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## CORPORATE GOVERNANCE REPORT

Last update: August 25, 2023

### **Pasona Group Inc.**

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<https://www.pasonagroup.co.jp/english>

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

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

### **1. Basic Stance**

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

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

Going forward, Pasona Group must maintain its presence as a company needed by society, a company that offers true “Social Work-life Balance” to working people, a company that invokes a feeling of trust and security in its clients, and a company whose employees can take up challenges with confidence and pride.

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

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

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

Applicable Code

This information is based on the Corporate Governance Code, which was revised in June 2021.

### **Principle 5-2 Establishing and Disclosing Business Strategies and Business Plans, and Supplemental Principle 5.2.2 Basic Policy on Business Portfolio and Status of Review**

Based on the Board of Directors’ accurate analysis of the Company’s own cost of capital, the Company considers Groupwide medium-term business plans and manages and analyzes the progress of those plans. In addition, it reviews and revises medium- and long-term business strategies in addition to policies, business plans, and the business portfolio in response to the social environment, management situation, and environmental changes surrounding the business. It also reviews and revises the allocation of management resources, including new business investment, capital investment, and investment in human capital, as appropriate.

While we fully recognize that the disclosure of specific management strategies and plans deepen dialogue with shareholders, in an environment of rapid changes such as diversification of work styles and values and with the evolution of technologies including generative AI, we believe that announcing medium-term business plans including numerical targets will not be able to dispel the concerns that prejudice investors.

Therefore, we have not prepared medium-term business plans for the purpose of public announcement. However, the Company will continue to explain the Group's priority strategies for the fiscal year and other matters at General Meetings of Shareholders and at financial results presentations held each quarter to promote investor understanding among all its

investors.

For details regarding the Group's priority strategies for the fiscal year, please refer to the materials for the presentation regarding the "Results for the Fiscal Year Ending May 31, 2023" held on July 19, 2023.

([https://www.pasonagroup.co.jp/Portals/0/resources/ir/data/presentation/2305\\_presen.pdf](https://www.pasonagroup.co.jp/Portals/0/resources/ir/data/presentation/2305_presen.pdf))

With regard to the disclosure of the medium-term business plans and the basic policy on business portfolio with a view to external disclosure, we will continue to discuss and consider the content and timing of disclosure.

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

### Principle 1.4 Cross-shareholdings

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

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

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

### Principle 1.7 Transactions with Related Parties

In the event that a director engages in a competing transaction or a transaction with a conflict of interest, the director shall obtain a resolution of the board of directors regarding the individual transaction in accordance with the rules of the board of directors and shall report the results of the transaction.

In addition, in transactions with related parties, the Company regularly monitors the appropriateness of the terms and conditions of such transactions and the methods used to determine them to ensure that they do not harm corporate value and the common interests of shareholders, and the Company discloses the status of important transactions in the Annual Securities Report.

### Supplementary Principle 2.4.1 Ensuring Diversity in the Appointment of Core Human Resources

Pasona Group believes that creating an environment in which all employees, regardless of age, gender, nationality, or disability, can make full use of their talents and abilities on the Pasona Group stage and can create a fulfilling life plan will lead to medium- to long-term corporate growth, and Pasona Group is committed to promoting the success of its diverse workforce.

(Figures below are as of May 31, 2023.)

#### • Promotion of Active Participation of Women in the Workplace

The Pasona Group, which was founded with the desire to "support housewives in finding new employment," has been practicing human resource development and placement of the right person in the right job without gender bias, with the aim of realizing a society with no gender disparities, and all employees have joined the Company as career-track employees since its establishment. To enable employees to work through milestones in their lives such as childbirth, child-rearing, and nursing care, Pasona has established flexible work systems since the 1990s, including telecommuting, reduced hours, and flextime, and has also established an on-site daycare center at the Group's headquarters and a Pasona Family Office on Awaji Island, Hyogo Prefecture, where employees can work in the same space as their children. In the area of human resource development and career development support for women, the Wonder Woman Training program, which is a next-generation female leadership development program launched in 2014, has produced positive results, with two of its graduates promoted to Group company president, 22 to executive officer, nine to deputy director, and 44 to senior-level supervisor.

- Percentage of female officers: 25.0%
  - Percentage of female managers in management positions: 48.9%
  - Percentage of female employees: 58.5%
  - Percentage of eligible women who elected to take childcare leave: 100%
  - Percentage of eligible men who elected to take childcare leave: 45.2%
  - Return-to-work rate of female employees after childbirth: 100% every year
- \* Scope of calculation: The Company and all domestic consolidated subsidiaries

• Active Participation of Human Resources with Diverse Nationalities in the Workplace

At the Pasona Group, there are approximately 1,000 employees with diverse nationalities from 42 countries inside and outside the country. The percentage of non-Japanese personnel among the employees of domestic consolidated subsidiaries is 2.5% (8.1% when including overseas consolidated subsidiaries), and the percentage of non-Japanese personnel in managerial positions, which form the core of our business operations, is 0.8% (7.6% when including overseas consolidated subsidiaries). The interaction among personnel of various nationalities with diverse values, and the activities of the right people assigned and promoted to the right positions leads to the ability to respond to changes in business and the development of new ideas.

For details on our efforts to promote the active participation of diverse human resources, please refer to "Section 2. Business Overview, 2. Our Approach and Efforts Concerning Sustainability" in the Annual Securities Report.

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

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

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

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

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

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

Regarding business strategies, please refer to the materials for the presentation regarding the "Results for the Fiscal Year Ending May 31, 2023" held on July 19, 2023.

[https://www.pasonagroup.co.jp/Portals/0/resources/english/ir/data/presentation/2305\\_presen\\_e.pdf](https://www.pasonagroup.co.jp/Portals/0/resources/english/ir/data/presentation/2305_presen_e.pdf)

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

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

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

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

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

The basic policy is to select candidates who are superior in personality, possess insight suitable, and who are desired as part of the board of directors, taking into consideration the balance and diversity of knowledge, experience, and ability of the board of directors as a whole. For outside directors, the Company particularly looks for persons with strong expertise in management, finance, accounting, law, or other disciplines in addition to the Group's business areas, so as to drive the sustainable growth of the Company and to elevate its corporate value over the medium and long term. Prior to the official nomination of candidates by a resolution of the board of directors, the nomination and compensation committee, which is composed of a majority of independent outside directors who meet the Company's criteria for independence, submits a report on prospective candidates based on the above basic policy to the board of directors.

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

If, in the opinion of the Company, a director fails to sufficiently fulfill his or her function, the nomination and compensation committee deliberates the dismissal before the matter is brought to the board of directors. After the board of directors reaches a decision, the issue is forwarded to the General Meeting of Shareholders for its approval.

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

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

### **Supplemental Principle 3.1.3 Initiatives for Sustainability**

Under the Pasona Group corporate philosophy of "Providing solutions to society's problems", the Company is conducting business activities aiming to realize a sustainable society and is striving to promote sustainability management for sustainable growth of the Group. In order to clarify the significance of engaging in sustainability and the future vision it is aiming for, in 2021 the Company has explicitly documented its concept of "Pasona Group Sustainability" and is making it common knowledge throughout the Group. For details on our efforts regarding ESG and sustainability initiatives, please

refer to our website (<https://www.pasonagroup.co.jp/ir/esg/index.html>).

#### <Initiatives for Human Capital>

Since its establishment in 1976, the Group has made efforts to realize a society in which anyone, regardless of age, gender, nationality, or physical or mental disability, can have a dream, be proud, and freely use their talents to succeed. Within the company as well, we promote the creation of a workplace environment where employees can work with peace of mind, including proposing diverse work styles that maximize each and every employee's capabilities and providing support for building careers, thereby leading to the sustainable development and value enhancement of the Group.

##### • Human Resource Development Policy and Internal Environmental Improvement Policy

Our group's job is to "harness the potential of the individual." That is, to "Life Produce" and to support the creation of a comfortable lifestyle for people everywhere. To fulfill this role, under our human resource development policy of "Creating your own future by yourself," we have put in place various personnel systems and measures that encourage the exercise of talent and ability, and we support employees' autonomous career-building so that each employee can have high aspirations and a sense of purpose, while continuing to boldly take on challenges.

Our human resources strategy consists of three pillars: "Diversity & Inclusion" (creating a system in which everyone can play an active role), "Sustainability" (autonomous career development), and "Well-being" (a truly fulfilling way of living and working). By encouraging the growth of our employees, we promote the development of human resources that can contribute to the realization of a sustainable society, not to mention the growth of the Group.

In addition, based on a corporate philosophy that has remained unchanged since the company's founding, the Pasona Way, which represents the core of the Pasona Group, serves as a guideline for action, carrying on the spirit of the Company's founding and providing an unwavering axis for decision-making at all times. Every year, the two-month period beginning on February 16—the anniversary of Pasona Group's founding—is designated as "Pasona Way Week" as a month of reinforcement, during which all executives and employees share the corporate philosophy by reflecting on the Group's business history and the role it plays, along with holding discussions and setting individual action goals under the theme of the corporate philosophy.

For details on our efforts regarding human capital, please refer to "Section 2. Business Overview, 2. Our Approach and Efforts Concerning Sustainability" in the Annual Securities Report.

#### <Investment in Intellectual Property>

The Group's business is comprised of eight segments including Expert Services (Temporary Staffing), BPO Services (Contracting & Outsourcing), HR Consulting, Education & Training, and Others, Global Sourcing (Overseas Human Resources Services), Career Solutions (Placement/Recruiting, Outplacement), Welfare and Benefit Outsourcing, Life Solutions and Regional Revitalization Solutions, and the Company is striving to expand its business areas. The Company is not only securing the predominance of existing businesses, but also working to enhance the value of the brands under each business and to protect and secure intellectual property, including defensive countermeasures, in order to create promising innovations and visionary new industries.

Based on the thinking that intellectual property is the essential foundation for continuous growth of various industries, the Company is also developing businesses related to intellectual property. In 2008, the Company launched the knowledge bank business, and undertakes prior art investigation services as a Registered Investigation Body with the Patent Office. In 2016, Pasona Knowledge Partner Inc. was established to develop services for private companies such as patent investigation, outsourcing services for patent prosecution, and consulting services regarding intellectual property in general, and in 2021, Pasona Intellectual Property Trust Inc. was established as Japan's first trust company specializing in the handling of patents and other intellectual property, providing administrative trust services related to applications and securing rights to intellectual property (patent rights, design rights, utility model rights), which also contributes to the Group's intellectual property strategy.

#### <Responding to Climate Change>

Since the Team Minus 6% project led by the Japanese Government commenced in 2005, Pasona Group established an Environment Committee consisting of the directors of each of the Group companies. To date, the Environment Committee has strived to create opportunities for each and every employee to act as a Social Activist based on environmental training given to directors in order to preserve a healthy and beautiful world for future generations. Amidst the increasing severity of environmental damage, global warming, abnormal weather, damage to the ecosystem, and other climate issues in recent years, as a social solutions company, Pasona Group is disseminating its ideal way of sustainable management, and in order to continue to be a successful long-established company trusted by society, the Company determined the Pasona Group Environmental Innovation Strategy in 2021, and announced its support for the Task Force on Climate-Related Financial Disclosures (TCFD) in the same year. Regarding climate change issues, environmental management strategy conferences formulate strategies, policies, and targets for the Group's environmental management and response to climate change, and these environmental management promotion conferences promote effective action plans for each division and group based on these policies.

For details on our response to the Task Force on Climate-Related Financial Disclosures (TCFD), please refer to "Section 2. Business Overview, 2. Our Approach and Efforts Concerning Sustainability" in the Annual Securities Report.

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

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

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

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

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

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

### **Supplementary Principle 4.10.1 Utilization of Voluntary Mechanisms (Establishment of Advisory Boards, etc.)**

For the purpose of strengthening the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors and enhancing corporate governance, the Company has established a voluntary nomination and compensation committee as an advisory board to the board of directors that consists of a majority of independent outside directors who meet the Company’s independence criteria. The purpose of the nomination and compensation committee is to deliberate on matters related to the nomination and dismissal of directors, the selection and dismissal of representative directors, and the selection and dismissal of executive directors, as well as to decide on matters related to fixed compensation, etc., for each individual director who is not a member of the Supervisory Committee, etc.

For details, please refer to the “Supplementary Notes” to “Formation Status of Voluntary Committees, with Composition and Attributes of the Chairperson” of “II 1. Composition of Internal Organizations, Management, and Other Structures” in this report.

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

When nominating candidates for the positions of director, the Company takes into account the balance, diversity, and size of the board of directors as a whole. The policies and procedures for the selection of director candidates are shown in Principle 3-1 (iv) above. In the opinion of the Company, the maximum numbers of directors who are not Supervisory Committee members and of directors who are Supervisory Committee members should be 10 and five, respectively, to ensure appropriate, speedy, and fair decision-making on important matters and to administer proper supervision over business execution.

Please refer to the last page of this report for the skills matrix of the Company’s directors.

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

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

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

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

## **Outline of the evaluation results of the board of directors' effectiveness in FY2022**

In April 2023, a questionnaire survey for FY2022 was sent out. The directors were requested to perform an assessment (including a self-assessment) on the following matters:

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

An evaluation of the latest questionnaire's results and analysis results was reported to the board of directors meeting held in May 2021, at which issues that surfaced from the evaluation and others matters on the agenda were discussed. Given the active engagement by the directors in open and lively discussions where their respective expertise was well presented, along with the proper manner in which the board proceeded with the deliberation, the Company believes that the effectiveness of the board of directors is being ensured. The Company will continue to look into and take action as appropriate to further enhance the effectiveness of the entire board of directors.

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

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

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

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

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

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

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

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

## 2. Capital Structure

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

### Principal Shareholders

Shareholders	Number of shares held	Percentage of shares (%)
Yasuyuki Nambu	14,763,200	37.00
Nambu Enterprise Inc.	3,738,500	9.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,012,900	7.55
THE BANK OF NEW YORK MELLON 140040	2,278,500	5.71
Custody Bank of Japan, Ltd. (Trust Account)	876,500	2.20
AVI GLOBAL TRUST PLC	895,300	2.24
CREDIT SUISSE AG HONG KONG TRUST A/C CLIENT	782,800	1.96
INDUS SELECT MASTER FUND, LTD.	737,100	1.85
Custody Bank of Japan, Ltd. (Trust Account E)	722,376	1.81
JP MORGAN CHASE BANK 385632	618,601	1.55

Controlling shareholder

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Parent company

Not applicable

Supplementary Notes:

1. In addition to the aforementioned, the Company's treasury stock totaled 1,793,144 shares, which carry no voting rights per the provision of the Companies Act, Article 308, Paragraph 2.

2. The Company has introduced a "Board Benefit Trust" (BBT) and an "Employment Stock Ownership Plan" (J-ESOP). The 722,376 shares of the Company held in connection with these programs by Custody Bank of Japan, Ltd. (Trust Account E) are not counted toward the Company's treasury stock.

3. A "Change Report," which pertains to a large shareholder report, was submitted for public inspection on January 18, 2022. It states that Tempered Investment Management LTD. owned the following shares as of January 11, 2022. Said entity is not listed as a principal shareholder in the above table, as the Company has not verified the number of shares under its substantial ownership as of May 31, 2023.

The description that appears in the Change Report is shown below:

Tempered Investment Management LTD. 2,406,300 shares (5.77%)

## 3. Corporate Structure

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

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

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

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

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

The Company has two listed subsidiaries: Benefit One Inc. (on the Prime Market of the Tokyo Stock Exchange) and Bewith, Inc. (also on the Prime Market of the Tokyo Stock Exchange) and a listed equity method affiliate: circlace Inc. (on the Growth Market of the Tokyo Stock Exchange). The Company believes that the significance of maintaining listed subsidiaries and a listed equity method affiliate (hereafter referred to as listed subsidiaries, etc.) is due to certain advantages, such as in securing excellent human resources, maintaining brand power, securing trust from clients and increasing orders, and improving employee motivation.

The Company and its listed subsidiaries, etc. do business together in various ways, such as by providing services to one another, working together to receive orders for projects, and exchanging personnel so as to create business synergy among them. However, in terms of business operations, from the perspective of protecting the minority shareholders of listed subsidiaries, etc. and ensuring their independence as listed companies, the Company respects the management systems and policies of listed subsidiaries, etc. and believes that it is appropriate to maintain the management autonomy of subsidiaries, etc. in order to enhance the value of the Group.

### Benefit One Inc.

Benefit One Inc. is engaged in the Group's outsourcing business, including the employee benefit business, personal services business, incentive business, healthcare services business, and purchasing and settlement service business, and we believe that the significance of owning Benefit One Inc. is important for the Group toward achieving sustainable growth. In addition, more than one-third of the eight directors (three) of Benefit One Inc. are appointed as independent outside directors, and the subsidiary has established a Nomination and Compensation Committee composed solely of independent outside directors so as to ensure independence and avoid conflicts of interest with general shareholders.

### Bewith, Inc.

In the Group's BPO service area, Bewith, Inc. is developing contact center and BPO services using digital technologies such as Omnia LINK, which is a cloud-based PBX developed in-house, along with the development and sales of AI and DX solutions. We believe that the significance of owning Bewith, Inc. is important for the Group toward achieving sustainable growth. In addition, more than one-third of the seven directors (three) of Bewith, Inc., are appointed as independent outside directors, and the subsidiary has established a Nomination and Compensation Committee composed solely of independent outside directors so as to ensure independence and avoid conflicts of interest with general shareholders.

The number of shares traded and the total market capitalization of these subsidiaries' shares will fluctuate due to trading by investors, but in order to continue to meet the listing criteria of the markets on which the subsidiaries are listed, for the time being, the Company will, at the request of the subsidiaries, collaborate with them toward considering capital policies that can be implemented within the scope of maintaining their consolidated relationship with the Company and will strive to secure liquidity and increase the total market capitalization of the shares traded.

### circlace Inc.

In the Group's BPO service area, circlace Inc. provides services such as implementation support and operation consulting, operation support, and training using cutting-edge cloud computing technologies centered on Salesforce, as well as SaaS deployment of its own products such as Circlace and AGAVE. We believe that holding circlace Inc. is significant for the sustainable growth of our group. In addition, two of the six directors of circlace Inc. have been appointed as independent outside directors, and a Nominating Committee consisting of the President, Chairman of the Board, and two independent outside directors, and a Compensation Committee consisting of the Chairman of the Board and one independent outside directors has been established to ensure independence so that there is no conflict of interest with general shareholders.

The number of shares traded and the total market capitalization of the affiliate's shares will fluctuate due to trading by investors, but in order to continue to meet the listing criteria of the markets on which the affiliate is listed, for the time being, the Company will, at the request of the affiliate, collaborate with them toward considering capital policies that can be implemented within the scope of maintaining their equity method affiliated relationship with the Company and will strive to secure liquidity and increase the total market capitalization of the shares traded.



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

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

Type of organizational structure

Company with a supervisory committee

#### Directors

Maximum number of directors as stipulated in the Company's articles of incorporation	15
Term of office for directors as stipulated in the Company's articles of incorporation	One year
Chairman of the board of directors	Company president
Number of directors	10
Election of outside directors	Elected
Number of outside directors	4
Number of outside directors designated as independent directors	4

#### Relationship with the Company (1)

Name	Status	Relationship with the Company (Note)											
		a	b	c	d	e	f	g	h	i	j	k	
Haruo Funabashi	Appointed from the outside												
Kazuo Furukawa	Appointed from the outside												
Ryohei Miyata	Appointed from the outside												
Yutaka Atomi	Appointed from the outside												

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

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

"△" when the director fell under the category in the past

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

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

a. Executive of the Company or its subsidiaries

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

c. Executive of a fellow subsidiary company of the Company

d. Party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company in addition to compensation as a director/auditor

g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/auditor are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

## Relationship with the Company (2)

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

Name	Member of the Supervisory Committee	Designation as an independent director	Supplementary explanation	Reason for appointment
Ryohei Miyata	✓	✓	—	<p>Mr. Miyata has won many awards, including the Japan Art Academy Award, as a metal craftsman. In addition to a wealth of experience in university management, he has also acquired expertise in art &amp; culture, which is fundamental for the Company's Regional Revitalization Projects, due to leading Japanese cultural administration as a commissioner for the Agency of Cultural Affairs. Therefore, the broad insight he has gained during the course of his professional career, together with his independent standpoint, can be utilized to strengthen the board's decision-making and audit and supervisory functions.</p> <p>The Company determines that Mr. Miyata is qualified to serve as an outside director who also sits on the Supervisory Committee.</p> <p>In addition to the independence criteria for outside directors set forth by the Company, Mr. Miyata satisfied the standards set forth by the Tokyo Stock Exchange for independent directors, who must be appointed by listed companies to protect the interests of general shareholders.</p> <p>Hence, Mr. Miyata has been designated as an independent director.</p>
Yutaka Atomi	✓	✓	—	<p>Mr. Atomi has broad knowledge as a medical scientist, which is indispensable for the Company's healthcare business, and abundant experience as a president and in the management of a university. We expect that he will utilize the wide range of knowledge that he has cultivated throughout his career in supervising the management of the Company, thereby strengthening the decision-making function and auditing supervisory function of the Board of Directors from an independent standpoint. Therefore, we have determined that he is qualified for the position of Outside Director who is an Audit and Supervisory Committee Member.</p> <p>In addition to the independence criteria for outside directors set forth by the Company, Mr. Atomi satisfied the standards set forth by the Tokyo Stock Exchange for Independent Directors, who must be appointed by listed standards set forth by the Tokyo Stock Exchange for such directors, who must be appointed by listed companies to protect the interests of general shareholders.</p> <p>Hence, Mr. Atomi has been designated as an independent director.</p>

## Supervisory Committee

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

	Total number of Supervisory Committee members	Full-time members	Inside directors	Outside directors	Chairperson
Supervisory Committee	5	1	1	4	Inside director

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

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

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

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

The Supervisory Committee informs the Internal Audit Department of the audit policy and audit plan and receives reports on the internal audit plan and the individual internal audit results, etc., from the Internal Audit Department. In addition, the Supervisory Committee works closely with the Internal Audit Department to build a system that enables effective audits of the entire Company group. The accounting auditors and the Supervisory Committee meet regularly and cooperate with each other through exchanges of opinions and information.

## Voluntary Committees

Voluntary committees equivalent to a nominating committee or a compensation committee **Formed**

### Formation Status of Voluntary Committees, with Composition and Attributes of the Chairperson

	Name of committee	Total number of Supervisory Committee members	Full-time members	Inside directors	Outside directors	Outside experts	Others	Chairperson
Voluntary committee equivalent to a nomination committee	Nomination and compensation committee	3	0	0	2	0	1	Others
Voluntary committee equivalent to a compensation committee	Nomination and compensation committee	3	0	0	2	0	1	Others

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## Supplementary Explanation

For the purpose of strengthening the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors and enhancing corporate governance, the Company has established a voluntary nomination and compensation committee as an advisory board to the board of directors that consists of a majority of independent outside directors who meet the Company's independence criteria. The members are selected by resolution of the board of directors. The purpose of the nomination and compensation committee is to deliberate and report to the board of directors on matters related to the nomination and dismissal of directors, the selection and dismissal of representative directors, and the selection and dismissal of executive directors, as well as to decide on matters related to fixed compensation, etc., for each individual director who is not a member of the Supervisory Committee, etc.

In principle, the nomination and compensation committee meets twice a year; however, it holds extraordinary meetings when there are urgent matters to be discussed.

The nomination and compensation committee consists of three members: Mr. Yutaka Hori (lawyer), Mr. Haruo Funabashi (outside director), and Mr. Kazuo Furukawa (outside director), and the committee is chaired by Mr. Yutaka Hori. The committee met once during the fiscal year, and regarding nomination, deliberated on the suitability of candidates for director and reported to the board of directors. In addition, regarding compensation, the committee assessed the individual performance of directors who are not members of the Supervisory Committee, etc., and determined the fixed compensation, etc. for those directors based on said assessment. The attendance rate of the current committee members at the committee meetings is 100%.

## Independent Directors

Number of independent directors	4
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## Incentives

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

The compensation of each director who is not a member of the Supervisory Committee is determined by taking into consideration a variety of factors, including his or her position, standing, responsibilities, and level of contribution to the Company.

The Company has adopted the Board Benefit Trust (BBT) as a performance-linked, stock-value-linked compensation system for the purpose of clarifying the linkage between the compensation for directors, etc., and the Company's business performance and shares, as well as for enhancing the directors' awareness of their contribution to the Company's medium- to long-term business performance and enhancement of corporate value.

The performance-linked stock compensation is determined via a method decided on by the board of directors based on the basic coefficient according to the position of each director (excluding directors who are members of the Supervisory Committee and non-executive directors) and according to the degree of achievement of the performance targets for each fiscal year. The evaluation indicators are consolidated operating income and net income attributable to shareholders of the parent company, and specific upper limits are set to enhance transparency and objectivity. The reason for the selection of these performance indicators is that the Company believes it is appropriate to use consolidated operating income and net income attributable to shareholders of the parent company because the profit & loss figures are clearer in considering the contribution to business performance in a single fiscal year.

## Directors' Compensation

Status of disclosure of directors' compensation

Disclosure on select directors only

### Supplementary Explanation

Compensation paid to directors and auditors (16th period)

- Compensation for 6 directors who were not members of the Supervisory Committee: ¥276 million
- Compensation for 4 directors who were members of the Supervisory Committee: ¥52 million (including ¥36 million for outside directors)

Note: Compensation limits

1. As of the end of the 16th period, there were five directors who were not members of the Supervisory Committee and four directors who were members of the Supervisory Committee (including three outside directors).
2. For directors who are not members of the Supervisory Committee: Up to ¥600 million per annum (including ¥50 million for outside directors)  
For directors who are members of the Supervisory Committee: Up to ¥100 million per annum

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

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

Available

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

1. Method of deciding the policy concerning the details of individual compensation, etc., for directors

The Company resolved the policy concerning the details of individual compensation, etc., for directors (hereinafter referred to as the "decision policy") at a meeting of the board of directors held on February 26, 2021, and accompanying the establishment of a nomination and compensation committee, the Company resolved to revise the decision policy at a meeting of the board of directors held on June 30, 2021.

2. Outline of the decision policy

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

The remuneration for directors (excluding directors who are members of the Supervisory Committee, outside directors, and non-executive directors) consists of fixed, basic compensation and performance-linked stock compensation, which is designed to motivate them to make greater contribution to the Company's medium- and long-term results and to enhance corporate value. As a general rule, the performance-linked stock compensation is designed to be approximately 0% to 30% of the total compensation when the performance target is achieved. On the other hand, out of consideration of the supervising directors who conduct administration work, the compensation for other directors is only composed of the fixed compensation.

The basic, fixed portion of the compensation of each director who is not a member of the Supervisory Committee is—subject to the compensation limits for directors approved by a Shareholders' Meeting—determined by the nomination and compensation committee, which is composed of a majority of independent outside directors who meet the Company's independence standards, based on the directors' position, standing, responsibilities, and contribution to the Company. However, the fixed compensation for a director who is a member of the Supervisory Committee is determined through discussions between the directors who are Supervisory Committee members themselves within the compensation limits approved by a Shareholders' Meeting.

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

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

Fixed compensation is set at an annual amount, with one-twelfth of the amount to be granted each month starting in September, and shares related to the Board Benefit Trust (BBT), which is a performance-linked, stock-based compensation system, are in principle to be delivered upon retirement.

## Support Structure for Outside Directors

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

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

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

### 1. Business Execution Functions

#### Board of Directors

The board of directors is responsible for the monitoring function of the whole management team and makes decisions on matters required by law and the articles of incorporation, in addition to important matters of the Pasona Group and the Pasona Group companies such as involving M&As, reorganization, the disposal and acquisition of significant assets, and substantial investments and loans, in accordance with the rules of the Board of Directors, which said Board of Directors have adopted via its own resolution. As of the date of the Corporate Governance Report, the Board of Directors is comprised of five Directors (three men and two women) who are not Audit and Supervisory Committee Members, and five Directors (all men) who are Audit and Supervisory Committee Members. Of these, four Directors (all men) are Independent Outside Directors who are Audit and Supervisory Committee members. Also, by making 40% of the Directors into Independent Outside Directors, the monitoring function of the Board of Directors has improved.

(Status of Activities of the Board of Directors)

The Company's directors hold regular meetings of the Board of Directors at least once a month, as well as extraordinary meetings, as necessary. The number of meetings of the Board of Directors held during the fiscal year under review was 16, and the Company discloses the attendance of each Director in the Annual Securities Report.

(Matters to be deliberated by and reported at the Board of Directors)

Specific matters to be deliberated and reported during the current fiscal year are as follows.

- Group and operating company strategy
- New business strategy
- M&As and restructuring
- Financial results, performance, and financial strategy
- Budget management
- Acquisition of assets and investment (fixed assets, etc.)
- Risk management
- Compliance

#### Management Meeting

A Management Meeting is held twice a month, in general, so as to allow decisions concerning important matters affecting the entire Company to be made quickly and efficiently. As of the date of submission of the Annual Securities Report, the Management Meeting is composed of five Directors who are not Audit and Supervisory Committee Members (Mr. Yasuyuki Nambu, Ms. Junko Fukasawa, Ms. Kinuko Yamamoto, Mr. Hiroataka Wakamoto, and Mr. Makiya Nambu), one full-time Audit and Supervisory Committee Member (Mr. Kazufumi Nomura), and 12 titled Executive Officers (Ms. Yuko Nakase, Mr. Akira Kamitamai, Mr. Hajime Kono, Mr. Shintaro Nakao, Mr. Takuji Matsumura, Ms. Kaori Shindo, Mr. Masato Ito, Ms. Yukari Ohinata, Mr. Motoyoshi Takagi, Ms. Mari Fukui, Ms. Misako Nakata, and Ms. Azusa Yoshimura).

The Management Meeting is chaired by the President and Representative Director.

#### Executive Officer System

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

## **Internal Control Systems Committee and Others**

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

- (1) Internal Control Systems Committee;
- (2) Compliance Committee;
- (3) Risk Management Committee;
- (4) CS/ES Committee;
- (5) Environmental Management Strategy Board
- (6) SDGs Committee; and
- (7) DX Promotion Committee

## **2. Audit and Supervisory Functions**

### **a. Internal Audits**

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

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

### **b. Audits by Supervisory Committee**

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

## **3. Functions for Determining Nomination and Compensation Nomination and Compensation Committee**

The nomination and compensation committee has been formed as an advisory board to the board of directors for the purpose of enhancing the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors and for boosting corporate governance. The committee consists of a majority of independent outside directors who meet the Company's independence criteria, and it deliberates and reports to the board of directors on matters related to the nomination and dismissal of directors, the selection and dismissal of representative directors, and the selection and dismissal of executive directors, while also deciding on matters related to fixed compensation, etc., for each individual director who is not a member of the Supervisory Committee, etc.

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

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



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

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

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

#### 2. Status of IR Activities

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

Others	—	After the annual general meeting of shareholders (August), a "shareholders newsletter" is issued and posted on the Company's website. The Company sends reports to shareholders every August. For the first, second, and third quarters, quarterly IR letters summarizing our business results and activities are posted on the Company's website.
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### 3. Maintaining Respect for the Status and Position of Stakeholders

	Explanatory comments
Internal guideline or code concerning respect for stakeholder positions	<p>In accordance with the corporate philosophy of Pasona Group: "Providing Solutions to Society's Problems," we promote diversity aimed at giving all individuals the freedom to choose and the opportunity to work in a job that they like. Our mission is to serve as a "Life Producer"—one that creates spiritually fulfilling lives and that "harnesses the potential of the individual." In order to fulfill our corporate social responsibility of "creating a society in which all people can map out a fulfilling life plan and choose a career that compliments their varied lifestyles, whether they are individuals returning to the workforce or desiring a change of direction in life, or individuals who are determined to pursue their life goals," we have established The Work of PASONA GROUP and the PASONA GROUP Corporate Action Constitution in which we pledge to uphold our mission and respect the status and position of our stakeholders.</p>
Implementation of environmental protection and CSR activities	<p>Under the Pasona Group corporate philosophy of "Providing Solutions to Society's Problems", the Company is conducting business activities aiming to realize a sustainable society and is striving to promote sustainability management for sustainable growth of the Group. In order to clarify the significance of engaging in sustainability and the future vision it is aiming for, in 2021 the Company has explicitly documented its concept of "Pasona Group Sustainability" and is making it common knowledge throughout the Group.</p> <p>&lt;Responding to Climate Change&gt;  Since the Team Minus 6% project led by the Japanese Government commenced in 2005, Pasona Group established an Environment Committee consisting of the directors of each of the Group companies. To date, the Environment Committee has strived to create opportunities for each and every employee to act as a Social Activist based on environmental training given to directors in order to preserve a healthy and beautiful world for future generations. Amidst the increasing severity of environmental damage, global warming, abnormal weather, damage to the ecosystem, and other climate issues in recent years, as a social solutions company, Pasona Group is disseminating its ideal way of sustainable management, and in order to continue to be a successful long-established company trusted by society, the Company determined the Pasona Group Environmental Innovation Strategy in 2021, and announced its support for the Task Force on Climate-Related Financial Disclosures (TCFD) in the same year. Regarding climate change issues, environmental management strategy conferences formulate strategies, policies, and targets for the Group's environmental management and response to climate change, and these environmental management promotion conferences promote effective action plans for each division and group based on these policies.  For details on our response to the Task Force on Climate-Related Financial Disclosures (TCFD), please refer to "Section 2. Business Overview, 2. Our Approach and Efforts Concerning Sustainability" in the Annual Securities Report.</p> <p>&lt;Initiatives for Human Capital &gt;  Since its establishment in 1976, the Group has made efforts to realize a society in which anyone, regardless of age, gender, nationality, or physical or mental disability, can have a dream, be proud, and freely use their talents to succeed. Within the company as well, we promote the creation of a workplace environment where employees can work with peace of mind, including proposing diverse work styles that maximize each and every employee's capabilities and providing support for building careers, thereby leading to the sustainable development and value enhancement of the Group.</p> <ul style="list-style-type: none"> <li>• Human Resource Development Policy and Internal Environmental Improvement Policy</li> </ul> <p>Our group's job is to "harness the potential of the individual." That is, to "Life Produce" and to support the creation of a comfortable lifestyle for people everywhere. To fulfill this role, under our human resource development policy of "Creating your own future by yourself,"</p>

we have put in place various personnel systems and measures that encourage the exercise of talent and ability, and we support employees' autonomous career-building so that each employee can have high aspirations and a sense of purpose, while continuing to boldly take on challenges.

Our human resources strategy consists of three pillars: "Diversity & Inclusion" (creating a system in which everyone can play an active role), "Sustainability" (autonomous career development), and "Well-being" (a truly fulfilling way of living and working). By encouraging the growth of our employees, we promote the development of human resources that can contribute to the realization of a sustainable society, not to mention the growth of the Group.

In addition, based on a corporate philosophy that has remained unchanged since the company's founding, the Pasona Way, which represents the core of the Pasona Group, serves as a guideline for action, carrying on the spirit of the Company's founding and providing an unwavering axis for decision-making at all times. Every year, the two-month period beginning on February 16—the anniversary of Pasona Group's founding—is designated as "Pasona Way Week" as a month of reinforcement, during which all executives and employees share the corporate philosophy by reflecting on the Group's business history and the role it plays, along with holding discussions and setting individual action goals under the theme of the corporate philosophy.

For details on our efforts regarding human capital, please refer to "Section 2. Business Overview, 2. Our Approach and Efforts Concerning Sustainability" in the Annual Securities Report.

## **IV Matters Concerning Internal Control System**

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

1. Structure and system to ensure that the directors and employees of the Company and its subsidiaries execute their duties in conformity with legal requirements and their respective articles of incorporation
  - (1) The Company established a corporate code of conduct. Designed to fully familiarize the officers and employees of the Company and its subsidiaries with the corporate philosophy that underpins all activities, the corporate code of conduct helps imbue stronger compliance mindset in the officers and employees.
  - (2) The directors of the Company and its subsidiaries are monitored by the boards of directors, the Management Meeting, and other organs of respective entities to ensure their compliance with laws, regulations, and their articles of incorporation and to confirm that their actions are in line with the corporate philosophy.
  - (3) The Compliance Committee was established as an organ to set forth the basic standards of conduct to be observed by officers and employees of the Company and its subsidiaries in carrying out their day-to-day business. It also implements and supervises activities aimed at promoting compliance within the Company and at its subsidiaries. The activities of the Compliance Committee are reported to the board of directors on a periodic basis.
  - (4) In an attempt to detect at the early stage of illegal acts, and to prevent such acts committed on organizational and individual levels, the Company has established an internal reporting system covering the entire Pasona Group companies. Internal reporting contact points have been set up both within and outside the Company for officers and employees to file a report.
  - (5) The CIU Department and the Group Internal Audit Department conduct internal audits of the Company and its subsidiaries (excluding publicly listed subsidiaries). It reviews the validity, appropriateness, and legality of business execution and improves the Company's internal controls.
  - (6) Based on the corporate code of conduct, the Company takes a resolute attitude in opposition to criminal and anti-social forces and refuses and severs any relationship with such parties. A department has been designated to handle illicit demands, and rules and regulations governing reporting and response procedures are in place to increase the Company's readiness to fight back in cooperation with the relevant authorities, including law enforcement, as appropriate.
  - (7) Legal appropriateness is maintained by electing outside directors who do not have any conflict of interest with the Company and by strengthening mutual monitoring and mutual oversight among the directors.
  - (8) Audits are performed by the full-time Supervisory Committee members and the outside directors who are Supervisory Committee members and who, by definition, have no conflict of interest with the Company.
2. Structure and system to maintain and manage information relating to the directors' execution of their duties

Pasona Group takes full steps to ensure that the preparation, maintenance, and disposal of important documents that relate to decisions made by the directors and reports submitted to the directors are carried out in accordance with the established document management regulations.
3. Rules, structure, and system to manage risks of loss within the Company and at its subsidiaries
  - (1) Risks are managed in accordance with the group's risk management rules. For the full enforcement of the rules, a crisis management manual has been distributed to all officers.
  - (2) The Pasona Group CEO & president maintains ultimate responsibility for risk management functions. In day-to-day terms, however, the responsibility for risk management is centralized within the Risk Management Committees established within the Company and at its major subsidiaries, and the executive officer in charge of the Corporate Governance Headquarters is charged with risk oversight.
  - (3) The Risk Management Committees boosts readiness to respond to incidents by identifying and classifying anticipated risks based on the crisis management manual, such that necessary information is distributed throughout the group promptly in the event of a crisis.
  - (4) The CIU Department and the Group Internal Audit Department of the Company perform audits on the daily risk control administered by the divisions of the Company and by its subsidiaries (excluding publicly listed subsidiaries).
4. Structure and system to ensure the efficiency of execution of the directors' duties at the Company and its subsidiaries
  - (1) The segregation of responsibilities and authority among directors, as outlined in each company's organizational rules and regulations, is designed to ensure well-defined accountability and maximum operational efficiency.
  - (2) In addition to the regular board of directors meeting, which is scheduled every month, extraordinary sessions may be scheduled as needed. The Management Meeting, which is attended by the directors who are not members of the Supervisory Committee, the full-time Supervisory Committee members, and titled executive officers, serves as a forum for deliberating management issues related to business execution.
  - (3) Subsidiaries may decide on the frequency of regular board of directors meetings to suit their size, and the frequency is stipulated in their respective rules on the board of directors. The frequency suggested by the Company is once every month or at least once every quarter, and the Corporate Planning Division periodically checks the actual frequency. In addition to the regular meetings, subsidiaries may schedule extraordinary board of directors meetings as appropriate.
  - (4) The boards of directors of the Company and its subsidiaries (excluding publicly listed subsidiaries) decide on management policies, matters as required by law, and other important management matters, and provide supervision over business execution.

5. Structure and system to ensure appropriate conduct by the corporate group comprising the Company and its subsidiaries

In addition to the matters stated in 1. through 4. above:

- (1) Pasona Group sends its officers to serve as directors or auditors of its subsidiaries. Their attendance at the boards of directors meetings of subsidiaries and the performance of audits on all subsidiaries allow the Company to keep abreast of the status of subsidiaries and to provide supervision over management at such subsidiaries.
  - (2) The Company and its subsidiaries (excluding publicly listed subsidiaries) have concluded a group management agreement, which stipulates that subsidiaries report all important matters relating to the execution of directors' duties to the Company.
  - (3) The Company's CIU Department and the Group Internal Audit Department conduct internal audits of the Company and its subsidiaries (excluding publicly listed subsidiaries), reports its findings during internal audit meetings attended by the full-time directors, the Supervisory Committee members, and by titled executive officers, and performs necessary management as circumstances may require.
  - (4) In order to ensure the appropriateness of financial reporting, the Company's Internal Control Systems Committee formulates an internal control system evaluation plan in accordance with Internal Control Systems Committee rules, monitors internal control system evaluations conducted by the Group Internal Audit Department, and prepares internal control system reports, which are submitted to the board of directors.
6. Matters concerning directors and employees who are assigned to assist in the duties of the Supervisory Committee
- The Company has created a Supervisory Committee Office, which is staffed by personnel dedicated to offering assistance in the duties of the Supervisory Committee.
7. Matters concerning the independence from other directors of the directors and employees who assist in the duties of the Supervisory Committee (excluding directors who are Supervisory Committee members) and matters relating to ensuring the effectiveness of the Supervisory Committee's instructions directed to such directors and employees
- (1) The employees who assist in the duties of the Supervisory Committee do not concurrently hold positions that pertain to the business execution of the Company, and they perform their duties under the command of the Supervisory Committee.
  - (2) For personnel changes and transfers, personnel evaluations, and disciplinary actions pertaining to such assistants, the prior approval of the Supervisory Committee is obtained.
8. Structure and system for whistleblowing by directors and employees of the Company and its subsidiaries to the Company's Supervisory Committee and the system to ensure that the directors and employees who filed reports to the Supervisory Committee of the Company or to auditors of the subsidiaries suffer no adverse consequences in retaliation for filing a report
- (1) All matters that could significantly damage the Company's credibility, matters that could have significant, adverse impact on the Company's business results, and illegal or fraudulent acts by officers or employees, including all suspected cases thereof, must be reported promptly to the internal reporting point of contact in accordance with the compliance hotline rules. The contents of the internal report must be forwarded immediately through the Company's hotline secretariat (internal point of contact) to the Supervisory Committee of the Company or the company of the whistleblower's affiliation.
  - (2) The Company and its subsidiaries must put in place and fully enforce compliance hotline regulations prohibiting any action against whistleblowers in retaliation for filing a report.
9. Policy on the processing of expenses arising from the execution of duties by the Supervisory Committee members and the systems and structure for ensuring that the Supervisory Committee's audit is effectively conducted
- (1) Advances for anticipated expenses or for the reimbursement of expenses as incurred in connection with the execution of duties by the Supervisory Committee members and any other expenses or monetary obligations arising out of the execution of such duties are processed properly based on written requests from the Supervisory Committee members.
  - (2) The Supervisory Committee works closely with the president and representative director, accounting auditors, the CIU Department and the Group Internal Audit Department, the Supervisory Committee Office, and subsidiaries' supervisory committees and auditors, and holds meetings from time to time to exchange information.

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

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

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

## **V Others**

### **1. Measures to Prevent Hostile Takeovers**

Measures to prevent hostile takeovers	None
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### **Supplementary Explanation**

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

### **2. Other Matters Concerning Corporate Governance Structure**

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

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

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

##### (1) Information collection and management

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

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

Pasona Group has put in place a set of information disclosure rules and has clarified disclosure criteria and standards so as to enable each department within the corporate group to quickly determine the importance of information as well as the necessity for disclosure. In principle, information disclosure is undertaken in accordance with the security listing regulations issued by the Tokyo Stock Exchange. Information outside the scope of disclosure information stipulated under the aforementioned exchange regulations is disclosed promptly, if the representative director, the information manager, the executive officer in charge of the Investor Relations Department, the executive officer in charge of the Public Relations Department, and the Corporate Information Officer conclude upon mutual consultation that such disclosure is appropriate.

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

Pasona Group has established the Investor Relations Department with eight dedicated personnel to assume responsibility for matters relating to information disclosure. Subject to a resolution of the board of directors, information earmarked for timely disclosure is posted by the Investor Relations Department on TDnet of the Tokyo Stock Exchange in accordance with the exchange's security listing regulations. Information registered with TDnet is also promptly posted on the Company's website.

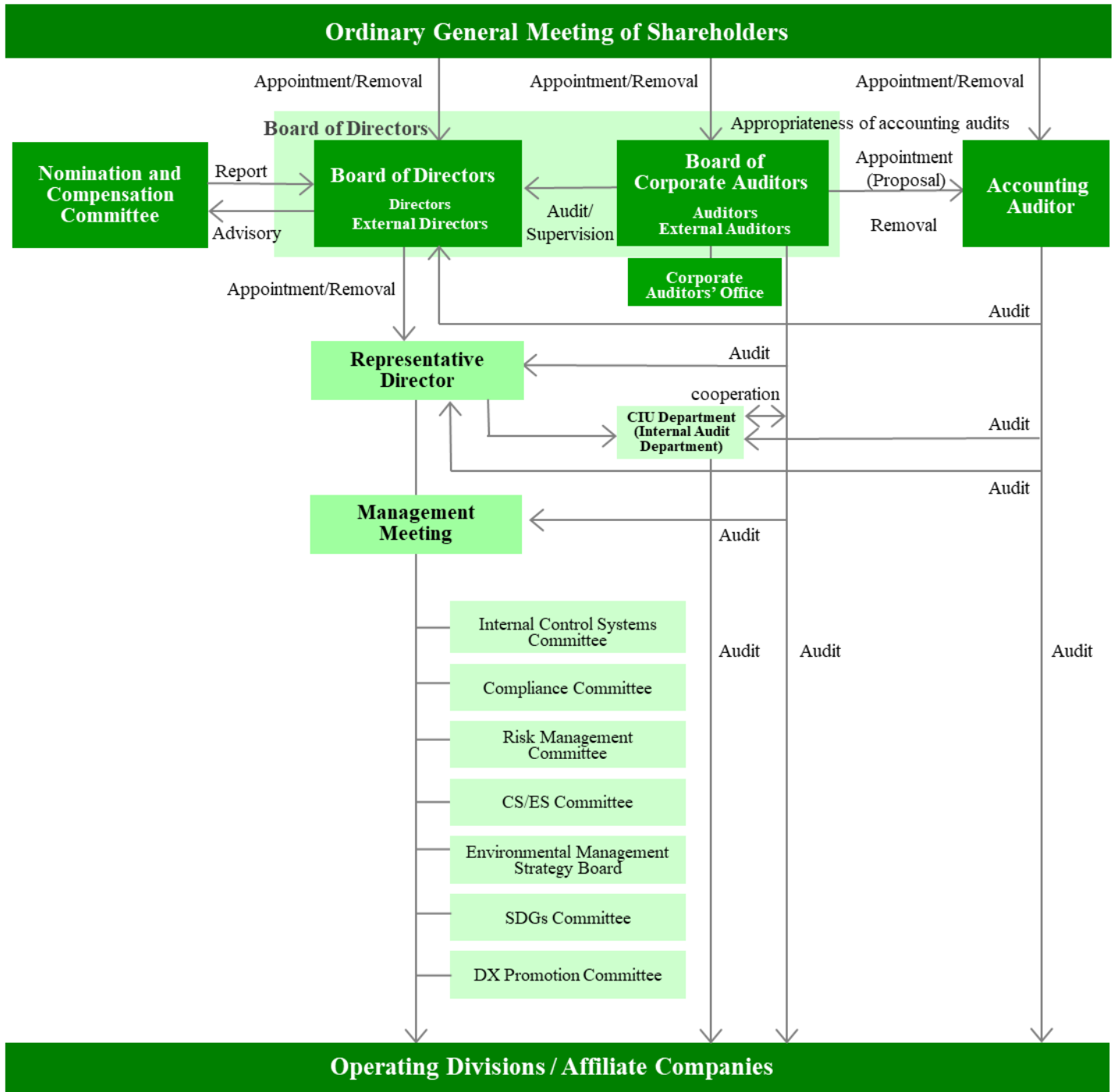
#### 2.Prevention of insider trading

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

#### 3.Internal monitoring structure for timely disclosure

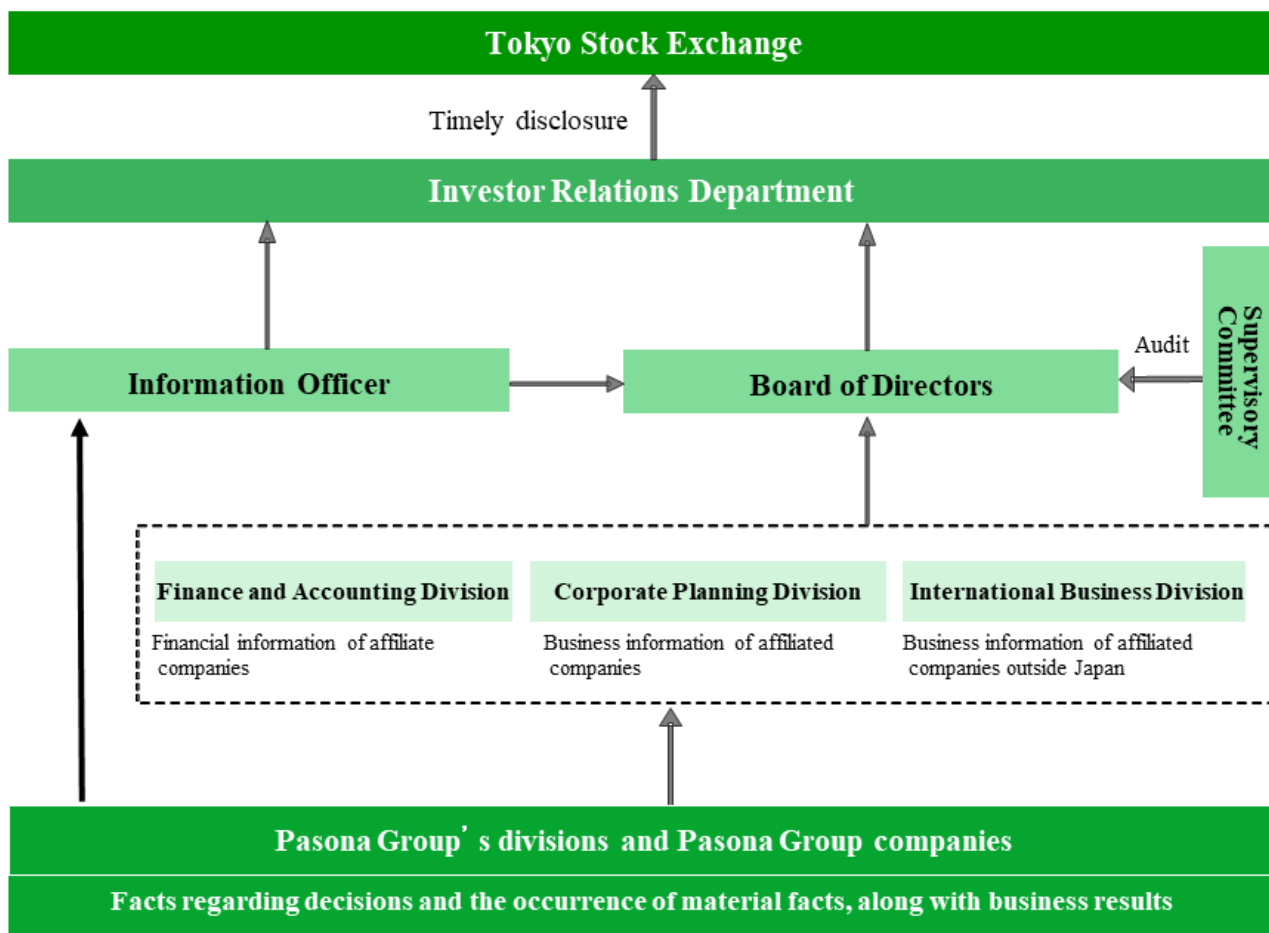
The CIU Department, which reports directly to the representative director of the Company, conducts periodic internal audits of the Company's information disclosure structure in order to confirm that appropriate monitoring is undertaken, so as to ensure open and fair timely disclosure.

# Pasona Group's Corporate Governance and Internal Management Structure



# Internal structure for timely disclosure

→ Information flow





## Composition of the board of directors (skills matrix)

Name		Knowledge, experience, and ability possessed by directors								
		Corporate management	HR development	New business development	Compliance/ risk management	Finance/ accounting	Regional revitalization/ culture/ art	Sustainability/ ESG	Global	Well-being
Yasuyuki Nambu		●	●	●			●	●	●	●
Junko Fukasawa		●	●				●	●		●
Kinuko Yamamoto		●	●	●			●			●
Hirotaaka Wakamoto		●	●	●				●		
Makiya Nambu				●					●	
Kazufumi Nomura	Full-time Audit and Supervisory Committee Member	●			●					
Haruo Funabashi	Outside Audit and Supervisory Committee Member				●	●	●			
Kazuo Furukawa	Outside Audit and Supervisory Committee Member	●		●	●			●	●	
Ryohei Miyata	Outside Audit and Supervisory Committee Member		●				●			
Yutaka Atomi	Outside Audit and Supervisory Committee Member				●					●