

# Action Programme for Corporate Governance Reform 2025

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- ❑ In Japan, corporate governance reform has been progressing significantly. The Stewardship Code and the Corporate Governance Code were formulated in mid-2010s and have been revised to ensure sustainable corporate growth and increased corporate value over the mid- to long-term.
- ❑ Various initiatives for effectively implementing corporate governance reform have been taken based on the Action Programmes published in 2023 and 2024.
- ❑ The FSA remains committed to **promoting the effective implementation of corporate governance reform** by encouraging companies and investors to adopt self-motivated changes in their mindsets. At the same time, it is essential to create environments, including **reviewing Japan's Corporate Governance Code**, to promote dialogue based on "a relationship of cautious trust" that truly contributes to sustainable corporate growth and increased corporate value over the mid- to long-term.

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Issues	Measures taken to date	Future policy priorities
Value creation	<ul style="list-style-type: none"> <li>✓ Many companies have strived to enhance corporate value based on the request from the TSE.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Promoting investment by encouraging <b>appropriate allocation of available resources</b> (for example by examining the current allocation of resources, including cash).</li> <li>✓ Requiring additional disclosure, in the annual securities report, of <b>human capital management strategies</b> linked to each company's business strategy, <b>a policy on employee compensation</b>, and <b>the year-over-year rate of change in average employee compensation</b>.</li> </ul>
Quality disclosure and dialogue with investors	<ul style="list-style-type: none"> <li>✓ Revised the <u>Stewardship Code</u> with the aim of promoting collective/collaborative engagement, improving the transparency of beneficial shareholders and streamlining the Code.</li> <li>✓ Discussed the development of an environment for <u>disclosing the annual securities report before the AGM</u> and identified practical challenges involved.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Following up on disclosure of <b>the annual securities report before the AGM</b> and considering the preparation of the necessary regulatory environment.</li> <li>✓ Collaborating with relevant ministries to update the legal framework including the <b>full digitalisation of AGM materials</b>.</li> <li>✓ <b>Refining and potentially streamlining the disclosure items required by the annual securities report</b>.</li> </ul>
Board effectiveness	<ul style="list-style-type: none"> <li>✓ <u>Collected and shared good practices</u> including on dialogue between independent directors and investors as well as efforts by the <u>board secretariats</u> to stimulate board discussions.</li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>Establishing a consortium for companies and relevant stakeholders</b> to discuss the enhancement of the roles of independent outside directors and the board secretariats (corporate secretaries) and to share good practices.</li> </ul>

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<p>Market environment issues</p>	<ul style="list-style-type: none"> <li>✓ <u>Strengthened disclosure requirements on strategic shareholdings</u> in the annual securities report.</li> <li>✓ <u>Clarified the scope of “joint holders”</u> for promoting collective/collaborative engagement while preventing multiple institutional investors from circumventing the large shareholdings reporting rules.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Disseminating issues and good practices for disclosure regarding <b>strategic shareholdings</b>.</li> <li>✓ Considering <b>raising the level of administrative monetary</b> penalty for violating the large shareholding reporting rules.</li> <li>✓ Encouraging the consideration and disclosure regarding <b>parent-subsidiary listings</b> and <b>group management</b> as well as considering <b>updating listing rules to protect minority shareholders</b>.</li> </ul>
<p>Sustainability-conscious management</p>	<ul style="list-style-type: none"> <li>✓ Discussed <u>sustainability disclosure and assurance frameworks</u> to ensure international comparability.</li> <li>✓ <u>Collected and shared good practices</u> on gender and other types of diversity among directors and senior officers, as well as insights into corporate culture.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Discussing further on <b>sustainability disclosure and assurance frameworks</b>. Reviewing <b>the responsibility for false statements regarding the disclosure of non-financial information in the annual securities report</b> (to possibly set a safe harbour rule).</li> <li>✓ Disseminating Japan’s view on the <b>development of global standards with regard to sustainability disclosure</b> in the area of <b>human capital</b> and contributing to the discussions.</li> </ul>