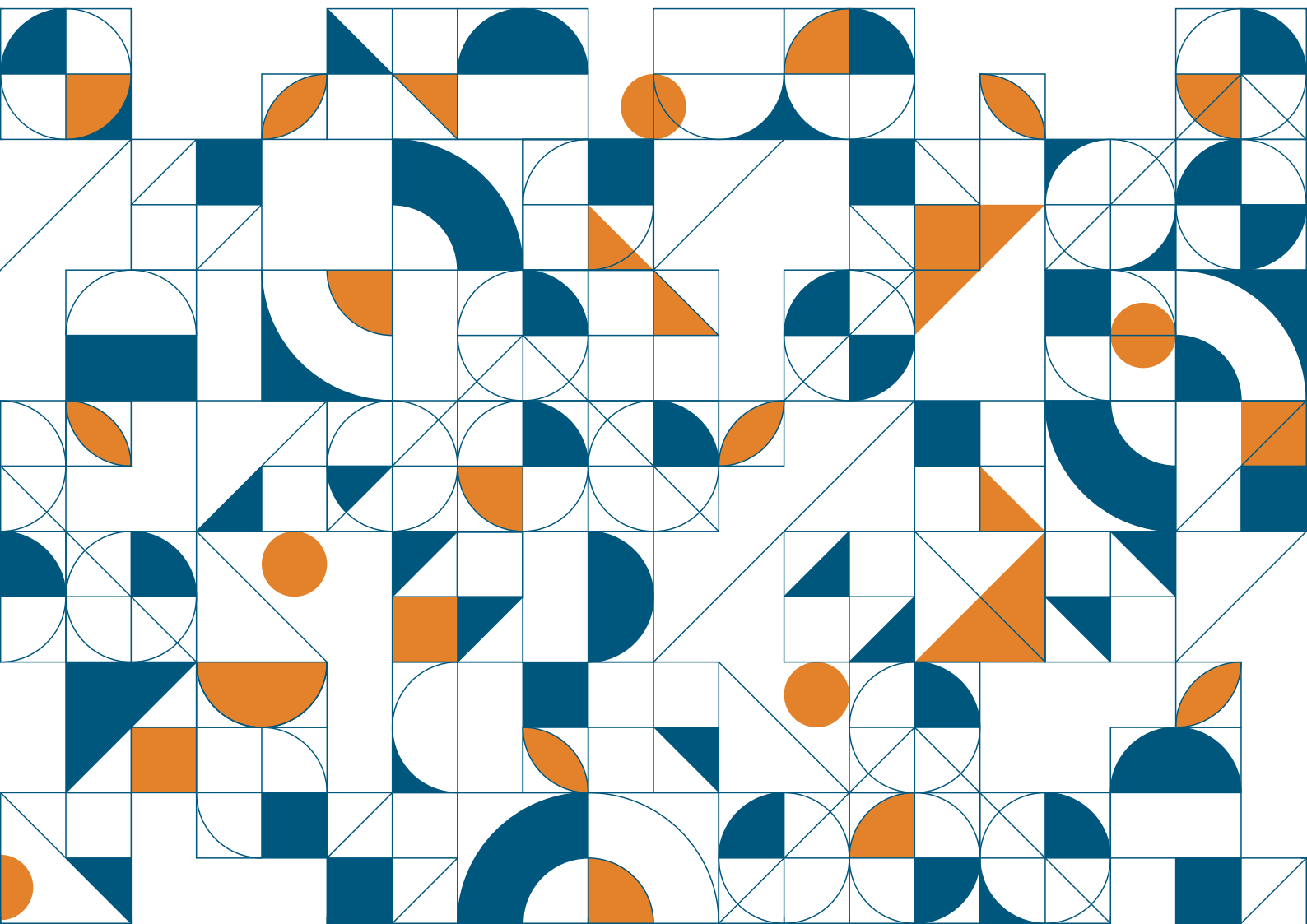


30% Club Japan Investor Group

ANNUAL REPORT 2020/21



CONTENTS

1	About 30% Club Japan	2
	30% Club overview	
	30% Club features	
	Establishment of 30% Club Japan	
	30% Club Japan's goals and current achievements	
	Major activities and the role of the Investor Group	
2	About 30% Club Japan Investor Group	3
	Overview	
	Goals	
	Strategies and major activities for improving of gender diversity	
	Constructive dialogue - Engagement	
3	Investor Group Activity Report	6
	Collect and share engagement best practices	
	Create Thought Leadership report and white paper	
	Raise awareness	
	Acquire new members	
	INTERVIEW	12
	Ms. Yoko Ishikura/Ms. Junko Okawa	
4	Future Plans	16
	APPENDIX	
	Current status of diversity in Japanese companies	
	History of gender equality in Japan	
	Data on the current state of diversity in Japanese companies	

Introduction

This report describes the activities of the 30% Club Japan Investor Group during the first year since its establishment. The Investor Group, which is comprised of institutional investors, is one of 30% Club Japan's working groups and has been active since 30% Club Japan's official launch on May 1st, 2019. The number of current members has increased to 24 (as of the end of September 2020), and we have grown into an organization with significant influence. Members of the Investor Group believe that the structure of corporate boards and the leadership team of investee companies is important for sustainable growth of corporate value, and also that leadership teams with diversified views and perspectives can make better decision. We expect that Japanese companies will be able to enhance their potential for sustainable growth of corporate value by focusing first on gender diversity. In this report, we present the Investor Group's activities over the past year, with particular focus on the "Best practices of engagement activities". In addition, interviews with female directors are also included. In these interviews, the relationship between gender diversity and corporate value is discussed from the perspective of female directors.

We hope that institutional investors will be able to use the best practices described in this report for their day-to-day engagement.



1

About 30% Club Japan

30% Club overview

The 30% Club was founded in 2010 in the United Kingdom and is a global campaign to increase the proportion of female directors on corporate boards and other key decision-making bodies in order to achieve sustainable growth of corporate value. Only the top executives of companies that agree with the purpose of the 30% Club (presidents, chairmen and board chairmen) can be members. It is now extended to 15 countries, and the number is increasing every year.

The 30% Club takes its name from the principle that 30% is the minimum number of people, or “critical mass”, required to influence decision making,

30% Club features

The 30% Club chapters have made a significant contribution to increasing the percentage of female executives in the countries in which they operate, and the success factor is the “integrated approach”. It aims to achieve gender equality more effectively and efficiently through an integrated approach, in which the various sectors with a common objective that are critical to achieving gender equality work together in a mutually reinforced manner. In addition to corporates, the 30% Club works with financial institutions (especially institutional investors), media, universities, governments, professional services firms (consulting firms, law firms, etc.) and executive search firms.

30% Establishment of Club Japan

In Japan, Ms. Michiko Tadamatsu of Deloitte Tohmatsu Consulting LLC founded the Japan Chapter, which officially began its activities as 30% Club Japan on May 1st, 2019. In July of the same year, Mr. Masahiko Uotani (President and CEO, Shiseido Co., Ltd.) became the first chair. The number of members increased from 30, as of its launch, to 58 as of the end of September 2020.

*For the member list, please refer to the 30% Club Japan web page.

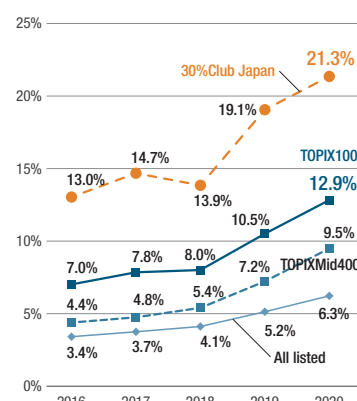
Goals and achievements of 30% Club Japan

- Percentage of female directors at the TOPIX top 100 companies to be **30%** by 2030
**“Directors” refers to board directors and auditors.
- Percentage of female directors at TOPIX 100 as of the end of July 2020: **12.9%** (2.4% increase over the previous year)
*Chart 1 Reference
- Companies without female directors, **8 companies** (-7 over the previous year)

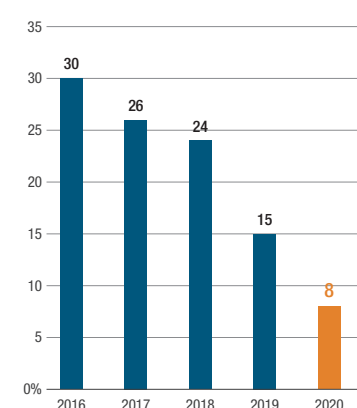
Main activities and the position of the Investor Group

The 30% Club Japan implements its initiatives through the “working group”. Four working groups are currently active: the TOPIX Presidents’ Association, the Investor Group, the Media Group, and the University Working Group. The Investor Group is particularly influential and has been active in many 30% Club countries.

1. Percentage of Female Directors (2016–2020)



2. Number of companies without Female Directors: (2016–2020)



2

30% Club Japan Investor Group

Investor Group overview

The Investor Group is a working group of institutional investors. The Investor Group aims to maximize shareholders’ value by enhancing the medium- to long-term corporate value of its investee companies through the improvement of gender diversity.

Institutional investors who participate in the Investor Group promote stewardship activities based on the belief that improving diversity will contribute to sustainable growth of corporate value.

Members agree to the Statement of Intent and shall be expected to take any action, in its sole discretion, in accordance with its own policies and procedures, including those relating to confidentiality obligations and antitrust laws.

Goal of the Investor Group

As well as 30% Club Japan, the Investor Group started with the goal of increasing the percentage of female directors at the TOPIX top 100 companies to 10% by 2020 and 30% by 2030. *We are currently discussing about the direction of our new goal.

Strategy and main activity of improving gender diversity

As the Investor Group, in order to improve gender diversity of Japanese companies, it is important to first recognize that gender issues exist, and then to discuss about solutions through constructive dialogue (engagement). Depending on the situation in the future, we may consider to disclosing the percentage of female directors promoted internally, female executive officers, or female new graduates/mid-career employees, or setting the target levels of each KPIs.

In addition, the Investor Group will contribute to the improvement of gender diversity in companies sending message about the importance of gender diversity publicly, through the publication of the Thought Leadership Report or white papers, and any awareness opportunities at presentations or events.

The main activities of the Investor Group are as follows:

- Collect and share engagement best practices
- Create Thought Leadership report and white paper
- Raise awareness
- Acquire new members

Investor Group Principles – constructive dialogue and engagement

Role of Institutional Investors

In the investment chain, investee companies and institutional investors share common goals: achieving sustainable growth of corporate value and long-term investment performance, which are based on a win-win relationship. Based on such relationship and mutual trust, we believe that one of the important roles of institutional investors is to engage in constructive dialogue and to discuss various measures in order to realize sustainable growth of corporate value through the improvement of gender diversity.

Principles of Engagement

The principles, which describe the Investor Group's basic concept of engagement are as follows. [Click here for full text](#)

- The Investor Group aims for 30% female representation on boards of directors and in executive management as critical mass to influence decision making and expand sustainable corporate value. However, Japan is experiencing a severe shortage of talented human resources with business-level experience, and we recognize that the state of each company and industry is different. Therefore, it is important that companies first recognize the advantages of diversity, and that senior management in each organization consider the appropriate level of diversity pragmatically for their company.
- To investee companies that do not demonstrate diversity, each institutional investor may deepen the discussion with investee companies through its individual engagement opportunities based on such investor's policy or framework.
- Members of the Investor Group will share engagement issues and discuss about solutions with investee companies through engagement activities, and explain the importance of gender diversity.
- The Investor Group will endeavor to make each company's engagement more advanced by sharing and discussing ideas, engagement results and know-how regarding the appropriate level of diversity, to the extent allowed by law.
- Public institutions are to engage the activities within the restrictions on laws and regulations.



3

Activity of the Investor Group

1) Collect and share engagement best practices

The Investor Group aims to fill the gap between the current situation and the goal through constructive dialogue with investee companies. By introducing best practices of engagements with companies, we hope that both institutional investors and companies can realize better dialogue and sustainable growth of corporate values. We also set multiple milestones for sharing engagement examples and manage the progress of each engagement case. Through these activities, each member company aims to accumulate know-how in diversity-related engagement, and contribute to solving diversity issues at various stages, as well as achieving sustainable growth of corporate value.

We also invited Professor Tetsuo Kitagawa (Emeritus Professor of Aoyama Gakuin University; Research Professor at Graduate School of Management, Tokyo Metropolitan University), to set up a study session. Also, we met female independent directors of the Japanese Institute of Certified Public Accountants, in order to exchange views and to deepen understanding of the importance of board diversity.

The Investor Group has gathered dozens of diversity related engagement examples. These were all very instructive, and we would like to introduce five of them on this report. We chose those five cases which achieved improvement in diversity through engagement over a certain period and gave us new perspectives worth sharing broadly among institutional investors.

Five engagement examples selected as best practices include the following characteristics:

Discussed gender diversity on consecutive engagement opportunities

Encouraged pipeline development to expand female managers at companies

Confirmed company-wide positive impact through diversity improvement

Strong commitment to diversity improvement by top management

Engagement Case Study

Steel Company A

Awareness of issues by asset management companies

Company A is a group holding company in the steel industry that is included in TOPIX Mid 400. Company A has been actively engaged in dialogue with investors and disclosure of non-financial information. The top management has committed to promoting gender diversity including support for women's career development and to making firm-wide efforts. In particular, in the steel industry, where the ratio of female employees is lower than that of other industries and the business environment is rapidly changing, Company A has positioned the promotion of diversity to maximize the potential of its employees as an important management issue, and it has listed diverse hiring as a key measure in its mid-term management plan. As a result, Company A achieved the goal of promoting women to managerial positions one year ahead of schedule.

On the other hand, at the general meeting of shareholders held previous year (June 2019), a female audit & supervisory board member was appointed for the first time in the company's history, but the board did not include any female directors. Therefore, from the perspective of enhancing corporate value, constructive dialogue was held with the aim of realizing a more diverse board of directors and management team.

Content of dialogue and comments from the company

A dialogue with the Senior Vice President of Company A was conducted on the diversity of the board and its support for women's careers at a regular ESG engagement meeting.

At last year's general meeting of shareholders, a woman with a wealth of experience and knowledge in finance and accounting who had served as an executive officer of a group operating company was appointed as an audit and supervisory board member of Company A, which improved the diversity of the board. Although no women directors were included in its board at the time of the dialogue, Company A explained that it would positively consider the appointment of a woman director, as it is increasingly encouraged to do so by investors from the perspective of improving diversity in management in addition to the appointment and remuneration of board members.

A dialogue was also held on the progress of Company A's efforts to support women's careers. Company A has achieved an early increase in the number of women in managerial positions by actively hiring female employees, including at manufacturing sites, and enhancing childcare and nursing support systems that far exceed statutory requirements, such as the opening of nursery schools in the office; and the implementing training and educational activities through the establishment of the Diversity Promotion Section at each group operating company. Company A also said that the improvement of heavy physical work from the viewpoint of women is also beneficial for senior male employees. The asset management company advised that the company should be highly evaluated for its initiatives on various measures to promote women's career advancement that will serve as a model for other companies and that it would continue its efforts in the future.

Results and the Future

The first female outside director was elected at Company A's shareholders meeting held in June 2020. The newly appointed female outside director has experience as an outside audit and supervisory board member or outside director at other companies, and possesses a high level of expertise, abundant experience, and deep insight in a wide range of fields in employment and labor, including promotion of women's career advancement and talent management. As a member of the nomination committee, she is expected to further enhance the diversity of its board and promote the career advancement of women at Company A.

Service Company B

Awareness of issues by asset management companies

Company B is a large service company included in TOPIX Core 30. It has created a corporate culture in which employees are hired based on their abilities regardless of gender and is highly focused on human resource development and employing various working styles. Despite its female president in the past, the Company has not recently appointed any women to the Board of Directors. An asset management company engaged with the Company B and advised that it would be useful to promote board diversity to further increase in its corporate value, to increase the ratio of female managers, who become candidates for female directors and to enhance information disclosure, including publication of information such as positioning of gender diversity in ESG.

Content of dialogue and comments from the company

A dialogue was held with the CFO, executive officers, and IR of Company B on company-wide gender diversity initiatives as well as those at the Board of Directors. We (the interviewing investment management company) explained our aforementioned perception and confirmed the top management's policies and initiatives for board diversity. Company B responded that it had committed to promoting a woman to the board of directors because it recognized the importance of deliberately promoting women as a part of strengthening board diversity, that it understood the need to raise the ratio of women in managerial positions in order to further develop diversity, and that it would aim to further promote and develop the pathway of female employees' careers.

Results and the Future

Company B elected one female director at its general meeting of shareholders in June 2020. In Japan, a delay in the development of female candidates for directors internally has become a problem, and outside directors are the mainstream for the appointment of female, but Company B has promoted female executive officers to internal directors. At the same time, the ratio of outside directors was also raised, significantly improving board diversity. Company B's approach to this issue is highly commendable.

On the other hand, in order to realize the further gender diversity that 30% Club Japan aims to achieve, it is necessary to continuously increase the number of female managers who are eligible for director candidates. The percentage of women in managerial positions at Company B stands relatively high at 40% for the Group as a whole and 25% in Japan, which is the driving force behind the promotion of women internally. Nevertheless, there is still a 10 point difference between percentage of female employees and that of managerial positions in Japan ((1) Group: 49.5% of employees, 40.2% of managers; (2) Domestic main: 46.3% of employees, 25.2% of managers). The company aims to equalize the ratio of male to female among employees with that of managerial positions. If its efforts to ensure the continuity and feasibility of initiatives, such as setting targets for the ratio of female in managerial positions and enhancing disclosure of numerical values and policies, are ensured as the next step, we believe that diversity will become even more useful as a means of raising corporate value, and we intend to continue dialogue with them.

Food Company C

Awareness of issues by asset management companies

Company C is a leading global food company included in the TOPIX Large 70 index. Since the early 2000s, the Company has been active in its efforts to prevent women employees from leaving the work-force, and has actively promoted diversity. While the results of such efforts are clear in the Company's reporting including the corporate website, the company had an all-male board at the time of dialogue.

A company's long-term growth is largely dependent on the decisions made by members of the board and senior management. Investors also believe that diverse perspectives and opinions are essential for good decision making as a group, and therefore our dialogue aimed to push the company to appoint women to the board.

Content of dialogue and comments from the company

In addition to noting that Company C's group company has appointed a woman director, the Company gave us a detailed explanation of issues and countermeasures already in place. The Company has set long-term goals to increase the number of women managers and is working to create an organizational culture that promotes women's development and performance. The Company also recently highlighted and further communicated both internally and externally the importance of "diversity" for its business.

We welcome the Company's efforts that focus on both career development (bottom up approach) and organizational culture reform (top down approach). Increasing the number of women managers will increase the pool of talented and diverse director candidates. Although it is not easy to measure organizational culture, we believe that a culture of diversity and inclusion is key to building a strong and innovative organization and being sensitive to the needs of both internal and external stakeholders.

Results and the Future

At the shareholders meeting in March 2020, two women candidates were elected to the board. Whilst the "one and done" approach to appointing women directors is not a problem unique to Japanese companies, Company C is a good example of a company that avoided such tokenism by appointing two women to its board from the outset.

30% Club Japan's expectation of 30% women representation is based on the understanding that a sub-group's degree of influence increases when the size of the sub-group reaches the critical mass threshold of 30%. Although the Company's appointment of two women is not sufficient in this regard, this is an important step towards a more diverse board given there is a significant difference in influence between one and two. We look forward to continuing the dialogue, with the expectation that further progress will be made, including the ongoing development of women leaders within the company who will become future board candidates.

Electric Appliances Company D

Awareness of issues by asset management companies

Company D is a leading Japanese electronics manufacturer, which is included in TOPIX Core 30. In the past, there has not been sufficient dialogue with investors, but current management is active in dialogue with investors as well as in disclosure of non-financial information. However, the efforts are still in progress regarding diversity, and no women are included in the board of directors or audit committees. The asset management company initiated dialogue, believing that discussions about a diverse board of directors would be helpful for further expansion of Company D's corporate value.

Content of dialogue and comments from the company

The dialogue was held with the president of Company D about the diversity of the board of directors. Although the company has not set specific targets, it is aware of the importance of the diversity in the board of directors, and it has not been possible to find an appropriate candidate until now. Company D has been trying to continue their efforts, and we have received a response from the president that Company D intends to make a proposal to the shareholders meeting as soon as the candidates are found.

We also discussed the advancement of female employees. Company D is in a situation where there is much room for improvement regarding the advancement of female employees, partly due to the difficulty caused by the electronics industry. According to the president, Company D is aware of the issues, has set targets for the ratio of the number of female employees and the number of female managers, and is working to create an environment in which women can work comfortably. In addition to these efforts, the asset management company requested that Company D push female employees' advancement through the introduction of career development programs for women, and expanding information disclosure such as KPIs.

Results and the Future

At the general shareholders' meeting held in June 2020, one female director and one female corporate auditor were appointed. Also, the diversity of the board of directors has greatly improved, with one foreign director appointed internally. We commend the company for its efforts.

However, out of the total 12 board members, only one is female, which is less than the target of 30% Club Japan. We believe that there is room for improvement to promote company-wide diversity and disclose non-financial information, and as an asset management company we would like to continue our talks to further expand corporate value while also supporting other improvements.

Information and Communications Company E

Awareness of issues by asset management companies

Company E is one of Japan's leading system integrators to be adopted in TOPIX Mid 400. Company E, which is developing its business globally with a vision of becoming a partner trusted by customers over the long term. The company strongly recognizes the importance of respecting diversity. From around 2006, top management began initiatives to recognize the importance of diversity, the need for ways of working and the utilization of diverse human resources, including work-life balance. This is because Company E believes that it is important to cultivate, stimulate, and further grow creativity that can be accepted globally by respecting diversity in order to combine all kinds of IT-related services and provide the best services for customers on a global basis. In addition, Company E recognizes that the ratio of female managers in Japan is lower than that of overseas offices. Amid these circumstances, the company has always been aware of the need to make greater use of women and has created various systems to support women as a company. In addition to the importance of further communicating a clear message to the outside world in the future, the management of the company held a dialogue based on the belief that it would be useful to have discussions by a diverse board of directors from a top-down perspective and to play a role centered on directors,

Content of dialogue and comments from the company

A dialogue was held with the Vice President of Company E on board diversity. Although no specific targets have been set, the importance of board diversity has been recognized. In 2012, a female auditor (lawyer) was appointed for the first time. Opinions that differed from previous viewpoints were very meaningful, and this led to an increase in the number of female directors. Currently, Company E is a "Company with Supervisory Committee", with two female officers and one foreign national. Emphasizing the participation of women in executive officers, the number of female officers has increased annually to three.

We also discussed the activities of female employees. Company E is always aware of and promotes company-wide initiatives. The company is working on various KPIs from the perspective that it is essential to increase the number of female managers to increase the number of female executives, and to support the career planning, management and training of female employees to increase the number of female managers. As an asset management company, we have mentioned that it would be appreciated if such efforts and the disclosure of KPIs, etc., could be expanded.

Results and the Future

Company E recognizes that the IT industry has a low gender bias and can play an active role if it enhances its technical capabilities and expertise. Customers are less resistant to female engineers and are often treated fairly if their technical skills are high. Therefore, as a company, management considers and provides a system that enables women to develop their technical skills even during life events, so they can return to the company and develop their careers. Behind the establishment of such a cycle is the fact that the Human Resources Division is made up of a large number of people with experience in the field.

Therefore, opinions from the field are reflected in HR policies. Since this system has historically been based on a system in which employees are recruited from the workplace, it is clear that initiatives such as diversity have been spreading smoothly. Many people say that the reason why women have returned to E company and become more active is because of teamwork. Teamwork is one of the values of Company E, and it is necessary for team work to be

effective in business operations and system development. It has been made possible by the support of various people. In other words, the gathering of people who understand the importance of teamwork leads to recognition, promotion, enlightenment, and empathy for diversity. However, we believe that we are in the process of improving our disclosure of non-financial information, including the history that we have developed over a long period of time, and we would like to continue dialogue with investee companies.

2) Create Thought Leadership report and white paper

The Investor Group publishes Thought Leadership Reports and White Papers to communicate the importance of gender diversity at important decision-making bodies such as the Board of Directors. We also plan to develop a series of interviews with female board directors that were published in this report.

3) Raise awareness

Through the opportunities raising awareness noted below, the Investor Group has tried to communicate the importance of gender diversity. We would like to increase such opportunities to broaden awareness of gender diversity.

The following activities have been carried out in the past.

May 2019	Briefing session for media
November 2019	Participation in Global Compact Network Japan
March 2020	Interviews with the Investor Group members by the Nikkei ESG

4) Acquire new members

As of the end of September 2020, the number of members of the Investor Group, which was only four companies at the time of its establishment, has been increased to 24 asset managers and asset owners. See page 17 for members of the investor group.



INTERVIEW

As part of Thought Leadership sub-group activity of the 30% Club, Goldman Sachs Asset Management (GSAM) interviewed two female leaders about promoting diversity on the board of directors and within the entire company.

Diversity on the Boards of Directors

Yoko Ishikura

GSAM Ishikura-san, you started your career as a freelance interpreter and are now a Professor Emeritus at Hitotsubashi University. You have also served as an outside director at several companies. Could you speak about your career path so far?

Ishikura I still introduce myself as a “free agent” (laughs). This is why I do not have any title on my business card. I have repeatedly said that we are now in the age of individuals, and there is little meaning in titles such as “so-and-so at such-and-such company.” Probably because I have changed jobs so many times, I do not have a sense of belonging. The turning point in my career was visiting the U.S. when I was a college student. That experience expanded my world, and since then I have worked as a freelancer. Later, I went to business school and felt like getting involved in business. Around that time, companies had just started to hire outside directors, so the timing may have been key.

GSAM When you first became an external director, female directors were far more uncommon than today. What difficulties and issues did you face?

Ishikura I first served as an outside director at Avon Products, and then at the former Japan Post Corporation, Mitsui O.S.K. Lines, Fujitsu, and others. At that time, there was a trend to include female directors, and I did not feel uncomfortable about being the only woman on the board. Maybe I am not so concerned about whether directors are men or women. The reason why women’s participation is needed in the workplace is because companies must innovate, and innovation requires diverse ideas. In other words, one of the factors to generate many different ideas is gender. However, Japanese companies characteristically devote

themselves to the “How to” details, and consider hiring women to be the purpose in and of itself. When they look back and think about why women are needed in the workplace, they often cannot identify an answer. Women themselves also must not merely rehash what men have done; we need to think differently.

GSAM Could you tell us how you share your ideas and goals with directors at a board meeting in order to lead a company in the desired direction? Also, could you share with our readers any tips and the philosophy that you value as a leader? Moreover, why do you believe diversity on Boards of Directors is important?

Ishikura I value my uniqueness. For example, I make it known to the executives if their direction differs from global trends. Since the company’s internal matters are well understood by those inside, I give them input from a different perspective. In recent years, both men and women are required to have unique experience, assets, knowledge, and skills (on the Board of Directors). I think the oversight function is effective due to that diversity.

GSAM Regarding the need for diversity and unique opinions on the Board of Directors, what caused the genesis of that idea and what was the turning point?

Ishikura I would guess the most powerful factor must have been the investors. In some companies, investors requested independent directors, which led to changes in the composition of the board. There were also voluntary efforts by companies. The Abenomics reforms were backed with the intention to increase foreign investment, and some companies realized that they needed to improve and started making changes. I think Kathy Matsui of Goldman Sachs Securities also made a lot of effort in this area.



GSAM Do you have any advice for companies that are having difficulties in finding excellent female directors?

Ishikura When choosing a successor in a company, regardless of the position, female candidates should always be included. Many years ago when companies began effort to make the board diverse, I recall Kitashiro-san of IBM Japan always required that candidate list includes women. We need to have a mindset of always including, always searching for the best women candidates.

GSAM What kind of system or structure is desirable for companies to promote the exchange of diverse opinions regardless of race or gender?

Ishikura A human resources system where hiring and evaluation is based upon the type of job and output is especially important. In addition, the entire company must be determined to take time to hold discussions in a free and open-minded manner. This consequently requires the top management to listen to others’ opinions. It is the same as digital transformation, and it is difficult to do well from the start, so trial and error is important. Meanwhile, it is also important for employees to acquire skills and expertise so that they can do well anywhere as individuals.

“The reason why women’s participation is needed in the workplace is because companies must innovate, and innovation requires diverse ideas.”

Yoko Ishikura
Professor Emeritus, Hitotsubashi University

Professor Ishikura received a Master of Business Administration from the University of Virginia, Darden School of Business and a Doctor of Business Administration from Harvard Business School. She has served as a manager at McKinsey & Company Inc.; professor at the School of International Politics, Economics, and Business at Aoyama Gakuin University; professor at the Graduate School of International Corporate Strategy, Hitotsubashi University; and professor at the Graduate School of Media Design, Keio University. She currently serves as an outside director of Shiseido Company Limited, Sekisui Chemical, and TSI Holdings. She also serves as a strategic advisor to Avatrin and a trustee of the Nagamori Culture Foundation. Professor Ishikura is a member of the World Economic Forum’s Expert Network.

Building a Company Where Women Can Succeed

Junko Okawa

GSAM Okawa-san, you started your career as a cabin attendant and then became the first female representative director of Japan Airlines (JAL). Which of your skills and experience do you think were evaluated by the company? Also, what motivated you to rise to your current position?

Okawa I became a director of the company immediately after we experienced bankruptcy. At that time, the mission of management was to determine what needed to be reviewed and what reforms to pursue. I think a key factor in accomplishing this mission was frontline experience. People working on the frontline can offer clues or tips for solving problems and come up with new ideas that can only be gained through firsthand experience. Putting their feedback to use was vital for rebuilding JAL. Moreover, until then, the position of General Manager of the Cabin Attendants Division was assigned to male employees without any experience as a cabin attendant. The role expected of me was to conceive new concepts and ideas that could not be derived through conventional logic-based discussions and to ensure that JAL moved forward. I assumed the position with a strong sense of responsibility and commitment to this mission.

GSAM When you were faced with challenges in your career, how did you overcome them? Did the company support you in achieving work-life balance?

Okawa To balance work and family life, I built a supportive network of friends and family. As a cabin attendant, I worked irregular hours which involved staying overnight. Until my child turned one, I used the company's system of working shorter flight hours and chose flight patterns without an overnight stay. In the meantime, I prepared myself in my work and personal life to return to international flight duty. Although it was not a normal child-rearing environment, I was encouraged by my child's nursery school

principal, who said that each person can have his or her own style of childcare.

GSAM Could you tell us about JAL's programs to support female employees in developing their careers and acquiring skills?

Okawa The JAL D&I Lab (formerly known as JAL Nadeshiko Lab) is JAL Group's program to address diversity and inclusion across organizations through a bottom-up approach. In this program, one to two employees from each Group company voluntarily join the Lab to conduct research in groups on themes related to diversity for about nine months. In addition to research, they share their findings and suggestions with the entire JAL Group and deliver presentations at an annual convention to approximately 200 employees. The convention is attended by the directors including the President and Chairperson of the company.

GSAM How can women make their voices heard in the workplace? What do you think female employees should do to demonstrate their abilities more effectively? What part can you play in achieving this?

Okawa In this age of ambiguity and uncertainty, a sense of security through homogeneity is merely staying the same, which in fact means going backwards. A strong message from top management will drive diversity forward. I would like for us to understand different personality types and help every employee grow. During a flight, for example, ten cabin attendants each serve the passengers differently and their synergy effects determine whether overall cabin service is good or not. I would like to give them confidence that their individual diversity plays a significant part in our service.

GSAM In Japan, where the ratio of female directors is low, what do you think is needed in terms of awareness and environment for women to more easily become a director?

Okawa Nowadays, more women are managers



than ever before. Still, the number of women in department manager positions, one rank before promotion to an officer, is extremely low. This imbalance is reality. Therefore, we must think of a framework for nurturing female managers who are seen as candidates for department managers, officers, and top management. Awareness will be built in the process. I also feel that we need to rethink excessive consideration given to women workers by men, with the exception of special individual cases. Considerations such as "I don't think you can handle this" or "I don't want to trouble you with this" can stop women from getting ahead. Even if men do not say anything, women can sense their intentions and lose confidence, which in turn impedes diversity. I hope that both men and women speak frankly and openly.

GSAM How is board diversity changing in JAL management? What positive effects do you think diversity has had on board meetings?

Okawa The situation is not ideal yet, but the board members speak more freely than before. As a female director with only frontline experience, my ideas and opinions may have been

“We must think of a framework for nurturing female managers who are seen as candidates for department managers, officers, and top management. Awareness will be built in the process.”

considered unusual at first. But JAL was in a serious situation immediately after bankruptcy and management was forced to make difficult decisions. There were times I had to fight alone based on my firsthand experience. The directors eventually realized that the success of our measures lay in sensitivity or intuition to see situations as they are, and not in logical reasoning. This led to promoting diversity in the board.

GSAM Do you have any advice for other companies on how to develop female talent and increase the ratio of female managers and directors?

Okawa A bottom-up approach such as the JAL D&I Lab alone is not sufficient to get positive results. Top management must declare and demonstrate their commitment to diversity. It should not be left to directors who are enthusiastic about it, but instead understood by all directors that diversity is an integral part of management strategy. I feel that repeated messages on diversity by top management are necessary in internal communications.

Junko Okawa

Special Director, Japan Airlines Co., Ltd.

Junko Okawa joined Japan Airlines Co., Ltd. in 1977. After serving as a purser in the International Cabin Attendant Department, instructor in the Cabin Attendant Training Department, and other positions, she became head of the In-Flight Service Department in 2006. She assumed the post of head of the Cabin Service Planning Department in 2007 and introduced quantitative evaluation of services. In 2010, she became the Executive Officer and General Manager of the Cabin Attendant Division, the first woman and the first employee who was previously in a cabin attendant position to do so. After becoming Director, Senior Managing Executive Officer, and General Manager of the Cabin Attendant Division in 2013; Director and Senior Managing Executive Officer in charge of the Corporate Brand Promotion Department in 2014; Representative Director, Senior Managing Executive Officer, and General Manager of the Communications Division in 2016; and Vice Chairman in 2018; Okawa has served in her current position since April 2019.

4

Future Plans

The Investor Group will continue to gather and share best practices. Based on the best practices shared among member companies, we will hone our skills and establish discussion points of gender diversity, aiming to realize further efficient engagement. In addition, we would like to contribute to the improvement of gender diversity of Japanese companies by sharing those engagement best practices widely. We hope that the improvement of gender diversity will lead to sustainable growth of corporate value for Japanese companies in the future.

APPENDIX Current status of diversity in Japanese companies

History of gender equality in Japan

The improvement of the status of women is being realized through various efforts. The history of major laws and regulations on gender equality are as follows.

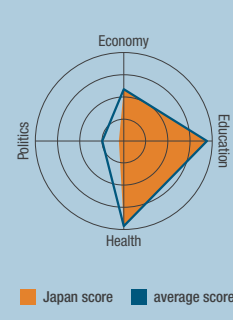
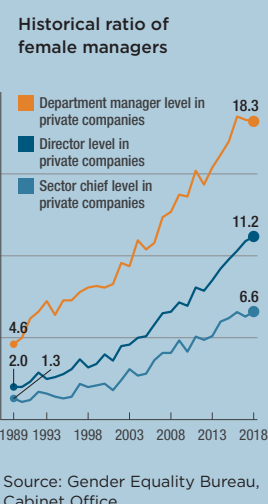
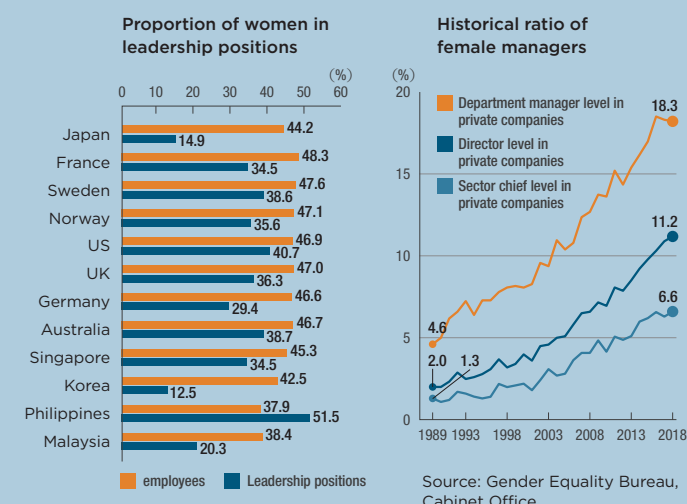
- 1946** — Gender equality specified in the Japanese Constitution
- 1975** — International Women's Year, Establishment of Headquarters for the Planning and Promotion of Policies Relating to Women
(Later Headquarters for the Promotion of Gender Equality)
- 1985** — Adopted Convention on the Elimination of All Forms of Discrimination against Women
- 1986** — Enforcement of the Equal Employment Opportunity Law
- 1992** — Enforcement of the Act on Child Care Leave
- 1994** — Establishment of Council for Gender Equality
- 1999** — Enforcement of Basic Act for Gender Equality
- 2003-05** — Enforcement of the Act on Advancement Measures to Support Raising the Promotion of Support for the Development of the Next-Generation Children
- 2007** — Enforcement of the revised Equal Employment Opportunity Law
- 2015** — Enforcement of the Act on Promotion of Women's Participation and Advancement at Work
- 2018** — Revised Corporate Governance Code - specified that companies should promote diversity of personnel, including the active participation of women

Data on the current status of diversity at Japanese companies

In Japanese companies, the proportion of women in leadership positions is gradually improving but is still at a low level, which is considered as a very serious issue.

In 2003 the government set a target of achieving women in leadership positions in all sectors of society to be at least 30% by 2020, but the current status falls largely short of the goal and the target was postponed. The fifth Basic Policy Plan for Gender Equality Promotion in July 2020 stated that during the 2020s, efforts will be made to achieve 30% as early as possible. Furthermore, taking 30% as a milestone, the percentage of women in leadership positions will exceed 30%, and by the 2030s, the goal is to create a society in which everyone can work regardless of gender, and in which there is no gender bias among those in leadership positions, according to the Cabinet Office.

According to the Global Gender Gap Report by the World Economic Forum, Japan was ranked 121st out of 153 countries in 2020. Although Japan is among developed countries, its ranking in the economic field is low at 115th in the report. This is due to the fact that women are lagging behind in senior leadership positions in the companies and that the average wage of women is lower than that of men.



Gender Gap Index 2020 Japan ranks 121st out of 153 countries

	2006 score	2020 score
Global Gender Gap Index	80 0.645	121 0.652
Economic participation and opportunity	83 0.545	115 0.598
Educational attainment	60 0.986	91 0.983
Health and survival	1 0.980	40 0.979
Political empowerment	83 0.067	144 0.049

Source: World Economic Forum

Message from 30% Club Japan Investor Group Best Practices Subgroup

This is the first Annual Report issued by the Investor Group. Each member of the Investor Group made a significant contribution to the collection of best practices, which is the main content of this report. In order to further improve engagement activities, we will strive to create Annual Reports that are useful to a variety of stakeholders, including listed companies and institutional investors.

Acknowledgements

This report was published thanks to the support from all the members of the Investor Group Best Practices Sub-Group, and companies involved in the engagement process. Also, I would like to express my gratitude to Ms. Ishikura, Ms. Okawa, and many others who contributed to this report.

In addition, I would like to express my deep gratitude to Kaoru Kobu of Invesco Asset Management and Kyoko Hara of Sumitomo Mitsui Trust Asset Management for leading all the projects around this report. I would like to express my sincere gratitude to all of you for your cooperation in publishing this report. We experienced several trial and error process; however, I hope this report will help you in your future activities.

Minoru Matsubara, Leader of Best Practices Subgroup, Resona Asset Management

Disclaimer: The English version is a translation of the original in Japanese and is for information purposes only. In case of a discrepancy, the Japanese original will prevail.

Investor Group members as of November 2020

- Asset Management One
- Invesco Asset Management
- Wellington Management Japan
- MU Investment Advisory
- Oasis Management Company
- Goldman Sachs Asset Management
- J.P. Morgan Asset Management
- State Street Global Advisors
- Dai-ichi Life Insurance
- Daiwa Asset Management
- Deutsche Asset Management
- Nikko Asset Management
- Nissay Asset Management
- Neuberger Berman
- The Bank of New York Mellon
- Government Pension Investment Fund (GPIF)
- Nomura Asset Management
- Hermes Investment Management
- Fidelity Investment Trust
- BlackRock Japan
- Sumitomo Mitsui DS Asset Management
- Sumitomo Mitsui Trust Asset Management
- Mitsubishi UFJ Trust and Banking Corporation
- Resona Asset Management
- Legal and General Investment Management Japan

Contact

30% Club Japan Website
<https://30percentclub.org/about/chapters/japan>

30% Club Japan Twitter Account
[@30percentclubJ1](https://twitter.com/30percentclubJ1)

Investor Group contact information

Report and Best Practices
minoru.b.matsubara@resona-am.co.jp
hara_kyoko@smtam.jp
kaoru.kobu@invesco.com

Other Investor Group related
Mayu.k.Nishimura@gs.com