

# Debate on the Reform of Corporate Governance in Japan: with an Accounting Perspective

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## Abstract

The purpose of this paper is to describe the recent debate on the reform of corporate governance in Japan with an accounting perspective. It first reviews the corporate governance structure under the Commercial Code by referring to the monitoring system within a company, the CPA audit and the representative action of shareholders. It then focuses on the dual monitoring system, which is regarded as the weakness of the Japanese corporate governance system. In order to show the case that most distinctly reveals the issues, the case of Sogo Department Store is explained. The paper then introduces the recent proposals on the reform of corporate governance in Japan. In order to regain international credibility, Japanese companies must make efforts to reform the corporate governance system. It seems that international harmonization is taking place not only in accounting but also in corporate governance.

## 1. Introduction

During the 1990s, the economic conditions in Japan which are typically described as the collapse of “bubble economy” and the subsequent financial crisis resulted in disastrous corporate scandals and business failures. At the same time, global corporate competition made it clear that Japanese companies faced a lot of problems, and Japanese corporate systems lost both domestic and international credibility. Against such a background, debate on the reform of corporate governance became active recently in Japan.

This paper focuses on the recent developments of discussions on corporate governance with a perspective of accounting and disclosure. For this purpose, this paper will (1) describe the current requirements of Commercial Code on corporate governance, (2) refer to its characteristics and weaknesses, (3) examine the weakness of Japanese corporate governance by the case of SOGO Department Store, (4) review the recent proposals on corporate governance reform in Japan, and (5) suggest the future direction of reform of corporate governance.

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## 2. Corporate Governance Structure under the Commercial Code

In Japan, the directors have the power of making corporate decisions. That being the case, what is the system for monitoring directors under the Commercial Code (hereafter referred to as the CC)? In this section, the corporate governance system under the CC will be reviewed from three perspectives: (1) monitoring system within a company, (2) CPA audit and (3) shareholder representative action.

### 1. Monitoring System within a Company

#### 1-1 The Auditors

Article 274 of the CC prescribes that an auditor shall audit the execution by the directors of their functions. The CC also refers monitoring by prescribing certain matters to be included in the auditing report. It says “the following matters shall be stated in the auditing report”, and indicates that the fact shall be stated “if there exists any unjust act or any serious fact in violation of laws, orders and the articles of incorporation as to directors performing their functions” (Article 281-3, Paragraph 2, Item 10)<sup>1)</sup>.

Article 7, Paragraph 1, of the Regulation concerning Auditing Report of a Large Company requires it to describe the facts if there exists an illegal action by a director, when stating the matters in the auditing report as indicated by Article 281-3, Paragraph 2, Item 10, of the CC. And it requires to state if there is a provision of economic benefit by the company without cost or with an extremely small amount of cost (Article 7, Paragraph 1, Item 2).

Thus the CC prescribes that the auditor must audit the execution of the directors' functions and that the auditor must monitor the directors by referring in the auditing report to any illegal actions of the directors.

An auditor of a Japanese company is normally an internal party. A large company is required to have “the board of auditors”. At least one of the auditors must be an outside auditor. The conditions for the outside auditor to meet are that he/she has not been either the director, manager or employee of the company during the most recent five years. This is not a very strict requirement, and is quite different from the situation of a US company listed on the New York Stock Exchange, which requires an audit committee composed solely of outside directors.

#### 1-2 The Board of Directors

Article 260 of the CC prescribes that the board of directors shall decide the administrative

affairs of the company and monitor the execution of the duties of the directors. And Article 254-3 prescribes that “the directors shall be obliged to obey any law or ordinance and the articles of incorporation as well as resolutions adopted at a general meeting and to perform their duties faithfully on behalf of the company”. Thus the CC requires that the board of directors monitors any illegal actions by directors.

The board of directors in a Japanese company is different from that of a US company. A US company has the executive officers besides the board of directors in order to execute the decisions made by the directors. In contrast to this, the board of directors in a Japanese company has both functions in one. It naturally has a very strong controlling power. But the distinction between decision-making and execution is not clear. The president sometimes has an overriding power in nominating other directors and auditors.

### ***1-3 Disclosure***

The CC also prescribes the system for monitoring illegal actions of directors through disclosure. Article 48, Paragraph 1, of the Regulation concerning Balance Sheet, Profit and Loss Statement, Business Report, and Annexed Specifications of Kabushiki-Kaisha prescribes that “in the annexed specifications of any company other than a small company, the following matters shall also be stated”, and then indicates “the details of selling expenses and general administrative expense among the business expenses” as one of the items to be stated. And in Article 48, Paragraph 3, it prescribes that “the details under Paragraph 1, Item 5, shall be stated so as to give information to the auditors who audit for the matters mentioned in Article 7, Paragraph 1, Item 2, of the Regulation concerning Auditing Report of a Large Company”. Thus the CC requires a statement in the annexed specifications of the illegal actions by the directors of providing economic benefit without cost.

## **2. CPA Audit**

The CC classifies the Kabushiki-Kaisha (Joint Stock Companies) into three categories -- large, medium and small companies -- based on the amount of shareholders' equity and liabilities. A large company is defined as a company with a shareholders' equity of 500 million yen or more or with liabilities of 20 billion yen or more. A small company is defined as a company with shareholders' equity of 100 million yen or less and with liabilities of less than 20 billion yen. A large company is required to obtain the audit by an accounting auditor (CPA).

Article 13, Paragraph 1, of the Law for Special Exception to the CC concerning Auditing etc of Kabushiki-Kaisha requires that the accounting auditor submit the auditing report to the

auditor and the directors. Article 13, Paragraph 2 requires that the accounting auditor state in the auditing report the items (1) through (7), item (9) and item (11) prescribed by Article 281-3, Paragraph 2, of the CC.

This means that an accounting auditor (CPA) is required to state in its auditing report if the accounting books and financial statements of the company do not state the matters correctly in accordance with the laws, orders and the articles of incorporation. Thus the accounting auditor (CPA) has the responsibility of monitoring the directors.

### **3. Representative Action of Shareholder**

Article 267 of the CC makes prescriptions concerning representative action by a shareholder. It prescribes that any shareholder who has held a share continuously for the last six months may demand, in writing, of the company for instituting an action to enforce the liability of directors. In cases where the company has failed to institute such action within 30 days from the date on which the demand mentioned above was made, the shareholder may institute such action on behalf of the company.

The system of representative action of shareholder was introduced in 1950 based on the US system. The cost of these lawsuits was reduced when it was amended in 1993, and it became easier for a shareholder to use this system<sup>2)</sup>.

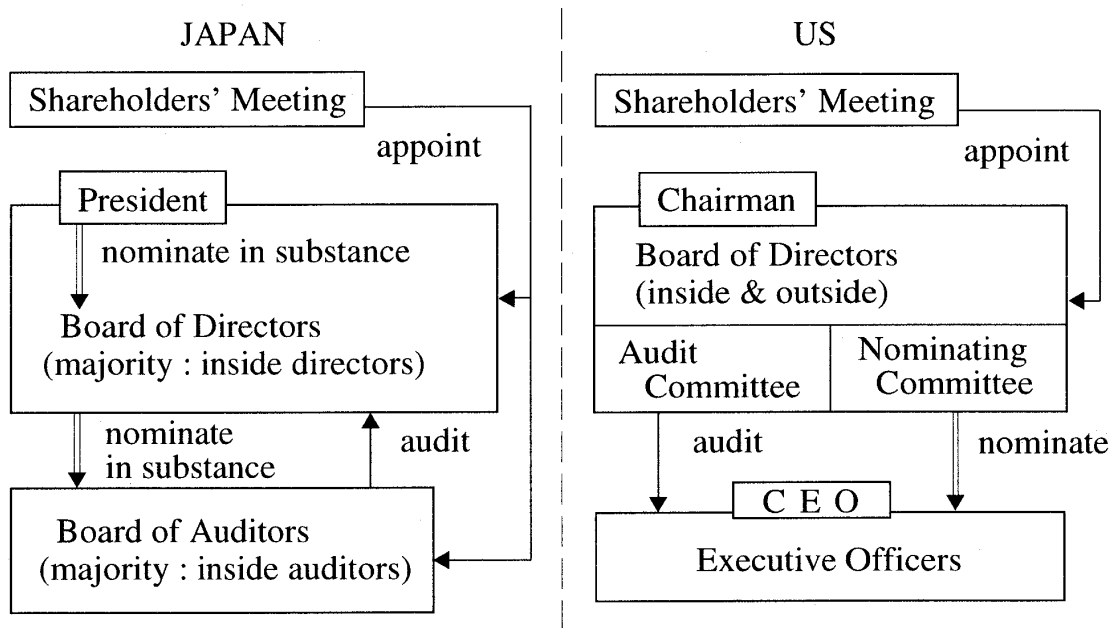
## **3. Characteristics and Issues of Corporate Governance under the Commercial Code (CC)**

### **1. Dual Monitoring System**

As was mentioned above, the monitoring system under the CC has the characteristic of a dual monitoring system both by (1) the auditors and (2) the board of directors<sup>3)</sup>. It is different from German system where the board of auditors oversees the directors. It is different from the US system where the audit committee within the board of directors oversees the executive officers.

The characteristics of corporate governance structures of Japan and the US are compared shown in Figure 1.

This characteristic of combination of German and US systems was caused in the historic development of the CC<sup>4)</sup>. In 1899, the CC introduced the system of auditors following the German system. Under this system, the auditors monitor the directors. However, in the Japanese CC, the auditors did not have a strong power in that the CC did not give the auditors the authority to appoint the directors, which was different from the original German system.

**Figure 1 Structure of Corporate Governance**

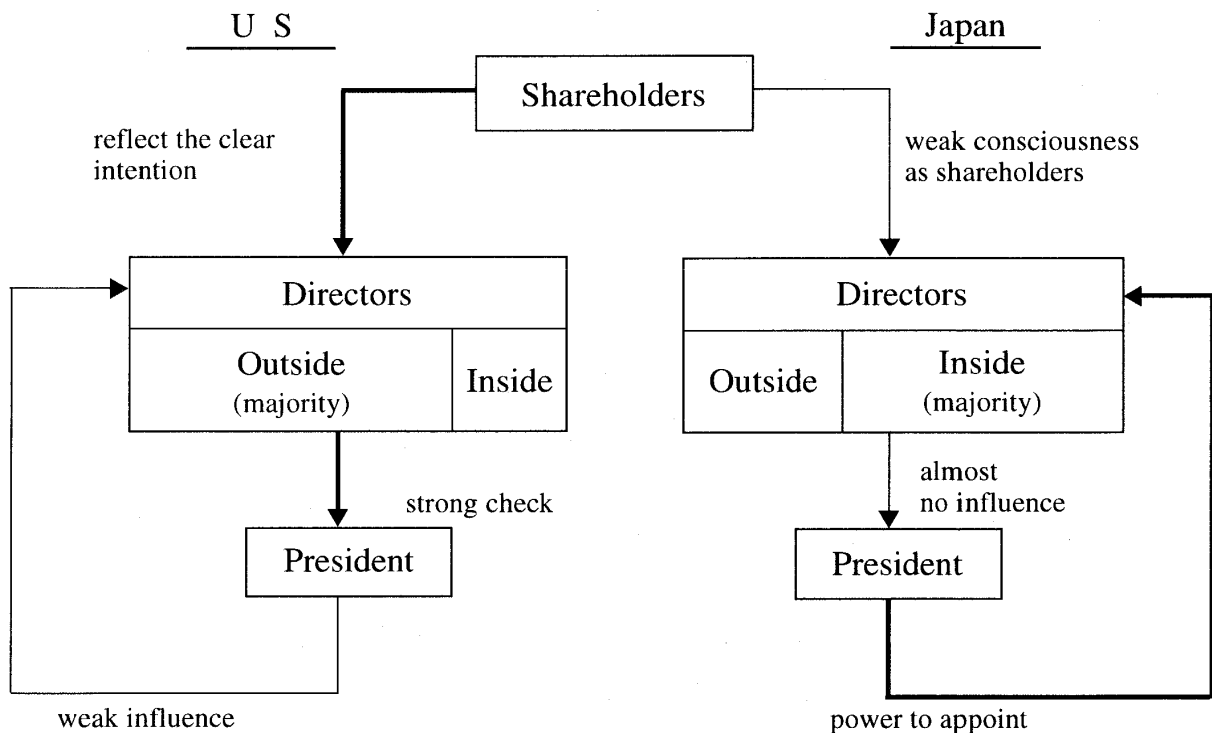
Source: The Kansai Committee for Economic Development, *Corporate Reform and Corporate Governance for the 21st Century* (May 2000).

After the World War 2, in 1950, the CC introduced the system of the board of directors following the US system. By the amendment of the CC at this time, the power of the auditors was even more restricted, but was still maintained. Furthermore, while the directors and the executive officers are in principle separated in the US, the directors of Japanese companies also served as the executive officers. The result was that the strange monitoring system was introduced in which the board of directors monitor themselves.

Although the recent amendments to the CC tried to strengthen the independence and the authority of auditors, the characteristic of the dual monitoring system still remains in the Japanese CC.

## 2. The Weakness of Monitoring System in Japan

The characteristic of dual monitoring system, however, is not itself the problem. The problem was that the Japanese monitoring system did not function well. It is widely recognized that the auditors, as well as the board of directors, could not appropriately discover illegal actions by the directors. The weakened power of the auditors and the confusion of the decision and the executive functions in the board of directors may be the

**Figure 2 Power between the President and the Board of Directors: US and Japan**

(Source) *Nikkei Business*, November 15, 1982, p.65.

causes of weakness of the Japanese monitoring system. Figure 2 clearly describes this issue in comparison with the US system.

#### 4. Issues of Corporate Governance in Japan: The Case of SOGO

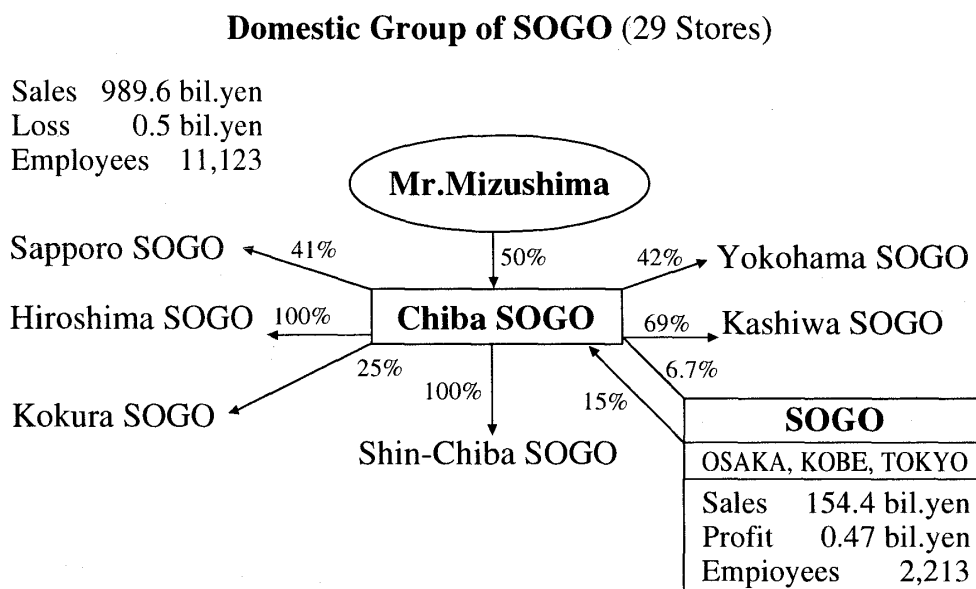
In July 2000, SOGO Department Store Group virtually went bankrupt. The failure of SOGO provides an important case to discuss the issues of corporate governance in Japan.

##### 1. Outline of SOGO Department Store Group

During the 1950's, SOGO had been suffering from a business depression. In 1958, Mr. Mizushima was seconded from Japan Industrial Bank to SOGO as its President. Since then, Mr. Mizushima governed SOGO for 40 years. After a successful reconstruction of SOGO in the 1960's, he adopted a multi-stores strategy. However, he did not establish the stores within SOGO. Instead, he established Chiba SOGO as a separate company. After that, Mr.

**Figure 3 SOGO DEPARTMENT STORE**

as of Feb.1999

Source: *Weekly Diamond* (Oct. 23, 1999)

Mizushima incorporated many subsidiary companies under Chiba SOGO<sup>5)</sup>. SOGO was the only listed company within SOGO Group. Chiba SOGO and its subsidiaries were not consolidated into SOGO. Thus the actual financial situation was not disclosed to the public.

The major domestic group organization of SOGO as of February 1999 is shown in Figure 3.

## 2. Cause and Responsibility for Business Failure of SOGO

By the request of some shareholders of SOGO, the Shareholder Ombudsman submitted a written notice to the auditors of SOGO on September 8, 2000. The ombudsman indicated that Mr. Mizushima himself controlled the SOGO Group<sup>6)</sup>. In order to pursue the multi-stores strategy, Mr. Mizushima had arranged a huge amount of borrowing by Chiba SOGO and its subsidiaries from banks, under the guarantee of SOGO. However, this fact was not disclosed in the consolidated financial statements of SOGO. This made the loss even more serious.

The ombudsman indicated that the directors of SOGO are responsible for this situation. The board of directors of SOGO did not discuss the financial condition of the companies, the possibility of reimbursement and the warranty. The directors simply followed the instructions of Mr. Mizushima.

The ombudsman indicated that the auditors did not take the responsibility of prohibiting

the actions of directors, although the auditors attended the board of directors' meeting. The ombudsman also indicated that the CPAs did not fulfill their professional responsibilities, although they should have made a thorough survey of the actual situation of SOGO.

In essence, the case of SOGO shows the weakness of Japanese corporate governance in that: (1) monitoring by the auditors did not function well, (2) monitoring by the board of directors also did not work at all, (3) CPAs could not take effective action under the accounting standards at that time, and (4) the representative action of shareholders was the only effective means of pursuing the responsibility of directors, although it was possible only after everything had happened.

## **5. Proposals on the Reform of Corporate Governance in Japan**

### **1. Recent Proposals on the Reform of Corporate Governance**

In response to the recent corporate scandals and the globalization of business, debate over the corporate governance has become active in recent years and various proposals and reports have been published in Japan. Figure 4 shows some of these<sup>7)</sup>.

#### **Figure 4 Major Recent Reports etc. related to the Reform of Corporate Governance**

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- (1) September 1997, Liberal Democratic Party, "Summary of Tentative Ideas on the Amendment of Commercial Code concerning Corporate Governance"
  - (2) September 1997, Federation of Economic Organizations, "Urgent Proposals on What Corporate Governance Should Be"
  - (3) April 1998, Japan Committee for Economic Development, "The 13th White Paper on Business Enterprises: Management emphasizing the Efficiency of Capital"
  - (4) May 1998, Corporate Governance Committee, "Corporate Governance Principles -- A Japanese View"
  - (5) August 1998, Japan Federation of Employers' Associations, "The Direction of the Reform of Corporate Governance of Japanese Companies"
  - (6) April 1999, Liberal Democratic Party, "Prospectus for the Amendment of the Commercial Code concerning Corporate Governance"
  - (7) May 2000, Kansai Committee for Economic Development, "Corporate Reform and Corporate Governance for the 21st Century"
  - (8) September 2000, Ministry of Justice, "On the Future Amendment of Commercial Code"
  - (9) December 2000, Ministry of International Trade and Industry, "Proposals on the Amendment of Commercial Code concerning Corporate Governance"
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According to Professor Inagami, there are two streams of discussions in Japan regarding corporate governance: one is the discussions from the perspective of management's responsibility for the prevention of corporate scandals, and the other is the discussions from the perspective of corporate prosperity<sup>8)</sup>.

## **2. Proposals on the Reform of Corporate Governance (1): from the Perspective of Management's Responsibility**

Among the reports listed in Figure 4, the reports by Federation of Economic Organizations and Liberal Democratic Party are classified as the proposals from the perspective of management's responsibility.

### **(1) The "Proposals" by Federation of Economic Organizations**

On September 10, 1997, the Special Committee on Corporate Governance of the Federation of Economic Organizations published "Urgent Proposals on What Corporate Governance Should Be" (hereafter referred to as the "Proposals"). In the "Proposals", discussions were made on (1) strengthening of the audit system by strengthening the function of auditors, (2) review of representative action of shareholders, (3) voluntary initiatives by the company, and (4) issues for future consideration.

Regarding the strengthening of audit system by strengthening of the function of auditors, the "Proposals" made the following proposals.

1. More strict requirements on the qualification of outside auditors
2. Increase in the minimum number of outside auditors
3. Agreement by the board of auditors to the agenda of appointing auditors
4. Accountability by an auditor in the case of resignation during the term of office
5. Measures to enrich the CPA audit

Regarding the review of representative action of shareholders, following proposals were made.

1. Review of qualification of suitor
2. Approval to join the case and support the defendant directors by the company
3. Setting upper limit on liability of damages by directors
4. Providing the principle of management judgment in the provision

The "Proposals" also referred to the voluntary initiative by the company and the issues for

future consideration.

## **(2) The “Prospectus” by Liberal Democratic Party**

Liberal Democratic Party have issued several ideas for amendments to the CC. The most recent one is the “Prospectus of the Amendment of Commercial Code concerning Corporate Governance” (hereafter referred to as the “Prospectus”) which was published by the Policy Affairs Research Council, Judicial Affairs Division, Subcommittee on Commercial Code, on April 15, 1999.

The “Prospectus” asserts that “Japanese corporate governance should be established as soon as possible, taking the model from the US corporate society which is trying to strengthen the function of outside directors, by making more clear the attitude of shareholder orientation while respecting the basic philosophy of the CC”. It then lists several matters to be amended:

1. Strengthen the accountability of directors to auditors
2. Increase the number of outside auditors to the majority of auditors, and require more strict qualifications of auditors
3. Extend the term of office of auditors from three to four years, and make it possible for auditors to express opinions in the case of resignation
4. Require the directors to give their agreement on the appointment of auditors
5. Reduce the directors’ liability for damages
6. Reduce the directors’ liability for damages by changing the articles of incorporation
7. Allow the company to join the representative action of shareholders
8. Restrict the shareholders who can bring the representative action

As is clear from the above, discussions on the reform of corporate governance from the perspective of management’s responsibility emphasizes the necessity (1) to strengthen the function of the board of auditors and (2) to revise the representative action by shareholders<sup>9)</sup>. Accounting and disclosure perspective is weak in this line of discussions.

## **3. Proposals on the Reform of Corporate Governance (2): from the Perspective of Corporate Prosperity**

Next, what are the proposals from the perspective of corporate prosperity? Included in this line of proposals are the reports by Japan Committee for Economic Development, Corporate Governance Committee, Japan Federation of Employers’ Associations, and Kansai Committee for Economic Development. Two of these reports are briefly reviewed below.

## (1) “Principles” by Corporate Governance Committee

On May 26, 1998, Corporate Governance Forum of Japan of the Corporate Governance Committee published “Corporate Governance Principles – A Japanese View –” (hereafter referred to as “Principles”). The “Principles” are composed of four chapters: (1) Introduction, (2) the Japanese corporate governance system – issues to be addressed, (3) accountability and disclosure, and (4) governance structure.

In chapters 3 and 4, it sets out the corporate governance principles. Figure 5 is the excerpt of the titles of principles. The principles have the sign of A or B after the number. Principles A are those which should be implemented as soon as possible, and Principles B are those which either need modification reflecting the global market environment (though they should be put into effect early in the 21st century), or those which require a drastic change of laws.

### Figure 5 Corporate Governance Principles by the Corporate Governance Committee

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#### *Chapter 3 Accountability and Disclosure*

##### **Principle 1A**

The Board of directors should require that the management of the company be fully accountable to shareholders as well as to the board of directors, through the provision of accurate, substantive, practical and reliable information. It is the responsibility of the board of directors to oversee the company’s entire information network in particular the shareholder relation mechanism.

##### **Principle 2A**

The board of directors should be aware of the vital importance of the rigorous management of company risk and the timely disclosure of information which might seriously affect shareholders’ interests, including for example accidents, litigation, mergers and acquisitions and unfavorable business reports, etc.

##### **Principle 3A**

The board of directors should begin to report globally consolidated semi-annual accounts based on the mark to market accounting system as soon as the “international standard” now under consideration is finalized. Quarterly reporting of accounts should also be introduced as soon as possible.

##### **Principle 4A**

The board of directors has the important responsibility of coordinating the various interests

of all the other stakeholders, while substantively representing the immediate interests of the shareholders. Therefore, the directors should undertake wider disclosure of company information, including policy statements as well as environment-related reports, for the benefit of all stakeholders who may have divergent interests.

## **Chapter 4 Governance Structure**

### **4.1 Directors and the Board of Directors**

#### **Principle 5A**

The board of directors should include independent, non-executive directors who have no direct interests in the company. A system of support to provide necessary information to these directors should be established and enhanced.

#### **Principle 6A**

The number of directors should be appropriate to guarantee effective discussion at board level, and enhance articulate and timely corporate decision-making.

#### **Principle 7A**

The function of the board of directors and any management board should be separated so that corporate decision-making and business execution are clearly distinguished.

#### **Principle 8A**

The board of directors should consist of both executive directors and independent, non-executive directors. Independent, non-executive directors should comprise a majority on the board.

#### **Principle 9B**

Several committees should be established within the board, with responsibilities for the appointment of directors, setting directors' remuneration, expediting corporate governance, and so on. Non-executive directors should comprise the majority on these committees. The chairpersons of these committees should be non-executive directors. Remuneration of the *shacho* and executive directors should be decided only by non-executive directors.

#### **Principle 10B**

The chairpersons of the board of directors, as the person ultimately responsible for the governance structure, and the *shacho*, as the officer ultimately responsible for business execution, should ideally not be the same person. When the combination of these two functions is unavoidable, an explanation should be offered to the shareholders.

### **4.2 Corporate Auditors and the Board of Corporate Auditors**

#### **Principle 11A**

The quality of corporate auditing should be improved by the appointment of more than one

independent (external) corporate auditor, and by more carefully defining the role of independent external auditors vis-a-vis internal auditors. The neutrality of the auditing function should be ensured by selecting corporate auditors only with the full consent of the board of corporate auditors itself. The “five year rule,” by which an former officer of the company may be appointed as an external auditor after five years of absence from the company or related company must be abolished.

**Principle 12A**

Auditors should be free to request all information relating to the decision-making activities of managers and directors.

**Principle 13B**

An audit committee should be created within the board of directors as soon as the majority of the directors are independent and non-executive. All members of the audit committee should be non-executive directors. Its function will be to audit, in particular, the appropriateness of the company’s risk management, in addition to overseeing compliance issues.

**4.3 Shareholders’ Meeting****Principle 14A**

The company Annual General Meeting should be utilized to enhance the scope of dialogue between shareholders and the board of directors. This is desirable to promote the quality of directors’ accountability.

**Principle 15A**

Separately from the Annual General Meeting, open information meetings with major shareholders may be held for more detailed discussion.

**Principle 16B**

Resolutions submitted for decision at the Annual General Meeting should be limited to those which are of vital importance to the business, for example revision of corporate articles, transfer of business rights, mergers and acquisition which require a three-quarters majority special resolution of the shareholders, and the election of directors and corporate auditors.

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**(2) “Reform” of Kansai Committee for Economic Development**

In May 2000, the Special Committee on Corporate Finance of the Kansai Committee for Economic Development published “Corporate Reform and Corporate Governance for the 21st Century” (hereafter referred to as “Reform”). The issues developed in the “Reform” are not

limited to the issues of traditional corporate governance, but are also extended to the issues of incorporating the systems of executive officers and outside directors. The “Reform” proposes the institutional reforms including corporate governance as shown in Figure 6.

### **Figure 6 Proposed Company Reform by Kansai Committee for Economic Development**

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- (1) Continuous strengthening of core competencies, and the preparation of a system to revive competitiveness
    - 1-1) The smooth setting of NASDAQ-JAPAN (Osaka Exchange) and MOTHERS (Tokyo Exchange) and the preparation of a system to promote startups directed at enlarging the foothills of entrepreneurship.
    - 1-2) Preparation of a system to assist the reorganization of businesses, aiming at strengthening international competitiveness.
  - (2) Strengthening disclosure to stakeholders
  - (3) Restructuring of corporate governance
    - 3-1) Strengthening of audit by auditors as internal governance
      - Expanding the subject of audit by auditors (overseas audit, appropriateness audit) and strengthening their powers and the provision of staff
      - Independence from management should be assured in the process of appointing auditors
      - Increasing the number of auditors from outside the company and increasing the rigor of their job description (They should not be people with connections to the company including affiliates in the past.)
      - Qualifications for auditors within the company (people who can speak out to top management, for example ex-representative directors)
    - 3-2) Improvement of CPA Audit
      - Making the 'going concern' regulations clearer (CPA's expressed opinion about the possibility of the company's continuity in the future (including cash flow))
      - Using multiple audit firms for CPA, and the use of peer review (a subsequent audit by the CPA association)
      - Reviewing the CPA audit remuneration system, and reviewing the CPA qualification system
    - 3-3) Preparing infrastructure for strengthening IR activities as external governance
      - Fixing guidelines relating to information disclosure
    - 3-4) The promotion of knowledge management to increase the efficiency of management.
      - Promote diffusion through legislation for a Japan Management Quality Prize
  - (4) Active participation in setting up international accounting standards
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In order to reconstruct corporate governance, the "Reform" proposes to strengthen audit by internal auditors, to improve CPA audit, and to prepare the infrastructure for strengthening IR activities as external governance. It also proposes the strengthening of disclosure to stakeholders and active participation in setting up international accounting standards. The "Reform" is one of the most notable reports in that it emphasizes the importance of accounting and disclosure for company reform.

#### **4. Direction of Amendment of Commercial Code from the Corporate Governance Point of View**

Reflecting the debate on corporate governance, the activities toward the amendment of the CC in 2002 are becoming more specific. In September 2000, the Commercial Code Division of the Legislation Council, Ministry of Justice, enumerated the items to be discussed in the report called "On the Future Amendment of Commercial Code". It naturally covers a variety of areas, but the first issue it deals with is "the effectiveness of corporate governance". From the perspective of securing the effectiveness of corporate governance and increasing the competitiveness of companies, it indicates the need to review the following issues: (1) how the organs of a company should be, (2) how the disclosure of corporate information should be, and (3) a review of the stock option system.

And in December 2000, Corporate Law Division of Industrial Structure Council, Ministry of International Trade and Industry, issued the "Proposals on the Amendment of Commercial Code concerning Corporate Governance"<sup>10</sup>). It suggests (1) separating the monitoring function from the executive function in order to resolve the issue of the double monitoring system, and (2) creating the audit committee with the majority of outside directors within the board of directors, and transferring the audit function from the board of auditors to the audit committee.

The amendment of the CC planned in 2002 is expected to drastically change the corporate governance structure of Japanese companies. But more discussions are necessary before the idea of amendment is finalized.

### **6. Summary**

Many proposals have been made to improve corporate governance in Japan. There are two major streams on the discussion. One is to try to change the organizational structure of companies by the amendment of Commercial Code. Its direction is to follow the US practice. The other is to try to discuss the issue of corporate governance from the global perspective. This goes beyond structural change and aims to evaluate the importance of accounting and

disclosure for corporate governance. This stream of discussion is also in line with the US practice. Future amendment of Commercial Code in 2002 will incorporate these ideas. This means that the Japanese system of corporate governance will become somewhat similar to the US system. In order to regain international credibility, Japanese companies cannot evade the effort to reform the corporate governance system. It seems that the international harmonization is taking place not only in accounting but also in corporate governance.

### (Notes)

- 1) In this paper, English translation of the Commercial Code is based on *EHS Law Bulletin Series* of Eibun-Horei-Sha, Inc.
- 2) Toshikazu Suenaga, *Corporate Governance and Law in Japan* (in Japanese), Chuokeizaisha, 2000, pp.191-192.
- 3) *Ibid.*, p.9.
- 4) Takeshi Inagami *et al* eds., *Corporate Governance in Contemporary Japan* (in Japanese), Toyokeizaishimposha, 2000, pp.168-173.
- 5) See *Weekly Diamond* (in Japanese), July 29, 2000, pp.28-30.
- 6) Taken from the homepage. <http://www1.newweb.ne.jp/wa/kabuombu/sogou-tuuchisho.htm>
- 7) Mostly based on Inagami *et al* eds., *op. cit.*, p.340.
- 8) *Ibid.*, pp.29-30.
- 9) *Ibid.*, p.30.
- 10) *Nippon Keizai Shimbun* (in Japanese), December 5, 2000.