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Utilization of AI Profiling in Talent Evaluation

—Proposal on perspectives and specific measures to take for governance—

TAKANO Shuichi[I] Lillian Bain[II] TABUNOKI Junta[III] ENDO Ryota

Abstract

In order to maximize the benefits of innovation brought by the social implementation of AI systems, it is necessary that appropriate AI governance be designed and established in the organizations that utilize such AI systems. Although there has been active discussion on AI governance in recent years, such discussions have often remained abstract. With the exception of some advanced areas such as automated driving and medical care, there is still a lack of discussion on governance in specific usage situations of AI systems.

The situation is no different in the field of human resource management. Although AI systems are widely used in this field and various services have emerged, there has not been much discussion on how AI governance should be implemented in this field. This report focuses on the utilization of AI in this field. Specifically, this report aims to propose a model for appropriate governance when utilizing AI systems in the process of evaluating individuals for hiring or assignment.

The topic of this report is to "propose perspectives that companies should consider and measures to take when utilizing AI Profiling in Talent Evaluation, in order to maximize the abilities of individuals." After providing an overview of use cases in companies, introducing the risks posed by AI systems, and a summary of existing laws and regulations, this report provides a blueprint for effective governance of AI Profiling in Talent Evaluation.

The opinions expressed in this report are based on the authors' considerations and do not represent the organizations to which they belong. The belongings of the members at the time of writing are as follows.

[I] Attorney-at-Law in Japan, Nozomi Sogo Attorneys at Law
[II] Public Affairs and Data & AI Legal, SmartNews Inc.
[III] Supervisor, Strategy Planning Sect, Non-Market Strategy Dept, Aflac Life Insurance Japan Ltd.

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I. Why should AI Profiling be utilized for Talent Evaluation?

1. Labor market issues

Although many developed countries are also experiencing declining birthrates and aging populations, this situation is particularly severe in Japan.

[1] As of 2025, approximately 8 million people of the baby boomer generation born between 1947 and 1949 reached the age of 75, and a fundamental solution to the associated social issues has yet to be found.[2]

These changes are having a serious impact on the labor market. In recent years, the working population has continued to grow due to new participation in the workforce by women and the elderly.[3] As long as the declining birthrate and aging population remain unchecked, however, the working population cannot be expected to continuously increase.

In addition, the productivity of individual workers in Japan is not being fully utilized. According to data from the Japan Productivity Center,[4] Japan's labor productivity per worker[5] in 2024 ranked 29th out of 38 OECD member countries, which is below the average for all member countries. Given the relatively large size of Japan's working population, the key to the country's future economic growth will be the extent to which individual labor productivity can be increased in the face of a shrinking population.

2. Main focus of this report

One of the reasons for low labor productivity in Japan is the mismatch between the "work" that companies seek from workers and the "job skills" (skills, experience, and aptitude) that workers possess, as companies fail to hire and assign the necessary human talent appropriately.[6] This mismatch hinders the maximization of worker productivity and lowers the overall production output of Japan. On the other hand, if the work and job skills are properly matched, each individual can maximize his or her abilities, which leads to higher productivity of the workforce as a whole. Therefore, eliminating such mismatches is a crucial issue for companies in hiring and assigning workers.

This report proposes profiling using an AI system (herein referred to as "AI Profiling") as a means of achieving an appropriate match between companies and individuals. Considering the rapid development of AI technology in recent years, AI Profiling has ample potential to assist in solving labor market issues. By utilizing AI Profiling, it is possible to optimize matching between companies and individuals,

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[1] Cabinet Office Japan "Annual Report on the Aging Society FY2025 (Japanese ver.)", pp.6-9.
[2] In Japan, social problems such as labor shortages due to the aging of the population, the collapse of nursing and medical care facilities, and economic deterioration are collectively referred to as such.
[3] The labor force population in OECD countries has been on the rise in recent years (OECD Data Explorer "Annual Labor Force").
[4] Japan Productivity Center "International Comparison of Labor Productivity 2025" (https://www.jpc-net.jp/research/detail/007846.html).
[5] In the document mentioned in note 4 above, "labor productivity per worker" is defined as GDP/number of employed persons (or multiplying number of employed persons by working hours).
[6] In the "Human Resources White Paper Survey Report 2020" published by the human resources portal site "Nihon no jinjibu" (https://jinjibu.jp/article/detl/hakusho/2301/), it was announced that approximately 75% of companies are unable to recruit, assign, and develop the human resources necessary for their management strategies. In addition, in a survey entitled "Survey Results on Human Capital Management" (https://hcm-consortium.go.jp/pdf/2ndTerm_Survey_Results_v1.pdf), conducted by Human Capital Management, it was announced that a considerable number of companies are experiencing problems in hiring and assigning human resources.

which in turn can lead to improved labor productivity for the entire country.

The main focus of this report is to "propose perspectives that companies should consider and measures to take when utilizing AI Profiling in Talent Evaluation, in order to maximize the abilities of individuals." While there is much discussion elsewhere on the general governance of AI systems, this report focuses on its use in the human resources field to conduct evaluations of job suitability for the purpose of making hiring and assignment decisions (herein referred to as "Talent Evaluation").[7]

3. Structure of this report

In Chapter II, an overview of AI Profiling and examples of its current use in the real world are provided. Chapter III discusses the risks and regulations that companies should be aware of when utilizing AI Profiling. Based on this, Chapter IV presents perspectives that companies should consider in order to promote the utilization of AI Profiling, and finally, Chapter V proposes measures that each company should take based on these perspectives.

[7] For examples of materials that discuss profiling and governance using AI, see "Final Proposal on Profiling", Apr. 22nd, 2022, written by Personal Data+α Study Group, NBL No. 1211, and "Legal Issues of AI Profiling", Oct. 30th, 2023, written by Shinnosuke Fukuoka, Kenji Sugiura, Naohiro Furukawa, and Naoko Kimura (eds.).

II. Overview of AI Profiling and Use Cases

"AI Profiling" refers to "profiling" using an "AI system." In the following, the definition of an AI system is first explained, and then an overview of AI Profiling is described (Section 1). After that, cases of companies using AI Profiling for Talent Evaluation are described (Section 2), and its usefulness is explained (Section 3).

1. Overview of AI Profiling

1.1 AI system

There is no definitive definition of "AI (Artificial Intelligence)." This report assumes the definition published by the OECD,[8] that an AI system is a "machine-based system that, for explicit or implicit objectives, infers, from the input it receives, to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments."

Generally, the practical application of AI systems can be divided into the development phase (Build phase) and the utilization phase (Use phase).

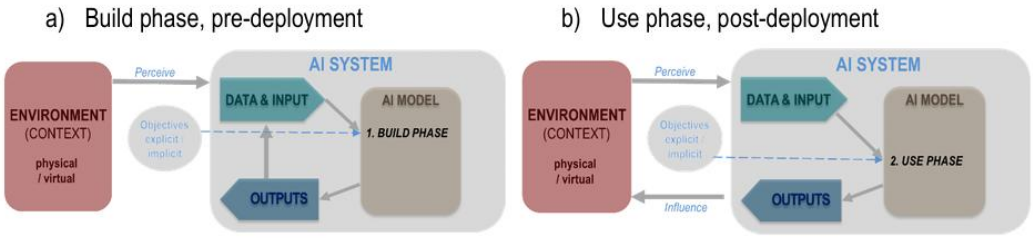

Figure: Schematic diagram of an AI system (quoted from OECD "Explanatory memorandum on the updated OECD definition of an AI system" page 7)

In the Build phase, data and input information collected from the external environment are used for machine learning to build an AI model. In AI Profiling, an AI model that can generate the information necessary for Talent Evaluation is expected to be developed using past employer application documents, employee information, etc. as input information.

In the Use phase, data and input are put into the developed AI model to generate certain inference results (the outputs). The generated outputs are then used for decision-making in the external environment. In AI Profiling, it is expected that the information about the person being evaluated (hereinafter referred to as the "Evaluatee"), such as resumes and interview information, will be put into an AI model, and the AI model will generate an evaluation of the Evaluatee.

1.2 AI Profiling

"Profiling" means to analyze information regarding an individual using scientific methods such as psychology and statistics, to infer or evaluate other aspects of the individual. Profiling has been used in various fields even before the proliferation of AI systems. For example, in Japan, it has been used in criminal investigations to infer the identity of a criminal from the crime scene

[8] OECD "Explanatory memorandum on the updated OECD definition of an AI system", 2024.

situation and victim information.[9] In addition, in commercial activities, customer profiling for the personalization of advertisements is widely used as a marketing method for the efficient sales promotion of products.

Before the proliferation of AI systems, profiling was performed by humans based on limited information, which limited the range and accuracy of inferences. However, profiling using statistical methods is highly compatible with computer calculations. The accumulation of various types of personal information on the internet and the ease of its collection have dramatically increased the volume of data available for AI systems to utilize. With the proliferation of AI systems, profiling has become possible to perform more accurately, in a shorter timeframe, and at lower cost.

Today, profiling has become a common technology, used for personalization of web ads on search and video sharing sites,[10] product recommendations,[11] credit scoring,[12] and hiring activities (described in Section 2). However, according to consumer surveys conducted in Japan, the United States, Germany, and China, a majority of consumers in the three countries except China expressed concern about the personalization of search results and advertisements.[13] This suggests that consumers have concerns about their personal information being collected, analyzed, and used.

2. Examples of using AI Profiling in Talent Evaluation

There are already numerous cases where AI Profiling is being implemented in Talent Evaluation. The following are only a few of the usage examples.

Broadly speaking, the purposes for introducing AI systems in companies tend to be divided into cases where the emphasis is on efficient "screening" and cases where the emphasis is on accurate "matching." Below, some examples are organized according to this classification.

2.1 Use cases for the purpose of screening

In Japan, many companies adopt a hiring system of recruiting graduating

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[9] National Police Agency Japan "White Paper FY 2025 (Japanese ver.)", pp.90.

[10] Google analyzes personal information provided by users and activity on their accounts and uses it to personalize ads on Google searches and YouTube ("Privacy & Terms", (https://policies.google.com/privacy?hl=en)). TikTok also uses the information it collects to show personalized videos and ads to users ("How TikTok recommends content" (https://www.tiktok.com/support/faq_detail?category=web_account&id=7543897458892577336&lang=en)).

[11] Amazon uses its machine learning algorithm to display product recommendations on its e-commerce site based on customers' search and purchase history. This similar functionality is also provided to third parties through AWS ("Amazon Personalize" (https://aws.amazon.com/personalize/), "What is Amazon Personalize?" (https://docs.aws.amazon.com/personalize/latest/dg/what-is-personalize.html)).

[12] In China, the scoring service provided by Zhima Credit is referred to for credit evaluation in various social situations (Ministry of Internal Affairs and Communications, "Information and Communications in Japan White Paper 2018" (Japanese ver.), pp.95. In the United States, the scoring service provided by FICO (FICO "Scoring Solutions"(https://www.fico.com/en/customer-lifecycle/scoring-solutions)) is one of the examples. In Japan, Credit Information Center CORP., a Designated Credit Bureaus on the Installment Sales Act and the Money Lending Business Act, has started providing "Credit Guidance" that quantifies individual credit information from November 2024 (CIC "Notice of the start of providing Credit Guidance" (https://www.cic.co.jp/74447b2de159402b22a4dbcaab09345d35a5ea7d.pdf)).

[13] Ministry of Internal Affairs and Communications "Information and Communications in Japan White Paper 2023"(English ver.)", pp.19-20.

students (new graduates) en masse. As a result, companies receive a large number of applications at the same time, causing the burden of recruitment activities to be concentrated at specific times. In order to efficiently screen these application forms, AI systems are often introduced.

In such cases in the Talent Evaluation process, there are many examples of replacing tasks such as reviewing application forms and conducting interviews—work conventionally done by people—with AI systems.

(a) Screening of application forms[14]

In May 2017, SoftBank Corp. announced the use of an AI system to evaluate application forms for the screening of new graduate applicants.[15] Similarly, Sapporo Breweries Limited announced in 2019 that it would implement a similar method when hiring new graduates.[16] At both companies, an AI system that has been trained on past data reads and evaluates application forms. Those that meet certain criteria are deemed to have passed the recruitment process, while for all others, hiring personnel check the content to make the final pass/fail decision.

(b) Video interviewing

In May 2020, SoftBank Corp. announced the introduction of an AI system to evaluate video interviews for hiring of new graduates.[17] The AI system is trained on video data submitted from internship applications and evaluations by experienced hiring personnel, and automatically calculates the evaluation grade of newly submitted videos from applicants. Videos that the AI system determines meet the passing criteria will pass the recruitment process, while videos that are judged to have failed will be checked by hiring personnel who then make the final decision, allowing the company to ensure the accuracy of the recruitment process.

Additionally, Lawson, Inc. has announced that interviews will be conducted using an AI system for new graduate hires who join the company in April 2026.[18] An AI system generates questions based on the submitted application form, conducts a 30-50 minute interview, and then judges whether there are any inconsistencies in the answers. By having an AI system handle screening during the first interview, the aim seems to be to streamline recruitment and increase the number of students who pass the recruitment process.

2.2 Use cases for the purpose of matching

The examples below are cases of utilizing AI systems and algorithms from the perspective of "matching" applicants. To put it simply, in these cases emphasis is placed on effective "matching" of applicants in order to improve applicant

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[14] More applicants are using AI to create application forms, and recently, some companies have even eliminated document screening based on these forms (Nihon Keizai Shimbun "Job-Hunting Applications: Relying on AI Becoming the Norm? Unmeasurable Passion: Companies Like Rohto Abolish Document Screening", Dec. 22nd, 2025).

[15] SoftBank Corp. "About the use of IBM Watson in new graduate recruitment selection", May. 29th, 2017, (https://www.softbank.jp/corp/group/sbm/news/press/2017/20170529_01/).

[16] Sapporo Breweries Limited "Using AI (artificial intelligence) in entry sheet selection for new graduate recruitment", Mar. 1st, 2018, (https://www.sapporobeer.jp/news_release/0000008998/).

[17] SoftBank Corp. "Introducing an AI system for evaluating video interviews in new graduate recruitment selection", May. 25th 2020,
(https://www.softbank.jp/corp/news/press/sbkk/2020/20200525_01/) .

[18] Nihon Keizai Shimbun "Lawson, Inc. introduces AI for new graduate recruitment interviews starting from April 2026", Sep. 4th, 2024,
(https://www.nikkei.com/article/DGXZQOUC295H90Z20C24A8000000/).

satisfaction, reduce turnover rates, and achieve appropriate allocation of human resources.

(a) Mercer Japan Ltd., and CMIC HOLDINGS Co., Ltd. have started a demonstration project to measure how well applicants and interviewers "match" with each other using an AI system.[19] According to the press release, there is a correlation between the degree of match between the interviewer and applicant and the results of the hiring evaluation, and so there is a risk that applicants with a poor match will receive a low evaluation due to bias and be rejected. Thus, the demonstration project aims to reduce the risk of losing out on talented people, and to increase applicants' desire to join the company by taking the degree of match into account during the hiring process.

(b) SYSMEX CORPORATION has introduced a system that uses an algorithm to determine where a new employee will be assigned based on the wishes of both the employee and the potential assigned department.[20] The company analyzed that a mismatch between employee expertise and desired work and actual assignments was the cause of declining employee engagement, and thus adopted this algorithm-based assignment decision method with the aim of promoting autonomous career development. As a result, the satisfaction and engagement scores of new graduate hires have improved, and the turnover rate has also decreased.

(c) KPMG Consulting Co., Ltd. offers services that utilize natural language processing to extract the characteristics of employees and the nature of each department's work, and matches them to optimize assignment and other personnel decisions.[21] The AI system analyzes information about people within a company (resumes, application forms, reports, enterprise social networks, etc.) and information about an organization (business plans, work reports of members, etc.) to execute matching analysis. The introduction of this service is expected to improve the efficiency of HR operations and improve the sophistication of staffing operations.

3. Usefulness of AI Profiling

Conventional Talent Evaluation in companies is based on "human" judgment. Specifically, human resources personnel within a company read applicant resumes, conduct interviews, and, as necessary, reach out to past colleagues. Based on the limited information obtained, they make an evaluation drawing on their own knowledge and experience, and decide whether or not to hire, or where to assign the worker. However, human evaluations are prone to human error. Such decisions are influenced by the evaluator's knowledge, experience, bias, sensitivity, values, etc., and do not necessarily lead to appropriate results. In addition, human labor costs are incurred in evaluating documents and conducting interviews.

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[19] Mercer LLC "Mercer Japan Ltd. and CMIC HOLDINGS Co., Ltd. begin proof of concept by matching interviewers and applicants using AI and personality data in new graduate selection", Nov. 14th, 2024, (https://www.mercer.com/ja-jp/about/newsroom/2024-mercer-cmic-ai-personality-data/).

[20] SYSMEX CORPORATION "Select and be selected—Transforming the new graduate employee assignment process through job matching", Jun. 27th, 2024, (https://www.sysmex.co.jp/stories/240627.html). Although the algorithm used in this case does not appear to be the AI system, it is useful as an example of systematic matching in assignments.

[21] KPMG AZSA LLC "Supporting the Advancement of HR Operations Using AI", (https://kpmg.com/jp/ja/home/services/advisory/management-consulting/strategy-operation/process-technology/ai-bpr/hr-optimizer.html).

How can conventional Talent Evaluation methods be improved by using AI Profiling? Referring to the examples discussed in Section 2.1 and 2.2 above, the usefulness of AI Profiling in Talent Evaluation is listed below:

- By having an AI system handle the evaluation of individuals, the human labor cost required can be significantly reduced compared to the conventional Talent Evaluation process. For example, in the screening examples in Section 2.1 above, the human labor cost involved in evaluating application forms is greatly decreased.
- If proper AI Profiling is implemented, it is possible to properly analyze an Evaluatee's job skills, identify the Evaluatee the company needs, and hire/assign individuals to a position that can make the most of his or her job skills. The service described in Section 2.2(c) above is most likely aimed at achieving this.
- AI systems can enable unbiased, fair, and impartial judgments through mechanical evaluation. As described in Section 2.2(a) above, by implementing AI Profiling it is possible to avoid giving the Evaluatee an unfairly low evaluation due to the influence of interviewer bias.
- Using AI Profiling, it is possible to match individuals with companies that they may not have had contact with before. This will encourage the movement of workers across industries and occupations, and is expected to lead to greater labor mobility.

The usefulness of AI Profiling in the Talent Evaluation process is not limited to the above.

In modern society, the departments, occupations, positions, etc. within companies are constantly diversifying and subdividing, and the skills required for each position are becoming more and more varied. Furthermore, due to the progress of globalization, people with different values and cultures coexist within the same company, and there is no longer a single index for evaluating individuals. AI systems capable of advanced information processing have the potential to be useful in many situations in the increasingly complex labor market.

III. Risks and Regulations

When designing an operation for utilizing AI Profiling in Talent Evaluation, it is essential to take into account the associated risks and laws and regulations. This chapter outlines the major risks associated with profiling using AI systems (Section 1), and the laws and regulations in major regions such as Japan, Europe, and the United States (Section 2).

1. Risks of AI Profiling

The major difference between the conventional Talent Evaluation process and one which uses AI Profiling is whether the Evaluatee is evaluated by a human or by an AI system.

Although various points have been made about the risks associated with entrusting decisions to AI systems, the fundamental nature of these risks does not significantly differ from when decisions are made by humans. In either case, privacy issues may arise at the stage of collecting information on which to base decisions, and if the decision-making process is closed, its lack of transparency becomes an issue. Furthermore, the content of the judgment itself may contain bias or misinformation, regardless of whether the judgment is made by a person or an AI system. However, when using an AI system, the degree of risk and scope of impact may be qualitatively different from when judgments are made by humans.

1.1 Privacy

To conduct Talent Evaluation, the collection of personal information is unavoidable. This may include information that the individual would not want others to know. Furthermore, based on the acquired information, using AI Profiling it is possible to infer and generate new information (such as work ability, personality, suitability, etc.) that is not directly provided by the Evaluatee. Evaluatees can be thought to have a strong interest not only in the information they themselves provide, but also in the handling of this type of new information inferred through AI Profiling. Therefore, unnecessary use or disclosure of this information to third parties should not be permitted.

In terms of the relationship between profiling and privacy, the so-called "Rikunabi Incident," in which, unbeknownst to applicants, a job-seeking platform calculated and sold companies algorithmic scores which predicted how likely individual job applicants would be to decline a job offer, is a well-known case highlighting the potential privacy risks.[22] As a result, the company in question, Recruit Career Co., was issued a correction advisory by the Personal Information Protection Commission (PIPC) in conflict with the Act on the Protection of Personal Information by providing profiling results to third parties in an inappropriate manner.

In addition, if there is insufficient privacy protection during the Talent Evaluation process, individuals applying to a company may feel insecure, which could lead to them leaving the company. In fact, according to a consumer survey conducted in Japan, the United States, Germany, and China, more than half of the respondents in the three countries other than China expressed anxiety about using services that require the provision of personal data. In addition, in all four countries, the highest percentage of respondents cited concerns about

[22] Recruit Co., Ltd. "About problems with Rikunabi DMP Follow and measures to prevent recurrence", Jun. 21st, 2024 (https://www.recruit.co.jp/r-dmpf/).

"unintentional information leaks and that information may be used in undesired ways" as reasons for their reluctance to provide personal data.[23]

1.2 Transparency in the decision-making process

AI models (see figure in Section 1.1 of Chapter II) become complex as a myriad of inference parameters (variables) are constructed through machine learning, reinforcement learning, etc. during the development stage. Parameters constructed in this way are generally difficult to verify after the fact, and as a result, it is difficult to explain why a certain output is produced based on the input information at the stage of using a certain AI model.

However, even when using conventional methods of human judgment, the fact is that the reasons for coming to a certain evaluation are not necessarily explainable,[24] and the process by which an evaluator comes to a decision is the same type of "black box". Even if an evaluator made a decision based on a biased feeling or arbitrary reasons, the Evaluatee could not know this.

To counter this issue, Explainable AI has become a popular research subject in recent years. Using this for Talent Evaluation would enable explanations of decisions, unlike with human-based evaluations. In addition, the technology can not only eliminate the opacity of the decision-making process, but if the results of the evaluation process are provided as feedback to the Evaluatee in an appropriate manner, the feedback can be used as self-analysis material for the Evaluatee in their future career development.

1.3 Bias

In 2014, Amazon.com, Inc. was developing a system that would rank job applicants using data from results accumulated at Amazon from the previous 10 years. However, it was discovered that the system was outputting unfavorable evaluations against women. Amazon was unable to correct for this bias, and consequently canceled operation of the system.[25]

As this case shows, there is a possibility that certain biases may occur in AI models due to biases in training data being reflected in algorithms, potentially leading to discrimination against certain groups. While bias can occur in the human decision-making processes as well, biases caused by AI systems have qualitatively different effects. For one, if bias becomes entrenched into an AI system, its effects can impact the whole system and thus have a much wider impact than a single decision would. On the other hand, bias in AI systems can be measured and controlled through analysis of the AI system, thus making the evaluation process potentially more objective than human bias.

Companies that make Talent Evaluation decisions that are irrationally biased will be shunned by the majority of applicants and employees, and such practices cannot be tolerated by the companies themselves. In order to maximize labor productivity, it is desirable to accept diverse human resources according to their abilities, regardless of their attributes, and to utilize their respective values and ways of thinking.

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[23] Ministry of Internal Affairs and Communications "Information and Communications in Japan White Paper 2023"(English ver.)", pp.9-10.

[24] The Tokyo High Court judgment of December 22, 1975 recognized that employers have the right not to disclose the reasons for their hiring decisions.

[25] Reuters "Amazon scraps secret AI recruiting tool that showed bias against women", Oct. 11st, 2018, (https://www.reuters.com/article/world/amazon-scraps-secret-ai-recruiting-tool-that-showed-bias-against-women-idUSKCN1MK08J/).

1.4 Misinformation

An AI system cannot completely eliminate the possibility of incorrect output. While not an example of profiling, reports emerged that Google's AI Overview search service, which uses an AI system, generated incorrect answers such as a recommendation that "You can also add about 1/8 cup of non-toxic glue" in response to the search query "Cheese not sticking to pizza."[26]

In the above example, it is clear that the output contains errors. However, even if misinformation is included in the output, it may appear credible, making it difficult to determine its accuracy, and it may be treated as correct.

If AI systems used for Talent Evaluation contain misinformation, there is a risk that companies will make erroneous decisions. In other words, the impact of misinformation prevents accurate assessment of the Evaluatee's professional capabilities and suitability, hindering the recruitment of necessary talent and appropriate personnel allocation. As a result, the environment in which individuals can make the most of their abilities is impaired, and the goal of maximizing labor productivity becomes more distant.

2. Regulatory trends

2.1 Japan

(a) Act on the Protection of Personal Information

In Japan, the acquisition, use, and transfer of personal information by businesses is regulated based on the Act on the Protection of Personal Information (APPI).

In order for a business to implement AI Profiling, it is necessary to obtain input information from the Evaluatee. If this includes "personal information" as defined in Article 2 (1) of the APPI, it is necessary to publicly announce that the personal information will be acquired for the purpose of implementing AI Profiling, and then obtain the consent of the person concerned. Even after acquisition, handling of personal information beyond the announced purpose of use is prohibited in principle.

Additionally, through AI Profiling it may be possible to infer and generate new information about an individual based on the already-acquired personal information. In this regard, if the generated information qualifies as "special care-required personal information" as defined in Article 2 (3) of the APPI[27], some consider that it corresponds to the "acquiring" of special care-required personal information, and that the consent of the individual should be required.[28] However, this opinion has not gained sufficient consensus to become the prevailing view. Although the Personal Information Protection Commission has stated its intention to consider how to deal with such information inferred through profiling,[29] it cannot be denied that the current legal system is not fully able to deal with such issues.

Incidentally, other types of information regarding individuals that do not fall

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[26] New York Times "Google's A.I. Search Errors Cause a Furor Online", May. 24, 2024, (https://www.nytimes.com/2024/05/24/technology/google-ai-overview-search.html).

[27] Personal information such as medical history etc. that requires special consideration in handling to avoid unfair discrimination, prejudice, and other disadvantages.

[28] The 287th Personal Information Protection Committee "Hearing with Experts" [Minutes] pp.10, (remarks by Professor Tatsuhiko Yamamoto).

[29] Personal Information Protection Commission, "How to proceed with the future review of the so-called triennial review of the Act on the Protection of Personal Information", Jan. 22nd, 2025.

under the scope of the APPI are naturally not subject to protection under the law. However, if a business operator's handling is carried out in a manner that infringes on the rights and interests of individuals, it may be subject to compensation under civil law.

(b) Labor legislation

Japan has many laws and regulations that protect workers from discrimination and unfair treatment. These laws also apply when AI Profiling is used in Talent Evaluation. For example, if there is discriminatory treatment in hiring or assignment based on race, nationality, creed, gender, social status, etc., then this could be a violation of the Act on Equal Opportunity and Treatment between Men and Women, or the Employment Security Act. Furthermore, if personnel changes are made based on the results of unfair AI Profiling during assignments, such changes may exceed the scope of a company's personnel rights and may be considered abuse.

If decisions are made based on unfair bias or misinformation as a result of AI Profiling, this may be a violation of applicable labor laws.

(c) AI Promotion Act

On June 4, 2025, the "Act on the Promotion of Research, Development, and Utilization of AI Related Technologies" (the so-called "AI Promotion Act") came into partial effect in Japan, with full enforcement occurring on September 1 of the same year. This act has drawn attention as Japan's comprehensive AI-related legislation. Prior to this, the Cabinet Office's AI Strategy Council and AI System Study Group had been discussing the need for AI regulation, and released an interim report on the subject.[30] It was stated that there is a need to strengthen the government's AI control tower function, formulate strategies, and develop systems to ensure transparency and appropriateness related to AI in order to improve safety. The contents of the discussion have been generally reflected in the AI Promotion Act.

The Act includes the government's basic philosophy for AI utilization, the establishment of a headquarters for AI strategy within the government, and provisions for investigation by the government into the development and use of AI for illicit purposes, with guidance and advice to be given to companies based on the investigation results.[31] However, the framework of the Act stipulates only the government's responsibilities regarding AI promotion. Its enforcement and impact on businesses remain unknown at this stage, requiring close monitoring of future developments to determine appropriate responses.

2.2 Europe

In Europe, wide-ranging regulations regarding personal data and AI systems were introduced before other countries, and these regulations have also affected countries and companies outside the EU (the so-called "Brussels effect"). The same goes for AI Profiling, which is regulated under both the GDPR and the AI Act.

(a) General Data Protection Regulation (GDPR)

The GDPR defines "profiling" as "any form of automated processing of personal data consisting of the use of personal data to evaluate certain personal aspects concerning natural persons" (Article 4(4) of the GDPR). Companies

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[30] Cabinet Office "Interim Report (AI Strategy Council/AI System Study Group)", Feb. 4th, 2025, (https://www8.cao.go.jp/cstp/ai/interim_report_en.pdf).

[31] Cabinet Office "Outline of the Act on Promotion of Research and Development, and Utilization of AI-related Technology (AI Act)" (ai_hou_gaiyou_en.pdf).

conducting profiling must obtain the user's consent in order to process his/her personal data (Article 6(1)(a)) and must process this data both lawfully and fairly and in a transparent way in relation to the data subject (Article 5(1)(a)). In addition, the person who provided the data (data subject) may be granted the right to object to profiling (Article 21(1)) and to request data erasure (Article 17) or rectification (Article 16).

In addition, the implementation of "Automated individual decision-making, including profiling" (Article 22(1)) that produces legal effects or has a significant impact on data subjects is, in principle, prohibited unless certain exceptions (Article 22(2)) are met. This applies when decisions are made solely based on AI Profiling without human involvement.

(b) AI Act

The AI Act, which came into effect in August 2024, classifies the risks posed by AI into four levels, adopts a risk-based approach, and establishes regulations according to each level. For example, social scoring and certain types of criminal profiling are classified as "unacceptable risks" and are completely prohibited.

Employment-related use cases are classified as "high risk." In other words, the use of AI systems for selection and evaluation of candidates in hiring and employee performance evaluation (Annex III Article 4 of the Act) falls under high risk. As such, companies using AI for these purposes must adhere to strict requirements, such as using datasets that meet quality standards (Article 10), ensuring automatic record keeping (Article 12) and transparency for deployers (Article 13), and implementing a design that achieves accuracy, robustness, and cybersecurity (Article 15). Furthermore, before a system can be sold on the EU market, it must be tested for compliance with regulations and registered in a publicly accessible database (Article 16, Article 49). The enforcement date for regulations on "high-risk" AI, including employment-related use cases, was originally scheduled for August 2026, but the European Commission has published a proposal to delay it until December 2027 at the latest.

2.3 United States

In the United States, there are no comprehensive privacy laws or profiling regulations at the federal level. However, in recent years, several states have enacted their own state laws to protect personal data.

(a) California Consumer Privacy Act (CCPA)

In California, the California Consumer Privacy Act (CCPA) was enacted in 2020, and subsequently amended by the California Privacy Rights Act (CPRA). The law defines "profiling" as "any form of automated processing of personal information…to evaluate certain personal aspects relating to a natural person" (1798.140.(z)), and is similar to the GDPR. The Act also stipulates rights for data subjects including the right to know how the information they provide is being used (right to request disclosure), the right to request deletion, the right to request correction, the right to opt out, etc.

(b) New York City Local Law 144 regarding Automated Employment Decision Tools[32]

New York City enacted an ordinance (Local Law 144) regulating the use of AI Profiling in recruitment, which went into effect in July 2023. The ordinance requires employers and recruitment agencies that use Automated Employment

[32] City of New York "New Laws & Rules Automated Employment Decision Tools (AEDT)", (https://www.nyc.gov/site/dca/about/automated-employment-decision-tools.page).

Decision Tools (AEDT), defined as any computational process that issues simplified output that is used to substantially assist or replace discretionary decision making for making employment decisions, to undergo annual audits, publish the results, and notify employees and job applicants about the use of AEDTs. However, the ordinance does not require specific corrective measures to be taken even if an audit reveals bias in the AEDT, raising concerns about its effectiveness in this regard.

IV. Perspectives that companies should consider

The theme of this report is to "propose perspectives that companies should consider and measures to take when utilizing AI Profiling in Talent Evaluation in order to maximize the abilities of individuals."

In this section, "perspectives that companies should consider in the system development of each company" are introduced.

1. The role of the "perspectives"

Before getting into the specifics of the "perspectives," this section explains what their role is.

Currently, many companies publish "AI guidelines" and "AI policies" on their websites, etc., regarding the development and use of AI systems.[33] Such policies serve as a goal to achieve AI governance in a company, as well as to show the company's AI governance approach externally, and to help ensure accountability for development and use of AI systems.

The "perspectives" described in Section 2 below are what the authors consider to be elements that should be incorporated into policies for companies that utilize AI Profiling for Talent Evaluation. Of course, there is no definitive answer as to what goals should be pursued for AI Profiling, and so this should be considered based on the values of each company, taking into account its specific circumstances. Therefore, the "perspectives" introduced in this report are only one proposal based on the authors' considerations.

Furthermore, it should be noted that since a company's external circumstances are constantly shifting, such policies and "perspectives" should not be determined only once, but should instead be reviewed and updated to incorporate changes in social values and external factors in a timely manner.[34]

Examples of external factors to consider include the below:

- **Government activities:** The government has published various guidelines[35] and conducted market surveys[36] in the area of AI. Companies are expected to consider and implement measures to incorporate the concerns and countermeasures expressed by the government with reference to these guidelines.

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[33] For example, Google "Our AI Principles", (https://ai.google/responsibility/principles/), Open AI "OpenAI Charter", (https://openai.com/charter/), Sony Group Corporation "Responsible AI", (https://www.sony.com/en/SonyInfo/sony_ai/responsible_ai.html), and SoftBank Corp. "SoftBank AI Ethics Policy" (https://www.softbank.jp/en/corp/aboutus/governance/ai-ethics/).

[34] Ministry of Economy, Trade and Industry "GOVERNANCE INNOVATION Ver.3 Agile Governance Update" (https://www.meti.go.jp/shingikai/mono_info_service/governance_model_kento/pdf/20220808_2.pdf), "GOVERNANCE INNOVATION Ver.2 A Guide to Designing and Implementing Agile Governance", (https://www.meti.go.jp/shingikai/mono_info_service/governance_model_kento/pdf/20210730_2.pdf), and "GOVERNANCE INNOVATION Redesigning Law and Architecture for Society 5.0" (https://www.meti.go.jp/shingikai/mono_info_service/governance_model_kento/pdf/20200713_2.pdf).

[35] For example, Ministry of Economy, Trade and Industry "AI Business Guidelines (Version 1.1)", Apr. 4th, 2024, (https://www.meti.go.jp/shingikai/mono_info_service/ai_shakai_jisso/pdf/20240419_14.pdf), and Agency for Cultural Affairs "Issues about AI and copyright", Mar. 15th, 2024, (https://www.bunka.go.jp/seisaku/bunkashingikai/chosakuken/pdf/94037901_01.pdf).

[36] For example, the Fair Trade Commission initiated an investigation to understand the current state of the generative AI market, and on June 6, 2025, it published the "Report Regarding Generative AI Ver.1.0" (https://www.jftc.go.jp/en/pressreleases/yearly-2025/June/250606.html).

- **Public opinion:** With the spread of social media, the opinions of individuals have come to have a significant impact on society. Companies need to carefully examine the reactions of individuals, and the public opinion formed by them, and consider how to reflect such reactions in their own governance.
- **Shareholder and investor reactions:** The intentions of shareholders and investors have a large influence on corporations. Institutional investors, in particular, tend to react sensitively to a company's use of AI systems. It is important for management to take these reactions into consideration and reflect them appropriately in the governance of the company.

2. Proposed "perspectives"

This section describes the "perspectives" that the authors consider necessary.

To promote the utilization of AI Profiling in Talent Evaluation, it is essential that the AI system has the ability to properly evaluate the Evaluatee, and that the environment allows the Evaluatee to use the company's system without any resistance. Naturally, when designing the system, the risks identified in Section 1 of Chapter III must be considered, and a perspective informed by this understanding is required.

Accordingly, the following two points are proposed as "perspectives" that should be considered when designing the company's systems.

Perspective 1 **Reduce the psychological resistance of the Evaluatee and create an environment in which they choose to accept AI Profiling.**

Even if a company introduces AI Profiling, its effectiveness will not be fully realized if job applicants and employees do not accept it. However, psychological resistance to AI Profiling remains strong.[37] Therefore, companies need to aim to design systems that reduce this resistance as much as possible.

Of course, the hiring or assignment processes are created by companies themselves, and so the use of AI Profiling could be unilaterally decided by these companies. For example, the line of thinking that "job applicants or employees who do not like AI Profiling should not apply to our company and give up on transferring" is not entirely implausible. However, this concept is unacceptable in both corporate and societal contexts. Under the current labor shortage situation, it is not advisable for companies to forcibly carry out such recruitment and hiring processes against the will of employees, as this will accelerate the loss of human talent. Additionally, forcing AI Profiling against the will of individuals could cause labor disputes between companies and employees.[38] To prevent such unproductive harm, it is important to establish an environment in which job applicants and employees can accept AI Profiling at their will, dispelling their psychological resistance to the process.

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[37] Note 13 and 23 above.

[38] Although this is a case concerning wage assessment, in the human resource field, in August 2019, IBM Japan announced the introduction of AI for wage evaluation, which led to a labor dispute with the company's labor union due to the lack of transparency in evaluation items. The dispute was concluded in August 2024 through a settlement between the two parties (JMITU Japan IBM Branch "AI Unfair Labor Practices Case Winning Settlement" (https://www.jmitu-ibm.org/2024/08/9302.html)).

Perspective 2 **Establish a system with the ability to carry out appropriate evaluations through AI Profiling.**

An important part of hiring and assignment decisions is determining whether an individual has the appropriate skills for a particular position. If decisions are made based on unreasonable bias or incorrect information, they are not appropriate evaluations. Therefore, the AI system utilized for profiling must be able to make "appropriate" judgments, i.e., it must be able to accurately and fairly evaluate an individual's job performance based on accurate assumed facts.

Additionally, in order to maximize the utility of AI Profiling in Talent Evaluation, it is necessary to focus on the "match" between companies and individuals. Therefore, when introducing AI Profiling, it is essential to build a system that can appropriately match the diverse positions held by companies and the job skills of individuals who wish to fill them.

V. Measures that companies should take based on the perspectives

In light of the above, what specific measures should companies take? To answer that question, this section proposes "measures that companies should take to maximize the abilities of individuals" based on the two perspectives proposed in IV above.

In the explanation of each measure, we include the three points of:

[Why?] Why is it necessary to implement it?

[What?] What needs to be done?

[How?] How it should be implemented?

However, it is not necessary to blindly implement all of the measures listed below when introducing AI Profiling. It is desirable to consider why each measure is needed and set appropriate priorities for implementation, with an eye on the ultimate goal of "maximizing the abilities of employees." In addition, some measures may be mandatory to implement based on applicable laws and regulations in each country. In such cases, it is essential to take measures in accordance with them.

1. Measures to achieve Perspective 1

Perspective 1 **Reduce the psychological resistance of the Evaluatee and create an environment in which they choose to accept AI Profiling.**

In order to achieve the goal of perspective 1, it is important to clarify the nature and causes of the psychological resistance that the Evaluatee may have in the Talent Evaluation process. In many cases, the Talent Evaluation process goes through three stages: (1) the stage of gathering information about the Evaluatee (Section 1.1), (2) the stage of analyzing and using the analysis results (Section 1.2), and (3) the stage of retaining the information and analysis results (Section 1.3). In the following, the overview of points for reducing psychological resistance among Evaluatees is described, and the measures taken to achieve perspective 1 are explained for each of those stages.

1.1 Information gathering stage

The Talent Evaluation process begins with gathering information about the Evaluatee. This is the same for both conventional Talent Evaluation decisions, and those done using AI Profiling. Typically, companies gather information through the submission of application forms by the Evaluatee and interviews with them.

The key to reducing the psychological resistance of the Evaluatee at the information gathering stage is to encourage the Evaluatee to understand the purpose of use of the information being acquired, and to obtain their consent.

i) Promoting understanding of what information will be collected and obtaining consent

[Why?] In modern society, the value of information has increased and it has come to be used in a variety of situations. However, people still have some resistance to providing information about themselves to a third party. In addition, the degree to which certain information is considered to be confidential differs from person to person, and it is thus difficult to make a standardized classification. Therefore, it is necessary for the Evaluatee to

fully understand the information collected during the evaluation process and to make self-determined decisions based on that understanding.

[What?] Companies must clearly indicate what information is to be acquired so that the Evaluatee can understand it, and obtain "consent" as evidence of the subject's self-determination.

[How?] Generally, during the evaluation process for Talent Evaluation, information regarding the work experience of the Evaluatee is obtained through application forms, interviews, etc. This information is usually provided actively by the Evaluatee, and it is assumed that the Evaluatee understands and agrees with the scope of the information to be obtained.

On the other hand, there may be other means of collecting information about the person other than that provided by the person himself/herself (e.g., social media information published on the internet, information from internal corporate social media, chat, email, etc.). In many cases, the Evaluatee would not expect that such information will be used in the evaluation. The authors are against the use of such information that is not intentionally generated for the purpose of Talent Evaluation. If such information is to be obtained, it is necessary to clearly indicate the scope and obtain the consent of the Evaluatee.

ii) Disclose the implementation of AI Profiling to the public and promote its understanding

[Why?] The utilization of AI Profiling in Talent Evaluation is not widely recognized by society. There are many aspects of AI systems that are unknown to many people, and this lack of transparency may further intensify the Evaluatee's discomfort. In order to reduce this discomfort, it is necessary to implement measures to increase the understanding of AI Profiling.

[What?] Companies must disclose that the AI system is used in the Talent Evaluation process, and explain what the AI system entails.

[How?] The following three points should be clarified in the disclosure.

(a) At what stage in the Talent Evaluation process will AI Profiling be utilized? For example, will it be used only for screening of application forms and interviews, or will it be used to evaluate the final degree of match between the Evaluatee and the application requirements?

(b) Why use AI Profiling instead of conventional human-based Talent Evaluation hiring/assignment methods? In other words, the advantages of using AI Profiling should be explained.

(c) How will the results of AI Profiling be used? Will the results of AI Profiling be used to directly determine acceptance or rejection, or will the results be used solely as supplementary information to assist the hiring personnel in making decisions?

iii) Specify which factors the AI system uses as parameters

[Why?] This is a viewpoint that coincides with the discussion on the transparency of AI systems.

In AI Profiling, information that the Evaluatee did not intend to use may be subject to evaluation. For example, it is generally recognized that when the Evaluatee submits a handwritten application form for recruitment and has an interview, the contents of the application form (i.e., the items written and the things spoken) will be subject to evaluation. However, information such as handwriting style and facial expressions, which are not normally taken into account in human evaluations, may also be configured as

parameters in an AI system and may serve as evaluation criteria. Therefore, it is important to clarify in advance what factors of the information provided by the Evaluatee will be used in the evaluation so that they can be predicted.

[What?] Companies must specify what information will be used as parameters in AI Profiling.

[How?] In AI systems, numerous variables are configured. Among these, it is particularly necessary to explicitly state information that the Evaluatee typically would not recognize as being considered in personnel evaluations. If such information is to be factored into the evaluation, it must be clearly communicated in advance.

1.2 Analysis and usage stage

The information gathered from the Evaluatee is analyzed by the company and used in decisions for Talent Evaluation which can have a significant impact on the Evaluatee. Considering this type of usage, there is likely to be stronger resistance from the Evaluatee than with profiling in advertising and marketing, which merely infers the individual's preferences.

The key to reducing the psychological resistance of the Evaluatee at the analysis and usage stage is involving the Evaluatee in the implementation and results of AI Profiling.

i) Notification of the use of profiling

[Why?] Without notification that AI Profiling has been conducted, the Evaluatee does not have the opportunity to be involved in the results. Notifying that AI Profiling has been conducted gives the Evaluatee the opportunity to have control over the results of the profiling.

[What?] Companies must notify the Evaluatee that AI Profiling has been conducted.

[How?] Since profiling results are used by companies to make Talent Evaluation, the companies should notify the Evaluatee that profiling has been conducted and clearly inform them that the results will be used for Talent Evaluation. This should be done in conjunction with the notification of profiling results described in (ii) below.

ii) Notification of AI Profiling results

[Why?] The results of AI Profiling are the information that is of most concern to the Evaluatee. While human evaluations can be predicted to a certain extent based on empirical rules, the evaluations made by AI systems are more difficult to predict. Therefore, if the results are not disclosed, the Evaluatee cannot confirm and understand the content of the results. In principle, it is desirable to disclose the AI Profiling results. Disclosing the result also offers the advantage to the Evaluatee that they can use it as a reference for their own career development.

[What?] Companies must notify the Evaluatee not only of the fact that they are conducting AI Profiling, but also of the results.

[How?] Although it depends on the specifications of the AI system, it is preferable that the results are not just a simple Yes/No or a numerical evaluation, but the evaluation should be in an easy-to-understand form, such as text. This allows the Evaluatee to objectively analyze their own job performance and use it as feedback.

iii) Re-evaluation request procedure

[Why?] Clear errors and unreasonable evaluations should be prevented. However, if incorrect profiling results are output, a system should be in place to correct them. If the Evaluatee checks the results and finds something unreasonable, he/she should be able to request a re-evaluation.

[What?] Companies must clearly state at the time of notification of AI Profiling results, that a re-evaluation can be requested if the results are unreasonable, and should provide guidance on that procedure.

[How?] However, allowing unlimited re-evaluation of all profiling results would impose an excessive burden on the companies. Therefore, when the Evaluatee requests a re-evaluation, it would be appropriate to ask them to clearly indicate which part of the evaluation is unreasonable. The companies can determine whether action is necessary and the extent of required adjustments based on feedback from the Evaluatee. In addition, feedback from the Evaluatee can be used to improve the AI system and discover defects.

1.3 Result retention stage

The results generated by profiling may be retained as data by the company that conducted it. The retention of profiling information even after the completion of the use can lead to psychological resistance by the Evaluatee. The key to reducing such resistance is to minimize retention and subsequent use. It is also necessary to prepare countermeasures in case an unexpected situation occurs during the retention period. The following section focuses on handling the results generated by AI Profiling.

It should be noted that personal information obtained for AI Profiling must comply with the privacy protection laws and regulations of each country.

i) Deletion or minimization

[Why?] Although profiling outputs are referenced to conduct Talent Evaluation, companies may continue to retain them even after the original purpose of use has ended. However, to address the concerns of the Evaluatee, the results should not be retained indefinitely. Nevertheless, profiling results (along with the acquired information) could also be used as training data to update AI systems. Such usage should be allowed as much as possible in order to improve the accuracy of AI Profiling and promote its widespread use.

[What?] Companies must, as a general rule, delete profiling results when they are no longer needed, or if retained, kept to a minimum.

[How?] Even if profiling results are retained, the extent should be kept to a minimum. The following describes the standards for retention in specific situations.

(a) Profiling results of individuals who were not employed by or enrolled in the company

In principle, there is no need to retain profiling results regarding such individuals, so the companies should delete them. However, in exceptional cases where it is used as learning data, retention may be permitted. Even in this case, there is no need to retain the information in a form that identifies individuals. Therefore, it is necessary to anonymize it so that it cannot be recovered in a form that would allow the individual to be identified. When deletion or anonymization is implemented, the company must notify the Evaluatee of this.

(b) In case the Evaluatee is employed by the company

If the Evaluatee is employed by the company after profiling, the results of

profiling regarding the Evaluatee may be used for future personnel evaluations, so a certain extent of retention may be permitted. Under the Act on the Protection of Personal Information, there is no obligation to delete personal data, but only the obligation to endeavor to delete it without delay when it is no longer required (Article 22 of the Act). In case of anonymization when used as learning data, the similar measures as in (a) are required.

ii) Request for deletion by the Evaluatee

[Why?] Although certain information may be retained by the company even after the Talent Evaluation has been completed, to reduce the psychological resistance of the Evaluatee, it is important that the Evaluatee has a certain degree of control over the profiling results. Therefore, it is better to have operations that enable the deletion of profiling results at the request of the Evaluatee.

[What?] Companies must delete profiling results when requested by the Evaluatee.

[How?] Deletion of results can be done either by the company itself or requested by the Evaluatee. Particularly for the latter case, it is necessary to have the operations for deletion prepared in advance.

If profiling results are anonymized in order to be used as learning data, it will be difficult to identify who the data relates to. Therefore, in situations where this is anticipated, it is advisable to confirm with the Evaluatee whether they wish for the data to be deleted before anonymizing and utilizing it as training data, and to establish a specific period for accepting deletion requests.

iii) Restriction on provision to third parties

[Why?] If profiling results are widely provided and used in a variety of situations, the Evaluatee's discomfort and concerns will increase. Talent Evaluation is based on each company's values and is carried out according to that company's standards. Given this nature, there is little need to be able to provide the profiling results from the conducting company to other companies. Furthermore, since personnel evaluations should be based on the information available at that time, it is not appropriate to use profiling results used in the past for other times. Therefore, re-use or transfer of profiling results to third parties should be prevented.

[What?] The companies conducting the profiling must restrict the provision of the results to third parties. (Even if the company conducting the profiling and the company using the results are different, the provision of the profiling results must be limited to the company that is using them.)

iv) Ex post-facto remedies in the event of incidents

[Why?] No matter how many measures are taken to prevent harm to the Evaluatee, unforeseen incidents may still occur. To deal with such incidents, it is necessary to establish appropriate countermeasures.

[How?] When profiling causes harm to the Evaluatee, the remedies can be broadly categorized into two types. One is to compensate for damages after the incident, and the other is to achieve the result desired by the Evaluatee. While necessary relief measures should be considered based on individual specific cases, it is desirable for companies to consider in advance what actions to take and under what circumstances, from the perspective of

enabling a swift response.

(a) To compensate for damages after the incident

This is a monetary measure to compensate the victim for the damages suffered, and is a typical remedy for damages. For example, in the case of personal information being leaked, it is standard practice for the perpetrator to compensate the victim for damages. Even when individuals suffer harm due to the use of AI systems, this approach can also be a basic remedy.

(b) To achieve the results desired by the Evaluatee

In the event of harm to the Evaluatee, one possible remedy is to implement the result that the Evaluatee should have obtained under ordinary circumstances. For example, the determination to hire the Evaluatee to the company or to assign him/her to the department that he/she desired.

Although not a case of human resources field, in 2018, when it was revealed that several university medical schools were running fraudulent admission exams that treated female examinees unfavorably, additional examinees who should have been accepted were allowed to enroll as a relief measure.[39] In AI Profiling, if inappropriate evaluations and decisions are made based on bias or misinformation, this approach may also be adopted as a remedy.

However, this remedy may not be appropriate if a long period of time has passed since the time of the recruitment or assignment evaluation, especially if the former Evaluatee has fully performed to the best of his/her ability in a different workplace. Careful consideration is required as to what circumstances would make this approach appropriate.

2. Measures to achieve Perspective 2

Perspective 2 **Establish a system with the ability to carry out appropriate evaluations through AI Profiling**

In order to utilize AI Profiling to perform an "appropriate evaluation," (i.e., to properly measure the degree of match between a company's position and a person's job skills), the following three approaches are considered necessary.

First, in the build phase of the AI system, to take the proper technical measures to ensure that the AI system is capable of generating appropriate results (Section 2.1). If an AI system containing bias or misinformation is developed, it cannot be used for Talent Evaluation. To develop an appropriate AI system, technical measures at the build phase are extremely important.

Second, to make it clear in the company what human resources are required for each job type and department (section 2.2). If the requirements for the necessary human resources are not defined, proper evaluation will not be possible, which could lead to inappropriate Talent Evaluations.

Third, to involve humans in the Talent Evaluation process and audit of the governance system (Section 2.3). Although AI systems are an innovative technology, at present, they have many immature aspects, such as generating inappropriate results. To compensate for this immaturity, it is effective to introduce appropriate human involvement and governance audits.

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[39] Nihon Keizai Shimbun, "43 additional students admitted to 8 universities due to inappropriate medical school entrance exams", Jun. 11th, 2019 (https://www.nikkei.com/article/DGXMZO45974410R10C19A6CC1000/).

The following sections describe specific initiatives for each of these items above.

2.1 Measures in the build phase of AI systems

i) Elimination of bias in training data

[Why?] When developing an AI system for Talent Evaluation, training data is expected to include resumes of past applicants and existing employees, supervisor evaluations, interview videos, etc. However, if this data itself contains bias, that bias is highly possible to be reflected in the AI system as well. In the case of Amazon.com, Inc. mentioned above,[40] an AI system was developed that rated women lower than men, and the reason for this was attributed to the majority of the training data being male resumes. The adequacy of training data is thus an important aspect in the development of AI systems.

[What?] When developing an AI system, companies must verify that the training data is unbiased and remove as much potentially biased data as possible.

[How?] In particular, attributes that have been considered factors of irrational discrimination in the past, such as gender, age, race, and place of origin, should be reliably removed from the training data. However, it is difficult to predict which attributes the AI system will use as parameters, and it is not always possible to completely eliminate bias by adjusting the training data. Therefore, it is desirable to combine this with the measures described in measures (ii) and (iii) below.

ii) Utilization of Explainable AI

[Why?] Explainable AI (XAI) is a set of processes and methods that allows human users to better understand and thus trust the results and output created by machine learning algorithms.[41] This field is currently being actively researched in order to eliminate the black box nature of the decision-making process caused by AI systems.

If the cause-and-effect relationship between input and output is clarified, it will be possible to understand which factors the AI model focuses on in its evaluation, which is also useful in verifying the presence of bias and misinformation.

[What?] AI system developers should consider adopting processes and technologies that can clarify the decision-making process at the build phase.[42]

iii) Understanding output trends

[Why?] The output tendencies exhibited by AI systems developed based on training data cannot be known until they are actually deployed. While it is important to ensure that the results produced by the AI system can be explained retrospectively, as described in ii) above, it is also necessary to conduct simulations prior to deployment. This allows for understanding the tendencies of the AI model—specifically, what input information it relies on and what kind of output it generates—thereby enhancing the transparency of the AI system's decision-making process.

[What?] Before starting operation of the AI system, companies should conduct

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[40] Note 25 above.
[41] IBM "What is explainable AI?" (https://www.ibm.com/think/topics/explainable-ai).
[42] For example, LIME (Local Interpretable Model-Agnostic Explanations) and SHAP (SHApley Additive exPlanations) to analyze the features that affected the generated results.

as many simulations as possible using existing input data and fictitious data to better understand the trends in output corresponding to input data.

2.2 Measures to clarify the desired human talent

[Why?] AI Profiling can generate more accurate results than "human" evaluation in terms of evaluating and analyzing what characteristics and abilities a person possesses. However, similar to conventional evaluation, if the company is not able to clearly define the requirements and qualities of the desired talent, it will be difficult to hire or assign the proper person for the position, even with the use of AI Profiling.

It is not easy for companies to determine what kind of human talent is needed for a certain position, and many companies actually have problems defining positions.[43]

In this regard, the required job skills and expertise differ depending on the department and the nature of the work. Until a few years ago in Japan, the common labor system was to rotate employees among various departments within the company. However, recently an increasing number of companies are adopting a job-focused employment system, allowing employees to gain experience mainly in a specific field and enhance their expertise. In addition, an increasing number of companies are recruiting internally for assignments and transfers, considering the vacancies in each department. Naturally, it is the department itself that is most aware of what kind of human talent is lacking, and what kind of new human talent is needed. Therefore, it is considered effective to involve the departments that plan to recruit and assign employees, rather than having only the human resources department define the job requirements and desired qualities.[44]

Furthermore, since AI systems are skilled at evaluating and analyzing a person's characteristics and abilities, a potential option may be to analyze and evaluate a company's existing employees using AI Profiling and then clarify the required abilities, etc.

In light of the above, the following two measures are proposed.

[What?] (a) Involvement of departments in the Talent Evaluation process.
(b) Implementation of AI Profiling of existing employees.

[How?] First, regarding (a), in the decision to hire or assign employees, involve the department that is hiring the employee or that the employee would be assigned to. Specifically, the department should be given a certain level of authority and responsibility for hiring or assigning decisions, and be proactively involved in the Talent Evaluation process, thereby clarifying the requirements and qualities of the talent desired by the department.

Next, regarding (b), AI Profiling should be conducted on existing employees in the relevant department to analyze and generalize the characteristics and job skills of the employees in the department.

The hiring or assignment requirements that are thus clarified should be disclosed to applicants or employees at the time of recruitment or

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[43] Human Capital Management "Survey Results on Human Capital Management (Details)", Jun. 20th, 2024 (https://www.meti.go.jp/policy/economy/jinteki_shihon/pdf/2024survey2.pdf). According to Q35 in the document, more than half of companies answered that they were not able to grasp the quality and quantity of human resources required in the med-to-long term.

[44] Ministry of Economy, Trade and Industry "Report of the Study Group for the Realization of Human Capital Management – Human Resources Edition Ito Report 2.0", pp. 44, May. 2020 (https://www.meti.go.jp/policy/economy/jinteki_shihon/pdf/report2.0.pdf).

assignment.

2.3 Human involvement and audit

i) Human involvement in Talent Evaluation

[Why?] At this time, it is difficult to completely entrust Talent Evaluation to AI systems. AI systems still involve latent risks such as those mentioned in Section 1 of Chapter III, and in order to deal with these risks, human confirmation of the AI Profiling process and analysis results is necessary. In addition, especially in hiring, communication with existing employees through dialogue is essential to understand the atmosphere of the new workplace or potential employees. Given that situation, it is necessary to carefully assess the appropriate degree of human involvement in the Talent Evaluation process.

[What?] The company must consider whether and to what degree human involvement is required at each stage of the process.

[How?] Measures to consider related to human involvement are described below: (a) whether the case requires human involvement, and (b) if required, to what degree human involvement is required.

(a) Consider whether the case requires human involvement.

From a risk-based perspective, human involvement should be required at the very least in cases when the results of AI Profiling do not meet the wishes of the Evaluatee. In other words, when deciding not to hire an applicant or to assign them in a way that does not meet their wishes, it is necessary to involve humans in evaluating the profiling results and making the evaluation.

(b) Consider to what degree human involvement is required.

When human involvement is required, the degree of human involvement (i.e., the degree of autonomy of the AI system that is acceptable) varies from process to process of Talent Evaluation.

Regarding the degree of autonomy of AI systems, there are standards advocated by SAE International in the field of driving automation, which can also be a reference for AI Profiling.[45] These standards classify the level of driving automation into six levels from level 0 to 5. The table below shows the degree of autonomy of AI systems in Talent Evaluation with reference to such standards.

Which level applies may vary depending on the stage of the Talent Evaluation process. For example, when screening the application documents of a large number of applicants, as in the case of new graduate recruitment in Japan, Level 3 methods are used in the case of SoftBank Corp. and Sapporo Breweries (Section 2.1(a) of Chapter II). In the Mercer Company example (Section 2.2(a) of Chapter II), AI Profiling is used as reference information for recruiting interviews, which corresponds to Level 1. On the other hand, in the case of transfers within a company, interviews and similar processes are not conducted, and assignments are frequently decided unilaterally. Given this situation, adopting a method aligned with Level 4 could also be an option.

The degree of human involvement needs to be carefully considered based on the performance of the AI system and the company's Talent Evaluation

[45] SAE International "Taxonomy and Definitions for Terms Related to Driving Automation Systems for On-Road Motor Vehicles", Apr. 30th 2021 (https://www.sae.org/standards/content/j3016_202104/).

processes.

	Level		Summary
Human Monitors AI Systems	0	No profiling automation	Humans make all evaluations and decisions.
	1	Evaluation/ decision assistance	The results of AI Profiling are used as one of the reference materials, but humans are mainly responsible for evaluations and decisions.
	2	Partial profiling automation	Automatic evaluations and decisions are made by AI Profiling, but all results are subject to human confirmation.
AI System Makes Autonomous Decisions	3	Conditional profiling automation	Only in the case of profiling results that do not match the wishes of the Evaluatee, the human confirms the results; in other cases, it is subject to the automatic decision of the AI system.
	4	High profiling automation	The AI system makes automatic decisions, except in the minimum necessary cases, such as when there is a complaint from the Evaluatee.
	5	Full profiling automation	All decisions are made automatically by the AI system.

ii) Audit of governance

[Why?] It is not easy for companies themselves to confirm whether the AI systems have sufficient performance for appropriate profiling or whether they have established appropriate governance structures. Therefore, it is desirable to be periodically audited, such as by the vendor who developed the AI system or by a third party expert in AI technology and compliance. In addition, being audited in a timely and appropriate manner will contribute to less psychological resistance about the AI system by the Evaluatee.

[What?] Companies should request a third party with appropriate expertise to audit the AI system and the framework for its utilization on a regular basis.

VI. Conclusion

This report discusses the “perspectives” and “measures” that should be taken in the utilization of AI Profiling in Talent Evaluation, while reviewing actual use cases, risks, and laws and regulations. In particular, in Chapter V, much space is devoted to a comprehensive overview of measures that should be taken by companies.

However, the most important point is the establishment of the “perspectives” described in Chapter IV. Each measure is only a means to achieve the “perspective” as the goal of governance, and is not a goal in itself. What “perspectives” should be established as the goal to achieve (i.e., what value should be achieved through the implementation of measures) depends on era, region, and company. Therefore, as mentioned in Section 1 of Chapter IV, it is necessary to continually review and update the “perspective” to reflect the social values of each era.

The same applies to the “measures” that should be taken. As the “perspective” changes, the measures to be taken and the order of priority will also change accordingly. Furthermore, as technology advances and discussions deepen, more appropriate methods may be proposed in the future than the measures currently adopted.

Therefore, the “perspectives” and “measures” provided in this report are just one proposal for governance. The authors hope that, while considering the specific values of each company, this proposal will be used as a reference for designing governance.

In recent years, AI has developed rapidly and found its way into people’s lives, and it seems that society has not been able to keep up with the speed of its growth. This growth will continue in the future, and it will change in ways we cannot even predict. However, there is no doubt that AI is an extremely useful technology for humanity. How can AI systems be used to solve social problems (in this report, the theme was “labor productivity”)? Always keeping this viewpoint in mind, we must constantly update our vision of what it should be.

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