



May 11, 2026

To: The Financial Service Agency and Tokyo Stock Exchange

Re: Submission on the Proposed Revisions to the Corporate Governance Code

Glass Lewis appreciates the opportunity to comment on the proposed draft revisions to the Corporate Governance Code.

Glass Lewis is the world's choice for governance solutions. We enable institutional investors and publicly listed companies to make informed decisions based on research and data. We cover 30,000+ meetings each year, across approximately 100 global markets. Our team has been providing in-depth analysis of companies since 2003, relying solely on publicly available information to inform its policies, research, and voting recommendations.

Our customers include the majority of the world's largest pension plans, mutual funds, and asset managers, collectively managing over \$40 trillion in assets. We have teams located across the United States, Europe, and Asia-Pacific giving us global reach with a local perspective on the important governance issues.

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The research team engages extensively with public companies, investors, regulators, and other industry stakeholders to gain relevant context into the realities surrounding companies, sectors, and the market in general. This enables us to provide the most comprehensive and pragmatic insights to our customers.

The responses provided below are not meant to be exhaustive but are designed to address what Glass Lewis sees as the main issues and concerns raised in the Consultation Paper. Thank you in advance for your consideration and please do not hesitate to contact us if you would like to discuss any aspect of our submission in more detail.

Respectfully submitted,

/s/

Naoko Ueno, Vice President of Asian Research and Engagement, Glass Lewis Japan



Comments on the Proposed Revisions to the Corporate Governance Code

Overall, the proposed revisions are viewed positively in terms of their direction and underlying considerations and are broadly supported. In particular, the revised Corporate Governance Code (draft) appears to encourage a shift in corporate behavior from formalistic compliance toward the more substantive enhancement of governance effectiveness. The efforts to streamline and clarify the overall structure are also welcome.

It is also noteworthy that the revisions introduce a clearer distinction between principles subject to “comply or explain” and the “interpretive guidelines.” The latter are positioned as recommended approaches to support the implementation of each principle, rather than as binding requirements. In this respect, they may serve as practical guidance while preserving a degree of flexibility for companies in determining how best to respond in light of their specific circumstances.

Furthermore, the revisions are expected to support the next phase of governance development in Japan, building on the qualitative improvements made by companies to date and encouraging more substantive progress. By reaffirming the principles-based nature of the Code and the intent of “comply or explain,” the revisions suggest that companies are expected not only to comply in a formal sense, but also to provide explanations that reflect their individual circumstances. At the same time, it may be important for investors and other stakeholders to consider such explanations in context, avoiding overly uniform or mechanical assessments.

While the overall direction of the revisions is clear, and several of the proposed amendments represent meaningful and constructive enhancements, there remain areas where the drafting could benefit from greater clarity and where interpretation may be less straightforward in practice. In addition, there are instances where, although the underlying policy rationale is well understood, careful consideration may be warranted regarding practical implementation and market readiness.

In this context, further clarification or supplementary guidance would be beneficial in relation to the following points. At the same time, a number of aspects of the revisions are particularly constructive and deserve recognition, as they have the potential to contribute meaningfully to the continued advancement of corporate governance standards in Japan.

1. Streamlining of the Code and Introduction of Interpretive Guidance

The streamlining of the Code and the introduction of interpretive guidance represent one of the most significant structural changes in this revision. The establishment of interpretive guidance as a supplementary framework—while not itself subject to the comply-or-explain mechanism—provides useful direction for companies when considering how to address the principles in practice.

That said, the reduction in the number of explicit principles raises some concern that certain governance expectations previously articulated in more granular terms may become less visible over time. Recent governance reforms have often been cited as evidence that Japanese corporate governance standards are steadily improving. This streamlining, however, places greater responsibility on listed companies to



demonstrate that such progress is sufficiently embedded to continue without highly prescriptive articulation.

In this respect, the revision may be viewed as a meaningful test of whether Japanese companies have reached a level of governance maturity that allows for more principle-based implementation, rather than detailed rule-based compliance.

2. Removal of Certain Standalone Governance Topics

Related to this streamlining, several important topics—including capital management, related-party transactions, and anti-takeover measures—have now been subsumed under broader principles rather than addressed as standalone provisions.

While it is understandable that some consolidation may be appropriate, particularly where overlap exists with legal requirements or where the subject matter can reasonably be addressed within broader governance concepts, caution is warranted. These remain areas where disclosure quality and practical implementation continue to present challenges for many Japanese companies.

Given that meaningful improvements are still needed in these areas, there is concern that removing their explicit standalone treatment may be somewhat premature. Maintaining clearer visibility of these issues would have continued to reinforce expectations and encourage more consistent market practice.

3. Board Independence Standards

The revisions to Principle 4-10, particularly the elevation of board independence requirements for companies with controlling shareholders to principle-level status, are a welcome and important development.

Strengthening expectations for board independence is essential to ensuring effective oversight and protecting minority shareholder interests. The distinction introduced between Prime Market companies with controlling shareholders (majority independence) and non-Prime companies (one-third independence) reflects an effort to account for differing market characteristics.

However, from an international governance perspective, majority board independence has increasingly become the prevailing standard across developed markets. Against this backdrop, it may have been preferable for the revised Code to establish majority independence as the general expectation across all listed companies, irrespective of controlling shareholder status or market segment.

Such an approach would better align Japan's governance framework with global best practices and provide greater consistency across market classifications.

4. Timing of Securities Report Disclosure Prior to Shareholder Meetings and Practical Implementation

The revisions encouraging disclosure of annual securities reports prior to the general shareholders meeting are a constructive step toward improving information available to shareholders before voting. Earlier disclosure would support more informed decision-making and better align with the objective of strengthening shareholder rights.



However, practical implementation remains challenging, particularly given the relatively compressed timeline between fiscal year-end and annual shareholder meetings in Japan compared with other major markets. In Japan, shareholder meetings are generally held within three months following the fiscal year-end, whereas in many other major markets, meetings are commonly held four to five months after year-end. This shorter preparation period creates practical difficulties for companies in finalizing financial reporting, preparing disclosure materials, and providing investors with sufficient time to evaluate information before voting. In addition, the concentration of Japan's annual shareholder meeting season further constrains flexibility in practice. As a result, while the recommendation under the Interpretive Guidance to disclose meeting materials three weeks prior to the shareholder meeting is a positive aspiration, achieving this consistently under existing market practice may prove difficult in many cases. Similarly, although encouraging later shareholder meeting dates is sensible in principle and may contribute to improved disclosure quality, the broader feasibility of such changes remains uncertain.

As the Corporate Governance Code relies on voluntary implementation rather than legal compulsion, achieving consistent market-wide change may be challenging. While these revisions represent meaningful progress, more structural legal or regulatory support may ultimately be necessary if sustained and consistent improvement is the intended objective.

5. Positive Developments in Emerging Governance Areas

The revisions also contain several particularly welcome developments addressing governance issues that have increasingly drawn market attention.

These include clearer expectations regarding the resolution of barriers to the disposal of cross-shareholdings, enhanced emphasis on English disclosure, and stronger encouragement for outside directors to participate directly in shareholder engagement activities.

These are meaningful additions that reflect evolving market expectations and have the potential to promote greater transparency, accountability, and investor engagement.

6. A Critical Test of Governance Maturity

Taken as a whole, the revised Code appears to signal a transition toward a more principles-based governance framework that places greater trust in companies' capacity for substantive self-directed governance reform.

This is, in many respects, an important and appropriate evolution. At the same time, it will serve as a critical test of whether Japanese companies are prepared to move beyond formalistic compliance and embrace governance reform in a genuinely substantive manner.

For this reason, continued close monitoring of market practice and implementation outcomes will be essential in the years ahead. The success of these revisions will ultimately depend not on the revised text itself, but on how effectively companies respond to the expectations it sets.