

**2024 22nd**  
**JCGR Corporate Governance Survey**  
**(JCGIndex Survey)**  
**Report**

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Japan Corporate Governance Research Institute

## JCGR Corporate Governance Survey Report 2024

Japan Corporate Governance Research Institute  
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### Introduction

In the wake of a changing environment surrounding corporate management, discussions on companies' management structures, transparency, and accountability are becoming more active in the past few years, and the role of boards of directors in corporate governance has been expanding worldwide.

The first new issue is the expansion of ESG investment and other sustainability initiatives. Now that companies are required to prepare sustainability reports, they need to aim for sustainable growth from a long-term perspective, instead of pursuing short-term profit. The board of directors is responsible for deciding actions to take in this regard. The second is the active shareholder engagement. Institutional investors such as pension funds and asset management companies get involved in corporate management proactively, and call for more transparency and accountability. When engaging in dialogue with shareholders, the board of directors must especially gain the trust of active management investors. The third is the social demand to ensure the diversity of employees. Companies are taking on DE&I (Diversity, Equity and Inclusion) initiatives in response, and their boards of directors are required to reflect D&I (Diversity and Inclusion) for effective DE&I efforts. Since even more importance is attached to the diversity and inclusiveness of a company's human resources, its board of directors must decide on the basic policy for that. Fourth, with the advance of information technologies, digitalization and technology adoption are progressing, and it is now necessary for companies to leverage data analysis and reinforce cybersecurity. And the fifth is that companies are required of more stringent financial reporting, with financial regulations becoming stricter and accounting standards being harmonized across the world. The board also must make decisions on how to deal with the fourth and fifth issues. In line with such changes, governance by board of directors is undergoing transformation, in addition to corporate management.

Even before we see these changes, the Japan Corporate Governance Research Institute (JCGR) started to conduct the JCGIndex Survey in 2002 to investigate corporate governance of Japanese companies listed on the First Section of the Tokyo Stock Exchange. In 2022, we changed the targets to companies listed on the newly established Prime Market Segment of the Tokyo Stock Exchange. This report outlines the results of the third Corporate Governance Survey (JCGIndex Survey)

since the establishment of the Prime Market Segment. This time, we changed the survey format and asked the respondents to download the questionnaire from the JCGR website and email the filled-out questionnaire to us. While it is still not clear if that is the reason, the number of companies that responded to the survey dropped from the previous survey. We are grateful to all companies that responded to this survey all the way.

## 1. Background and results of this survey

Within a short period, corporate governance reforms have been implemented in an unprecedented scale under the second Abe administration's new Growth Strategy. The Financial Services Agency formulated Japan's Stewardship Code in 2014 (revised in 2017); the amendment of the Companies Act in 2015 introduced company with audit and supervisory committee; and the Tokyo Stock Exchange made the Corporate Governance Code part of its Securities Listing Regulations in 2015 (revised in 2018 and 2021). The reforms expect institutional investors to enhance the investee companies' corporate value and sustainable growth through "purposeful dialog" as shareholders for the sake of mid- to long-term investment return for the clients and beneficiaries. For companies, five principles are proposed based on OECD's Principles of Corporate Governance, in expectation of rational and fair corporate governance under independent directors and internationally competitive management: Securing the Rights and Equal Treatment of Shareholders, Appropriate Cooperation with Stakeholders Other Than Shareholders, Ensuring Appropriate Information Disclosure and Transparency, Responsibilities of the Board, and Dialogue with Shareholders. Even after the Abe administration, the Japanese government is pursuing the corporate governance reforms by regularly revising the Stewardship Code and the Corporate Governance Code.

These reforms apply in fact a soft-law approach of "Comply or Explain", assuming an Anglo-Saxon rational stock market. It is questionable that the Japanese stock market is rational enough, but at any rate, corporate governance reforms are indispensable to regain Japan's international competitiveness, and worth public interests.

Looking into the JCGIndex Survey results for 2024 from this perspective, the results presented in this paper give us the impression that the corporate governance reforms still have a long way to go. We hope that governance reforms will bring about management reforms, but it is hard to achieve the change in a short period since both governance and management are deeply tied to the society and history. Yet we have no other choice but to speedily address the drastic change the world is experiencing. The fact that hasty actions are undesirable cannot justify slowing down the reform. Investors, executives and all members of the public need to make a commitment to corporate governance.

## 2. Scope/period of this survey, and number of companies that responded

From September 2024 to November 2024, we surveyed all companies listed on the Prime Market Segment of the Tokyo Stock Exchange, of which 94 responded to the survey.

In Phase I (2002 to 2017), we received responses from 986 distinct companies (and a cumulative total of 3,260) throughout the surveys. The numbers of companies that responded to our survey for each year are as follows: 159 (2002), 201 (2003), 341 (2004), 405 (2005), 312 (2006), 311 (2007), 252 (2008), 215 (2009), 127 (2010), 120 (2011), 131 (2012), 120 (2013), 118 (2014), 147 (2015), 150 (2016) and 151 (2017). In Phase II (from 2019) after the overhaul of the survey, 165 companies responded to the survey in 2019, 175 in 2020, 120 in 2021, 135 in 2022, 137 in 2023 and 94 in 2024.

### **3. Overview of questions**

#### **3.1 Governance model for current companies**

Companies have social responsibility of serving for the benefits of all stakeholders—employees, managers, customers, suppliers, creditors, shareholders, governments, and local communities to name some—because the support from these stakeholders are necessary for the companies' existence. In the framework of joint-stock company, however, companies are in reality (not by law) treated as private property of shareholders, who contribute money to the company and in turn exercise the control over the company as owners. Moreover, they take responsibility for the consequences of the business by sharing retained earnings. Retained earnings is equal to the sales minus various expenses, and therefore risky (i.e., not predetermined at all). It is shareholders who bear this risk of business.

Joint-stock companies that operate large-scale business with money contribution from a large number of shareholders assume separation of ownership and management. Although shareholders do not directly participate in management, they instead elect directors at the shareholders' meeting and entrust the management to the board of directors. In the form of electing directors who realize business execution (in another word, management) in line with shareholders' interests, shareholders control companies. That is what governance by shareholders means. In most countries under such a system, the board of directors makes important decisions on business, and selects CEO and other executive officers (as for Japan, executive directors are selected in companies with board of corporate auditors and companies with audit and supervisory committee, and executive officers in companies with nominating committee, etc.) to entrust business execution. In doing so, directors steer executive officers to the management in line with shareholders' interests. That is governance by board of directors, a substitution for governance by shareholders.

To ensure the effective governance by board of directors, those who are independent from executive officers and other stakeholders are selected as outside directors, who are the sole constituent of nominating committee, compensation committee and audit and supervisory committee. The nominating committee determines candidates of directors to submit to the shareholders' meeting. It plays an important role of choosing the competent directors, who as members of board of directors select (and dismiss) the CEO and executive officers. The compensation committee sets up

performance-linked incentives to provide an incentive for good management to the CEO and other executive officers selected by the board. The audit and supervisory committee checks the independence of internal and external auditors to ensure impartial and effective management.

This best practice of separating governance and management by promoting good use of independent directors has spread to the world in the last quarter century. Although directors, whose duty is to monitor executive officers, used to simultaneously serve as executive officers all over the world, it is now the global understanding that directors should be separate from executive officers in order to survive fierce competitive environments of globalization and innovation. Under this governance model, the board of directors should be centered on independent directors and focus on governance to bring about good management from executive officers, who are selected by the board of directors and entrusted with management. Executives establish the management system under the governance by board of directors to pursue profit through business operations and then distribute the profit to shareholders.

### 3.2 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 five parts. For Parts II and III, sub-scores partially reflect quantitative data (companies' executive officer composition, etc.), in addition to the questionnaire.

Part I Performance targets, leadership of CEO	10 questions
Part II Directors and board of directors	14 questions
Part III Board oversight – Nomination, compensation and audit–	11 questions
Part IV Administration of the board of directors meetings	9 questions
Part V Assessment of the effectiveness of the board of directors meetings	7 questions

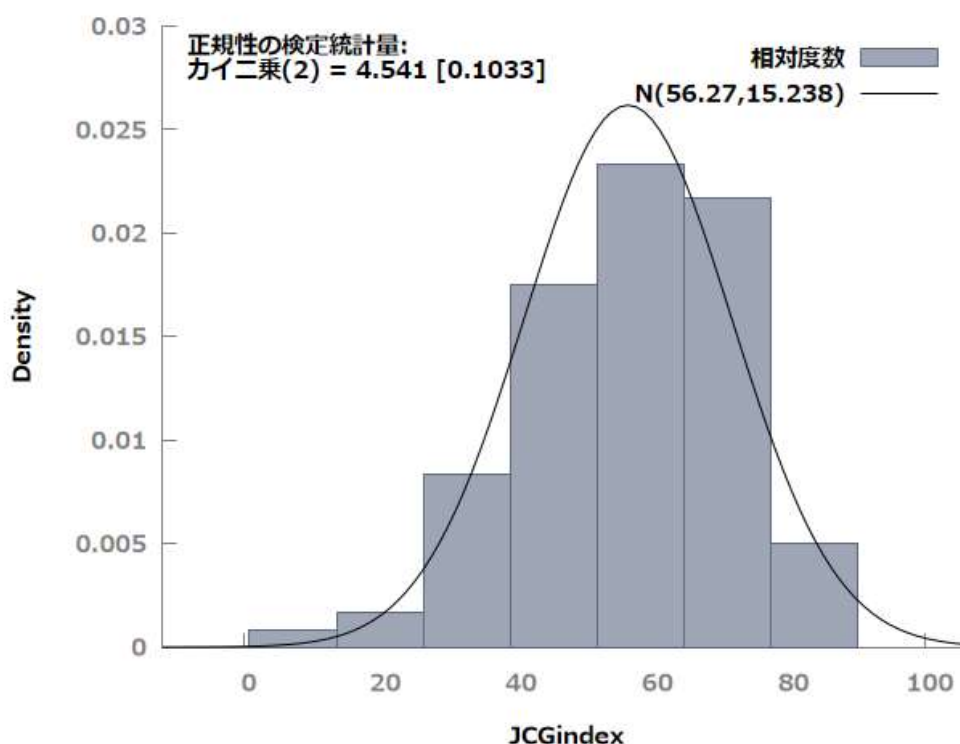
By organizing these 51 questions into Parts I through V, summing the scores for each part that is allocated a different weight as the part sub-score, and totaling these sub-scores, we calculated the JCGIndex. In 2023, we overhauled the entire questionnaire to better reflect the reality of Japanese companies. As a result, the number of questions was reduced from 75 in the preceding survey to 51. Consequently, it is impossible to compare the results since 2023 to previous results. Nevertheless, many companies that ranked among the top 30 highest JCGIndex companies in the past surveys for several times appear again in this year's list in the appendix, which attests that the consistency of the JCGIndex is maintained despite the overhaul of the questionnaire.

#### 4. Distribution of JCGIndex

The distribution of JCGIndex for the 94 companies that responded to our survey in 2024 is as the graph in the below shows. The mean JCGIndex was 56.3, and the standard deviation was 15.2. In the test of normality, the  $\chi^2$  value was 4.541 and the p-value was 0.1033. Since the p-value exceeds 0.05 (5%), the null hypothesis of a normal distribution cannot be rejected. With the help of the Q-Q plot (see Addendum), we judged that the JCGIndex is assumed to be normally distributed.

Although it is a normal distribution, it can be seen from the table that the curve is slightly left-skewed (negatively skewed).

**Table Distribution of JCGIndex**



(Note) left:  $\chi^2$  value (p-value in the parentheses); right: N (mean and standard deviation)

#### 5. Sub-scores and achievement rates by part

To clarify the companies' performance for each part having different weight, the table below converts the mean figure into achievement rate in percentage. The achievement rates for Parts I, IV and V are low. In particular, the figure for Part I (Performance targets, leadership of CEO) is the lowest, indicating that Japanese companies are yet to solidify corporate governance. On the other hand, the relatively high achievement rates for Part II (Directors and board of directors) and Part III (Board oversight – Nomination, compensation and audit –) imply that Japanese companies comply with the formality requirements. Nonetheless, with the low achievement rates for Part IV (Administration of the board of directors meetings) and

Part V (Assessment of the effectiveness of the board of directors meetings), their corporate governance efforts can be best described as superficial.

Compared to the previous survey, the sub-scores improved overall and JCGIndex increased from 48.55 to 56.27. The growth contribution of Part V is the lowest, but the remaining parts' growth contributions show a similar pattern with the achievement rates.

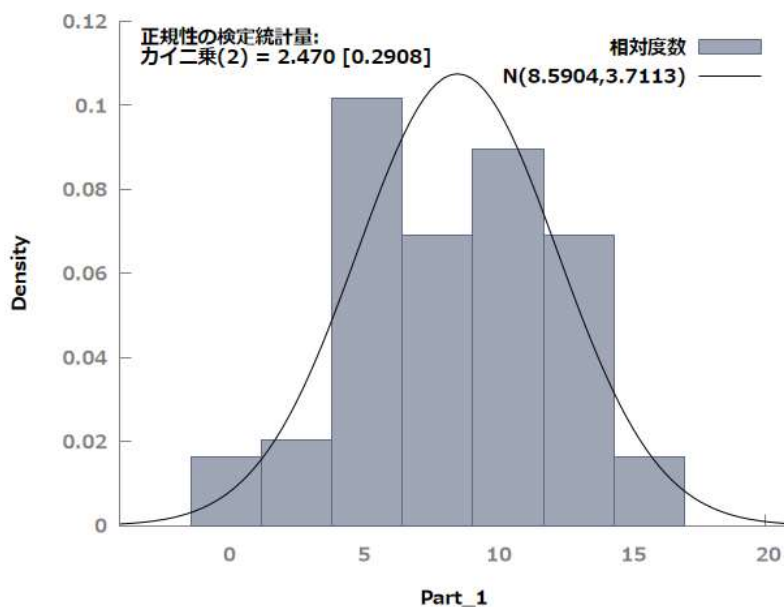
**Table Sub-scores and achievement rates by part**

	Weight (A)	Mean (B)	Achievement rate (B) / (A)	Growth contribution vs. last year
I Performance targets, leadership of CEO	18.8	8.59	45.69%	15.81%
II Directors and board of directors	24.8	15.59	62.86%	28.88%
III Board oversight – Nomination, compensation and audit –	23.6	16.50	69.92%	29.22%
IV Administration of the board of directors meetings	20.5	9.96	48.58%	20.20%
V Assessment of the effectiveness of the board of directors meetings	12.3	6.10	49.59%	5.92%
JCGIndex	100.0	56.27	56.27%	100.00%

## 6. Distribution of sub-scores by part

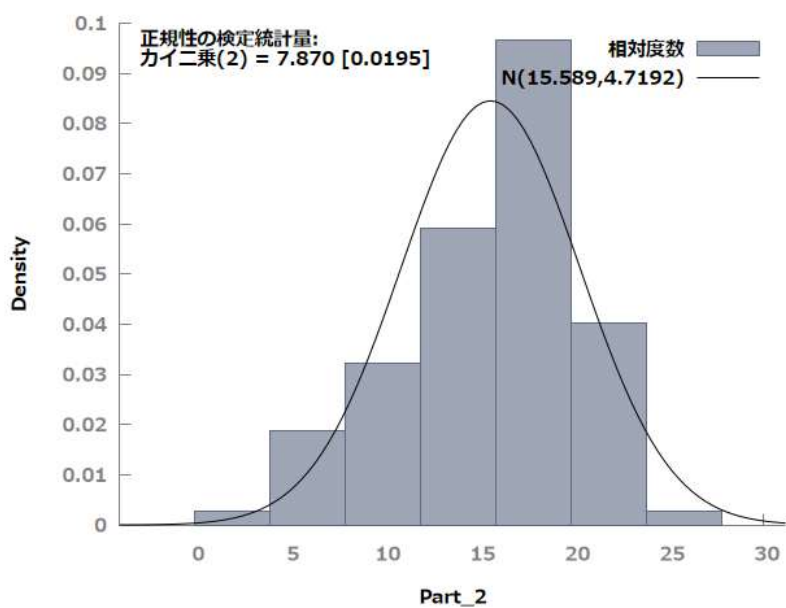
Below are tables for distribution of sub-scores for Parts I through V. These five sub-scores constitute the JCGIndex. For Parts I and IV, the null hypothesis of a normal distribution cannot be rejected and, with the help of the Q-Q plot (see Addendum), we judged that the sub-scores are normally distributed. For Parts II, III and V, since the null hypothesis can be rejected and the alternative hypothesis that the data is not normally distributed can be accepted, we judged that the sub-scores are not normally distributed.

### Part I Performance targets, leadership of CEO



(Note) left:  $\chi^2$  value (p-value in the parentheses); right: N (mean and standard deviation)

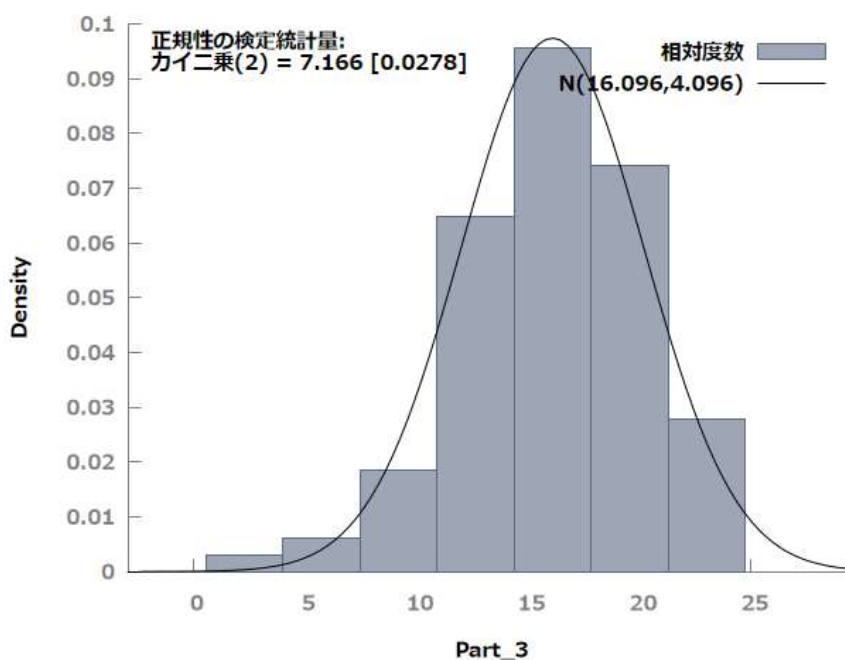
### Part II Directors and board of directors



(Note) left:  $\chi^2$  value (p-value in the parentheses); right: N (mean and standard deviation)

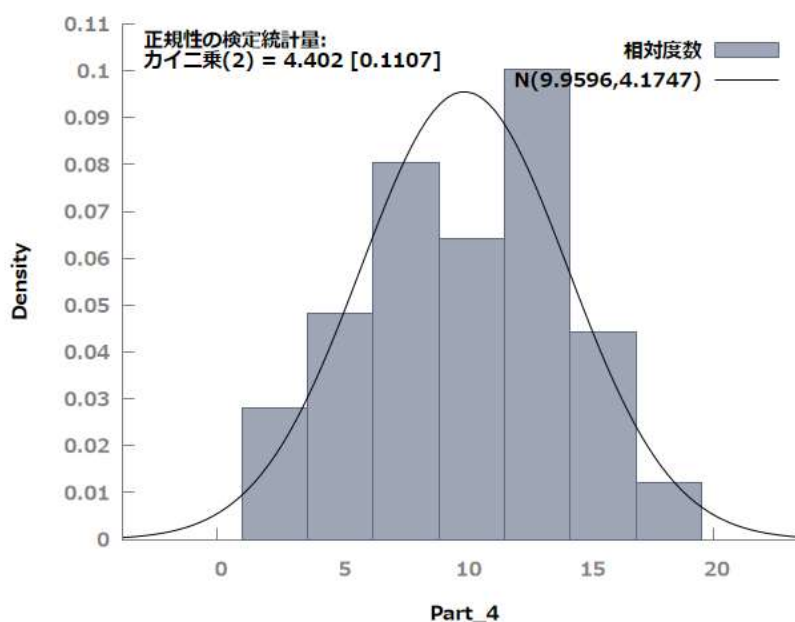


**Part III Board oversight – Nomination, compensation and audit–**



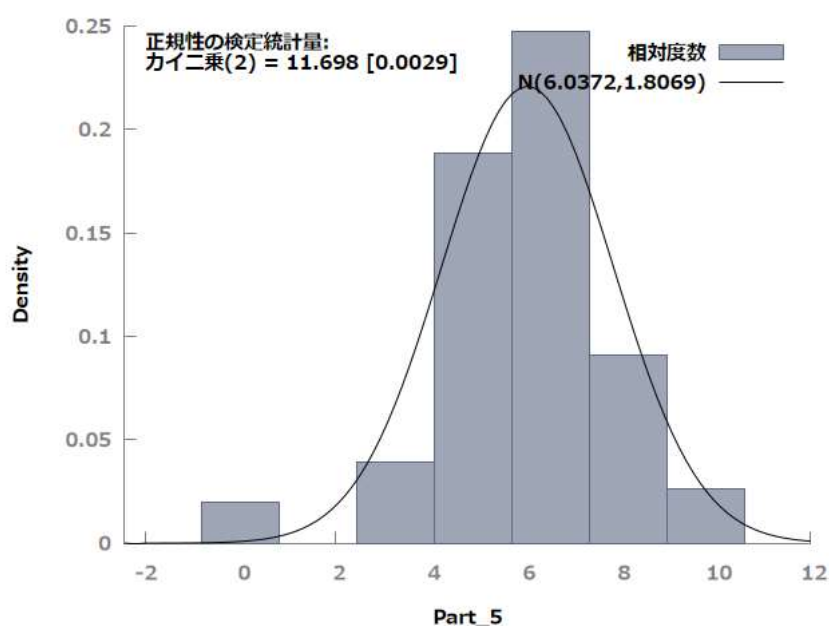
(Note) left:  $\chi^2$  value (p-value in the parentheses); right: N (mean and standard deviation)

**Part IV Administration of the board of directors meetings**



(Note) left:  $\chi^2$  value (p-value in the parentheses); right: N (mean and standard deviation)

### Part V Assessment of the effectiveness of the board of directors meetings



(Note) left:  $\chi^2$  value (p-value in the parentheses); right: N (mean and standard deviation)

## 7. Descriptive statistics values of JCGIndex and sub-scores

Descriptive statistics values of sub-scores by part and JCGIndex are as follows.

**Table Descriptive statistics values of sub-scores by part and JCGIndex**

	Part I	Part II	Part III	Part IV	Part V	JCGindex
mean	8.59	15.59	16.10	9.96	6.04	56.27
standard error	0.38	0.49	0.42	0.43	0.19	1.57
median	8.40	16.50	16.50	10.00	6.10	57.20
mode	6.30	16.50	17.50	11.90	6.10	51.80
standard deviation	3.71	4.72	4.10	4.17	1.81	15.24
variance	13.77	22.27	16.78	17.43	3.26	232.21
kurtosis	-0.72	0.16	0.59	-0.94	2.13	0.14
skewness	-0.12	-0.63	-0.67	-0.01	-0.92	-0.51
range	15.70	23.80	20.70	15.90	9.80	76.60
minimum	0.00	1.00	2.30	2.30	0.00	7.10
maximum	15.70	24.80	23.00	18.20	9.80	83.70
number of samples	94	94	94	94	94	94

The table below shows the coefficients of variation (=standard deviation/mean) for each sub-score by part and JCGIndex.

**Table Coefficients of variation of sub-scores by part and JCGIndex**

	Part I	Part II	Part III	Part IV	Part V	JCGIndex
Coefficient of variation	0.43	0.30	0.25	0.42	0.30	0.27

The sub-scores of Parts I and II are judged to be normally distributed, while those of Parts III, IV and V are judged to be not normally distributed. Generally, if the kurtosis is positive, the distribution is more peaked and has heavier tails than a normal distribution, and if the kurtosis is negative, the distribution is flatter and has lighter tails than a normal distribution. If the skewness is negative, the tail is on the left.

It seems that sub-scores for Parts I and IV are not unimodally distributed, as the tables rather depict a bimodal distribution. In addition, taking into account that overlapping normal distributions with different means produce negative kurtosis, the distribution of each of these sub-scores may be composed of overlapping normal distributions with different means. Furthermore, judging from skewness, it is also possible that the distribution is composed of overlapping normal distributions with different variances.

## 8. Correlations among sub-scores and JCGIndex

The table below shows correlation coefficients between parts and between a part and JCGIndex. While the correlations between Part I and Part V and between Part III and Part V are below 0.5, every part shows higher correlation with JCGIndex than with any other part, which means that each part does not overlap with others greatly and rather covers distinctive factors.

**Table Correlations among sub-scores and JCGIndex**

Correlation coefficients	Part I	Part II	Part III	Part IV	Part V	JCGIndex
Part I	1.0000					
Part II	0.6324	1.0000				
Part III	0.6013	0.6200	1.0000			
Part IV	0.6504	0.6492	0.6127	1.0000		
Part V	0.3923	0.5293	0.3478	0.5443	1.0000	
JCGIndex	0.8257	0.8709	0.8165	0.8625	0.6200	1.0000

Part II has the highest figure for correlation among the five parts, which may be because the part occupies the most weight. (JCGIndex is merely the sum of the sub-

scores for the five parts.) Still, since the correlations among parts are low as the table above shows, every part represents distinctive factors of corporate governance.

### 9. High JCGIndex companies and low JCGIndex companies

The mean of JCGIndex is 56.27, and the standard deviation of JCGIndex is 15.24 for 2024. Mean plus a standard deviation equals to 71.51 and mean minus a standard deviation equals to 41.03. From these calculations, we define JCGIndex of 71.51 or more to be high JCGIndex, and JCGIndex of 41.03 or less to be low JCGIndex. With the actual number of high JCGIndex companies being 16 (17.02% of the total) and low JCGIndex companies 15 (15.96% of the total), the distribution of JCGIndex is skewed to the left (has a tail on the left), as the graph shows (in a normal distribution, companies above/below a standard deviation would constitute approximately 16.0% for each).

The table below exhibits the sub-scores by part and JCGIndex of the high and low JCGIndex companies. To clarify the difference of sub-scores by part and JCGIndex between high and low JCGIndex companies, the ratios of high JCGIndex companies' scores to those of low JCGIndex companies are presented at the bottom of the table. High JCGIndex companies achieve 1.84 to 3.60 times as much JCGIndex as low JCGIndex companies. The ratio of difference is especially large for Part IV "Administration of the board of directors meetings" (3.60) and Part I "Performance targets and leadership of management" (3.24).

**Table High JCGIndex companies and low JCGIndex companies**

	Part I	Part II	Part III	Part IV	Part V	JCGIndex
High JCGIndex companies (16)	12.46	20.69	20.66	15.31	7.62	76.71
Intermediate JCGIndex companies (63)	8.74	16.03	16.17	9.96	6.09	56.99
Low JCGIndex companies (15)	3.85	8.29	10.92	4.25	4.15	31.43
Ratio of difference between high and low JCGIndex companies	3.24	2.50	1.89	3.60	1.84	2.44

### 10. Conclusion

This report reorganized the questionnaire results of the 22nd Corporate Governance Survey (the sixth Phase II Survey) relevant to JCGIndex into the basic statistics and statistical distribution analysis.

**Appendix : List of the companies with high JCGIndex**

For reference, we list the top 30 highest JCGIndex companies. For the list of all responding companies and companies with 50 or higher JCGIndex, see the separate tables ([https://jcgr.org/report\\_en/](https://jcgr.org/report_en/)).

Securities Code	Rank	JCGIndex	Company
5938	1	83.7	LIXIL
6361	2	81.4	Ebara Corp.
5202	3	81.2	Nippon Sheet Glass
6758	3	81.2	Sony Group
4902	5	80.0	Konica Minolta
3382	6	78.1	Seven & i Holdings
6841	7	77.0	Yokogawa Electric
7741	8	75.8	HOYA
4523	9	75.4	Eisai
2802	10	74.5	Ajinomoto
2269	11	73.7	Meiji Holdings
1878	11	73.7	Daito Trust Construction
6645	13	73.5	Omron
6632	14	73.1	JVCKENWOOD
*	14	73.1	*
6282	16	72.0	Oiles Corp.
8795	17	71.4	T&D Holdings
8624	18	70.1	Ichiyoshi Securities
*	19	69.1	*
4612	19	69.1	Nippon Paint Holdings
6817	21	68.7	Sumida Corp.
8308	22	68.5	Resona Holding
8098	23	68.3	Inabata & Co.
9201	24	67.6	Japan Airlines
6925	25	67.4	Ushio Inc.
1860	25	67.4	Toda Corp.
*	27	67.2	*
6501	28	67.0	Hitachi
3983	29	65.8	oRo
6857	29	65.8	Advantest

An asterisk represents a company that declined to disclose its name.

**Addendum: Normality test adopted in this survey**

In this survey, normality was tested to determine whether the null hypothesis that the data is normally distributed can be rejected. If the p-value is 0.05 (5%) or less, we reject the null hypothesis and conclude that the data is not normally distributed. If the p-value is more than 0.05 and the null hypothesis cannot be rejected, we cannot determine whether the distribution is normal or not.

The distribution tables in this report feature p-values for the Doornik Hansen test, but we will also show p-values for other tests of normality. As a result of the test, the null hypothesis cannot be rejected for Part I, Part II and JCGIndex. However, for Parts III, IV and V, the null hypothesis of a normal distribution can be rejected and, therefore, non-normality is significant.

**Table p-values for different tests of normality**

p-values	Dornik-Hansen	Shapiro-Wilk W	Jarque-Bera
Part I	0.2908	0.0770	0.3073
Part II	0.0195	0.0290	0.0501
Part III	0.0278	0.0185	0.0153
Part IV	0.1107	0.0590	0.1710
Part V	0.0029	0.0003	0.0000
JCGIndex	0.1033	0.1230	0.4021

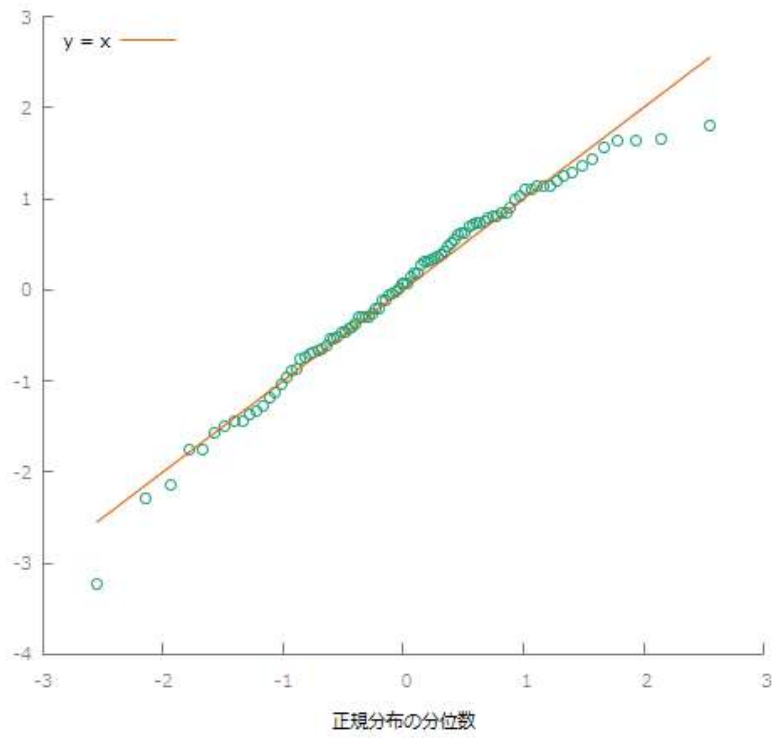
p-values of 0.05 (5%) or less reject the null hypothesis and accept the alternative hypothesis that the data is not normally distributed.

**Q-Q plot**

A Q-Q plot is a graph that visualizes whether data is normally distributed. Its vertical axis represents the data values and its horizontal axis shows the theoretical values of the normal distribution. If the dots line up in a straight line, the data is considered to be normally distributed. Data points deviating from the straight line indicate the presence of outliers.

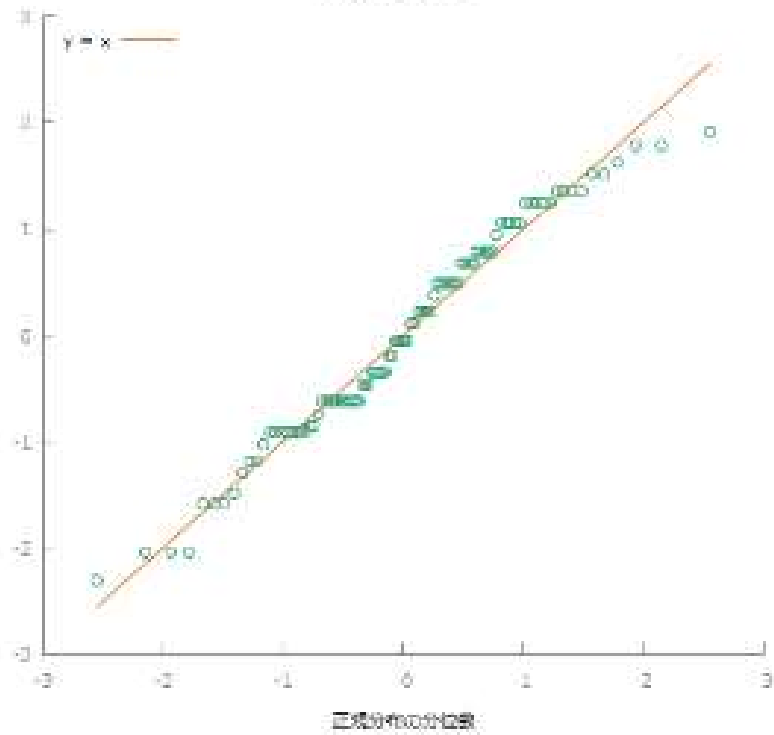
### JCGIndex

JCGIndexのQ-Qプロット

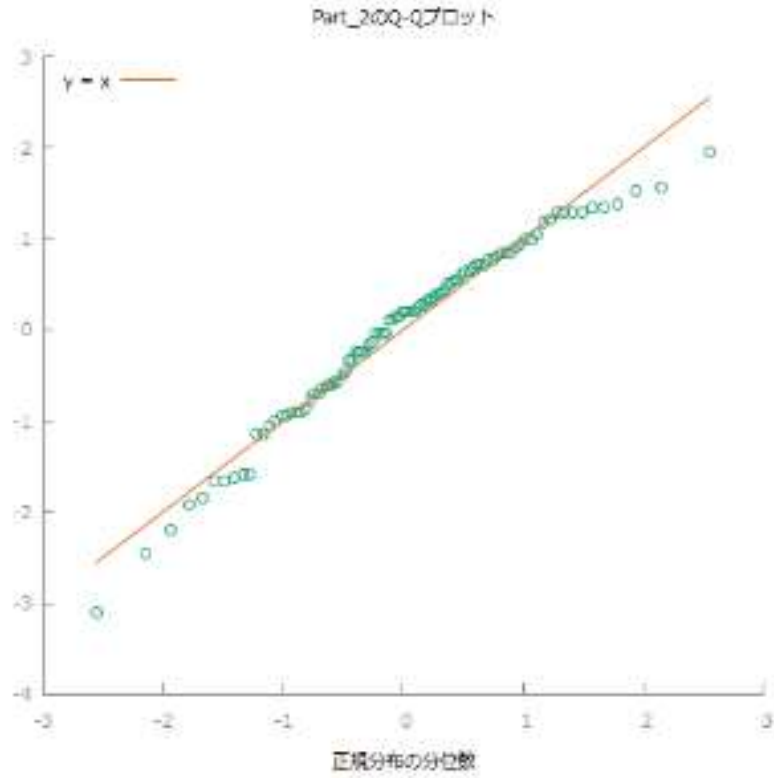


### Part I

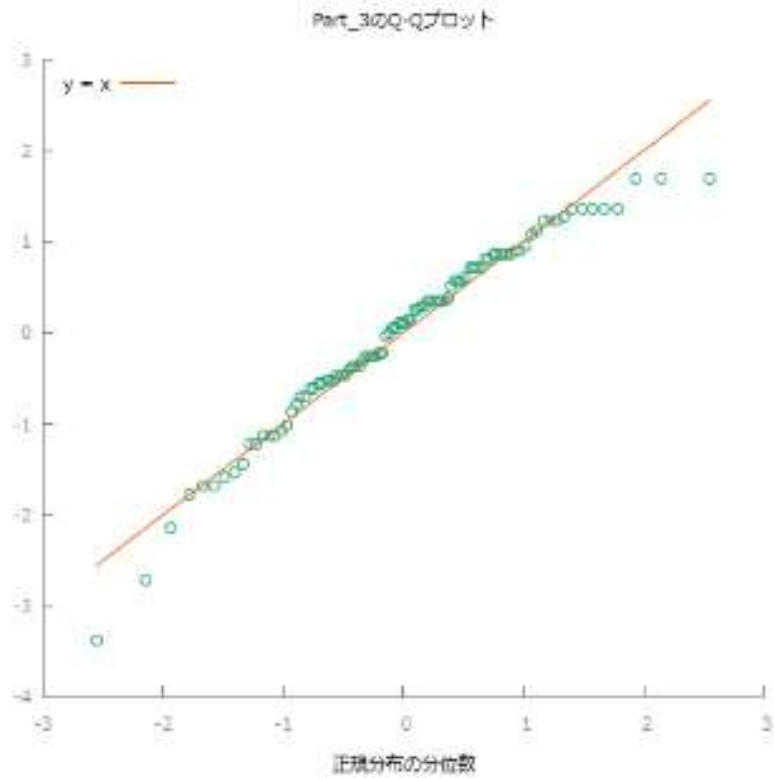
Part\_IのQ-Qプロット



Part II

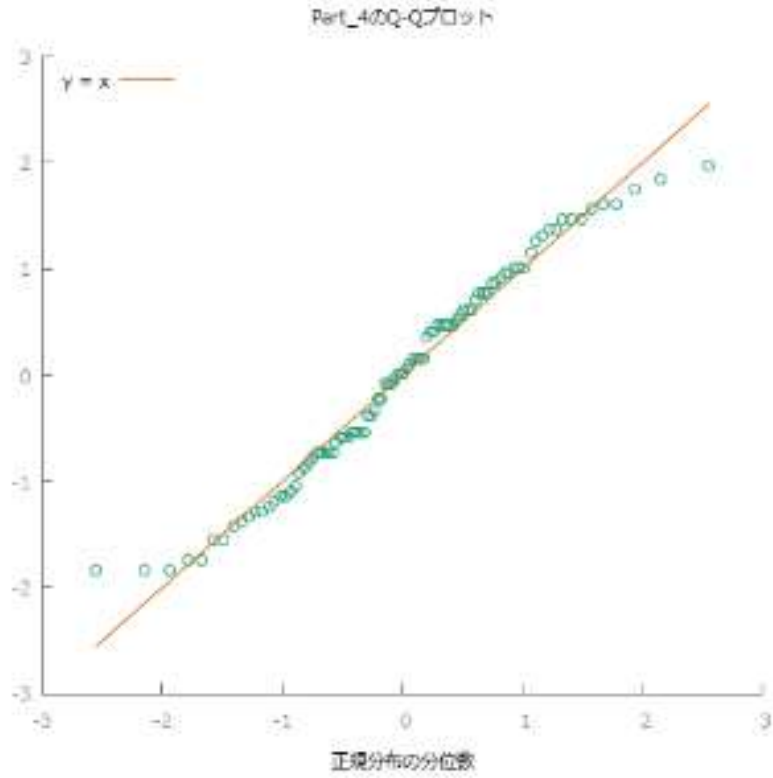


Part III





Part IV



Part V

