pasonagroup.co.jp/Portals/0/resources/news/public/201605presen\\_e.pdf](http://www.pasonagroup.co.jp/Portals/0/resources/news/public/201605presen_e.pdf)

### **Principle 3.1 (ii)**

### **Basic Views and Guidelines on Corporate Governance Based on Each of the Principles of the Code**

Please refer to “I 1. Basic Stance” in this report.

## Principle 3.1 (iii)

### Board Policies and Procedures in Determining the Remuneration of the Senior Management and Directors

Fixed compensation payable to the directors is subject to the maximum limit approved by the General Meeting of Shareholders and is decided based on such factors as each director's position, standing, role, contribution to the Company's performance and the opinions of outside directors who are informed, beforehand, of the computation method, among others, used to arrive at a specific sum of compensation.

On August 19, 2015, the FY2014 General Meeting of Shareholders adopted a resolution approving the introduction of a Performance-Linked Stock Compensation Board Benefit Trust (hereinafter referred to as the "Plan") for directors (excluding outside directors). Linking the directors' compensation to the Company's operating results and share value, the Plan is designed to motivate the directors to make a greater contribution to the Company's medium- and long-term goals and to corporate value.

## Principle 3.1 (iv)

### Board Policies and Procedures in the Appointment of the Senior Management and the Nomination of Directors and Auditors candidates

The Company's basic policies call for the selection of candidates for directors and corporate auditors from among persons of outstanding character and profound insight. In particular, the Company specifically looks for insight into corporate management, finance & accounting, law, or world affairs in candidates for outside directors, while insight into finance & accounting, law, world affairs, or risk management is sought in candidates for outside auditors, in an attempt to secure sustainable growth for the Company and to elevate corporate value over the medium and long term.

Candidates for directors and corporate auditors are decided by a resolution of the Board of Directors. Prior to decision-making, the outside directors are briefed on each candidate regarding his or her experience and accomplishments, as well as on the reason for recommendation, in order to help the outside directors make informed opinions, which are taken into account in the decision-making process.

All three outside directors and the three outside auditors are deemed independent outside directors and outside auditors, respectively, who voice their opinions from an independent perspective during the meeting of the Board of Directors.

## Principle 3.1 (v) Explanations with Respect to the Individual Appointments and Nominations

### 1. Yasuyuki Nambu

He has a wealth of knowledge, experience and achievements, including driving the Group's growth since its founding in 1976. He has demonstrated strong leadership for promoting Group management and ensuring sustainable growth, so he was asked to continue to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 2. Heizo Takenaka

He possesses deep knowledge of domestic and international events related to corporate management and economic trends arising out of his extensive experience serving consecutively as Minister of State for Economic and Fiscal Policy, Minister of State for Financial Services and Minister for Internal Affairs and Communications and later as a professor at Keio University and Toyo University. We expect that he will contribute to improvement of corporate value, so he was asked to continue to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 3. Junko Fukasawa

As the person responsible for human resources, public relations, advertising and social contribution, she possesses a wealth of knowledge and experience. We expect that she will contribute to improvement of corporate value, so she was asked to continue to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 4. Kinuko Yamamoto

As the person responsible for new business development, she has worked for many years in the agricultural field and various new businesses with the mission of creating jobs and possesses a wealth of knowledge and experience related to business development. We expect that she will contribute to improvement of corporate value, so she was asked to continue to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 5. Hirotaka Wakamoto

As the person responsible for management planning, he possesses a wealth of knowledge and experience, including in the area of driving M&As. We expect that he will contribute to improvement of corporate value, so he was asked to continue to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 6. Yuko Nakase

As the person responsible for finance, accounting and investor relations, she possesses a wealth of knowledge and experience. We expect that she will contribute to improvement of corporate value, so she was asked to continue to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 7. Akira Kamitomai

He possesses deep knowledge of finance and governance arising out of his extensive experience at the Ministry of Finance and international agencies. We expect that he will contribute to improvement of corporate value, so he was asked to continue to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 8. Tsukasa Sato

He possesses a wealth of knowledge and experience, having served as President & COO of Pasona Inc., our core HR services company, and helped grow the Group's overseas business. We expect that he will contribute to improvement of corporate value, so he was asked to continue to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 9. Kouichi Morimoto

He possesses a wealth of knowledge and experience, having helped Pasona Tech, Inc., which offers HR services specific to the field of IT and engineering, grow as Representative Director of the company and currently serves as President & COO of CAPLAN Corporation, the core company in our education and training business. We expect that he will contribute to improvement of corporate value, so he was asked to continue to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 10. Takashi Watanabe

As the person responsible for Placement/Recruiting and Outplacement, he possesses a wealth of knowledge and experience. We expect that he will contribute to improvement of corporate value, so he was asked to continue to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 11. Norio Shiraishi

He possesses a wealth of knowledge and experience, having launched Benefit One Inc., which provides welfare outsourcing services, and serves as its President & COO since 2000. We expect that he will contribute to improvement of corporate value, so he was asked to continue to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 12. Shintaro Nakao

He possesses a wealth of knowledge and experience, having been responsible for BPO (Business Process Outsourcing) and other HR solutions departments as Managing Director of Pasona Inc., our core HR services company, and having been involved in several M&As that it initiated. We expect that he will contribute to improvement of corporate value, so he was asked to serve as Director at the FY2015 Ordinary General Meeting of Shareholders.

### 13. Seiichi Sakai

Having served successively in the management department, he later served as a full-time auditor of Pasona Inc., a company dedicated to human resources services. Based on this wealth of experience and insight, he was expected to be highly capable of effective auditing; thus, he was asked to continue to serve as Auditor at the FY2014 Ordinary General Meeting of Shareholders

As for the reason for nomination with respect to outside directors and outside auditors, please refer to " II 1. The Composition of Internal Organizations, Management and Other Structures 【Directors】 Relationship with the Company (2) and 【Corporate Auditors】 Relationship with the Company (2) " in this report.

### **Supplementary Principle 4.1.1 Matters Deliberated by the Board of Directors**

The Board of Directors is responsible for making decisions on the matters provided for by law and by the articles of incorporation, in addition to the important matters of the Company and the Group companies. The rules of the Board of Directors (which have come into force upon the approval of the Board of Directors) stipulate that M&As, reorganization, disposals & acquisitions of significant assets, and substantial investments & loans are subject to a resolution of the Board of Directors.

The Company has adopted an executive officer system, which contributes to accelerated decision-making by relegating decision-making authorities to senior management such as representative directors as well as executive officers with respect to the execution of individual businesses. The duties and responsibilities that executive officers are entrusted with are expressly stipulated in the organizational rules, which have come into force upon the approval of the Board of Directors.

### **Principle 4.9 Independence Standards and Qualification for Independent Directors**

The Company considers that an outside director, an outside auditor or a candidate therefor 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 that they have been involved in has never exceeded two percent of the Company's consolidated net sales in a three-business year period (where he/she is currently an executive officer or employee of a firm with which the Pasona Group has a business relationship).
- He or she never received compensation exceeding 10 million yen directly from the Pasona Group in the past three years for services rendered as a legal, accounting, or taxation professional or consultant (except for payments in the form of compensation for services rendered as the Company's outside director or outside auditor or for fees paid to the organization or firm that the outside director or outside auditor is affiliated with).
- He/she is not an executive officer of an organization that has received donations from the Pasona Group in excess of 10 million yen annually over the past three business years.

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

In deciding the candidates for directors, 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 set forth in Principle 3-1 (iv) above. Currently, the Company has 15 directors and four corporate auditors in line with what the Company considers appropriate sizes, i.e., 12 to 15 directors and three to five auditors, to ensure accurate, speedy, and just decision-making by the Board of Directors, which decides on significant matters regarding corporate management and provides oversight on business execution.

### **Supplementary Principle 4.11.2 Concurrent Duties of Directors and Auditors**

Concurrent positions with directors of other listed companies held by the Company's directors and corporate auditors (including independent outside directors and auditors) are disclosed annually in reference documents for the General Meeting of Shareholders, Business Reports, and Annual Securities Reports.

### **Supplementary Principle 4.14.2 Training policy for Directors and Auditors**

The Company's directors, corporate auditors, and executive officers receive legal & compliance training necessary to perform their oversight & auditing duties and functions. In addition, they make visits to business subsidiaries to develop a better understanding of the Pasona Group and its businesses.

To help outside directors and outside auditors perform their expected roles, the Company continuously provides them with opportunities to learn the knowledge necessary for the business, finances, and organization of Pasona upon their induction and subsequently throughout their tenure.

### **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, the 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 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 Finance and Accounting, Corporate Planning, Administration, Legal and other relevant departments and business divisions to ensure speedier cross-sharing of information and fact verification.
- (iii) In addition to individual meetings and interviews, the Company invites institutional investors and securities analysts to attend the presentation on the Company's interim and full-year financial results, as well as face-to-face and small meetings. 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) Opinions and concerns voiced by shareholders in the course of such dialogue are reported periodically to the Management Meeting and the Board of Directors by the officer in charge of the Investor Relations Department.
- (v) When dealing with insider information while communicating with shareholders, special care is taken in compliance with the Company's Anti-Insider Trading Rule, which governs the Company's handling of important 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 "silent period".

As for disclosure policy, please refer to "Disclosure Policy" on our website.

[http://www.pasonagroup.co.jp/english/ir/disclosure\\_e.html](http://www.pasonagroup.co.jp/english/ir/disclosure_e.html)

As for internal structure and details of IR activities, please refer to "III 2. Status of IR Activities" and "V 2. Matters Concerning Other Corporate Governance Structures and Systems" in this report.

## 2. Capital Structure

Percentage of shares held by foreign corporations and other foreign investors	10% or more, less than 20%
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### 【Principal Stockholders】

As of November 30, 2016

Stockholders	Number of Shares Held	Percentage Share (%)
Yasuyuki Nambu	14,763,200	35.41
Nambu Enterprise Inc.	3,737,800	8.97
Goldman Sachs International	1,870,092	4.49
BNYM TREATY DTT 10	1,605,800	3.85
Credit Suisse AG Hong Kong Trust A/C Client	1,227,000	2.94
State Street Bank and Trust Company 505004	809,700	1.94
Pasona Group Employees' Shareholding Association	712,500	1.71
Gratitude Inc.	592,200	1.42
The Master Trust Bank of Japan, Ltd (Trust Account)	508,600	1.22
Trust & Custody Services Bank, Ltd. (Trust Account E)	485,000	1.16

Controlling Shareholder	Yasuyuki Nambu
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Parent Company	Not applicable
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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) as of the previous fiscal year end	1,000 and above
Net Sales (consolidated) as of the previous fiscal year end	¥100 billion and above, less than ¥1 trillion
Number of Consolidated Subsidiaries as of the previous fiscal year end	50 subsidiaries and more, less than 100 subsidiaries

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

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 51.3% of Pasona Group Inc.’s voting rights as of November 30, 2016. Therefore, Yasuyuki Nambu falls under a majority shareholder of the Company.

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. In addition, the transaction is conducted appropriately so that the minority shareholders are not disadvantaged.

## 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.

## 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	Corporate Auditors System
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## CORPORATE GOVERNANCE REPORT

### 【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	15
Status of Outside Directors	Yes
Number of Outside Directors	3
Number of Independent Members within the Outside 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
Hajime Hirasawa	Appointed from another company											
Takeshi Goto	Appointed from another company											
Seiichi Kondo	Appointed from another company											

\* Categories for "Relationship with the Company"

\* " " 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

c. Executive of a fellow subsidiary company of the Company

d. A 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 besides compensation as a director/auditor

g. Major shareholder of the Company (or an executive of the 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	Independent Director	Supplementary Explanation	Reason for Appointment as Outside Director of the Company (where the Outside Director is being designated as an independent board member, include the reasons therefore)
Hajime Hirasawa		Mr. Hajime Hirasawa concurrently assumes the office of president and representative director of Faith, Inc., chairman of Nippon Columbia Co., Ltd. and director of other companies. He falls under "an executive person of a company/organization which is in the situation of cross-assumption of offices of directors, etc." He has no special stake or interest in the Company.	Taking advantage of his wealth of experience in management and the wide-ranging insight cultivated through his career overseeing management of this company, he was appointed as an outside director at the FY2015 Ordinary General Meeting of Shareholders. He meets the requirements of "Independence Standards and Qualification for Independent Directors" laid down by the Company. In addition, from an administrative perspective on the basis of his considerable experience as an outside director, the individual proactively offers his opinions on the agendas/proposals at a Board Meeting and is thus deemed to qualify as an Independent Board Member.

## CORPORATE GOVERNANCE REPORT

Name	Independent Director	Supplementary Explanation	Reason for Appointment as Outside Director of the Company (where the Outside Director is being designated as an independent board member, include the reasons therefore)
Takeshi Goto		Mr. Takeshi Goto concurrently assumes the office of corporate auditor of Benefit One Inc. He has no special stake or interest in the Company.	Taking advantage of his wealth of experience in management and the wide-ranging insight cultivated through his career overseeing management of this company, he was appointed as an outside director at the FY2015 Ordinary General Meeting of Shareholders. He meets the requirements of “Independence Standards and Qualification for Independent Directors” laid down by the Company. In addition, from an administrative perspective on the basis of his considerable experience as an outside director, the individual proactively offers his opinions on the agendas/proposals at a Board Meeting and is thus deemed to qualify as an Independent Board Member.
Seiichi Kondo		Mr. Seiichi Kondo concurrently assumes the office of outside director of Kagome Co., Ltd. and JX Holdings, Inc. He has no special stake or interest in the Company.	He is recommended for this position as he is expected to contribute to the supervisory function of the Board by making best use of his abundant experiences and insight accumulated through his career with regard to public administration and international relations, so he was appointed as an outside director at the FY2015 Ordinary General Meeting of Shareholders. He meets the requirements of “Independence Standards and Qualification for Independent Directors” laid down by the Company. In addition, from an administrative perspective on the basis of his considerable experience as an outside director, the individual proactively offers his opinions on the agendas/proposals at a Board Meeting and is thus deemed to qualify as an Independent Board Member.

### 【Corporate Auditors】

Adoption of an Auditor System	Yes
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, 2016, Corporate Auditors held discussions with the Independent Auditor on eight occasions. Corporate Auditors will seek explanations from Independent Auditors as and when required.

Standing auditor receives individual internal audit reports detailing the results of each internal audit. At the same time, standing auditor attends monthly internal audit meetings, receives 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	Yes
Number of Outside Corporate Auditors	3
Number of Independent Members within the Outside Corporate Auditors	3

## CORPORATE GOVERNANCE REPORT

### Relationship with the Company (1)

Name	Status	Relationship with the Company (Note)												
		A	b	c	d	e	f	g	h	i	j	k	l	m
Haruo Funabashi	Appointed from another company													
Kouichirou Matsuura	Other													
Hiroo Nomura	Lawyer													

\* Categories for "Relationship with the Company"

\* " " 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

- Executive of the Company or its subsidiaries
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Auditor of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an auditor
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the auditor himself/herself only)
- Executive of a company, between which and the Company outside directors/auditors are mutually appointed (the auditor himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the auditor himself/herself only)
- Others

### 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 (where the Outside Corporate Auditor is being designated as an independent board member, include the reasons therefore)
Haruo Funabashi		Mr. Haruo Funabashi concurrently assumes the outside director of The Dai-ichi Life Insurance Company, Limited, Hitachi Capital Corporation and outside corporate auditor of Kenedix, Inc., Konoike Transport Co., Ltd. as well as EPS Holdings, Inc. He has no special stake or interest in the Company.	He is recommended for this position as he is expected to contribute to the supervisory function of the Board by making best use of his abundant experiences and insight accumulated through his career with regard to public administration as well as his experience as an outside director of listed companies, so he was appointed as an outside auditor at the FY2014 Ordinary General Meeting of Shareholders. He meets the requirements of "Independence Standards and Qualification for Independent Directors" laid down by the Company. In addition, the individual is deemed to qualify as an independent board member in the opinion as obtained from a neutral point of view and position at a previous Board Meeting; and that the individual conducts audits that provide lawful and reasonable assurance on the basis of his considerable experience as an outside auditor and is thus deemed to qualify as an Independent Board Member.



## CORPORATE GOVERNANCE REPORT

Name	Independent Auditors	Supplementary Explanation Concerning Relationship with the Company	Reason for Appointment as Outside Corporate Auditor of the Company (where the Outside Corporate Auditor is being designated as an independent board member, include the reasons therefore)
Kouichirou Matsuura			<p>He is recommended for this position as he is expected to contribute to the supervisory function of the Board by making best use of his abundant experiences and insight accumulated through his career with regard to public administration and international relations, so he was appointed as an outside auditor at the FY2014 Ordinary General Meeting of Shareholders.</p> <p>He meets the requirements of “Independence Standards and Qualification for Independent Directors” laid down by the Company.</p> <p>In addition, the individual is deemed to qualify as an independent board member in the opinion as obtained from a neutral point of view and position at a previous Board Meeting; and that the individual conducts audits that provide lawful and reasonable assurance on the basis of his considerable experience as an outside auditor and is thus deemed to qualify as an Independent Board Member.</p>
Hiroo Nomura		<p>Mr. Hiroo Nomura concurrently assumes the office of partner of HORI &amp; PARTNERS and outside corporate auditor of ShinGinko Tokyo, Limited. Since this company pays consulting fees to the law firm with which he is affiliated, he falls under the category of “Executive of a supplier company of the Company”; since, however, the fees are small in comparison with the size of said law firm, Mr. Nomura is deemed unlikely to have a conflict of interest with general shareholders.</p>	<p>He is recommended for this position as he is expected to contribute to the supervisory function of the Board by making best use of his abundant experiences and insight accumulated through his career as an attorney, so he was appointed as an outside auditor at the FY2014 Ordinary General Meeting of Shareholders.</p> <p>He meets the requirements of “Independence Standards and Qualification for Independent Directors” laid down by the Company.</p> <p>In addition, the individual is familiar with corporate legal work and conducts audits that provide lawful and reasonable assurance on the basis of his professional knowledge and considerable experience and is thus deemed to qualify as an Independent Board Member.</p>

### 【Independent Members】

Number of Independent Board Members

6

### *Matters Concerning Independent Board Members*

All Outside Board Members that meet the relevant requirements for Independent Board Members are designated Independent board members.

### 【Incentives】

Initiatives and Implementation Status Concerning Incentives for Directors

Introduction of Performance-linked Stock Compensation Plan

## CORPORATE GOVERNANCE REPORT

### *Supplementary Explanation*

Each Director's compensation is determined after taking into consideration a variety of factors including position, status, role, and level of contribution to the Company. Since FY2015, the Company has introduced Performance-linked Stock Compensation Plan to the Directors other than Outside Directors. It aims to clearly link the Directors' compensation to the Company's results of operations and its share value, and thereby increase the Directors' motivation to make contributions to increase the Company's mid-term and long-term performance and corporate value.

### 【Directors' Compensation】

Status of Disclosure of Individual Directors' Compensation

Not disclosed.

### *Supplementary Explanation*

Compensation paid to Directors and auditors for FY2015

- Compensation for 13 Directors: ¥299 million (including ¥24 million for Outside Directors)
- Compensation for four Auditors: ¥31 million (including ¥17 million for Outside Auditors)

Notes 1. There were 14 Directors and four Auditors as of May 31, 2016.

2. Compensation limit For all Directors: ¥600 million / For all Auditors: ¥50 million

Director compensation does not include salary payments applicable to employee.

There were no directors' and auditors' bonuses that were appropriated as expenses in FY2015.

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 Ordinary General Meeting of Shareholders held on August 20, 2008, the Company established a maximum limit 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 with respect to compensation set following the Company's 1st Ordinary 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 Planning Division responds in an appropriate manner to the opinions and comments raised by Outside Directors.

The Internal Audit Department in conjunction with the Corporate Planning Division responds in an appropriate manner to the opinions and comments raised by Outside Auditors.

The Corporate 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 Outside Directors and Outside Auditors three days prior to the meeting.

In the event an agenda item is deemed by the Director responsible for Corporate Planning Division to be of significant importance, Corporate Planning Division or the relevant director in charge of agenda provides prior explanations to Independent Directors and Outside Auditors.

## 2. Matters Concerning the Executive, Audit and Oversight, Nomination, Compensation and Other Functions (Outline of Current Corporate Governance Structure)

### 1. Executive Function

#### *Board of Directors*

Pasona Group's Board of Directors is comprised of 15 members (12 male and three female), three of whom (all male) are appointed from outside the Company.

#### *Board of Corporate Auditors*

Pasona Group's Board of Corporate Auditors is comprised of four members (all male), three 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**

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 and under the direct control of the President, Pasona Group has established and maintains five committees (the Internal Control Systems Committee, the Compliance Committee, the CS/ES Committee, the Environment Committee, and the Risk Management 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 Audit Department, Internal Control Department and the Internal Control Systems Committee check 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 three outside appointees and one standing corporate auditor for a total of four members. Members of the Board of Corporate Auditors attend important meetings such as a Board of Directors meeting 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 in accordance with this agreement. The certified public accountants that undertook the independent audit of the Company for FY2015 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): Taisei Kunii, Takenao Ohashi

Note: Continuous years of service aren't 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 Corporate Auditors' Office, Board of Directors, Executive Officer System, appointment of Outside Directors and Auditors. 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, three of 15 members of Board of Directors are appointed from outside the Group, while three of the Company's four Corporate Auditors are also outside appointments. Accordingly, over 32 percent of the Company's Directors and Auditors come from outside the Group.

**Status of Initiatives and Implementation Concerning Shareholders and Other Interested Parties****1. Measures Aimed at Revitalizing Shareholders' Meetings and the Smooth Exercise Of Voting Rights**

	Explanatory Comments
Scheduling of Shareholder's Meetings to Avoid Peak Periods	Pasona Group generally convenes its Ordinary General Meeting of Shareholders in late August annually.
Providing the Notice of Ordinary General Meeting of Shareholders in English (summary)	The Notice of Ordinary General Meeting of Shareholders is provided in English (summary) and post on Timely Disclosure network (TDnet) of the Tokyo Stock Exchange as well as the Company's website.

## CORPORATE GOVERNANCE REPORT

Others

Post the Notice of Ordinary General Meeting of Shareholders and the Notice of Resolution of General Meeting of Shareholders on the Company's website. In addition, prior to being sent to all shareholders, the Notice of Ordinary General Meeting of Shareholders is posted on the Company's website.  
[http://www.pasonagroup.co.jp/ir/info/stockholders\\_meeting.html](http://www.pasonagroup.co.jp/ir/info/stockholders_meeting.html)

### 2. Status of IR Activities

	Presentation by the President	Explanatory Comments
Creation and publication of Disclosure Policy	—	Pasona Group has implemented a policy to openly disclose relevant and important information (management, financial and business information) in a timely fashion through its website. <a href="http://www.pasonagroup.co.jp/english/ir/disclosure_e.html">http://www.pasonagroup.co.jp/english/ir/disclosure_e.html</a> 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.
Periodic Presentation for Analysts and Institutional Investors	Yes	The Group CEO and CFO deliver a presentation at the end of the interim and full-year periods. Each presentation covers the Company's business performance for each term under review as well as forecasts. Investor presentation materials are disclosed on the Company's website.
IR Material Disclosed on the Company's Homepage	—	A separate website has been established specifically for IR disclosure. Published information includes business results, presentation materials, press releases including timely disclosure, annual securities reports, quarterly reports, the Notice of Ordinary General Meeting of Shareholders, the Notice of Resolution of Ordinary General Meeting of Shareholders, stock information and IR schedule. In addition, English translation of IR materials and corporate information are posted on the Company's website. <a href="http://www.pasonagroup.co.jp/english/ir/">www.pasonagroup.co.jp/english/ir/</a>
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 six full-time personnel to focus on and engage in IR activities.
Others	—	The Company sends shareholders' reports to shareholders every August. For Q1, Q2, Q3, we provide quarterly IR letter summarizing our business results and activities on our website.

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

	Explanatory Comments
Internal guideline or code concerning respect for the stakeholders' position	In accordance with the corporate philosophy of the Pasona Group: "Providing solutions to society's problems", we aim to give all individuals, regardless of age or gender, the freedom to choose and the opportunity to work in a job they love. Our mission is to serve as a "Life Producer" – one that creates spiritually fulfilling lives, that "harnesses the potential of the individual" and, in order to fulfill our corporate social responsibility to "strive to the creation of a society in which everyone is able to devise a fulfilling life plan and choose a career that complements their lifestyle, whether they are seeking to return to work, looking to carve a new life for themselves, or striving boldly towards their life goals", we have established <i>The Work of PASONA GROUP, the 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

In order to ensure that we are fulfilling our corporate social responsibility (CSR) such that all executives and employees of the Pasona Group have a correct understanding of our corporate philosophy and are putting this philosophy into action, and are serving the local community as “Social Activists”, Pasona Group has established *The PASONA GROUP CSR Policy*. 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 the Pasona Group as an environmentally conscious organization. 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.

A separate website has been established specifically for environmental protection and CSR activities. Annual CSR report is available here.

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

## Others

Since its inception, the Pasona Group has promoted diversity by providing a variety of stages on which our employees can play active roles 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 and 59 percent of our employees are female.

In addition, 49 percent of all management positions are currently occupied by women. We have also developed a system that enables our employees to continue playing an active role at key stages in their lives, including child birth, raising a family and providing nursing care to elderly family members, by offering a diverse range of employment options, including working from home, reduced hours, and flextime, and in 2010 we established a day-care center at the Pasona Group head office, which is available for the use of all our employees.

As a result of these efforts, all female employees have returned to work after the birth of their first child. In addition, among female employees who have children, approximately 43 percent have more than two children.

The Company has rolled out a number of training programs designed to empower women and aid their career development. In addition to programs based on age groups, task lines, job grades, and training to become professionals, the Company has launched a successful program, called “Wonder Woman Training,” which is designed for female leaders poised to carve out the next era. All members of the first graduating class have subsequently been promoted, except for one employee who took maternity leave. Among the members, two class graduates have been appointed to executive positions, with another graduate appointed to a group company presidency.

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

- Ratio of female executives: 22%
- Ratio of female managers: 49%
- Ratio of female employees: 59%
- Ratio of female employees returning to work after the birth of their first child: 100%

\* All figures are combined totals for Pasona Group Inc. and Pasona Inc. as of May 31, 2016.

Due to the positive evaluation of the above measures, the Company was selected as a “Diversity Management Selection 100\*” in March 2015.

\* Diversity Management Selection 100: The Ministry of Economy, Trade and Industry selects enterprises that create innovation by utilizing various human resources including female, foreigner, and elderly people.



## **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 and Employees of the Company and its subsidiaries, in the Execution of their Duties, Comply with Legal Requirements and the Company's Articles of Incorporation
  - (1) The corporate code of conduct was established, ensuring thorough awareness of compliance with laws and regulations by officers and employees of the Company and its subsidiaries achieved through full understanding of the underlying philosophy of corporate activities as defined by the corporate code of conduct.
  - (2) 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 of each company.
  - (3) 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 were defined, and a Compliance Committee was established as an organization carrying out supervision and activities to promote compliance among the Company and its subsidiaries. The activities of the Compliance Committee are regularly reported to the Board of Directors.
  - (4) The Company has established an internal reporting system covering the entire Pasona Group, with internal reporting contact points established both within and outside the company. In response to reports from employees, etc. of Pasona Group, when any concern exist that individuals or organizations may have violated laws or regulations, this system works toward early prevention by quickly grasping the material facts.
  - (5) The Internal Audit Department conducts internal audits of Pasona Group companies. It audits the validity, appropriateness, and legality of how business is conducted 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 any kind of relationship with these. In addition, the Company has defined the departments responsible for handling illicit demands, etc., and has developed rules and regulations relating to reporting and response when such incidents occur, which involve thorough cooperation with the relevant authorities, including the police.
  - (7) Outside 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.
  - (8) On this basis, Standing Corporate Auditors and Outside Auditors, who have no stake or interest in the Company, are responsible for the oversight function.
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 in the Company and its subsidiaries
  - (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 of the Company and its major subsidiaries.
  - (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 established in the Company and its major subsidiaries and the executive officer of the Corporate Governance Headquarters 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 of the Company undertakes audits of each operating division of the Company and its subsidiaries and reports on the status of everyday risk management.
4. The Structure and System to Ensure Efficiency in the Execution of Directors' Duties of the Company and its subsidiaries
  - (1) The segregation of Director duties of the Company and its subsidiaries and authority is outlined in each company's 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 at the Company. 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) Board of Directors' meetings of subsidiaries should be scheduled once a month or at least once a quarter depending on the size of each company. It is stipulated in their regulations of the Board of Directors, and regularly overseen by the Corporate Planning Division of the Company. Additional meetings are held as and when required.
  - (4) 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 Appropriate Conduct by the Corporate Group comprising the Company and its Subsidiaries

In addition to stated 1 to 5 above,

- (1) Directors and Auditors of Pasona Group Inc. are dispatched to subsidiaries as Non-executive Directors and Auditors so that such Directors and Auditors gain an insight into the status of subsidiaries management and oversee their activities through attendance of Board of Directors Meetings and audits conducted by Corporate Auditors.
- (2) The Company and its subsidiaries (excluding publicly listed companies) have concluded Group management agreement. Important matters relating to the execution of Directors' duties are reported to the Company.
- (3) 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 Auditor at internal audit meetings. Action is taken as and when considered appropriate and necessary.
- (4) 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.

## 6. 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.

## 7. Independence of Support Staff in the Preceding Item 7 from Directors and Ensuring Effectiveness of Instruction by Corporate Auditors

- (1) Support Staff shall not simultaneously assume any other appointment related to the operation of business and shall follow instructions of Corporate Auditors.
- (2) Prior approval of the Board of Corporate Auditors is required for the personnel transfer, evaluation and reprimand of employees assisting Corporate Auditors.

## 8. The Structure and System to Facilitate Communication with Corporate Auditors by Directors and Employees of the Company and Subsidiaries, to Ensure that Someone who Makes a Report to Corporate Auditors as Outlined in the Preceding Provision is Not Subjected to Unfair Treatment

- (1) We are working to ensure that directors and employees of the Company and its subsidiaries will promptly report, according to the established system, to Corporate Auditors in their company 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 report an incident of impropriety in subsidiaries, this information is promptly submitted to Corporate Auditors in the Company.
- (2) The Company will maintain the Compliance Hotline Rules stipulating that a person who has made a report to the Corporate Auditors will not receive unfair treatment due to the making of said report.

## 9. Policies on expenses for the execution of duties by Corporate Auditors, The Structure and System to Promote Increased Efficacy in the Execution of Corporate Auditors' Auditing Activities

- (1) When Corporate Auditors charge expenses pertaining to execution of their duties or debt disposal, the Company shall handle such requests appropriately.
- (2) Corporate Auditors will convene meetings periodically and as necessary 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.

## 2. 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 relevant departments 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.

## 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 harness 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 and 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 Division. 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 six 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.

Pasona Group's corporate governance and internal management structure

