

Our vision for the world  
Follow Your Heart

*Follow your heart*

Material wealth does not necessarily lead to fulfillment in life. Recruit believes that in a truly fulfilling world, people can achieve their dreams on their own and choose their own lifestyle. *Follow Your Heart* expresses our wish to be the one to support individuals as they work toward their dreams.

# Corporate governance

# Leadership

## Board & Directors



### Masumi Minegishi President, CEO, and Representative Director

Masumi Minegishi joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) in 1987 and subsequently was transferred to a section responsible for new business development in 1992, where he contributed to the launch of the Zexy bridal magazine. In 2003, he was appointed Executive Officer at the age of 39, becoming the youngest Executive Officer at the time. He subsequently assumed the role of Senior Corporate Executive Officer in 2004 and was placed in charge of the housing information business, where he built the SUUMO brand and contributed to the launch of Japan's largest comprehensive housing information service. After becoming Board Director and Senior Corporate Executive Officer in 2009, he was involved in medium- to long-term planning as the officer in charge of corporate planning and also promoted investment in companies outside Japan as the officer in charge of business department. He has been serving in his current position as President, CEO, and Representative Director, since 2012.



### Shogo Ikeuchi CSO, CHRO, and Senior Managing Corporate Executive Officer

After joining Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) in 1988, Shogo Ikeuchi spent his first two years working on a supercomputer project. He subsequently worked in the Corporate Planning and Recruitment Advertising Departments before transferring to the Human Resources Department in 1993. There he was involved in the design of the Company's personnel management system. From 2000, he worked at the Office of Corporate Planning, where he engaged in the formulation of mid- and long-term growth strategies, promoted new business development, and facilitated overseas business expansion with a focus on Asia. He subsequently was in charge of corporate planning and human resources as an Executive Officer, a role which he assumed in 2005 and which contributed to Recruit's overseas business expansion and R&D efforts. After being appointed Corporate Executive Officer and Board Director in 2012, he was based in New York as Representative Director of Recruit USA, Inc. from January 2014 through the end of March 2016. In April 2016, he assumed the positions of Senior Managing Corporate Executive Officer and Board Director and has been in charge of corporate planning and human resources.



### Keiichi Sagawa CFO, CRO, and Senior Managing Corporate Executive Officer

Keiichi Sagawa joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) in 1988, where he was first assigned to the accounting department before transferring to the HR Division in 2000 and becoming Division Head of the HR Tokai Division in 2004. In that capacity, he worked to strengthen services such as From A navi and TOWNWORK. He subsequently was appointed Corporate Executive Officer in 2006. As the officer responsible for business supervision, he facilitated the reorganization of the governance structure from a division-based structure to a company-based structure. By redefining the company as the strategic business unit and delegating authority and responsibility accordingly, he improved the level of freedom in business operations and helped develop business leaders. As the officer responsible for investment management, he also built the foundation for promoting M&A strategy. In 2011, he was appointed Corporate Executive Officer and Board Director and led the IPO project that resulted in the successful listing of Recruit Holdings on the First Section of the Tokyo Stock Exchange in October 2014. In his current position, he is in charge of the corporate staffing department and is responsible for areas including finance, accounting, tax matters, capital market strategies, legal affairs, compliance, and information security.



### Shigeo Ohyagi External Board Director

Shigeo Ohyagi joined Teijin Limited in 1971. During a time when Teijin was transforming itself and diversifying its business, he volunteered to set up new projects and was assigned to the pharmaceuticals and healthcare division. For the following 30 years, he worked on the development of a nationwide in-house sales system, numerous partnership alliance deals, and made the pharmaceuticals and healthcare division the central pillar of Teijin's earnings. In 2008, he assumed the role of President and CEO of Teijin. Facing a challenging business environment following the 2008 financial crisis and the Great East Japan Earthquake, he carried out structural reform, including the consolidation of production facilities, while pushing forward a strategy for future growth and development. In 2014, he became Chairman of the board at Teijin. In June 2014, he assumed the role of External Board Director at Recruit Holdings Co., Ltd. With a depth of knowledge and experience as a manager at Teijin who globally developed a wide variety of projects centered around materials and healthcare, he is using his knowledge of corporate governance to provide oversight of business matters and advice on all aspects of management.



### Yasushi Shingai External Board Director

Yasushi Shingai obtained a Master's degree in engineering at Kyoto University Graduate School of Engineering in 1980 and subsequently joined Japan Tobacco and Salt Public Corporation (currently Japan Tobacco Inc. (JT)). Starting in 1989, he spent seven years in the US identifying and implementing many joint research and development projects with American pharmaceutical and biotechnology start-up companies, including joint development of the Anti-HIV prescription drug, ViraceptR. He returned to the JT Head Office in 1996 to handle company-wide corporate strategy and financial strategy as well as M&A. After serving as Vice President of the Financial Planning Division, he was appointed Director, Senior Vice President and Chief Financial Officer. In 2006, he took on a role at JT International S.A., the world headquarters for the international tobacco business outside of Japan and China, to oversee the acquisition and integration of British-based multinational company named Gallaher Group. He has been Executive Deputy President and Representative Director at Japan Tobacco Inc. (JT) since June 2011. He has also been External Board Director at Recruit Holdings Co., Ltd. since June 2014.

## Audit & Supervisory Board Members



### Yukiko Nagashima Audit & Supervisory Board Member (standing)

Yukiko Nagashima joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) in 1985. After working in recruitment advertising, she transferred to the personnel department in 1995. There, she headed recruitment and education and launched an internal business school and other programs for exchange study among companies in different industries. She transferred to the bridal business in 2002 and grew Zexy into the largest bridal information service business in Japan before being appointed Corporate Executive Officer in 2006. She subsequently was appointed President and Representative Director of Recruit Staffing Co., Ltd. in 2008, where she promoted "smart work" that emphasizes per-hour productivity and pursued the creation of work opportunities for more diverse individuals. She assumed her current role as Audit & Supervisory Board Member (standing) in June 2016.



### Akihito Fujiwara Audit & Supervisory Board Member (standing)

Akihito Fujiwara joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) in 1986. He was responsible for building many operational systems within the Information Network Department and Internal Systems Department, transitioning from paper-based to Internet-based business, and establishing IT management processes. He became Federation Executive Officer of FIT (Federation of IT, referring to a company-wide cross-functional information systems organization which is currently Recruit Technologies Co., Ltd.) in 2004 and Corporate Executive Officer in 2006 before being appointed head of the Automobile division (currently Recruit Marketing Partners Co., Ltd.) in 2009 and head of the ad optimization and Keyman's Net promotion office in 2013. He was named Audit & Supervisory Board Member (standing) of Recruit Holdings Co., Ltd. in 2014, a position he still holds today.



### Hiroki Inoue Audit & Supervisory Board Member

Hiroki Inoue is a Partner, Nagashima Ohno & Tsunematsu. His beginnings at this law firm go back to 1990, when he joined its predecessor, Nagashima & Ohno. In 1995, he received his Master of Laws (LL.M.) degree from Harvard Law School. In 1996, he became a registered attorney of New York State. From 1995 to 1996, he worked at Troutman Sanders LLP, a law firm in Atlanta, Georgia, USA. From 1996 to 1998, he worked at the Nagashima & Ohno ASEAN Office in Singapore, and was involved in the legal issues facing Japanese corporations in Southeast Asia. Since returning to Japan in 1998, he has mostly focused on M&A transactions while also providing legal services in a wide range of areas, some of which include offering advice on the Companies Act, the Financial Instruments and Exchange Act, and the Insurance Business Act, and offering guidance on annual general meetings and international business transactions. Since 2015, he has been involved in the management of Nagashima Ohno & Tsunematsu as Managing Partner. He is also currently serving as an Audit & Supervisory Board Member of Recruit Holdings Co., Ltd. since being appointed to this position in June 2015.



### Yasuaki Nishiura Audit & Supervisory Board Member

Yasuaki Nishiura joined the Tokyo Office of Tohmatsu Aoki & Co. (currently Deloitte Touche Tohmatsu LLC) in 1975. After seven years of experience in the audit department, he was transferred to the San Francisco office of Touche Ross & Co. (currently Deloitte & Touche LLP) and launched the Japanese Services Group from scratch. Five years later in 1987, he was promoted to Partner at Deloitte & Touche LLP. He has been involved with many consulting projects such as M&A transactions, human capital strategy, and intellectual property strategy and mainly supported the direct investments of Japanese businesses into the United States. In 2011, he was promoted to West Region Leader of the Japanese Services Group of Deloitte & Touche LLP. In 2014, he retired from Deloitte & Touche LLP. In June of 2016, he joined Recruit Holdings Co., Ltd. as an Audit & Supervisory Board Member and is currently serving in that capacity. He is also a Visiting Professor at Nagoya University, a position he has held since August 2016.

# Features of Corporate Governance

## Our Approach

Based on our corporate mission, we seek long-term and stable growth for our business. We believe that governance is important to enhance our enterprise value and to be an attractive company for all of our stakeholders, such as users, clients, shareholders, employees, business partners, society, and local communities.

## Corporate Governance Overview

Ensuring transparency, appropriateness, and effectiveness of management for the sustainable increase of enterprise value.

<b>Form of Corporate Governance</b>	Company with an Audit & Supervisory Board
<b>Chairman of the Board of Directors</b>	Masumi Minegishi
<b>Number of Board Directors</b>	Five members including two external members
<b>Number of Audit &amp; Supervisory Board Members</b>	Four members including two external members
<b>Fiscal Year 2016 Board of Directors Meetings</b>	
Number of meetings	17
Board Director average attendance	100%
Audit & Supervisory Board Member average attendance	100%
<b>Fiscal Year 2016 Audit &amp; Supervisory Board Meetings</b>	
Number of meetings	17
Audit & Supervisory Board Member average attendance	100%
<b>Election of Independent Officers</b>	Two External Board Directors, one External Audit & Supervisory Board Member
<b>Executive Remuneration System</b>	<ol style="list-style-type: none"> <li>1. Fixed remuneration</li> <li>2. Short-term incentive plan: cash remuneration based on individual assessments for each fiscal year</li> <li>3. Long-term incentive plan: stock remuneration based on attainment of the consolidated performance targets for each fiscal year</li> </ol>
<b>Accounting Auditor</b>	Ernst & Young ShinNihon LLC

## Previous Steps to Strengthen Corporate Governance

Steps to strengthen corporate governance include the introduction of the Corporate Executive Officer system and the Strategic Business Unit (SBU) system. We aim to continuously strengthen our systems in response to changes in the business environment.

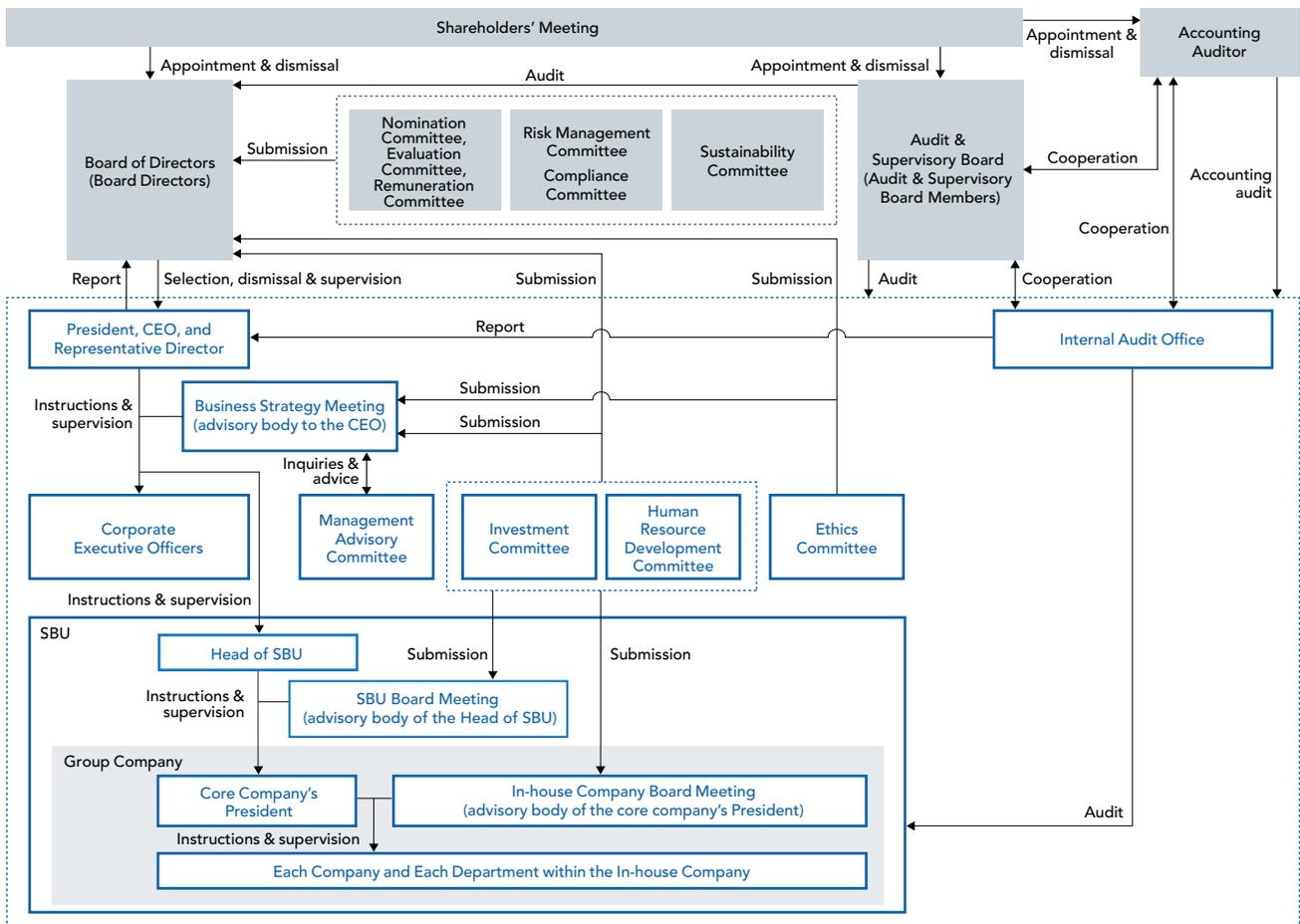
Time	Measures	Objectives
2000	Introduction of the Corporate Executive Officer system	· Separation of management and execution
2006	Introduction of the in-house company structure system	<ul style="list-style-type: none"> <li>· Rapid response to environmental change</li> <li>· Development of business managers</li> <li>· Acceleration of business development</li> </ul>
2012	Transition to holding company structure and new Group setup	<ul style="list-style-type: none"> <li>· Recruit Holdings: to focus on overseas development and R&amp;D</li> <li>· Operating companies to build competitive advantages and focus on achieving stable growth</li> </ul>
2016	Introduction of SBU structure	· Maximize value at the SBU level

### ■ Outline of the Corporate Governance Structure

To create a governance system emphasizing compliance, the Company appoints 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 Audit & Supervisory Board Members oversee the activities of Board Directors and the Board of Directors. At the same time, we appoint External Board Directors and External Audit & Supervisory Board Members in the interest of accountability to shareholders and other stakeholders, the provision of management advice, and the maintenance of checks on the execution of business activities. We strengthen the management oversight function by establishing committees such as the Nomination, Evaluation and Remuneration Committee directly under the Board of Directors.

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 Board Directors and the performance of the Audit & Supervisory Board, our present corporate governance system is judged to be functioning properly.

#### Outline of the Corporate Governance System



## ■ Advisory Functions of the Board of Directors

To strengthen the management oversight function, Recruit has voluntarily installed six committees under the direct control of the Board of Directors.

### Composition of the Committees

● = Committee member

		Nomination Committee	Evaluation Committee	Remuneration Committee	Risk Management Committee	Compliance Committee	Sustainability Committee
<b>President, CEO, and Representative Director</b>	Masumi Minegishi	●	●	●		Chair-person	●
<b>Board Directors</b>	Shogo Ikeuchi	●	●	●			Chair-person
	Keiichi Sagawa				Chair-person		
<b>External Board Directors</b>	Shigeo Ohyagi	Chair-person	●	●			
	Yasushi Shingai	●	Chair-person	Chair-person			
<b>Audit &amp; Supervisory Board Members (standing)</b>	Yukiko Nagashima						
	Akihito Fujiwara						
<b>External Audit &amp; Supervisory Board Members</b>	Hiroki Inoue		●	●			
	Yasuaki Nishiura	●					
<b>External experts, etc.</b>					●	●	●

## ■ Executive Remuneration

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

1. Maintain a sufficient remuneration standard that can attract and retain superior management talents globally
2. Establish a highly performance-based remuneration plan that motivates officers to attain performance targets
3. Set remuneration linked to mid- to long-term enterprise value
4. Enhance objectivity and transparency in the remuneration determining process

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

Remuneration for Board Directors (excluding External Board Directors) and Corporate Executive Officers 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. The Recruit's performance-based remuneration system is the Board Incentive Plan Trust (BIP Trust) scheme, which is an executive incentive plan based on the Performance Share Plan and the Restricted Stock Plan of the US. This is a stock-based officer remuneration plan under which Board Directors, etc., receive a grant or payment of Recruit's shares or an amount of money equivalent to the converted value of the Company's shares according to their individual rank and the level of attainment of performance

targets. The scheme aims at further clarifying the link between remuneration for Board Directors, etc., and the stock value of Recruit to promote motivation in contributing to the enhancement of mid- to long-term performance and improvement of enterprise value.

	Type of remuneration	Details
<b>Board Directors</b>	Fixed remuneration	Cash remuneration
	Short-term incentive plan	Cash remuneration based on individual assessments for each fiscal year Around 50% (against fixed remuneration)
	Long-term incentive plan*1	Stock remuneration based on attainment of the consolidated performance targets for each fiscal year Within the range of 50% to 200% (against fixed remuneration)
<b>External Board Directors/ Audit &amp; Supervisory Board Members</b>	Fixed remuneration only	

\*1 The performance target up to fiscal year 2018 is EBITDA for the existing businesses\*2. For fiscal year 2018, the level of attainment of the adjusted EPS\*3 performance target set during fiscal year 2016 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%. The performance target indicator for the long-term incentive plan reflects the differences in the amount of EBITDA arising from the sales of each business during the period. Nevertheless, there will be no change to the level of adjusted EPS set for fiscal year 2016.

\*2 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.

\*3 Adjusted EPS = Adjusted net income\*4 / (number of shares issued at the end of the period – number of treasury stock at the end of the period)

\*4 Adjusted net income = Net income attributable to owners of the parent ± adjustment items\*5

\*5 Adjustment items = Amortization of intangible assets arising due to business combinations ± non-recurring income/losses

Remuneration amounts for Board Directors and Audit & Supervisory Board Members in fiscal year 2016 were as follows.

Executive position	Remuneration by type (Millions of yen)					Number of grantees
	Remuneration (Millions of yen)	Fixed remuneration *1,*2	Short-term incentive plan*1,*2	Long-term incentive plan	Retirement Benefit Reserve, etc.	
<b>Board Directors (Excluding External Board Directors)</b>	826	250	129	445	2	4
<b>Audit &amp; Supervisory Board Members (Excluding External Audit &amp; Supervisory Board Members)</b>	68	66	—	—	2	3
<b>External Officers</b>	53	53	—	—	—	5

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

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

For fiscal year 2016, individual remuneration for officers (limited to officers whose total remuneration on a consolidated basis was ¥100 million or more) was as follows.

(Millions of yen)						
Name	Executive position	Total remuneration	Fixed remuneration	Short-term incentive	Long-term incentive	Allowance for retirement benefits, etc.
<b>Masumi Minegishi</b>	Representative Director	302	85	41	175	0
<b>Shogo Ikeuchi</b>	Board Director	168	55	27	85	0
<b>Keiichi Sagawa</b>	Board Director	168	55	27	85	0

## ■ Evaluation of the Effectiveness of the Board of Directors

Self-evaluations were conducted in the following manner with respect to the meetings of the Board of Directors held during fiscal year 2016.

### [Details of the self-evaluation]

- Persons evaluated: Board Directors and Audit & Supervisory Board Members of Recruit (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 that 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.

### [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.

### [Issues to be addressed]

In the course of the analysis and evaluation, constructive opinions were voiced 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 enterprise value in the mid- to long-term. Going forward, the Company will endeavor to enhance the deliberations of the Board of Directors and its effectiveness.

» For more corporate governance information, please refer to page 117 and the following pages.

## Interview with External Board Directors



**Shigeo Ohyagi** External Board Director

Mr. Shigeo Ohyagi joined Teijin Limited in 1971. During his career at Teijin, he worked in the Pharmaceutical Business Unit, and as CEO, and Representative Director of the Board in 2008, and Chairman of the Board in 2014 (his current position). He has been an External Board Director of Recruit Holdings Co., Ltd. since June 2014.



**Yasushi Shingai** External Board Director

In 1980, Yasushi Shingai joined Japan Tobacco and Salt Public Corporation (now JT Inc.). After serving as Vice President of the Financial Planning Division and Chief Financial Officer he became Executive Deputy President and Representative Director in 2011 (his current position). He has been an External Board Director at Recruit Holdings Co., Ltd. since June 2014.

### Conducting effective governance while watching over growth as a global company

Recruit's External Board Directors Shigeo Ohyagi and Yasushi Shingai talked about their opinions of Recruit Group's corporate governance and challenges for improving enterprise value.

**Q. Recruit Group transitioned to a Strategic Business Unit (SBU) structure following a major reorganization after splitting it into different businesses in 2012. What is your opinion of the progress made so far?**

**Ohyagi:** This project was proposed to the Board of Directors in the previous fiscal year. I learned that Recruit's Board Directors were truly thinking strategically about what shape Recruit Group's organization should take to adapt to changes around the world amid rapid advances in IT globally. The purpose for

changing an organization is to maximize enterprise value, but, as a matter of course, it entails risk. Within this context, I was impressed by how quickly management moved to exhaustively examine detailed strategic scenarios at the Business Strategy Meeting. We External Board Director were able to participate in discussions because Board Directors explained how the reorganization would improve the overall efficiency of the Company and described how each SBU would fit into the holding company structure and the personnel assignments, cost issues, risks and

responsibilities for each SBU.

In the manufacturing industry where I came from, companies tend to take their time implementing measures, so I had thought it would take several years for Recruit Group to finish such a major reorganization. I was very impressed how quickly Recruit Group made progress.

**Shingai:** I was also filled with admiration by how quickly the reorganization progressed. I could see that the Board Directors had a clear image of what is expected of each SBU within the larger picture of Recruit Holdings. By participating in discussions at the Board of Directors, we External Board Directors were able to also have a clearer image of that reorganization. At first, I was concerned that this transition to an SBU structure would be like gilding the lily. However, management proactively addressed the potential pitfalls of traditional organizational theory by specifically clarifying how to promote the delegation of authority and how to divide responsibilities among the holding company, each SBU and subsidiaries. The business domain of the Media & Solutions SBU is especially broader in scope than other SBUs, so its complexity and diversity are different. I understand that management debated extensively over the significance of combining all these operations into a single SBU. In the end, as a clear picture began to develop of each SBU, it became apparent how the SBUs will be able to develop business more broadly in ways that a single operating company cannot, and how these functional areas will have a positive financial impact. It is now possible to see where value is being created, a remarkable accomplishment in my opinion.

**Ohyagi:** During this transition, Recruit also

continued improving its business portfolio through transfer of subsidiaries' shares and rebuilding its IT systems. I believe the ability to bring about a self-transformation on this scale is a unique trait of Recruit Group.

#### **Q. What is your assessment of the PMI process after M&A deals are signed? Are there any issues?**

**Shingai:** I have plenty of experience in PMI. I would say that Recruit Group places importance on the corporate cultures of acquired companies during the PMI process. What is corporate culture? It is a pattern of behavior that has developed over many years under the influence of various frameworks in a place where people gather. At Indeed, for example, sharp growth for so long from so soon after its founding led to the development of a certain culture. After acquiring Indeed, Recruit made a bold decision to leave it alone without trying to impose the company's own corporate culture. I believe this is remarkable. For PMI to be successful, it is important to decide before the acquisition on what to do with management after the acquisition. At the Global Online HR SBU, Recruit explains to acquisition candidates the advantages of Unit management system prior to the acquisition, getting them interested in trying out this style of management. In other words, Recruit focuses on inspiring the autonomy of acquired companies.

Meanwhile, it is essential to avoid risks that should not be taken in M&A. I believe Recruit was able to definitely control risks with help from outside experts. I have been particularly interested in the initiatives at the Media & Solutions SBU, which has been examining new

strategies for businesses that use IT while advancing PMI at acquired overseas subsidiaries. More specifically, management laid out winning strategies before the acquisitions and has been flexibly revising those strategies in accordance with progress on PMI. This cannot be easily imitated by other ordinary companies. As External Board Directors, we might be forthright with our opinions, but the Board Directors take our opinions seriously and understand that taking some risks is necessary to generate future returns.

**Ohyagi:** There are numerous examples of failed PMI around the world. This is because there are compliance issues lurking under management's radar. Recruit Group will need to continue to refine its compliance initiatives and systems. As the holding company has delegated authority to each SBU, it is important to stay in control while maintaining overall harmony. I believe the Board Directors are already aware of this.

**Shingai:** Stories about companies faltering often begin on the far horizon where no one is looking. For global management to work well, it is important to increase transparency and share information about risks. It is the same with PMI. There are numerous case studies of other companies that encountered problems, and they are quite valuable lessons for us to learn to stay on constant alert.

#### **Q. What is your opinion of initiatives underway to improve corporate governance?**

**Ohyagi:** Recruit Holdings has adopted the "company with an Audit & Supervisory Board" form of corporate governance. Once decision-making authority is given to SBUs, the

monitoring functions of the holding company become even more important. Accordingly, Recruit Holdings may change the design of its systems in the future.

**Shingai:** That's true. Strengthening the Group's governance and developing business quickly, however, do not always follow the same vector, and may veer off direction occasionally. This creates a healthy conflict, underscoring the need to increase transparency, especially for information about risks. People from the SBUs and those engaged in governance need to talk face to face and find common ground to accelerate business development. I think the Company have come up to a higher stage of mutual understanding last year through observing everyone's effort to reach agreements.

**Ohyagi:** Recruit Group is highly motivated in taking on new business challenges. It is our responsibility as External Board Directors to make sure no mistakes are made on the compliance front. To this end, we have augmented reporting functions and clearly stated our opinions. Looking back on the past year or two, Recruit has implemented the regular level of compliance measures. And from the current fiscal year, Recruit has added a foreign national to its roster of executive officers (Mark Schultz, Corporate Executive Officer in charge of Legal/Compliance/Information Security). I believe the Company has struck an excellent balance between being on the offensive and the defensive, by aiming to hire professionals able to thrive on the global stage. We will do our utmost to support the long-term growth of Recruit Group.

# Realizing Sustainable Management

## ■ Compliance

We instituted Recruit Group Code of Ethics and various internal regulations to embody the Recruit Group Code of Ethics, and we use them as guidelines for self-regulation in our business practices. The internal control departments at Recruit Holdings and each Group company conduct compliance training and work to instill compliance practices within Japan, presenting the education content in a manual. Employees are given comprehension tests until they all pass. A whistleblower mechanism has been set up so that employees can inform the help line and seek advice or resolutions for various problems when there are signs of improper or unfair behavior.

Recruit Group (domestic data)	FY2014	FY2015	FY2016
Number of people undergoing training such as compliance comprehension tests	27,151	26,803	22,425
Reports and consultations with the Corporate Ethics Help Line	149	235	228

## ■ Prohibition of Bribery and Insider Trading

With consideration of our social and ethical responsibilities, we have established Recruit Group Regulations on Maintaining a Proper Distance with Politicians and Public Officials. Our aim is to prevent bribery by maintaining proper relationships with politicians and public officials. We have also issued Recruit Group Insider Trading Prevention Regulations as part of our effort to prevent the occurrence of insider trading.

## ■ Risk Management

We have instituted Recruit Group Risk Management Regulations so that we establish a basic policy for risk management and its promotion system, and thus carry out sound management of and responses to various risks associated with our businesses. The internal control departments at Recruit Holdings and each Group company establish priority risk themes and address these to advance various risk reduction measures.



## ■ Sustainability Management

Recruit Group holds Stakeholder Dialogues with a variety of stakeholders and Expert Dialogues with external experts. We draft proposals after considering and discussing initiatives that we should undertake, and these are further considered by the Sustainability Committee, an advisory body to the Board of Directors. Based on these discussions, at the Board of Directors, there are regular reports and discussions about annual sustainability promotion themes, activities, results and challenges, and future plans.

## ■ Respect for Human Rights and Environmental Preservation as a Business Foundation

Recruit Group considers respect for the human rights of each and every individual to be a major precondition for creating a society in which all people can flourish in line with its management philosophy. Recruit Group Code of Ethics clearly requires respect for human rights and forbids actions that infringe on them. Furthermore, Recruit Group Human Rights Policy has been formulated for all Recruit Group executives and employees. The policy clearly states that the “human rights expressed in the International Bill of Human Rights” and “human rights expressed in the principles relating to fundamental human rights stipulated by the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work” are recognized as the minimum standard, and that Recruit Group upholds the Guiding Principles on Business and Human Rights. In tandem, we are working on human rights due diligence, beginning with visualizing the status of Group company initiatives. Furthermore, we have acquired the ISO 14001 certification for environmental management, and in Japan especially, we have set a target of reducing our CO<sub>2</sub> emissions in fiscal year 2020 by 25% from our emissions in fiscal year 2008. We set our unique index and we are also continuing monitoring it. The index is the environment efficiency index (net sales [¥100,000]/paper consumption [tons]).



### Shogo Ikeuchi

CSO, CHRO, and Senior Managing Corporate Executive Officer

Aiming for a sustainably fulfilled world, Recruit Group has established systems to safeguard management quality vital to business continuity. Recruit Group always strives for appropriate, sound operations, aiming to maintain the trust of society. We have rules and guidelines, such as Recruit Group Code of Ethics, and a learning framework to continuously embed these firmly in the day-to-day activities of our employees.