

Corporate Governance

CORPORATE GOVERNANCE REPORT

(For Company with Audit & Supervisory Board)

Recruit Holdings Co., Ltd.

Last Update: December 21, 2018

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<https://recruit-holdings.com/>

Corporate governance at Recruit Holdings Co., Ltd. (the “Company”) is based on Japan’s Corporate Governance Code (the “Corporate Governance Code”) and is further described below:

I. Basic Views, Capital Structure, Corporate Attributes, and Other Basic Information Related to Corporate Governance

1. Basic Views

(Principles 2-1, 3-1-1 and 3-1-2 of the Corporate Governance Code)

The basic principle of the Company and its consolidated subsidiaries (the “Recruit Group”) is to focus on “creating new value for our society to contribute to a brighter world where all individuals can live life to the fullest.” The Vision of Recruit Group is stated as “Follow Your Heart”; the Mission of Recruit Group is described as “Opportunities for Life. Faster, simpler, and closer to you”; while the Values of Recruit Group are defined as “WOW THE WORLD”, “BET ON PASSION” and “PRIORITIZE SOCIAL VALUE”.

Based on this principle, Recruit Group’ corporate governance aims to achieve sustainable long-term growth in corporate value, as an attractive company for all stakeholders important to Recruit Group, including users, clients, shareholders, employees, business partners, NPOs and NGOs, national and other governments, and local communities.

The Company tracks cost of capital and implements various measures to increase corporate value. For example, when evaluating individual investment opportunities, a hurdle rate exceeding the cost of capital is applied, and efforts are made to achieve capital efficiency above the cost of shareholder's equity even on a consolidated base. Moreover, key management indicators are devised each fiscal year, some of which are made public. In addition, the Company’s financial principle is to maintain a strong consolidated balance sheet by utilizing capital raised through borrowings etc, while at the same time also taking into consideration the ratings from Japanese domestic rating agencies as important references.

The management strategies and business plans of Recruit Group are described on the Company 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

Reason for Not Implementing the Principles of the Corporate Governance Code

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

Disclosure Based on Principles of the Corporate Governance Code

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

1. Securing the Rights and Equal Treatment of Shareholders (General Principle 1, Principle 1-1, Corporate Governance Code)

The Company willingly discloses information and makes effort to have measures in place in order to facilitate the exercise of voting rights, seeking to promote rights to vote at General Meeting of Shareholders and other forms of shareholder rights.

2. Appropriate Cooperation with Stakeholders Other Than Shareholders (General Principle 2, Corporate Governance Code)

Based on the basic principle of the Recruit Group, the Company strives to achieve long-term and sustainable growth and continuously increase its corporate value as an attractive company for users, clients, shareholders, employees, business partners, NPOs and NGOs, national and other governments, local communities, and all other important stakeholders.

3. Ensuring Appropriate Information Disclosure and Transparency (General Principle 3, Corporate Governance Code)

Along with properly making the disclosures required by laws and regulations, the Company voluntarily discloses certain additional information based on the general principles of the Corporate Governance Code, to help ensure transparency and fairness in decision-making of the Company and promote effective corporate governance.

4. Responsibilities of the Board (General Principle 4, Principle 4-1, 4-3 Corporate Governance Code)

The Board of Directors decides basic management policies and performs management oversight. In addition to matters subject to exclusive Board discretion, provided in laws and regulations, the Board of Directors also makes executive decisions on matters that could significantly impact the basic principle of Recruit Group, corporate governance, the consolidated financial results, and the reputation of Recruit Group. If the speed of decision-making is seen as critically important, 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, being elected by the shareholders and entrusted with management of the Company, bear fiduciary responsibilities, including the duty of diligence in performance of their duties, and they aim to contribute to the sustainable growth and increase in corporate value of Recruit Group over the medium to long term.

5. Dialog with Shareholders (General Principle 5, Principle 5-1, Corporate Governance Code)

To promote dialogue with shareholders, the Company appoints a Corporate Executive Officer in charge of its capital market strategies and establishes a department dedicated to handling Investor Relations matters. Requests by institutional investors for meetings are accepted within reasonable bounds, and the Company provides contact points for responding to inquiries from individual shareholders.

Of the principles and supplementary principles of the Corporate Governance Code for which disclosure is to be made, details are given in this Corporate Governance Report (the "Report") for the following.

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- Principle 1-4: 2-2
- Principle 1-7: 2-2
- Principle 2-6: 3-3
- Principle 3-1: 1-1, 2-1 and 2
- Supplementary Principle 4-1-1: 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

The status of compliance with principles other than the above is also described in the Report, with index numbers assigned to those principles for reference.

2. Capital Structure

(1) Ratio of Shares Held by Foreign Shareholders Between 20% and 30%

(2) Major Shareholders

Name or Company Name	Number of Shares Held	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	124,492,400	7.44
TOPPAN PRINTING CO., LTD.	113,100,000	6.76
Japan Trustee Services Bank, Ltd. (Trust Account)	88,317,200	5.28
DENTSU INC.	63,000,000	3.76
Dai Nippon Printing Co., Ltd.	58,100,000	3.47
The Recruit Group Employees Shareholding Association	42,891,880	2.56
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)	27,705,000	1.65

(3) Controlling Shareholders (excluding parent company)

(4) Parent Company

None

(5) Supplementary Information

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3. Corporate Attributes

(1) Stock Exchange Listings and Market Classification	First Section of the Tokyo Stock Exchange
(2) Fiscal Year-End	March
(3) Type of Business	Services
(4) Number of Employees as of Previous Fiscal Year End (Consolidated)	1,000 or more
(5) Consolidated Revenue in Previous Fiscal Year	1 trillion yen or more
(6) Number of Consolidated Subsidiaries at Previous Fiscal Year End	300 or more

4. Policy on Measures to Protect Minority Shareholders When Conducting Transactions with Controlling Shareholder

5. Other Exceptional Circumstances that May Have a Material Impact on Corporate Governance

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II. Overview of Business Management Organization and Other Corporate Governance Systems Related to Managerial Decision-Making, Business Execution, and Management Supervision

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

(1) Structure of Organization	Company with Audit & Supervisory Board
(2) Board Directors	
(a) Maximum Number of Directors Stipulated in Articles of Incorporation	Up to 11
(b) Term of Office for Directors Stipulated in Articles of Incorporation	1 year
(c) Chair of the Board of Directors	President
(d) Current Number of Directors	6

(e) Appointment of External Board Directors	Appointed
	Respond to the items below if External Board Directors are currently appointed.

↓

- i. Number of External Board Directors 2
- ii. Number of External Board Directors Designated as Independent Directors 2
- iii. Relationship with the Company (1)

Name	Affiliation	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Naoki Izumiya	External Advisor											○
Hiroki Totoki	External Advisor											○

*Categories for "Relationship with the Company"

* "○" when the director currently falls or has recently fallen under the category; "△" when the director fell under the category in the past

* "●" when a close relative of the director currently falls or has recently fallen under the category; "▲" when a close relative of the director fell under the category in the past

a A person performing an executive role at the Company or its subsidiary

b A person performing an executive role at or who is a non-executive director of the Company's parent

c A person performing an executive role at an affiliate that is another subsidiary of the Company's parent

d An entity whose major customers include the Company or a person who executes business thereof

e An entity who is a major customer or supplier of the Company or a person who executes business thereof

f A consultant, accountant, or lawyer who receives a large amount of monetary compensation or other property (other than remuneration as an external director) from the Company

g A major shareholder of the Company (or a person performing an executive role, which applies if the major shareholder is a juridical person)

h A person performing an executive role at a customer or supplier of the Company (other than those to which item d, e, or f applies) (this item applies only to the external director himself/herself)

i A person performing an executive role at an entity that has an external director or corporate auditor from the Company (this item applies only to the external director himself/herself)

j A person performing an executive role at an entity to which the Company makes donations (this item applies only to the external director himself/herself)

k Other

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iv. Relationship with the Company (2)

Name	Independent Director	Supplementary Information Related to the Applicable Category	Reason for Appointment as External Director
Naoki Izumiya	○	(Supplementary Principle 4-11-2 Corporate Governance Code) Mr. Izumiya serves also as Chairman of the Board and Representative Director in Asahi Group Holdings, Ltd. Although the Company has transactions with Asahi Group Holdings, Ltd., they are deemed not to affect shareholder and investor decisions due to their scope and nature. Accordingly, a description of the transactions is omitted.	(Principle 3-1-5 Corporate Governance Code) Mr. Naoki 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 at the Company by performing his duties, such as providing advice about overall management and supervising the execution of business. As Mr. Izumiya does not violate either the independence criteria prescribed by the Tokyo Stock Exchange or those of the Company, the Company has judged that he is unlikely to pose any conflicts of interests with general shareholders, and thus he has been appointed as an independent director.
Hiroki Totoki	○	(Supplementary Principle 4-11-2 Corporate Governance Code) Mr. Hiroki Totoki serves also as Representative Corporate Executive Officer, Senior EVP, and CFO of Sony Corporation. Although the Company has transactions with Sony Corporation, they are deemed not to affect shareholder and investor decisions due to their scope and nature. Accordingly, a description of the transactions is omitted.	(Principle 3-1-5 Corporate Governance Code) Mr. Hiroki 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 fulfil an appropriate role at the Company by performing his duties, such as providing advice about overall management and supervising the execution of business. As Mr. Totoki does not violate either the independence criteria prescribed by the Tokyo Stock Exchange or those of the Company, the Company has judged that he is unlikely to pose any conflicts of interests with general shareholders, and thus he has been appointed as an independent director.

f. Establishment of Voluntary Committees Equivalent to Nomination Committee or Remuneration Committee

Established

If Established, respond to the following↓

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i. Establishment of Voluntary Committees, Composition, and Attributes of Chairperson

	Name of the Committee	Total Number of Committee Members	Number of Standing Members	Number of Internal Directors	Number of External Board Directors	Number of Outside Experts	Others	Chair
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

ii. Additional Information

“Other” members of the Nomination Committee and Remuneration Committee are External Audit & Supervisory Board Members.

(3) Auditors

(a) Whether an Audit & Supervisory Board is established Established

(b) Maximum Number of Auditors Stipulated in Articles of Incorporation Up to 5

(c) Current Number of Auditors 4

(d) Cooperation among the Audit & Supervisory Board, Accounting Auditor, and the Internal Audit Department

The Company adopts a three-way audit system, consisting of audits by Audit & Supervisory Board Members, audits by an outside Accounting Auditor specializing in such work, and internal audits by the Internal Audit Department. Audits by Audit & Supervisory Board Members and the Accounting Auditor are statutory audits, while internal audits are carried out at the direction of management and mainly are independent evaluations of internal control systems to prevent misconduct and ensure proper business practices are followed. Cooperation among the Internal Audit Department, Audit & Supervisory Board Members, and Accounting Auditor consists of the Accounting Auditor and the Internal Audit Department reporting on their respective audit approaches and results to the Audit & Supervisory Board as required, and the standing members of the Audit & Supervisory Board conduct regular meetings with the Accounting Auditor and the Internal Audit Department to exchange information. The Internal Audit Department presents reports as appropriate and shares information when requested by an Audit & Supervisory Board Member or the Audit & Supervisory Board, and also shares information individually with the Accounting Auditor.

(e) Whether external auditors are appointed Appointed
Respond to the items below if external auditors are appointed. ↓

i. Number of External Audit & Supervisory Board Members 2

ii. Number of External Audit & Supervisory Board Members Designated as Independent Directors 1

iii. Relationship with the Company (1)

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Name	Affiliation	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hiroki Inoue	Attorney										○			
Yasuaki Nishiura	Certified public accountant													

*Categories for "Relationship with the Company"

* "○" when the External Audit & Supervisory Board Member currently falls or has recently fallen under the category; "△" when the External Audit & Supervisory Board Member fell under the category in the past

* "●" when a close relative of the External Audit & Supervisory Board Member currently falls or has recently fallen under the category; "▲" when a close relative of the External Audit & Supervisory Board Member fell under the category in the past

a A person performing an executive role at the Company or its subsidiary

b A person who is a non-executive director or accounting advisor of the Company or its subsidiary

c A person performing an executive role at or who is a non-executive director of the Company's parent

d A person who is a corporate auditor at the Company's parent

e A person performing an executive role at an affiliate that is another subsidiary of the Company's parent

f An entity whose major customers include the Company or a person who executes business thereof

g An entity who is a major customer or supplier of the Company or a person who executes business thereof

h A consultant, accountant, or lawyer who receives a large amount of monetary compensation or other property (other than remuneration as an External Audit & Supervisory Board Member) from the Company

i A major shareholder of the Company (or a person performing an executive role, which applies if the major shareholder is a juridical person)

j A person performing an executive role at a customer of the Company (other than those to which item f, g, or h applies) (this item applies only to the External Audit & Supervisory Board Member himself/herself)

k A person performing an executive role at an entity that has an external director or corporate auditor from the Company (this item applies only to the External Audit & Supervisory Board Member himself/herself)

l A person performing an executive role at an entity to which the Company makes donations (this item applies only to the External Audit & Supervisory Board Member himself/herself)

m Other

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iv. Relationship with the Company (2)

Name	Independent Audit & Supervisory Board Member	Supplementary Information Related to the Applicable Category	Reason for Appointment as External Director
Hiroki Inoue		<p>(Supplementary Principle 4-11-2 Corporate Governance Code)</p> <p>Mr. Hiroki Inoue serves also as Managing Partner of the law firm Nagashima Ohno & Tsunematsu. Although the Company has transactions with Nagashima Ohno & Tsunematsu, they are deemed not to affect shareholder and investor decisions due to their scope and nature. Accordingly, a description of the transactions is omitted.</p>	<p>(Principle 3-1-5 Corporate Governance Code)</p> <p>Mr. Inoue has knowledge of law and familiarity with corporate legal affairs cultivated through long experience as a lawyer. On this basis, he makes statements in the Board meetings, Audit & Supervisory meetings etc., from a neutral and objective perspective as an External Audit & Supervisory Board Member, and the Company believes he is playing appropriate roles in supervising management in general. As Mr. Inoue does not violate either the independence criteria prescribed by the Tokyo Stock Exchange or those of the Company, the Company believes that he is unlikely to pose any conflicts of interests with general shareholders. In accordance with the policy of his affiliated law firm, however, he is not designated as an independent director.</p>
Yasuaki Nishiura	○	<p>(Supplementary Principle 4-11-2 of the Corporate Governance Code)</p> <p>None.</p>	<p>(Principle 3-1-5 Corporate Governance Code)</p> <p>Mr. Yasuaki Nishiura has knowledge of accounting honed through his experience as a certified public accountant in the United States, and has experience helping a variety of Japanese companies enter the American market as a business adviser in Silicon Valley and other areas. Based on this extensive insight and rich global experience, he has made statements in the Board meetings, Audit & Supervisory meetings etc., from a neutral and objective standpoint as an External Audit & Supervisory Board Member, and the Company believes he is playing appropriate roles in supervising management in general. As Mr. Nishiura does not violate either the independence criteria prescribed by the Tokyo Stock Exchange or those of the Company, the Company has judged that he is unlikely to pose any conflicts of interests with general shareholders, and thus he has been appointed as an independent director.</p>

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(4) Independent Directors/Audit & Supervisory Board Members

Number of Independent Directors/Audit & Supervisory Board Members 3

Other Information regarding the Independent Directors/Audit & Supervisory Board Members
(Principle 4-9 of the Corporate Governance Code)

When selecting independent Directors and Audit & Supervisory Board Members, the Company's policy is, in principle, to select candidates who meet all the following criteria in addition to the independence criteria prescribed by financial instruments exchanges.

- (1) If the candidate or the entity of which the candidate is an executive member is a shareholder in the Company, the corresponding proportion of voting rights held is no more than 10%.
- (2) In transactions during the most recent fiscal year, sales to the candidate or to the entity to which the candidate belongs amounted to less than 1% of the Company's consolidated revenue.

(5) Incentives (multiple items may be selected)

- | | |
|---|--|
| | <input checked="" type="checkbox"/> Introduction of a performance-based incentive plan |
| (a) Implementation of measures to grant incentives to Board Directors | <input type="checkbox"/> Introduction of a stock option program |
| | <input type="checkbox"/> Other |
| | <input type="checkbox"/> None |

Supplementary Information Related to the Item(s) Selected
(Indicate the reason if none implemented.)

The Company introduced a stock incentive plan ("the Plan") as an incentive plan for its Board Directors ("Directors") and Corporate Executive Officers and Corporate Officers (collectively "Officers"), from 2016 for Directors and Officers of the Company, and from 2018 for Directors and Officers of Recruit Group.

The Plan is a long-term incentive plan for remuneration of Directors and Officers and makes use of the Board Incentive Plan Trust ("BIP Trust") as outlined below. The Plan aims to realize the basic principle of the Recruit Group by linking remuneration for Directors and Officers and shareholder value of the Company, and incentivizing Directors and Officers to contribute to the enhancement of medium- to long-term performance and greater corporate value.

Outline of the Plan

The Plan utilizes a BIP Trust structure. A BIP Trust is a stock-based remuneration plan modelled after performance share plans and restricted stock plans often used in the United States. Pursuant to the Plan, Directors and Officers can acquire from the Trust shares in the Company and money equivalent to the converted value of such shares according to their position and the level of attainment of performance targets.

(b) Grantees of stock options

Note: Mandatory for companies that grant stock options (select from the following)

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Supplementary Information Related to This Item

Note: Mandatory for companies that grant stock options

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(6) Remuneration of Directors (multiple items may be selected)

- (a) Status of disclosure (of remuneration of individual Directors)
- () The remuneration of all Directors is disclosed
(✓) The remuneration of some but not all Directors is disclosed
() The remuneration of individual Directors is not disclosed

Supplementary Information Related to the Item Selected

Note: Include details if the amount of remuneration is disclosed.

(Principle 3-1 iii) of the Corporate Governance Code)

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

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

Executive level / Number of persons receiving remuneration / Total amount (million yen) / Fixed remuneration (million yen) / Short-term incentive (million yen) / Long-term incentive (million yen) / Allowance for retirement benefits, etc. (million yen)

Board Directors (excluding External Board Directors) / 4 / 690 / 203 / 114 / 347 / 25

Audit & Supervisory Board Members (excluding External Members) / 2 / 72 / 72 / — / — / —

External Board Directors and External Audit & Supervisory Board Members / 4 / 55 / 55 / — / — / —

Note 1: A resolution capping monthly remuneration for Board Directors at 50 million yen was adopted at the 31st General Meeting of Shareholders held in June 1991.

Note 2: A resolution capping monthly remuneration for Audit & Supervisory Board Members at 10 million yen was adopted at the 57th General Meeting of Shareholders held in June 2017.

(2) For the fiscal year ended March 31, 2018, remuneration amounts for individual Board Directors (limited to those whose total remuneration on a consolidated basis was 100 million yen or more) were as follows.

Name / Executive level / Company / Total amount (million yen) / Fixed remuneration (million yen) / Short-term incentive (million yen) / Long-term incentive (million yen) / Allowance for retirement benefits, etc. (million yen)

Masumi Minegishi / Board Director / The reporting company / 275 / 86 / 49 / 140 / —

Shogo Ikeuchi / Board Director / The reporting company / 156 / 55 / 32 / 69 / —

Shigeru Kusahara / Board Director / The reporting company / 101 / 7 / — / 69 / 25

Keiichi Sagawa / Board Director / The reporting company / 156 / 55 / 32 / 69 / —

(b) Whether policies have been set for deciding remuneration amounts or calculation methods Policies have been set.

Disclosed details on policies for deciding remuneration amounts or calculation methods

Note: Include details if the amount of remuneration is disclosed.

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(1) Basic policies for remuneration

The following basic policies are adopted by the Company regarding remuneration for Internal Board Directors and Corporate Executive Officers

- i. Set remuneration levels that globally will attract outstanding management talent
- ii. Make remuneration plans highly performance-based to incentivize Directors and Officers to achieve targets
- iii. Tie remuneration to medium- and long-term corporate value
- iv. Make the remuneration decision process highly objective and transparent

(2) Basic approach to setting remuneration levels

Remuneration levels are set using as benchmarks the executive compensation levels at leading enterprises, as compiled by outside database services.

(3) Remuneration structure

Remuneration of Directors and Officers (excluding External Board Directors) consists of fixed remuneration (cash remuneration), a short-term incentive plan (cash remuneration) based on individual assessments for each fiscal year, and a long-term incentive plan (stock remuneration) based on attainments of the consolidated performance targets for each fiscal year and other factors. The ratios of performance-based remuneration and stock remuneration in the remuneration structure are set to provide sound incentives toward achieving sustainable growth of the Company. Specifically, the short-term incentive plan is set to approximately 50% of fixed remuneration, while the long-term incentive plan is within the range of approximately 50% to 200% of fixed remuneration.

Since the fiscal year ended March 31, 2016, EBITDA of existing businesses had been used as the target performance indicator for the long-term incentive plan. This approach, however, is now seen as inadequate in that mergers and acquisitions, aimed at enhancing corporate value, may result in synergies through integration with existing businesses, so that it becomes difficult to distinguish EBITDA of the existing businesses from that of the acquired companies. Accordingly, it was decided that the level of stock compensation based on performance for the year ending March 31, 2019 is to be determined based on achievement of the adjusted EPS^{(*)1} target set in the year ended March 31, 2017 and EBITDA^{(*)4} target. If the corporate acquisitions and sales of subsidiaries during the fiscal year have a significant impact on EBITDA, the target EBITDA is to be amended by resolution of the Board of Directors, based on the opinions of the Remuneration Committee, consisting mainly of External Board Directors and External Audit & Supervisory Board Members. The coefficient used for linking to performance remains with the range of 0% to 150%, as has been the case since the fiscal year ended March 31, 2016.

(*)1 Adjusted EPS: $\text{Adjusted profit}^{(*)2} / (\text{total number of shares issued at the end of the period} - \text{number of treasury shares at the end of the period})$

(*)2 Adjusted profit: Profit attributable to owners of the parent \pm adjustment items^{(*)3} (excluding non-controlling interests) \pm tax reconciliation related to certain adjustment items

(*)3 Adjustment items: Amortization of intangible assets arising due to business combination \pm non-recurring income/losses

(*)4 EBITDA: Operating income + depreciation and amortization \pm other operating income/expenses

In principle, remuneration for External Board Directors and External Audit & Supervisory Board Members consists of fixed remuneration only.

With the aim of attracting and retaining outstanding management personnel globally, the Company may

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adopt a remuneration structure differing from the structure described above, in cases where personnel were recruited based on standards of markets with what are believed to be significantly different hiring practices and laws and regulations.

(4) Governance

The Company has established an Evaluation Committee and a Remuneration Committee, each chaired by an External Board Director and acting as advisory bodies to the Board of Directors for the purpose of enhancing objectivity and transparency of remuneration for Directors and Officers. 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 based on 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 on the candidate's individual insights and capabilities in fulfilling duties and responsibilities as an External Board Director and a commitment to nondiscrimination based on gender, age, or nationality.

The Company appoints outside compensation consultants with a view to introducing objective viewpoints from outside the Company and expertise on remuneration systems. With their support, the Company reviews its remuneration standards and remuneration systems in light of external data, the economic environment, industry trends, the state of business management, and other factors.

(7) Provision of support for External Board Directors (External Audit & Supervisory Board Members) External Board Directors

The Secretariat of the Board of Directors provides various forms of support enabling External Board Directors to exercise appropriate oversight of Executive Directors in the performance of their duties. This support includes advance briefings on matters to be taken up at meetings of Board of Directors and provision of relevant information.

External Audit & Supervisory Board Members

Assistants to the Audit & Supervisory Board Members provide necessary support including distributing and giving advance briefings on meeting materials, and providing information of various kinds.

(8) Status of those who have retired as President and Representative Director, etc.

(a) Whether the status of those who have retired as President and Representative Director, etc. is indicated Not indicated

(b) Names, etc. of senior advisors and advisors, etc. who formerly served as President and Representative Director, etc.

Name	Title/Position	Duties	Working Arrangement/Terms (Full-time/Part-time/Remuneration, etc.)	Date of Retirement as President, etc. (Month/day/year)	Term of Office
—	—	—	—	—	—

(c) Total number of senior advisors and advisors, etc. who formerly served as President and Representative Director, etc. 0

(d) 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) Business Execution (Supplementary Principle 4-1-1 of the Corporate Governance Code)

Important matters of business strategy and business execution at the Company are decided 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 six Board Directors and four Audit & Supervisory Board Members.

The Business Strategy Meeting is an advisory body to the President, Representative Director and CEO, and in principle meets twice a month. It consists of three Board Directors who are also Corporate Executive Officers, five Corporate Executive Officers responsible for corporate functions, and two Standing Audit & Supervisory Board Members.

In addition, the Company has introduced a Strategic Business Unit (“SBU”) organizational structure for strategic management, with an SBU Headquarters overseeing each SBU, and an SBU Board of Directors exercising some of the authority previously exercised by the Business Strategy Meeting. Non-executive Directors dispatched by the Company constitute a majority of the members of the Board of Directors of each SBU Headquarters.

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

The Board of Directors makes decisions on matters that could significantly impact the Company's corporate governance and/or the consolidated financial performance, such as investments above a certain threshold and key personnel matters. Other matters are decided by the Business Strategy Meeting etc. Criteria for determining organizational decision-making authority are set forth in the Rules on Decision-making Authority, which are annually reviewed to examine their effectiveness by the Board of Directors.

CEO succession plans are established and administered in accordance with deliberations of the Nomination Committee (chaired by an External Board Director who is an independent director), and, as appropriate, referred to the Board of Directors.

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

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

The Board of Directors includes two External Board Directors who are highly independent of the Company. Measures such as holding regular meetings with outside experts are taken to ensure that a certain number of appropriate candidates of External Board Directors are always available. Considering the dramatic changes occurring in internet technology and other aspects of its business environment, the Company annually reviews its corporate governance structure and requirements for membership on the Board of Directors, and identifies appropriate candidates for future appointment. The Company currently maintains a Board of Directors in which independent External Board Directors comprise one-third of the total Board Directors, while there are no internal standards for the number of independent External Board Directors.

To enhance the oversight function of the Business Strategy Meeting, its meetings must be convened with the participation of at least one Standing Audit & Supervisory Board Member.

The Audit & Supervisory Board consists of two standing members and two external members. In principle, it meets once a month in performance of its management oversight function. In addition, one

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substitute Audit & Supervisory Board Member is elected to provide 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 check-and-balance system. Among these are establishment of the Internal Audit Department, which serves 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 those who are also Corporate Executive Officers) and Audit & Supervisory Board Members

The Company has entered into an agreement with all the Board Directors (excluding Board Directors who are also Corporate Executive Officers) and with Audit & Supervisory Board members, to limit the liability to compensate for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liabilities for damages under the agreement is the minimum liability amount required under applicable laws and regulations. Such limitation of liability, however, will apply only if the Directors and/or Audit & Supervisory Board members performed their duties that caused the liability in good faith and without gross negligence.

(4) Nomination and Remuneration Decisions

(Principles 3-1-3, 3-1-4, 4-10, 4-11, and Supplementary Principle 4-11-1 of the Corporate Governance Code)

The maximum permitted Board of Director size of 11 Directors is believed to be appropriate in view of the Company's size and functions, the possibility of assigning Board Directors responsibility for particular functions in the future, and the need to have an appropriate number of External Board Directors. The current number of Board Directors is believed to be appropriate at the present time. To ensure an appropriate balance of knowledge, experience, and capabilities, as well as diversity of the Board of Directors, Board Directors who are also Corporate Executive Officers meet once annually to consider the status of the corporate governance system and requirements to be a Board Director and then identify appropriate candidates.

Board Directors are selected from a large potential candidate pool in order to ensure candidate diversity, based on skills, leadership, background, judgment, character, insight, and experience. Believing that diversity among Board Directors improves the quality of Board discussions, the Company endeavors to select optimal persons as Board Directors without discrimination based on gender, age, or nationality. The Company has in the past selected a female Board Director and currently has an American Board Director. From the standpoint of gender diversity in particular, the Company has been actively promoting the participation of women in managerial positions to develop potential female candidates for future Board Directors, in addition to expanding the pool of female candidates considered for External Board Directors.

When selecting Audit & Supervisory Board Member candidates, the policy is to select qualified persons with suitable experience and capability who have necessary knowledge of finance, accounting, and legal affairs. In addition to two Standing Audit & Supervisory Board Members who have extensive experience in the business of Recruit Group, the Company has two External Audit & Supervisory Board Members, one with expertise in law and the other with expertise in finance and accounting.

Nomination, evaluation, and remuneration decisions concerning Directors and Officers are deliberated in

an advisory body to the Board of Directors that consists mainly of external Board Directors and Audit & Supervisory Board Members. The purpose of this approach is to enhance objectivity and transparency.

Specifically, in each fiscal year, nomination, evaluation, and remuneration of Directors and Officers are considered in the Nomination Committee, Evaluation Committee, and Remuneration Committee, each chaired by an External Board Director who is an independent director, with final decisions by resolution of the Board of Directors. The Nomination Committee deliberates and reports on the appointment and succession of the President and Representative Director, and on the appropriateness of the process for selecting Board Director candidates, then submits the matter to the Board of Directors.

Dismissal of Officers or of Board Directors is considered in case they are recognized to have significantly harmed the corporate value of the Company due to violation of laws and regulations or other reason. Specifically, deliberation and reporting on whether to dismiss Officers or Board Directors take place in the Nomination Committee, which then refers the matter to the Board of Directors.

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 of Board Directors based on their performance evaluation and the remuneration standards and systems of Board Directors and Corporate Executive Officers. Each Committee then refers the matter to the Board of Directors. The amount of 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 the remuneration amount for Audit & Supervisory Board members is determined based on consultation among the Audit & Supervisory Board Members, within remuneration ranges approved by the General Meeting of Shareholders. Individual remuneration levels are set using, as benchmarks, the executive compensation levels at leading enterprises (or in the case of Audit & Supervisory Board Members, based on the remuneration standards of standing and non-standing corporate auditors of leading enterprises), as compiled by outside database services.

Each Committee is chaired by an External Board Director, and the majority of the Committee members are comprised of External Board Directors and External Audit & Supervisory Board Members.

(5) Reasons for the Selection of Individual Board Directors and Audit & Supervisory Board Members (Principle 3-1-5 of the Corporate Governance Code)

Mr. Masumi Minegishi was appointed as CEO of the Recruit Group in 2012 and oversees the business of the entire Group, drawing on his strong leadership capabilities. The Company believes him to be an appropriate Board Director based on his ongoing efforts to increase the corporate value of Recruit Group.

Mr. Shogo Ikeuchi was appointed as Board Director of the Company in 2012 and has gained extensive experience and knowledge through his diverse duties, primarily in the areas of corporate planning, human resources, international business strategy, R&D, public relations, and sustainability. The Company believes him to be an appropriate Board Director based on his ongoing efforts to increase the corporate value of Recruit Group.

Mr. Keiichi Sagawa was appointed as Board Director of the Company in 2011 and has gained extensive experience and knowledge through his diverse duties, primarily in the areas of accounting, finance, legal affairs, investor relations, risk management, corporate communication, and corporate strategy. The Company believes him to be an appropriate Board Director based on his ongoing efforts to increase the corporate value of Recruit Group.

Mr. Rony Kahan is a co-founder of Indeed, Inc., a subsidiary of the Recruit Group, and has deep

expertise and broad relationships in the HR technology industry. The Company believes him to be an appropriate Board Director based on his ongoing efforts to increase the corporate value of Recruit Group and further accelerate the global expansion of its Internet businesses.

Mr. Akihito Fujiwara has been properly auditing the performance of duties of the Board Directors as Standing Audit & Supervisory Board Member and for many years has been extensively involved in the Company's management and information systems as a Corporate Executive Officer and in other business positions. Accordingly, the Company believes it appropriate that he 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 a Corporate Executive Officer. In that time, she has gained extensive experience and knowledge through her duties, primarily in human resources, bridal business, and staffing business operations. Therefore, the Company believes Ms. Nagashima appropriately serves as a Standing Audit & Supervisory Board Member.

The rationale supporting the appointment of the other External Board Directors and External Audit & Supervisory Board members is stated under 2-1, "Board Directors" and "Audit & Supervisory Board Members."

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

(Principle 4-12 and Supplementary Principle 4-11-3 of the Corporate Governance Code)

Self-evaluations of Board of Directors meetings held during the year ended March 31, 2018 were conducted as outlined below.

(a) Details of the self-evaluations

- Persons who participated in the evaluation: Board Directors and Audit & Supervisory Board Members of the Company (9 persons in all)
- When conducted: From April to May 2018
- Summary: Individual interviews were conducted, as necessary, based on the aggregate results of replies to a questionnaire survey, consisting 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 check-and-balance 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 communities, and other stakeholders, as well as open-ended questions.

(b) Analysis and evaluation results

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

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

While the above analysis and evaluation confirmed that the Board of Directors maintains a high level of effectiveness, it was recognized that the Board of Directors should deepen and continue its discussions regarding particular matters to achieve further improvements.

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(7) Training of Directors and Audit & Supervisory Board Members

(Principle 4-14 and Supplementary Principles 4-14-2 of the Corporate Governance Code)

Newly appointed Board Directors and Audit & Supervisory Board Members are given an overview of the Company at the time of their appointment, along with basic information on matters such as management strategies, financial strategies, and high-priority areas for audits. Among other measures, visits to business sites are organized as necessary to promote understanding of the business, and Corporate Executive Officers in charge of strategies for principal businesses are asked to provide external members with information to further their understanding of the businesses. Board Directors and Audit & Supervisory Board Members also participate as necessary in outside seminars, on matters such as accounting and finance and risk management, and in internal seminars led by invited outside experts.

(8) Policy on Strategic Shareholdings

(Principle 1-4 Governance Code)

Regarding the strategic shares held by the Company, the decision whether to hold individual company shares is made based on a comprehensive assessment that includes quantitatively verifying that the economic value is in line with the cost of capital and qualitatively evaluating such standpoints as the strategic relevance and importance. These strategic shareholdings are subject to a careful review once each fiscal year by the Board of Directors, and a policy is adopted of reducing holdings that do not meet the above standpoints.

Exercising voting rights of strategic shareholdings is to be carried out appropriately upon verifying the agenda item and judging whether or not such proposed item contributes to improvement of shareholder value. If the agenda item significantly damages expected shareholder profit, the Company will not judge it positively. If the Company casts a dissenting vote to an agenda item, it will be reported to the Board of Directors.

(9) Policy on Related-Party Transactions

(Principle 1-7 of the Corporate Governance Code)

Related-party transactions by the Company's Board Directors are subject to review and approval by the Board of Directors based on the reasonableness of the transaction (necessity for business purposes) and the appropriateness of transaction conditions. Information is collected annually on transactions that exceed a certain financial threshold amount and are engaged in with the Company or its subsidiaries by Board Directors of the Company, executives of significant subsidiaries of the Company, family members within the second degree of consanguinity, and the companies and subsidiaries thereof controlled by any of these persons; and material transactions are disclosed in the Securities Report.

(10) Information Gathering and Support Structure

(Principle 4-13 of the Corporate Governance Code)

An organizational structure is in place enabling Board Directors and Audit & Supervisory Board Members to obtain necessary information whenever needed. They are also provided with a support structure that includes staffing needs.

3. Rationale for Selecting the Present Corporate Governance System

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

To enable speedy decision-making, Corporate Executive Officers who are also Board Directors are appointed and are vested with decision-making authority in certain important areas of business execution.

In view of the contributions of External Board Directors to 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.

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III. Implementation Status of Measures for Shareholders and Other Stakeholders

1. Measures for Vitalizing the Shareholders Meeting and Facilitating Exercise of Voting Rights

Status of conformity to the following matters (select all applicable items)

	Applicability	Additional Explanation
a. Prompt sending of Shareholders Meeting convocation notice	√	The convocation notice for the 58th Ordinary General Meeting of Shareholders was sent seven days prior to the statutory deadline (i.e., five business days before the statutory deadline).
b. Off-peak scheduling of Shareholders Meeting	√	The 58th Ordinary General Meeting of Shareholders was held on June 19, 2018.
c. Electronic voting	√	Shareholders can exercise their voting rights from their own personal computer or from a mobile phone, via the internet.
d. Participation in 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.
e. Provision of Shareholder Meeting convocation notice (abridged) in English	√	The Company posts an English-language version of the convocation notice on its website.
f. Other	√	The Company posts the convocation notice on its website prior to sending it out.
g. Not implemented		

2. IR Activities

Status of conformity to the following matters (select all applicable items)

	Applicability	Additional Explanation	Explanation by Representative
a. Preparation and public notice of disclosure policy	√	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 equity research analysts. The information disclosed, which the Company believes is useful for investors' decisions and corporate valuations, includes financial performance, management policies, business strategies, and other key management indicators of the Recruit Group. Details are posted on the Company website.	—

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b. Provision of regular briefing sessions for individual investors	√	The Company holds investor briefings for individual investors at appropriate times.	Yes
c. Provision of regular briefing sessions for equity research analysts and institutional investors	√	In each quarter, financial briefings are given by the President and Representative Director or by a Board Director/Corporate Executive Officer, or explanations are put on the Company's website. Individual and small group meetings are also held with analysts and institutional investors.	Yes
d. Provision of regular briefing sessions for overseas investors	√	Along with quarterly financial briefings or the quarterly explanation, on the Company website, teleconferences are held with overseas institutional investors as needed. Individual and small group meetings are also held, including visits to overseas institutional investors.	Yes
e. Posting of IR materials on the Company website	√	The Company actively discloses on its website material and important information useful for investment decisions, including quarterly financial results and integrated reports. The Company also discloses materials in English for overseas investors, of the same quality and at the same timing as materials in Japanese.	—
f. Establishment of an IR department (manager)	√	A department exclusively responsible for IR has been established.	—
g. Other			—
h. Not implemented			—

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3. Status of Efforts to Ensure Respect for the Viewpoints of Stakeholders

Status of conformity to the following matters (select all applicable items)

	Applicability	Additional Explanation
a. Rules on respecting the viewpoints of stakeholders	√	<p>(Principle 2-3 of the Corporate Governance Code)</p> <p>The Recruit Group has drawn up a Sustainability Policy based on the principle of the Recruit Group of “contributing to a brighter world where all individuals can live life to the fullest.” The policy states “In collaboration with our stakeholders, we implement actions reflecting what we can and should do while continuing to challenge ourselves” toward achieving five material matters identified in the policy for promoting sustainability activities.</p> <p>In addition, Recruit Group has established a Code of Ethics that all Group officers and employees are required to follow when acting as a member of society. The Recruit Group Code of Ethics consists of 13 articles. The Code calls for “fulfilling legal and ethical expectations,” “complying with laws and regulations,” “negotiating and complying with agreements,” “complying with fair competition laws and observing fair trade practices,” “interacting appropriately with government persons,” “safeguarding confidential and sensitive information,” “protecting intellectual property,” “communicating effectively and clarifying responsibilities,” “fulfilling our disclosure obligations as a public company,” “respecting the rights and dignity of all people avoiding discrimination,” “maintaining a productive working environment,” “avoiding relationships with organized crime and similar parties,” and “protecting the environment.”</p>
b. Initiatives on behalf of environmental protection and sustainability	√	<p>(Principle 2-3 of the Corporate Governance Code)</p> <p>Sustainability initiatives are carried out based on the Recruit Group Sustainability Policy, drawn up in April 2014 to realize the principle of Recruit Group of “contributing to a brighter world where all individuals can live life to the fullest.” Placing “promoting businesses that contribute positively to society” as a core belief of our sustainability efforts, we strive to be responsive to society's expectations and to fulfill our responsibilities as a corporate citizen, both of which grow as our business expands. As the business has become more global, the Five Material Matters for sustainability activities were reorganized in April 2018. Based on these Five Material Matters, we collaborate with stakeholders to implement actions reflecting what we can and should do while continuing to challenge ourselves.</p> <p>Five Material Matters for promoting sustainability activities</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</p>

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		<p>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 obtaining ISO 14001 certification.</p> <p>Information on our sustainability activities is available on the Company 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 (Fulfilling Our Disclosure Obligations as a Public Company) clearly states our commitment to behaving as a public company by accurately reporting to society our thinking, activities, and the contents of our products and services.</p> <p>The Recruit Group seeks to engage in interactive communication with all stakeholders, including users of products and services of Recruit Group, clients, shareholders, employees, business partners, NPOs and NGOs, national and other governments, and local communities, by providing information and creating opportunities for dialog. We invite outside experts to take part in Sustainability Committee meetings, we conduct individual interviews to find out views on and expectations for Recruit Group's sustainability policy and business activities, and we hold group dialogs for which we work through NPOs—intermediary support groups—to invite participants from various quarters. The Sustainability Management page of the Company website includes a section defining our stakeholders and describing how we engage with them.</p> <p>Japanese : https://recruit-holdings.co.jp/sustainability/policy/management/ English : https://recruit-holdings.com/sustainability/policy/management/</p>
d. Other	√	<p>Employee Diversity (Principle 2-4 Corporate Governance Code)</p> <p>The Recruit Group recognizes that the Recruit Group philosophy of “respect for individuals” requires enabling all employees to realize their full potential, without discrimination based on age, nationality or gender. To this end, since 2006 Recruit Group has been consciously promoting diversity to advance the roles female employees play in the organization.</p> <p>Measures supporting work-life balance have included the establishment in 2007 of an in-company childcare facility named “And’s.” Since 2010, special efforts have been made to appoint female employees to managerial and other decision-making positions. After the Recruit Group governance structure was revised in October 2012, the measures that had been undertaken in Recruit up to that time were introduced in the main Group companies in Japan(*), seeking to promote diversity in Recruit Group as a whole.</p> <p>The vision of Recruit Group is for the ratio of women in each position to be equal to the proportion of female employees in Recruit Group, and the Company has promoted various initiatives toward achieving this vision. As a result, there have been upward trends in the ratios</p>

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		<p>both of working mothers and of female managers.</p> <ul style="list-style-type: none"> • Women as a percentage of employees: 44.0% (as of April 2018) • Working mothers as a percentage of female employees: 22.7% (as of April 2018) • Women as a percentage of management: 25.2% (as of April 2018) <p>The Company achieved an April 2015 target of having women comprise at least 10% of management decision-making positions (having the authority of a Corporate Executive Officer or equivalent) at main Group companies in Japan. As of April 2018, the ratio is 11.9%. An aspirational target for 2015 and after was also set, of raising the percentage of women chief managers in main Group companies in Japan to 30% or more by April 2018. By April 2018, a ratio of 28.0% had been achieved.</p> <p>While this was a big improvement from the rate of 10.3% in 2006 when diversity promotion began in earnest, work-life balance support and gender equality support efforts will be continued toward achieving the vision.</p> <p>*The following companies are included in the above “main Group companies in Japan.”</p> <p>Recruit Holdings Co., Ltd. Recruit Career Co., Ltd. Recruit Jobs Co., Ltd. Staff Service Holdings Co., Ltd. Recruit Staffing Co., Ltd. Recruit Sumai Company, Ltd. Recruit Marketing Partners Co., Ltd. Recruit Lifestyle Co., Ltd. Recruit Communications Co., Ltd. Recruit Co., Ltd. (name changed as of April 1, 2018 from Recruit Administration Co., Ltd.) Recruit Technologies Co., Ltd.</p> <p>Exercising Functions as Asset Owner of Corporate Pension Plan (Principle 2-6, Corporate Governance Code)</p> <p>At Group companies offering a defined-benefit pension plan, the personnel department is in charge of the plan, and a manager with suitable qualifications is assigned. The plan managers undergo training on ensuring stable formation of employee assets and maintaining financial soundness. They exchange information regularly with the financial institutions entrusted with fund management regarding the management status of the corporate pension plan, and endeavor to ensure that the reserve funds are properly managed.</p>
e. Not implemented		

IV. Matters Relating to the Internal Control System, Etc.**1. Basic approach and status of internal control system establishment**

Details of internal control system establishment in the Company and its subsidiaries (the “Group”) were adopted as follows by resolution of the Board of Directors at its meeting March 28, 2018.

- (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 Recruit 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 Recruit 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 Recruit 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. Recruit 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 Recruit 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 Recruit 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 Recruit Group and make decisions on and inspections of Recruit Group’s operational plans.

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- 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 Recruit 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 Recruit 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 Recruit 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 Recruit Group and shall make these targets widely known, while setting specific targets to be achieved by each division of Recruit Group in order to achieve Recruit 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 Recruit 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 Recruit 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.

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(For Company with Audit & Supervisory Board)

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

- i. Recruit Affiliated Persons and Recruit 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 stance on and provision of measures for excluding all association with organized criminal elements**(1) Basic stance on association with organized criminal elements**

In the Recruit Group Code of Ethics, Recruit Group clearly states our policy of having no involvement whatsoever with organized crime, crime syndicates, and other antisocial organizations that draw criticism from society. The Recruit Group Internal Control General Principle further stipulates that we will disconnect all ties with antisocial organizations, including business relations, develop regulations regarding what steps to take if a case should arise, and act resolutely against unreasonable demands in accordance with the law, designating a department to oversee such responses and cooperating with outside expert organizations. These principles are upheld by all our officers and employees.

(2) Provision of internal systems for excluding association with organized criminal elements and specific initiatives

Policies and standards on provision of internal checks on association with organized criminal elements

i. Establishment of a department for addressing situations involving organized criminal elements

Responsibility for dealing with improper demands, etc. from organized criminal elements is assigned to the Company's general affairs department (hereinafter, "Contingency Response Unit").

ii. Handling of improper demands, etc. from organized criminal elements

In the event of improper demands, etc., the Recruit Group Basic Procedures for Dealing with Antisocial Forces stipulate that the Contingency Point Person appointed in each Group company should promptly report the matter to the Contingency Response Unit, and that the Contingency Point Person and Contingency Response Unit should collaborate in responding to the improper demand, including discussion and interviews. Training sessions for those responsible for preventing improper demands are provided for Contingency Point Persons, who are in principle required to participate in the sessions.

iii. Establishment of a system for gathering and managing information on organized criminal elements

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

iv. Establishment of a system for coordinating with outside authorities

Recruit Group coordinates with outside authorities on addressing situations involving, and on collecting information regarding, organized criminal elements.

v. Provision of rules and manuals, etc.

The Recruit Group provides the Recruit Group Basic Procedures for Dealing with Antisocial Forces and related rules, along with guidelines on their administration, as well as drawing up manuals for response to contingencies and distributing these to all Group companies.

vi. Incorporation of contract terms on exclusion of organized crime groups

Contracts and other agreements governing transactions incorporate terms on exclusion of organized crime groups, to facilitate the exclusion of transactions and termination of agreements with organized criminal elements.

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(For Company with Audit & Supervisory Board)

V. Other Matters

1. Introduction of anti-takeover measures

None

Supplementary Information Related to This Item

2. Other matters relating to the corporate governance system, etc.

Matters Relating to Capital Policies

(Principle 1-3 and 1-6 of the Corporate Governance Code)

The Company has adopted a policy of in principle not implementing capital practices that would unduly harm the interests of existing shareholders. Regarding return to shareholders, the Company has adopted a basic policy of maintaining a steady and sustained dividend, with the amount of profits to be returned to shareholders to be determined based on business performance trends and the need to enhance internal reserves for growth investments and establish a solid financial base. On this basis, the benchmark for payout ratio is set at “approximately 30% of profit attributable to owners of the parent, excluding the effects of non-recurring income/losses.” Regarding capital policies that may result in changes of controlling interests or major dilution, these will be carried out only after all due consideration by the Board of Directors, ensuring proper procedures are followed, and providing sufficient explanations to shareholders regarding the necessity and rationale.

System for Ensuring Timely Disclosure

(1) Basic policy on Timely Disclosure

The Company’s basic policy on disclosure is to disclose important information for investors' effective decision-makings in timely and accurate manners.

(2) System for Timely Disclosure

The Company has assigned a department responsible for receiving information from each company of Recruit Group for timely disclosure. The IR Department manages disclosure of information. The Timely Disclosure Committee, chaired by the Corporate Executive Officer in charge of capital market strategy and comprising the heads of relevant departments, has been established and is administered to ensure the adequacy of decision-making for disclosures and the accuracy of disclosed information.

The IR Department, which is responsible for disclosure-related activities, appropriately carries out timely disclosure-related matters by drawing up guidelines for activities related to timely disclosure, establishing disclosure standards and procedures to be implemented, and making sure each of the Company’s departments and companies in Recruit Group are thoroughly familiar with these.

(3) Ensuring shareholders have opportunities for fair and ready access to information

To ensure shareholders have opportunities for fair and ready access to key information on Recruit Group, the Company actively makes voluntary disclosures based on its own disclosure standards, in addition to the timely disclosures made in accordance with the Securities Listing Regulations of the Tokyo Stock Exchange. Disclosed information can be found on the Company’s website, and on the website of the Tokyo Stock Exchange.

Corporate Governance

CORPORATE GOVERNANCE REPORT

(For Company with Audit & Supervisory Board)

Corporate Governance Overview

Form of Corporate Governance		Company with an Audit & Supervisory Board
Chair of the Board of Directors		Masumi Minegishi
Number of Board Directors		Six members including two external members
Number of Audit & Supervisory Board Members		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 Note: Fixed remuneration only for External Board Directors and External Audit & Supervisory Board Members
Accounting Auditor		Ernst & Young ShinNihon LLC

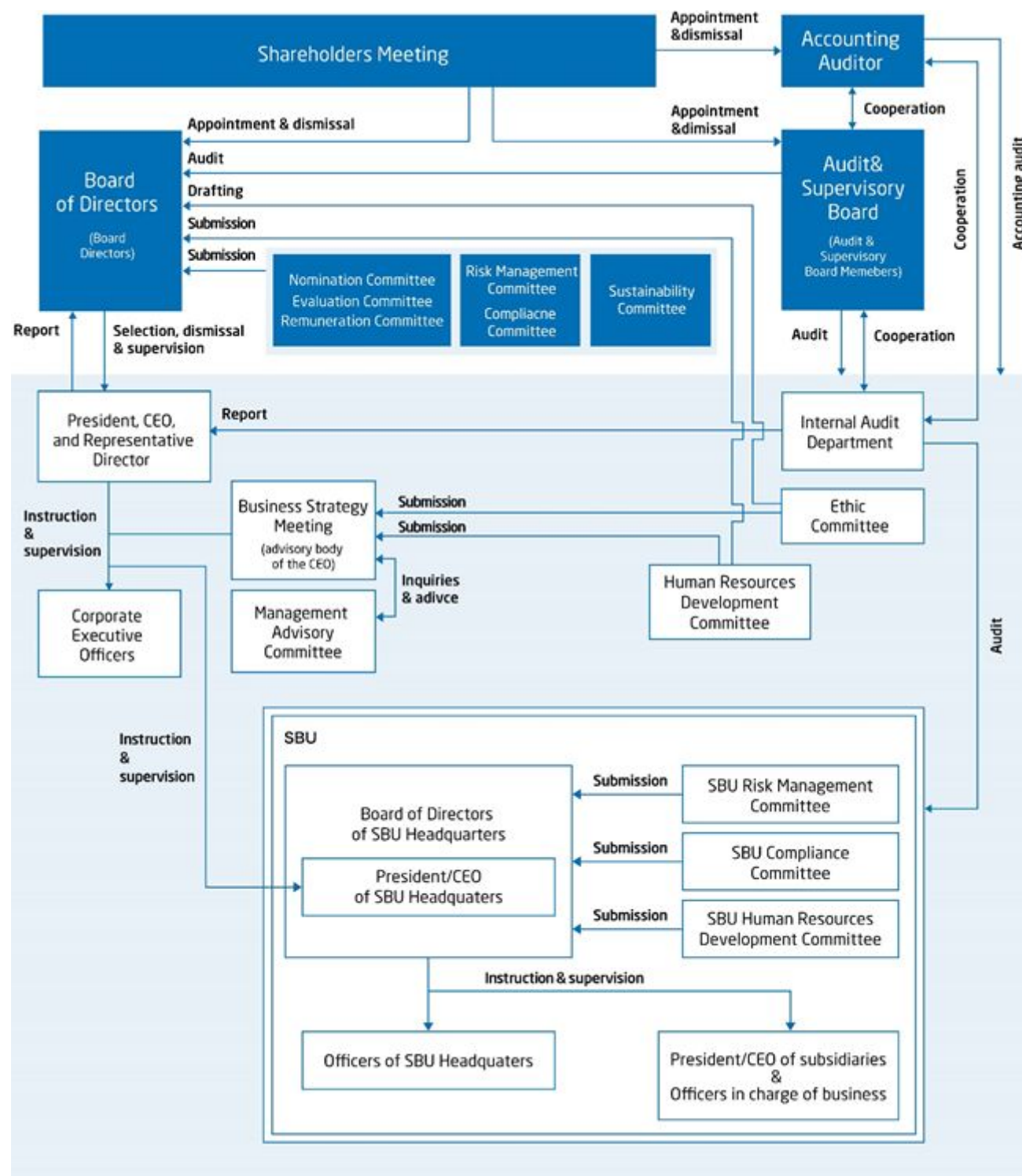
Measures To Date for Strengthening Corporate Governance

Year	Measures	Objectives
2000	Introduction of the Corporate Executive Officer system	• Separation of management and execution
2006	Introduction of the in-house company structure	• Rapid response to changes in the business environment • Development of business managers • Acceleration of business development
2012	Transition to holding company structure and new Group arrangement	• 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 organizational structure	• Maximize value at the SBU level
2018	Consolidation of SBU into the Group	• Accelerate delegation of authority by establishing SBU Headquarters

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Corporate Governance

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Committee Makeup

● = Committee member

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

Holding of Committee Meetings and Member Attendance

(Times attended)

		Nomination Committee	Evaluation Committee	Remuneration Committee	Risk Management Committee	Compliance Committee	Sustainability Committee
Committee meetings held (fiscal year ended March 31, 2018)		2	2	2	1	1	2
President, Representative Director and CEO	Masumi Minegishi	2	2	2	—	1	2
	Shogo Ikeuchi	2	2	2	—	1	2
Board Directors	Keiichi Sagawa	—	—	—	1	1	—
	Shigeo Ohyagi	2	2	2	—	—	—
External Board Directors	Yasushi Shingai	2	2	2	—	—	—
	Akihito Fujiwara	—	—	—	1	1	—
Standing Audit & Supervisor Board Members	Yukiko Nagashima	—	—	—	1	1	—
	Hiroki Inoue	—	2	2	—	—	—
External Audit & Supervisory Board Members	Yasuaki Nishiura	2	—	—	—	—	—

Corporate Governance

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(For Company with Audit & Supervisory Board)

Organization for Ensuring Timely Disclosure

