

Corporate Governance and Revitalization of the Corporate Auditor System

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This study solves problems existing in the actual state of the present Corporate Auditor (“Kansayaku”) System, which is peculiar to Japanese enterprises and may well be playing a role of some certain merit, and then offers my opinions about what might be done specifically to revitalize this Kansayaku System in the future.

Kansayaku elected by the general shareholders’ meeting is a corporate organ for auditing the responsibilities discharged by the members of the board of directors. Nonetheless, despite a number of institutional revisions effected in the past for the strengthening of this System, it still very seldom gets a high appraisal for the functions it performs. However, with the top management to be monitored, the state of improvement of the internal control system to be checked and appraised, and interests of shareholders and those of the company to be adjusted, the role of Kansayaku in Corporate Governance is growing in importance year by year.

This situation points to areas and aspects where further studies are required. Specifically, organizational changes to permit the utilization of the already legally prescribed External Kansayaku (External Kansayaku to constitute the majority, an External Kansayaku to preside over the Kansayaku meeting, etc), Kansayaku’s active involvement in third-party committees dealing with such tasks as the invoking of defense measures against take-overs and third-party allotment capital increases, and so forth. At the same time with the expansion of powers of Kansayaku, there also is a need, however, to institute appropriate measures to permit the positive disclosure of audit results and to make the responsibilities of Kansayaku consistent with those of the board members.