

Message to Management of Listed Companies Regarding the Revised Corporate Governance Code

Provisional translation

Reference 2-1

Background

- ❑ The draft revisions to the Corporate Governance Code (the “Code”), published in April 2026, aims to encourage companies to prioritize substantive initiatives toward sustainable growth and value creation over the mid- to long-term.
- ❑ We ask company management to read and use the Code as a reference when considering and implementing a company’s governance initiatives. Please also note the following points upon implementation of the Code.

Points to Note

- The Code calls for appropriate corporate governance discipline to create an environment for promoting healthy entrepreneurship where management can perform their management skills to the full. This ultimately leads to a company’s **sustainable growth and increased corporate value over the mid- to long-term**, while **achieving “growth-oriented governance” and increasing the company’s “value creation capacity.”** Each Principle in the Code should not be viewed as a limit on the management. Rather, each Principle promotes the management’s decisive decision-making and risk-taking in business activities.
- The Code adopts a “comply or explain” approach (either comply with a Principle or explain the reasons for not doing so). In other words, the Code is not legally binding and assumes that if a company finds a specific Principle it considers inappropriate to comply with in view of its circumstances, the company may choose not to comply with that Principle, provided that the company explains fully why it does not comply. Furthermore, **regardless of whether a company complies or does not comply with a Principle, providing a carefully tailored explanation is essential for fostering constructive dialogue with investors.**
- Also, the draft revisions to Code emphasizes the importance of **establishing a supporting system for directors and *kansayaku* to enhance board functions, including the allocation of staff to a division supporting the board.**
- We ask company management to lead company initiatives. These include: (i) fully understanding these aims of the Code, (ii) fostering an understanding of the Code’s aims and spirit among the relevant personnel within the company, (iii) adjusting organizational setups to implement governance reforms, and (iv) further improving the corporate governance framework by referring to the Code.