

Interim Report of Corporate Governance Survey 2012

Japan Corporate Governance Research Institute
JCGIndex Survey Group
Takaaki Wakasugi (Tokyo Keizai University)
Christina L. Ahmadjian (Hitotsubashi University)
Shusai Nagai (Ritsumeikan Asia Pacific University)
Yoshio Omori (Auditor, livedoor Holdings Co., Ltd.)

This report overviews the interim results of the 11th annual Corporate Governance Survey 2012 (JCGIndex Survey 2012) 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	9 questions
Part II	Efforts on corporate governance	4 questions
Part III	Board of directors	10 questions
Part IV	Management system	10 questions
Part V	Evaluation of management, compensation system	5 questions
Part VI	Management of consolidated subsidiaries	2 questions
Part VII	Communication with shareholders	8 questions

These 48 questions in total are recategorized into 4 categories to calculate sub-scores (Cg1, Cg2, Cg3, Cg4) 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 September 2012 to November 2012, we surveyed all companies listed on the First Section of the Tokyo Stock Exchange (1,679, as of September 7, 2012), of which 131 have responded to the survey. We are grateful to all companies that responded to this survey.

4. Interim results of JCGIndex and category scores

While this time's questions are virtually identical to those in the last survey, we have made the scoring standard stricter, since understanding and interest in corporate governance are now enhanced and the relevant systems were revised. The stricter scoring standard made scores among companies with high JCGIndex slightly lower than 2011, while the overall average remained flat. We would appreciate your understanding for this.

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

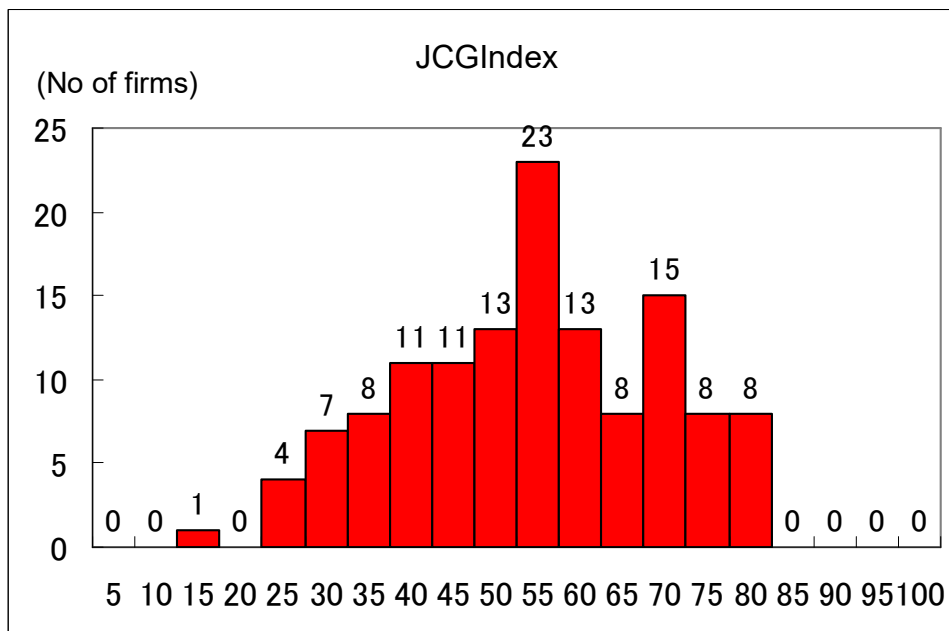
Category scores and achievement rates by category

Category	Weight (A)	Mean (B)	Achievement rate (B) / (A)
I Corporate objectives and CEO responsibility	29 (29)	11.97 (12.13)	41.3% (41.8%)
II Structure and function of board of directors	26 (26)	11.69 (9.46)	45.0% (36.4%)
III Management system	25 (25)	14.94 (16.43)	59.8% (65.7%)
IV Transparency and communication to shareholders	20 (20)	13.47 (13.26)	67.4% (66.3%)
JCGIndex	100 (100)	52.08 (51.28)	

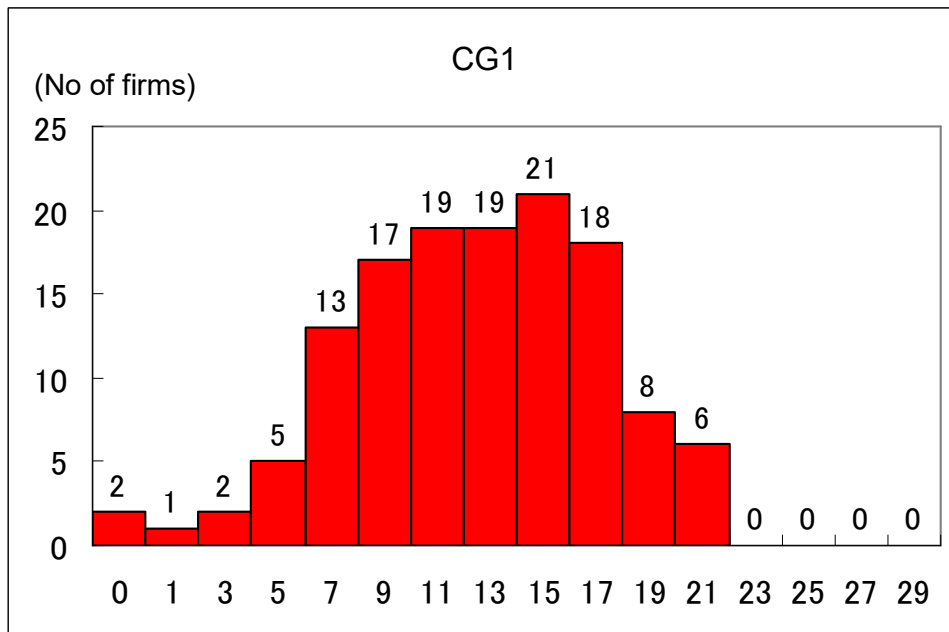
*Results in 2011 are in parentheses.

5. Distribution of JCGIndex and category scores

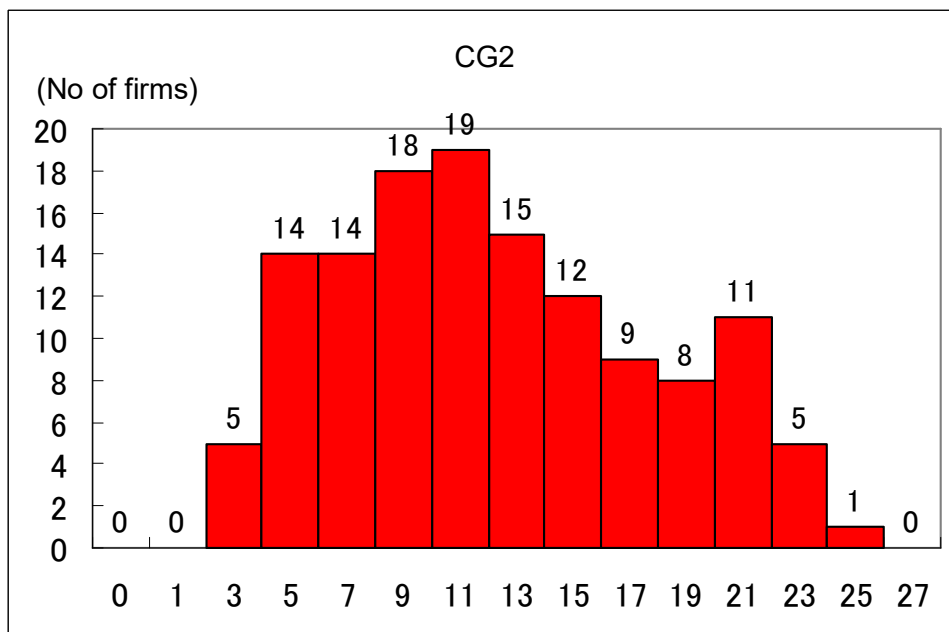
(1) JCGIndex



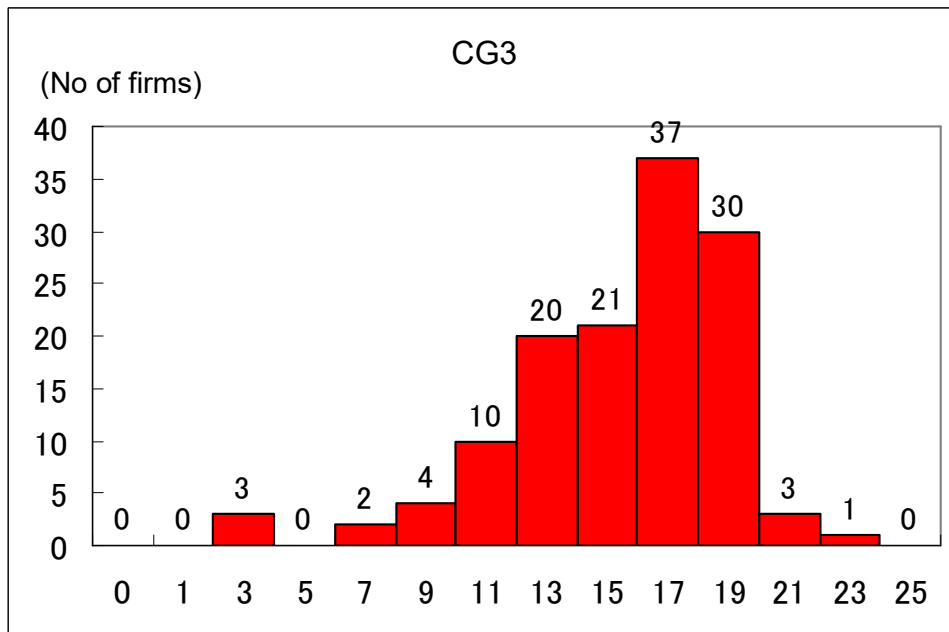
(2) Category I (CG1)



(3) Category II (CG2)



(4) Category III (CG3)



(5) Category IV (CG4)

