

# Interim Report of Corporate Governance Survey 2014

Japan Corporate Governance Network

Japan Corporate Governance Research Institute

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This report overviews the preliminary results of the 13th annual Corporate Governance Survey 2014 (JCGIndex Survey 2014) of the Japan Corporate Governance Research Institute (JCGR).

## 1. Outline of the survey—Contents and categorization of questions—

The current best practice in corporate governance can be characterized by (1) board of directors where outsiders play a vital role as independent directors, (2) separation of directors and executive officers, (3) nomination, compensation, and audit functions exercised by the board of directors to supervise executive officers, and (4) transparency in management.

Based on such a model, JCGIndex Survey's questions are comprised of the following 7 parts:

Part I	Performance targets, leadership of CEO	7 questions
Part II	Efforts on corporate governance	4 questions
Part III	Board of directors	34 questions
Part IV	Management system	10 questions
Part V	Evaluation of management, compensation system	3 questions
Part VI	Management of consolidated subsidiaries	2 questions
Part VII	Communication with shareholders	8 questions

These 68 questions in total are recategorized into 4 categories to calculate sub-scores for each category.

Each category represents the following perspective:

Category I Corporate objectives and CEO responsibility

Based on Part I and Part II

Category II Structure and function of board of directors

Based on Part III

Category III Management system

Based on Part IV, Part V and Part VI

Category IV Transparency and communication to shareholders

Based on Part VII

## 2. Meaning of the Categories

Categories I and II are related to corporate governance system, and III and IV are about corporate management system. Although it is possible to value the corporate governance through Categories I and II alone, Categories III and IV are incorporated into JCGIndex, based on the belief that good management system is established under the good governance system.

## 3. Number of companies that responded to the survey

From December 2014 to February 2015, we surveyed all companies listed on the First Section of the Tokyo Stock Exchange (1,835, as of November 27, 2014), of which 118 have responded to the survey. We are grateful to all companies that responded to this survey.

## 4. Interim results of JCGIndex and Category-scores

Taking the recent development of the environment on corporate governance into account, we made a significant change on the survey, notably by increasing the questions on board of directors. Hence, each category has a different weight from the last survey.

JCGIndex and its category scores by category were calculated for the 102 companies that had responded to the survey by the deadline. The above stated change in the survey resulted in slightly lower scores among companies with high JCGIndex, while the overall average remained flat. We would appreciate your understanding for this.

Below is the comparison of this year's sub-scores and the JCGIndex to those in the previous year.

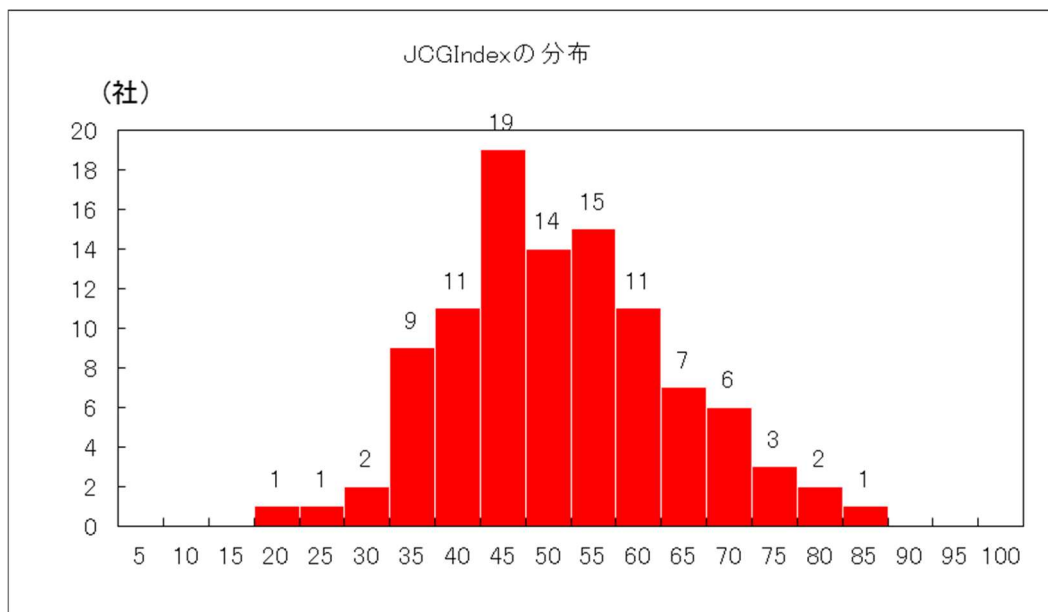
Sub-scores and achievement rates by category

Category	Weight (A)	Mean (B)	Achievement rate (B) / (A)
I Corporate objectives and CEO responsibility	22 (29)	9.8 (13.00)	44.5% (44.8%)
II Structure and function of board of directors	46 (26)	20.1 (8.45)	43.7% (32.5%)
III Management system	24 (25)	14.6 (14.09)	60.8% (56.4%)
IV Transparency and communication to shareholders	8 (20)	4.9 (13.48)	61.3% (67.4%)
JCGIndex	100 (100)	49.3 (49.01)	

\*Results in 2013 are in parentheses.

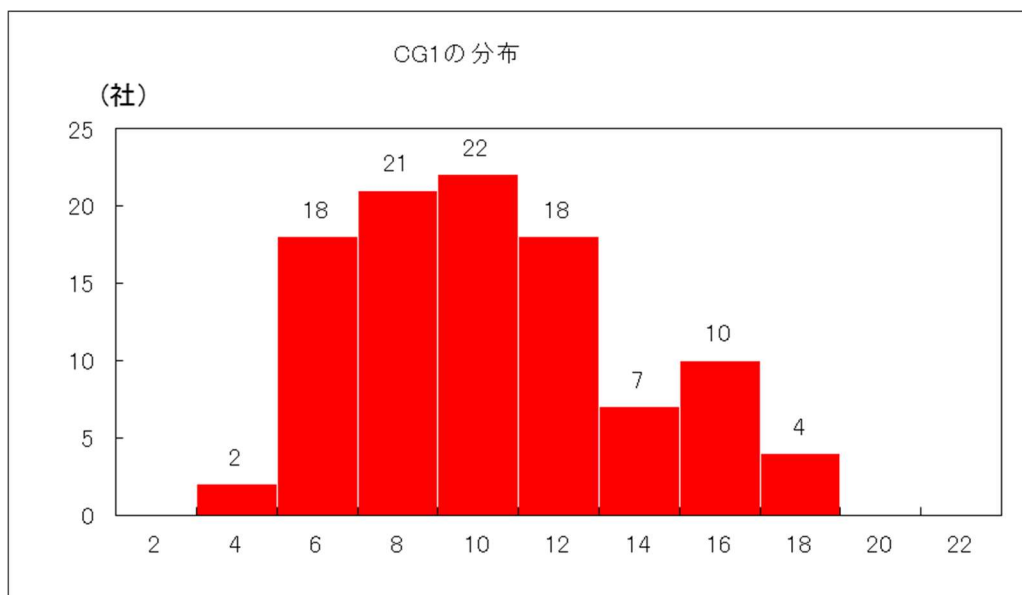
### 3. Distribution of JCGIndex and category cores

#### (1) JCGIndex



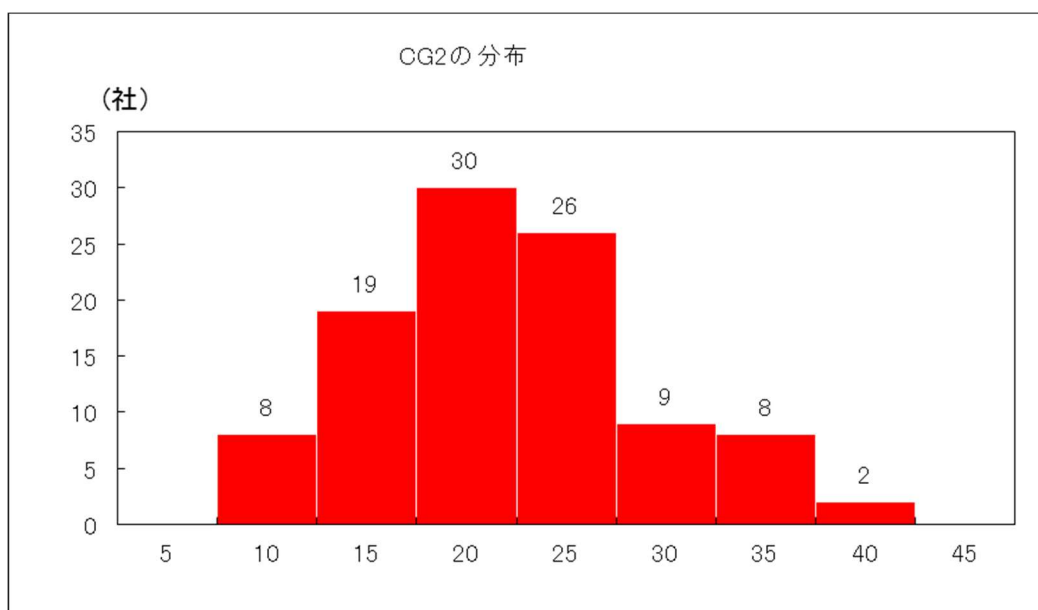
#### (2) Category I

##### Corporate objectives and CEO responsibility



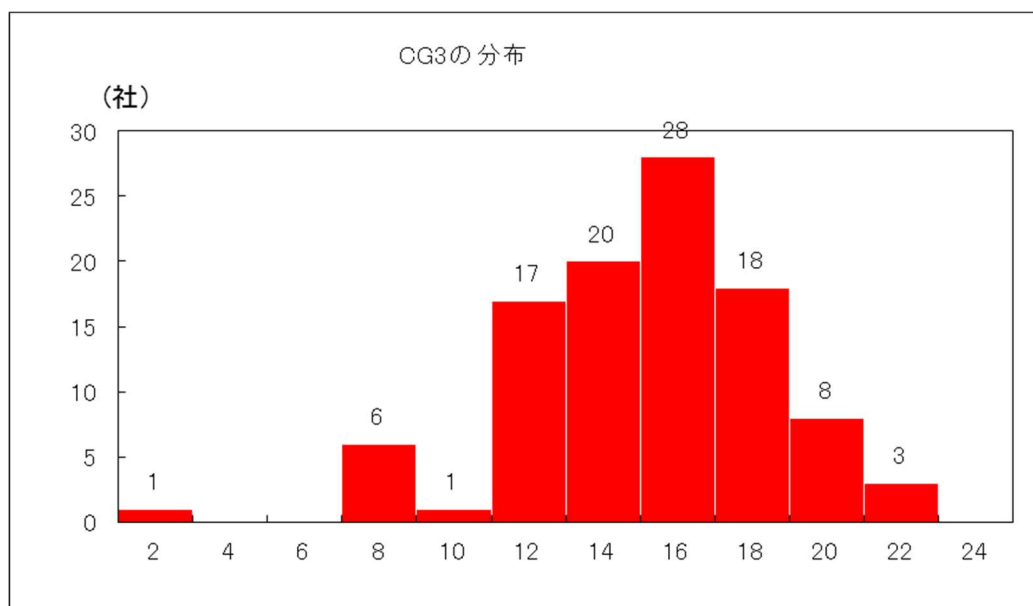
### (3) Category II

#### Structure and function of board of directors



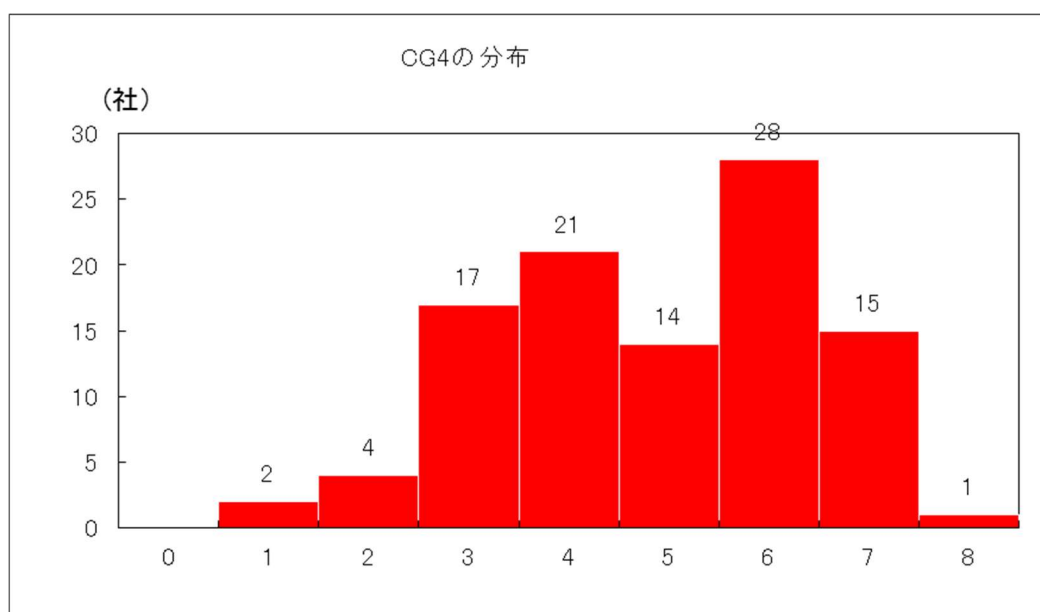
### (4) Category III

#### Management System



## (5) Category IV

### Transparency and communication to shareholders



## 4. Final report

This report covers only 102 companies that had responded to the survey before the deadline. The final report is scheduled to be published in March 16 (Mon.) together with the list of companies that responded to the survey and the list of companies with high JCGIndex.

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