

QUESTIONNAIRE

The 16th Survey on Corporate Governance

<< 2017 JCGIndex Survey >>

Deadline: January 22, 2018 (Monday)

December 25, 2017

Japan Corporate Governance Network (NPO)

Japan Corporate Governance Research Institute

This questionnaire was sent to the corporate representatives based on the information in the CD-ROM of the Japan Company Handbook 2018 Winter (Toyo Keizai Inc.) and the Tokyo Stock Exchange website.

Inquiries (until February 26, 2018)

E-mail: FRI-jcgr-desk2017@cs.jp.fujitsu.com

Phone inquiries are not accepted.

You are requested to enter your personal information in this questionnaire. For details, see Handling of personal information on page v.

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December 25, 2017

Request for cooperation to JCGR Corporate Governance Survey

Since 2002, the Japan Corporate Governance Research Institute (JCGR) has been surveying all companies listed on the First Section of the Tokyo Stock Exchange every year to conduct the Corporate Governance Survey. We request your cooperation for the 16th Corporate Governance Survey this year.

For each of the companies that responded to the survey and sent back the questionnaire, we calculate the governance index (JCGIndex) and report your company's JCGIndex. We do not disclose the other companies' JCGIndex to you, but instead disclose the statistics of the distribution of the JCGIndex. However, for the companies that achieved high JCGIndex, their names and JCGIndex are disclosed in accordance with the disclosure policy explained later. Furthermore, we inserted the new separate survey on officers' compensation to Part V this time. We will announce the results of the survey on officers' compensation separately from the JCGIndex Survey results.

Below is the JCGR's basic stance on corporate governance and the JCGIndex Survey/Officers' Compensation Survey. We hope that this will help you understand corporate governance and our activities.

Principles of corporate governance and recent developments

Social mission of joint-stock companies

Companies undertake the production and distribution of goods and services that people need through their commercial activities, thereby adding value. The value added is shared by labor and capital in the form of income, and the income serves for people's lives as a means of buying or consuming goods and services produced by various companies. The unconsumed income is reinvested into companies through various kinds of routes and added to capital, which brings about the growth for the companies and, above all, the economy.

The total value added produced by all companies in a given country is the country's gross domestic product (GDP). The GDP is a basic indicator of a country's economy. If people constantly save money and companies constantly make investments financed by that savings, the value added produced by the companies increases, and pushes up the GDP. This GDP growth enables people to live a safer and richer life. However, investments accompany risks in the framework of capitalism adopting a free economy. Therefore, it is essential that the companies overcome the fear of risk and make investments for producing goods and services, using the depositors' savings as a means of funding the investments.

Separation of ownership and management

Capitalism is an economic system that aims to maximize the GDP by securing efficient production and logistics systems through market competition sustained by companies' profit-making. In the framework of capitalism, which assumes private ownership, those who invest in a company own the company. The investors control the company by leveraging their ownership of the company. That is, they either manage the company by themselves; or select their agents, entrust the management to the agents, and control the management in the form of overseeing the management. Recently, the phrase "governance of a company" has been replacing the phrase "control over a company." The term corporate governance especially refers to the indirect control over a company.

The Japanese capitalism is centered around the framework of joint-stock company. Joint-stock companies that operate large-scale business with money contribution from a large number of shareholders do not assume that they are managed by the investors. Rather, it is assumed that the investors entrust management to the directors selected by the investors. That is separation of ownership and management. Attention should be paid that even though the ownership and management are separate, the ownership is not separated from the governance; shareholders, who contribute money to the company, exercise the control over the corporate management by selecting the company's directors.

Under the separation of ownership and management, corporate governance aims at ensuring effective control over the management by shareholders. The Companies Act serves for this purpose through requirements of complex organizational structures. In the 21st century, companies with nominating committee, etc. and companies with audit and supervisory committee were introduced in addition to the traditional companies with board of corporate auditors. These three governance structures are the options for Japanese companies.

Best practice of corporate governance

Practicing corporate governance is all about ensuring the effectiveness of governance by shareholders. The current best practice of corporate governance begins with selecting an enough number of independent outside directors. The board of directors makes decisions on business operations (which is to say profit-making), but it entrusts management (or business execution) to executive directors selected by the board. By exercising nomination, compensation, and audit functions, the board of directors steers executive officers to the management that meets the shareholders' expectations and makes utmost efforts to realize shareholders' interests. Hereby, the best practice of governance by board of directors is accomplished.

Abenomics and corporate governance reforms

In managing a company, it is essential that the board of directors includes independent directors and supervises executive officers' business operation for the sake of realizing profit-making based on shareholder activism. Abenomics, which vows to revitalize Japanese companies and put them back on track

by encouraging them to invest, has pushed forward corporate governance reforms in the last three years. In February 2014, the Financial Services Agency formulated Japan's Stewardship Code as "Principles for Responsible Institutional Investors" so that institutional investors—the pivotal shareholders in the contemporary economy—exercise governance in a constructive way. Besides, recognizing that companies with nominating committee, etc. (companies with committees) did not take hold in Japan, the governance structure of companies with audit and supervisory committee was introduced as an alternative that is more suitable for Japanese companies, through the revision of the Companies Act effective May 2015. Meanwhile, tasked with establishing a corporate governance code as a yardstick of rational corporate management, the Tokyo Stock Exchange made the Corporate Governance Code part of its Securities Listing Regulations in June 2015. Furthermore, on May 29, 2017, the Financial Services Agency revised Japan's Stewardship Code.

Start of the new Officers' Compensation Survey

This time, we began to conduct the officers' compensation survey together with the JCGIndex Survey in collaboration with Yamada Consulting Group Co., Ltd. The questions are inserted between Question 【58】 about officers' compensation and Question 【59】 about consolidated subsidiaries. The aim of the new survey on officers' compensation is as follows.

It is said that officers' compensation is the cost of entrusting management to the executives paid by shareholders. In advanced economies, the system of linking executive compensation to performance indicators that serve for the benefit of shareholders is employed. This system is intended to incentivize good management. If executives run the company well and generate sustainable profit, they receive more reward. That is called performance-linked compensation.

The Tokyo Stock Exchange's Corporate Governance Code advises on officers' compensation as follows:

Principle 4.2

(……) the remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.

Supplementary Provision 4.2.1

The board should design management remuneration systems such that they operate as a healthy incentive to generate sustainable growth, and determine actual remuneration amounts appropriately through objective and transparent procedures. The proportion of management remuneration linked to mid- to long-term results and the balance of cash and stock should be set appropriately.

However, performance-linked compensation has not taken root in Japan, where the stability of compensation is widely preferred. In order to establish best practices of performance-linked compensation

in Japan, the JCGR has decided to start surveying the officers' compensation of listed companies. The overall results are disclosed to the companies that responded to the officers' compensation survey (the companies' names are not disclosed, in general). We would appreciate your corporation.

JCGR Corporate Governance Principles

The purpose of this survey is to quantify each company's corporate governance in the form of JCGIndex (governance index). Since standards are indispensable for quantifying corporate governance, the JCGR has set forth the JCGR Corporate Governance Principles* based on the best practices in the world. The companies that completely adhere to this framework receive the full JCGIndex of 100.

* See the following page to learn the details of corporate governance.

http://www.cg-net.jp/pdf/jcgr/CG_Principles2017.pdf

JCGIndex disclosure policy

A company's corporate governance is one of the important criteria for evaluating the company. Amid the ongoing globalization, it has become a global trend that all kinds of stakeholders, not to mention investors, are aware of corporate governance. We expect all of you to recognize this and respond to our survey, with hope that we will be able to disclose the JCGIndex of all listed companies in Japan.

However, for the time being, only the names and the JCGIndex of the high JCGIndex companies that gave us permission are disclosed. To be specific, only companies that fall in the upper half of the JCGIndex rankings are subject to the disclosure. If your company consents to the disclosure, we will disclose your company's name and the JCGIndex to testify the company's excellent corporate governance.

We hope that all of the companies that responded to this survey make the most of your company's JCGIndex in and out of your company. In that case, clearly indicate that the JCGIndex was designed by the Japan Corporate Governance Research Institute.

Consistency of the JCGIndex Survey

The JCGIndex Survey has been conducted every year for 15 years, during which significant development has been observed in the system and the environment of corporate governance. For the sake of maintaining the consistency of the JCGIndex, attention had been paid to change the question and proportions to the minimum extent. However, taking the corporate governance reforms promoted as part of Abenomics into account, we had to make a significant change on the survey for the 13th survey held in early 2015. Since there have been no notable changes since then regarding corporate governance in Japan, the questions for 2017 are exactly the same as those for the 15th survey in 2016, except for Question 【58】 and the newly inserted Officers' Compensation Survey (the new Question 【58】 is compatible with the previous one; we just changed the format of the question in line with the addition of the Officers' Compensation Survey).

Handling of personal information

This questionnaire contains blanks for personal information. The JCGN and the JCGR (hereinafter collectively called “JCGN”) promise to protect and respect your personal information, recognizing that it is a social responsibility of an NPO to handle the respondents’ personal information (names, post addresses, e-mail addresses and other information that can identify individuals) properly.

1. We collect personal information in this survey for the following purposes:
 - Personal information on CEOs Statistical analysis for the survey
 - Personal information on respondents Contact with the responding companies

2. The JCGN and the JCGR subcontract the tasks of sending/collecting questionnaires and statistical analysis to Fujitsu Research Institute (FRI). The JCGN (the parent organization of the JCGR) and FRI have concluded a non-disclosure agreement, which covers personal information. Any and all data related to the JCGIndex Survey are transferred to the JCGN after the subcontract period. FRI only retains data necessary for the follow-up survey on each company, and any and all data containing personal information are deleted, and any and all devices storing them are destroyed.

3. The provision of personal information must be based on the respondents’ consent. If you have any doubt about the JCGN’s handling of your personal information, leave blank the relevant blanks. In such a case, the information necessary for statistical analysis will be handled as missing values.

4. If you are a corporate representative or a contact person and would like to make inquiries about or correct your personal information already provided to us, contact us at the following e-mail address. We will respond to your requests as promptly as reasonably possible.

Until February 26, 2018: Fujitsu Research Institute (subcontractor)

E-mail: FRI-jcgr-desk2017@cs.jp.fujitsu.com

From February 27, 2018: Japan Corporate Governance Network

E-mail: info@cg-net.jp

Japan Corporate Governance Network

Japan Corporate Governance Research Institute

Takaaki Wakasugi (Professor Emeritus, University of Tokyo; Co-Director, Mitsui Life Financial Research Center, University of Michigan)

Christina L. Ahmadjian (Professor, Graduate School of Commerce and Management, Hitotsubashi University)

Shusai Nagai (Professor, Faculty of Business Administration, Toyo Gakuen University)

Mamoru Obayashi (Professor, School of Commerce, Senshu University)

Structure of this questionnaire

Fill in the outline of your company.

Part I Performance targets, leadership of CEO 【 1 】 ~ 【 7 】 (The CEO must answer this part by yourself.)

Part II Efforts on corporate governance 【 8 】 ~ 【 11 】 (The CEO must answer this part by yourself.)

Part III Board of directors 【 12 】 ~ 【 45 】

Part IV Management system 【 46 】 ~ 【 55 】

Part V Evaluation of management, compensation system 【 56 】 ~ 【 58 】

Officers' Compensation Survey 【 A 】 ~ 【 J 】

Part VI Management of consolidated subsidiaries 【 59 】 ~ 【 60 】

Part VII Communication with shareholders 【 61 】 ~ 【 68 】

Schedule of the survey

January 22, 2018 (Monday): Deadline (Your company's JCGIndex will be notified to you by early February.)

February 12, 2018 (Monday): Interim report on the overall results (on the JCGR website)

February 26, 2018 (Monday): Announcement of the list of companies that responded to the Survey and the JCGIndex analysis results (on the JCGR website)

JCGR website: <http://www.cg-net.jp/jcgr/index.html>

Inquiries regarding the questions

(Subcontractor)

JCGR Survey Unit, Fujitsu Research Institute

E-mail: FRI-jcgr-desk2017@cs.jp.fujitsu.com

(Return address of this questionnaire)

PO Box 28, Takeshiba Post Office, Minato-ku, Tokyo, 105-6890

JCGR Survey Unit, Fujitsu Research Institute

Phone inquiries are not accepted.

Part I Performance targets, leadership of CEO

<The CEO must answer this part by yourself.>

【 1 】 Which of the following performance targets does your company regard as most important? Choose up to three from below. (Choose the most similar ones if the corresponding items are not listed below.)

Most important figures for your company: ① _____ ② _____ ③ _____

- a . Sales
- b . Market share
- c . Operating profit
- d . Ordinary profit
- e . Net profit
- f . EPS (earnings per share)
- g . Cash flow
- h . Return on sales
- i . ROA (return on assets)
- j . ROE (return on equity)
- k . Profit after cost of capital
- l . Stock price
- m. Other (_____)

【 2 】 Is all or part of the CEO compensation linked to the performance?

- a . Yes

【 2 – 1 】 Approximately what percentage of the standard CEO compensation is linked to the performance? (_____ %)

- b . No → Proceed to **【 4 】** .

If you answered a . Yes in 【 2 】 , answer 【 3 】 .

【 3 】 Are the performance targets that serve as the main determinants of the said performance-linked compensation completely identical to the ones selected in **【 1 】** ?

- a . Yes
- b . No

For all respondents

【 4 】 Are you managing the CEO succession plan established by yourself?

a . Yes

【 4 – 1 】 Are you reporting the said plan and its progress to the board of directors or the nominating committee, etc. as necessary?

a . Yes

b . No

b . No

【 5 】 The Companies Act prescribes that the board of directors shall select or dismiss the CEO. Which of following has the de facto authority of deciding the candidate for CEO? Circle one.

a . The CEO

b . The chairperson

c . Senior advisors, ex-chairpersons, ex-CEOs, or the like

d . The board of directors or its sub-organ

e . The division in charge of personnel affairs, corporate planning, etc.

f . Employees

g . The parent company, the “main bank,” business partners, etc.

h . None of the above

【 5 – 1 】 Suppose that your company has not reached the performance targets for a long time even though the environment surrounding your company is not so unfavorable. Which of the following most represents how you bear the responsibility as CEO? Circle one.

a . Revise the plan and the target figures

b . Publicly explain reasons for failing to achieve the targets

c . Accept the compensation calculated through pre-determined formulas

d . Leave the decision to the board of directors on whether to resign, etc.

e . Resign as CEO

【 6 】 Are you required to hold a certain amount of stock as CEO?

a . Yes

【 6 – 1 】 What is the lower limit? (units)

b . No

【7】 Some people assert that, since the Companies Act assumes that the purpose of joint-stock companies is to pursue business profit, the primary objective of a joint-stock company is to pursue long-term profit consistent with the profit of long-term shareholders under the governance by shareholders. Which of the following best represents your opinion as CEO? Circle one.

- a . That is right. The purpose of joint-stock companies is to pursue long-term profit for shareholders.
- b . That is right, but in reality, it does not fit Japanese companies.
- c . Such kind of notion is wrong.
- d . None of the above

Part II Efforts on corporate governance

<The CEO must answer this part by yourself.>

【 8 】 Does your company's board of directors formulate codes of conduct for corporate governance (corporate governance principles, corporate governance guidelines, etc.) in writing?

a . Yes

【 8 – 1 】 Do the said codes of conduct clearly state that corporate governance shall be shareholder-oriented?

a . Yes

b . No

【 8 – 2 】 Are the said codes of conduct published, whether online or not?

a . Yes

b . No

b . No

【 9 】 Does your company have an organization that regularly monitors the status of corporate governance (e.g. the effectiveness of nomination, compensation, and audit functions) and reports it to the board of directors?

a . Yes

【 9 – 1 】 Who is in charge of the said organization? Circle one.

a . The CEO, or executive officers designated by the CEO

b . An inside director

c . An outside director

d . A sub-organ of the board of directors (Name: _____)

e . None of the above

b . No

【10】 Has your company introduced anti-takeover measures (as defined by the Tokyo Stock Exchange)?

a . Yes

【10- 1】 Did your company get approval for the said anti-takeover measures at a shareholders meeting ?

a . Yes

b . No

【10- 2】 Is it required that the implemented anti-takeover measures periodically get approval at shareholders meetings in your company?

a . Yes

b . No

【10- 3】 What is the response to proposals to acquire your company? Circle one.

a . The board of directors accepts the independent panel's judgment.

b . The independent panel's judgment is respected, but it is the board of directors that makes decision.

c . No independent panel is set up, and the board of directors makes decision.

b . No

【11】 Which of the following best represents your company's current retirement benefit plan for officers?

Circle one.

a . The retirement benefit is paid based on the officer's tenure.

b . The retirement benefit is paid based on the performance during the officer's tenure.

c . The retirement benefit was replaced by fixed monthly compensation.

d . The retirement benefit was replaced by performance-linked compensation.

e . The retirement benefit was replaced by a combination of fixed monthly compensation and performance-linked compensation.

f . We have abolished the retirement benefit plan for officers.

g . We have not paid retirement benefit to officers since before.

Part III Board of directors

【12】 How many directors are there in your company altogether? ()

【12-1】 How many outside directors are there in your company? ()

【12-2】 How many outside directors in your company satisfy the Tokyo Stock Exchange's criteria on independent directors*? ()

【12-3】 How many executive directors are there in your company? ()

【13】 Does your company's board of directors formulate standards for selecting and dismissing inside directors in writing?

- a. Yes
- b. No

【14】 Does your company's board of directors formulate standards for selecting and dismissing outside directors in writing?

- a. Yes
- b. No

【15】 Is diversity taken into account when selecting directors?

- a. Yes

【15-1】 How many inside directors in your company are women? ()

【15-2】 How many inside directors in your company are from overseas? ()

【15-3】 How many inside directors in your company are aged 50 or younger? ()

【15-4】 How many outside directors in your company are women in your company? ()

【15-5】 How many outside directors in your company are from overseas? ()

【15-6】 How many outside directors in your company are aged 50 or younger? ()

- b. No

【16】 Which of the following best represents the most important roll your company expects the outside directors to play? Circle one.

- a. To exercise governance over the management from the viewpoint of shareholders
- b. To ensure disciplined management by ensuring transparency
- c. To give advice on management
- d. None of the above

*For the Tokyo Stock Exchange's criteria on independent directors, see the footnote on the next page.

【17】 Are rolls that the board of directors expects the directors to play explained to each director when selecting the candidates for inside and outside directors?

- a . Yes
- b . No

【18】 Does the board of directors evaluate each of the inside and outside directors based on the standards for dismissing directors and in light of the expected rolls mentioned in **【17】** ?

- a . Yes
- b . No

【19】 Are newly appointed directors required to attend lectures on corporate governance at a proper external organization?

- a . Yes
- b . No

*The Tokyo Stock Exchange defines independent directors/auditors as outside directors/auditors who are unlikely to have conflicts of interest with general shareholders, and categorizes outside directors/auditors who are likely to have conflicts of interest with general shareholders and hence not considered independent directors/auditors as follows:

- a. A person who executes business of the parent company or fellow subsidiary of said company;
- b. A person for which said company is a major client or a person who executes business for such person, or a major client of said company or a person who executes business for such client;
- c. A consultant, accounting professional or legal professional (in the case of a group such as a juridical person or association, including persons belonging to such group) who receives a large amount of money or other asset other than compensation for directorship/auditorship from said company;
- d. A person who has recently fallen under any of a. to the preceding c.;
- e. A close relative of a person enumerated in any of the following (a) to (c) (excluding those of insignificance);
 - (a) A person enumerated in a. to the preceding d.;
 - (b) A person who executes business of said company or its subsidiary (including directors who do not execute business or accounting advisors (when any of such accounting advisors is a juridical person, including any member thereof who is in charge of such advisory affairs) in the case where said company designates its outside auditor(s) as an independent auditor(s)); and
 - (c) Persons who have recently fallen under the preceding (b)

【20】 Is there any term or age limit on inside directors?

- a . Yes
- b . No

【21】 Are outside directors eligible for another term?

- a . Yes
- b . No

【22】 Is there any term limit on outside directors?

- a . Yes
 - 【22 – 1】** What is the upper limit? (years)
- b . No

【23】 Is there any age limit on outside directors?

- a . Yes
 - 【23 – 1】** What is the upper limit? (years old)
- b . No

【24】 Is there any term limit on the CEO?

- a . Yes
 - 【24 – 1】** What is the upper limit? (years)
- b . No

【25】 Is there any age limit on the CEO?

- a . Yes
 - 【25 – 1】** What is the upper limit? (years old)
- b . No

【26】 Does your company's board of directors have a nominating committee or the equivalent (hereinafter, "the nominating committee")?

- a . Yes
 - 【26 – 1】** How many members are in the nominating committee? ()
 - 【26 – 2】** How many members of your company's nominating committee satisfy the Tokyo Stock Exchange's criteria on independent directors? ()
 - 【26 – 3】** Does the chair of your company's nominating committee satisfy the Tokyo Stock Exchange's criteria on independent directors? a . Yes b . No
- b . No →Proceed to **【32】** .

If you answered a. Yes in 【26】, answer 【27】 to 【31】.

【27】 Does the nominating committee stipulate rules on the objectives and administration?

- a. Yes
- b. No

【28】 Does the nominating committee stipulate rules on the selection of independent directors?

- a. Yes
- b. No

【29】 Does the nominating committee stipulate rules on the selection of the candidates for directors?

- a. Yes
- b. No

【30】 Are the above mentioned standards for selecting the candidates for directors stipulated by the nominating committee consistent with the standards for selecting or dismissing directors set forth by the board of directors? Circle one.

- a. Yes
- b. No such standards set forth by the board of directors
- c. No

【31】 Does the nominating committee conduct self-evaluation in accordance with the rules and report the self-evaluation results to the board of directors every year?

- a. Yes
- b. No

For all respondents

【32】 Does your company's board of directors have a compensation committee or the equivalent (hereinafter, "the compensation committee")?

- a. Yes

【32 – 1】 How many members are in the compensation committee? ()

【32 – 2】 How many members of your company's compensation committee satisfy the Tokyo Stock Exchange's criteria on independent directors? ()

【32 – 3】 Does the chair of your company's compensation committee satisfy the Tokyo Stock Exchange's criteria on independent directors? a. Yes b. No

- b. No → Proceed to 【36】.

If you answered a . Yes in 【32】 , answer 【33】 to 【35】 .

【33】 Does the compensation committee stipulate rules on the objectives and administration?

- a . Yes
- b . No

【34】 Do the rules of the compensation committee prescribe incentive-based compensation or performance-linked compensation?

- a . Yes
- b . No

【35】 Does the compensation committee conduct self-evaluation in accordance with the rules and report the self-evaluation results to the board of directors every year?

- a . Yes
- b . No

For all respondents

【36】 How many members are in your company's audit and supervisory committee or board of corporate auditors? ()

【36-1】 How many members of your company's audit and supervisory committee or board of corporate auditors satisfy the Tokyo Stock Exchange's criteria on independent directors? ()

【36-2】 Does the chair of your company's audit and supervisory committee or board of corporate auditors satisfy the Tokyo Stock Exchange's criteria on independent directors? a . Yes b . No

【37】 Are there written rules for the audit and supervisory committee or board of corporate auditors?

- a . Yes
- b . No →Proceed to 【40】 .

If you answered a . Yes in 【37】 , answer 【38】 and 【39】 .

【38】 Which of the following are subject to audit as stipulated by the rules of the audit and supervisory committee or board of corporate auditors? Circle as many as are applicable.

- a . Appropriateness of internal audit
- b . Impartiality of internal auditors
- c . Financial audit
- d . Business audit
- e . Appropriateness of external audit
- f . Impartiality of external auditors
- g . Other ()

【39】 Does the audit and supervisory committee or board of corporate auditors conduct self-evaluation in accordance with the above mentioned rules and report the self-evaluation results to the board of directors every year?

- a . Yes
- b . No

For all respondents

【40】 Who chairs the board of directors? Circle one.

- a . The CEO
- b . The chairperson of the board of directors who is not the CEO
- c . An outside director who satisfies the Tokyo Stock Exchange's criteria on independent directors
- d . An outside director who does not satisfy the Tokyo Stock Exchange's criteria on independent directors
- e . None of the above

【41】 Are the agendas to be discussed at the meetings of your company's board of directors explained to the outside directors in advance? Circle one.

- a . All of the agendas are explained to the outside directors in advance.
- b . Only important agendas are explained to the outside directors in advance.
- c . In general, there is no advance explanation to the outside directors.
- d . There are no outside directors in the company.

【42】 Does your company's board of directors discuss the following agendas at least once in a year?

【42 – 1】 Management strategies a . Yes b . No

【42 – 2】 Financial strategies a . Yes b . No

【42 – 3】 Risk management strategies a . Yes b . No

【43】 Does your company's board of directors confirm the basic policies for the following items once in a year?

【43 – 1】 Corporate pension a . Yes b . No

【43 – 2】 Information technology a . Yes b . No

【43 – 3】 Compliance a . Yes b . No

【43 – 4】 Corporate governance a . Yes b . No

【43 – 5】 Corporate social responsibility a . Yes b . No

【44】 Are board meetings that are attended only by outside directors/auditors or independent directors/auditors (as defined by the Tokyo Stock Exchange) regularly held?

- a . Yes
- b . No

【45】 Does your company's board of directors require outside directors to hold a certain amount of stock?
Circle one.

- a . Yes
- b . No
- c . No outside directors in the company

Part IV Management system

【46】 Does your company set the figures of performance targets for each organization (division, in-house company, subsidiary, etc.)?

a . Yes

【46 – 1】 Does your company evaluate the head of each organization based on the said figures?

a . Yes

b . No

【46 – 2】 Is the compensation of the head of each organization linked to the performance evaluation based on the said figures?

a . Yes

b . No

【46 – 3】 If it turns out to be difficult to achieve the said target figures, is the head of the organization removed from the position?

a . Yes

b . No

b . No

【47】 Does your company use cost of capital* for investment decision or performance evaluation? (Circle as many as are applicable.)

a . Discounted cash flow analysis is applied in investment decisions.

b . Indicators calculated using profit and cost of capital for each year are used for performance evaluation.

c . Cost of capital is not used in the company.

d . Other ()

【48】 Does your company have an organization that sets the policy of enterprise risk management and supervises it?

a . Yes

【48 – 1】 Is it stated in writing that your company's enterprise risk management aims at securing the profit of shareholders?

a . Yes

b . No

b . No

* Cost of capital, or WACC (weighted average cost of capital), is the average cost that a company must pay to its shareholders and creditors. It serves as the minimum rate of return the company expects from investments.

【49】 Does your company have written codes of ethics or codes of conduct that govern all employees?

a . Yes

【49 – 1】 Are such codes published, whether online or not?

a . Yes

b . No

【49 – 2】 Does your company have an organization for promoting and supervising corporate ethics?

a . Yes

b . No

b . No

【50】 Is the policy of corporate social responsibility formulated in writing?

a . Yes

【50 – 1】 Is the said policy of corporate social responsibility published online?

a . Yes

b . No

b . No

【51】 Is the scope of duties and responsibilities specified and formulated in a form of job description for all jobs in your company?

a . Yes

b . No

【52】 Internal control system refers to a set of regulations on self-assessment, cross-check, and inspection by a specialized division (such as the middle office) to ensure the compliance. Are companywide frameworks and procedures of your company's internal control system digitized or formulated in writing? Circle one.

a . Yes, they are digitized.

b . Yes, they are formulated in writing.

c . No, they are not digitized nor formulated in writing.

【53】 Does your company have an internal audit division (an organization that checks whether the internal control system is functioning and, if necessary, takes corrective actions)?

a . Yes

【53 – 1】 How many internal auditors (the staff in charge of internal audit) are in your company?
()

【53 – 2】 Is it stipulated in writing that the internal auditors must be independent from the CEO?

a . Yes

b . No

【53 – 3】 Do members of the board of corporate auditors or the audit and supervisory committee periodically exchange information with internal auditors as necessary?

a . Yes

b . No

【53 – 4】 Does the head of the internal audit division periodically submit internal audit reports to the board of directors and the CEO every year?

a . Yes

b . No

b . No

【54】 Does your company have an organization for promoting and supervising compliance (abiding by the law, social norms, internal rules, etc.)?

a . Yes

b . No

【55】 Does your company have an internal reporting system?

a . Yes

【55 – 1】 Did your company refer to the Guidelines for Business Operators Regarding the Establishment, Maintenance and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act* when introducing the internal reporting system?

a . Yes

b . No

【55 – 2】 Does your company have a point of contact for internal reporting and whistleblowing?

a . Yes, in the company.

b . Yes, outside the company.

c . Yes, both in the company and outside the company.

d . No.

【55 – 3】 How many cases of internal reporting or whistleblowing were there in the past?

FY 2015 ()

FY 2016 ()

b . No

*The Guidelines for Business Operators Regarding the Establishment, Maintenance and Operation of Internal Reporting Systems Based on the Whistleblower Protection Act are the guidelines for properly handling employees' reports of compliance violation prepared by the Cabinet Office with the aim of strengthening corporate compliance efforts in accordance with the Whistleblower Protection Act.

https://www.caa.go.jp/policies/policy/consumer_system/whistleblower_protection_system/private/system/pdf/private_system_180206_0001.pdf

【58】 Regarding the officers' compensation, the Tokyo Stock Exchange's Corporate Governance Code asserts the necessity of introducing stock-based compensation ("the balance of cash and stock should be set appropriately"). The table below presents various types of stock-based compensation. For each type of stock-based compensation, draw a circle in ① if your company has already introduced it, ② if your company is thinking of introducing it, ③ if your company introduced it but has abolished it, or leave blank if your company has not introduced it.

| Type of stock-based compensation | ① | ② | ③ |
|---|---|---|---|
| a. Restricted stock | | | |
| b. Stock-compensation-type stock options (one-yen stock options) | | | |
| c. Qualified stock options (or stock options granted at market value) | | | |
| d. Stock options granted in exchange for money | | | |
| e. Board benefit trust | | | |
| f. Performance shares | | | |
| g. Executive stock ownership plan/Cumulative stock investment | | | |
| h. Phantom stock/Stock appreciation rights | | | |
| i. Market-price-issued stock acquisition right trust | | | |
| j. Other () | | | |

Now we will ask you about the details of your company's officers' compensation. We will notify the overall results to you separately from the JCGIndex Survey results. Your cooperation is greatly appreciated.

《JCGR Officers' Compensation Survey》

【A】 Which of the following best represents what your company considers the officers' compensation to be? Circle one.

- a. Cost borne by shareholders for entrusting management to the executives
- b. Incentive to increase the company's value and improve the corporate performance
- c. Way of acquiring or retaining competent human resources
- d. Reward paid to the officers for taking risks
- e. Payment to cover officers' living expenses

【B】 On which of the following does your company put emphasis in designing officers' compensation?

Circle two.

- a. Linkage to the corporate performance or stock price
- b. Accountability to shareholders
- c. How other companies in the same industry design officers' compensation
- d. Level of payment
- e. Ensuring that the system is not too complicated
- f. Whether the compensation is deductible for tax purposes

【C】 Enter the amounts of annual salaries (excluding the performance-linked compensation and stock-based compensation; the same applies hereinafter) paid to your company's executive officers in the most recent business year. If there are two or more persons with the same title, enter the largest amount. If your company is a company with board of corporate auditors, enter the amounts for directors. If your company is a company with audit and supervisory committee, enter the amount for directors who are not audit and supervisory committee members. If your company is a company with nominating committee etc., enter the amount for executive officers.

* For executive employees, include the amount paid as employee compensation.

| Title | Annual salary (million yen) |
|---------------------------------|-----------------------------|
| Chairperson | |
| President (CEO) | |
| Vice president | |
| Executive vice president | |
| Senior vice president | |
| Executive officer without title | |

【D】 If your company adopts the corporate officer system, answer the following questions.

【D-1】 Enter the amount of annual salary paid to your company's corporate officer who does not concurrently serve as director, etc. in the most recent business year. If there are two or more such corporate officers, enter the largest amount.

| | Annual salary (million yen) |
|-------------------|-----------------------------|
| Corporate officer | |

【D-2】 What type of contract does your company conclude with corporate officers?

- a. Entrustment contract
- b. Employment contract
- c. Both

【E】 Enter the amounts of annual salaries paid to your company’s non-executive officers in the most recent business year and whether stock-based compensation was paid or not in the most recent business year. If there are two or more persons with the same title, enter the largest amount.

① If your company is a company with board of corporate directors, fill in this section.

| Title | Annual salary (million yen) | Stock-based compensation |
|--|-----------------------------|--------------------------|
| Director not concurrently serving as executive officer | | Paid/Not paid |
| Outside director | | Paid/Not paid |
| Statutory auditor | | Paid/Not paid |
| Outside auditor | | Paid/Not paid |

② If your company is a company with audit and supervisory committee, fill in this section.

| Title | Annual salary (million yen) | Stock-based compensation |
|---|-----------------------------|--------------------------|
| Inside director who is an audit and supervisory committee member | | Paid/Not paid |
| Outside director who is an audit and supervisory committee member | | Paid/Not paid |

③ If your company is a company with nominating committee etc., fill in this section.

| Title | Annual salary (million yen) | Stock-based compensation |
|--|-----------------------------|--------------------------|
| Director not concurrently serving as executive officer | | Paid/Not paid |
| Outside director | | Paid/Not paid |

【F】 Enter the amount of annual salary paid to your company’s highest employee other than executive employees and executives (excluding performance-linked compensation and stock-based compensation).

_____ million yen

【G】 The Tokyo Stock Exchange’s Corporate Governance Code states that “the remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.” Has your company introduced monetary reward whose amount is determined based on the performance (bonuses or the like are included; hereinafter, “performance-linked compensation”)?

- a. Yes
- b. No

【H】 If you answered a. Yes in **【G】** , answer the following questions. (If you answered b. No, skip **【H】** .)

【H- 1】 Are the indices that are incorporated into your company’s performance-linked compensation on a consolidated or non-consolidated basis?

- a. Consolidated
- b. Non-consolidated
- c. Both combined

【H- 2】 Which of the following are incorporated into your company’s performance-linked compensation? Circle as many as are applicable.

- a. Sales
- b. Operating profit/ Operating profit margin
- c. Ordinary profit/ Ordinary profit margin
- d. EBIT/EBITDA
- e. Net profit
- f. EPS
- g. ROE
- h. ROA
- i. ROIC
- j. Stock price (or total shareholder return)
- k. Other (Specify : _____)

【H- 3】 How does your company calculate the amount of the performance-linked compensation paid to each officer? Circle one.

- a. Calculate the amount based on the achievement of the performance target established for each officer
- b. Set aside a portion of the profit for paying the performance-linked compensation, and share this portion among the officers
- c. Both of a and b

【H- 4】 Enter the amounts of performance-linked compensation paid to the following executive officers in the most recent business year.

| Title | Annual salary (million yen) |
|--------------------------------------|-----------------------------|
| President | |
| Executive officers without title (*) | |

(*) If there are two or more executive officers without title, enter the largest amount.

【H- 5】 Is the performance-linked compensation that your company pays deductible for tax purposes?

- a. Yes
- b. No

【H- 6】 If you answered a. Yes in **【H- 5】** , what is the paying method your company adopts? Circle one.

- a. Additional annual salary or monthly compensation is paid in the next business year.
- b. The compensation is paid based on a rule to pay a defined amount at specified times when officers have carried out their duties, as specified in item 2, paragraph (1), article 34 of the Corporation Tax Act.
- c. The compensation is paid as performance-based remuneration (former profit-related remuneration) specified in item 3, paragraph (1), article 34 of the Corporation Tax Act.

【I】 If your company has already introduced stock-based compensation (i.e. you drew a circle in ① of **【58】** for at least one type of stock-based compensation), answer the following questions.

【I- 1】 How is the stock-based compensation for executives who are non-residents? Circle one.

- a. The system is the same as the one applied to executives who are residents.
- b. The system is different from the one applied to executives who are residents.
- c. There are no non-residents among the executives in the company.

【I- 2】 If you answered b. The system is different from the one applied to executives who are residents. in **【I- 1】** , what is the paying method your company adopts?

- a. Additional monetary compensation is paid instead of stock-based compensation.
- b. Stock-based compensation that takes the form of cash payment (phantom stock, stock appreciation rights, etc.) is paid.
- c. Other (Specify : _____)

【J】 How are your company's rules on trading of the company's own stock by executives? Circle as many as are applicable.

- a. Trading is prohibited during their tenure.
- b. Trading is prohibited even for a certain period of time (for example, a year) after their retirement from office.
- c. Trading is permitted with prior consent.
- d. Trading is permitted as long as it is in accordance with the contract or the plan concluded or formulated before the executive comes to know the relevant fact.

----- End of 《JCGR Officers' Compensation Survey》 -----

Part VII Communication with shareholders

【61】 Is the information of the schedule and agendas for your company's shareholders meetings published online in advance?

- a . Yes
- b . No

【62】 Are your company's shareholders meetings held on days other than the most frequent day in a year and three days before/after the said day?

- a . Yes
- b . No

【62 – 1】 What is the average time of your company's shareholders meetings for the past three years?
(hrs min)

【63】 Is it possible to exercise voting rights online in your company's shareholders meetings?

- a . Yes
- b . No

【64】 Does your company have an organization in charge of investor relations?

- a . Yes
- b . No

【65】 Which of the following best represents the objective of your company's investor relations? Circle one.

- a . To promote the name or image the company
- b . To publicize corporate strategies
- c . To optimize stock price or cost of capital
- d . To win the trust of stockholders
- e . To acquire desirable shareholders/To realize a desirable shareholder composition
- f . None of the above
- g . No investor relations activities held

【66】 Does your company's CEO regularly hold IR meetings for stakeholders (shareholders, analysts, etc.) in Japan?

- a . Yes
- b . No

【67】 Does your company's CEO regularly hold IR meetings for stakeholders (shareholders, analysts, etc.) overseas?

- a . Yes
- b . No

【68】 Does your company publish materials of IR meetings with stakeholders (shareholders, analysts, etc.) online?

- a . Yes
- b . No

We plan to conduct the next JCGIndex Survey in 2018. We will contact you by e-mail when we conduct the next JCGIndex Survey. Fill in the information about the contact person below.

| | |
|----------------|--|
| Division | |
| Name | |
| E-mail address | |

Thank you very much for your participation in the JCGIndex Survey.