plays an important role in advising or supporting managers from the neutral standpoint in order to evaluate to what extent the mission of the management has been achieved. The section of internal control directly belongs to the chief executive officer, and therefore, it seems to become more important to what extent the section is independent of the officer.

Since the internal control is a system in the corporation as a whole, each section in the corporation recognizes, evaluates, analyses, responds to and controls the risk that is an important element of the internal control. At the same time, the corporation recognizes, evaluates, analyses, responds to and controls such risks as a whole. The section of internal audit evaluates whether the internal control systems have been established and how they are operated. In short, the section of internal audit "audits" the internal control systems. In the Financial Products Exchange Law, the managers shall evaluate and report the internal control systems. The internal audit will become an important vehicle for directors to perform their duty of compliance. Similarly, in the Corporation Law, auditors or audit committee will use the internal audit as a supplementary instrument to inspect whether the internal control systems have been established and are operating effectively.

From the perspective of the internal audit, the internal control systems in the Corporation Law are not entirely different from those in the Financial Products Exchange Law. Rather, both of them should effectively operate together, and thereby, the efficient and sound management should be achieved. Japanese corporation will have to take into consideration how the management should enhance the internal control systems, including what the internal audit should be.

7. Labor Law

Labor Contract Act
Act No. 128, December 5, 2007 (Effective on March, 2008)

Background:

From around 1990, types of employment in Japan have become diver-

sified because of the changes in corporate society. Accompanying this tendency, the number of labor disputes in regard to individual employee relations has become increased. In order to cope with the increase in such disputes, the government authority responsible for labor has prepared three systems to provide solutions to such individual labor disputes. First, in 1998, the Labor Standard Act was revised, and help in solving disputes by the head of the Labor Standard Office of prefectural and city governments was formulated, where the head could give advice and instruction. Secondly, in 2001, the Promotion of Individual Labor Dispute Solutions Act comes into effect. The law gives the labor office the power to provide consultation and information. Also the Act allows the dispute solution committee to provide "mediation" to both the employee and employer. Thirdly, in 2006 as a part of law reform, the Labor Umpire System came into effect to solve the individual labor dispute quickly.

Procedures and frameworks to solve disputes are becoming structured by the preparation of the three systems mentioned above, but one issue that remained was what rules should be regulated to be applied to individual labor disputes. In general, in the area of labor cases, rules have been formed through the accumulation of court cases concerning individual labor disputes by the way of applying general rules like the public policy, the abuse of right, and the principle of faith and trust.

In the discussion stage on the legislation of the Labor Contract Act, principles to govern labor contracts were required to be clarified in order that employment relations be administered by rules which are clear, fair, and highly predictable. In April, 2004, "The Study Group on the Desired Future Legislation of the Labor Contract Act" of the Ministry of Welfare, Health and Labour was kicked off to start reviewing and studying. After the review by the Sub Committee of the Labor Policy Council consisting of representatives of labor, employers, and public interest, the bill of the legislative act was submitted to the 166th regular diet session on March 13, 2007, and it was carried over to the next session. In the 168th extraordinary Diet session in 2007, the Bill was presented with partial amendments and the revised bill was passed in November 28, promulgated in December 5. Finally the Bill was enacted in March 1, 2008.

Main Provisions:

1. The purpose of the legislation

The purpose of the legislation of the Labor Contract Act is to contribute to the achievement of stability in individual labor relationships, while ensuring the protection of workers, by facilitating the reasonable determination of changes to working conditions, by providing for the principle of agreement, under which a labor contract shall be established or changed by agreement through voluntary negotiations between workers and employers, and other matters regarding labor contracts. (Article 1)

2. Definition of worker and employer

(1) In the Labor Contract Act, a worker is defined as "a person who works by being employed by the employer and to whom wages are paid." (Paragraph 1, Article 2)

(2) In the Labor Contract Act, an employer is defined as "a person who pays wages to workers who he/she employs." (Paragraph 2, Article 2)

3. Principles with regard to labor contracts

(1) Labor contracts shall be concluded or changed based on the consent of workers and employers with agreement on an equal basis. (Paragraph 1, Article 3)

(2) Labor contracts shall be concluded or changed by considering the balance of interest according to the actual work situation by/between workers and employers. (Paragraph 2, Article 3)

(3) Labor Contracts shall be concluded or changed by considering the work life balance by/between workers and employers. (Paragraph 3. Article 3)

(4) Workers and employers shall comply with labor contracts and shall perform each obligation and execute each duty in good faith. (Paragraph 4, Article 3)

(5) Workers and employers shall not abuse rights in executing their rights in accordance with the Labor Contract Act. (Paragraph 5, Article 3)

(6) Employers shall have the duty to encourage labor to have a correct understanding of the contents of the employment conditions and the labor contract offered. (Paragraph 1, Article 4)

(7) Workers and employers shall make as much effort as possible to confirm the contents of the labor contract (including a contract with a fixed term of employment) in writing. (Paragraph 2, Article 4)

(8) Employers shall give the necessary consideration so that workers can work securing his/her life, safety, and others, to perform his/her duties in accordance with the labor contract. (Article 5)

4. The agreement of the labor contract and changes to it

(1) The agreement of the labor contract

a. The labor contract shall be agreed based on the consent of workers and employers so that workers can work employed by the employer and can be paid with wages for that work by the employer. (Article 6)

b. In the case workers and employers conclude a labor contract and the employer informs the worker of work rules which provide reasonable employment conditions, the contents of the employment contract are deemed to be in accordance with the work rules, unless the worker and the employer have a different agreement from the content of the work rules, except for in the case stipulated in Article 12. (Article 7)

(2) Changes in the contents of a labor contract

a. Workers and employers may change the contents of a labor contract based on the consent of both parties. (Article 8)

b. Without the consent of the worker, the employer may not change the employment conditions that are content of a labor contract in such a way that worker receives disadvantage by the changing of a work rule, except in the case of c. below. (Article 9)

c. In the case where the employer changes the employment conditions by changing a work rule, when the employer informs a worker with a revised work rule that is a rational change, considering the degree of disadvantage that the worker may receive, the necessity of the change of the employment conditions, the adequacy of the contents of the revised work rule, the status of negotiations with a labor union or the like, or any other circumstances pertaining to the change of the work rule, the employment condition that comprises the content of the labor contract is deemed to be in accordance with that revised work rule. But the aforesaid does not apply to the part that the worker and the employer agree should not to be changed by a change of a work rule, except in the case stipulated in Article 12. (Article 10)

d. In regard to a procedure to change a work rule, articles 89 and 90 of the Labor Standard Act are applied. (Article 11)

(3) Other main clauses related to the labor contract and work rules

a. The part of the labor contract that defines the employment conditions which do not attain the level requested by the work rule shall be invalid. In this case, the part which is invalid is replaced by a similar part of the work rule. (Article 12)

b. In case a part of a work rule does not comply with the law and/or the collective agreement, in regard to that part, Article 7, Article 10 and Article 12 shall not be applied to the labor contract with that worker to whom that law and/or collective Agreement is applied. (Article 13)

5. Continuation and termination of a labor contract

(1) Continuation of a labor contract

a. In the case where the employer has a chance to give a worker an order to work under secondment, when that order can be regarded as the abuse of the employer's rights judging from the necessity of that secondment, the selection of the workers who are seconded and others, that order shall be invalid. (Article 14)

b. In the case where the employer has a chance to take a disciplinary action against worker, if that disciplinary action lacks an objectively reasonable basis reason and is not found to be appropriate in general social terms judging from its characteristics, and the mode of action committed by that labor pertaining to that disciplinary action and other circumstances, that disciplinary action shall be treated as an abuse of right and shall be invalid. (Article 15)

(2) Termination of a labor contract

With regard to dismissal, when that dismissal lacks an objectively rational basis, and is not regarded as being appropriate in general social terms, that dismissal shall be treated as an abuse of right of the employer and shall be invalid. (Article 16)

6. Labor contract with a limited contract term

(1) In regard to the termination of a labor contract with a limited contract term, the employer may not dismiss labor until the end of a labor contract unless there are unavoidable circumstances. (Paragraph 1, Article 17)

(2) The employer is requested to have consideration not to renew repeat-

edly a labor contract with a limited contract term which term is shortened unnecessarily in respect of the purpose of employing that labor by that labor contract. (Paragraph 2, Article 17)

7. Miscellaneous

Special rules that apply to sailors, exceptional rules that stipulate that the labor contract law does not apply to a national public officer, a rural public officer and his/her family members living together shall be stipulated. (Article 18 and Article 19)

Editorial Note:

1. The Labor Contract Act is categorized as Civil law, and it is not a law for the administration to execute their regulation in order to secure compliance with the law. Hence the Labor Contract Act is not related to the administration of a labor office. In regard to the administration, when a labor dispute occurs and is brought to a labor office in accordance with the Provision of a Solution to an Individual Labor Dispute Law, the Labor Contract Act may be referred.
2. Needless to say, a labor contract is effective based on consent. But the consent referred to the Labor Contract Act can be said to be the concept used for the coordination of interests brought about by court intervention rather than consent respected as an agreement made by independent parties.
3. In regard to the changes to work rules, a lot of discussion has been held over the legal characteristics and effectiveness of a work rule, and the Labor Contract Act stipulates the past court decisions in the form of provisions. For example, Article 9, disadvantage by change of work rule, comes from "Shuhoku Bus Suit, December 25, 1970, Supreme Court, 22 (13) Minshu 3459", Article 10, rationality of a change of work rule comes from "Daishi Bank Suit, February 28, 1997, 51 (2) Minshu 705). These stipulations can be expected to call a halt to controversy over work rule changes, but still some questions remains, for example, on what the content of "rational" is, whether a "notice of work rule" is a condition for becoming effective.
4. As for the termination before the end of contract in case of a labor contract with limited contract term, the case can be accepted as being inevitable is limited due to the restriction of Article 17 in addition to

Article 16.

5. Generally, the law is required to show a legal norm. On the other hand, in case of application of the labor contract law, considering diversities of employment relations, it is necessary to respect the directions not to impose all rules on the labor relations, but to provide the opportunity where the specific party can select the necessary items for specific employment relations.

8. International Law and Organizations

Multilateral:

Date Coming into Force with Respect to Japan	Date of Adoption	Title of Treaties and Agreements
Jun. 14, 2007	Mar. 15, 2000	Protocol on Preparedness, Response and Co-operation to Pollution Incidents by Hazardous and Noxious Substances, 2000 (OPRC-HNS Protocol)
Sep. 2, 2007	Apr. 13, 2005	International Convention for the Suppression of Acts of Nuclear Terrorism
Oct. 1, 2007	Jul. 17, 1998	Rome Statute of the International Criminal Court
Oct. 24, 2007	Nov. 21, 2006	Agreement on the Establishment of the ITER International Fusion Energy Organization for the Joint Implementation of the ITER Project
Oct. 24, 2007	Nov. 21, 2006	Agreement on the Privileges and Immunities of the ITER International Fusion Energy Organization for the Joint Implementation of the ITER Project
Nov. 1, 2007	Nov. 7, 1996	1996 Protocol to the Convention on