Corporate Governance

Please note that the following is an unofficial English translation of the Japanese original text of the Corporate Governance Report of PERSOL HOLDINGS CO., LTD. which has been reported to the Tokyo Stock Exchange. PERSOL HOLDINGS CO., LTD. provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

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The status of corporate governance at PERSOL HOLDINGS (PHD) is as follows:

I. **Basic approach to corporate governance, capital structure, corporate attributes, and other basic information**

1. Basic Approach

Basic approach to corporate governance and basic policies according to the respective principles of this code (disclosure based on Corporate Governance Code 3-1 (ii))

[Basic Approach]
PHD engages in good faith with all stakeholders such as shareholders, employees, clients, partners, creditors, and the local community. The business is run in an honest manner to develop PHD's corporate value in perpetuity based on its corporate philosophy, vision, and PERSOL Group's five principles of action. For these reasons, transparent/fair/appropriate corporate governance is deemed to be most important.

[Basic Policy]
(1) Ensuring Shareholder Rights/Equality
Shareholder rights are respected, impartiality towards shareholders is ensured, and efforts are made to create an environment where shareholders are able to exercise their rights appropriately.
(2) Appropriate Cooperation With Stakeholders Other Than Shareholders
In accordance with PERSOL Group's principles of action, PERSOL aims to be a

corporation that continues to earn the trust of stakeholders and can contribute to society.

(3) Ensuring Appropriate Disclosure of Information & Transparency

PHD recognizes that information disclosure to stakeholders including shareholders is an important aspect of corporate strategy, and actively engages in this activity. As part of this effort, various means such as the PHD website etc. are actively utilized to release information deemed to be important from the viewpoint of stakeholders such as shareholders, in addition to disclosures to comply with laws and ordinances.

(4) Obligations of the Board of Directors

PHD is proceeding with systems that aim to steadfastly foster a corporate culture that combines transparency and soundness in management, as well as compliance with social ethics, and laws and ordinances.

(5) Dialogue with Shareholders

A department in charge of IR has been established under the control of the CFO as a forum for dialogue with shareholders and investors etc., and to actively respond to queries from shareholders and investors.

[Reasons for not putting each principle of the Corporate Governance Code into practice]

PHD has applied each of the basic principles of the Corporate Governance Code.

[Releases based on Corporate Governance Code principles]

● Principle 1-4 (Strategic Shareholdings)

1. Basic Policy Regarding Strategic Shareholdings

PHD deems that maintaining/developing transactional relationships is strategically important for PERSOL Group. Strategic shareholdings of listed companies are retained when it is judged that the shares will enhance the mid -to long-term value of PHD.

2. Basic Policy/Standards of Verification

The Board of Directors of PHD periodically verifies the appropriateness of holding individual strategic shareholdings. Following consideration of the business advantages and strategic significance in maintaining relationships, expanding transactions and creating synergies, and the general verification of whether the benefits and risks pertaining to such shareholdings correspond to the capital costs, shares judged as unnecessary to hold will be prepared for sale after taking into consideration the status of the partner companies, etc.

As a result of verification, some shares deemed as unnecessary to hold were sold by

the end of the fiscal year ended March 2019.

3. Basic Policy on Exercising Voting Rights

PHD will make appropriate decisions regarding the exercise of voting rights in corporations forming strategic shareholdings by comprehensively considering whether or not the details of resolution items contribute to enhancing the value of said corporation in which shares are held, as well as the status of said corporation`s corporate governance structures, and compliance systems etc.

● Principle 1-7 (Transactions Between Related Parties)

・Competitive transactions or conflict of interest transactions by directors: to prevent a loss of profit by PHD, in accordance with Japan's Companies Act, such matters are resolved by the Board of Directors as stipulated in Board of Directors Regulations. Also, the regulations stipulate that the Board must be promptly notified after said transactions based on Board resolutions take place.

・Based on the guidelines of the appropriate corporate accounting standards, PHD justifies the importance of transactions with related parties and confirms the existence of such transactions, notifies the Board of Directors, then describes in the annual securities report.

● Principle 2-6 (Functions as the Asset Owner of Company Pension Fund)

While PHD has no company pension fund system, it has introduced an enterprise type defined contribution pension system for asset formation of employees. Educational training concerning the system and asset formation is offered to qualified employees.

● Principle 3-1 (Fullness of Information Disclosures)

1. PHD's aims (corporate philosophy etc.), business strategy, & business plans

With the decline in working population in Japan, evolution of technologies, changes in industrial structures, and revision of labor-related laws and regulations, PHD finds itself in an environment undergoing major changes; society`s expectations in relation to the HR services industry are increasing substantially. In order for PHD to clarify what kind of company it aspires to be, and the values PHD holds dear and, for PERSOL Group as a whole to address social challenges, the new Group brand "PERSOL" was launched in July 2016 and the PERSOL Group's corporate philosophy, Group vision, and principles of action were adopted. PHD intends to be a leader in a continuously changing society, and to contribute to social development by supporting the growth of all sorts of individuals and organizations. Moreover, PHD has drawn up an interim

management plan up until the fiscal year ended in March 2020 which spells out the value that PHD provides to society-at-large and customers.

(1) PERSOL Group Corporate Philosophy

Job creation, Individual growth, Social contribution

(2) PERSOL Group Vision

Creating a social infrastructure for people and organizations that catalyzes growth and innovation

(3)PERSOL Group Five Principles of Action

- Authentic: Respond every issue sincerely
- Customer-Focused : Always be a reliable partner and strive to go beyond our customer's expectations
- Professional: Have high spirit and keep on shining
- Teamwork: Respect the diversity and maximize the achievement of organizations
- Innovative: Think, Act and Joy in changing

2. Fundamental approach to corporate governance and basic policies according to each of the respective principles of this code

Described in "1. Basic Approach" in "I. Basic approach to corporate governance, capital structure, corporate attributes, and other basic information" at the opening of this report.

3. Policy and procedure related decisions regarding compensation of the executive management team/Directors made by the Board of Directors

Described in "II. Status of corporate management structures that relate to the exercise and control of PHD management decision making authorities, and other corporate governance systems. Of "1. Matters relating to organizational configuration/organizational management etc." under "II. Corporate management structures and other corporate governance systems related to management decision-making, execution, and supervision, described in “Disclosure of decision-making policy on compensation amounts and calculation methods” under "Director Compensation."

4. Policies and procedures when appointing/dismissing executive management team members and in nominations of Director candidates by the Board of Directors.

The Board of Directors of the Company asks for advice/recommendations from the Nominations/Compensation Committee upon confirming that the candidates

recommended by the Representative Director, President and CEO or other Directors satisfy selection criteria as stipulated in Director Regulations. The relevant candidate will be appointed as a Director candidate by the resolution of the Board of Directors following the deliberation by the Audit and Supervisory Committee, and will be finally decided by a resolution at a General Meeting of Shareholders. When a proposal to appoint a Director who is an Audit and Supervisory Committee member is submitted to a General Meeting of Shareholders, in addition to the procedure noted above, prior consent of the Audit and Supervisory Committee must be obtained. Furthermore, nomination criteria stipulated in the Director Regulations are as follows:

(1) Be well-versed in the business/industry, or possess knowledge and insight in the requisite field

(2) Be a person of superior character, possess high ethical standards, and be suitable as a Director of the company

(3) Be capable of serving the full term as a Director

With respect to dismissal, in the event that a fraudulent act, breach of trust and other acts that may cause doubts corresponding to them in the execution of duty of a Director, the Nomination/Compensation Committee, the Audit and Supervisory Committee, and the Board of Directors will deliberate the appropriateness of submitting an agenda item concerning the dismissal of the relevant Director to the General Meeting of Shareholders.

Furthermore, in principle, the nomination/dismissal criteria stipulated in the Director Regulations shall be deliberated upon/revised by the Nomination/Compensation Committee each year.

5. The Board of Director's approach to appointing/dismissing executive management team members and nominating Director candidates

The policy for nominating a candidate to be a Director at PHD involves appointing/nominating a qualified individual from an objective standpoint through external assessment, etc. who is capable of fulfilling the responsibility of overseeing etc. the drafting/formulation/execution of Board of Directors business strategy etc. Moreover, PHD secures diversity-oriented deployments to encourage multifaceted discussion at the Board level and to further enhance the functioning of the Board. The reasons for nominating all Director candidates are outlined in the General Meeting of Shareholders convocation notice.

● Supplementary Principle 4-1-1 (Scope of delegation of authority to executive

management)

In addition to matters stipulated in laws and ordinances and the Articles of Incorporation, formulation of an interim management plan based on the corporate philosophy and Group vision, the execution of large investments, and other important decisions shall be resolved by the Board of Directors as stipulated in the Articles of Incorporation, and based on this shall be appropriately put into effect. Furthermore, as stipulated in the Articles of Incorporation; decision-making authority for all or part of important decisions shall rest with Directors by means of resolutions to be made at Board of Directors meetings. Matters relating to the implementation of work (excluding resolutions by the General Meeting of Shareholders and Board of Directors) shall be delegated to executive management team members such as the Management Committee or Representative Director, President and CEO so that PHD can maintain more agile management systems.

● Supplementary Principle 4-1-3 (Plan for Cultivating a Successor to CEO)

For the purpose of cultivating human resources for future management execution in view of perpetually developing the corporate value of the company, PHD has established a conference body specializing in discussions on the visualization of candidates for the executive management team, the results of assessment including aptitude diagnosis and interviews, transfer and reshuffle, and capability development plans. PHD has implemented those measures systematically, and reports the details to the Nomination/Compensation Committee. The Board of Directors supervises the appropriate implementation of the successor development plan based on the report of the deliberations by the Nomination/Compensation Committee.

● Supplementary Principle 4-3-2 (Selection of CEO)

Other than the selection criteria as stipulated in Directors Regulations, PHD sets the following qualifications for CEO. The Board of Directors appoints CEO by a resolution of the Board of Directors following the advice/recommendations of the Nomination/Compensation Committee.

(1) Possesses wide-ranging knowledge and insight for providing guidance for multiple businesses and functions;
(2) Is capable of acting in good faith and maintaining a good balance with all stakeholders; and
(3) Is capable of bringing about innovations through excellent leadership towards the realization of the PHD vision.

● Supplementary Principle 4-3-3 (Dismissal of CEO)

With respect to dismissal of CEO, in the event that there is an act which may cause doubts of falling under any of the following items of dismissal criteria, the Nomination/Compensation and the Board of Directors shall conduct deliberations immediately.

(1) There is an act which may cause suspicion of fraudulent and unjust act or breach of trust;

(2) Decided as unqualified as CEO by violations of the Companies Act and other related laws and ordinances; or

(3) Judged that execution of duties or achievements are insufficient, and that keeping the person in the position of CEO is inappropriate.

● Principle 4-9 (Standards for judging independence and qualifications of Independent External Directors)

The Company has established Independence Criteria for External Directors as follows and deems that any External Director who does not fall under any of the following items possess independence from the Company.

1. Major business partner and lender

(1) Major business partners of the Group whose transaction amounts with the Group in any of the past three fiscal years including the latest fiscal year exceed 2% of the Company's consolidated annual net sales for that fiscal year, or persons who perform executive roles therein;

(2) Parities for whom the Group is a major business partner and whose transaction amounts with the Group in any of the past three fiscal years including the latest fiscal year exceed 2% of their consolidated annual net sales for that fiscal year, or persons who perform executive roles therein; or

(3) Persons who perform executive roles in financing institutions, their parent companies or subsidiaries, from which the Group makes borrowing and the balance of borrowings at the end of any of the past three fiscal years including the latest fiscal year exceeds 2% of the Company's consolidated total assets at the end of that fiscal year.

2. Specialist who receives significant money and other property from the Group

(1) Attorneys at law, certified public accountants, tax accountants or other consultants

who, on average over the past three fiscal years including the latest fiscal year, receive more than 10 million yen in monetary and other property benefits except for executive remuneration from the Group; or

(2) Persons belonging to law firm, accounting firm, tax accountant corporation, consulting firm or other specialized advisory firm (except for supplementary staff) which, on average over the past three fiscal years including the latest fiscal year, was paid by the Group in excess of 2% of its consolidated annual net sales.

3. Major shareholder

(1) Major shareholders of the Company (i.e. those who possess directly or indirectly the voting rights of 10% or more of the total voting rights. The same shall apply hereinafter) at the end of the latest fiscal year, persons who perform executive roles therein, or their directors who do not perform executive roles.

(2) Persons who perform executive roles at the Company's major shareholder's subsidiary at the end of the latest fiscal year.

(3) Persons who perform executive roles at a party for whom the Group is a major shareholder at the end of the latest fiscal year.

4. Person who receives a large amount of donations or subsidies from the Group

(1) Persons who annually receive more than 10 million yen of donations or subsidies from the Group in any of the past three fiscal years including the latest fiscal year; or

(2) Persons who perform executive roles in a corporation, union or other organization which receives donations or subsidies from the Group in excess of 2% of its annual gross income in any of the past three fiscal years including the latest fiscal year.

5. Accounting auditor

(1) Certified public accountants who are the accounting auditors of the Group, or certified public accountants who belong to an audit firm which is the accounting auditor of the Company.

6. Person who belongs to entities which are counterpart of mutual appointment of officers

(1) Person who perform executive roles in the companies which accept directors or audit & supervisory board members (both full-time and part-time) from the Group, their parent companies or subsidiaries.

7. Person who had been applicable in the past

(1) Persons to whom any of items 1. through 6. applied in the past three years.

8. Close relative

(1) Spouse or relatives in second degree or less, of persons who are applicable to the above 1. through 7. or who performed executive roles in the Group (except those who are not significant (Note)) in past three years.

Note: Persons who are not significant refers to: (i) persons who are not directors or executive officers (or officers who perform executive roles at an organization that is a corporation other than a stock company or other entity) if such persons perform executive roles; and (ii) persons who are not owners or partners of a professional advisory firm (i.e., associates and employees).

● Supplementary Principle 4-11-1 (Overall approach to the Board of Directors)

PHD's Board of Directors ensures an overall balance by enabling Directors to complement each other with specialized knowledge, abundant experience, and diverse backgrounds. In addition, the appropriate number of Directors to most effectively/efficiently run the company is deemed to be a Board of Directors comprised of 10 or fewer Directors (who are not Audit and Supervisory Committee members) and 5 or fewer Directors who are Audit and Supervisory Committee members.

● Supplementary Principle 4-11-2 (Disclosure of Directors concurrently serving in positions at other companies)

The status of PHD Directors and candidates who concurrently serve in other important positions is disclosed every year in the General Meeting of Shareholders convocation notice and the financial statements.

● Supplementary Principle 4-11-3 (Board of Directors effectiveness evaluation)

1. Implementation details

With the aim of further enhancing the functions of the Board of Directors, PHD evaluates the effectiveness of the entire Board of Directors and discloses an outline of the evaluation method and outcomes every year.

PHD believes that it is effective to conduct evaluations through unrestricted and active discussion so that all members participating in Board of Directors meetings can voice their opinions. At the present time no third parties from outside of PHD have been engaged to make the evaluation: Board members themselves make a self-evaluation when evaluating effectiveness.

This fiscal year, a questionnaire survey targeting all Directors was conducted, and the Board held two sessions to discuss and address challenges arising from the outcomes of the questionnaire and self-evaluation of each Director.

2. Outline of the results of the effectiveness related analysis and evaluation

(1) The Board is appropriately fulfilling the role/duty for which it has been set-up regarding: debate on the broad direction of corporate strategy, supporting an environment for appropriate risk-taking by the executive management team, highly effective audit of the management team/Board from an independent and objective stance, and putting in place internal controls/risk management structures.

(2) In fulfilling the role/duty noted above in (1), the Board's materials are provided sufficiently in advance of meeting dates, thus, open and constructive discussions take place.

(3) On the other hand, PHD recognizes: it is important to continue to focus on discussions on specific management goals (including management indicators) that are fundamental to the supervision and scenarios/action plans to reach the management goals so that the Board can increase the effectiveness of its supervision of the management team; if the same matter is discussed at the management meeting prior to the board meeting, it is crucial to share key points and opposing opinions raised during the discussion by the management team with the Board of Directors at the board meeting; and it is important for the management team to narrow down the points and explain them clearly and allow more time for a Q&A session and discussion.

The PHD Board of Directors plans to continue to improve the effectiveness of Board meetings in light of these evaluation outcomes.

● Supplementary principle 4-14-2 (Training policy for Directors)

Directors are selected from amongst individuals who possess a broad knowledge of business/finance/organizations etc. Basic information (company outline, management strategy, financial strategy, priority audit items etc.) is shared with Directors when a Director is appointed. Furthermore, opportunities are provided to Directors to deepen their views by inviting external lecturers to talk on corporate governance etc.
This will continue to occur in future.

● Principle 5-1 (Policy on constructive dialogue with shareholders)

PHD deems it important to engage in dialogue with shareholders and investors in the interests of sustainable growth and to raise mid to long-term corporate value. Dialogue deepens the understanding of PHD's corporate policy, business plans and business strategy, enhances management transparency, and promotes revitalization. By providing

shareholders with financial information in an easy-to-understand way in a timely, impartial, accurate, and ongoing manner, the "information gap" is eliminated as much as possible, and trust/appropriate evaluations are earned.

・Policy to promote constructive dialogue with shareholders

(1) Designated control management team

Chief Financial Officer (CFO) is appointed as designated executive in charge of Investor Relations (IR) control (IR Control Manager)

(2) Policy to promote organic cooperation

The Chief Financial Officer and IR Control Manager cooperate with in-house departments and stakeholders to achieve constructive dialogue.

(3) Dialogue methods other than interviews with individual

In addition to two results briefing session held each year (interim and final), smaller periodic gatherings are held and attended by the CEO and the CFO to promote understanding.

(4) Policy of appropriate & effective feedback for the executive management team and Directors in response to opinions/concerns of shareholders

The Chief Financial Officer and IR Control Manager provide feedback to shareholder opinions with executive management and the Board of Directors as required, and endeavor to share an awareness of challenges.

(5) Policy to control insider information during dialogue

The Chief Financial Officer and IR Control Manager shall prevent external leaks of insider information by coordinating with the Information Control Manager to thoroughly control information.

2. Capital

Stock holding ratio by non-Japanese nationals	Over 30 %

[Status of Major Shareholders]

Name	Share Ownership (No. of shares)	Ratio (%)
Yoshiko Shinohara	26,331,600	11.25
The Yoshiko Shinohara Memorial Foundation	15,800,000	6.75
Japan Trustee Services Bank, Ltd. (Trust Account)	12,073,700	5.15
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,786,300	5.03
Kelly Services Japan, Inc.	9,106,800	3.89
JP MORGAN CHASE BANK 385632	6,978,193	2.98

THE CHASEE MANHATTAN BANK 385036	4,232,500	1.80
Yoshimi Shinohara	4,228,400	1.80
The Master Trust Bank of Japan, Ltd. (Trust Account5)	3,748,900	1.60
The Bank of Mitsubishi UFJ, Ltd.	3,696,000	1.57

Existence of majority shareholder (except for the parent company)	—
Existence of parent company	None

Supplementary Remarks

1. Status of major shareholders as of March 31, 2019.
2. In respect to the change report pertaining to the statement of large-volume holdings that was made available for public inspection with effect on November 21, 2017, said report noted that as of November 15, 2017, Baillie Gifford & Co. and joint holder Baillie Gifford Overseas Limited held the following shares. Since the number of shares actually held as of March 31, 2019 is not validated, it is not included in the status of shareholders noted above.

   Furthermore, following are details of said statement of large-volume holdings (share certificates subject to special provisions etc.).

Name	Ownership of shares (number of shares)	Ratio (%)
Baillie Gifford & Co	7,206,400	3.04
Baillie Gifford Overseas Limited	4,636,900	1.96
Total amount	11,843,300	5.00

3. Corporate affiliations

Listing exchange and market classification	Tokyo Stock Exchange 1st Section
Fiscal year-end	March
Business type	Service
No. of employees at the end of the latest business year (consolidated)	Over 1,000 employees
Net sales at end of latest FY (consolidated)	Over JPY 1,000 billion, below JPY trillion
No. of consolidated subsidiaries at end of latest FY	Below 100 companies

4. Policy measures to protect minority shareholders in transactions with controlling shareholders

—

5. Other special circumstances that may have a major impact on corporate governance

—

II. Status of corporate management structures relating to decision-making, execution, and control of PHD management and other corporate governance systems

1. Matters relating to organizational composition and operations etc.

Organizational format	Companies with an Audit and Supervisory Committee in place

[Directors]

Number of Directors is stipulated in the Articles of Incorporation	15
Term of Directors is stipulated in the Articles of Incorporation	1 year
Chairman of Board of Directors	President
Number of Directors	11
Appointment status of External Directors	Appointed
Number of External Directors	5
Number of designated independent executives amongst the External Directors	4

Relationship with the company (1)

Name	Affiliation	Relationship with the company (*1)										
		a	B	c	d	e	f	g	h	i	J	k
Ryosuke Tamakoshi	Originates from another company					△						
Peter W. Quigley	Originates from another company									○		
Naoshige Shindo	Originates from another company											
Naohiro Nishiguchi	Originates from another company											
Chisa Enomoto	Originates from another company											

※1 Items selected relating to relationship with the company

a. Executive officer at listed company or subsidiary

b. Executive officer or non-executive Director at parent company of listed company

c. Executive officer at fellow subsidiary of listed company

d. Person or executive officer of the listed company as its main customer

e. Main customer or executive officer of the listed company

f. Consultants, accounting specialists, and legal specialists who have obtained substantial monetary sums or other assets other than executive compensation from the listed company.

g. Major shareholders of the listed company (if the major shareholder is a corporation, then an executive officer of this

corporation)

h. Executive officer (the individual themselves) of the client of the listed company (a client where either d, e, or f do not apply)

i. Executive officer at a company where appointment correlates with the appointment of an External Director (only the individual themselves)

j. Executive officer at a company to which the listed company makes donations (only the individual themselves)

k. Other

Relationship with the company (2)

Name	Audit and Supervisory Committee Member	Independent Director	Supplementary remarks relating to compliance items	Reason for appointment
Ryosuke Tamakoshi		○	Ryosuke Tamakoshi is currently a Special Advisor to MUFG Bank, Ltd. which provides loans to PHD and falls under item 1. (3) “major lenders” criteria stated in the Company’s Independence Criteria for External Directors. However, Mr. Tamakoshi in his role as a Special Advisor is not involved in management and he has not performed executive duties at MUFG Bank, Ltd. since he assumed his Special Advisor position in June 2010. Therefore, as Mr. Tamakoshi does not fall under item 1. (3) “persons who performed duties at major lenders in the past three fiscal years” stated in PHD’s Independence Criteria for External Directors, PHD deems that he possesses independence from the Company in accordance with the	PHD deems that Mr. Tamakoshi can apply his abundant and many years of experience as a manager at a financial institution and wide-range of global knowledge in the management of PHD. Mr. Tamakoshi has also been designated as an independent officer as he satisfies the criteria stipulated by the stock exchange and the Independence Criteria stipulated by PHD (as stated on the left-hand side).

			Company's criteria.	
Peter W. Quigley			Peter W. Quigley is the Executive Vice President of Kelly Services, Inc. which has concluded a share purchase agreement with PHD. In accordance with this agreement, one Director of PHD assumed the position of Board Member (Director) of Kelly Services, Inc.	Peter W. Quigley is deemed to possess ample HR business experience and knowledge of the U.S. and other regions, can offer opinions and proposals on overseas business expansion including regions where PHD has yet to advance, and will contribute to raising PHD's corporate value.
Naoshige Shindo	○	○	—	PHD deems that Mr. Shindo can apply his deep insight based on a highly specialized knowledge and practical experience gained as a chartered accountant and tax accountant in the management of PHD's business. Mr. Shindo has also been designated as an independent officer as he satisfies the criteria stipulated by the stock exchange and the Independence Criteria stipulated by PHD.
Naohiro Nishiguchi	○	○	—	PHD deems that Mr. Nishiguchi can apply his abundant experience as a manager with a wide-range of global insights in the management of PHD. Mr. Nishiguchi has also been designated as an independent officer as he satisfies the criteria stipulated by the stock exchange and the Independence Criteria stipulated by PHD.
Chisa Enomoto	○	○	—	Ms. Enomoto is engaged in strategic PR work with multiple

				corporations within Japan and overseas and has a wealth of experience and insight, with which it was decided that she would contribute to improving PHD brand communication. Also, Ms. Enomoto has been designated as an independent officer as she satisfies the criteria stipulated by the stock exchange and the Independence Criteria stipulated by PHD.

[Audit and Supervisory Committee]

Committee structure and affiliation of Chairman

	All members (persons)	Full-time member (persons)	Internal Director (persons)	External Director (persons)	Committee Chairman (Chairman)
Audit and Supervisory Committee	5	2	2	3	External Director

Are there Directors and employees who will support the duties of the Audit and Supervisory Committee? Yes/No	Yes

Matters pertaining to the independent status of these Directors and employees from executive directors

PHD has assigned employees to exclusively support the work of the Audit and Supervisory Committee. The authority to supervise these employees on a daily basis rests with the Audit and Supervisory Committee. Support employees do not take orders from anyone other than Directors who are members of the Audit and Supervisory Committee. Furthermore, it is stipulated that reassignment, performance reviews, and disciplinary punishment etc. of said employees shall take place only with the consent of the Audit and Supervisory Committee.

Status of coordination between the Audit and Supervisory Committee, external auditors, and internal audit departments

When external auditors perform audits of financial statements, quarterly reviews, and audits of internal controls, the external auditors are required to report the results to the Audit and Supervisory Committee, each time. Moreover, the Audit and Supervisory Committee and external auditors plan to regularly exchange opinions, and the Audit and Supervisory Committee accompanies external auditors on audits

and makes requests for explanations as required. Internal Audit Departments & Stakeholders: The Audit Department is established under direct control of the Representative Director, President and CEO. This department audits the entire Group from the perspective of legitimacy of executing business operations and compliance with laws and ordinances. Moreover, systems are being established to report appropriately important matters to the Audit and Supervisory Committee.

[Discretionary Committees]

Are there discretionary committees equivalent to a Nomination Committee or a Compensation Committee? Yes/No	Yes

Status of discretionary committees, structure & Chairman affiliations

Discretionary committee equivalent to nomination committee

Name of committee			Nomination/Compensation Committee			
All committee members (persons)	Full-time member (persons)	Internal Director (persons)	External Director (persons)	Internal knowledgeable person (persons)	Other (persons)	Committee Chairman (Chairman)
6	0	2	4	0	0	External Director

Discretionary committee equivalent to compensation committee

Name of the committee			Nomination/Compensation Committee			
All committee members (persons)	Full-time member (persons)	Internal Director (persons)	External Director (persons)	Internal knowledgeable person (persons)	Other (persons)	Committee Chairman (Chairman)
6	0	2	4	0	0	External Director

Supplementary Remarks

PHD has set in place a Nomination/Compensation Committee (discretionary committee) to act as an advisory body to the Board of Directors to ensure objectivity and transparency in the decision-making process relating to Board of Directors nominations and executive management compensation, etc., and thereby further improving PHD`s corporate governance system. The Nominating/Compensation Committee will deliberate on: the policy of appointing/ dismissing Directors, details of proposals to be put to the General Meeting of Shareholders, compensation policies etc. relating to Directors and Executive Officers and related details of proposals to be put to the General Meeting of Shareholders, individual compensation for Directors (except Directors who are members of the Audit and Supervisory

Committee), and compensation details etc. relating to Executive Officers. Moreover, the majority of the Nomination/Compensation Committee is outside directors, with 2 internal directors (Masamichi Mizuta and Hirotoshi Takahashi), 4 outside directors (Ryosuke Tamakoshi, Naoshige Shindo, Naohiro Nishiguchi and Chisa Enomoto). The chairman is Ryosuke Tamakoshi, an outside director.

[Independent Directors]

Number of independent Directors	4

Other matters related to independent Directors

—

[Incentives]

Implementation of measures to provide Directors with incentives	Introduction of a performance-based compensation system

Supplementary remarks relating to this item

For details, please refer to "Disclosure of policy for determining compensation amounts and calculation methods."

Target granted with stock option	—

Supplementary explanations relating to applicable items

—

[Director Compensation]

Disclosure Status	Some information is disclosed individually.

[Supplementary remarks relating to this item]

1. Total amount of compensation, etc. for each executive type, total amount of compensation, etc. for each compensation type, and the number of eligible executives

Type of executive	Total amount of compensation, etc. (JPY million)	Total amount of compensation, etc. by compensation type (JPY million)			Number of eligible executives
		Basic Compensation	Bonus	Share-based Compensation	
Directors (excluding members of the Audit and Supervisory Committee)	425	196	44	184	5

(excluding External Directors)					
Directors (members of the Audit and Supervisory Committee) (excluding External Directors)	16	16	-	-	1
External Executives	36	36	-	-	4

Notes: 1) One External Director is not included in the number of eligible executives noted above as he/she receives no compensation.

2) The compensation paid in FY2018 was determined based on the performance for single fiscal year 2017 and MBO assessment using an old bonus assessment method instead of the bonus assessment method described in "Disclosure of policy for determining compensation amounts and calculation methods."

<Assessment Method>

・(Bonus payment rate based on sales achievement rate + bonus payment rate based on operating income achievement rate) x MBO assessment

Note: Directors who concurrently serve as segment leader are assessed based on the degree to which the company-wide performance (50%) and the segment performance (50%) are achieved. Other Directors are assessed based on the degree to which company-wide performance is achieved.

Note: Target and actual values for the performance assessment for FY2017 are as follows:

(JPY million)

Indicator	Target	Actual
Sales across the Company	677,318	722,183
Operating income across the Company	35,600	36,068
Sales of the Temp & BPO segment	488,392	485,936
Operating income of the Temp & BPO segment	26,223	26,914

Note: MBO assessment is made in the range from 80% to 130% on a scale of one to six.

As a result of the above, the bonus amount paid to each of PHD's Directors (excluding members of the Audit and Supervisory Committee and External Directors) was in the range from 70% to 100% on average.

3) Share-based compensation includes the provision for share-based compensation for directors and the reversal of provision for share-based compensation for directors reported for the current fiscal year as share-based compensation payable to five Directors (excluding External Directors) who are not members of the Audit and Supervisory Committee.

2. Total amount of compensation, etc. payable to person who receives total compensation, etc. of JPY 100 million or more

Name	Total amount of compensation, etc. (JPY million)	Type of executive	Type of company	Amount of compensation, etc. by compensation type (JPY million)		
				Basic compensation	Bonus	Share-based compensation

Masamichi Mizuta	102	Director	Filing company	65	13	24

Note: Share-based compensation is the provision for share-based compensation for directors reported for the current fiscal year.

Is there a policy for determining compensation amounts and calculation methods? Yes/No	Yes

Disclosure of policy for determining compensation amounts and calculation methods

1. Matters pertaining to the policy for determining the amount of executive compensation, etc. and its calculation method

(1) Basic Policy

PHD's compensation for the executive management team and Directors (hereinafter, "Executive Compensation" is designed to accurately reflect their contribution to improving not only PERSOL Group's short-term performance but also mid to long-term performance. Therefore, PERSOL Group's Executive Compensation is positioned as an incentive to realize mid to long-term sustainable growth and its basic policy is embodied from the following three perspectives:

1) Linked to the short-term and mid to long-term performance and corporate value of PERSOL Group.

- The system shall be linked to not only short-term performance but also mid to long-term performance and corporate value.

2) Linked to shareholder value

- Share an awareness of profit with shareholders and raise awareness of shareholder-oriented management.
- Ensure objectivity and transparency in the compensation determination process.

3) Set compensation at competitive levels

- Achieve compensation levels that are competitive with domestic companies of the same size and sector and that contribute to securing great talent.
- Achieve compensation levels that provide a strong incentive for PHD's executives to improve the Company's performance and corporate value.

(2) Compensation Levels

The levels of Executive Compensation are reviewed every year based on the business environment surrounding PHD and an investigation and analysis of the compensation levels at other companies of the same sector (human resource service sector) and leading companies of the same size using external databases, etc., and established based on the basic policy for Executive Compensation noted above.

(3) Composition of Compensation

PHD's compensation for Directors (excluding External Directors) who are not Audit and Supervisory Committee members and Executive Officers is composed of: "basic compensation" (accords with the role of each executive), "bonus" (a short-term incentive form of compensation), and "share-based compensation" (mid to long-term incentive form of compensation). Bonus and share-based compensation for each executive is set at 30% and 26% of basic compensation, respectively (when each target is 100% achieved). Accordingly, the standard model for the composition of share-based compensation for Directors (excluding External Directors) who are not Audit and Supervisory Committee members and Executive Officers (when each target is 100% achieved) is as follows: basic compensation 64%; bonus 19%; share-based compensation 17%. Moreover, compensation of External Directors and Directors who sit on the Audit and Supervisory Committee is comprised of "basic compensation" only.

- Basic Compensation

After defining the roles of Directors and Executive Officers based on factors such as the depth of expertise required for the duties, diversity, the difficulty of decision-making, the extent of areas in charge, and the scope of accountability, basic compensation is paid according to the content and responsibilities of said roles. This enables compensation decision-making that is highly objective and transparent. Furthermore, basic compensation is paid as a fixed monthly sum.

- Bonus

Bonus is paid as short-term incentive compensation to achieve targets for a single fiscal year set out as milestones towards achieving the interim management plan. Quantitative assessment is carried out based on the degree of achievement of employee satisfaction and risk monitoring results which PHD values as sales, operating income, and non-financial indicators highlighting the earning power of the Company's core business, in the effort to improve PERSOL Group's sustainable growth and mid to long-term corporate value. Moreover, compensation reflects the results of the performance assessment excluding external environmental factors by relative comparison of growth potential to domestic and international competitors in addition to absolute assessment. In addition, qualitative assessment is carried out to assess the progress of efforts made by each Director and Executive Officer to improve performance and corporate value.

This compensation generally varies within a range of 0 to 200%.

	Assessment method	Assessment weight
Performance indicators	Determined based on the degree to which 1. sales and 2. operating income across the Company and per segment are achieved and the comparison of growth rate to competitors	80%
Non-financial	Determined based on the degree to which 1.employee	10%

indicators	satisfaction and 2. risk monitoring results across the Company and per segment are achieved	
Theme assessment	Determined by interview with assessor about the progress of efforts to address the challenges set out to improve performance and corporate value. President and vice president shall be assessed by the Nomination/Compensation Committee.	10%

Note: Assessment weights across the Company and per segment are determined according to the extent of areas that Directors and Executive Officers are responsible for.

Note: Other than the above, assessment using a merit/demerit point system is carried out in the event of an especially high level of contribution or a material breach of the delegation agreement between the Company and such executive.

- Share-based Compensation

Share-based compensation is paid at retirement with the aim to provide an incentive to improve the mid to long-term performance and corporate value of PERSOL Group as well as to further promote the sharing of an awareness of profit with shareholders. As a general rule, PHD recommends Directors (excluding External Directors) who are not members of the Audit and Supervisory Committee to hold more than 1.0 times as many shares of the Company as (annual) basic compensation including the number of potential shares scheduled to be awarded at retirement.

Within share-based compensation, 50% is a performance-based component of mid to long-term incentive compensation (Performance Shares) which is determined based on the degree to which PHD's interim management plan targets are achieved, and another 50% is a fixed component of mid to long-term incentive compensation (Restricted Stock) which is intended to be linked to shareholder value.

<Performance-based Mid to Long-term Incentive Compensation (Performance Shares)>

Performance Shares are determined by evaluating the degree of achievement of performance indicators (consolidated sales, consolidated operating income, and ROE) set out in the interim management plan towards the fiscal year ending March 2020 and non-financial indicators. In particular, non-financial indicators are designed to further improve initiatives based on the "Group Management Policy" by incorporating several ESG indicators.

These compensation arrangements vary within a range from 0 to 210%.

	Indicator	Target for March 2020	Assessment weight
Performance indicators set out in the interim management plan	Consolidated sales	JPY 750.0 billion	50%
	Consolidated	JPY 45.0 billion	50%

(disclosed in FY2016)	operating income		
	ROE	10%	-10% (when the target cannot be met)
Non-financial indicators	Employee satisfaction PERSOL brand awareness Risk monitoring results	Set out per indicator	±5%

Note: The above-mentioned indicators, etc. will be reviewed in the light of the new interim management plan after the current interim management plan ends.

<Fixed Mid to Long-term Incentive Compensation (Restricted Stock)>

Restricted Stock is paid as share-based compensation with the number of shares fixed to further promote the link with shareholder value.

Moreover, if the Board of Directors judges that an executive has committed a material breach of the delegation agreement etc. between PHD and such executive during their period of service, following deliberation by the Nomination/Compensation Committee, the payment of share-based compensation may be restricted or a return of payment may be requested.

Note: Share-based compensation is paid through a trust-type stock-based compensation plan. Under this plan, units (points) are granted to eligible persons every year and shares corresponding to the number of units (points) held are awarded to them at the time of retirement. The management of the number of units (points) and treasury shares is delegated to Mitsubishi UFJ Trust and Banking Corporation.

(4) Governance of Compensation

- Process to Determine Compensation

PHD's policy for determining the amount of Executive Compensation, etc. and its calculation method is determined by the Board of Directors after sufficient discussion at the independent Nomination/Compensation Committee, an advisory body to the Board of Directors. Moreover, the amount of compensation, etc. for Directors who are members of the Audit and Supervisory Committee is determined by discussion between members of the Audit and Supervisory Committee.

Executive Compensation, etc. is paid within the limit of the compensation amount pursuant to a resolution adopted at the General Meeting of Shareholders.

	Date of Resolution of the General Meeting of Shareholders	Content	The number of executives as of the resolution date of the General Meeting of Shareholders
Amount of compensation, etc. payable to Directors who are not members of the Audit and Supervisory Committee	The 9th General Meeting of Shareholders held on June 27, 2017	Up to JPY 500 million per annum, of which no more than JPY 30 million per annum is payable to External Directors. No portion received by Directors who serve as employees and Directors concurrently is included.	6
Amount of compensation, etc. payable to Directors who are members of the Audit and Supervisory Committee	The 8th General Meeting of Shareholders held on June 17, 2016	No more than JPY 100 million per annum	4

Note: Separately from the compensation amount noted above, it was resolved at the 9th General Meeting of Shareholders held on June 27, 2017 that PHD contributes up to JPY 990 million and provides up to 460,000 shares to eligible persons in the period of three fiscal years under the share-based compensation plan for Directors (excluding External Directors) who are not Audit and Supervisory Committee members and Executive Officers. The numbers of Directors and Executive Officers as of the date of resolution were 5 and 10, respectively.

(5) Information Disclosure Policy

The content of the Executive Compensation plan is disclosed in a timely manner to PHD's shareholders through financial statement to be prepared and disclosed in compliance with a variety of laws and regulations, etc., reference materials for the General Meeting of Shareholders, business report, corporate governance report, website, etc.

[Support System for External Directors (External Auditors)]

All External Directors are provided with important Board of Directors meeting materials and information on important matters in advance. For external Directors who are non-Japanese nationals, materials etc. are translated into English, and a simultaneous interpreter is always arranged for meetings. External Directors who are Audit and Supervisory Committee members will be provided with information without delay about important management-related matters which will contribute to accurate decision-making by External Directors. A Secretariat is in place to support the duties of the Audit and Supervisory Committee, and an information reporting system has been established to provide information required to fulfill their tasks such as auditing etc.

【Status of persons resigning as President and Representative Director etc.】

Name	Role/Rank	Job Description	Work arrangement/conditions	Resignation date:	Term of office
Yoshiko Shinohara	Chairman Emeritus	No	Non executive/uncompensated	17 Jun 2016	Not stipulated

Former Presidents and Representative Directors etc., counsel/advisors etc. total headcount:	1 individual

Other matters

The founder Ms. Yoshiko Shinohara serves as "Chairman Emeritus", an emeritus rank. Ms. Shinohara no longer participate in the management of PHD.

2. Matters relating to functions: performance of tasks, audits/supervision, nominations, and compensation decision-making etc. (overview of existing corporate governance system)

1. Overview of corporate governance system

PHD is a company with an Audit and Supervisory Committee. PHD`s Board of Directors is composed of six Directors who are not members of the Audit and Supervisory Committee (of which two Directors are External Directors) and five Directors who are members of the Audit and Supervisory Committee (of which three are External Directors).

2. Overview of systems to perform tasks and operational status

As a general rule, the Board of Directors meets once a month to carry out the matters stipulated in the Board of Directors rules and make important decisions, and also holds extraordinary meetings as required.

Furthermore, PHD has introduced an Executive Officer system that aims to enhance the decision-making and supervisory functions of the Board of Directors to clarify responsibilities for performing their duties. PHD also holds, as a general rule, Management Committee meetings twice a month to discuss important matters relating to PERSOL Group as a whole to promote overall coordination of business activities and common understanding of the performance of duties. As for audit and supervisory status, Directors supervise the performance of duties of other Directors through Board of Directors' meetings. Moreover, Directors who are members of the Audit and Supervisory Committee supervise the performance of duties by Directors by attending Board of Directors' meetings and investigating the status of performance of tasks, etc. Internal audit related departments audit the efficiency and effectiveness of business activities, and the effectiveness of the Group-wide system to comply with company regulations including the Articles of Incorporation, laws, and ordinances. Furthermore, appropriate instructions or advice is promptly given to take countermeasures if activities need to be corrected or improved. Audited companies or audited departments coordinate with the Internal Control Promotion Department or the department in charge etc. to make improvements.

3. Audit and Supervisory Committee

The PHD Audit and Supervisory Committee consists of: two Internal Directors who are full-time members of the Audit and Supervisory Committee and three External Directors, of which, two members have many years of experience working in financial institutions and engaging in corporate management, and one member who is qualified as a certified public accountant and a certified tax accountant. In total, three members have deep insights in the fields of finance and accounting. As a general rule, the Audit and Supervisory Committee meets once a month and also holds extraordinary meetings as required. Being in a position to supervise the performance of duties by Directors (including Directors who are members of the Audit and Supervisory Committee), the Audit and Supervisory Committee aims to achieve both greater transparency and mobility of management by enhancing the functions of auditing and supervising Directors.

4. Enhancement of nomination and compensation decision-making functions

PHD has set in place a Nomination/Compensation Committee (discretionary committee) to act as an advisory body to the Board of Directors to ensure objectivity and transparency in the decision-making process relating to Board of Directors nominations and executive management compensation, etc., and thereby further improving PHD`s corporate governance system. As for composition of the Nomination/Compensation Committee, please refer to: "II. Status of corporate management structures that relate to decision-making, execution, and control of PHD management and other corporate governance systems", section 1. Matters relating to organizational composition and operations etc. 【Discretionary Committees】.

3. Reasons for selecting the existing corporate governance system

PHD has adopted a corporate structure that incorporates an Audit and Supervisory Committee. The PHD Board of Directors is composed of six Directors who are not Audit and Supervisory Committee members (of which two are External Directors), and five Directors who are Audit and Supervisory Committee members (of which three are External Directors). The reason why this structure was adopted is to enhance the external monitoring functions of management by External Directors, and to strengthen the supervisory functions pertaining to execution of duties. Directors on the Audit and Supervisory Committee have voting rights on the Board of Directors and as such, Audit and Supervisory Committee members have right to state opinions etc. at the General Meeting of Shareholders regarding the appointment, dismissal, and compensation of Directors who are not Audit and Supervisory Committee members. PHD aspires to further enhance its corporate value by improving the soundness and transparency of management, and by putting in place a faster decision-making and agile business execution system.

III. Implementation status of measures for shareholders and other stakeholders

1. Initiatives to revitalize the General Meeting of Shareholders and facilitate the exercising of voting rights

	Supplementary Remarks
Early delivery of General Meeting of Shareholders convocation notice	Efforts are being made to deliver the General Meeting of Shareholders convocation notice early and to make early web releases. ■ Actions relating to the 11th General Meeting of Shareholders for the fiscal year ended March 2019 1. Convocation notice dispatch date: May 31 2. Web release date: May 22
Set the General Meeting of Shareholders date on a day that avoids days crowded with other shareholders meetings	Efforts are being made to convene the General Meeting of Shareholders on a day which as far as possible avoids days crowded with other firms` shareholders meetings. ■ Actions relating to the 11th General Meeting of Shareholders for the fiscal year ended March 2019 Convocation date: June 25
Exercise of voting rights by electronic means	Efforts are being made to make it more convenient for shareholders to exercise their voting rights (e.g. enabling online voting, explaining voting methods in the convocation notice).
Other initiatives to improve the voting environment for institutional investors, and participation via online voting platforms etc.	PHD is participating in a platform for exercising voting rights and are making efforts to improve the environment in which institutional investors exercise voting rights.
Provide convocation notice in English (summary)	The convocation notice (summary) is prepared in English and released on the PHD website and via the Tokyo Stock Exchange.
Other	Besides correspondence with shareholders twice a year, financial data is released on the PHD website.

2. Status of Investor Relations (IR) Activity

	Supplementary Remarks	Explanation given by the CEO? Yes/No
Disclosure policy created/announced	PHD's website discloses the aims of IR, basic policy, basic stance, method of information disclosure, and IR policy with respect to results forecasts and future outlook etc.	—
Hold regular briefing sessions for analysts & institutional investors	Briefings for analysts & institutional investors are held every 6 months, twice a year.	Yes

IR materials released on corporate website	IR documents (financial reports, timely disclosure material, financial results briefing slides, and shareholder correspondence etc.) including English versions are posted on the PHD website.	—
IR department (representative) set in place	An IR representative is in place within the Group Finance Department.	—
Other	Individual visits to analysts/institutional investors are made as required. In addition, telephone conferences are held for overseas investors. PHD also participates in company briefing sessions for individual investors that are organized by stock brokers.	—

3. Initiatives that respect stakeholders

	Supplementary Remarks
Environmental conservation activities, CSR activities, etc.	Under the slogan of “Work, and Smile”, PHD supports development through work experience to realize a future where all working people and organizations can shine. PHD endeavors to realize working arrangements that match the lifestyles of individuals who are raising children/carers, as well as to support the employment of disabled individuals and young and senior people and regional revitalization.
Formulation of policy etc. regarding information provision to stakeholders	PHD disclosure policy is posted on the PHD website. PHD`s basic policy is to provide information in an easy-to-understand way and in an impartial, accurate, and timely manner.
Other	<Initiatives to promote diversity> Aiming to realize the Group vision “Creating a social infrastructure for people and organizations that catalyzes growth and innovation”, PHD considers initiatives to promote diversity are crucial to contributing to the development of society through providing support for the development of all people and organizations. In 2017, a project was launched to consider a horizontal style of organizational diversity and discussions were held on PERSOL Group’s diversity strategy and implementing measures. In January 2019, PERSOL Group announced its diversity strategy, “Diversity, Inclusion & Equality” that aims to realize the Group vision. In line with this strategy, all Group companies lifted a ban on second jobs and abolished the dress code in April 2019. Going forward, PHD will continue to carry out measures to realize diverse working styles and career paths, such as further promoting flexible working practices, changing the mindset of employees, and providing training to improve

	productivity. <Initiatives to promote the hiring of women> Since Chairman Emeritus Yoshiko Shinohara founded Tempstaff as a business for women to work actively in a broad range of fields, PHD evaluates human resources based on capability and performance, regardless of gender, in a variety of settings such as recruitment, capacity building, and promotion. In January 2019, PERSOL Group announced its diversity strategy, “Diversity, Inclusion & Equality”. As part of this strategy, the Group has established the strategy to increase the ratio of female managers across the Group by 2023 and proceeds with drawing up an action plan.

IV. Internal controls systems etc.

1. Internal control systems: basic approach and status

PHD's basic policy on systems to ensure that duties of Directors are performed in compliance with laws and ordinances and the Articles of Incorporation, and to ensure that other business operations are appropriately carried out are as follows:

1. Framework to ensure that the duties of Directors, Executive Officers, and employees of each company comprising PERSOL Group are performed in compliance with laws and ordinances and the Articles of Incorporation.

(1) PHD has established Group Compliance Basic Rules and endeavors to operate a compliance system at PERSOL Group companies, and to practice compliance.

(2) A department has been established within PHD to oversee Group-wide compliance which continually implements various compliance measures, and reports on the status of these activities to the Board of Directors.

(3) PHD provides education/training on compliance to executives of PERSOL Group on a continuing basis.

(4) PHD has established a whistle-blower system with the Group Compliance Control Department acting as the contact-point as a system to prevent/detect early any violations of laws and ordinances/the Articles of Incorporation.

2. Information related to performance of duties by Directors: storage & management systems

PHD regulations stipulate the storage of documents etc., whereby important documents etc. (information regarding performance of duties by Directors, minutes of important meetings etc.) are appropriately stored and managed in accordance with said regulations. Furthermore, documents etc. shall be made readily available for timely perusal when requested by Directors or the Audit and Supervisory Committee.

3. Systems to ensure efficient performance of duties by Directors of PERSOL Group companies

(1) PHD has implemented an Executive Officer system that aims to clarify roles and responsibilities

and strengthen the decision-making function and supervisory function of the Board of Directors.

(2) PHD as a general rule holds Management Committee meetings twice a month to promote overall coordination of business activities and common understanding of the performance of duties, and to discuss important matters relating to PERSOL Group as a whole.

(3) PHD formulates a Group interim management plan that covers a period of three business years. Key management objectives and budgetary allocations for the entire Group are stipulated for each business year as a means to give the Group interim management plan a concrete shape.

(4) PHD stipulates Group-wide rules regarding the division of duties, chain of command, authority, decision-making, and other organizational related standards. Subsidiaries etc. create their own systems according to these standards.

(5) PHD is proceeding with the establishment of a department primarily responsible for IT systems that balances both management efficiency and risk control, and ensures the effective functioning of internal controls, and optimization of its functions on a Group-wide basis.

4. Regulations and other systems to control the risk of financial losses at each PERSOL Group company

(1) Directors and Executive Officers identify/evaluate risks related to PERSOL Group business activities on a regular basis, and appropriately reflect the findings in the business plan for each fiscal year. In addition, Group Risk Control Regulations have been established to appropriately control Group-wide risk.

(2) PHD has established Crisis Management Regulations to prepare for the occurrence of crises such as large-scale earthquakes etc. An appropriate framework has been established and it includes an emergency management system for the Group, contact systems in the event of a crisis, and periodic implementation of training etc.

5. Systems to ensure proper business operations at each PERSOL Group company

(1) PHD appropriately exercises the shareholder rights of its affiliates with a view to optimizing corporate value for the Group.

(2) PHD has established Affiliate Management Rules which stipulate that decisions on important management matters at affiliates should be subject to prior approval. The affiliate companies are required to report their operating results, financial status and other important information to PHD on a regular basis.

(3) Internal audit departments audit the effectiveness of Group-wide compliance systems in relation to laws and ordinances/the Articles of Incorporation and internal regulations. Furthermore, in cases where rectification/improvement measures are required, PHD provides appropriate advice, recommendations and support so that said measures can be promptly taken.

(4) Directors, Executive Officers and employees of PERSOL Group may utilize the internal whistleblower hotline established at PHD.

6. Matters relating to assigning of employees required to support the Audit and Supervisory Committee

When a request is made by the Audit and Supervisory Committee, PHD assigns dedicated employees as required to provide support. Support employees receive their daily orders/instructions from the Audit and Supervisory Committee; not from Directors who are not Audit and Supervisory Committee members. Furthermore, reassignment, performance reviews, and disciplinary punishment etc. of support employees shall take place with the consent of the Audit and Supervisory Committee.

7. Systems for making reports to the Audit and Supervisory Committee by PERSOL Group Directors (excluding Directors who sit on the Audit and Supervisory Committee; the same shall apply for the following items), Executive Officers and employees

(1) Directors, Executive Officers and employees at PERSOL Group companies report on the status of business and internal controls as requested by the Audit and Supervisory Committee or representatives of the Audit and Supervisory Committee. Internal audit departments report on the results etc. of internal audits.

(2) Directors, Executive Officers and employees at PERSOL Group companies shall promptly notify the Audit and Supervisory Committee if they notice major infringements of laws and ordinances/the Articles of Incorporation, illicit conduct, or facts that will cause significant damage to the company or put the company at such risk.

(3) If Directors, Executive Officers and employees at PERSOL Group companies notice the facts that will cause significant damage to the company or put the company at such risk, said facts should be promptly reported to the department in charge as stipulated by PERSOL Group. When the department in charge receives a report from Directors, Executive Officers and employees, a report should be promptly made to the Audit and Supervisory Committee.

(4) PHD ensures that the whistle-blower system applies to each company within PERSOL Group. An appropriate system should be surely established to report major compliance issues to the Audit and Supervisory Committee including violations of laws and ordinances, the Articles of Incorporation, and internal regulations of each Group company.

8. Systems to ensure that individuals who make a report to the Audit and Supervisory Committee are not treated disadvantageously

PERSOL Group explicitly states in its internal rules such as work rules etc. that employees shall not be treated disadvantageously in HR evaluations or be subject to disciplinary action or other disadvantageous treatment due to reports made to the Audit and Supervisory Committee or disclosures made to the internal whistleblower hotline.

9. Policy on procedures for prepayment or reimbursement of expenses that occur in performance of Audit and Supervisory Committee duties, and treatment of other expenses and debts that arise in the

course of performing these duties

When a request is made for prepayment of expenses or reimbursement of debts etc. which occur in the performance of duties by the Audit and Supervisory Committee or duties performed at the direction of the Audit and Supervisory Committee, PHD shall comply with the request except in cases where it can be demonstrated that said expenses etc. did not apply to the performance of Audit and Supervisory Committee duties.

10. Other systems to ensure that Audit and Supervisory Committee audits are performed effectively

When deemed necessary by the Audit and Supervisory Committee, Directors (except Directors on the Audit and Supervisory Committee), Executive Officers, and important employees are requested to report to the Audit and Supervisory Committee. The Audit and Supervisory Committee may request a periodic exchange of opinions from the Representative Director, President and CEO, internal audit departments, and external auditors.

11. Systems to ensure the reliability of financial reports

(1) In order to ensure the reliability of financial reporting and the effective and appropriate provision of Internal Control Reports as stipulated in the Financial Instruments and Exchange Act, PHD at the direction of the Representative Director, President and CEO has established an internal control system which is continuously evaluated to ensure that the system is functioning appropriately and necessary corrections are made.

(2) Financial information is submitted to PHD in accordance with requisite internal procedures and approvals to ensure the reliability of financial reporting by each PERSOL Group company.

(3) Financial information is released externally in accordance with requisite PHD internal procedures and approvals to ensure the reliability of financial reporting by PHD.

2. Basic approach to elimination of antisocial forces and status of preparations

PHD has set forth the following system to eliminate antisocial forces.

(1) PERSOL Group adopts a firm attitude toward antisocial forces and severs any relations.

(2) PERSOL Group has designated a department primarily responsible for the elimination of anti-social forces that prepares for contingencies by gathering information from the police in respective jurisdictions and from regional committees on special violence prevention etc. When situations arise, this department will play a central role in collaborating with external agencies to coordinate countermeasures.

V. Other

1. Have anti-takeover measures been introduced? Yes/No

Introduction of anti-takeover measures	No

Supplementary remarks relating to this item

—

2. Other matters relating to the corporate governance system etc.

In principle, PHD releases expeditiously and equitably information that seriously affects decision making of investors and establishes a system to disclose information in a timely manner.

1. Decision Factors:

"Decision factors" are pieces information that the officer responsible for information handling instructs the PERSOL Group Finance Department to release expeditiously and equitably after approval is given by the Board of Directors.

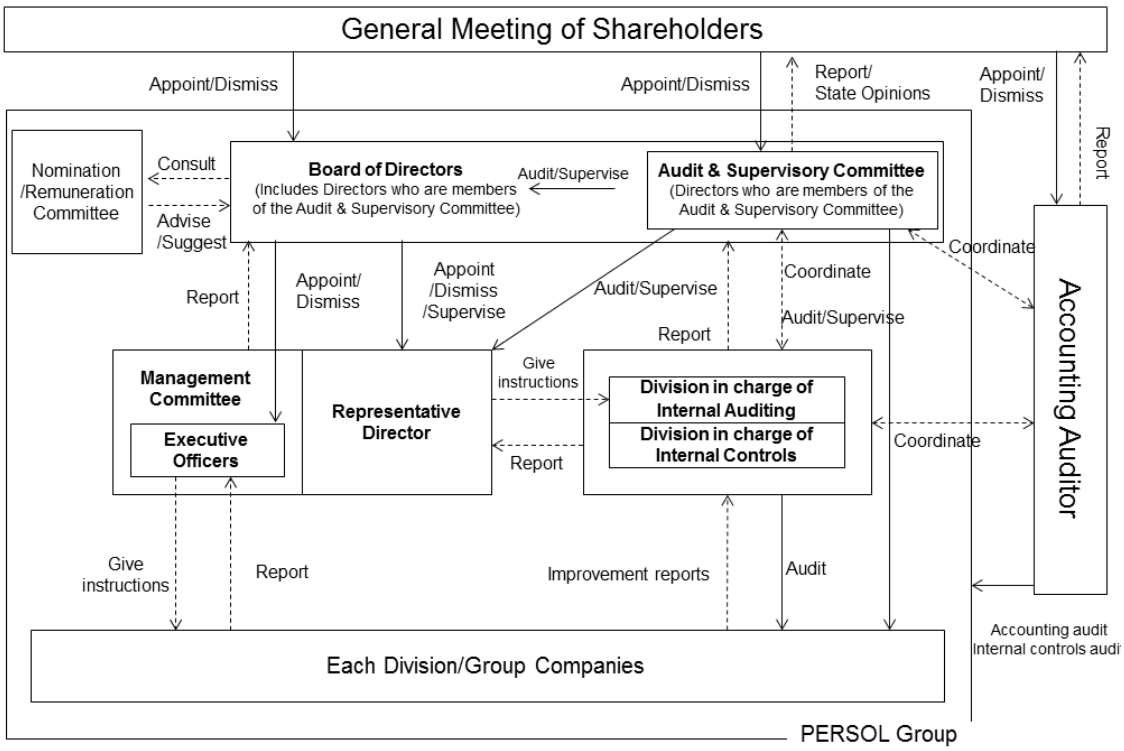
2. Event Facts:

"Event facts" (including risk information) are events that are expeditiously brought to the attention of the President & CEO at the point in time when a relevant department or subsidiary becomes aware such events have occurred. The events are examined, and a decision made whether to disclose details. If disclosure of event facts is deemed necessary, a system allows the officer responsible for information handling to instruct the PERSOL Group Finance Department to release expeditiously.

3. Financial Statement Related Information:

"Financial statement related information" includes details of the quarterly financial statements and information about amendments of business results/anticipated dividends etc. which are drawn up in draft form by the PERSOL Group Finance Department, then deliberated over by the Board of Directors, and after approval by the Board. PHD has established a system that the officer responsible for information handling instructs the PERSOL Group Finance Department to release expeditiously.

[PERSOL Group Governance Structure]



Ends