Message from Audit and Supervisory Committee Members

During this period of transformation, the Audit and Supervisory Committee is expected to accurately grasp the status of execution, identify signs of risks lurking on the operational sites, and support the supervisory function of the Board of Directors.

Three Audit and Supervisory Committee members talk about their reflections on activities and future challenges from their respective positions and areas of expertise.



Connecting the field teams, executives, and outside officers to enhance the effectiveness of audit and supervisory functions

Kenji Isobe
Member of the Board,
Standing Audit and Supervisory Committee Member

I am now in my third year since being appointed as a Standing Audit and Supervisory Committee Member. From my position as an internal Audit and Supervisory Committee member, I use information on the execution side obtained by attending major internal meetings to objectively identify where risks and challenges lie on the operational sites, and I make it a point to convey this information to the outside Audit and Supervisory Committee members. Regarding audit plans, the selection of sites for on-site audits, and questions for executive interviews, I strive to make audit activities more beneficial by basing them on execution-side information obtained internally while also incorporating the opinions of outside Audit and Supervisory Committee members. Through on-site audits, I am acutely aware of the importance of adhering to the basics: Genba (the actual place), Genbutsu (the actual thing), and Genjitsu (the actual facts). This process sometimes reveals latent risks and challenges. Additionally, I conduct approximately 40 interviews per year with Members of the Board, Corporate Officers, heads of major sites, and representatives of Group companies to strive for a clear understanding of the actual situation.

We also conduct an annual assessment of the effectiveness of the Audit and Supervisory Committee. Through exchanges of opinions from a wide range of perspectives, including the composition and operation of the Audit and Supervisory Committee, cooperation with Outside Directors, and three-way audits, we have revitalized discussions within the committee and deepened communication among members.

As a Standing Audit and Supervisory Committee Member, the challenge I set for myself is to further sharpen my sensitivity to risks existing within the company. When one becomes too familiar with the operational sites, there is a tendency to be overly considerate of internal circumstances; however, I intend to discipline myself and acquire the ability to make objective judgments. By maintaining this mindset and enhancing the timely and appropriate provision of information to outside Audit and Supervisory Committee members, I will lead this toward further improving the effectiveness of the Audit and Supervisory Committee.



Comprehending signs of risk by balancing an understanding of the operational sites with objectivity

Fumiko Nagatomi
Member of the Board (Outside Director),
Audit and Supervisory Committee Member

Looking back on the past year, I believe that, as an outside Audit and Supervisory Committee member, I was able to maintain good communication, including gathering information through interviews with key departments. Through on-site audits and visits, I feel that there are many treasures buried at the business sites; in other words, there is much to be seen. On the other hand, while my understanding deepens as I listen to the people on the ground, I make a strong effort not to be swayed into assuming I fully understand everything; instead, I strive to maintain a balance with an objective perspective so as not to lose sight of risks.

One of the key priorities for enhancing the effectiveness of the Audit and Supervisory Committee is ensuring thorough Group audits. Compared to good news, bad news is harder to convey from the operational sites; reports tend to be delayed particularly in distant Group companies or those that have recently joined the Group. Given these characteristics, I believe the future challenge is to build a system that can identify signs of risk at an early stage.

From the perspective of enhancing the effectiveness of the Board of Directors, I appreciate that opportunities for prior explanations regarding important agenda items are provided. Since information regarding internal conditions and the background of agenda items is limited for Outside Directors, being able to confirm the premises and key points in advance is meaningful for improving the quality of discussions. Furthermore, this provides an opportunity for the execution side to organize their key explanatory points, which I feel has resulted in improved operational efficiency for the Board of Directors.

I evaluate our audit system as already being highly sophisticated, with a framework in place where the Audit and Supervisory Committee and the Internal Audit Department (which reports directly to the President) mutually complement each other. However, even in a fully functioning organization, there are always areas where some risks may be missed. As a member of the Audit and Supervisory Committee, I intend to maintain a constant awareness of these challenges.



Assessing risks associated with growth investments and M&A from the perspectives of accounting and governance

Hideyo Uchiyama
Member of the Board (Outside Director),
Audit and Supervisory Committee Member

For my part, I have deepened my communication with a wide variety of people over the past two years. I feel it is important for Members of the Board, Audit and Supervisory Committee Members to be fully aware of what society expects of them and to communicate from that perspective.

In on-site audits, cooperation with the Internal Audit Department is key. While the Internal Audit Department steadily conducts audits based on pre-established audit plans, I believe that adding a management-level perspective can enable even deeper auditing. From this perspective, I view the further improvement of the Internal Audit Department as one of our major challenges. On-site audits are also one of the important duties of an Audit and Supervisory Committee member. During on-site audits, in addition to verifying whether the internal reporting system is functioning and whether there is a framework to deter fraud by top management, I also confirm what concerns exist on the operational sites and to what level those issues have been escalated. I intend to report the challenges and insights identified during on-site audits to the Board of Directors, thereby helping to accelerate the reforms we are pursuing as a company.

As a certified public accountant, I approach audits from the perspective of an accountant with two primary points of focus. First, given the strong performance of our automotive components business, I examine whether accounting treatments are being based on business plans that are overly optimistic about the future under the guise of growth investment. Second, regarding acquired companies, I check whether there is any arbitrary accounting treatment or reporting concerning the achievement of initial acquisition goals. In addition to these points, I am strongly mindful of maintaining the perspective of a wide range of stakeholders, including shareholders and investors, while supervising and auditing management.

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