

Report on Issue Identification and Measures to Prevent Recurrence Related to “Rikunabi DMP Follow”

Recruit Career Co., Ltd. (Headquarter: Chiyoda-ku, Tokyo, CEO, President and Representative Director: Daizo Kobayashi, hereinafter referred to as “Recruit Career”) sincerely apologizes to all students, enterprise clients, university staff and others who are experiencing trouble or inconvenience related to the “Rikunabi DMP Follow” service (terminated on August 4, 2019) that was operated by Recruit Career under business management consignment from Recruit Co., Ltd. (Headquarter: Chiyoda-ku, Tokyo, President: Yoshihiro Kitamura, hereinafter referred to as “Recruit”). Recruit also offers its sincere apologies for the failure of Recruit to implement appropriate group governance for its subsidiary.

The Personal Information Protection Commission concluded its confirmation of the facts, and issued the administrative admonishment and administrative directive today, therefore this press release explains all the facts related to “Rikunabi DMP Follow”, how we, Recruit Career and Recruit, recognize the issue, and the measures to prevent recurrence.

1. How We Recognize the Issue Related to “Rikunabi DMP Follow”

As indicated in the administrative admonishments and administrative directives from the Personal Information Protection Commission on August 26, 2019 and today, and the administrative directive from the Tokyo Labor Bureau on September 6, 2019, there was a significant issue regarding how we consider ourselves as a service provider to students who feel anxious during their employment seeking experience, on top of the perspective of appropriate handling of personal information.

Furthermore, in cases such as these, where we handle topics that require careful risk analysis in terms of “data utilization,” we should bring into consideration not only the laws and regulations in force at the time, but also the background and the opinion which led to establish such laws and regulations. We take very seriously the fact that some of the services we provided were ultimately deemed inappropriate and not in accordance with the purpose of the law.

As reported in Recruit Career’s press release dated August 26, 2019, we believe that the underlying issues are “our lack in governance” and “our lack of understanding students’ point of view,” and the contents of the administrative admonishment issued today have strengthened this view.

Details of these issues are reported below.

■ Regarding “Our Lack in Governance”

“Rikunabi DMP Follow” was a service that required careful consideration, as described above. However, the service was considered and provided without passing through the check flow and approval process that would normally apply in Recruit Career. We regard the cause of “our lack in governance” in this case

was the failure of Recruit Career's management system to close the gaps in governance that existed in its trial-based product development.

(1) Issues related to systems and processes for product planning and development

(1)-1. The absence of a manager responsible for consideration of product development for trial-based products

"Rikunabi DMP Follow" was a solution for issues faced by an individual enterprise client, and consideration of the service began without a product manager, who would normally be assigned to new services. Subsequently, the number of enterprise clients to whom "Rikunabi DMP Follow" was provided increased while localized collaboration between the sales team, the product development team, and the back office functions such as the system development team and the legal team continued. During this process, we failed to assign a manager, who would normally be appointed to comprehend the product in its entirety and make decisions accordingly. This failure has made us aware of problems in Recruit Career's management structure.

(1)-2. Vulnerabilities in the check process for trial-based product development

A multi-check process, encompassing not only business considerations but also the perspectives of how the product will be received by stakeholders and risk, normally exists in product development carried out by Recruit Career. If approval is not obtained through this process, products are not commercialized.

In the case of "Rikunabi DMP Follow" however, the process for completing comprehensive product development multi-checks from the necessary perspectives was insufficient, due to the fact that the service was developed as a trial-based product, as described above. In addition, the small scale of the investment and business meant that development progressed without passing through the processes of checks on multiple levels, such as approval processes in accordance with investment approval authority, which would otherwise have been carried out under company rules prescribed by Recruit Career.

(2) Insufficient collaboration between business operations, legal departments and the parent company in the application of specialized knowledge to the business

(2)-1. The malfunction of cross-sectional checks for privacy issues for products and measures to thoroughly implement information management

We are aware of our lack of ability to comprehensively check the services related to "Rikunabi" from the perspective of privacy, symbolized by the issue of the "privacy policy amendment not being properly reflected in some instances," as described in the press release issued by Recruit Career on August 26, 2019. Due to the nature of employment-seeking activities, after "Rikunabi" services are released for each year, they are generally provided according to the same specifications for the whole year. Therefore, the update of the "Rikunabi" privacy policy when the "Rikunabi DMP Follow" scheme was changed in March 2019 was an irregular situation. Procedures to deal with such irregular situations were not properly organized and outlined, leading to misalignments among people related to the project. As a result, the privacy policy amendment was not properly reflected in some instances.

(2)-2. The scattered nature of specialized knowledge among group companies on "data utilization"

On the issue of "data utilization," which requires careful risk assessment, the foundation for appropriate collaboration between business operations and legal departments in order to apply specialized internal and external knowledge was insufficient. Likewise, the foundation for collaboration necessary to utilize the Recruit Group's knowledge and expertise was also insufficient. The service scheme until February

2019 that is included in today's administrative admonishment was symbolic of this.

■ Regarding “Our Lack of Understanding Students’ Point of View”

Recruit Career, as the operator of a business involved in employment-seeking activities, deeply regrets creating a service that caused anxiety for students who were already facing the anxious task of seeking employment.

Even if there had been no legal issues due to our “our lack in governance” described above, we regard “Rikunabi DMP Follow” as a service that should never have been created in the first place. Confronted with the words of students and other stakeholders - “anxiety,” “fear” and “betrayal” - we are deeply aware of our total failure to orient ourselves with the feelings and circumstances of students, and we take this failure very seriously.

This issue was not limited to the nature of individual consideration processes or the malfunction of some aspects of them. Rather, we have come to consider it in terms of a problem with Recruit Career's management system, where there was an inability to make management decisions sufficiently oriented with the feelings of students who are earnestly engaged in employment-seeking activities.

2. Measures to Prevent Recurrence

Based on the identification of the issues described above, Recruit and Recruit Career will consider and implement the following measures to prevent the occurrence of similar issues, in response to “our lack in governance” and “our lack of understanding students’ point of view.”

■ Countermeasures to Prevent the Recurrence of “Our Lack in Governance”

Countermeasure (1)-1: Organizational restructuring of the Recruit Career sections involved in product development in the new graduate recruiting field

In order to prevent gaps in governance related to trial-based products such as “Rikunabi DMP Follow,” Recruit Career will implement organizational restructuring for sections involved in product development in the new graduate recruiting field (implementation is planned for January 2020). Sections responsible for product planning and product development will be merged, and Recruit Career will change to a management system where all processes in the development of new products will be administered by a single department. Recruit Career will strive to prevent a recurrence so that discussions between multiple departments involved in the development of trial-based products would not continue without a clear definition of roles or responsibilities. Furthermore, Recruit Career will establish a system of oversight in this department, through central monitoring of procurement related to system development, and empower it to manage and oversee all order payments. In this way, Recruit Career will effectively introduce a system of multi-checks for order payments connected with product development, and endeavor to prevent a situation where product development proceeds without sufficient consideration.

Countermeasure (1)-2: Implementation of oversight for the standardization of product development flows and check processes for Recruit as a whole

Recruit is implementing standardization of the product development process across the group in order to ensure that appropriate consideration is carried out uniformly across all product development. At the meeting of the Board of Directors held on November 5, 2019, Recruit resolved to introduce this system for all product development across all group companies, as soon as the preparation of the process is completed. In addition, as a temporary measure at Recruit Career during this period, a Task Force for New

Service Check Reinforcement has been assembled, chaired by the General Manager of the Corporate Management Office and comprising managers responsible for internal control, legal affairs and systems. In this way, Recruit Career has established a system where the details of new projects can be checked all at once, regardless of their scale or content.

Countermeasure (2)-1: Strengthening of systems across all group companies for personal information protection and data utilization

Recruit will consider systems to administer data management and checks from a privacy perspective, across all businesses in group companies.

On October 1, 2019, Recruit Career assigned a manager focusing on a privacy, responsible for comprehensively checking *Rikunabi* as a whole, from the perspective of personal information protection. The manager considers how changes in products and services will affect the overall business, from the perspective of personal information protection. The ultimate responsibility for reflecting amendments to the privacy policy will rest with the manager.

Countermeasure (2)-2: Centralization and strengthening of the legal functions of Recruit as a whole

From October 1, 2019, the manager of the Recruit Career's legal group concurrently serves in the legal department of Recruit, and Recruit is in the process of centralizing the legal departments in around April 2020. Furthermore, from October 1, 2019, the legal department at Recruit launched a team dedicated to data governance, which will collaborate in the consideration of data utilization with the relevant sections in Recruit Career.

(3) Employee training for Recruit as a whole

Recruit will implement internal training programs for employees engaged in handling personal information at group companies. Recruit Career will implement additional training for all its employees, including an entire review of this case. The training will include not only familiarization with knowledge and actions related to personal information protection, but also encompass the social responsibility of businesses engaged in employment-seeking and career change support.

■ Countermeasures to Prevent the Recurrence of “Our Lack of Understanding Students’ Point of View”

In light of our deep regret for failing to design the service and make management decisions with regard for the feelings and circumstances of students who are earnestly engaged in employment-seeking activities, we intend to fundamentally transform the nature of services, such as *Rikunabi* that we provide to new graduates. As a first step, Recruit Career launched a “New Graduate Recruiting Business Examination Project” with its official announcement on organizational and personnel changes, dated October 1, 2019.

This project will be established separately from the existing new graduate recruiting business.

To promote active discussions without being constrained by past approaches, decision-making in the project will be subject to final review and veto by the “Steering Committee for Reviewers from the Perspectives of Students, Universities and Society.” The committee will be composed of personnel experienced in connection with students and universities, and managers responsible for internal controls. This system will be able to consider fundamental service reforms based on the utmost consideration for the feelings of students.

In addition, the project will report to the Recruit Career Board of Directors, which is composed of two External Board Directors from Recruit and the President of Recruit Career, to realize optimum management

judgments.

Under the project, which has been organized within Recruit Career, the nature of services will be reviewed, including those for the current and following year for which specifications would have generally already been determined. In addition, Recruit Career plans to implement changes to the management structure for the new graduate recruiting business in around January 2020, with the aim of constructing a management system that will continue to reflect students' point of view, which we have been lacking until now, in its decision-making process.

3. Establishment of an Advisory Committee as an Initiative for the Future

As a forward-looking initiative, Recruit will establish an advisory committee to promote the appropriate utilization of data. The advisory committee, chaired by the President of Recruit and including outside experts, will be established with the aim of implementing data handling and data utilization that will conform even more closely to the expectations of our customers and society in the future. The first meeting of the committee will be held in December 2019. The committee will promote the establishment of guidelines for Recruit's data utilization, including optimal privacy protection, based on the objective perspectives of outside experts and their advice in their respective areas of expertise.

▶ Committee members (in Japanese alphabetical order)

Yoichiro Itakura, Attorney-at-Law	Hikari Sogoh Law Offices
Professor Hideo Owan	Faculty of Political Science and Economics, Waseda University
Atsushi Okada, Attorney-at-Law	Mori Hamada & Matsumoto
Soichiro Fujiwara, Attorney-at-Law	Nagashima Ohno & Tsunematsu
Professor Tatsuhiko Yamamoto	Keio University Law School

4. Information on the Explanatory Web Page with All Relevant Facts

A complete review of the case, including details of the administrative admonishments and administrative directives issued by the Personal Information Protection Commission on August 26, 2019 and today, and the administrative directive issued by the Tokyo Labor Bureau on September 6, 2019, as well as full details and updates on measures to prevent recurrence, have been published on the Recruit Career website, shown below.

- ▶ Apology and Explanation regarding "Rikunabi DMP Follow" (Japanese Only):
<https://www.recruitcareer.co.jp/r-dmpf/>

We take the administrative admonishments and administrative directives received from the regulators and all the concern and outrage expressed by students in relation to this incident very seriously. All officers and employees are committed to prevent the recurrence of such issues in the future.

[Inquiries related to this matter:]

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