

of inmate. In the light that the existing Prison Act handles the convicts and persons sentenced to penal detention within the same concept, and that the operation in connection with those related with right is, in many cases, according to ministerial order and others, high expectations are placed on the proposed revision of the Act.

However, the proposal to retain the so-called "substitute prison" as a criminal jail will give rise to controversies in the future. In addition, the outline has taken into account the new current in criminal policies concerning treatment, but whether or not it is sufficient to meet requirements will have to be left to future discussions.

The following reports by the Justice Ministry official in charge will be most helpful in learning the details of the concept couched in the proposed draft outline:

"On Draft Outline of the Gist of the Revision of the Prison Act," by Yasuro Oshiba. (*Horitsu-no-Hiroba* Vol. 33, Nos. 3, 4, 5 and 6, 1980).

"Deliberative Situation of the Revision of the Prison Act," by Yasuro Oshiba. (*Horitsu-no-Hiroba*, Vol. 30, No. 3 — Vol. 33, No. 2, 1977–1980).

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## 5. Commercial Law

1. Japan's business corporation law (The Commercial Code, Book II, Chapter IV) has been revised many times since it was first enacted in 1899. The revisions of 1938 and 1950 were, particularly, of great scale viewed from their contents and the numbers of articles revised. As witnessed by the successive revisions of business corporation laws in many foreign countries

in the 1960s, however, it has come to be recognized that the existing business corporation law of Japan can no longer fully cope with the rapidly changing social structure in recent years. And finally, the work of its amendment got under way.

The Counsellors' Office of the Civil Affairs Bureau of the Ministry of Justice, in its "Questions Concerning the Proposed Revision of the Business Corporation Law" on June 12, 1975 indicated seven points requiring special consideration, namely, (1) corporate responsibility in a changing society, (2) improvement of the shareholders' meeting system, (3) improvement of the present system relating to directors and the board of directors, (4) improvement of the system concerning stocks, (5) disclosure of accounting of incorporated companies, (6) affiliation, merger and split-ups of enterprises, and (7) the minimum share capital system and the division of large and small companies. The Counsellors' Office then sought the opinions of both academic and business circles as well as the bar and the bench on these problems.

The Commercial Law Section of the Legal Council set up within the Justice Ministry collected and studied these views and proposals, and announced revision plans one after another on the basis of the conclusions it had temporarily drawn, calling on the various circles concerned to submit their views once again on these scores.

In the first place, a "draft plan for the revision of the stock system" was announced on May 17, 1977, followed by a "draft plan for revision of corporate organs" on December 12, 1978, and a "draft plan for revision concerning the disclosure of accounting of incorporated companies" on December 25, 1979. Business corporations have thus moved a step further toward an overall revision of the laws relating to them.

2. The "draft plan for revision concerning the disclosure of accounting of business corporations" was made up of seven points. The first point was a revision concerning "financial records" and was aimed to amplify such disclosures to shareholders by legaliz-

ing business reports and items in annexed specifications. The item concerning gratuitous payments of companies is worthy of special attention.

The second called for a revision concerning "standards in compiling financial records," distinguishing the right of decision concerning the records from the right for distribution of net profits, and prohibiting the appropriation of the provision for accumulated earnings to transfer the right of decision to the board of directors.

The third point called for a "revision of the semi-annual reporting system." According to Japanese practice, many companies issue midterm dividends. In this sense, the proposed revision called on companies concerned to compile semi-annual reports on their profits and losses as well as business conditions as part of their obligation.

The fourth point called for a "revision concerning disclosure by consolidated financial statement." It obligates companies that have to be audited by certified public accountants to compile consolidated balance sheets and consolidated profit and loss statements and send them to shareholders.

The fifth point called for a "revision of the announcement and disclosure of financial records." It called for the registration of financial records at the commercial registration office and to make them available for shareholders and creditors for their inspection and copying.

The sixth point called for a "revision concerning the status of certified public accountants." According to the proposed revision, the auditor would choose candidates in the course of selecting certified public accountants and would also be authorized to dismiss them. The step was aimed at enhancing the independence of certified public accountants.

The seventh point called for a revision of other related matters.

Specially, these points are designed to strengthen the status of shareholders and promote the disclosure of information to shareholders both directly and indirectly, indicating the general direction

of the proposed revision of the business corporation law.

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## 6. Labor Law

The Japanese economy has undergone a great change since the dollar shock of 1971 and the oil shock of 1974, resulting in structural changes in the labor-management relationship largely due to subsequent inflationary and structural recession.

To cope with the changed circumstances, various laws and ordinances were introduced, especially relating to unemployment insurance and measures to help those thrown out of a job from “industries specially designated as being hit hard by recession.”

In fiscal 1979, however, no law worthy of special attention was introduced mainly because the country had come to enjoy “stabilized economic growth” except in some recession-hit industries. There were no marked changes in the laws relating to collective labor-management relationships. To be exact, there was the “Dust Trouble Prevention Regulation” in the field of safety and sanitation, as explained in the following.

### **Dust Trouble Prevention Order 1979**

(Promulgated, April 25, 1979 and put into force, October 1, 1979. Part of the Order, however, went into force, on October 1, 1980. Order No. 18, 1979, Labor Ministry.) Made up of seven chapters and 28 articles, plus four supplementary provisions.

#### *[Content]*

The Order stipulates that for the purpose of preventing dust trouble, enterprisers should take steps to prevent the occurrence