

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 institutional investors who have accepted the Stewardship Code to note the following points when responding to the Code.

Points to Note

- The draft revisions aim to encourage companies to implement substantive initiatives in a manner consistent with the aims and spirit of each Principle to increase corporate value over the mid- to long-term, instead of formalistically responding to each Principle.
- The Code and the Stewardship Code are like “the two wheels of a cart,” and it is expected that they will work appropriately and together for achieving effective corporate governance. In light of this, **investors are expected to appropriately adhere to the principles of the Stewardship Code and fulfill their stewardship responsibilities.**
- While companies present their path for growth as a starting point, it is important for companies and investors to **engage in constructive dialogue based on a “trusting relationship with candid communication” to increase corporate value over the mid- to long-term.** It is necessary to note that an approach that undermines a trusting relationship will not support sustainable growth or increased corporate value over the mid- to long-term, ultimately benefiting neither companies nor investors. This applies to short-term, one-sided demands, and the dismissal of a company’s mid-to long-term path for growth simply because it does not align with a specific investment strategy.
- Investors should understand **the Code’s aim for the comply or explain approach** (either comply with a Principle or explain the reasons for not doing so) **and sufficiently consider the specific circumstances of companies. In particular, investors should constructively assess a company’s carefully tailored explanation.**
- In addition, given that the Code adopts a **principles-based approach**, it is not appropriate to interpret the Code as rules and pressure company actions by simply citing or referring to the language or statements of the Code without considering a company’s specific circumstances.
- The Financial Services Agency will **continue to follow up by monitoring whether dialogue between companies and investors is conducted in accordance with the Stewardship Code.**