

New Recommended English Translation of "Kansayaku" and "Kansayaku-kai"

The system of "Kansayaku" was developed uniquely in Japan and no similar system is found in other countries (other than in a few Asian countries). This uniqueness means that it can be difficult for people outside Japan to correctly understand the structure of the corporate governance system in Japan and the function and role of "Kansayaku" and "Kansayaku-kai". As a result, "Kansayaku" often find it difficult to carry out their activities outside Japan, such as auditing overseas subsidiaries of Japanese companies. In addition, overseas investors are not able to understand how "Kansayaku" contribute to corporate governance in Japan and, as a result, often have a negative impression of corporate governance in Japan.

Many Japanese companies currently adopt the term "Corporate Auditor" as the English translation of "Kansayaku" and "Board of Corporate Auditors" for "Kansayaku-kai". However, there is a concern that the word "Auditor" makes it more difficult for overseas people to correctly understand the function and role of "Kansayaku" and "Kansayaku-kai" because the word "Auditor" brings to mind external auditors and internal auditors, which have a totally different role and function from "Kansayaku".

To deal with this situation, this Association conducted a review of its recommended English translation of the terms "Kansayaku" and "Kansayaku-kai" to find terms which more appropriately reflect the function and role actually fulfilled by "Kansayaku" and "Kansayaku-kai". Following the review process, the Association has finally decided to recommend the following translation:

Kansayaku	Audit & Supervisory Board Member
Kansayaku-kai	Audit & Supervisory Board

When conducting our review, we kept in mind the following points:

(1)The "Kansayaku" system was developed uniquely in Japan and no similar system is found in other countries (other than a few Asian countries). We should not therefore seek a perfect translation which explains all aspects of the function and role of "Kansayaku" and "Kansayaku-kai". In this sense, it is more important to have supplementary materials which explain these terms in English.

(2) The most important point to bear in mind when considering the English translation is to show how "Kansayaku" and "Kansayaku-kai" work within the overall scheme of corporate governance in Japan. In addition to the audit function, the importance of a "Kansayaku"'s function in supervising the activities of management, which is performed in collaboration with the Board of Directors, has been recently emphasised.

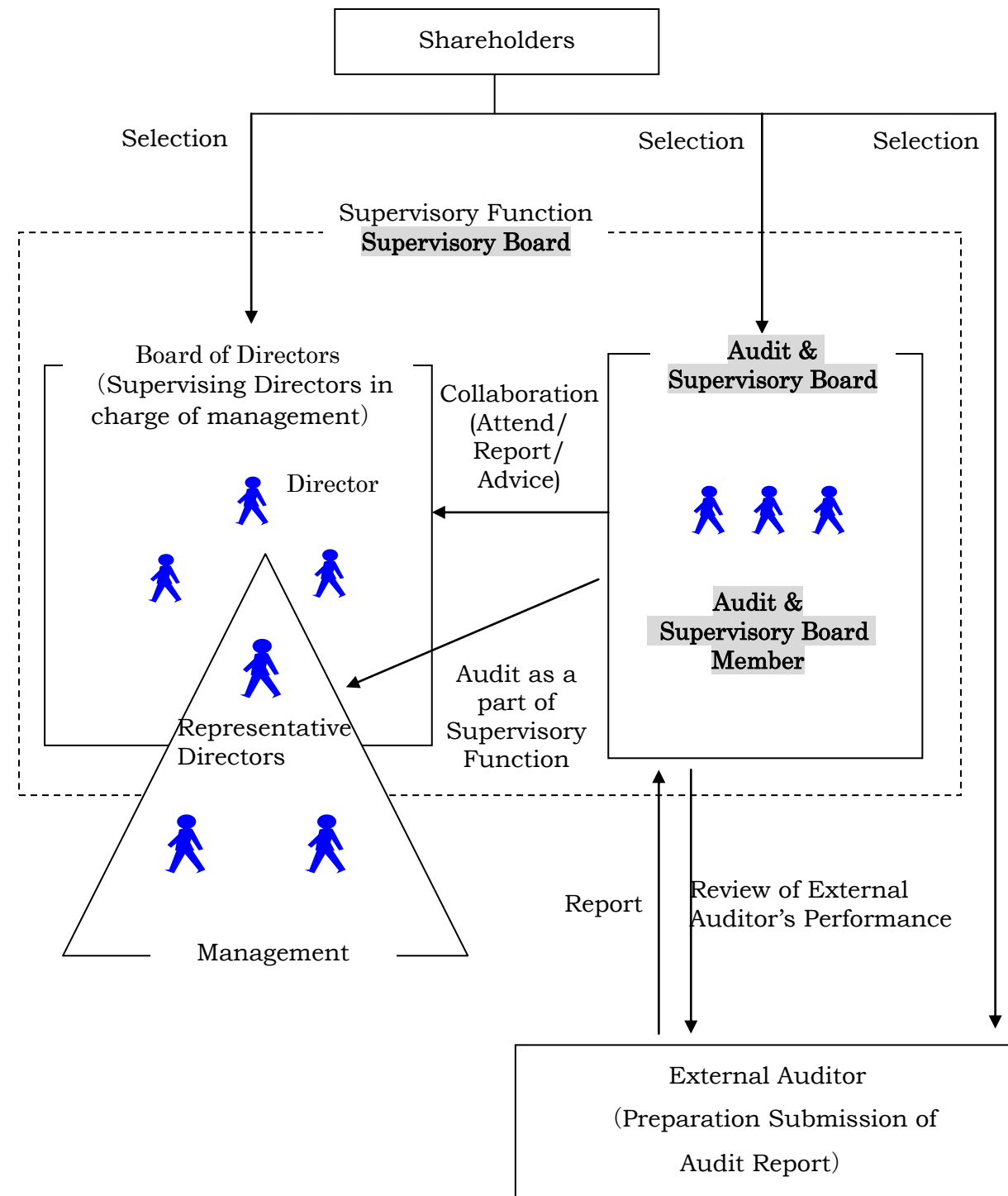
Based upon the stance set out above, we have chosen the above new recommended translation for the following reasons:

(1) "Kansayaku" and "Kansayaku-kai", together with the Board of Directors, hold a significant position in the overall scheme of corporate governance in Japan in terms of exercising a supervisory function over management. Although there is no official term explaining the supervisory function of "Kansayaku", "Kansayaku-kai" and the Board of Directors as a package, the term "Supervisory Board" seems appropriate to show their function as a package (please refer to the part surrounded by the broken lines in the attachment).

(2) We decided to add the word "Audit" for the translation of "Kansayaku" and "Kansayaku-kai" because the audit function is still one of the important functions of "Kansayaku", and one which clearly distinguishes "Kansayaku-kai" from "Supervisory Board". However, we believe that use of the word "Audit" will not cause any confusion with external auditors or internal auditors because "Audit" does not mean any body or natural person.

Note: A "Company with Committees" as shown in the attachment is another structure available for a company in Japan. As this memo focuses on Kansayaku and Kansayaku-kai, we have not included an explanation regarding the "Company with Committees".

A Company with Kansayaku



A Company with Committees

