

# 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

- ✓ Many companies have strived to enhance corporate value based on the request from the TSE.

- ✓ Promoting investment by encouraging **appropriate allocation of available resources** (for example by examining the current allocation of resources, including cash).
- ✓ Requiring additional disclosure, in the annual securities report, of **human capital management strategies** linked to each company's business strategy, **a policy on employee compensation**, and **the year-over-year rate of change in average employee compensation**.

### Quality disclosure and dialogue with investors

- ✓ Revised the Stewardship Code with the aim of promoting collective/collaborative engagement, improving the transparency of beneficial shareholders and streamlining the Code.
- ✓ Discussed the development of an environment for disclosing the annual securities report before the AGM and identified practical challenges involved.

- ✓ Following up on disclosure of **the annual securities report before the AGM** and considering the preparation of the necessary regulatory environment.
- ✓ Collaborating with relevant ministries to update the legal framework including the **full digitalisation of AGM materials**.
- ✓ **Refining and potentially streamlining the disclosure items required by the annual securities report**.

### Board effectiveness

- ✓ Collected and shared good practices including on dialogue between independent directors and investors as well as efforts by the board secretariats to stimulate board discussions.

- ✓ **Establishing a consortium for companies and relevant stakeholders** to discuss the enhancement of the roles of independent outside directors and the board secretariats (corporate secretaries) and to share good practices.

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### Market environment issues

- ✓ Strengthened disclosure requirements on strategic shareholdings in the annual securities report.
- ✓ Clarified the scope of “joint holders” for promoting collective/collaborative engagement while preventing multiple institutional investors from circumventing the large shareholdings reporting rules.

- ✓ Disseminating issues and good practices for disclosure regarding **strategic shareholdings**.
- ✓ Considering **raising the level of administrative monetary penalty** for violating the large shareholding reporting rules.
- ✓ Encouraging the consideration and disclosure regarding **parent-subsidiary listings** and **group management** as well as considering **updating listing rules to protect minority shareholders**.

### Sustainability-conscious management

- ✓ Discussed sustainability disclosure and assurance frameworks to ensure international comparability.
- ✓ Collected and shared good practices on gender and other types of diversity among directors and senior officers, as well as insights into corporate culture.

- ✓ Discussing further on **sustainability disclosure and assurance frameworks**. Reviewing **the responsibility for false statements regarding the disclosure of non-financial information in the annual securities report** (to possibly set a safe harbour rule).
- ✓ Disseminating Japan’s view on the **development of global standards with regard to sustainability disclosure** in the area of **human capital** and contributing to the discussions.