

## **Administrative Admonishment and Administrative Directive regarding “Rikunabi DMP Follow”**

August 26, 2019

Recruit Career Co., Ltd.

Recruit Career Co., Ltd. (Headquarter: Chiyoda-ku, Tokyo, CEO, President and Representative Director: Daizo Kobayashi hereinafter referred to as “Recruit Career” or the “Company”) received an administrative admonishment and administrative directive from the Personal Information Protection Commission (the “Commission”) today in accordance to Paragraph 1, Article 42 and Article 41, respectively, of the Act on Protection of Personal Information (the “Act”) regarding the mishandling of personal data in connection with “Rikunabi DMP Follow”, the service offered by the Company (this service has been discontinued since August 4, 2019).

We sincerely apologize to all students, enterprise clients, university staff and others who have been troubled by this incident. The Company takes the administrative admonishment and administrative directive very seriously. The Company’s officers and all of its employees are committed to prevent the recurrence of such issues in the future.

Also, we deeply regret not being able to sufficiently communicate the details of this incident until today. The Company withheld communication while our internal investigation regarding the incident, including details of the matter and identification of the affected students, and the relevant authorities’ investigations were ongoing.

### **1. Administrative Admonishment and Administrative Directive**

As a result of the investigation of the Company’s service “Rikunabi DMP Follow”, the Commission issued an administrative admonishment and administrative directive pursuant to Paragraph 1, Article 42 and Article 41, respectively, of the Act, as follows.

#### **< “Administrative Admonishment” >**

##### **Details of the “Administrative Admonishment”**

- (1) The Company must implement necessary measures to protect individual rights and interest when handling personal data, including the reform of its organizational structure and enhancing awareness of personal data protection across the Company, including senior management
- (2) Any new services must be conceptualized, designed and operated in accordance with applicable laws and regulations to appropriately handle personal data
- (3) The Company must implement measures set forth in (1) and report to the Commission about the details thereof by September 30, 2019.

##### **Reasons for the “Administrative Admonishment”**

- (1) < Violation of Article 20 of the Act > The application of laws in relation to the exchange of personal data with enterprise clients were not considered when conceptualizing “Recruit DMP Follow” and, therefore, necessary and appropriate measures to safeguard personal data were not implemented.
- (2) < Violation of Article 20 of the Act > When the Company’s privacy policy was updated in March 2019, certain operational procedures were incomplete, which resulted in a number of users having not consented to the release of personal data to third parties. The governance structure of the Company was inappropriate and, therefore, was unable to prevent, identify, and redress such incident prior to the inquiries from the Commission.
- (3) < Violation of Paragraph 1, Article 23 of the Act > The Company needed to obtain consent from the individual in order to release personal data to third parties. However, as a result of (1) and (2), the Company released 7,983 individuals’ personal data without their consent.

## < “Administrative Directive” >

### **Details of the “Administrative directive”**

The Company must provide reasonable and appropriate information necessary for individual users to make decisions on whether to give consent regarding the release of their personal data to third parties.

### **Reasons for the “Administrative directive”**

Guideline for Regulation regarding the Protection of Personal Information (General Principle) instructs “reasonable and appropriate information necessary to decide whether to give consent regarding the sharing of personal data with third parties must be clearly provided to individuals”. However, the explanation regarding releases of personal data to third parties in “Rikunabi DMP Follow” in the Company’s privacy policy has been deemed unclear by the Commission.

## **2. Issue Identification and Objectives Going Forward**

The Company’s new graduate recruiting business has positioned itself to provide optimal matching services for the recruiting process between individual student users and enterprise clients. The Company recognizes its credibility has been severely impaired to the point that it may affect the continuity of the new graduate recruiting business itself.

The Company believes the underlying issues surrounding “Rikunabi DMP Follow” are “our lack of understanding students’ point of view” and “our lack in governance”. In light of this situation, the Company will conduct a fundamental review of the new graduate recruiting business to ensure the students’ point of view is reflected in its decision making process of new the graduate recruitment business. The Company will also take preventative measures to improve its governance structure, as outlined below.

Please refer to “<Appendix> Facts regarding “Rikunabi DMP Follow” for further details.

## **3. Countermeasures to Strengthen Governance**

### **Issue 1: Vulnerable multi-check process for trial-based products**

The “Rikunabi DMP Follow” service was a trial-based product and, therefore, followed an independent process from the standard product development projects. As a result, the multi-check process did not function properly, and failed to reflect individual student users’ perspective in its product development.

### **Countermeasure 1: Standardized Multi-check product/service process**

The Company will establish a standardized multi-check process for all the products and services including trial-based products such as “Rikunabi DMP Follow” to evaluate various perspectives including the point of view and risks for individual student users from the early stages of its product development to its final release.

## **Issue 2: Unorganized procedures under irregular situations**

Rikunabi, a job board specialized in matching new graduate students to job opportunities by employers, is a product renewed annually and, therefore, it is uncommon to add or change the service after the release for that year. Therefore, the update of the privacy policy after the pre-site open such as in this instance was an irregular situation. Procedures to deal with such irregular situations were not properly organized or outlined, leading to misalignments among people related to the project, resulting in the privacy policy amendment not being properly reflected in some instances.

## **Countermeasure 2: Establishment of organized procedures for privacy policy amendments**

The Company will develop an organized procedure for privacy policy amendments for products renewed annually such as Rikunabi in preparation for the potential addition/change in products/services after the product has been released. This will ensure that privacy policies are properly amended, even in irregular situations.

## **Issue 3: Malfunction of cross-sectional check for privacy issues for products/services**

The “Rikunabi DMP Follow” development department was responsible for the drafting of the privacy policy amendment and the Rikunabi operations department was responsible for reflecting such amendment on Rikunabi. Although each department had separately checked its department’s respective works, there were no individual with a cross-sectional perspective across the Rikunabi product/services that could make decisions in regards to the protection of personal data considering factors such as the “objective of the privacy policy amendment”, “areas which require amendments”, and “contents which require amendments”. As a result, the two departments were only able to check whether the amendments had been reflected as instructed, but not more.

## **Countermeasure 3: Assignment of a manager focusing on a privacy**

As of 2019 October, The Company will assign a new a manager responsible for overseeing personal data protection for Rikunabi as a whole. By examining Rikunabi on a cross-sectional basis, the manager will be able to consider how products/services will affect the overall business. Responsibility and final decisions regarding the amendment of the privacy policy will rest with the manager.

## **Issue 4: Insufficient collaboration between legal departments of the operating and holding companies**

The communication between the legal departments of the Company and its parent company, Recruit Co., Ltd. (“Recruit”) was insufficient, especially on issues which require new risk assessments and legal interpretations, such as data usage. Under such a situation, the service was mainly assessed by the operating company’s legal department and approved without sufficient legal review by its parent company.

**Countermeasure 4: Centralization and strengthening of staff functions across Recruit and its subsidiaries**

Recruit and its subsidiaries will conduct a business reorganization with the aim to strengthen their legal departments. From October 2019, the manager of the legal group of the Company will concurrently serve in the legal department of Recruit which will commence the planning of centralization of the legal departments. Recruit will decide which functions to be centralized at the legal functions of Recruit, and which functions to remain at the legal functions of its subsidiaries around April 2020. Additionally, to prevent legal reviews based on opinions of specific individuals, visualization of the analysis and decision making process will be performed.

Furthermore, the legal department at Recruit will include a team dedicated to data governance from October 2019.

**<Appendix>**  
**Factual Information Related to “Rikunabi DMP Follow”**

**< 1 > Timeline of the Events**

March 1, 2018	Launch of “Rikunabi DMP Follow” service
June 1, 2018	Launch of “Rikunabi 2020 pre-site” ↳Started Rikunabi membership registration for 2020 graduates
March 1, 2019	Launch of “Rikunabi 2020”
July 9	Received inquiries from the Personal Information Protection Commission
July 31	Determined temporary suspension of “Rikunabi DMP Follow” service
August 1	Issued of press release with comments on certain media coverage regarding “Rikunabi DMP Follow”
August 2	Investigation by the Tokyo Labor Bureau
August 2	Discovery of defectiveness in privacy policy in some instances
August 3	Fixed deficiencies in Privacy Policy
August 4	Determined termination of “Rikunabi DMP Follow” service
August 5	Issued press release regarding the insufficient consent of privacy policy for 7,983 students within “Rikunabi DMP Follow” and the termination of the Service
August 5	Started requesting involved enterprise clients to delete the related data
August 9	Started communication to apologize to the affected 7,983 students
August 21	Launch of a special website that allows students to check whether their data was the subject of “Rikunabi DMP Follow” on “Rikunabi 2020 “
August 22	Apologized to all the members of “Rikunabi 2020” and informed the special website
August 26	Announcement of this press release

**< 2 > Scope of Impact**

**① Overview of Affected Individual Student Users and Enterprise Clients**

- Membership of “Rikunabi 2020”: Approximately 820,000
- Membership of “Rikunabi 2019”: Approximately 790,000
- Target whose data was used for calculation of “scores” in “Rikunabi DMP Follow”: Total 74,878 users (Membership of “Rikunabi2019”: 12,330, membership of “Rikunabi 2020”: 62,548)
- Membership of Rikunabi 2020 without necessary consent for information provision: 7,983 members
- Enterprise clients which have provided with the score of “Rikunabi DMP Follow”: 34 companies (38 companies under contract)

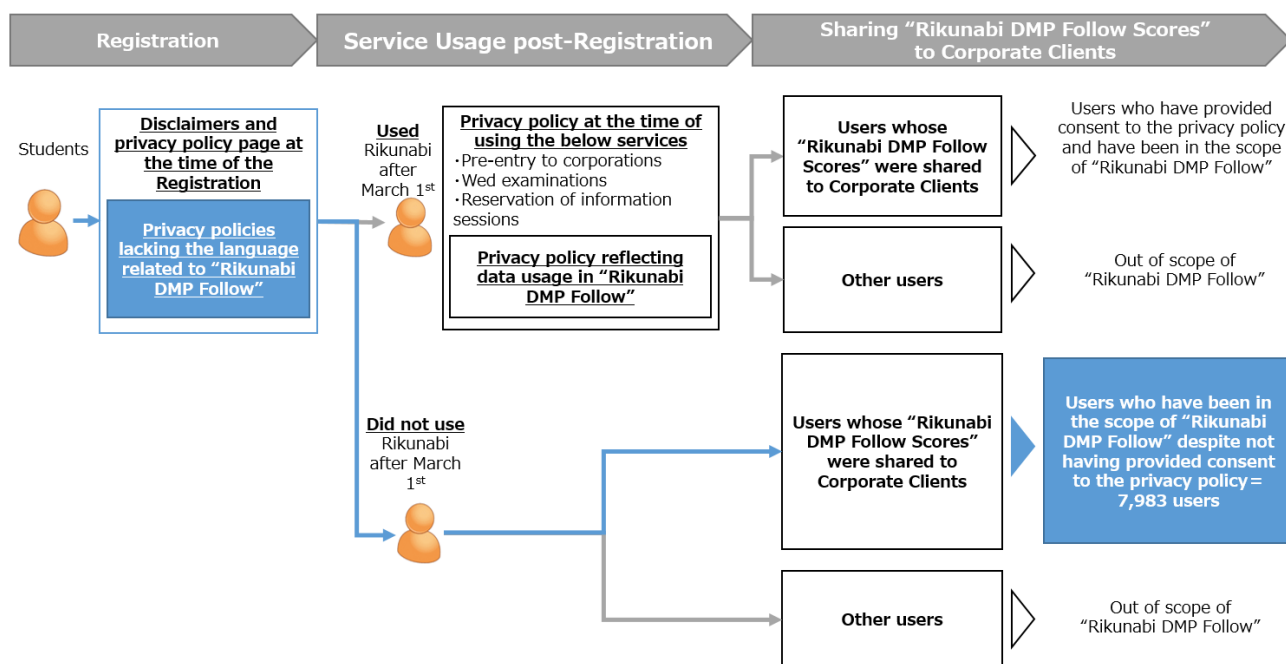
**② Causes of the Incomplete Consent from 7,983 Users**

In March 2019, “Rikunabi 2020” changed its privacy policy so that it could provide “Rikunabi DMP Follow”. Although “Rikunabi 2020” was designed to allow individual student users to agree with the privacy policy on multiple displays, there were some instances that did not reflect the change. As a result, the information

of 7,983 students, registered as members of “Rikunabi 2020” who have not used functions such as pre-entry, event reservation, information session reservations and WEB test exams after March 2019, and also applied for the companies which installed “Rikunabi DMP Follow” analysis score after March 2019, have been provided to the companies without the necessary consent. (see Figure 1)

<Figure 1>

## 7,983 Users of “Rikunabi 2020” who had not Provided Consent



### ③ Contents of Privacy Policy which was determined to be insufficient for consent from 7,983 users

The relevant parts of the actual privacy policy displayed on the website from March 1 to August 2, 2019 and the one which was intended to be displayed on the website are as follows.

#### 【Privacy Policy which was actually displayed on the website】

The Company may provide the cookie information, which is analyzed and aggregated from the Service or websites affiliated with the Company to the client enterprises for optimal information provision and recruiting activities to the users (the information will not be used for selection purpose). (...) If the user discloses personal information, the Company will identify the individual and use the user's action history, including history prior to the disclosure and may distribute or display advertisements / contents, recruiting assistance, and the Service based on the history.

#### 【Privacy Policy which was intended to be displayed on the website】

When a user logs in and uses the service, the Company may utilize the registered personal information or action history (including action history of previous logins), collected from the Service or websites affiliated with the Company, using cookie for the uses below:

- Providing optimal information to users for distribution and display of advertisements and contents
- Providing information that supports recruiting activities to enterprise clients (the information will not be used for selection purposes)

### **< 3 > Information on Rikunabi DMP Follow**

#### **① Service Overview**

“Rikunabi DMP Follow” was a service which estimates ‘likelihood’ of a student applicant to decline job offers or withdraw from the recruitment process. Specifically, the Company has created a forecast model based on the browsing and activity history on the “Rikunabi” platform of contracted enterprise client’s candidates who withdrew his or her candidacy from the recruitment process from the previous year as well as individuals who declined an offer, as a basis for calculation. With the forecast model and the activity log on the “Rikunabi” platform of a current applicant, the Company produces a score representing the probability of the individual withdrawing his or her candidacy.

To utilize the service, the enterprise clients must agree not to use the score provided by the Company for selection purpose. To ensure such terms, sales representatives of the Company have confirmed actual usage both before and after the delivery of the Service.

#### **② Schemes on the Provision of Service**

“Rikunabi DMP Follow” was released as a trial product in March, 2018. The schematic of the service differs between prior to February and post March, 2019.

##### **• Prior to February, 2019**

The Company agreed to an outsourcing contract with the contracted enterprise clients, and received its unique ID and cookie information which cannot identify the individual. The Company analyzed this information in a form in which the individual cannot be identified by using the cookie information, and delivered scores with its unique IDs to the contracted enterprise client. The contracted enterprise client then matched the score and the individual by itself.

##### **• Post March, 2019**

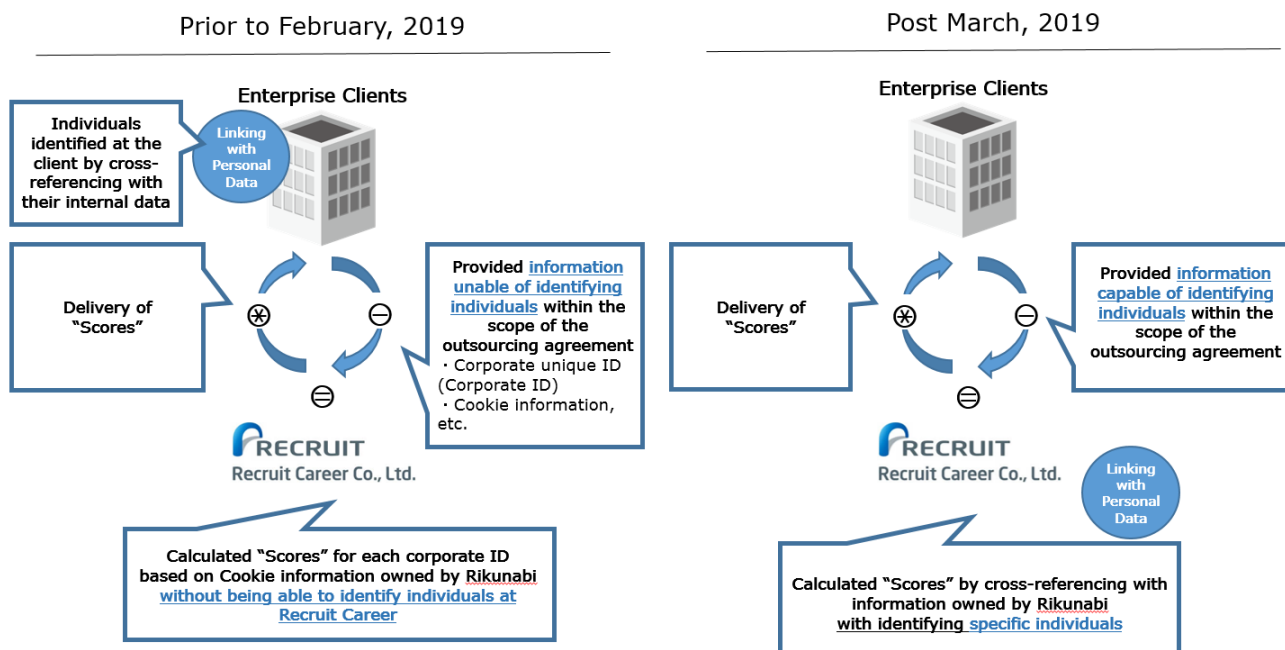
The Company agreed an outsourcing contract with the contracted enterprise client, and received the minimum information required to identify the individual, such as the name of the candidate. The Company then combined the information on the “Rikunabi” platform and the information it received to calculate scores of the individuals, and delivered them to the contracted enterprise client.

Due to the schematic change which allowed for the identification of the individual, the Company decided to obtain consent required for personal information provision on the “Rikunabi” privacy policy, and updated the privacy policy shown on each of “Rikunabi’s” displays (※1).

※1: membership registration, pre-entry, information session reservations, WEB test exams, etc.

<Figure 2>

## The Service Scheme of “Rikunabi DMP Follow”



### ③ Schemes on the Provision of Service

The delivered scores, ranging from 0.0~1.0, was calculated for each individual, and represented the 'likelihood' of the applicant either withdrawing his or her candidacy or declining a job offer. If a score was unable to be calculated, the value would remain as blank, or labeled as either N/A or no score. A sample output from "Rikunabi DMP Follow" is shown in the figure 3 below. The computed score, calculated as shown above in figure 2, was then represented using ★, ●, or as other forms as requested from the client enterprise, to represent the 'likelihood' of an individual withdrawing his or her candidacy or declining a job offer, and was then submitted as a report.

<Figure 3> Sample of Provided Data

Student ID	Score	Likelihood of Declining Job Offer
10001	0.4	★★
10002	0.53	★★★
10003	0.61	★★★
10004	0.23	★★
10005	0.1	★

The calculated scores are not percentage values. For example, a score of 0.4 does not mean the candidate has a 40% probability of withdrawing from the application process or declining a job offer.

\* Enterprises may refer to the score in various ways (i.e forecast score, score, prediction, etc.)



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