

Corporate Governance Report

Last Update: June 20, 2018

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President, CEO, and Representative Director

Recruit Holdings Co., Ltd.

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The corporate governance of Recruit Holdings Co., Ltd. (the “Company”) is described below.

1. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

[Corporate Governance Code Principle 2-1, 3-1 (1), (2)]

The Company and its subsidiaries (the “Group”) has defined its Mission: “We are focused on responding to the needs of society by creating new value, thereby contributing to a brighter and more fulfilling world in which all individuals can live life to the fullest” and “Creation of new value,” “Contribution to society,” and “Respect for all individuals” as The Recruit Way in the Recruit Group Management Philosophy.

Under this management philosophy, the Company emphasizes corporate governance in striving to achieve long-term, stable growth and to continuously increase its corporate value as a business that is viewed as a positive force by users of Recruit products and services, clients, shareholders, employees, business partners, society, community and all other principal stakeholders of the Company.

The management strategies and business plans of the Group are posted on the Company’s website.

Japanese: https://recruit-holdings.co.jp/ir/management/managerial_policy.html
https://recruit-holdings.co.jp/ir/library/upload/report_201804_pm_jp.pdf

English: https://recruit-holdings.com/ir/management/managerial_policy.html
https://recruit-holdings.com/ir/library/upload/report_201804_pm_en.pdf

[Reasons for not Complying the Principles of the Corporate Governance Code]

The Company complies all the principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

The Company has adopted the following policies based on the five general principles of the Corporate Governance Code.

1. Securing the Rights and Equal Treatment of Shareholders

[Corporate Governance Code General Principle 1, Principle 1-1]

The Company shall strive to proactively disclose information and improve the environment to facilitate the exercise of voting rights, in order to effectively secure rights to vote at Shareholders Meetings and other forms of shareholder rights.

2. Appropriate Cooperation with Stakeholders Other Than Shareholders

[Corporate Governance Code General Principle 2]

Based on the Recruit Group Management Philosophy, the Company shall strive to achieve long-term, stable growth and continuously increase its corporate value as a business that is viewed as a positive force by users of Recruit products and services, clients, shareholders, employees, business partners, NPOs and NGOs, national and other governmental organizations, local communities and all other principal stakeholders of the Company.

3. Ensuring Appropriate Information Disclosure and Transparency

[Corporate Governance Code General Principle 3]

In addition to properly engaging in disclosures as required by laws and regulations, the Company will proactively disclose information as called for by the five general principles of Japan's Corporate Governance Code to help secure transparency and fairness in decision-making, and promote effective corporate governance.

4. Responsibilities of the Board of Directors

[Corporate Governance Code General Principle 4, Principle 4-1, 4-3]

The Board of Directors sets the basic management direction and performs management oversight. In addition to matters subject to exclusive board discretion, as provided in laws and regulations, the Board of Directors also makes executive decisions on matters that could significantly impact management philosophy, corporate governance systems, consolidated results and the reputation of the Group. When the speed of decision-making is a matter of critical concern, executive decision-making authority is vested in the President and Representative Director within certain bounds, and the Board of Directors oversees implementation of the decisions made.

Board Directors are elected by the shareholders to be entrusted with management of the Company. In performing their duties, they bear fiduciary responsibility and the duty of diligence, as they contribute to the sustainable growth and an increase in corporate value over the medium to long term.

5. Dialogue with Shareholders

[Corporate Governance Code General Principle 5, Principle 5-1]

To promote dialogue with shareholders, the Company shall appoint a Corporate Executive Officer in charge of capital market strategies and a department dedicated to handling IR work. Requests by institutional investors for meetings will be accepted within reasonable bounds, and the Company shall set up a contact point for responding to inquiries from individual shareholders.

Of the principles and supplementary principles of the Corporate Governance Code which should be disclosed, details of the following items are given in this Report.

- Principle 1-4: 2-2
- Principle 1-7: 2-2
- Principle 3-1: 1-1, 2-1 and 2
- Supplementary Principle 4-1-1: 2-2
- Principle 4-8: 2-2
- Principle 4-9: 2-1
- Supplementary Principle 4-11-1: 2-2
- Supplementary Principle 4-11-2: 2-1
- Supplementary Principle 4-11-3: 2-2
- Supplementary Principle 4-14-2: 2-2
- Principle 5-1: 1-1, 3-2

Status of compliance with principles other than the above is described in this Report, with numbers of those principles indicated for reference.

2. Capital Structure

Ratio of Shares Held by Foreigners	20% or more and less than 30%
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[Status of Major Shareholders]

Name or Company Name	Number of Shares Held (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	113,439,300	6.78
TOPPAN PRINTING CO., LTD.	113,100,000	6.76
Japan Trustee Services Bank, Ltd. (Trust Account)	79,340,200	4.74
DENTSU INC.	63,000,000	3.76
Dai Nippon Printing Co., Ltd.	58,100,000	3.47
The Recruit Group Employees Shareholding Association	46,822,780	2.80
Tokyo Broadcasting System Television, Inc.	33,330,000	1.99
Nippon Television Network Corporation	33,330,000	1.99
NTT DATA Corporation	31,500,000	1.88
Japan Trustee Services Bank, Ltd. (Trust Account 5)	28,171,000	1.68

Controlling Shareholder (excluding Parent Company)	—
Parent Company	None

Supplementary Explanation

—

3. Corporate Attributes

Stock Exchange Listings and Market Classification	First Section, Tokyo Stock Exchange
Fiscal Year-End	March
Type of Business	Services
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (consolidated) in the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	300 or more

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions, etc. with Controlling Shareholder

—

5. Other Special Circumstances Which May Have a Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution and Oversight in Management

1. Items Relating to Organization Structure and Operations, etc.

Form of Corporate Governance	Company with an Audit & Supervisory Board
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[Board Directors]

Number of Board Directors Stipulated in the Articles of Incorporation	11
Term of Office of Board Directors Stipulated in the Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of Board Directors	6
Appointment of External Board Directors	Appointed [Respond to the following items if appointed]
Number of External Board Directors	2
Number of External Board Directors Designated as Independent Directors	2

Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Naoki Izumiya	From another company								○			
Hiroki Totoki	From another company								○			

* Selection criteria regarding relationship with the Company

* ○: External board director herself/himself is currently applicable or was applicable until recently

△: External board director herself/himself was applicable in the past

* ●: Close relative of the external board director is currently applicable or was applicable until recently

●: Close relative of the external board director was applicable in the past

a. A person who executes business of the Company or its subsidiaries

b. A person who executes business or non-executive director of a parent company of the Company

c. A person who executes business of a fellow subsidiary company of the Company

d. A party whose major customer or supplier is the Company or a person who executes business thereof

e. Major customer or supplier of the Company or a person who executes business thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director

g. Major shareholder of the Company (or a person who executes business of the said major shareholder if the shareholder is a legal entity)

h. A person who executes business of a customer or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. A person who executes business of a company, between which and the Company's external directors are mutually appointed (the director himself/herself only)

j. A person who executes business of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation Relating to These Items	Rationale Supporting the Appointment of External Board Director of the Company (including the rationale for designation as independent director, if applicable)
Naoki Izumiya	○	<p>[Corporate Governance Code Supplementary Principle 4-11-2]</p> <p>Mr. Izumiya serves concurrently as Chairman and Representative Director, Asahi Group Holdings, Ltd.</p> <p>There are business relationships between Asahi Group Holdings, Ltd. and the Group; however, based on the size and nature of the transactions, it is deemed not to have an impact on the decision-making of shareholders or other investors., and therefore, descriptions of such transactions is omitted.</p>	<p>[Corporate Governance Code Principle 3-1 (5)]</p> <p>Mr. Izumiya has a strong background in advanced PR branding strategies, a track record of cultivating management talent, and extensive experience enhancing enterprise value through aggressive acquisition of overseas companies and creation of synergies through those acquisitions. Accordingly, the Company has judged that he would be able to fulfill an appropriate role by performing his duties, such as providing advice about overall management and supervising the execution of business. Additionally, as Mr. Izumiya does not violate both the independence criteria prescribed by the Tokyo Stock Exchange and that of the Company, the Company has judged that he is unlikely to pose any conflicts of interests with general shareholders, and thus has been designated as independent director.</p>
Hiroki Totoki	○	<p>[Corporate Governance Code Supplementary Principle 4-11-2]</p> <p>Mr. Totoki serves concurrently as Representative Corporate Executive Officer, EVP, CFO of Sony Corporation.</p> <p>There are business relationships between Sony Corporation and the Group; however, based on the size and nature of the transactions, it is deemed not to have an impact on the decision-making of shareholders or other investors., and therefore, descriptions of such transactions is omitted.</p>	<p>[Corporate Governance Code Principle 3-1 (5)]</p> <p>Mr. Totoki has deep insight cultivated through management of a global manufacturing company and experience of leading new business development projects in the Internet field. Accordingly, the Company has judged that he would be able to fulfill an appropriate role by performing his duties, such as providing advice about overall management and supervising the execution of business. Additionally, as Mr. Totoki does not violate both the independence criteria prescribed by the Tokyo Stock Exchange and that of the Company, the Company has judged that he is unlikely to pose any conflicts of interests with general shareholders, and thus has been designated as independent director.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee

Established

[Respond to the following items if established]

Status of the Establishment of a Voluntary Committee, Membership Composition and Attributes of Chairman

	Name of Committee	All committee members (Number of persons)	Full-time members (Number of persons)	Internal Board Directors (Number of persons)	External Board Directors (Number of persons)	Outside Experts (Number of persons)	Others (Number of persons)	Chairman
Voluntary Committee Equivalent to Nomination Committee	Nomination Committee	5	0	2	2	0	1	External Board Director
Voluntary Committee Equivalent to Remuneration Committee	Remuneration Committee	5	0	2	2	0	1	External Board Director

Supplementary Explanation

“Others” of the Nomination and Remuneration Committees consists of External Audit & Supervisory Board Members.

[Audit & Supervisory Board Members]

Establishment of the Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members Stipulated in the Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and the Internal Audit Department

[Corporate Governance Code Principle 3-2]

The Company uses a three-part auditing approach consisting of audits by Audit & Supervisory Board Members, audits by Accounting Auditors, outside firms specializing in such work and internal audits. Audits by Audit & Supervisory Board Members and Accounting Auditors are statutory audits, while internal audits, which are carried out at the direction of management, are discretionary audits aimed mainly at performing independent evaluations of internal control systems and ensuring that proper business practices are followed. Cooperation among the Internal Audit Department, Audit & Supervisory Board Members and Accounting Auditors takes the form of Accounting Auditors and the Internal Audit Department reporting on their respective audit approaches and results before the Audit & Supervisory Board as needed, and the standing members of the Audit & Supervisory Board, in the main, regularly sharing information with the Accounting Auditors and the Internal Audit Department. The Internal Audit Department appropriately presents reports and shares information when requested by an Audit & Supervisory Board Member or the Audit & Supervisory Board, and shares information with the Accounting Auditors.

Appointment of External Audit & Supervisory Board Members	Appointed [Respond to the following items if appointed]
Number of External Audit & Supervisory Board Members	2
Number of External Audit & Supervisory Board Members Designated as Independent Audit & Supervisory Board Members	1

Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hiroki Inoue	Lawyer										○			
Yasuaki Nishiura	Certified Public Accountant													

- * Selection criteria regarding relationship with the Company
- * ○: External audit & supervisory board member herself/himself is currently applicable or was applicable until recently
△: External audit & supervisory board member herself/himself was applicable in the past
- * ●: Close relative of the external audit & supervisory board member is currently applicable or was applicable until recently
●: Close relative of the external audit & supervisory board member was applicable in the past
- A person who executes business of the Company or its subsidiary
 - Non-executive director or accounting advisor of the Company or its subsidiaries
 - A person who executes business or non-executive director of a parent company of the Company
 - Audit & supervisory board member of a parent company of the Company
 - A person who executes business of a fellow subsidiary company of the Company
 - A party whose major customer or supplier is the Company or a person who executes business thereof
 - Major customer or supplier of the Company or a person who executes business thereof
 - Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member
 - Major shareholder of the Company (or a person who executes business of the said major shareholder if the shareholder is a legal entity)
 - A person who executes business of a customer or supplier company of the Company (which does not correspond to any off, g, or h) (the audit & supervisory board member himself/herself only)
 - A person who executes business of a company, between which and the Company's external audit & supervisory board member are mutually appointed (the audit & supervisory board member himself/herself only)
 - A person who executes business of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
 - Others

Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation Relating to These Items	Rationale Supporting the Appointment of External Audit & Supervisory Board Member of the Company (including the rationale for designation as independent audit & supervisory board member, if applicable)
Hiroki Inoue		<p>[Corporate Governance Code Supplementary Principle 4-11-2]</p> <p>Mr. Inoue serves concurrently as Managing Partner of Nagashima Ohno & Tsunematsu. There are business relationships between Nagashima Ohno & Tsunematsu and the Group; however, based on the size and nature of the transactions, it is deemed not to have an impact on the decision-making of shareholders or other investors and therefore, descriptions of such transactions is omitted.</p>	<p>[Corporate Governance Code Principle 3-1 (5)]</p> <p>Mr. Inoue is possessed of legal expertise developed through his many years in professional legal practice, and is very familiar with matters of business administration. In his capacity as an External Audit & Supervisory Board Member, Mr. Inoue is providing input from an objective, neutral perspective and is performing a valuable role in the oversight of the Company's management broadly defined. Additionally, as Mr. Inoue does not violate both the independence criteria prescribed by the Tokyo Stock Exchange and that of the Company, the Company has judged that he is unlikely to pose any conflicts of interests with general shareholders.</p>
Yasuaki Nishiura	○	<p>[Corporate Governance Code Supplementary Principle 4-11-2]</p> <p>Not applicable.</p>	<p>[Corporate Governance Code Principle 3-1 (5)]</p> <p>Mr. Nishiura has accounting knowledge cultivated as a Certified Public Accountant of the U.S. and experience of supporting numerous Japanese companies in undertaking business expansion in the U.S. as a business advisor, working primarily in Silicon Valley. He makes statements from a neutral and objective perspective as an External Audit & Supervisory Board Member, based on his deep insight and wealth of international experience. Accordingly, the Company has judged that he will fulfill an appropriate role in the supervision of the Company's overall management. Additionally, as Mr. Nishiura does not violate both the independence criteria prescribed by the Tokyo Stock Exchange and that of the Company, the Company has judged that he is unlikely to pose any conflicts of interests with general shareholders, and thus has been designated as independent audit & supervisory board member.</p>

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	3
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Other Information on Independent Directors/Audit & Supervisory Board Members

[Corporate Governance Code Principle 4-9]

When selecting independent directors/audit & supervisory board members, the Company's policy is, in principle, to select candidates who meet not only the independence criteria prescribed by financial instruments exchanges, but all the following criteria as well:

- (1) If the candidate or the corporation for which the candidate executes business is a shareholder of the Company, the share of voting rights held is no more than 10%.
- (2) In transactions during the most recent fiscal year, sales to the candidate or the corporation to which the candidate belongs amounted to less than 1% of the Company's consolidated net sales.

[Incentives] (Multiple selections can be made)

Status of Implementation of Measures to Grant Incentives to Board Directors	<input type="checkbox"/> (1) Introduction of a performance-based incentive plan. <input type="checkbox"/> () Introduction of Stock Options <input type="checkbox"/> () Other
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Supplementary Explanation Relating to These Items (Indicate the reason if not implemented.)

[Corporate Governance Code Principle 4-2]

The Company has introduced a stock incentive plan (hereinafter the "Scheme") as a new incentive plan for its Board Directors, Corporate Executive Officers and Corporate Officers (hereinafter collectively referred to as "Board Directors, etc.") from 2016 for Board Directors, etc. of the Company and from 2018 for Board Directors, etc. of the Group.

With a view to realizing the Recruit Group Philosophy, the Company has introduced the Scheme, which is a stock incentive plan utilizing trust, as a long-term incentive plan for officer remuneration. The Scheme aims at further clarifying the linkage between compensation for Board Directors, etc. and the stock value of the Company to promote motivation in contributing to the enhancement of medium to long-term performance and improvement of corporate value.

(Outline of the Scheme)

The Scheme adopts the structure used for the Board Incentive Plan Trust (hereinafter the "BIP Trust") which is an executive incentive plan based on the Performance Share Plan and Restricted Stock Plan of the United States. The BIP Trust is also a stock-based officer remuneration plan that offers Board Directors, etc. grant or payment of the Company's shares and money equivalent to the converted value of such shares according to their individual rank and the level of attainment of performance targets.

Grantees of Stock Options *Required for companies which grant stock options. (Select from the following items.)	
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Supplementary Explanation Relating to These Items

*Required for companies which grant stock options.

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[Board Director Remuneration] (Multiple selections can be made.)

Disclosure Status	<input type="checkbox"/> Full disclosure on an individual basis <input checked="" type="checkbox"/> (1) Partial disclosure on an individual basis <input type="checkbox"/> Not disclosed individually
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Supplementary Explanation Relating to These Items

*Include the details if amount of remuneration is disclosed.

[Corporate Governance Code Principle 3-1 (3)]

Total remuneration for Board Directors, Audit & Supervisory Board Members and External Officers is disclosed by type (fixed remuneration, short-term incentive, long-term incentive, allowance for retirement benefits, etc.). Remuneration for individual Board Directors whose remuneration is 100 million yen or more is also disclosed by type.

(1) For the fiscal year ended March 31, 2018, remunerations for Board Directors and Audit & Supervisory Board Members were as follows.

<u>Executive position</u>	<u>Number of grantees</u>	<u>Total remuneration (yen)</u>	<u>Fixed remuneration (yen)</u>	<u>Short-term incentive (yen)</u>	<u>Long-term incentive (yen)</u>	<u>Allowance for retirement benefits, etc. (yen)</u>
Board Directors (Excluding External Board Directors)	4	690 million	203 million	114 million	347 million	25 million
Audit & Supervisory Board Members (Excluding External Audit & Supervisory Board Members)	2	72 million	72 million	–	–	–
External Officers	4	55 million	55 million	–	–	–

(Note 1) A resolution setting the upper limit on remuneration for Board Directors at 50 million yen per month was passed at the 31st Ordinary General Meeting of Shareholders held in June 1991.

(Note 2) A resolution setting the upper limit on remuneration for members of the Audit & Supervisory Board at 10 million yen per month was passed at the 57th Ordinary General Meeting of Shareholders held in June 2017.

(2) For the fiscal year ended March 31, 2018, individual remunerations for officers (limited to officers whose total remunerations on a consolidated basis is 100 million yen or more) were as follows.

<u>Name</u>	<u>Executive position</u>	<u>Type of company</u>	<u>Total remuneration (yen)</u>	<u>Fixed remuneration (yen)</u>	<u>Short-term incentive (yen)</u>	<u>Long-term incentive (yen)</u>	<u>Allowance for retirement benefits, etc.</u>
Masumi Minegishi	Board Director	The Company	275 million	86 million	49 million	140 million	– million
Shogo Ikeuchi	Board Director	The Company	156 million	55 million	32 million	69 million	– million
Shigeru Kusahara	Board Director	The Company	101 million	7 million	– million	69 million	25 million
Keiichi Sagawa	Board Director	The Company	156 million	55 million	32 million	69 million	– million

Policy for Deciding the Amounts or Calculation Method of Remuneration	Established
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Details of Disclosure of Policy for Deciding the Amounts or Calculation Method of Remuneration

*Include the details if amount of remuneration is disclosed.

(1) Basic policies for officer remuneration

The basic policies for officer remuneration of the Company are as follows.

- i. Maintain a sufficient remuneration standard that can attract and retain superior management talents on a global scale
- ii. Establish a highly performance-based remuneration plan that motivates officers to attain performance targets
- iii. Set remuneration linked to medium to long-term corporate value
- iv. Enhance objectivity and transparency in the remuneration determining process

(2) Framework of the remuneration standard

The remuneration standards are determined with reference to the officer remuneration standards at major corporations as its benchmark based on external database services.

(3) Composition of remuneration

The remuneration for Board Directors (excluding External Board Directors) and Corporate Executive Officers, etc. consists of fixed remuneration (cash remuneration), short-term incentive plan (cash remuneration) based on individual assessments for each fiscal year, and long-term incentive plan (stock remuneration) based on attainments of the consolidated performance targets for each fiscal year. Composition ratios of performance-based remuneration and stock-based remuneration that constitutes the remuneration are designed to provide sound incentives in order to achieve sustainable growth. Specifically, approximate ratio of “short-term incentive plan” against fixed remuneration is set at around 50% and that of long-term incentive plan against fixed remuneration is set within the range of 50% to 200%. While EBITDA of the existing businesses has been used as performance target indicators for the long-term incentive plan since the year ended March 31, 2016, as corporate acquisitions aimed at enhancing corporate value may create potential synergy as a result of their integration with the existing businesses, and may pose difficulty in distinguishing the EBITDA of the existing businesses from that of the acquired companies, the level of the stock compensation based on the performance for the year ending March 31, 2019 shall be determined by the level of achievement of the adjusted EPS (*1) target, along with the EBITDA (*4) target established in the year ended March 31, 2017. If the corporate acquisitions and sales carried out during the fiscal year bear significant impact on EBITDA, projected value of EBITDA shall be amended by the resolution of the Board of Directors, based on the opinions of the Remuneration Committee, the majority of which is comprised of External Board Directors and External Audit & Supervisory Board Members. The performance-linked factor shall be within the range of 0% to 150%, as has been applicable since the year ended March 31, 2016.

(*1) Adjusted EPS:

Adjusted profit (*2) / (number of shares issued at the end of the period - number of treasury stock at the end of the period)

(*2) Adjusted profit:

Profit attributable to owners of the parent ± adjustment items (*3) (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items

(*3) Adjustment items:

Amortization of intangible assets arising due to business combinations ± non-recurring income/losses

(*4) EBITDA:

Operating income + depreciation and amortization ± other operating income/expenses

In principle, remuneration for External Board Directors and External Audit & Supervisory Board Members shall solely consist of fixed remuneration.

In addition, with the aim of attracting and retaining superior management talents on a global scale, the Company may adopt a composition of remuneration which differs from the composition described above in cases where talent was recruited based on the standards of markets with significantly different hiring practices and laws and regulations.

(4) Governance

The Company has established the Evaluation Committee and the Remuneration Committee chaired by an External Board Director as advisory bodies to the Board of Directors for the purpose of enhancing objectivity and transparency of remunerations for executives. In terms of the amount of officer remuneration, remuneration for Board Directors is determined by the Board of Directors taking into account the reports by the Evaluation Committee and the Remuneration Committee, while remuneration for Audit & Supervisory Board Members is determined on the basis of consultation among the Audit & Supervisory Board Members, within remuneration ranges approved by the General Meeting of Shareholders.

External Board Directors are selected based on the independence criteria prescribed by the Tokyo Stock Exchange, as well as individual insight and capabilities in fulfilling duties and responsibilities as an External Board Director, regardless of gender, age and nationality.

In addition, the Company appoints external compensation consultants with a view to introducing objective viewpoints from outside the Company and expertise on officer remuneration systems. With their support, the Company reviews its remuneration standard and remuneration systems in light of external data, the economic environment, industry trends and business conditions, among others.

[System to Support External Board Directors (External Audit & Supervisory Board Members)]

External Board Directors

Various types of support are provided by the Secretariat of the Board of Directors so that External Board Directors may properly supervise the business execution of Board Directors who are also Corporate Executive Officers. Specifically, initiatives include prior briefing on the outline of the agenda items to be discussed at the Board of Directors meeting and provision of relevant information.

External Audit & Supervisory Board Members

Assistants to the Audit & Supervisory Board Members provide necessary support including distribution and explanation in advance of meeting materials and provision of various information.

[Status of persons retired from President and Representative Director, etc.]

Description of status of persons retired from President and Representative Director, etc.	Not stated
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Names, etc. of Consultants and Advisors who formerly served as President and Representative Director, etc.

Name	Title/Position	Activities	Working Arrangement/Conditions (Full-time/Part-time/ Payment of remuneration)	Date of Retirement from President, etc.	Term
—	—	—	—	—	—

Total number of Consultants and Advisors who formerly served as President and Representative Director, etc. :

0 person

Other: —

2. Items relating to Functions of Business Execution, Audit and Oversight, Nomination, and Decision on Remuneration, etc. (Outline of the Current Corporate Governance System)

(1) Execution of Business [Corporate Governance Code Supplementary Principle 4-1-1]

At the Company, important matters of business strategy and business execution, are decided upon by the Board of Directors and the Business Strategy Meeting, etc.

In principle, meetings of the Board of Directors are convened once a month, and are attended by all Board Directors (six) and Audit & Supervisory Board Members (four).

The Business Strategy Meeting is an advisory body to the President, Representative Director and CEO, and is in principle held twice a month. These meetings are attended by Board Directors who are also Corporate Executive Officers (three), Corporate Executive Officers responsible for corporate function (five) and standing Audit & Supervisory Board Members (two).

In addition, the Company established the Strategic Business Unit (hereinafter the “SBU”) as a strategic management unit. The Business Strategy Meeting has partially transferred its authority to the Board of Directors of SBU headquarters. Non-executive Directors dispatched by the Company constitute a majority of the members of the Board of Directors of SBU headquarters.

To strengthen its business execution functions, the Company has adopted the Corporate Executive Officer system.

The Board of Directors makes decisions on investments above a certain financial value and on key personnel and other matters that could significantly impact the Company’s corporate governance or consolidated business performance. Other matters are decided by the Business Strategy Meeting. Criteria for determining where decisions are to be made are set forth in the Rules on Decision-making Authority, which are examined at least once a year by the Board of Directors for possible revision.

(2) Audit and Oversight [Corporate Governance Code Principle 4-4, 5, 6, 7, 8]

The Company has adopted the “company with an Audit & Supervisory Board” form of corporate governance, as defined in Japan’s Companies Act.

The Board of Directors includes two External Board Directors who are independent of the Company. Measures such as regular meetings with external experts are taken to ensure that a certain number of appropriate candidates are always available to fill open spots. Given the dramatic changes occurring in Internet technology and other aspects of its business environment, the Company annually examines its corporate governance and requirements to sit on the Board of Directors, and identifies appropriate candidates for future appointment. While there are no standards for the number of independent External Board Directors, as a result of the abovementioned measures, the Company currently maintains a board in which they comprise at least one-third of the members.

The Business Strategy Meeting must be convened with the participation of at least one standing Audit & Supervisory Board Member. This requirement is intended to promote the oversight function.

The Audit & Supervisory Board consists of two standing members and two external members, and, in principle, meets once a month in performance of its management oversight function. At the 58th Ordinary General Meeting of Shareholders held on June 19, 2018, one Substitute Audit & Supervisory Board Member was elected in preparation for occasions when the number of regular Audit & Supervisory Board Members is less than that required by laws or regulations.

Regarding the internal audit system, steps have been taken to strengthen the system of internal checks. Among these are the establishment of the Internal Audit Department, as an auditing unit independent of executive units, and the Compliance Department, as a unit with overall responsibility for compliance.

Accounting audits are performed by Certified Public Accountants affiliated with Ernst & Young ShinNihon LLC.

(3) Agreements for Limitation of Liability of Board Directors (Excluding Board Directors who are Also Corporate Executive Officers) and Audit & Supervisory Board Members

The Company has entered into an agreement to limit the liability to compensate for damages under Article 423, Paragraph 1 of the Companies Act with all the Board Directors (excluding Board Directors who are also Corporate Executive Officers) and Audit & Supervisory Board Members. The maximum amount of liabilities for damages under the said agreement is the minimum liability amount provided by applicable laws and regulations. However, such limitation of liability only applies when the officers perform their duties that caused the liability in good faith and without gross negligence.

(4) Nomination and Remuneration Decisions

[Corporate Governance Code Principle 3-1 (3), (4), 4-10, 4-11, Supplementary Principle 4-11-1]

Regarding the overall size of the Board of Directors, a maximum board size of 11 Board Directors is judged to be appropriate in view of the Company's size and functions, possibilities for designating Board Directors to be responsible for particular functions going forward and the need to have an appropriate number of External Board Directors. For the present time, it is thought that a board consisting of current members is most appropriate. As for the balance of knowledge, experience and capabilities, as well as diversity, of the Board of Directors, Board Directors who are also Corporate Executive Officers meet annually to consider the status of the corporate governance system and requirements to be a Board Director, and then identify appropriate candidates.

In identifying candidates for appointment as top managers, Board Directors and Audit & Supervisory Board Members, attention focuses on the knowledge and views of potential candidates and a final pool is designated based on potential to fulfill the duties and responsibilities of the above positions. No consideration is given to gender, age or nationality. Nomination, evaluation and remuneration decisions concerning top managers and Board Directors are deliberated by an advisory body consisting mainly of external officers and serving the Board of Directors. The purpose of this approach is to enhance objectivity and transparency.

Specifically, in each fiscal year, the candidates are deliberated by the Nomination, Evaluation and Remuneration Committees and decided by resolution of the Board of Directors. The Nomination Committee deliberates and reports on the selection and dismissal of the President and Representative Director; the Evaluation Committee deliberates and reports on evaluation of Board Directors' performance and evaluation standards; while the Remuneration Committee deliberates and reports on the remuneration amount of Board Directors based on their performance evaluation and the remuneration standards and systems of Board Directors and Corporate Executive Officers; and subsequently each Committee submit proposals to the Board of Directors. In terms of the amount of officer remuneration, remuneration for Board Directors is determined by the Board of Directors taking into account the reports by the Evaluation Committee and the Remuneration Committee, while remuneration for Audit & Supervisory Board Members is determined on the basis of consultation among the Audit & Supervisory Board Members, within remuneration ranges approved by the General Meeting of Shareholders. Individual remuneration standards are determined with reference to the officer remuneration standards at major corporations as its benchmark based on external database services (while remuneration standards of Audit & Supervisory Board Members are determined based on the remuneration standards of standing and non-standing corporate auditors of major corporations).

Each Committee is chaired by an External Board Director and the majority of the Committee members are comprised of External Officers.

(5) Individual rationale supporting the appointment of Board Director and Audit & Supervisory Board Member

[Corporate Governance Code Principle 3-1 (5)]

Mr. Masumi Minegishi was appointed as CEO of the Recruit Group in 2012 and oversees the business of the entire Group while making the most of his strong leadership. Therefore, the Company has judged that he would be an appropriate person to aim for ongoing improvement of the corporate value of the Group, and thus believes that he is the right person for the post of Board Director.

Mr. Shogo Ikeuchi was appointed as Board Director of the Company in 2012 and amassed a wealth of experience and knowledge through his diverse duties, primarily in the areas of corporate planning, human resources, international business strategy, R&D, public announcement, and CSR. Therefore, the Company has judged that he would be an appropriate person to aim for ongoing improvement of the corporate value of the Group, and thus believes that he is the right person for the post of Board Director.

Mr. Keiichi Sagawa was appointed as Board Director of the Company in 2011 and amassed a wealth of experience and knowledge through his diverse duties, primarily in the areas of accounting, finance, legal affairs, corporate communication, and corporate strategy. Therefore, the Company has judged that he would be an appropriate person to aim for ongoing improvement of the corporate value of the Group, and thus believes that he is the right person for the post of Board Director.

Mr. Rony Kahan is a co-founder of Indeed, Inc., a subsidiary of the Recruit Group. The Company believes his extensive track record of innovation and his deep expertise and broad relationships in the HR technology industry will help the Company to further accelerate the global expansion of its HR technology business, and thus believes that he is the right person for the post of Board Director.

Mr. Akihito Fujiwara has been properly auditing the execution of duties of the Board Directors as Standing Audit & Supervisory Board Member, and has been involved in the Company's management for many years as Corporate Executive Officer and in other positions, having accumulated a wealth of experience and knowledge through being involved mainly in businesses related to information systems in the Company. Therefore, the Company believes that he is the right person to serve as a Standing Audit & Supervisory Board Member.

Ms. Yukiko Nagashima has been involved in the management of the Company for many years, holding positions including that of Corporate Executive Officer. In that time, she has amassed a wealth of experience and knowledge through her duties, primarily in human resources, the bridal business and the staffing business operations. Therefore, the Company believes that Ms. Nagashima is the right person to serve as a Standing Audit & Supervisory Board Member.

In terms of other External Board Directors and External Audit & Supervisory Board Members, the rationale supporting their appointments is stated under 2-1 "Board Directors" and "Audit & Supervisory Board Members."

(6) Analysis and Evaluation of the Effectiveness of the Board of Directors

[Corporate Governance Code Principle 4-12, Supplementary Principle 4-11-3]

Self-evaluations were conducted in the following manner with respect to the meetings of the Board of Directors held during the fiscal year ended March 31, 2018.

a. Details of the self-evaluation

- Persons evaluated: Board Directors and Audit & Supervisory Board Members of the Company (9 persons in total)
- Evaluation period: From April 2018 to May 2018
- Summary: Individual interviews were conducted, as necessary, based on the preliminary aggregate results of replies to a questionnaire survey which consists of items such as the appropriateness of the roles and responsibilities of the Board of Directors; the appropriateness of the organizational structure and composition of the Board of Directors; the appropriateness of the qualities and knowledge of Board Directors; the effectiveness of deliberations by the Board of Directors; the effectiveness of checks and balances and oversight functions performed by and between Board Directors who are also Corporate Executive Officers; and the appropriateness of deliberations from the perspective of shareholders, customers, employees, local community and other stakeholders, as well as open-ended questions.

b. Results of analysis and evaluation

- The organization structure and composition of the Board of Directors as well as the qualities and knowledge of Board Directors are adequate in conducting deliberations.
- The agendas brought up for discussion at the Board of Directors are appropriate, and candid deliberations are conducted thereat.

Based on the above, it was confirmed that the Board of Directors maintains high level of effectiveness. On the other hand, it was recognized that the Board of Directors should deepen and continue its discussion regarding particular agendas to achieve further improvements.

(7) Policy on Training for Directors and Audit & Supervisory Board Members

[Corporate Governance Code Principle 4-14, Supplementary Principle 4-1, 4-2]

Newly appointed Board Directors and Audit & Supervisory Board Members are provided with an overview of the Company as of their appointment, together with information on matters such as management strategies, financial strategies and high-priority areas for audits. In addition, visits to business locations are organized to include explanations to promote understanding of business activities, as necessary, and Corporate Executive Officers in charge of business strategies for principal businesses are asked to provide external officers with information to further their understanding of the subject businesses. Newly appointed Board Directors and Audit & Supervisory Board Members also participate, as necessary, in external seminars on matters such as accounting and finance, and risk management, and in internal seminars led by invited external experts.

(8) Policy on Strategic Shareholdings

[Corporate Governance Code Principle 1-4]

In principle, the Company will purchase the shares of business partners when there is judged to be a business purpose in doing so. Decisions on whether to make such share purchases are made based on an overall assessment of the amount to be invested and the benefits to the Group of strengthening the business relationship.

Voting rights for strategic shareholdings are appropriately exercised based on detailed analysis of matters to be voted upon and an assessment of what would be in the best interests of shareholder value. Affirmative votes will not be cast when doing so would clearly result in damage to shareholder interests. If a vote is cast against the matter to be voted upon, a report to such effect is given at the Board of Directors.

(9) Policy on Dealings with Related Parties

[Corporate Governance Code Principle 1-7]

Related-party transactions by the Company's Board Directors must be approved by the Board of Directors. It must be recognized that such transactions are reasonable (required for business purposes) and that the transaction terms and conditions are appropriate. Information on transactions that exceed a certain financial amount and are engaged in with the Company or its subsidiaries by Board Directors of the Company; executives of principal subsidiaries of the Company; family members within the second degree of consanguinity; and the companies, and subsidiaries thereof, controlled by any of these persons, is collected annually and, transactions with a high degree of significance are disclosed in the securities report.

(10) Information Gathering and Support Structure

[Corporate Governance Code Principle 4-13]

The Company has prepared a system that provides Board Directors and Audit & Supervisory Board Members with necessary information, as appropriate, as well as a support structure, including in terms of providing sufficient staff, for Board Directors and Audit & Supervisory Board Members.

3. Rationale for Selecting the Present Corporate Governance System

To create a governance system emphasizing compliance, the Company includes External Board Directors on its board and has adopted the “company with an Audit & Supervisory Board” form of organization (as defined in Japan's Companies Act), in which corporate auditors oversee the activities of Board Directors and Board of Directors. At the same time, in the interest of accountability to shareholders and other stakeholders, the provision of general management advice, and the maintenance of checks on the execution of business activities, External Board Directors and External Members of the Audit & Supervisory Board are appointed, and the Nomination, Evaluation and Remuneration committees have been established directly under the Board of Directors, to strengthen the management oversight function.

To achieve rapid decision-making, Corporate Executive Officers who are also Board Directors are appointed, and vested with decision-making authority for certain important matters of business execution.

In view of the contributions of External Members of the Board of Directors and the performance of the Audit & Supervisory Board, the functioning of the present corporate governance system is judged to be reasonable.

III. Implementation Status of Measures for Shareholders and Other Stakeholders

1. Measures toward Revitalization of the General Meeting of Shareholders and Facilitation of Exercise of Voting Rights

Conformity to the following items (Select applicable items. Multiple selections can be made.)

	Status	Supplementary Explanations
a. Prompt Delivery of Convocation Notice of General Meeting of Shareholders	<input type="radio"/>	The convocation notice of the 58th Ordinary General Meeting of Shareholders was dispatched seven days prior to the statutory deadline (i.e. five business days prior to the statutory deadline).
b. Scheduling General Meeting of Shareholders Avoiding the Peak Day	<input type="radio"/>	The 58th Ordinary General Meeting of Shareholders was held on June 19, 2018.
c. Electronic Exercise of Voting Rights	<input type="radio"/>	The Company has adopted the method of exercise of voting rights via the Internet, etc. and thus shareholders may exercise their voting rights using their personal computers, smartphones and mobile phones.
d. Participation in the electronic voting platform and other measures to improve the environment for exercise of voting rights by institutional investors	<input type="radio"/>	The Company participates in the electronic voting platform operated by ICJ, Inc.
e. Provision of a Summarized Convocation Notice of General Meeting of Shareholders in English	<input type="radio"/>	The Company posts the English version of the convocation notice on its website.
f. Others	<input type="radio"/>	The Company posts the convocation notice on its website prior to its dispatch.
g. Not implemented		

2. IR Activities

Conformity to the following items (Select applicable items. Multiple selections can be made.)

	Status	Supplementary Explanations	Explanation by Representative
a. Preparation and Publication of Disclosure Policy	<input type="radio"/>	The Company's basic policy for IR activities is to disclose relevant information in a timely, fair, and accurate manner to various stakeholders, particularly capital market participants such as shareholders, investors, and analysts. This information is useful for corporate valuations and investment decisions, and includes our management performance and policies for the Recruit Group, business strategies, and other key figures. The detail is disclosed on its website.	—
b. Implementation of Regular Investor Briefings for Individual Investors	<input type="radio"/>	The Company holds investor briefings for individual investors as appropriate.	Yes

c. Implementation of Regular Investor Briefings for Analysts and Institutional Investors	○	The President and Representative Director or a Board Director/Corporate Executive Officer conducts quarterly financial briefings as well as video presentations on the Company's website. Small meetings and individual meetings, etc. with analysts and institutional investors are also held.	Yes
d. Holding Regular Investor Briefings for Overseas Investors	○	Teleconferences with overseas institutional investors are held as necessary, in addition to video presentations on the Company's website and quarterly financial results briefings. Small meetings and individual meetings, etc., including visits to overseas institutional investors, are also held.	Yes
e. Posting of IR Materials on the Website	○	The Company actively discloses important information that contributes to investment decisions of investors, through posting quarterly financial results, annual reports, and other timely disclosure-related materials to be submitted to the Tokyo Stock Exchange, on the Company's website. The Company also simultaneously discloses materials in English with same quality as those in Japanese for overseas investors.	—
f. Establishment of Department (Manager) in Charge of IR	○	The Department exclusively responsible for IR has been established.	—

g. Other	○	<p>Formulation and Disclosure of Business Strategies and Business Plans</p> <p>[Corporate Governance Code Principle 5-2] The Company has set a high single-digit compound annual growth rate (CAGR) for adjusted EPS (*1) over three years as its management target. To achieve this target, the Company has designated EBITDA as a key indicator, and sets and discloses a targeted growth rate of EBITDA for each fiscal year. The Company also upholds the policy of effectively utilizing financing through borrowings while maintaining financial soundness by focusing on the Company's ratings by domestic rating agencies. Furthermore, as a benchmark for capital efficiency, the Company has disclosed that it sets strict standards for investment projects and aims for an ROE of around 15%.</p> <p>(*1) Adjusted EPS: Adjusted profit / (total number of shares issued at the end of the period - number of treasury stock at the end of the period) Adjusted profit: Profit attributable to owners of the parent ± adjustment items* (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items * Adjustment items: Amortization of intangible assets arising due to business combinations ± non-recurring income/losses</p>	—
h. Not implemented			—

3. Status of Efforts to Ensure Respect for Stakeholders' Perspectives

Conformity to the following items (Select applicable items. Multiple selections can be made.)

	Status	Supplementary Explanations
a. Rules on Respecting Stakeholders' Perspectives	○	<p>[Corporate Governance Code 2-2]</p> <p>The Recruit Group's Sustainability Policy is based on the Recruit Group Philosophy. The Sustainability Policy identifies five core themes, which will be advanced with the attitude captured by these words: "In collaboration with our stakeholders, we implement actions reflecting what we can and should do while continuing to challenge ourselves."</p> <p>The Group has also established the Recruit Group Code of Ethics as the spirit we will maintain as Recruit Group executives and employees acting as individual members of society. The Code comprises 13 articles and prescribes codes associated with the following areas: "Moderate Behavior as a Member of Society," "Compliance with Laws and Regulations," "Compliance with Agreements," "Fair Commercial Activities," "Fair Relationship with Officials of Government and Municipal offices, etc.," "Appropriate Handling of Information," "Protection of Intellectual Property," "Clarification of Scope of Business and Responsibility," "Proper Public Announcement of the Details of the Company," "Respect for Human Rights and Elimination of Discrimination," "Securing a Pleasant Working Environment," "Disconnecting with Organized Crime, Crime Syndicates and Other Anti-societal Organizations," and "Proactive Commitment to Protection of the Global Environment and Public Affairs Activities."</p>
b. Implementation of Environmental Preservation, Sustainability and Other Activities	○	<p>[Corporate Governance Code Principle 2-3]</p> <p>The Group Sustainability Policy was formulated in April 2014 to emphasize realization of "a prosperous society in which each individual flourishes" as stated in the Group's management mission. With "contributing to society" at the heart of our sustainability activities, we will continue to be responsive to society's rising expectations and fulfill our growing responsibilities as a corporate citizen while also expanding our business. In addition, along with the globalization of the business, in April 2018 we updated the five priority themes of sustainability. Based on these new five core themes of our sustainability policy, we will continue to work with our stakeholders "to implement actions reflecting what we can and should do while continuing to challenge ourselves."</p> <p>"Five core themes of our sustainability policy"</p> <ol style="list-style-type: none"> (1) Inspire new ways of working (2) Close the opportunity gap (3) Celebrate diversity and inclusion (4) Respect human rights (5) Conserve the environment <p>In April 2010, we established our "more eco more smile" four-promise environmental vision. Since then, we have used our businesses, products and services as vehicles for expanding the scope of our global environmental preservation activities and for contributing to the realization of a sustainable society. We are constantly taking action to benefit the environment through steps such as gaining ISO 14001 certification.</p> <p>Information on our CSR activities is available on our website. Japanese: https://recruit-holdings.co.jp/sustainability/ English: https://recruit-holdings.com/sustainability/</p>

c. Establishment of Rules for Providing Information to Stakeholders	○	<p>Article 9 of the Recruit Group Code of Ethics (“Proper Public Announcement of the Details of the Company”) states that, “We will make public announcements to society to ensure the details of our policy, activities and the products are accurately known.”</p> <p>Recruit Group stakeholders include users, clients, shareholders, employees, business partners, NPOs and NGOs, national and other government agencies and local communities, and efforts are made to engage them in interactive communication by, for example, disseminating information and creating opportunities for dialogue. We invite outside experts to talk to our Sustainability Committee, conduct individual interviews to gather opinions on and learn what is expected of the Group’s sustainability policy and business activities, and hold group dialogues in which we work through NPOs — intermediary support groups — to invite people from various quarters to participate. Our definition of “stakeholder,” and information on how we engage with them, are posted in the “Sustainability Management” section of our website.</p> <p>Japanese only: https://recruit-holdings.co.jp/sustainability/</p>
d. Others	○	<p><Employee Diversity> [Corporate Governance Code Principle 2-4] Living up to the Group’s philosophy, which includes respect for all individuals, it requires that every one of its employees, regardless of gender, be able to fully exercise their capabilities. In 2006, therefore, we began to consciously promote diversity to advance the roles female employees play in our organization.</p> <p>Recruit Group has established its vision for the advancement of female employees as “the ratio of women in each position is equal to the proportion of female employees in the Group” and promoted various initiatives in order to achieve this vision. As a result, there have been yearly increases in both working mothers as a percent of the female work force and women as a percent of the management.</p> <ul style="list-style-type: none"> - Women as a percent of employees: 44.0% (As of April 2018) - Working mothers as a percent of female employees: 22.7% (As of April 2018) - Women as a percent of management: 25.2% (As of April 2018)

IV. Matters Related to the Internal Control System, etc.

[Corporate Governance Code Principle 2-5]

1. Basic Concepts and Status of the Internal Control System

Systems to ensure proper operations of the Company and its subsidiaries (hereinafter referred to as the “Group”) were resolved at the meeting of the Board of Directors held on March 28, 2018. A description of the systems is as follows.)

(1) Systems to Ensure that Board Directors, Employees, and Similar Personnel of the Company and Its Subsidiaries Comply with Laws and Regulations and the Articles of Incorporation in the Execution of Their Duties

i. A Board of Directors, which shall include External Board Directors, shall be established at the Company to carry out important decision-making for the Group.

- ii. An Audit & Supervisory Board, which shall include External Audit & Supervisory Board Members, shall be established at the Company. Each Audit & Supervisory Board Member of the Company shall audit the execution of duties by the Company's Board Directors by attending meetings of the Board of Directors and other important meetings and investigating the state of business execution and similar matters on the basis of the audit standards established by the Audit & Supervisory Board.
- iii. A Nomination Committee, Evaluation Committee, and Remuneration Committee chaired by an External Board Director shall be established at the Company to conduct deliberations on the nomination, appointment, evaluation and remuneration of the Board Directors and Corporate Executive Officers.
- iv. The Company dispatches its Board Directors to SBU headquarters so that they account for the majority of the Board of Directors of SBU headquarters, and supervise the management of SBU headquarters.
- v. The Internal Audit Department shall be established within the Company, under direct control of the President, Representative Director and CEO, and shall conduct audits of all managers, employees, consultants, and similar personnel's (hereinafter collectively referred to as "Recruit Affiliated Persons") compliance with laws and regulations, as well as the Articles of Incorporation and/or company policies.
- vi. The "Recruit Group Code of Ethics" shall be established and Recruit Affiliated Persons of the Group shall be informed thereof.
- vii. While giving due consideration to the autonomy and independence of the Company's subsidiaries, the "Recruit Group Policies" shall be established as common policies for the Group on matters such as decision-making, investment management, finance, human resource management, risk management, and compliance, in order to realize unified Group management.
- viii. The Group shall create a system to block all relationships, including business relationships, with anti-social forces.
- ix. The Company establishes the "Recruit Group Compliance Policy" which stipulates the basic policies in regard to the Group's compliance.
- x. The Company's Board of Directors shall establish a department in charge of compliance after appointing an individual with ultimate responsibility for compliance, and shall make decisions on the basic policies in regard to the Group's compliance and monitor its effectiveness. The President, Representative Director and CEO shall convene the Compliance Committee, chaired by himself, to evaluate the effectiveness of compliance in the Group and make decisions on and inspections of the Group's operational plans.
- xi. The Board of Directors of SBU headquarters shall make decisions on the basic policies in regard to compliance and monitor its effectiveness after appointing an individual with ultimate responsibility for compliance at each SBU. The President and Representative Director of each of the SBU headquarters shall convene the Compliance Committee, chaired by him/herself, to evaluate the effectiveness of compliance and make decisions on and inspections of the respective SBU headquarters' operational plans.
- xii. The President and Representative Director of each subsidiary of the Company shall evaluate the effectiveness of compliance and make decisions on and inspections of operational plans at each subsidiary after appointing an individual with ultimate responsibility for compliance at each subsidiary.
- xiii. The Company and its subsidiaries shall establish a system, including reporting hotlines for harassment or illegal or other improper behavior, to promptly transmit information to the applicable department in charge of compliance within the Company or a subsidiary, if a Recruit Affiliated Person discovers a problem related to internal controls. The department in charge of compliance that receives the report shall investigate the matter, decide on response measures in consultation with the departments involved within the Group, and implement the measures.
- xiv. The Company and its subsidiaries shall plan and conduct necessary trainings for Recruit Affiliated Persons to ensure compliance with the Code of Ethics and internal policies.
- xv. In the event that violation of laws and regulations, internal policies or other compliance matters are discovered, the Company and its subsidiaries shall impose strict measures against Recruit Affiliated Persons involved in such violation.

- (2) Systems Concerning Retention and Management of Information Regarding the Execution of Duties by Board Directors of the Company
- i. The “Documents and Contracts Management Policy” shall be established and based on this policy documents related to the execution of duties by Board Directors, such as minutes of the General Meeting of Shareholders, meetings of the Board of Directors, and Business Strategy Meetings, shall be retained together with related materials.
 - ii. The length of time of, and department responsible for, the retention of the documents described in the previous paragraph shall be as set forth in the “Documents and Contracts Management Policy.” Documents shall be retained in a manner that allows them to be viewed upon request by the Company’s Board Directors and Audit & Supervisory Board Members.
- (3) Internal Policies and Other Systems of the Company and Its Subsidiaries Concerning Management of Risk of Loss
- i. The Company shall establish the “Recruit Group Risk Management Policy” and “Recruit Group Risk Escalation Rules” to provide systematic risk management for the Group.
 - ii. The Company’s Board of Directors shall establish a department in charge of risk management after appointing an individual with ultimate responsibility for risk management in the entire Group, and shall make decisions on the basic policies in regard to the Group’s risk management and monitor its status. In addition, at the Risk Management Committee chaired by the Board Director responsible for the Risk Management Department, the Company’s Board of Directors shall monitor the status of risk management at each SBU as well as identify and determine the risk to which particular attention should be paid.
 - iii. The Board of Directors of SBU headquarters shall make decisions on the basic policies in regard to SBU’s risk management and monitor its status after appointing an individual with ultimate responsibility for risk management at each SBU. In addition, at the Risk Management Committee attended by those for the respective management functions of each SBU headquarters, the Board of Directors of each SBU shall monitor the status of risk management at each SBU as well as identify and determine the risk to which particular attention should be paid.
 - iv. The President and Representative Director of each subsidiary of the Company shall be ultimately responsible for risk management by identifying risk at each subsidiary and determining the significance of such risk after appointing an individual with ultimate responsibility for risk management at each subsidiary.
 - v. If a serious incident occurs that will affect the entire Group, a crisis management task force shall be established to address the situation.
- (4) Systems to Ensure the Efficient Execution of Duties by Board Directors of the Company and Its Subsidiaries
- i. The Company’s Board of Directors or the Business Strategy Meeting shall set management targets for the Group and shall make these targets widely known, while setting specific targets to be achieved by each division of the Group in order to achieve the Group-wide targets. The Company’s Corporate Executive Officers in charge of each division shall determine and execute efficient methods of achieving these targets.
 - ii. The Company’s Board of Directors shall regularly review the progress in achieving these targets, and, by promoting improvements such as eliminating or reducing factors that impede efficiency, increase the likelihood of achieving targets and improve operational efficiency for the entire Group.
 - iii. The Company shall establish a Business Strategy Meeting as an advisory body to the CEO of the Company and shall carry out discussions on necessary matters regarding management of the Group as a whole.
 - iv. In addition, expert committees such as the Management Advisory Committee and Sustainability Committee shall be set up as advisory bodies to the Company’s Board of Directors and the Business Strategy Meeting.

(5) Systems to Ensure the Reliability of Internal Controls for Financial Reporting

The Company shall establish the “J-SOX General Policy” and create an internal control system for financial reporting based on the internal control reporting system described in the Financial Instruments and Exchange Act of Japan.

(6) Systems Concerning Reporting to the Company Regarding the Execution of Duties by Subsidiaries’ Board Directors and Similar Persons

- i. The Company shall establish internal divisions to oversee each SBU. Based on requests from such oversight divisions, Board Directors of the subsidiaries and similar persons shall regularly report their business results and the status of implementation of their business strategies to their respective oversight divisions.
- ii. The Company and Board Directors, etc. of SBU headquarters shall share the management status on a regular basis, and discuss the Group’s management policies, as needed.
- iii. The Company shall establish the “Recruit Group Group Management Policy” and require the Company’s subsidiaries to obtain an approval of the Company regarding important issues and make a prior confirmation with or subsequent report to the relevant departments of the Company.

(7) Matters Concerning Appointment of Employees to Assist Audit & Supervisory Board Members in Their Audit Duties

The Company shall appoint one or more persons “Assistant to support the Company’s Audit & Supervisory Board Members” and make an official announcement of the appointment.

(8) Matters Relating to Ensuring the Independence from the Company’s Board Directors of Employees Described in the Preceding Item and the Effectiveness of Instructions Given to the Employees

Assistants supporting the Company’s Audit & Supervisory Board Members shall follow only directions provided by the Audit & Supervisory Board Members in their supporting duties. The opinions of the Company’s Audit & Supervisory Board Members or Audit & Supervisory Board shall be respected with regard to the appointment, transfer, evaluation, and discipline of these assistants.

(9) Systems Concerning Reports to the Company’s Audit & Supervisory Board Members

- i. Recruit Affiliated Persons and the Group’s independent auditors shall report to the applicable Group company’s Audit & Supervisory Board Members on the matters set forth below. A system shall be put in place to allow for reporting in a timely manner by means of meetings, interviews, telephone, email, and similar methods.
 - Material matters regarding the state of business management
 - Matters which have the potential to cause significant loss to the Company
 - Material matters regarding the status of internal auditing and risk management
 - Material violations of laws and regulations and the Articles of Incorporation
 - Any other material matters regarding internal controls
- ii. The Company’s Audit & Supervisory Board Members and the Internal Audit Department shall cooperate with Board Directors and Audit & Supervisory Board Members of SBU headquarters and its affiliated companies as needed and share information on a regular basis.

(10) Systems to Ensure that Individuals Reporting on Matters Described in the Preceding Item Are Not Unfavorably Treated on the Basis of Such Reporting

The Company shall establish the “Recruit Group Compliance Policy” under which any individual who has made a report is not subject to unfavorable treatment such as dismissal or unjustified transfer, etc. on the grounds of their reporting on such matters.

- (11) Matters Relating to Policies Concerning Procedures for Making Advance Payments or Reimbursements of Expenses Incurred in Connection with the Execution of Duties by the Company's Audit & Supervisory Board Members and Treatment of Other Expenses or Obligations Associated with the Execution of Duties by These Members

The Company shall bear the costs for the budget requested in advance by the Audit & Supervisory Board Members as the expenses necessary to execute their duties. In addition, the Company's Audit & Supervisory Board Members may request payment from the Company of expenses incurred in urgent or unexpected circumstances, and the Company shall bear such costs.

- (12) Other Systems to Ensure the Effectiveness of Audits by Audit & Supervisory Board Members

The Audit & Supervisory Board Members and the Audit & Supervisory Board of the Company shall hold regular meetings to exchange opinions with the President and Representative Director of the Company and with the Company's independent auditors, respectively.

2. Basic Position on Rejecting Relationships with Antisocial Forces, and Implementation Status of Relevant Measures

- (1) Basic Stance on Antisocial Forces

The Group, in its Recruit Group Code of Ethics, strictly rejects involvement with antisocial forces. Furthermore, the Recruit Group Internal Control General Principle, provides that all relationships with antisocial forces, including transactions and all other types of relationships regardless of their nature, will be rejected; that regulations will be established to address cases in which situations involving antisocial forces arise; that certain departments will bear responsibility for addressing inappropriate demands and that such demands will be handled forthrightly, in accordance with the law, together with external authorities. All executives and employees are required to abide by the Recruit Holdings Internal Control General Principle.

- (2) Status of Internal Systems for Excluding Relationships with Antisocial Forces and Specific Measures

Policies and Standards for Establishing and Maintaining an Internal System for Detecting the Presence of Antisocial Forces.

- i. Establishment of a Department for Addressing Situations Involving Antisocial Forces

The department responsible for addressing inappropriate demands from antisocial forces shall be the Recruit department responsible for general affairs (referred to below as the "Contingency Response Unit").

- ii. Addressing Inappropriate Demands from Antisocial Forces

In the event an inappropriate demand is received, Recruit Group Basic Procedure on dealing with Anti-Social Forces require that the designated Contingency Point Person (designated for each Group member company) immediately report the demand to the Contingency Response Unit and that the Contingency Point Person and Contingency Response Unit cooperate on actions and communications taken in response to the inappropriate demand. Contingency Point Persons are, in principle, obligated to participate in training for those responsible for responding to inappropriate demands.

- iii. Establishment of a System for Collecting and Managing Information on Antisocial Forces

To determine whether a transaction counterparty is connected to antisocial forces, the Group has established a department with overall responsibility for investigating such matters. This department collects relevant information, which is managed in the Group's own database on antisocial forces.

- iv. Establishment of a System for Coordinating with External Authorities

The Group coordinates with external authorities on addressing situations involving, and on collecting information on, antisocial forces.

v. Development of Regulations and Manuals

The Group has established Recruit Group Basic Procedure on dealing with Anti-Social Forces, as well as related regulations and implementation guidelines, and created a manual for addressing contingencies. All Recruit Group member companies are required to abide by these regulations and guidelines, and the manual for addressing contingencies.

vi. Incorporation of Terms Rejecting Connections with Criminal Organizations

Terms rejecting connections with criminal organizations — in other words, terms for rejecting transactions, and facilitating the termination of agreements, with antisocial forces — are incorporated in agreements used for business transactions.

V. Others

[Corporate Governance Code Principle 1-3, 1-6]

The Company, as a general rule, does not implement capital policies that could unfairly harm the interests of the existing shareholders. The core of the Company's dividend policy lies in stable and sustained dividend payments. Based on this policy, the Company returns profits to its shareholders by comprehensively taking into account trends in business performance, an increase in internal reserves expected to be necessary for growth investments in the future, and establishment of a stable financial foundation. The Company has consequently set a target for dividend payments of "approximately 30% upon excluding the effects of non-recurring income/losses from profit attributable to owners of the parent." In addition, in terms of capital efficiency, the Company aims to maintain a ROE of roughly 15%.

In cases of capital policies that will result in a change of control or significant dilution, the Board of Directors will fully examine them, ensure appropriate procedures are taken and make sufficient explanation to shareholders on their necessity and rationality.

1. Matters Relating to Capital Policies

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2. Introduction of Anti-Takeover Measures [Corporate Governance Code Principle 1-5]

Introduction of Anti-Takeover Measures	No
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Supplementary Explanation Relating to These Items

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3. Other Matters Relating to Corporate Governance System, etc.

[System for Making Timely Disclosures]

(1) Basic Policy on Timely Disclosures

The Company's basic policy on timely disclosures is to make timely, appropriate disclosures of information important for appropriate decision-making on the part of investors.

(2) System for Timely Disclosure

The Company has designated certain people in each of its departments and principal subsidiaries to be responsible for gathering information for timely disclosure. The Department in charge of IR, which handles disclosures of information, oversees the gathering of information. The Timely Disclosure Committee, which is chaired by a Corporate Executive Officer in charge of capital market strategies and consists of the heads of relevant departments, has been established and operated to ensure the adequacy of decision-making for disclosures and the accuracy of disclosure content.

The Department in charge of IR, which is responsible for disclosure-related work, is carrying out timely disclosure-related work in an appropriate manner by formulating guidelines for works related to timely disclosure, establishing disclosure standards and procedures to be implemented and ensuring that each of the Company's departments and principal subsidiaries, etc. is thoroughly informed thereof.

(3) Status of Efforts to Ensure Shareholders Have Opportunities for Fair, Ready Access to Information
To ensure shareholders have opportunities for fair, ready access to key information on the Group, we actively make voluntary disclosures based on our own disclosure standards, in addition to the timely disclosures based on the Securities Listing Regulations of the Tokyo Stock Exchange. Disclosed information may be viewed on the Company's website, in addition to the website of the Tokyo Stock Exchange.

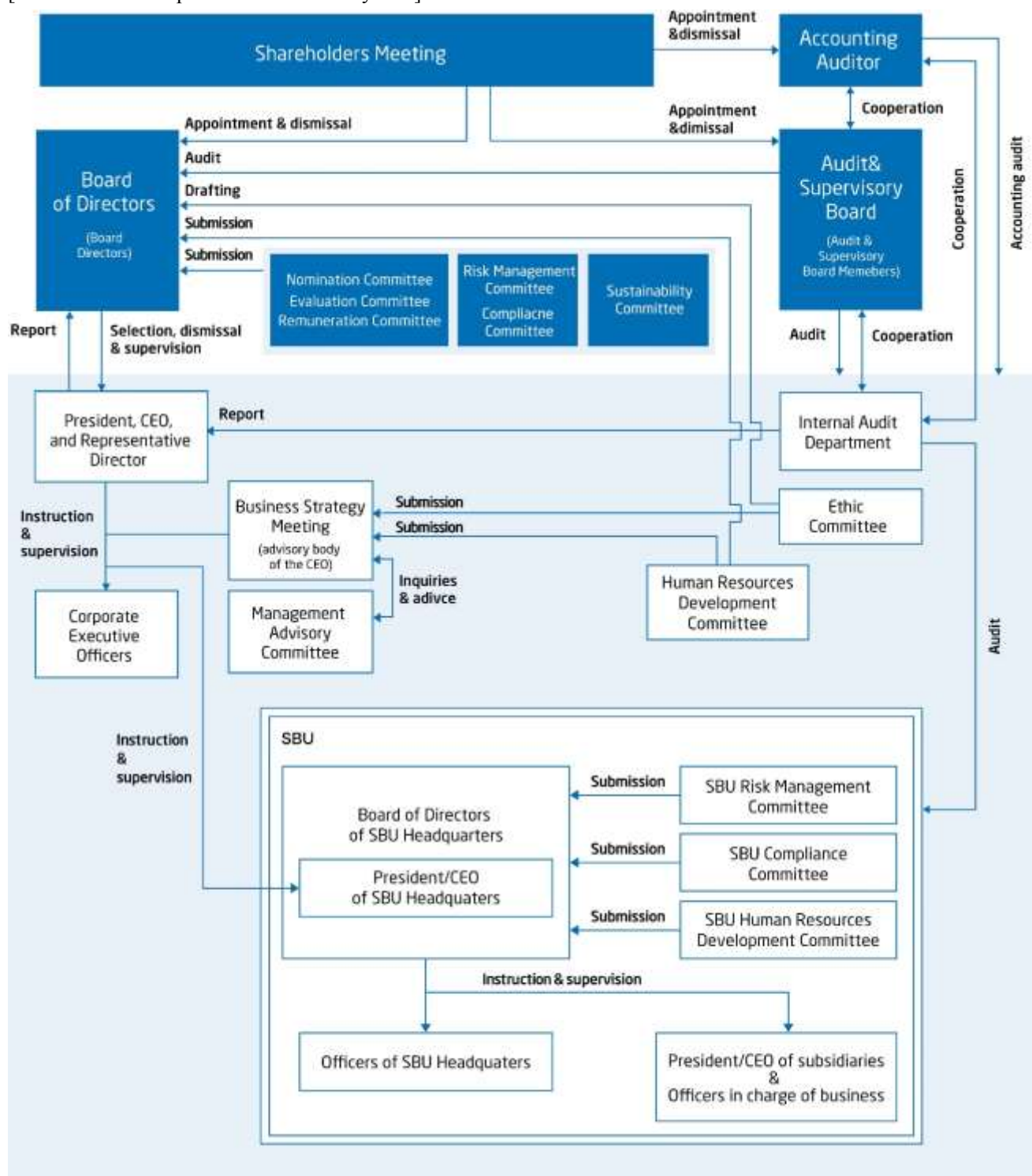
[Corporate Governance Overview]

Form of Corporate Governance		Company with an Audit & Supervisory Board
Chairman of the Board of Directors		Masumi Minegishi
Number of Board Directors		Six members including two external members
Number of Audit & Supervisory Board		Four members including two external members
Fiscal Year 2017 Board of Directors Meetings	Number of meetings	16
	Board Director average attendance	100%
	Audit & Supervisory Board Member average attendance	100%
Fiscal Year 2017 Audit & Supervisory Board Meetings	Number of meetings	17
	Audit & Supervisory Board Member average attendance	100%
Election of Independent Officers		Two External Board Directors, one External Audit & Supervisory Board Member
Executive Remuneration System		1. Fixed remuneration 2. Short-term incentive plan: cash remuneration based on individual assessments for each fiscal year 3. Long-term incentive plan: stock remuneration based on attainment of the consolidated performance targets for each fiscal year * Fixed remuneration only for External Board Directors and External Audit & Supervisory Board Members
Accounting Auditor		Ernst & Young ShinNihon LLC

[Previous Steps to Strengthen Corporate Governance]

Time	Measures	Objectives
2000	Introduction of the Corporate Executive Officer system	· Separation of management and execution
2006	Introduction of the in-house company structure system	· Rapid response to environmental change · Development of business managers · Acceleration of business development
2012	Transition to holding company structure and new Group setup	· Recruit Holdings: to focus on overseas development and R&D · Operating companies to build competitive advantages and focus on achieving stable growth
2016	Introduction of SBU structure	· Maximize value at the SBU level
2018	Consolidation of SBU into the Group	· Accelerate delegation of authority through the establishment of SBU headquarters

[Outline of the Corporate Governance System]



[Composition of the Committees]

●=Committee member

		Nomination Committee	Evaluation Committee	Remuneration Committee	Risk Management Committee	Compliance Committee	Sustainability Committee
President, Representative Director and CEO	Masumi Minegishi	●	●	●		Chairperson	●
Board Directors	Shogo Ikeuchi	●	●	●			Chairperson
	Keiichi Sagawa				Chairperson		
External Board Directors	Naoki Izumiya	Chairperson	●	●			
	Hiroki Totoki	●	Chairperson	Chairperson			
External Audit & Supervisory Board Members	Hiroki Inoue		●	●			
	Yasuaki Nishiura	●					
External experts, etc.					●	●	●

[Outline of Making Timely Disclosures]

