

# The Duties of Directors of Japan's Publicly Held Corporations, with an Emphasis on Supervisory Issues

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## I. CONVENTIONAL MONITORING SYSTEM

### 1. *The Structure of the Board of Directors*

Looking back at the history of Japan's publicly held corporations, it would be fair to say that at no time has the efficiency of supervision of executives by directors and/or their board been so seriously discussed as at present. The latest revision of the Commercial Law (promulgated in 2002, put into force in April 2003) introduced a new organizational form for stock corporations called a "company with committees" (*i'in kai tō setchi kaisha*, hereinafter "new company" or "new company regime"), which clearly segregates the management of corporate business and its supervision.

Despite the limited number of companies that have adopted the new company regime so far (some forty companies out of approximately 3500 public held corporations in Japan), the impact of the new company regime is considerable because among those who have adopted it are many of Japan's foremost companies, with world-renowned names that include the four big electronic companies (*Sony, Toshiba, Hitachi, and Mitsubishi Electric Corp.*) and *Nomura Holdings*, the holding company of Japan's largest securities firm.

Today I would like to focus on the issue of supervision by directors and their board rather than the duty of management in general. The following historical overview may

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