

New Economic Policy Package (Dec.8th,2017 Cabinet Decision) **(Excerpt)**

Chapter 3 Supply System Innovation

2. Supply System Innovation through improved profitability and investment promotion of corporations

(2) Corporate governance revolution

- Based on considerations in Council of Experts Concerning the Follow-up of Japan's stewardship Code and Japan's Corporate Governance Code, the government will establish Guidance to encourage companies to take the following measures and review the corporate governance code as necessary through deepening of dialogue between investors and companies by June 2018, the peak season for shareholders meetings.
 - Decisive management decision-making such as flexible exchange of business portfolio according to changes in the business management environment, including withdrawal from or sale of the business (in this case, for example, the establishment of policy on reviewing the business portfolio and of an effective reviewing process as well as their explanation will be promoted)
 - Effective use of companies' retained earnings as well as their increasing cash and deposits for capital investments, research and development investments, and human resource investments
 - Establishment of an effective process regarding appointment, dismissal, or development of CEOs and determination of compensation for the management, including utilization of an independent Nomination and Compensation Committee, and an effective supervision of and advice for the management by independent outside directors
 - Clarification of policy on the reduction of cross-shareholding as well as understanding of such reduction by the cross-shareholding partners
 - Fulfillment of expected functions as asset owners of corporate pension funds and support by the parent company