

August 18, 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.

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

### **1. Basic Stance**

Providing “Solutions to Society’s Problems” lies at the heart of Pasona Group’s corporate philosophy. With this as its guiding principle, Pasona Group has been striving “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) .

Accordingly, the Pasona Group has identified a number of key objectives, critical to its future as an ongoing concern. Going forward, Pasona Group has been striving 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]**

Pasona Group implements each principle of Corporate Governance Code.

### **[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 21, 2017.

[http://www.pasonagroup.co.jp/Portals/0/resources/english/ir/data/presentation/pdf/201705\\_presen\\_e.pdf](http://www.pasonagroup.co.jp/Portals/0/resources/english/ir/data/presentation/pdf/201705_presen_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.

In addition, the Company has introduced Performance-linked stock compensation plan (hereinafter referred to as "This Plan") for directors who are not members of Supervisory Committee. 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 candidates**

The basic policy is to take candidates who are superior in personality and insight as candidates for the Board of Directors and particularly, select personnel with knowledge of management, finance, accounting, law, etc. as Outside Directors. By doing this we are striving to achieve sustainable growth and improve corporate value over the medium to long term.

The candidates for the Board of Directors are decided by resolution of the Board of Directors, but the reasons for the recommendation of the Director candidate, the brief history, etc. is explained in advance to the Outside Directors and after taking them into consideration, a decision is taken.

Mr. Seiichiro Morimoto and Mr. Masakatsu Kakitsuka are independent Outside Directors and we believe that their opinions can be obtained from their independent perspectives, at the Board of Directors' meeting.

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

In the reference documents of the Notice of Ordinary General Meeting of Shareholders, the Company discloses the reasons for the appointment and nomination of individual candidates for Director. For details, please refer to the reference documents of the Notice of Ordinary General Meeting of Shareholders posted on our website.

### **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.

Also, as a company with an installed Supervisory Committee, in addition to delegating the authority from the Board of Directors to the Directors on certain important business execution, the Company introduces an Executive Officer System, committed to accelerated decision-making by delegating individual business execution decisions to the management and Executive Officers such as Representative Directors and the details of the delegation are clearly stated in the organizational rules and regulations etc., as decided by the resolution 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. The Board of Directors makes decisions on important matters concerning management and supervise business execution and as a system to ensure accurate, prompt and fair decision-making, we believe that not more than 15 directors who are not Supervisory Committee members and not more than 5 directors who are Supervisory Committee members, is appropriate.

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

The concurrent duties of the Directors, including the independent Outside Directors with other listed company officers etc., is disclosed annually through the reference documents of the General Meeting of Shareholders and business reports.

**Supplementary Principle 4.14.2 Training policy for Directors**

The Company's directors 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.

**Supplementary Principle 4.11.3 Effectiveness evaluation of Board of Directors**

Every year, the Company conducts a questionnaire survey for Directors to evaluate the effectiveness of the entire Board of Directors. The evaluation and analysis results are reported to the Board of Directors and we will review the management of the Board of Directors as necessary to further enhance the effectiveness of the Board of Directors.

<Outline of evaluation results of Board's effectiveness in fiscal year 2016>

For FY2016, we conducted a questionnaire survey of the directors, on the following items in April 2017.

- (1) Matters concerning the execution of professional duties by the Directors themselves
- (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 management situation of the Board of Directors
- (5) Matters concerning deliberation by the Board of Directors
- (6) Matters concerning support etc. for Directors

Evaluation of the previously mentioned questionnaire's results and analysis results were reported to the Board of Directors held in May in the same year and future issues and others were discussed. At the Board of Directors meeting, each Director made remarks in accordance with the specialized field and actively discussed, freely and vigorously, conducted appropriate deliberation on the bills and it was evaluated that the effectiveness of the Board of Directors is fully guaranteed. We will consider and execute necessary measures, as appropriate, to further enhance the effectiveness of the entire Board of Directors.

**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 while 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%
---	----------------------------

**【Principal Stockholders】**

As of May 31, 2017

Stockholders	Number of Shares Held	Percentage Share (%)
Yasuyuki Nambu	14,763,200	35.41
Nambu Enterprise Inc.	3,737,800	8.97
BNYM TREATY DTT 10	1,851,600	4.44
Credit Suisse AG Hong Kong Trust A/C Client	1,227,000	2.94
State Street Bank and Trust Company 505004	930,900	2.23
Pasona Group Employees' Shareholding Association	707,100	1.70
Gratitude Inc.	596,600	1.43
The Master Trust Bank of Japan, Ltd (Trust Account)	576,300	1.38
Japan Trustee Services Bank, Ltd. (Trust Account)	530,200	1.27
Trust & Custody Services Bank, Ltd. (Trust Account E)	485,000	1.16

Controlling Shareholder	Yasuyuki Nambu
Parent Company	Not applicable

**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 much of voting rights calculated (hereafter collectively called “Yasuyuki Nambu and Others”) combine for 51.3% of Pasona Group Inc.’s voting rights as of May 31, 2017. 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.

**II The Status of Management Decision-Making, Executive and Supervisory Organizational Structures, and Other Corporate Governance Systems****1. The Composition of Internal Organizations, Management and Other Structures**

Type of Organizational Structure	Company with Supervisory Committee
----------------------------------	------------------------------------

**【Directors】**

Number of Directors in Company’s Articles	20
Term of Directors in Company’s Articles	One year
Chairman of the Board of Directors	Company president
Number of Directors	9

## CORPORATE GOVERNANCE REPORT

Status of Outside Directors	Yes
Number of Outside Directors	3
Number of Independent Members within the Outside Directors	2

### Relationship with the Company (1)

Name	Status	Relationship with the Company (Note)											
		a	b	c	d	e	f	g	h	i	j	k	
Seiichiro Morimoto	Appointed from another									○			
Masakatsu Kakitsuka	Appointed from another									○			
Yutaka Hori	Appointed from another									○			

\* 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	Member of Supervisory Committee	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)
Seiichiro Morimoto	○	○	Since the Company is paying an advisory fee to him, although he falls under the category of "Executive of a client or supplier company of the Company" there is no monetary significance and it is judged that there is no fear of conflict of interest for him with the general shareholder.	He has extensive experience in university management and this extensive insight cultivated through his career background can be utilized to supervise the management of the Company and strengthen the decision-making function of the Board of Directors and the auditing and supervisory function from an independent standpoint. Therefore, we believe that he can properly fulfill the duties as an Outside Director who is a member of the Supervisory Committee. In addition, since he meets the Outside Director independence evaluation criteria and meets the standards of Independent Director obligated by the Tokyo Stock Exchange to ensure the protection of general shareholders and he has been designated as independent director.

## CORPORATE GOVERNANCE REPORT

Name	Member of Supervisory Committee	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)
Masakatsu Kakitsuka	○	○	Since the Company is paying an advisory fee to him, although he falls under the category of "Executive of a client or supplier company of the Company " there is no monetary significance and it is judged that there is no fear of conflict of interest for him with the general shareholder.	He has extensive experience as an accountant/tax counsellor and this extensive insight cultivated through his career background can be utilized to supervise the management of the Company and strengthen the decision-making function of the Board of Directors and the auditing and supervisory function from an independent standpoint. Therefore, we believe that he can properly fulfill the duties as an Outside Director who is a member of the Supervisory Committee. In addition, since he meets the Outside Director independence evaluation criteria and meets the standards of Independent Director obligated by the Tokyo Stock Exchange to ensure the protection of general shareholders and he has been designated as independent director.
Yutaka Hori	○		Since the Company is paying an advisory fee and business commission fee to the lawyer's office to which he belongs, though he falls under the category of "Executive of a client or supplier company of the Company ", since the consultation fee is small in comparison with the scale of the same lawyer office, it is judged that there is no fear of conflict of interest for him with the general shareholder.	He has extensive experience as a lawyer, and this extensive insight cultivated through that career background can be utilized to supervise the management of the Company and strengthen the decision-making function of the Board of Directors and the auditing and supervisory function from an independent standpoint. Therefore, we believe that he can properly fulfill the duties as an Outside Director who is a member of the Supervisory Committee.

### 【Supervisory Committee】

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

	All 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 the Independence of Such Directors and Staff from Executive Directors*

Personnel of Supervisory Committee Office assist the duties of Supervisory Committees, as full-time support staff. The support staff, without holding a managerial position concerned with the business execution of the Company perform the duties under the command of the Supervisory Committee and prior approval of the Supervisory Committee is obtained regarding personnel changes, personnel evaluations and disciplinary actions of such support staff.

#### *Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments*

The Supervisory Committee, in addition to notifying the Internal Audit Department of the audit policy and audit plan, receives reports on the internal audit plan and the individual internal audit results etc. from the Internal Audit Department. In addition, it works closely with the Internal Audit Department to build a system that enables effective audits of the entire

## CORPORATE GOVERNANCE REPORT

Company group.

Also, the Accounting Auditor and the Supervisory Committee have regular meetings and aim to cooperate with each other through exchange of opinions and information.

### 【Independent Members】

Number of Independent Board Members

2

### 【Incentives】

Initiatives and Implementation Status Concerning Incentives for Directors

Introduction of Performance-linked Stock Compensation Plan

### 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. 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 FY2016

- Compensation for 14 Directors: ¥303 million (including ¥24 million for Outside Directors)
- Compensation for four Auditors: ¥31 million (including ¥17 million for Outside Auditors)

Notes 1. There were 15 Directors and four Auditors as of May 31, 2017.

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 FY2016.

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

The Company has determined the amount of remuneration, etc. for Directors, within the range of the remuneration amount resolved at the Ordinary General Meeting of Shareholders, taking the position, status, role, and level of contribution to the Company etc. into consideration.

The remuneration limit resolved at the 10th Ordinary General Meeting of Shareholders held on August 18, 2017 is 600 million yen annually for the Directors who are not Supervisory Committee members (of which the total for Outside Directors is 50 million yen annually) and the annual total amount for the Directors who are Supervisory Committee members is 100 million yen.

### 【Outside Director and Outside Auditor Support Structure and System】

The Supervisory Committee Office and the Corporate Planning Division cooperate appropriately to respond to opinions and problems pointed out by Outside Directors.

In principle, when holding the Board of Directors meeting, the Corporate Planning Division at the Board of Directors Office notifies the details of the agenda to the Outside Director, three days before the date of the meeting.

In addition, regarding proposals that are deemed important by the Director in charge of Corporate Planning Division and General Affairs Department, the Corporate Planning Division or the Director in charge of the proposal gives prior explanation to the Outside Directors.

## 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

The Company is a company with an installed Supervisory Committee, and has five Directors who are not Supervisory Committee members and four Directors (including three Outside Directors) who are Supervisory Committee members.

**Management Meetings**

Regarding important matters affecting the entire company, to carefully deliberate through multifaceted examination, twice per month, as a rule, full-time Directors and Supervisory Committee members deliberate at the management meeting organized by Executive Officers.

**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. Supervisory Committee Audit**

The Supervisory Committee of the Company consists of four members, one full-time Director and three Outside Directors. The Supervisory Committee members are required to attend important meetings such as the Board of Directors meetings, listen to business reports from the Directors, conduct accounting audits for affiliated companies, view important documents and reports and to check whether the auditing method of the Accounting Auditor is appropriate. Through audit activities such as regular meetings with the Internal Audit Office, they monitor the overall business execution situation, report the results of the audit to the Board of Directors in writing or verbally, and advise or make corrective recommendations as necessary. A Supervisory Committee Office has been established to assist the Supervisory Committee.

**3. Reason for adopting the current system**

Our company has adopted the form of "company with an installed Supervisory Committee". Promoting delegation of important business execution decisions to business Executive Directors will enable more speedy decision-making, in addition to enhancing management efficiency. In addition, the Board of Directors make decisions on the original function and management policy and decide on important business execution and supervise the execution of the duties of the directors.

By further strengthening the supervisory function of the Board of Directors, with Directors who are Supervisory Committee members having voting rights in the Board of Directors etc., we aim to further strengthen corporate governance and enhance corporate value.

In addition, by having five Directors who are not the Company's Supervisory Committee members and four Directors who are Supervisory Committee members including three Outside Directors and by constructing 33% of the Directors as Outside Directors, we judge that the external monitoring function is sufficiently effective.

**III 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.
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 Executive officer 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 Website	—	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 promote diversity aiming to give all individuals, 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, 50 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 47 percent have more than two children.

Regarding female human resource development and career formation support, in addition to various human resource development trainings offered yearly, functionally, by job title and by specialty professional training, we have implemented 'Wonder Woman Training' since 2014 for female leaders who will pioneer the next era and have been able to produce results such as four of the graduates were promoted to Executive Officers, three were appointed as Deputy Directors, one person started an enterprise and six were promoted to the higher order responsibilities.

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: 24.6%
- Ratio of female managers: 50.4%
- Ratio of female employees: 59.4%
- 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, 2017.

These efforts were evaluated and we were selected among "Diversity Management Selection 100" sponsored by the Ministry of Economy, Trade and Industry in March 2015, and came in the third position for diversity management in the Nikkei Inc.'s survey "For Japanese companies making the best use of human resources" (2016). Furthermore, we were selected at the 5th overall position in Nikkei Woman's "Survey on Female Workers' Workplace Opportunities" (2017).

\* 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.

#### <Health Management>

In the Pasona Group, we have introduced the "Pasona Group Health Care Program" so that every employee works healthily and vigorously and is able to practice social, work and life balance. In addition to improving the health environment such as greening of the office and establishment of paid-vacation-acquisition-encouragement day, information dissemination from industrial physicians to improve employee's health literacy, mental health training and consciousness examination, we are promoting comprehensive programs with the aim of promoting health support suitable for each employee.

Furthermore, we have set up a Work-life Facilitator as a window for all consultations concerning the employee and the employee's family's health such as balancing work and career, home, nursing care and child rearing etc. and have arranged a support system that allows us to stay close and offer advice to our employees.

Pasona Group also has established a similar health consultation window for contract staff and holds lectures on health topics such as mental health course and eating habits. In addition, we launched the community "Walk with PASONA", in April 2015, that aims to create a healthy body by using wearable activity terminals to incorporate walking into daily lives and many employees and contract staff have participated.

In recognition of these efforts, the Pasona Group Co., Ltd. and Pasona Inc. were certified the "2017 Certified Health and Productivity Management Organization for the large enterprise category (White 500)" in the "Certified Health and Productivity Management Organization Recognition Program" organized by the Ministry of Economy, Trade and Industry and the Japan Health Council for practicing excellent health management in particular.

The Pasona Group will continue to propose the further improvement of health support, aiming for a society where working people increase consciousness, and can work healthily and vigorously, both mentally and physically.

\* "Certified Health and Productivity Management Organization Recognition Program"  
Under the recognition program, the Nippon Kenko Kaigi examines large enterprises, SMEs and other organizations engaging in initiatives for overcoming health-related challenges in regional communities or for promoting health-conscious activities led by the Nippon Kenko Kaigi, and recognizes outstanding enterprises engaging in efforts for health and productivity management. According to the size of the corporation, it is divided into two divisions, among which 500 firms will be certified as "Certified Health and Productivity Management Organization (White 500)" under the "Large enterprise category", by 2020. In the first year of 2017, 235 corporations were certified.

## IV Matters Concerning Structure and Systems Concerning Internal Control

### **1. Fundamental Stance, Structure and Systems Concerning Internal Control**

1. The Structure and System to Ensure that Directors 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) Monitoring by full-time Supervisory Committee members and other Outside Directors who are Supervisory Committee members but have no stake or interest in the Company.
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) The Company holds a regular Board of Directors' meeting monthly and holds additional Board of Directors' meeting as necessary. Also, at the management meetings attended by full-time Directors, Supervisory Committee members and Executive Officers, management issues related to business execution are deliberated.
  - (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) The Company's Internal Audit Office conducts internal audits of the Company and its subsidiaries, reports the results at the internal audit meeting which is attended by full-time Directors and Supervisory Committee members and Executive Officers and perform necessary management according to the situation.
  - (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 Directors and Employees who should assist Supervisory Committee's Duties
- Set up the Supervisory Committee Office and personnel of Supervisory Committee Office to assist duties of Supervisory Committee as full-time support staff.
7. Matters concerning independence from Directors and Directors other than employees (excluding Directors who are Supervisory Committee members) and ensuring the effectiveness of the Supervisory Committee's directives to such Directors and Employees
- (1) The support staff of Supervisory Committee do not concurrently hold any position related to the execution of business of the Company, and perform the duties under the command of Supervisory Committee.
  - (2) For personnel change, personnel evaluation and disciplinary action of Supervisory Committee's support staff, obtain prior approval of Supervisory Committee.

8. The Structure and System for the Directors and employees of the Company and its subsidiaries to report to the Company's Supervisory Committee and the system to ensure that those who reported to the Supervisory Committee of our company or Auditors of the subsidiaries shall not suffer disadvantages due to reporting.
  - (1) When matters that markedly deteriorate the Company's credibility and matters that markedly worsen the performance of the Company arise or when there is a risk of occurrence, when illegality or fraudulent acts by the executives and employees are found, the Directors and employees of the Company and its subsidiaries shall promptly report to the Supervisory Committee or Auditor of the company to which they belong and notify thoroughly.  
When an Auditor in a subsidiary company receives these reports, the same must be reported immediately to the Company's Supervisory Committee.  
In addition, when there is a report by the internal reporting system at the Company or its subsidiaries, it must be reported immediately to the Company's Supervisory Committee.
  - (2) Compliance and Hotline Regulations of the Company and its subsidiaries stipulate that the reporter in paragraph 1, shall not be subjected to disadvantageous treatment for reporting.
9. Policy on the processing of expenses arising on the execution of duties by the Supervisory Committee members and systems and structure for ensuring Supervisory Committee's audit is effectively conducted.
  - (1) The prepayment or reimbursement of expenses arising on the execution of duties by the Supervisory Committee members and the processing of any other expenses or obligations arising on the execution of such duties shall be appropriately done based on the applications from the Supervisory Committee members.
  - (2) Supervisory Committee will strengthen the cooperation with the President and Representative Director, Accounting Auditors, Internal Audit Office, Supervisory Committee Office and Subsidiary Corporate Auditors and hold regular opinion exchange meetings, as necessary.

**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.

**V Other**

**1. Measures to Prevent Hostile Takeover**

Measures to Prevent Hostile Takeover

Not applicable

***Supplementary Explanation***

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

**2. Matters Concerning Other Corporate Governance Structures and Systems**

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

**1. Basic Stance**

Providing “Solutions to Society’s Problems” lies at the heart of the Group’s corporate philosophy. With this as its guiding principle, Pasona Group strives “to 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**

