

Development of the GR Scores

- How strong is Corporate Governance in Japanese companies? -

Research Report
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Abstract

Nikko Research Center, Inc. developed the Governance Research Scores (GR Scores) in order to evaluate the strength of corporate governance in Japanese companies. The GR Scores measure distance from the benchmarks, that is, governance best practices (=100%). We adopt Japan's Corporate Governance Code as the domestic standard and the ICGN Global Governance Principles as the global standard.

We put domestic and global scores on the top market-cap 100 companies as GR Scores 2017, using the data as of December 31, 2016. As a result, while the domestic scores are nearly half, 49.1% on average and distributed from 22% to 77%, the global ones are 21.0% on average and more than half the companies stay between 10% and 20%. The subscores by theme show that "disclosure of remuneration policies and structure," "Board leadership and independence," as well as "Risk oversight" are lagging in general.

Furthermore, we analyze the financial characteristics of companies with high GR scores. There is statistically no difference in profitability and firm values. Regarding ownership structure, companies with high domestic scores have high probability of being controlled while companies with high global scores tend to have high ratios of cross shareholdings.

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1. Introduction

Nikko Research Center, Inc. developed the Governance Research Scores (GR Scores) to evaluate corporate governance in Japanese companies. The GR Score measures the strength of corporate governance in each Japanese company as a distance from a benchmark. We adopted Japan's Corporate Governance Code as the domestic standard and the ICGN governance principles as the global standard. Since these standards are considered best practices in corporate governance, the GR Score indicates what percentage the governance level of the company is when the standards are thought to be 100%.

This article introduces the development of the GR Scores and the GR Scores 2017 of the top market-cap 100 Japanese companies. First, we describe the background of the development of the GR Scores, and then, the outline of the GR Scores and scoring methodology. Secondly, we show the result of the actual GR Scores for 2017 and their distributions. Finally, using financial data, we examine the financial characteristics of the GR Scores by comparing high scoring companies with low scoring ones.

2. Why did we develop the GR Scores?

The Institute of Social System Research focuses on Responsible Investment (RI). We have studied Western institutional investors, who are advanced in the RI area, by interviewing them on their ESG investing policies, approaches in practice, and engagement activities. Our last question in those interviews routinely was to ask about most material ESG issues for Japanese companies to address. We found that most interviewees were consistent in pointing out poor governance. While there are a few E and S items for Japanese companies to seem like they pale against the global standard, their governance systems are far from the global standard. Moreover, many have voiced concerns about the lack of awareness of accountability, such as their negative attitudes toward information disclosure to shareholders, or less transparency in backroom management.

On the other hand, domestically, many voices say that unique governance systems in Japan are functioning, so that arguably, it cannot be weak just because the system is different from the global system. Moreover, there is a skeptical view of the governance system, to the effect that global investors demand grounding a deteriorating case despite having independent directors.

Amidst all this, reforms in corporate governance under the Japanese government's Japan Revitalization Strategy brought forth Japan's Corporate Governance Code. While the code largely corresponds to the Japanese unique institution, such as the board of company auditors,

it recommends independent directors or the establishment of committees as best practices, which clearly align with global standards. The code is a soft law without authorization, unlike legislation. The extent of compliance with the code is a matter of choice on part of the company; however, many companies have appointed independent directors. Currently, 88% of listed companies in the first section of the Tokyo Stock Exchange have more than two independent directors, which is a requirement under the code¹. Some companies with a board of company auditors shifted to ones with audit and supervisory committees, others have set up advisory committees. We want to examine the changes in corporate governance in Japanese companies.

The code became a standard for mandatory corporate governance reports for listed companies. Subsequently, disclosures by Japanese companies on corporate governance generally improved. It enables us to evaluate corporate governance in Japanese companies, which was once invisible. The GR Scores attempt to make governance levels visible by benchmarking. Furthermore, global benchmarking could be useful for Japanese companies in understanding and discussing issues raised by overseas institutional investors.

3. Methodology

3.1 Outline of GR Scores

The GR Scores benchmark the corporate governance levels of Japanese companies against different standards. We use Japan's Corporate Governance Code as the domestic standard and the ICGN Global Governance Principles as the global one.

First, we identified evaluation items in the codes to cover all aspects. We conducted complete benchmarking to cover all evaluation items for ten companies as trial evaluation in 2016². On reviewing the results, we narrowed it down to 32 items for both, domestic and global codes, in light of duplication and materiality. There are common items (24 items), items in the domestic standard alone (8 items), and items in the global standard alone (8 items). For example, "Board structure" is a common item. While "Shareholder engagement" exists only in the domestic standard, evaluation items on risk oversight exist only in the global one.

All evaluation items could be categorized into nine themes, that is, "Board role and responsibilities," "Leadership and independence," "Composition and appointment," "Corporate

¹ Tokyo Stock Exchange, Inc. (2017) Appointment of Independent Directors and Establishment of Nomination/Remuneration Committees by TSE-Listed Companies
<http://www.jpx.co.jp/english/news/1020/20170726-01.html>

² Nikko Research Review vol. August 2017 "Status of corporate governance in Japanese companies - from domestic and global perspectives" (Japanese only)
https://www.nikko-research.co.jp/wp-content/uploads/2017/08/rr201708_0001.pdf

culture," "Risk oversight," "Remuneration," "Reporting and audit," "Shareholder meetings," "Shareholder rights". The number of items included under a theme varies. Each item has equal weight. Therefore, a theme weight is the number of items under the theme. (See Appendix (A) for all evaluation items by theme.)

Figure 1. Definitions of the nine themes of the GR Scores.

Themes	Definitions	# of evaluation items	
		Domestic	Global
Board role and responsibilities	The policies governing the roles and responsibilities of the board, directorships and shareholder engagements.	6	2
Leadership and independence	The effectiveness of monitoring the performance of the CEO by the board.	7	5
Composition and appointment	The policies governing the board structure and the process of nominating the board of directors.	6	6
Corporate culture	The approach to corporate culture, including ethical perspectives and compliances for directors, managers, and employees	2	3
Risk oversight	The approach of the board of directors to risk oversight.	0	3
Remuneration	Policies and processes concerning remuneration.	3	4
Reporting and audit	Reporting and auditing policies, financial statements, internal control reports and CSR reports.	1	2
Shareholder meetings	Policies concerning shareholder meetings and voting agenda.	2	2
Shareholder rights	Policies concerning shareholders rights and protection of minority shareholders.	5	5

Source: Nikko Research Center

3.2 An evaluation method

As many as 32 evaluation items of the GR Scores have their own attainment levels. They are scored in three (or two) scales, i.e., Level1, Level2 and Level3. The domestic attainment levels are different from the global ones even for the same evaluation items. Therefore, two types of scores, domestic and global are given to each company. While some attainment levels are quantitative, such as the number of independent directors, others are qualitative, like the remuneration committee under the global standard, which is subject to a rater's judgment for fulfillment. We allocate 0 point for Level 1, 0.5 points for Level2, and 1 point for Level3, and then, sum all points (out of 32) of evaluation items as a raw score. The GR Score translates the raw score into a percentage. Some examples of the attainment levels are described below.

1.

Evaluation item: Board structure

Theme: Composition and appointment

【Domestic Standard】

Level 1: Less than two independent directors

Level 2: More than two and less than one third

Level 3: More than Level 2

【Global Standard】

Level 1: Non executive directors (NEDs) are a minority of board

Level 2: NEDs are a majority of board, but independent directors are a minority of NEDs.

Level 3: NEDs are a majority of board, and independent directors are a majority of NEDs.

2.

Evaluation item: Remuneration committee

Theme: Remuneration

【Domestic Standard】

Level 1: A remuneration committee is set.

Level 3: No remuneration committee is set.

【Global Standard】

Condition 1: A remuneration committee comprises a majority of NEDs, which comprises a majority of independent NEDs.

Condition 2: The role of the remuneration committee includes:

- Determining and recommending the company's remuneration policy to the board;
- Designing, implementing, monitoring, and evaluating short-term and long-term share-based incentives and other benefits schemes, including pension arrangements;
- Monitoring conflicts of interests;
- Appointing any independent remuneration consultant and disclosing their identity and consulting fees;
- Communication with shareholders on the subject of remuneration.

Level 1: Condition 1 unfilled.

Level 2: Condition 1 filled and less than three items of Condition 2 filled.

Level 3: Condition 1 filled and more than four items of Condition 2 filled.

4. The GR Scores 2017

4.1 Overall scores

We rated the top 100 Japanese companies based on market capitalization in 2016³ as the GR Scores 2017, in reference to publicly available documents, including corporate governance reports, CSR reports, annual reports, and proxy statements as of December 31, 2016⁴.

Figure 2 shows the descriptive statistics and distribution of both, domestic and global scores.

The top 100 companies' domestic scores are 49.1% on average and the minimum score is 22% and the maximum is 77%. Their histogram looks like a bell shape with the top around 50-60%, while being skewed to left. On the other hand, their global scores are 21.0% on average and the minimum score is 5% and the maximum is 42%, which does not exceed 50%. Their histogram shows that more than half the companies fell between 10% and 20% and its distribution is skewed to right.

As mentioned above, the top 100 Japanese companies' corporate governance levels are domestically 50% on average out of 100% and there is a certain difference between the leaders and the laggards. On the other hand, when you see global scores, their scores are about 20% on average and more than half the companies stay at a 10% level. Therefore, most Japanese companies might seem homogeneous from a global perspective.

A correlation between the domestic and the global scores is about 0.74 and the scatter chart shows that all companies are aligned with a soaring line. Therefore, both, the domestic and global scores indicate the same direction of best practices. The top 30 companies in both, domestic and global scores, include Mitsubishi Heavy Industries, Eisai, Sony, HOYA, Kirin Holdings, Kao, and Toshiba, which are all on both lists (Figure 4.) Appendix (B) shows the list of the 100 companies that were evaluated.

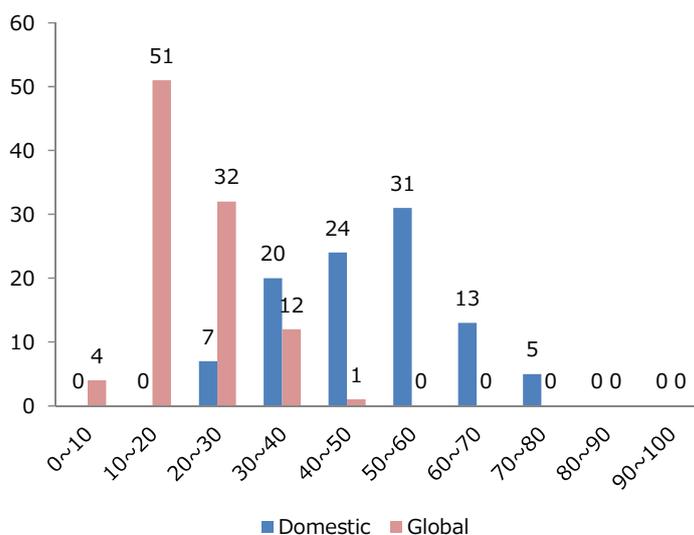
³ We use monthly average market capitalization as of the last business day of each month from January through December in 2016.

⁴ Note that there are some materials without date and others untraceable so that some cases may not be exact at the point of time.

Figure 2-A. Descriptive statistics of the GR overall scores.

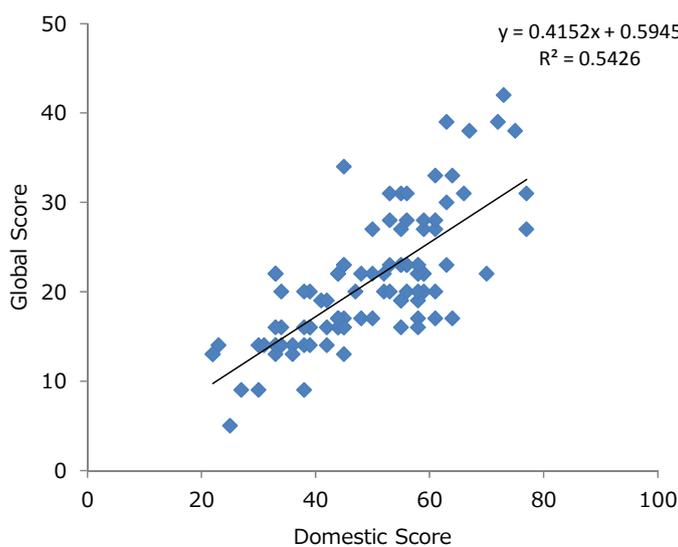
	Mean	Median	Standard deviation	Min	Max
Domestic	49.1	50	12.7	22	77
Global	21.0	20	7.1	5	42

Figure 2-B. Distribution of the GR overall scores.



Source: Nikko Research Center

Figure 3. Scatter plots between domestic scores and global ones.



Source: Nikko Research Center

Figure 4. Top 30 ranking of the GR overall scores.

Ranking	Company name	Domestic	Ranking	Company name	Global
1	ASAHI GROUP HOLDINGS	77	1	EISAI	42
1	KIRIN HOLDINGS	77	2	JAPAN POST INSURANCE	39
3	mitsubishi heavy industries	75	2	HOYA	39
4	EISAI	73	4	TOSHIBA	38
5	HOYA	72	4	mitsubishi heavy industries	38
6	TERUMO	70	6	RAKUTEN	34
7	TOSHIBA	67	7	SONY	33
8	KAO	66	7	OLYMPUS	33
9	SONY	64	9	KIRIN HOLDINGS	31
9	TOKYO ELECTRON	64	9	SUNTORY BEVERAGE & FOOD	31
11	JAPAN POST INSURANCE	63	9	KAO	31
11	NOMURA HOLDINGS	63	9	JAPAN POST HOLDINGS	31
11	MS&AD INSURANCE GROUP HOLDINGS	63	9	MIZUHO FINANCIAL GROUP	31
14	TORAY INDUSTRIES	61	14	NOMURA HOLDINGS	30
14	JAPAN POST BANK	61	15	HITACHI	28
14	OLYMPUS	61	15	NITTO DENKO	28
14	MITSUI	61	15	MITSUI	28
14	JAPAN AIRLINES	61	15	SUMITOMO MITSUI FINANCIAL GROUP	28
19	DAIWA HOUSE INDUSTRY	59	19	ASAHI GROUP HOLDINGS	27
19	SEKISUI HOUSE	59	19	JAPAN POST BANK	27
19	ASTELLAS PHARMA	59	19	MITSUBISHI UFJ FINANCIAL	27
19	SUMITOMO MITSUI TRUST HOLDINGS	59	19	SUMITOMO MITSUI TRUST HOLDINGS	27
19	SUMITOMO MITSUI FINANCIAL GROUP	59	19	ORIX	27
24	DAITO TRUST CONSTRUCTION	58	24	JAPAN TABACCO	23
24	MEIJI HOLDINGS	58	24	SHIONOGI	23
24	ASAHI KASEI	58	24	SMC	23
24	MITSUBISHI TANABE PHARMA	58	24	MITSUBISHI ELECTRIC	23
24	SUBARU	58	24	SUBARU	23
24	AEON	58	24	UNI.CHARM	23
24	DAI-ICHI LIFE HOLDINGS	58	24	SOMPO HOLDINGS	23
24	NITORI HOLDINGS	58	24	MS&AD INSURANCE GROUP HOLDINGS	23
			24	DAI-ICHI LIFE HOLDINGS	23
			24	TOKIO MARINE HOLDINGS	23

Source: Nikko Research Center

4.2 Overall scores by theme

Here, we look at the domestic and global subscores by theme. Figure 5 shows the descriptive statistics of the domestic overall scores and subscores by theme, and Figure 6 shows their boxplots⁵.

From Figure 5, we gather that “Reporting and audit” and “Shareholder meetings” have high average scores, 88.3% and 67.0%, respectively. The companies seem proactive in addressing information disclosure including non-financial information and assignments for shareholder meetings. On the other hand, “Remuneration” and “Leadership and independence” have low scores, specifically, 32.4% and 36.9%, respectively.

As explained above, when you see their domestic scores, it could be said that Japanese companies actively addressed issues in disclosure and auditing, while they were negative or

⁵ A box plot graphically shows the sample spread and center. The box shows from bottom quantile to top quantile and whiskers with maximum and minimum 1.5 IQR (interquartile range). Samples staying outside are plotted as outliers.

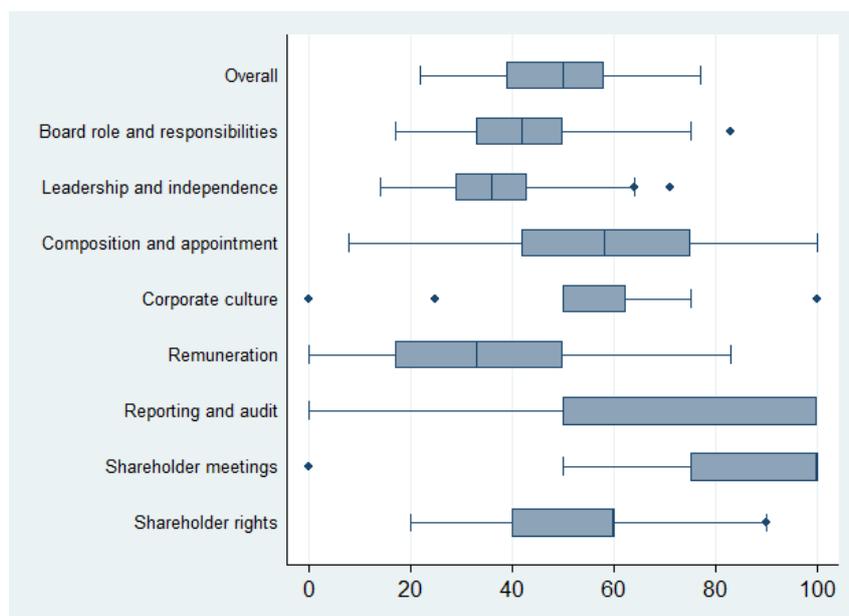
were yet to address remuneration and leadership, such as by providing incentives and improving the monitoring functions of the board.

Figure 5. Descriptive statistics of the domestic overall scores and subscores.

Domestic	# of evaluation items	Mean	Standard deviation	Min	Max
Overall	32	49.1	12.7	22	77
Board role and responsibilities	6	42.8	16.7	17	83
Leadership and independence	7	36.9	14.7	14	71
Composition and appointment	6	56.9	22.3	8	100
Corporate culture	2	49.3	27.0	0	100
Risk oversight					
Remuneration	3	32.4	21.3	0	83
Reporting and audit	1	67.0	26.7	0	100
Shareholder meetings	2	88.3	18.5	0	100
Shareholder rights	5	54.9	14.4	20	90

Source: Nikko Research Center

Figure 6. Horizontal box plots of the domestic overall scores and subscores.



Source: Nikko Research Center

Next, seeing the global subscores in Figures 7 and 8, average scores of “Risk oversight” and “Remuneration” appear markedly low. It shows that the board commitment toward risk management and the disclosure of remuneration policies for the management and directors are insufficient. Especially noteworthy is the fact that most companies that got zero on “Risk monitoring,” were those whose risk management structures have not been updated since the

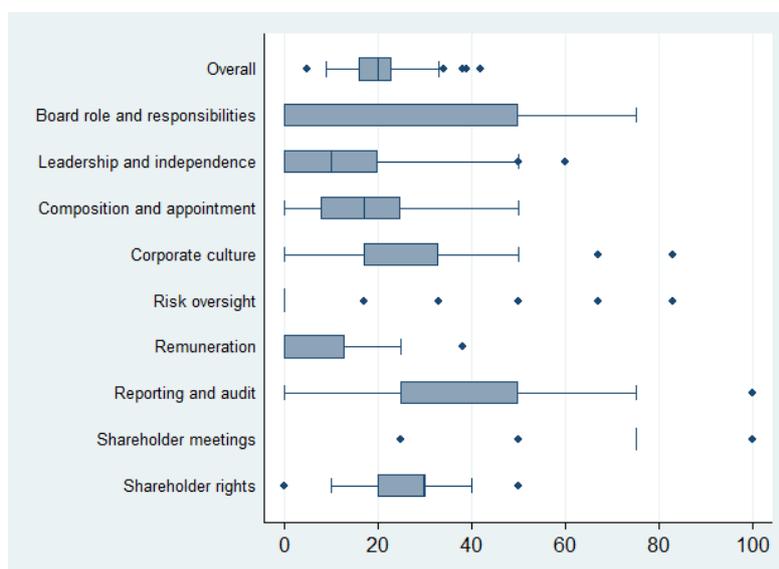
J-Sox Act. Regarding “Remuneration,” Japanese companies tend to score low, partly because of high disclosure requests on remuneration, and its global policies such as “Say on Pay”⁶ in the UK and the US. However, seeing the relatively low subscores in the domestic standard, most Japanese companies disclose remuneration at the minimum legal requirement.

Figure 7. Descriptive statistics for the global overall scores and subscores.

Global	# of evaluation items	Mean	Standard deviation	Min	Max
Overall	32	21.0	7.1	5	42
Board role and responsibilities	2	21.5	25.7	0	75
Leadership and independence	5	12.7	14.8	0	60
Composition and appointment	6	18.2	11.4	0	50
Corporate culture	3	20.3	15.9	0	83
Risk oversight	3	7.0	16.2	0	83
Remuneration	4	4.4	8.3	0	38
Reporting and audit	2	31.5	22.8	0	100
Shareholder meetings	2	78.5	12.3	25	100
Shareholder rights	5	27.4	9.7	0	50

Source: Nikko Research Center

Figure 8. Horizontal box plots of the global overall scores and subscores.



Source: Nikko Research Center

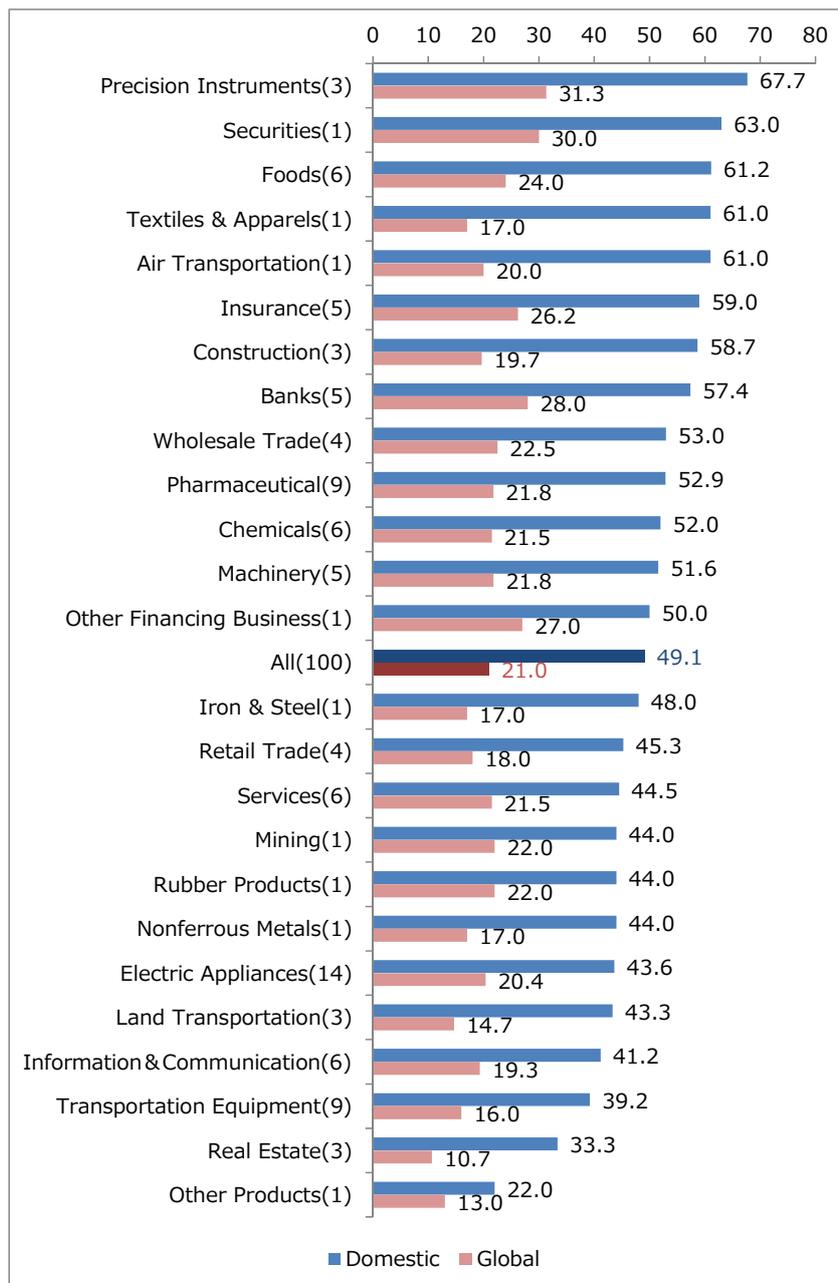
4.3 Overall scores by sector

When we see the average overall scores of 33 industrial sectors (Figure 9), “Precision Instruments,” “Securities and Commodities Futures,” “Foods,” “Banks,” and “Insurance” are in

⁶ A shareholder right to vote on the remuneration of executives at an AGM.

the top scores of both domestic and global standards. In contrast, “Real Estate,” “Other products,” “Transportation Equipment,” and “Land Transportation” are in the lower scores. “Textiles and Apparels” is in the fourth place in domestic scores while it is in the bottom of the list in global scores. Generally speaking, the levels of corporate governance differ according to sector.

Figure 9. Sector average overall scores sorted by domestic scores.



※The sample sizes are noted in parentheses.

Source: Nikko Research Center

5. Financial Characteristics of GR Scores

In this chapter, using both, domestic and global scores, we examine the financial characteristics of the GR Scores, with the help of financial indicators as of 2016. We use the companies scored, except the financials, and check the statistical significance of a difference between the top and the bottom quantiles in terms of the GR Scores. We adopted ROA and ROE as profitability and efficiency indicators, and Tobin's q and Price book-value ratio (PBR) as firm value indicators⁷. We get financial data from Nikkei NEEDS-Cges data.

Figure 10 shows the results of the t-test for mean difference of each financial characteristic. First, regarding ROA, while the top quantile of domestic scores is 3.78% on average, the lowest quantile is 2.98%. However, the difference between them is not statistically significant. The top quantile of global scores is 0.79% on average, which is worse than the average of the lowest quantile, 3.22%. There is also no significance of the difference. ROE has the same results as ROA. Moreover, neither Tobin's q nor PBR has significant mean difference.

Figure 10. The results of the T-test for financial performance.

	Domestic			Global		
	Q1	Q4	Q1-Q4	Q1	Q4	Q1-Q4
ROA	3.78	2.98	0.80	0.79	3.22	-2.43
ROE	4.18	3.28	0.90	0.49	3.14	-2.65
Tobin's q	0.31	0.39	-0.07	0.20	0.37	-0.17
PBR	0.52	0.50	0.02	0.39	0.48	-0.09

*, **, *** indicate significant at the 10%, 5%, 1% levels respectively. All the variables are industry-adjusted measured.

Source: Nikko Research Center

Next, we test the existence of a major shareholder (a dummy variable; Yes =1, No=0)⁸ and cross the shareholding ratio⁹ as indicators related with the ownership structures of companies.

Figure 11 shows the results of the t-tests. There is a statistically significant of mean difference between the highest score quantile of domestic scores, that is 0.09, and the lowest score quantile, that is 0.33. However, there is no significance in the global scores. Therefore, a company with a low domestic score is highly likely to be controlled, such as a publicly listed subsidiary company.

Regarding cross shareholding ratio, while we found no statistically significant differences in the domestic scores, the mean difference between the highest global score quantile, that is 4%, and the lowest global score quantile, that is 10%, is statistically significant. Therefore, a

⁷ All indicators are industry adjusted.

⁸ Major means more than 15%.

⁹ Calculated by NLI Research Institute.

company with a low global score could have a high cross shareholding ratio.

Figure 11. The results of T-test for the ownership structures.

	Domestic			Global		
	Q1	Q4	Q1-Q4	Q1	Q4	Q1-Q4
Major shareholders	0.09	0.33	-0.25 **	0.17	0.19	-0.02
Cross shareholding ratio	0.06	0.08	-0.02	0.04	0.10	-0.06 ***

*, **, *** indicate significant at the 10%, 5%, 1% levels respectively.

Source: Nikko Research Center

6. Conclusion

We developed the GR Scores to measure the strength of corporate governance in Japanese companies. We scored the top market-cap 100 companies following the methodology of the GR Scores, which is introduced above. As a result, domestic scores have a certain dispersion while global scores are concentrated at a low level. Moreover, we examine the subscores by theme and the overall scores by industrial sector. Finally, we see the financial characteristics of the GR Scores.

Scoring GR Scores require not only quantitative but also qualitative judgment. Therefore, our raters have spent a certain amount of time to look closely at the narrative expressions in the disclosure materials. We found each company's real intentions embedded between the lines in their corporate governance reports, which mostly seemed like they were all written using the same template, at first glance. This qualitative analysis makes our GR Scores unique.

The GR report of each company is an individual detailed report covering all evaluation items. This individual report is useful for institutional investors to find points to focus on, in governance engagements. It is also helpful for companies to know their governance weaknesses; and to identify the governance items that are far from the best practices that investors demand. The report against the global standard will especially put Japanese companies on the same page as its overseas investors, for constructive dialog.

The GR Scores will be updated annually to capture time series variations. As the ICGN Governance Principle has been revised in 2017, we added new evaluation items in the global standard (36 items in total), as well as reviewed evaluation levels on existent items. Currently, we work for the GR Scores 2018, with new standards as of December 31, 2017. The GR Scores 2018 will be released shortly.

For more information on the GR Scores and the GR Reports, do reach out to the Institute of Social System Research, Nikko Research Center, Inc.

Appendix (A) The GR Score's evaluation items

No	Themes	Evaluation items	Domestic	Global
1	Board role and responsibilities	The role and responsibilities of the board	○	○
2		Multiple directorships	○	○
3		Voting results	○	
4		Shareholder engagement: opponents	○	
5		Shareholder engagement: policies	○	
6		Shareholder engagement: agendas	○	
7	Leadership and independence	Board independence	○	○
8		Lead independent director	○	○
9		Effectiveness of the board	○	○
10		Criteria for independence	○	○
11		Regular meetings consisting solely of independent directors	○	○
12		The role and responsibilities of independent directors	○	
13		Committees or advisory committees	○	
14	Composition and appointment	Board composition	○	○
15		Board diversity	○	○
16		Director tenure		○
17		Directors nomination process	○	○
18		Board evaluations	○	○
19		Nomination committee	○	○
20		CEO succession planning	○	
21	Corporate culture	Bribery and corruption		○
22		Whistleblowing	○	○
23		Code of conduct	○	○
24	Risk oversight	Proactive oversight		○
25		Risk culture		○
26		Risk committee		○
27	Remuneration	Alignment with performance	○	○
28		Business results and potential risks	○	○
29		Remuneration of NEDs		○
30		Remuneration committee	○	○
31	Reporting and audit	Non-financial information	○	○
32		Audit committee		○
33	Shareholder meetings	Proxy statement	○	○
34		Voting procedures	○	○
35	Shareholder rights	Equality and redress	○	○
36		Anti-takeover defense	○	○
37		Equity capital	○	○
38		Conflict of interests		○
39		Related party transactions	○	○
40		Cross-shareholdings	○	

Source: Nikko Research Center

Appendix (B) Japan's 100 companies

Securities code	Company Name	Securities code	Company Name
1605	INPEX	6954	FANUC
1878	DAITO TRUST CONSTRUCTION	6971	KYOCERA
1925	DAIWA HOUSE INDUSTRY	6981	MURATA MFG.
1928	SEKISUI HOUSE	6988	NITTO DENKO
2269	MEIJI HOLDINGS	7011	MITSUBISHI HEAVY INDUSTRIES
2502	ASAHI GROUP HOLDINGS	7181	JAPAN POST INSURANCE
2503	KIRIN HOLDINGS	7182	JAPAN POST BANK
2587	SUNTORY BEVERAGE & FOOD	7201	NISSAN MOTOR
2802	AJINOMOTO	7203	TOYOTA MOTOR
2914	JAPAN TABACCO	7259	AISIN SEIKI
3382	SEVEN & I HOLDINGS	7267	HONDA MOTOR
3402	TORAY INDUSTRIES	7269	SUZUKI MOTOR
3407	ASAHI KASEI	7270	SUBARU
4063	SHIN-ETSU CHEMICAL	7309	SHIMANO
4324	DENTSU	7733	OLYMPUS
4452	KAO	7741	HOYA
4502	TAKEDA PHARMACEUTICAL	7751	CANON
4503	ASTELLAS PHARMA	7974	NINTENDO
4507	SHIONOGI	8001	ITOCU
4508	MITSUBISHI TANABE PHARMA	8031	MITSUI
4519	CHUGAI PHARMACEUTICAL	8035	TOKYO ELECTRON
4523	EISAI	8053	SUMITOMO
4528	ONO PHARMACEUTICAL	8058	MITSUBISHI
4543	TERUMO	8113	UNI.CHARM
4568	DAIICHI SANKYO	8267	AEON
4578	OTSUKA HOLDINGS	8306	MITSUBISHI UFJ FINANCIAL
4661	ORIENTAL LAND	8309	SUMITOMO MITSUI TRUST HOLDINGS
4689	YAHOO JAPAN	8316	SUMITOMO MITSUI FINANCIAL GROUP
4755	RAKUTEN	8411	MIZUHO FINANCIAL GROUP
4901	FUJIFILM HOLDINGS	8591	ORIX
5108	BRIDGESTONE	8604	NOMURA HOLDINGS
5401	NIPPON STEEL & SUMITOMO METAL	8630	SOMPO HOLDINGS
5802	SUMITOMO ELECTRIC INDUSTRIES	8725	MS&AD INSURANCE GROUP HOLDINGS
6098	RECRUIT HOLDINGS	8750	DAI-ICHI LIFE HOLDINGS
6178	JAPAN POST HOLDINGS	8766	TOKIO MARINE HOLDINGS
6201	TOYOTA INDUSTRIES	8801	MITSUI FUDOSAN
6273	SMC	8802	MITSUBISHI ESTATE
6301	KOMATSU	8830	SUMITOMO REALTY & DEVELOPMENT
6326	KUBOTA	9020	EAST JAPAN RAILWAY
6367	DAIKIN INDUSTRIES	9021	WEST JAPAN RAILWAY
6501	HITACHI	9022	CENTRAL JAPAN RAILWAY
6502	TOSHIBA	9201	JAPAN AIRLINES
6503	MITSUBISHI ELECTRIC	9432	NIPPON TELEGRAPH & TELEPHONE
6594	NIDEC CORPORATION	9433	KDDI
6723	RENESAS ELECTRONICS	9437	NTT DOCOMO
6752	PANASONIC	9613	NTT DATA
6758	SONY	9735	SECOM
6861	KEYENCE	9843	NITORI HOLDINGS
6869	SYSMEX	9983	FAST RETAILING
6902	DENSO	9984	SOFTBANK GROUP CORP.

Source: Nikko Research Center

End of Report