August 2026

Japan’s Corporate Governance Code Revision-2026

Japan's Corporate Governance Code was one of the first major reforms of its kind, having been introduced in 2015 by Japan's Financial Services Agency (FSA). The code sets out fundamental guidelines for publicly listed companies, aimed at enhancing mid- to long-term corporate value, improving capital efficiency, fostering effective shareholder engagement, and ensuring transparent decision-making.

An updated version of the code was published in July 2026, introducing several positive changes that should continue to drive fundamental improvement across Japanese companies and their share prices. The revision also gives engaged shareholders like Dalton additional leverage when working with companies to push for change.

A full summary is available here, but the key points are outlined below:

- Growth and capital allocation: The updated code places greater emphasis on growth and effective capital allocation. Combined with the recent "Growth Guidelines" published by Japan's Ministry of Economy, Trade and Industry (METI), this reflects a coordinated push to move historically conservative Japanese corporations toward a growth orientation.
- Cross-shareholdings and balance sheet cash: Companies will now be required to review their cross-shareholdings as well as the level of cash held on their balance sheets.
- Business portfolio review: Companies must assess whether they are the "best owner" of each business within their portfolio, or whether certain businesses should be sold or spun off.
- Board effectiveness: The revision places particular focus on the quality and number of independent board members and their monitoring functions, along with the introduction of a nominated officer function to support the board (a corporate secretary role).
- Timing of the Yuho (annual report): The code addresses the common practice of publishing the Yuho with limited or no time for shareholders to review it ahead of the AGM, requiring it to be released earlier in the process.

Source: Tokyo Stock Exchange, published on 21 July 2026.

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