

Summary of Public Comments and Responses From TSE Regarding "Revisions to Listing Rules in Relation to the Intensive Policy for Gender Equality and the Empowerment of Women 2023 and the Desired Investment Unit Level"

Tokyo Stock Exchange, Inc. (TSE) released an outline titled "Revisions to Listing Rules in Relation to the Intensive Policy for Gender Equality and the Empowerment of Women 2023 and the Desired Investment Unit Level" on July 28, 2023, sought feedback from the public until August 27, 2023, and received comments from three parties.

The following is a summary of the comments received and the responses from TSE:

No.	Comment Summary	TSE Response
1	<ul style="list-style-type: none"> <li>- More than 80% of Prime Market-listed companies have already appointed at least one female executive. As far as achieving a ratio of at least 30% female executives, we believe that this target is not unachievable for Japan, considering the fact that other countries have implemented a 40% quota for female executives and the average ratio of female executives in OECD countries is close to 30%. These trends indicate movement in the right direction towards women's empowerment and economic growth, and we support TSE in revising its listing rules.</li> </ul>	<ul style="list-style-type: none"> <li>- To ensure the effectiveness of the board of directors, TSE has been promoting a well-balanced board in terms of knowledge, experience, and skills, as well as diversity (including gender) through our Corporate Governance Code and other measures.</li> <li>- The Japanese government has set numerical targets for the ratio of female executives at Prime Market-listed companies in its "Intensive Policy for Gender Equality and the Empowerment of Women 2023." This is due to the growing number of investors at home and abroad tending to consider the ratio of female executives when making investment decisions. Based on this,</li> </ul>
2	<ul style="list-style-type: none"> <li>- Corporate executives should be appointed based on their experience and skills, not on race, creed, gender, etc., and we oppose TSE setting numerical targets for female executives.</li> <li>- Even if numerical targets for female executives are set, given the fact that the current ratio of women in managerial positions in Japan is 13.2%*, and employees usually advance their careers in the order of general employee, manager, then</li> </ul>	

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	<p>executive, the targets should be set for longer terms such as at least 30% female managers by 2030 and at least 30% female executives by 2050.</p> <p>*Source: "Databook of International Labor Statistics 2023," Japan Institute for Labor Policy and Training</p> <ul style="list-style-type: none"> <li>- If numerical targets for female executives are set as proposed, we request that each company be given autonomy in terms of compliance and progress, and that none of them be treated unfavorably because of measures taken by TSE, including continued listing criteria and the Corporate Governance Code.</li> </ul>	<p>TSE will revise its listing rules.</p> <ul style="list-style-type: none"> <li>- The numerical targets are prescribed as "Matters Desired to be Observed" in the Code of Corporate Conduct. If a company does not comply, although we do not expect it to be treated unfavorably, it will be requested to proactively make efforts to comply.</li> </ul>
3	<ul style="list-style-type: none"> <li>- The definition of "executives" may include, in addition to statutory executives, <i>shikkōyaku</i> (as defined by the Companies Act for Companies with Three Committees) as well as <i>shikkōyakuin</i> (executives in charge of business administration) and other equivalent officers as defined by each company. TSE should develop an infrastructure so that the appointment status of "female executives" including "<i>shikkōyakuin</i> and other equivalent officers" disclosed by each company can be easily checked by investors and others. Revising the format of the "Corporate Governance Report" and adding a search item to the "Corporate Governance Information Search" on the JPX website are possible solutions.</li> </ul>	<ul style="list-style-type: none"> <li>- The Cabinet Office is expected to continuously follow up regarding the appointment of female executives, including <i>shikkōyakuin</i> and other equivalent officers. TSE will cooperate with surveys, etc.</li> </ul>
4	<ul style="list-style-type: none"> <li>- If <i>shikkōyakuin</i> and other equivalent officers are included in calculating the ratio of female executives, is it necessary to include them in both the numerator and denominator? The method used for calculation should be clarified.</li> </ul>	<ul style="list-style-type: none"> <li>- We assume each company takes into consideration its current situation and plans for action when it determines whether</li> </ul>

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		<p><i>shikkōyakuin</i> and other equivalent officers are to be included when calculating the ratio. If they are included, it should be appropriate to include them in both the numerator and the denominator.</p>
5	<p>- Listed companies will have to have appoint a good balance of female executives. This includes not only independent outside directors and independent outside auditors, but also internal directors and executive officers who are involved in corporate management. To achieve this, it is necessary to increase the ratio of female managers who will be female directors and corporate auditors, and TSE should encourage listed companies to work on these measures.</p>	<p>- As you pointed out, to increase the ratio of female directors, it is also considered important to promote the establishment of an internal pipeline that includes increasing the ratio of female managers. Therefore, these revisions recommend that each company come up with an effective action plan.</p> <p>- TSE will also continue to be transparent about the progress of the Corporate Governance Code, which promotes diversity in core human resources, including the promotion of women to managerial positions.</p>

Submitters: 1,3, and 5 are from Japan Corporate Governance Network, and others are from individuals.