

# Japan Audit & Supervisory Board Members Association

## Association Brochure

### Brief Explanation of JASBA

The Japan Audit & Supervisory Board Members Association (“JASBA”) is a public-service organization established in 1974. This was the year when Japan's Commercial Code(\*) was revised so as to strengthen the authority and independence of Audit & Supervisory Board Members.

(\*) Laws governing companies used to be included in the Commercial Code. They became an independent act in 2005 as a result of enactment of the Companies Act which came into effect in 2006.

In those years, there were several corporate scandals, even among major Japanese companies, in which Directors were deeply involved. “Auditing” had become recognized in the Japanese business world as one of the most important and effective means to prevent such kind of corporate scandals, and many companies as well as academic circles strongly supported establishment of an organization helping Audit & Supervisory Board Members fulfill their expected roles and functions. As a result, JASBA was established.

Since the establishment of JASBA, there has been a series of revisions to the related Codes and Acts, which included introduction of the Audit Committee system. JASBA expanded its membership to Audit Committee Members and other similar type of officers (collectively “Similar Type Members”) who audit activities of an organization to which they belong. Currently the Association has about 5,900 members, either corporations or individuals, and about 7,700 individuals registered by them (“Registered Individuals”). They are from both large and small companies throughout Japan in all kinds of industrial sectors.

### Our current main activities are:

- 1) Provide Audit & Supervisory Board Members and other Similar Type Members with necessary knowledge, auditing standards and related information.
- 2) Study and publish the most desirable auditing practices for various subjects.
- 3) Research the actual situation of corporate governance among Japanese companies.
- 4) Publish JASBA's views regarding improvement of corporate governance in Japan from the viewpoint of Audit & Supervisory Board Members and other Similar Type Members.
- 5) Publish the Association's journal and other publications.

The business world has changed drastically in becoming globalized and the corporate governance system of Japan is expected to change much more to reflect such changes in business practices. JASBA's roles are now more important for the sound development of the corporate governance system of Japan.

## Major Activities

### (1) Study, Recommendations and Research

- To study the corporate governance system (including Audit & Supervisory Board Members system) and publish recommendations on its improvement on various occasions, such as at committees held by MOJ, METI, FSA, JICPA and so on.
- To research the corporate governance system.

### (2) Seminars

- To host national conferences for its members twice a year. The program includes speech by a management executive and a panel discussion on a specific theme.
- To host seminars and lectures on various subjects such as law, accounting and risk management. In FY2013 (September 2012 to August 2013), JASBA hosted 245 seminars and had 70,707 attendants in total.

### (3) Working Group Activities

- To organize working groups which are comprised of the Registered Individuals. The members of each working group make presentations respectively at the meetings of the working group based upon their experience. After the presentation, they exchange their views and opinions. Through this process, they can access the practices of other members, which enables them to enrich their knowledge and skills.
- Each office has one or more working groups (Head Office has 17 working groups). They are formed mainly on the basis of industry or size of the company.

### (4) Consultation Services

- To offer opportunities for the Registered Individuals to consult, either online or in person, with legal experts on issues they have encountered through their ordinary activities.

### (5) Information Services

- To publish JASBA's monthly journal and provide related information through uploads to the JASBA's official website.

### (6) Support for Small and Medium Sized Enterprises

- To support the Audit & Supervisory Board Members and Similar Type Members of small and medium sized enterprises by hosting seminars and publishing materials.

### (7) Support for Staff members of Audit & Supervisory Board Members and Audit Committees

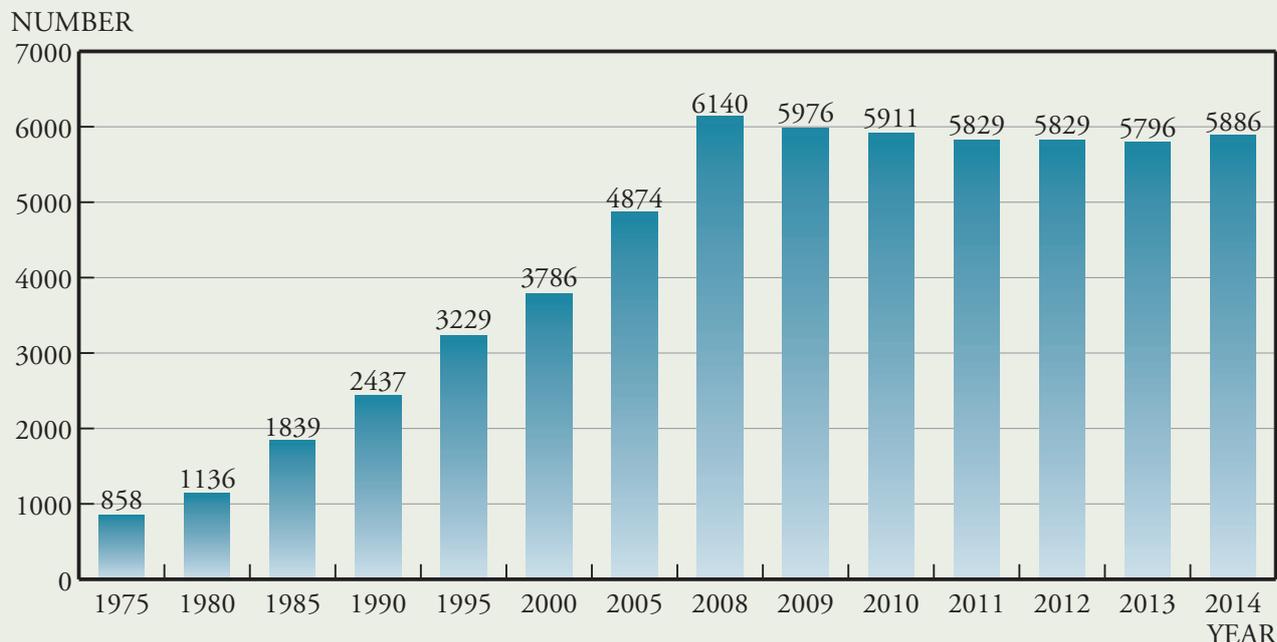
- To support the staff of Audit & Supervisory Board Members and Similar Type Members, by hosting seminars, publishing materials and organizing working groups similar to those of the members of JASBA.

### (8) Job Opportunity Services

- To upload a list of current/ former Registered Individuals who desire to be listed there. The list serves as a reference for parties who recruit Audit & Supervisory Board Members and officers charged with supervisory functions.

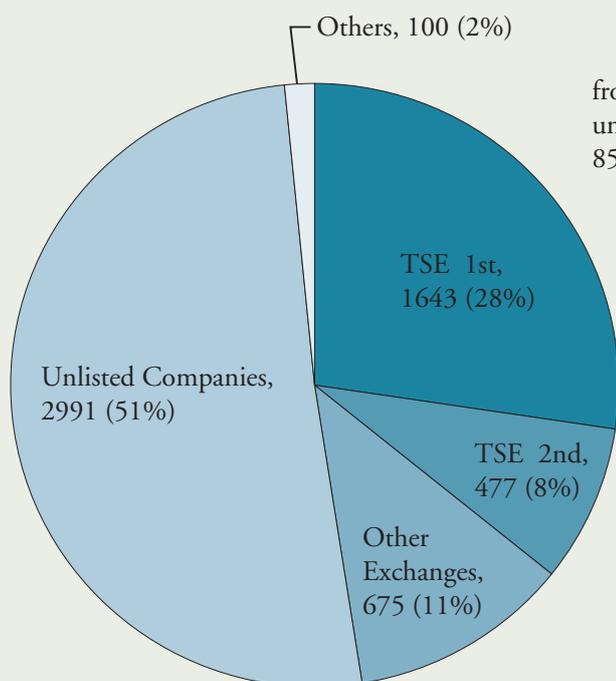
## JASBA Member Composition

### (1) Number of JASBA Member

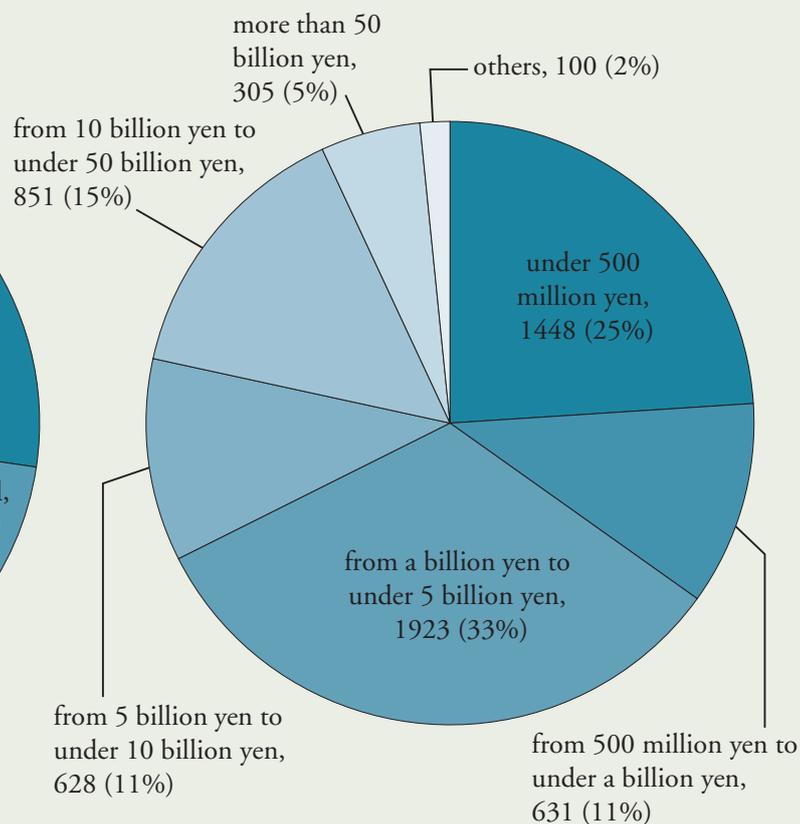


### (2) Corporate Membership Composition

Listed/ Unlisted



Capital



(As of August 2014)

## Mission of Audit & Supervisory Board Members

We aim to contribute extensively to the sound and ongoing growth of corporations and society by maintaining a fair and impartial stance in our role in upholding corporate governance<sup>\*1</sup>.

## Guidelines for Conduct of A&S Board Members

- (1) We meet the expectations of all stakeholders<sup>\*2</sup> by undertaking continuous education, cultivating a spirit of independence and self-discipline, and being trustworthy.
- (2) We perform our daily activities as A&S Board Members with fairness and in good faith based on the principle of integrity<sup>\*3</sup>, the precepts generally accepted in society and accurate information sourced from our on-site visits.
- (3) We strive to strengthen corporate governance by carrying out our duties as A&S Board Members in a principled and professional manner and by being accountable in all circumstances.

### **\*1 “in our role in upholding corporate governance”**

This phrase conveys that A&S Board Members bear key responsibility, alongside corporate management, for strengthening corporate governance.

### **\*2 “meet the expectations of all stakeholders”**

This phrase conveys that A&S Board Members act for shareholders who have entrusted them with responsibilities, and that A&S Board Members’ accommodation of the expectations of all stakeholders in a fair manner leads in turn to increased benefit to shareholders.

### **\*3 “based on the principle of integrity”**

This phrase conveys the basic approach of A&S Board Members in carrying out their auditing activities. In other words, integrity underlies A&S Board Members’ quest to obtain sufficient and accurate information.

## Mission of the Japan Audit & Supervisory Board Members Association

We aim to contribute to the creation of an affluent global community<sup>\*1</sup> by:

- raising the awareness of people both in and outside Japan about the reliability and value of Japan's A&S Board Members system<sup>\*2</sup> and
- establishing an effective system of corporate governance by promoting knowledge about the role and mission of A&S Board Members and making A&S Board Members more conscious of their role and mission.

## Initiatives of the Japan Audit & Supervisory Board Members Association

- (1) We research the roles and functions of A&S Board Members<sup>\*3</sup> and issue guidelines for conduct that meet the needs and expectations of society, so that A&S Board Members can fully discharge their responsibilities.
- (2) We offer A&S Board Members opportunities to deepen and increase their knowledge and consciousness of their role, so that they can assist corporations in performing their corporate social responsibility commitments and contribute to strengthening corporate governance.
- (3) We seek to propose the most effective form of corporate governance for Japan through broad dialogue with society<sup>\*4</sup>, in order to increase the value of the A&S Board Members system.

### **\*1 “contribute to the creation of an affluent global community”**

Now that the JASBA is a public interest incorporated association, it is even more strongly encouraged to develop ties with society. This is also indicated in its new articles of incorporation. This phrase conveys that the JASBA, as a member of society, will make appropriate contributions to Japanese society and also to the global community, in light of this new role expected of the JASBA.

### **\*2 “raising the awareness of people both in and outside Japan, about the reliability and value of Japan’s A&S Board Members system”**

The functions of Japan's A&S Board Members system have been reinforced by numerous revisions to laws and regulations applying to A&S Board Members. At the same time, the expectations of society underlying such legal revisions have continued to increase. This phrase expresses the resolve of the JASBA to actively explain that the A&S Board Members system has earned great trust in terms of Japanese corporate practices and that the system has a substantial and adequate function, and to raise people's awareness and understanding of the A&S Board Members system, with a view to reaching the wider global community.

### **\*3 “research the roles and functions of A&S Board Members”**

Many aspects of the role of A&S Board Members are provided by law; however, the term “functions” refers to the actual impact that A&S Board Members have on society by carrying out their role. The JASBA shall research what role A&S Board Members should play and consequently what functions A&S Board Members should perform.

### **\*4 “through broad dialogue with society”**

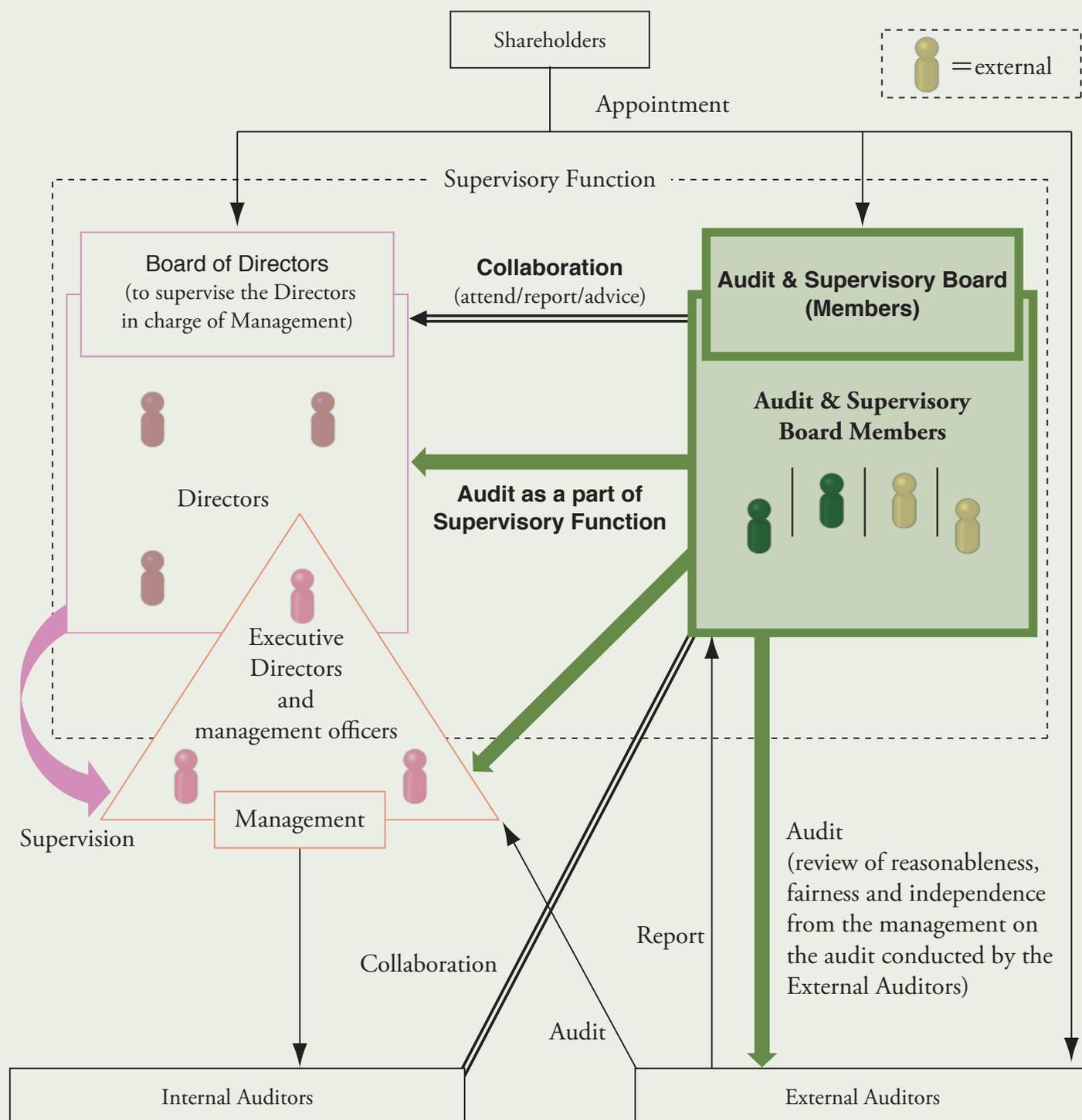
The JASBA shall proactively make recommendations and offer opinions on the most effective system of corporate governance and the A&S Board Members system in Japan. Both in and outside Japan, the JASBA shall actively explain and raise people's awareness of the reliability and value of A&S Board Members.

# What is an Audit & Supervisory Board Member?

## Fundamental Role

Audit & Supervisory Board Members must be elected at a shareholders' meeting, and their role is to “audit” and “supervise” the activities of management.

## Audit & Supervisory Board Members System

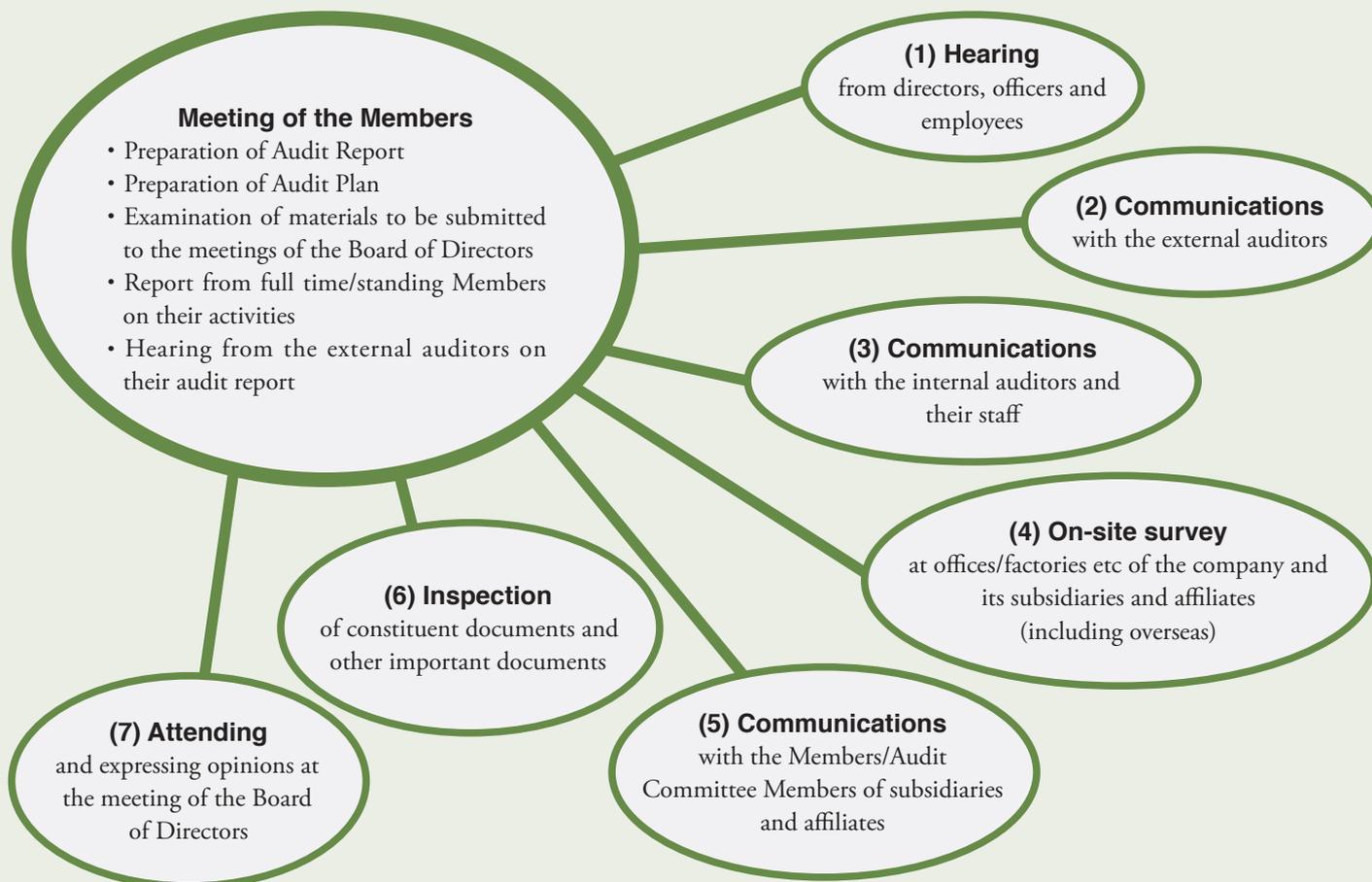


# What is an Audit & Supervisory Board Member?

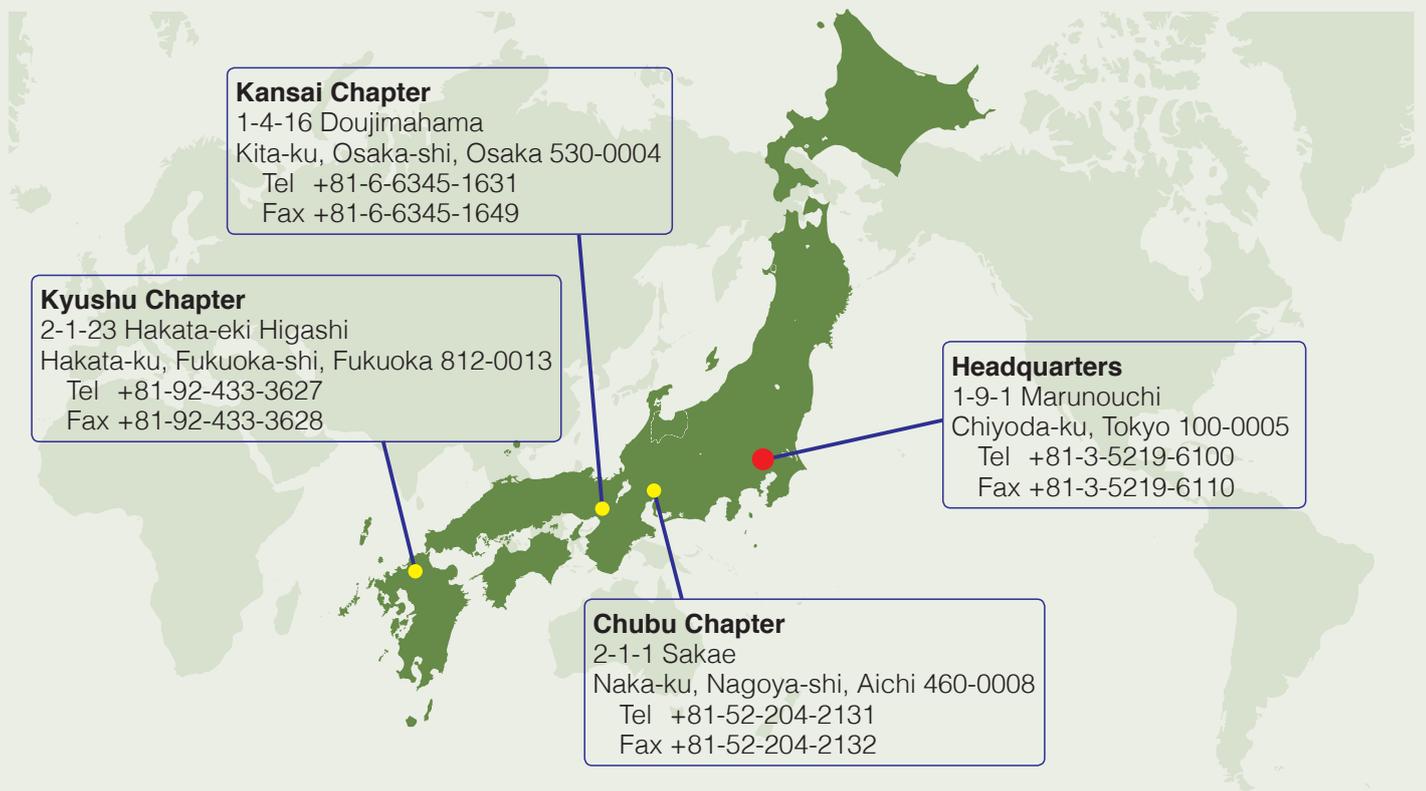
## Powers, rights and obligations of the Audit & Supervisory Board Members

<b>(1) Research &amp; Investigation</b>	<ul style="list-style-type: none"> <li>• Power to order officers and employees to report to them operations and affairs of the company.</li> <li>• Power to investigate operations, financial status and affairs of the company.</li> <li>• Power to investigate operations, financial status and affairs of subsidiaries.</li> </ul>
<b>(2) Actions on operation of the company</b>	<ul style="list-style-type: none"> <li>• Obligation to attend and express their opinions at the meeting of the Board of Directors.</li> <li>• Power to convene a meeting of the Board of Directors.</li> <li>• Right to seek an injunction against an act by the Directors if certain requirements are satisfied.</li> </ul>
<b>(3) Actions on external auditors</b>	<ul style="list-style-type: none"> <li>• Power to order the external auditors to submit final/interim report on their audit.</li> <li>• Right to consent to the Directors on submission to the shareholders meeting of their proposal on appointment or removal of the external auditors.</li> <li>• Right to consent to the Directors on fee for the external auditors.</li> </ul>
<b>(4) Reporting</b>	<ul style="list-style-type: none"> <li>• Obligation to submit their audit report and perform supplemental explanation at the annual shareholders meeting.</li> <li>• Obligation to investigate and report the result to the shareholders meeting if any violation of laws and regulations or constituent documents, or any material injustice is found in a proposal or its related materials to be submitted to the shareholders meeting.</li> </ul>
<b>(5) Legal action against Directors</b>	<ul style="list-style-type: none"> <li>• Obligation to examine and judge the reasonableness of a request by a shareholder to take legal action against a Director or Directors for his/her (their) breach of duty of care and/or fiduciary duty to the company and if such request is considered reasonable, to take legal action against them as a representative of the company.</li> </ul>

## Activities of the Audit & Supervisory Board Members



# Japan Audit & Supervisory Board Members Association



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