

## Corporate Governance Report

Last Update: June 21, 2017

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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: [http://www.recruit.jp/ir/management/managerial\\_policy.html](http://www.recruit.jp/ir/management/managerial_policy.html)  
[http://www.recruit.jp/ir/library/upload/report\\_201704\\_pm\\_jp.pdf](http://www.recruit.jp/ir/library/upload/report_201704_pm_jp.pdf)

English: [http://www.recruit-rgf.com/ir/management/managerial\\_policy.html](http://www.recruit-rgf.com/ir/management/managerial_policy.html)  
[http://www.recruit-rgf.com/ir/ir\\_news/upload/report\\_201704\\_pm\\_en.pdf](http://www.recruit-rgf.com/ir/ir_news/upload/report_201704_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 have a department dedicated to handling IR work, and an executive assigned to oversee IR. Requests by institutional investors for meetings are accepted within reasonable bounds, and the Company have a system for responding to inquiries by 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	30% or more and less than 40%
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### [Status of Major Shareholders]

Name or Company Name	Number of Shares Held (Shares)	Shareholding Ratio (%)
TOPPAN PRINTING CO., LTD.	37,700,000	6.66
Dai Nippon Printing Co., Ltd.	23,700,000	4.19
DENTSU INC.	21,000,000	3.71
The Recruit Group Employees Shareholding Association	18,220,360	3.22
JP MORGAN CHASE BANK 380055 (Standing Proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.)	17,746,173	3.13
Japan Trustee Services Bank, Ltd. (Trust Account)	17,735,000	3.13
The Master Trust Bank of Japan, Ltd. (Trust Account)	17,417,700	3.08
Tokyo Broadcasting System Television, Inc.	11,110,000	1.96
Nippon Television Network Corporation	11,110,000	1.96
NTT DATA Corporation	10,500,000	1.85

Controlling Shareholder (excluding Parent Company)	—
Parent Company	None

### Supplementary Explanation

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## 3. Corporate Attributes

Stock Exchange Listings and Market Classification	First Section, Tokyo Stock Exchange
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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 with Controlling Shareholder**

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**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.

Organization Form	Company with Audit & Supervisory Board Members
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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 and Representative Director
Number of Board Directors	5
Appointment of External Board Directors	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	
Shigeo Ohyagi	From another company								Δ				
Yasushi Shingai	From another company								○				

\* Selection criteria regarding relationship with the Company

- A person who executes business of the Company or its subsidiaries
- A person who executes business or non-executive director 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 a director
- 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 of d, e, or f) (the director himself/herself only)
- A person who executes business of a company, between which and the Company's external directors are mutually appointed (the director himself/herself only)
- A person who executes business of a company or organization that receives a donation from the Company (the director himself/herself only)
- 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)
Shigeo Ohyagi	○	<p>[Corporate Governance Code Supplementary Principle 4-11-2]</p> <p>Mr. Ohyagi serves concurrently as Chairman of the Board of TEIJIN LIMITED, Outside Audit &amp; Supervisory Board Member of JFE Holdings, Inc., and Vice Chairman of KEIZAI DOYUKAI (Japan Association of Corporate Executives). There are business relationships involving the Staffing segment, etc. between TEIJIN LIMITED and the Company; however, the transactions are routinely conducted, and there are no matters of significance. There are no business relationships between JFE Holdings, Inc. and the Company. There are business relationships between KEIZAI DOYUKAI (Japan Association of Corporate Executives) and the Company; however, the transactions are routinely conducted, and there are no matters of significance.</p>	<p>[Corporate Governance Code Principle 3-1 (5)]</p> <p>Mr. Ohyagi makes statements from a practical perspective as an External Board Director, based on his deep insight cultivated through management of a global manufacturing company. Accordingly, the Company has judged that he is fulfilling an appropriate role by performing his duties such as providing advice about overall management and supervising the execution of business. Therefore, the Company believes that he is the right person for the post of External Board Director. Additionally, as Mr. Ohyagi 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>
Yasushi Shingai	○	<p>[Corporate Governance Code Supplementary Principle 4-11-2]</p> <p>Mr. Shingai serves concurrently as Representative Director and Executive Deputy President of Japan Tobacco Inc.</p>	<p>[Corporate Governance Code Principle 3-1 (5)]</p> <p>Mr. Shingai makes statements from a practical perspective as an External Board Director, based on his deep insight cultivated through the acquisition of foreign corporations, etc. Accordingly, the Company has judged that he is fulfilling an appropriate role</p>

		There are business relationships between the Group and Japan Tobacco Inc.; 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.	by providing advice about overall management and supervising the execution of business. Therefore, the Company believes that he is the right person for the post of External Board Director. Additionally, as Mr. Shingai 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.
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#### Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee

Established
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#### 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.
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#### [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 Office

##### [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
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independent evaluations of internal control systems and ensuring that proper business practices are followed. Cooperation among the Internal Audit Office, Audit & Supervisory Board Members and Accounting Auditors takes the form of Accounting Auditors and the Internal Audit Office 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 Office. The Internal Audit Office 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
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

- 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 of f, 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 &amp; Tsunematsu.</p>	<p>[Corporate Governance Code Principle 3-1 (5)]</p> <p>Mr. Hiroki 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 &amp; 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.</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 &amp; 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. Therefore, the Company believes that Mr. Nishiura is the right person to serve as an External Audit &amp; Supervisory Board Member. 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 &amp; 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

<p>[Corporate Governance Code Principle 4-9]</p> <p>When selecting independent directors/audit &amp; 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:</p> <p>(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%.</p> <p>(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.</p>
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## [Incentives]

Status of Implementation of Measures to Grant Incentives to Board Directors	Introduction of a performance-based incentive plan
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### Supplementary Explanation Relating to These Items

<p>[Corporate Governance Code Principle 4-2]</p> <p>The Company, at the 56th Ordinary General Meeting of Shareholders held on June 21, 2016, resolved to introduce a stock incentive plan (hereinafter the "Scheme") as a new incentive plan for its Board Directors (excluding External Board Directors), Corporate Executive Officers and Corporate Officers (hereinafter collectively referred to as "Board Directors, etc.").</p> <p>In our long-term vision, the Group aims to become the top provider in the Personnel segment globally by 2020, and to become the corporate group operating the No. 1 matching platform globally in all of our business domains, including the Marketing segment, by 2030. With a view to realizing this long-term vision, the Company will introduce the Scheme, which is a performance-based 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.</p> <p>(Outline of the Scheme)</p> <p>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.</p>
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Grantees of Stock Options	
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### Supplementary Explanation Relating to These Items

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# **[Board Director Remuneration]**

Disclosure Status	Partial disclosure on an individual basis
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## Supplementary Explanation Relating to These Items

[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, 2017, 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	826 million	250 million	129 million	445 million	2 million
Audit & Supervisory Board Members (Excluding External Audit & Supervisory Board Members)	3	68 million	66 million	-	-	2 million
External Officers	5	53 million	53 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, 2017, 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	Representative Director	The Company	302 million	85 million	41 million	175 million	0 million
Shogo Ikeuchi	Board Director	The Company	168 million	55 million	27 million	85 million	0 million
Shigeru Kusahara	Board Director	The Company	186 million	55 million	31 million	100 million	0 million
Keiichi Sagawa	Board Director	The Company	168 million	55 million	27 million	27 million	0 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

During the fiscal year ended March 31, 2016, the Company determined the following with respect to officer remuneration for the fiscal year ended March 31, 2017 and thereafter.

##### (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. EBITDA for the existing businesses (\*1) shall be adopted as a performance target indicator for the long-term incentive plan in the period up to the fiscal year ending March 31, 2019. For the fiscal year ending March 31, 2019, the level of attainment of the adjusted EPS (\*2) performance target set during the fiscal year ending March 31, 2017 shall also be considered in determining the level of payment. The performance-linked factor for the long-term incentive plan shall be within the range of 0% to 150%. 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%. Meanwhile, remuneration for External Board Directors and External Audit & Supervisory Board Members shall solely consist of fixed remuneration.

The performance target indicator for the long-term incentive plan reflects the differences in the amount of EBITDA arising from sale of businesses carried out during the period. Nevertheless, there will be no change to the level of adjusted EPS set for the fiscal year ending March 31, 2017.

##### (\*1) EBITDA for the existing businesses:

EBITDA (operating income + depreciation and amortization ± other operating income/expenses) for the existing businesses, excluding results of the subsidiaries to be newly consolidated as a result of acquisition of their shares, etc.

##### (\*2) Adjusted EPS:

Adjusted profit (\*3) / (number of shares issued at the end of the period - number of treasury stock at the end of the period)

##### (\*3) Adjusted profit:

Profit attributable to owners of the parent ± adjustment items (\*4) (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items

##### (\*4) Adjustment items:

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

##### (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 agenda of the Board of Directors, reports on the details of deliberation of important meetings such as the Business Strategy Meeting and other provision of 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.

## **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 once every quarter, and are attended by all Board Directors (five) and Audit & Supervisory Board Members (four).

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

In addition, the Company established the Strategic Business Unit (hereinafter the “SBU”) as a strategic management unit, and allocated companies directly under each SBU. The Business Strategy Meeting has partially transferred its authority to the SBUs and the companies.

To strengthen its business execution functions, the Company has adopted the Corporate Executive Officer system, as well as Board Director and Managing Corporate Executive Officer systems.

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 two-fifths (more than 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 57th Ordinary General Meeting of Shareholders, held on June 20, 2017, 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 Office, as an auditing unit independent of executive units, and a department responsible for promoting internal controls, 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 External Board Directors 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 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, and R&D. 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. 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, 2017.

a. Details of the self-evaluation

- Persons evaluated: Board Directors and Audit & Supervisory Board Members of the Company (10 persons in total)
- Evaluation period: From end of March 2017 to mid-April 2017
- 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 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 level of agenda standards of the Board of Directors is adequate, and the Board proactively and continually carries out initiatives for prior distribution of materials and improvement of sharing methods.
- The Board of Directors conducts candid deliberations.

Based on the above, the Company's Board of Directors is deemed to be adequately fulfilling its roles and responsibilities both in terms of decision-making and supervision over business execution.

In the course of the analysis and evaluation, constructive opinions were voiced to the effect that efforts should be made to enhance the effectiveness of the Board of Directors by further raising the precision of the agenda and the points of issue for improving corporate value in the medium to long-term. Going forward, the Company will make efforts to enhance the deliberations of the Board of Directors and its effectiveness.

(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 policy 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

	Supplementary Explanations
Policy	[Corporate Governance Code Principle 1-2] The Company recognizes that the general meetings of shareholders provide an opportunity for constructive dialogue with shareholders. Therefore, it has developed an appropriate environment for the exercise of voting rights at the general meetings of shareholders, including appropriate scheduling of the meeting and related events, prompt delivery of the convocation notice of the meeting, posting of the convocation notice on its website prior to delivery, participation in the electronic voting platform, and translation of the convocation notice into English.
Prompt Delivery of Convocation Notice of General Meeting of Shareholders	The convocation notice of the 57th Ordinary General Meeting of Shareholders was dispatched seven days prior to the statutory deadline (i.e. five business days prior to the statutory deadline).
Scheduling General Meeting of Shareholders Avoiding the Peak Day	The 57th Ordinary General Meeting of Shareholders was held on June 20, 2017.
Electronic Exercise of Voting Rights	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.
Participation in the electronic voting platform and other measures to improve the environment for exercise of voting rights by institutional investors	The Company participates in the electronic voting platform operated by ICJ, Inc.
Provision of a Summarized Convocation Notice of General Meeting of Shareholders in English	The Company posts the English version of the convocation notice on its website.
Others	The Company posts the convocation notice on its website prior to its dispatch.

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	[Corporate Governance Code Principle 5-1] The Company has organized a structure to promote dialogue with shareholders by appointing an officer responsible for IR operations and establishing the IR Promotion Office as a department in charge of IR. The Company's basic policy is to respond to requests for interviews from institutional investors to a reasonable extent. The Company also prepares contact points for inquiries from individual shareholders.	
Formulation and Disclosure of Business Strategies and Business Plans	[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	

	<p>indicator, and sets and discloses a targeted growth rate of EBITDA for each fiscal year.</p> <p>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.</p> <p>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 / (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>	
Implementation of Regular Investor Briefings for Analysts and Institutional Investors	<p>The President and Representative Director or a Board Director/officer responsible for IR operations conducts quarterly financial briefings.</p> <p>Small meetings and individual meetings, etc. with analysts and institutional investors are also held.</p>	Yes
Holding Regular Investor Briefings for Overseas Investors	<p>Teleconferences with overseas institutional investors are held as necessary, in addition to quarterly financial results briefings.</p> <p>Small meetings and individual meetings, etc., including visits to overseas institutional investors, are also held.</p>	Yes
Posting of IR Materials on the Website	<p>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.</p> <p>The Company also simultaneously discloses materials in English with same quality as those in Japanese for overseas investors.</p>	
Establishment of Department (Manager) in Charge of IR	The IR Promotion Office has been established as a department in charge of IR.	

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

	Supplementary Explanations
Rules on Respecting Stakeholders' Perspectives	<p>[Corporate Governance Code 2-2]</p> <p>The Recruit Group's CSR Policy is based on the Recruit Group Philosophy. The CSR Policy identifies five core themes, which will be advanced with the attitude captured by these words: "In collaboration with our stakeholders, we shall 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</p>

	<p>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>
Implementation of Environmental Preservation, CSR and Other Activities	<p>[Corporate Governance Code Principle 2-3]</p> <p>The Group CSR Policy was updated 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 its CSR activities, the Group will continue to be responsive to society’s rising expectations and fulfill our growing responsibilities as a corporate citizen while also expanding its business. In addition, based on the five core themes of our CSR 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 CSR policy”</p> <ol style="list-style-type: none"> <li>(1) Enabling more people to flourish by creating opportunities to work</li> <li>(2) Supporting diverse ways of living</li> <li>(3) Empowering tomorrow's talents</li> <li>(4) Practicing and promoting innovative work styles</li> <li>(5) Respecting human rights and protecting the environment</li> </ol> <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: <a href="http://www.recruit.jp/company/csr/">http://www.recruit.jp/company/csr/</a>  English: <a href="http://www.recruit-rgf.com/csr/">http://www.recruit-rgf.com/csr/</a></p>
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 CSR 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 “CSR Management” section of our website.</p>

	<p>Japanese</p> <p>only:<a href="http://www.recruit.jp/company/csr/sustainability/governance/management.html">http://www.recruit.jp/company/csr/sustainability/governance/management.html</a></p>
Others	<p>&lt;Employee Diversity&gt; [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 our 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>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"> <li>- Women as a percent of employees: 45.1% (As of April 2017)</li> <li>- Working mothers as a percent of female employees: 22.7% (As of April 2017)</li> <li>- Women as a percent of management: 24.7% (As of April 2017)</li> </ul>

#### 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 the Properness of Operations of the Company and its Subsidiaries (hereinafter referred to as the "Group")  
(The following is a summary of resolutions passed at the Meeting of the Board of Directors held on March 29, 2017.)

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

- i. A Board of Directors including External Board Directors shall be established at the Company to carry out important decision-making for the Group.
- ii. An Audit & Supervisory Board including 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 its Board Directors by attending Meetings of the Board of Directors and other important meetings and investigating the status of execution of business, etc., based on the audit standards established by the Audit & Supervisory Board.
- iii. A Nomination Committee, Evaluation Committee, and Remuneration Committee chaired by External Board Directors 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 "Recruit Group Code of Ethics" shall be established and disseminated to all officers and employees, etc. of the Group.
- v. While respecting the spirit of autonomy and independence of the subsidiaries, the "Recruit Group Policies" shall be established as common policies for the Group on matters such as decision-making, risk management and compliance, in order to realize unified Group management
- vi. Concerning important matters stipulated under the "Recruit Group Policies," prior confirmation and/or subsequent reports to relevant departments of the Company are mandatory.
- vii. The Group shall create a system to block all relationships, including business relationships, with antisocial forces.
- viii. The Company's Board of Directors shall establish a department in charge of internal controls after appointing Internal Control Officer for the entire Group, and shall strive to gain an understanding of the development status of and identify problems with internal controls of the Group.
- ix. President and Representative Director of each subsidiary shall establish an Internal Control System

- within the respective subsidiary.
- x. The Company's department in charge of internal controls, in collaboration with each SBU and subsidiaries, shall promote efforts to ensure the properness of operations across the Group.
  - xi. In principle, the Company shall dispatch the Audit & Supervisory Board Members or Board Directors in charge of audits to its subsidiaries to conduct audits of the execution of duties by their Board Directors.
  - xii. Internal Audit Department shall be established within the Company, under direct control of the President, CEO and Representative Director, and shall conduct audits of the Group's officers' and employees' compliance with laws and regulations, as well as the Articles of Incorporation and/or company policies.
  - xiii. A system including whistle-blowing system and workplace harassment hotline, etc. shall be created to swiftly transmit information to the department in charge of internal controls of the Company and its subsidiaries, if an officer or employee of the Group discovers a problem related to internal controls. The department in charge of internal controls 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 shall convene the Compliance Committee, which is chaired by the President, CEO and Representative Director, to confirm the Group's compliance and discuss related measures.
  - xv. Education and awareness-raising activities regarding compliance shall be carried out for officers and employees of the Group.
  - xvi. Actions in violation of internal controls within the Group shall be strictly dealt with.
- (2) Systems Concerning Retention and Management of Information on the Execution of Duties by Board Directors of the Company
- i. "Documents and Contracts Management Policy" shall be established, based on which documents related to the execution of duties by Board Directors such as minutes of the General Meeting of Shareholders, the Board of Directors, and the Business Strategy Meetings shall be retained together with related materials.
  - ii. The length of time and department responsible for retention of the documents stipulated in the previous paragraph shall be as prescribed in the "Documents and Contracts Management Policy." Documents shall be retained in a way that allows them to be viewed upon request by Board Directors and/or Audit & Supervisory Board Members of the Company.
- (3) Internal Policies and Other Systems Concerning Risks of Loss of the Group
- i. The "Recruit Group Risk Management Policy" and "Recruit Group Risk Escalation Rules" shall be established to provide systematic risk management for the Group.
  - ii. The Company's Board of Directors shall determine the risks to be addressed as priorities by the Group, and the person responsible for and the policy of countermeasures, following deliberation by the Risk Management Committee chaired by the Board Director responsible for Risk Management Department of the Company.
  - iii. If a serious incident occurs that will affect the entire Group, a crisis management task force shall be set up to deal with the situation.
- (4) Systems to Ensure the Efficient Execution of Duties by Board Directors of the Company and Board Directors, etc. of its Subsidiaries
- i. The Company's Board of Directors or the Business Strategy Meeting shall set targets for the Group that are shared by all officers and employees etc., and shall make these targets widely known, while setting specific targets to be achieved by each division of the Group in order to achieve these targets. The Company's Corporate Executive Officers in charge of each division shall decide on and carry out efficient methods to achieve these targets.
  - ii. The Company's Board of Directors shall regularly review the status of achievement of targets, and, by promoting improvements such as eliminating or reducing factors that impede efficiency, shall increase the certainty of achieving targets and realize operational efficiency for the entire Group.
  - iii. A Business Strategy Meeting shall be set up as an advisory body to the CEO of the Company, and shall carry out discussions on necessary matters regarding management of the entire Group.

- iv. In addition, expert committees such as the Management Advisory Committee, Sustainability Committee and Recruit Group Investment 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 Financial Reporting

The Group shall establish the "Recruit Group J-SOX General Policy," and create an Internal Control System for financial reporting based on the internal control reporting system stipulated under the Financial Instruments and Exchange Act.

(6) Systems Concerning Report to the Company Relating to Execution of Duties of Board Directors, etc. of its Subsidiaries

- i. The Company shall establish divisions within the Company to control each subsidiary. Based on the requirements from controlling divisions, Board Directors, etc. of the subsidiaries shall regularly report their business results and implementation status of business strategy to their respective controlling divisions.
- ii. Board Directors and Corporate Executive Officers of the Company and President and Representative Director, etc. of major subsidiaries shall share management information on a regular basis, and discuss the Group's management policies, as needed.

(7) Matters Concerning Placement of Employees to Serve as Assistants to Audit & Supervisory Board Member(s) for the Execution of their Audit Duties

The Company shall appoint an "Assistant to support the Company's Audit & Supervisory Board Members" in their duties and make an official announcement of the appointment.

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

Assistants supporting the Company's Audit & Supervisory Board Members shall only follow directions given by the Audit & Supervisory Board Members in their supporting duties. With regard to appointment, transfer, evaluation and disciplinary action of these assistants, the opinions of the Company's Audit & Supervisory Board shall be respected.

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

- i. Officers, employees and Independent Auditors of the Group shall report to each company's Audit & Supervisory Board Members on the matters stipulated below. A system shall be put in place to allow for reporting in a timely manner by means of meetings, interviews, telephone, email, etc.
  - Material matters regarding managerial situations of business
  - Matters which may potentially cause significant loss to the Group
  - 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 Internal Audit Department and the subsidiaries' Audit & Supervisory Board Members or Board Directors in charge of audits shall regularly report issues concerning internal controls of the Group to the Company's Audit & Supervisory Board Members.

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

The Company shall establish company policies, etc. under which any individual who has reported to Audit & Supervisory Board Members or Board Directors in charge of audits of the respective Group companies, department in charge of internal controls or Internal Audit Department on matters described in the preceding item is not subject to unfavorable treatment such as dismissal or unjustified transfer, etc., by the Company or its subsidiaries, on the grounds of their reporting on such matters.

- (11) Matters Relating to Policies Concerning Procedures for Making Advance Payments or Reimbursements of the Expenses Incurred in Connection with the Execution of Duties by the Company's Audit & Supervisory Board Members and Treatments 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 Audit & Supervisory Board Members as the expenses necessary to execute their duties. Also, the Company's Audit & Supervisory Board may claim a payment of the expenses incurred urgently or unexpectedly from the Company, 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 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 Group 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, the Recruit Group Regulations on Antisocial 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 the Recruit Group Regulations on Antisocial 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

### 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

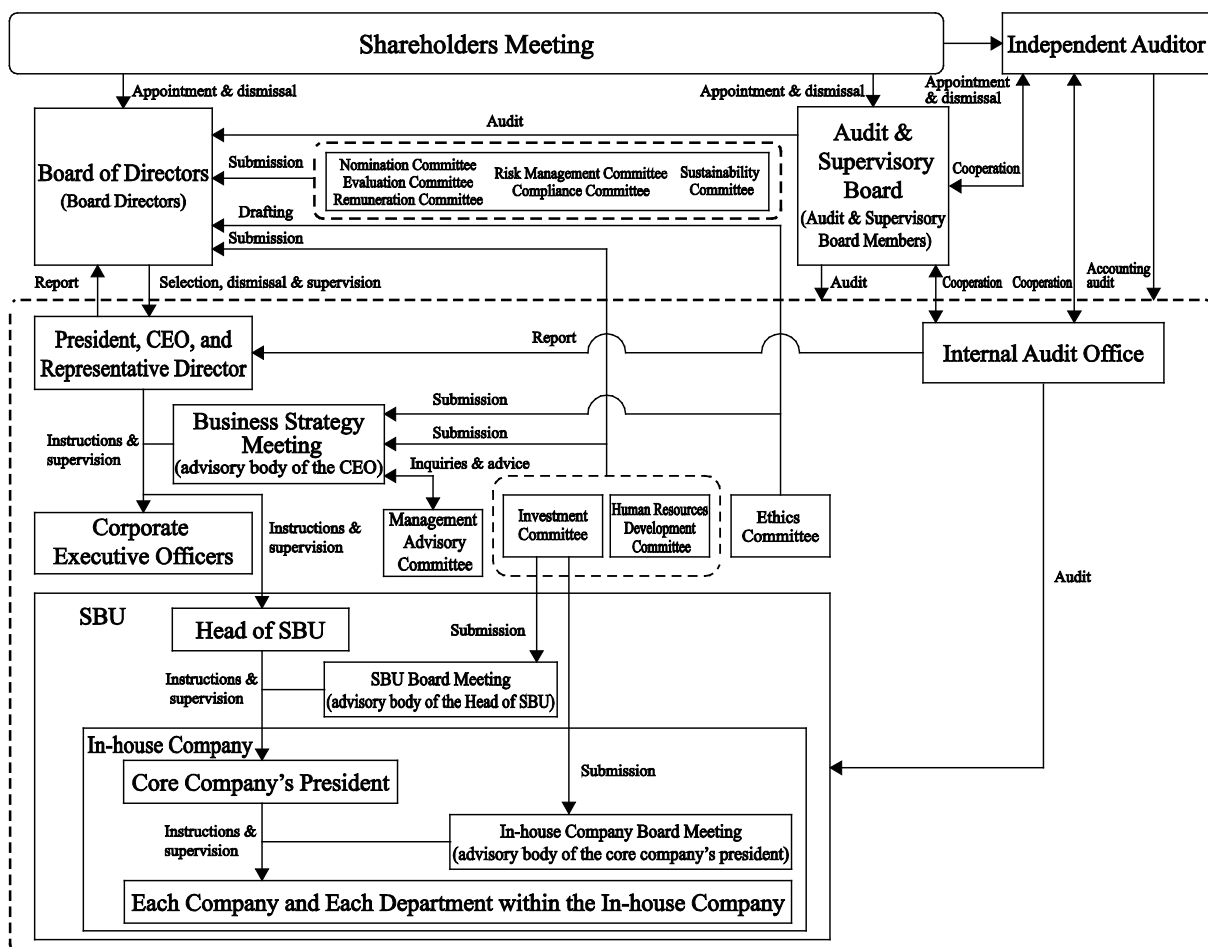
The Company has designated certain people in each of its departments and principal subsidiaries to be responsible for gathering information for timely disclosure. The IR Promotion Office, which handles disclosures of information, oversees the gathering of information. The Timely Disclosure Committee, which is chaired by an officer responsible for IR operations 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 IR Promotion Office, 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.

[Outline of the Corporate Governance System]



[Outline of Making Timely Disclosures]

