

PwC Consulting Co., Ltd.

I . Corporate profile

Business Category:	Management consultant
Workforce:	Approx. 1,600
Location:	Yebisu Garden Place Tower 14F, 4-20-3 Yebisu, Shibuya-ku, Tokyo 150-6014
Founding Year:	1984
Capital:	100 million yen
Parent company:	PricewaterhouseCoopers (U.S.)
Foreign Capital Percentage:	PricewaterhouseCoopers, 100%
Business Areas:	Management consultation services

II . Main Points in the Personnel Management Scheme

- PwC Consulting Co., Ltd. is the Japanese subsidiary of the management consulting division of PricewaterhouseCoopers, which has branches worldwide. The Japanese subsidiary changed its name to the current company name following the renaming of the consulting division to PwC Consulting™. The Company provides comprehensive consultation services to create value and achieve success for businesses.
- The organization of PwC Consulting consists of industry-specific operations divisions, with service segments that are broadly divided into strategy, process and technology—the so-called matrix-type organization. Project teams consist of personnel who have the necessary skills for the project, and consultation services are offered by integrating the expertise of each individual. The size of the project teams varies widely: from a couple of members to more than a hundred. Each project team is headed by a project manager, who is authorized to formulate and execute a project plan, determine the project remuneration, manage and develop members' skills, and manage the personnel.
- PwC Consulting's personnel evaluation and career development system is based on a framework shared worldwide called the Global Capabilities Framework (GCF). The evaluation results based

on GCF are disclosed on an in-house database, which can be accessed by all employees. Seniority-based personnel review and allowances including retirement allowances and overtime pay have been totally eliminated. The class to which an employee belongs (position) is determined based on GCF-compliant skill evaluation, and his/her base annual salary is decided according to the class. Performance-based pay (bonus) is determined according to the annual performance of the operations division to which the employee belongs and his/her individual contribution, based on the base annual salary.

III . Basic Ideas Regarding the Personnel Management System

1) Recruitment

In the past few years, PwC Consulting has been actively engaged in recruiting activities, on the scale of recruiting a total of 400 to 450 recent school graduates and experienced individuals per year. As of July 2001, the workforce posted a year-on-year increase of approx. 30%. In the total workforce, the ratio of the number of recent school graduate recruits to experienced recruits is approx. 1:1.

The employee turnover rate is approx. 10%. Considering that the average employee turnover rate in the consulting industry is approx. 25% and approx. 20% in the United States and Japan, respectively, the employee retention rate is high at PwC consulting. This is the fruit of PwC Consulting's efforts in developing an "easy-to-work" environment.

(1) Recruitment of Recent School Graduates

The Company recruits 200 recent school graduates per year. It is joined by new recruits 4 times a year, in April, August, November and February (FY2001). The February entry is for graduates of foreign universities, whereas entry at other times of the year is for graduates of Japanese universities. This arrangement allows candidates to choose the timing of joining the Company. Those who wish to join the Company in August or November (which results in a long interval between graduating university and joining the Company), the Company requires prospective employees to submit a report and gives other assignments, while providing financial support to prospective employees in the form of research grants. The marking results of the reports are fed back to them at a later date.

The Company sustains the quality of training entry-level employees at a high level by having recent school graduates join the Company at different times of the year, and by limiting the number of new recruits to 50 or so at a time.

(2) Recruitment of Experienced Individuals

The Company recruits experienced individuals throughout the year, using recruiting advertisements in newspapers and magazines, referral from employees, job-search websites and temp agencies.

As for the selection criteria of experienced individuals, recruitment is limited to those who are expected to be able to demonstrate their abilities immediately, or candidates for manager or higher positions.

Upon recruitment, the Company focuses on experience and skills more than anything else, and does not focus particularly on language skills, qualifications or consulting experience.

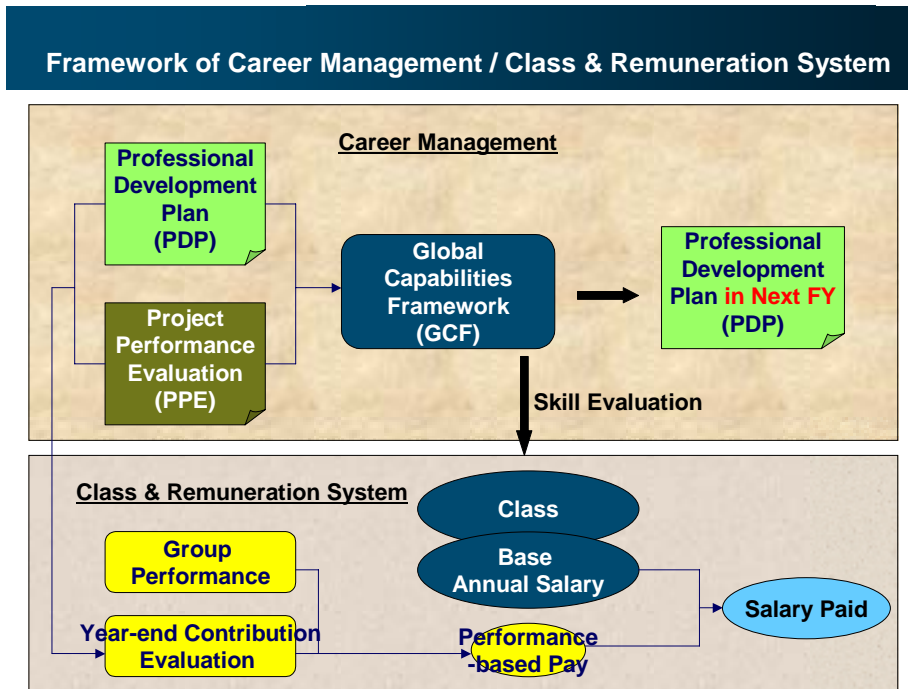
As for the selection process, candidates are screened based on the examination of their documents. Then, they are required to have an interview with a consultant who is at least in the manager class, for the purpose of determining whether or not they have the skills and experience required to perform the actual jobs. This is followed by a final interview with the personnel department, based on which the recruitment decision is made. It takes about 3 weeks from the screening of candidates based on the examination of their documents to the decision on their recruitment (informal appointment), provided that the process runs smoothly.

2) Personnel Evaluation and Remuneration System

The class (position) and salary of consultants are completely based on their skills as consultants (ability-based grading principle). Performance-based pay (bonus) reflects the group's performance and the individual's contribution in the fiscal year (accomplishment-based grading principle). Therefore, it is extremely important at PwC Consulting how the consultant improves his/her skills and manages his/her career.

Figure 1 shows the relationship between career management, evaluation system, and promotion & remuneration system at PwC Consulting.

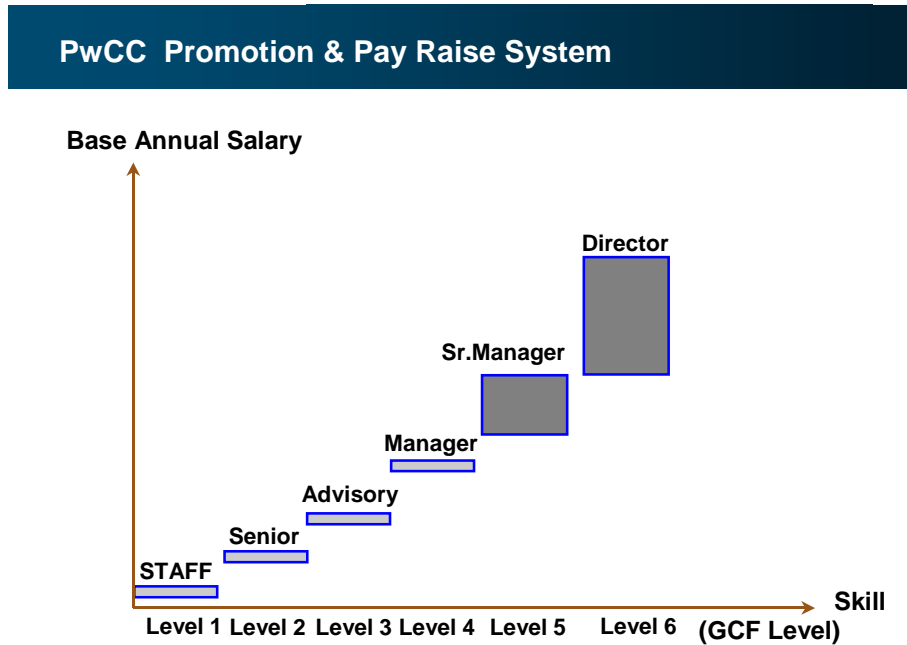
Figure 1 : Structure of Career Management / Class and Remuneration System



(1) Class (Position)

As shown in Figure 2, there are 6 classes (position). For each class, the base annual salary is set forth in amount. The class to which the consultant belongs is decided based on skills, as shown in the horizontal axis in Figure 2. No seniority factors are taken into account. Therefore, it is important that the consultant’s skills are evaluated in an objective and fair manner to the greatest extent possible.

Figure 2 : Promotion and Pay Raise System

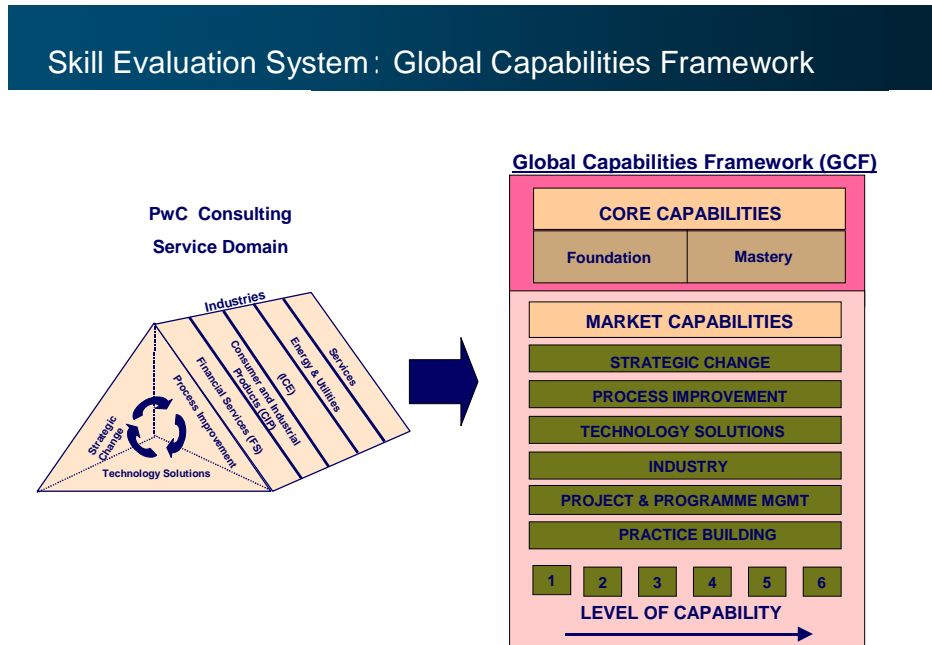


(2) Evaluation System

i) Skill Evaluation (Global Capabilities Framework)

PwC Consulting introduces a skill evaluation system called the Global Capabilities Framework (GCF). Consultants not only in Japan but also those worldwide engaged in management consultation services of PricewaterhouseCoopers are evaluated based on GCF with respect to their skills.

Figure 3 : Skill Evaluation System: "Global Capabilities Framework"



GCF is based on a global practice model called the “prism,” which indicates the priority market aimed at generating PwC Consulting’s superiority and represents the content of the consultation services being offered (refer to Figure 3). Skills are defined in GCF based on how high a level the employee is capable of achieving when implementing and offering consultation services.

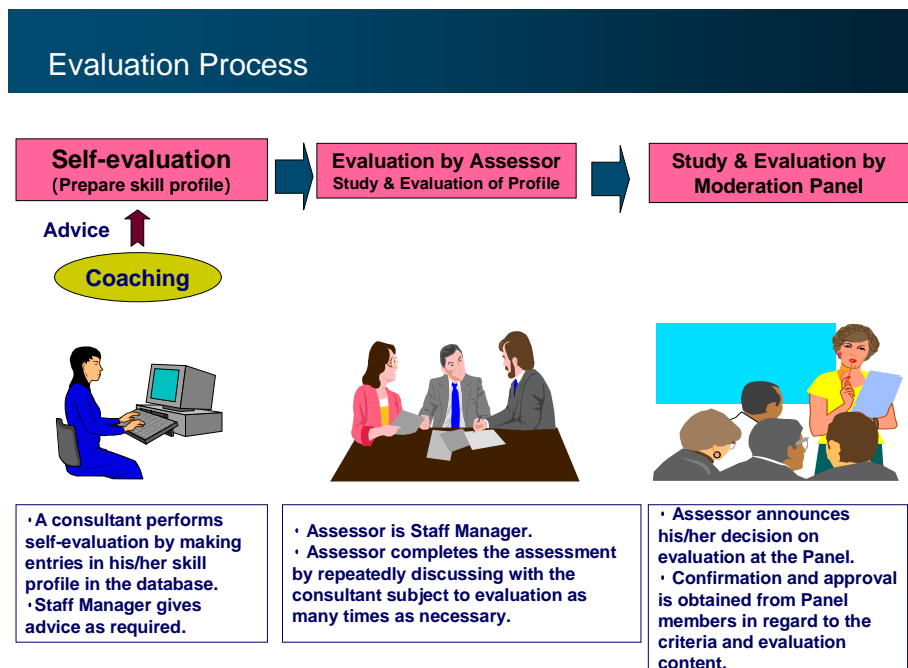
Firstly, GCF broadly divides the consultant’s skills into Core Capabilities and Market Capabilities. Core Capabilities refer to business skills that form the core when performing consultation work, and a total of 16 skill items are set forth, including communication ability, leadership, creativity and innovativeness. Core Capabilities are evaluated at two levels: Foundation and Mastery. On the other hand, Market Capabilities refer to the practical abilities required in consultation work, and 6 skill areas are set forth. Market Capabilities are evaluated at 6 levels, from Level 1 to Level 6. For the skills set forth in terms of Core Capabilities and Market Capabilities, detailed skill requirements are set in concrete terms with respect to each level. This enables objective evaluation, and serves as a concrete target management tool for consultants for skill development.

ii) Skill Evaluation Process

Skills evaluation is performed annually at the end of the fiscal year, between April and June. The evaluation process starts with the self-evaluation of an employee. The evaluation is performed with the Staff Manager (described later) as the assessor. The skill level is studied, discussed and finalized at a skill evaluation committee called the Moderation Panel, which consists of Staff Managers. For an employee to earn a rating of Level 4 or higher in terms of Market Capabilities, it is mandatory to obtain the final approval of a partner in the industry operations division to which the employee belongs.

As a matter of course, the results of skill evaluation are fully disclosed on a database, including the description of each consultant's self-evaluation and the comments by the assessor. This enables transparent and objective evaluation.

Figure 4 : Evaluation Process



iii) Contribution Evaluation

Contribution evaluation is performed at the year-end. The individual's contribution made to projects, the Company and the team (regardless of domestic or foreign) during the fiscal year is evaluated at 5 levels. Evaluation is performed by the Staff Manager, and is decided with the approval of a partner in the industry operations division to which the consultant belongs. The results of contribution evaluation are reflected in the performance-based pay (bonus) in the fiscal year.

iv) Career Assistance System

PwC Consulting has the following systems to help consultants fulfill their respective career plans through projects and training programs.

a. Preparation and Implementation of Professional Development Plan (PDP)

A consultant prepares his/her own Professional Development Plan at the beginning of the fiscal year. The consultant is required to make a one-year plan and a three-year plan for improving his/her skills (skills defined in GCF described earlier). It involves not only setting mere numerical targets, but also formulating a concrete action plan, describing what kind of projects he/she will focus on and what kind of training programs he/she will undergo. The fulfillment status of the plan is checked at the year-end counseling session, to serve as a stepping-stone for next year's plan.

b. Staff Manager

PwC Consulting has been expanding in terms of company size every year, in line with the growth of its business. Accordingly, it is becoming increasingly important to: make all employees share information across the board, including but not limited to the Company's management policies; facilitate communication among employees; and improve the skills of all consultants. The Staff Manager system was established under such demanding circumstances. It is a system in which a senior consultant is assigned to look after a consultant in the same skill area on a one-on-one basis.

The roles of the Staff Manager are as follows.

Figure 5 : Roles of Staff Manager



c. Career Counseling

A consultant prepares a Professional Development Plan in the beginning of the fiscal year (July), and formulates a career plan and an action plan for the year as well as the next 3 years, with the Staff Manager's advice. The Plan is reviewed at the time of year-end evaluation, and is to be reflected in the Plan for the following year. Career counseling is performed whenever necessary throughout the year, regardless of whether it is the beginning or the end of the fiscal year.

(3) Remuneration System

The salary is purely based on an annual salary system, and is paid according to the base annual salary. The base annual salary is set with respect to each class, proportionate to the skill level. Fixed pay accounts for 70% of the base annual salary, of which a twelfth is paid monthly. The remaining 30% is performance-based pay, the so-called bonus. The evaluation for performance-based pay is decided

according to the team's performance, and the individual's contribution to the Company and the team.

For example, an employee on a base annual salary of 10 million yen will receive a monthly pay of 583,000 yen (twelfth of 7 million yen, which is 70% of the base annual salary). The remaining 30% corresponds to performance-based pay, which depends on the team's performance and the individual's contribution. Therefore, the employee's annual salary can vary between 7 million yen (minimum) and infinity (maximum), at least theoretically.

For reflecting the team's performance and the individual's contribution in performance-based pay, the Company sets two options: A and B. Option A is a high-risk, high-return pattern: if the fulfillment rate of the team's performance and the individual's contribution exceeds 100%, the pay is calculated by tripling the portion in excess; alternatively, if it falls short of 100%, the pay is calculated by multiplying the deficient portion by -1.5. Option B is a low-risk, low-return pattern: if the fulfillment rate exceeds 100%, the pay is calculated by multiplying the excess portion by 1.5; conversely, if it falls short of 100%, the pay is calculated by multiplying the deficient portion by -0.75.

An employee may choose either option at the beginning of the fiscal year. Option A is automatically applied to managers and others who assume a higher position.

3) Training Program System

All consultants are instructed to allocate 5 % of their prescribed annual working hours to skill development as a target. Skills in this context refer to abilities that are directly linked to the service content of PwC Consulting, and indicate skills and abilities required for offering value to clients and fulfilling targets.

PwC Consulting's head office building in Tokyo accommodates a training center for this purpose. It runs numerous training courses, some of which are held by lecturers from outside the Company. In addition to these, employees can undergo training courses outside the Company.