

Compensation Policy for Director and officer

(1) PERSOL Group's value creation story

(i) Group Vision

"Work, and Smile" describes the vision that PERSOL wants to realize.

The labor market is witnessing an ongoing shift from "Organization-oriented" to "Individual-oriented," giving rise to a renewed question about what should be the roles and the meaning of existence of the human resource services industry.

Through our corporate activities, we aim to create a society where all people can "Work, and Smile" regardless of their sexuality, age, nationality or any other boundary.

(ii) PERSOL Group's promise to society

We propose new styles of working and employment in the era that many people live to be 100 and contribute to the improvement of work engagement for all individuals, and thereby realize "Work, and Smile".

(iii) Sources of value creation

Based on the corporate philosophy and Five Core Principles, "people" who continued to align sincerely with working individuals, contact points with customers and social trust generated by "people", and human resources and HR information, and healthy financial foundation obtained as a result are the strengths of PERSOL.

(iv) Business activities

To solidify our "PERSOL Group's promise to society" stated in (ii) above, the Group is determined to "focusing on each individual," "Innovating through technologies" and "Extending our value globally," as the Group's key strategies. We will accelerate our business activities through SBU (Strategic Business Unit) business strategies and corporate strategies, built on the Group's key strategies and business domains.

(v) Results of business activities

To assess the results of our commitment to our vision, we implement a "Work, and Smile" Index. We believe assessing the results based on this "Work, and Smile" Index will also help achieve our financial targets.

To realize our Group Vision "Work, and Smile," we will further promote our business to contribute to the SDGs. Among them, we will put effort into realizing the five especially important SDGs of "Goal 4: Quality Education," "Goal 5: Gender Equality," "Goal 8: Decent Work and Economic Growth," "Goal 9: Industry, Innovation, and Infrastructure," and "Goal 10: Reduced Inequalities," while we will also help develop and employ personnel who can contribute to fulfilling all 17 goals at the same time.

(2) Basic policy for Director and officer Compensation

The Compensation for Director and officer (hereinafter, "Executive Compensation") of the Company and its subsidiaries that play central roles of the Company's SBU business strategies (hereinafter, "core SBU companies") is designed to clearly reflect not only the short-term financial performance of the PERSOL Group but also the contribution made towards enhancing medium- to long-term financial performance, so that they can help substantiate the Group's value creation story. Accordingly, Executive Compensation of the Group is positioned as an incentive to realize sustainable medium- to long-term growth, and its basic policy is embodied in the following three perspectives.

- (i) Linked to the short-, medium- and long-term financial performance and the corporate value of the PERSOL Group
 - A scheme that is linked not only to short-term financial performance but also to medium- to long-term financial performance and corporate value
- (ii) Linked with shareholder value
 - Aligns profit awareness with that of shareholders and raises awareness of shareholder-oriented management
 - Ensures transparency and objectivity of the Compensation determination process
- (iii) Sets competitive level of Compensation
 - Makes Compensation levels competitive with domestic companies of the same size and in the same industry, and is instrumental in securing high-quality human resources
 - Provides a stronger incentive to the Company's officers with regard to improving financial performance and corporate value

(3) Level of Compensation

Executive Compensation is determined at a level deemed reasonable and fair based on the basic policy for Director and officer Compensation stated above. More specifically, we determine the level of Compensation for officers by studying and analyzing the Compensation levels of a group of benchmark companies (20 - 30 companies) selected utilizing an external database, etc, and based on the business circumstances for the Company. In determining Executive Compensation for Mid-term Management period, the fiscal year ended March,2023, we selected 22 companies, as a group of benchmark companies, out of peer companies (in the human resource services industry) and other major companies of comparable size.

(4) Composition of Compensation

The Compensation of the Company's Directors who are not Supervisory Committee Members (excluding Independent Directors) and executive officers consist of the following three elements: "basic Compensation" appropriate to the role of each officer, a "bonus" that provides a short-term Compensation incentive, and "share-based Compensation" that provides a medium- to long-term Compensation incentive. Officers' bonus is designed to be equivalent to 30% of the basic Compensation, while share-based Compensation is designed to be equivalent to 26% of the basic Compensation (based on the assumption that set goals are 100% achieved). The same Compensation composition applies to the Compensation for Directors of the core SBU companies.

The Compensation for the Company's Independent Directors who are not Supervisory Committee Members and Directors who are Supervisory Committee Members (hereinafter, "non-executive directors") consists of "basic Compensation" and "share-based Compensation" providing a medium- to long-term Compensation incentive. The aim of the share-based Compensation for non-executive directors is to further incentivize these Directors to contribute to the mid- to long-term increase of corporate value and align their profit awareness with that of shareholders. Therefore, in order to prevent them from taking excessive risks and oversee these Directors appropriately from the viewpoint of shareholders, their share-based Compensation is not linked to operating performance. Instead, a fixed number of shares are granted as share-based Compensation.

(i) Summary of Compensation items

- Basic Compensation

The amounts of basic Compensation for Directors and executive officers are determined based on their roles (grades) and duties defined in accordance with the level of expertise, complexities, decision-making difficulties; the geographical area to be covered; and the degree of their responsibility for achievement, required of such roles and duties. This method provides the Compensation determination process with a high level of transparency and objectivity. The basic Compensation is paid in every month as a fixed monthly Compensation.

- Bonus

Bonus is a short-term incentive paid depending on the level of performance milestone achieved towards the Mid-term Management Strategy in every July. Qualitative targets taken into consideration in bonus amounts include net sales and operating income, which reflect the earnings capacity of the Company's businesses; and the employee engagement index and the percentage of women in managerial positions, which the Company has placed special emphasis in terms of the increasing of corporate value over the medium- and long-term; the amounts of bonuses are determined based on the level of achievements on these targets. In addition to the level of achievement of earnings targets, the evaluation including external environmental factors is reflected in the amounts of bonuses; basically the Company derives the evaluation including external environmental factors through relative comparison of growth potential with competitors both in Japan and abroad. Aside from the above, qualitative evaluation of how each Director and executive officer have made efforts to improve earnings and enhance corporate value are taken into consideration.

The amounts of bonuses generally varies between 0% and 200%.

	Evaluation method	Evaluation weight
Financial measures	Evaluated in accordance with the levels of achievement of (1) net sales and (2) operating income by the entire Company and each SBU, as well as the comparison of growth rates with competitors.	80%
Non-financial measures	Evaluated in accordance with the levels of achievement of (1) the employee engagement index and (2) the percentage of women in managerial positions for the entire Company and each SBU.	10%
Theme-based evaluation	Evaluated based on how they have worked on the themes set with the aim of improving operating performance and corporate value, and through interviews with evaluators (evaluation of Directors who are not Supervisory Committee Members (excluding Independent Directors) lies with the Nomination and Compensation Committee).	10%

(*1) Evaluation weights for the entire Company and SBUs are determined in accordance with the scope of responsibilities of Directors and executive officers.

(*2) In cases where the level of contribution was especially significant or they committed a material violation of the executive service or other agreements, their evaluation are added or subtracted.

- Share-based Compensation

The aim of share-based Compensation is to award incentives to improve the corporate value and medium- to long-term financial performance of the

PERSOL Group, as well as further motivate officers to align their profit awareness with that of shareholders. Share-based Compensation is basically paid at the time of retirement (provided, however, for those transferred overseas, the share-based Compensation is paid in cash linked to market prices (virtual share-based Compensation) at the end of each target period during the Mid-term Management Strategy period.) In addition, the Company basically recommends that Directors who are not Supervisory Committee (excluding Independent Directors) hold the number of shares of the Company that is equivalent to one or more times the amount of their basic Compensation (annual amount), including potential shares to be delivered at the time of retirement.

Share-based Compensation for Directors who are not Supervisory Committee Members (excluding Independent Directors) consists of 70% performance-linked mid - to long-term incentive Compensation (Performance Share), which depends on grades and the level of achievement versus the targets in the Mid-term Management Strategy; The rest, 30% consists of fixed mid- to long-term incentive Compensation (Restricted Stock) determined according to the Directors grades, which aims to link with shareholder value.

Share-based Compensation for non-executive Directors consists solely of the fixed medium- to long-term incentive Compensation (Restricted Stock) above.

<Performance-linked medium- to long-term incentive Compensation (Performance Share)>

Performance Share is designed to vary depending on the level of achievement of financial measures in the Mid-term Management Strategy towards the fiscal year ending March 31, 2023 (i.e. consolidated net sales, consolidated operating income, TSR and ROIC), as well as non-financial measures. With regard to non-financial measures, in particular, a number of ESG targets are included with the aim to further strengthen our efforts to promote "value creation story."

The amount of this Compensation generally varies between 0% and 200%.

	Measure	Target values	Evaluation weight
Financial measures	Consolidated net sales	1 trillion yen	30%
	Consolidated operating income	45 billion yen	30%
	TSR	—(*)	20%
	ROIC	Above 10%	-10% (When the target is not achieved)
Non-financial measures	Employee engagement index Percentage of women in managerial positions Ratio of investment in technology ESG rating	Set for each measure	20%

(*) This is a relative evaluation between comparative companies and TOPIX, therefore we will not set a target value for TSR itself.

<Fixed medium- to long-term incentive Compensation (Restricted Stock)>

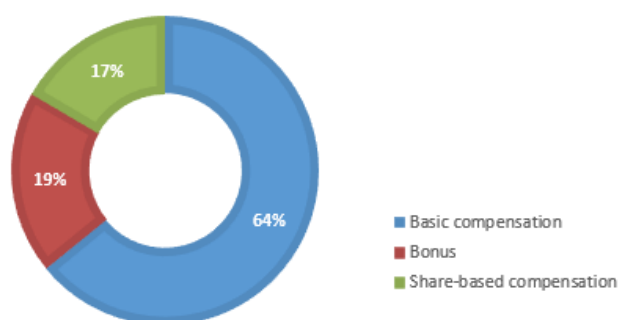
A fixed number of shares is delivered as share-based Compensation to further

increase linkage with shareholder value.

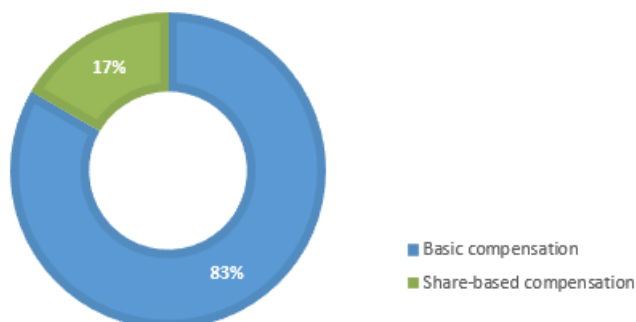
(*) Share-based Compensation is paid via a trust-type treasury stock Compensation scheme. The Scheme awards units (points) to recipients every year and, when the recipient retires, the number of shares commensurate with the number of units (number of points) are delivered. Management of treasury stock is delegated to Mitsubishi UFJ Trust and Banking Corporation.

(ii) Standard Compensation composition model

- Directors who are not Supervisory Committee Members (excluding Independent Directors) and executive officers (assuming that each of the measures is largely fully achieved)



- Non-executive directors



(*) The value of share-based Compensation for non-executive directors is fixed at 2 million yen per non-executive director; as the amount of basic Compensation varies among non-executive directors depending on their roles, the actual Compensation composition may not be identical with that shown above.

(5) Compensation governance

(i) Determination process for Compensation

The amount of Executive Compensation, their determination process, and the policy for determining details of Compensation for each director and officer shall be determined by the Board, following thorough deliberations at the Nomination and Compensation Committee, which is an independent advisory body to the Board. The amount of Compensation, etc, for Directors who are Supervisory Committee Members shall be determined through discussion among the Supervisory Committee Members.

Director Compensation, etc, shall be paid within the maximum amount of Compensation, etc, fixed by a resolution at an Ordinary General Meeting of Shareholders.

	Date of resolution at the Ordinary General Meeting of Shareholders	Details	Number of Directors on the date of resolution at the Ordinary General Meeting of Shareholders
Amount of Compensation, etc, for Directors who are not Supervisory Committee Members	12th Ordinary General Meeting of Shareholders scheduled for June 24, 2020	(Cash Compensation) No more than 500 million yen annually, including no more than 60 million yen for Independent Directors, excluding employees serving concurrently as Directors	6 (including three (3) Independent Directors)
	9th Ordinary General Meeting of Shareholders scheduled for June 27, 2017	(Share-based Compensation) Recipients: Directors who are not Supervisory Committee Members (excluding Independent Directors) and Executive Officer Contribution by the Company: Up to 990 million yen (for a period of three fiscal years) Shares to be delivered: Up to 460,000 shares (for a period of three fiscal years)	15 (including ten (10) Executive Officer)
	12th Ordinary General Meeting of Shareholders scheduled for June 24, 2020	(Share-based Compensation) Recipients: Directors who are not Supervisory Committee Members Contribution by the Company: Up to 33 million yen (for a period of three fiscal years*) * Share-based Compensation per Director who is not Supervisory Committee Member is equivalent to 2 million yen for a year uniformly Shares to be delivered: Up to 36,000 shares (for a period of three fiscal years)	3

Amount of Compensation, etc, for Directors who are Supervisory Committee Members	8th Ordinary General Meeting of Shareholders held on June 17, 2016	(Cash Compensation) No more than 1 million yen annually	4
	12th Ordinary General Meeting of Shareholders scheduled for June 24, 2020	(Share-based Compensation) Contribution by the Company: Up to 33 million yen (for a period of three fiscal years) * Share-based Compensation per Director who is not Supervisory Committee Member is equivalent to 2 million yen for a year uniformly Shares to be delivered: Up to 36,000 shares (for a period of three fiscal years)	3

(ii) Role of the Nomination and Compensation Committee

As an advisory body to the Board the Company has established a Nomination and Compensation Committee, the majority of whose members, including the chairperson, are Independent Directors, and consisting three or more members, to enhance fairness, objectivity and transparency of the composition of Compensation.

The Nomination and Compensation Committee deliberates on matters related to the basic policy for Executive Compensation and the Executive Compensation scheme and provide advice and opinions to the Board based on the results of the deliberation.

In addition, in order to obtain an objective external perspective and specialist knowledge regarding the Executive Compensation scheme, external Compensation consultants will be appointed. With their support, the details of the Compensation scheme will be considered, taking into account such factors as external data, economic circumstances, industry trends and the business condition of the Company.

<Main matters for consideration by the Nomination and Compensation Committee>

The Nomination and Compensation Committee meets at least four times a year and provide advice and opinions based on the results of the deliberation, primarily on the following items:

- (i) Matters concerning determination of candidates for Directors and members of the Headquarters Management Committee (hereinafter, "HMC")
 - Determination of a draft policy concerning nomination and dismissal of Directors
 - Determination of a draft proposal concerning nomination and dismissal of Directors put up for resolution by General Meeting of Shareholders
 - Determination of a draft proposal concerning election and dismissal of Representative Director, President and CEO (rights of representation and post as CEO)
 - Deliberation on a draft proposal concerning the constituent members of HMC
 - Deliberation on a succession plan for Representative Director, President and CEO
- (ii) Matters concerning the determination of Compensation for Directors and HMC members
 - Development of Compensation criteria for Directors and HMC members
 - Evaluation of Directors (excluding Directors who are Supervisory Members)
- (iii) Other matters deemed necessary by the Board

(*) The Headquarters Management Committee is a meeting body that serves as an assistant body to Representative Director, President and CEO and discusses basic management policies of the Group and the decisions on the execution of important operations.

(6) Recoupment of Incentive Compensation, etc. (Clawback/Malus)

In the event that restatements of financial statements due to material accounting errors or accounting fraud has been resolved by the Board, or the Board has deemed that there was a significant breach of executive service and/or other agreements by director or officers during their term of office, the Nomination and Compensation Committee shall deliberate, at the request of the Board, whether or not to confiscate the whole or part of their rights to receive bonus and/or share-based Compensation or confiscate the whole or part of the bonus and/or share-based Compensation they had received, and provide the Board opinions and suggestions based on the results of the deliberation.

The Board shall put on agenda for resolution a possible forfeit of the whole or part of their rights to receive bonus and/or share-based Compensation or the whole or part of the bonus and/or share-based Compensation they had received based on the opinions and suggestions by the Nomination and Compensation Committee.

(7) Policy on Information Disclosure etc.

The details of the Compensation scheme for officers will be communicated promptly to the shareholders of the Company by means of securities reports, reference materials for general meeting of shareholders, business reports, corporate governance reports, integrated reports and the Company website, created and disclosed in accordance with applicable laws and regulations etc.

In addition, the Company shall have constructive dialogues with shareholders and investors based on clear objectives, to help deepen their understanding our value creation story; and share feedback obtained from shareholders and investors through the constructive dialogues at the Board meetings and other opportunities, to ultimately enhance corporate value of the Company.

As for Directors (excluding Supervisory Committee Members), basically their remuneration shall be disclosed not limited to the case in which they receive 100 million yen or more in total amount more.