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The effect of inside and outside female directors on firm performance: comparison of the First section, Second section, Mothers, and Jasdag in the Tokyo Stock Exchange Market

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board members—inside female directors and outside female directors. This paper is the first study to analyze the effect of female board members on firm performance in Japan by considering outside and inside female directors, based on cross-sectional data covering all companies listed in the four sections of the Tokyo Stock Exchange in 2015 ($N = 3432$). The number of companies in the First section, Second section, Mothers, and Japan Association of Securities Dealers Automated Quotation (Jasdaq) is 1985, 539, 172, and 736, respectively. The empirical analysis uses a two-step least squares method. The theoretical framework is based on the resource-dependence theory, human capital theory, and agency theory, following Carter et al. (Corporate Governance: An International Review 18(5):396–414, [2010](#)). After we carefully control for the endogeneity problem, we find that the ratio of female board members, female inside board members, and female outside board members all have positive effects on the return on equity (ROE) in the First section of the Tokyo Stock Exchange. We conducted a robustness check on

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economic sphere, at the “Meeting for an Exchange of Views with the Business Community”: “In order to achieve the government’s target of raising the proportion of leading roles filled by women to around 30% by 2020, I’d like to see all listed firms actively appointing women as executives and managers.”

4. On the matter of board of directors being made up of better officers, the Tokyo Stock Exchange has called for diversity in boards of directors by applying the Corporate Governance Code. The Corporate Governance Code consists of five core (“General”) principles, 30 items detailing these core principles, and 38 supplementary principles that clarify their meanings. Principle 2.4 in the Corporate Governance Code reveals about the attainment of diversity, including the active participation of women, and notes that participation by women contributes to the sustainable growth of a firm.

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Appendix

The effect of female directors on firm performance may vary according to industry. In particular, firms that sell women's consumer goods and services are more likely to have an influence on the performance of their women directors. As our data

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