

Report of the Regular-Member Kanji submitted to the annual General Meeting

The last one-year period had been a period of trial and error for the Board and Club management as we have just started witnessing the process of overcoming the fallouts of COVID restrictions. Financial situation of the Club remains precarious, mostly due to overwhelming numbers of resignation of members against new membership recruitment. The membership marketing drive is yet to show positive results that would upset the losses incurred due to resignation of members. At the same time, the lack of any specific austerity measure continues to keep pressure on the difficult financial situation. Hence, there is going to be an urgent need on part of the newly elected Board to revisit and reconsider the existing policies with the aim of helping the Club finding a durable solution.

It came to the notice of the Regular Kanji that during the past one year there had been a number of cases when provisions mentioned in our Bylaws and Articles of Association as well as other guiding rules had not been followed properly. One example was the selection process of F&B vendor for the Main Bar and Restaurant. However, since the selection had been an interim one in nature, the process could have been seen as a valid one.

The controversy surrounding the withdrawal of Ariso Sushi from Sushi Bar operation is another example that needs to be monitored carefully. The Sushi Bar operator is blaming the Membership Committee for disregarding its request for the approval of membership of a patron of the business company. However, our guiding documents do not give the right to an outsider to propose membership of the Club to any potential new member.

The most controversial of all decisions was probably the one related with the set-up of the dates for annual General Meeting and election of a new Board. Paragraph 10-1 of Club Bylaws makes it clear that

Paragraph 10-1

The President shall establish an Election Committee consisting of at least three Regular members, preferably former Board members, no less than six weeks before the annual General Meeting takes place in June. Members of the Election Committee must remain neutral throughout the election process and cannot be candidates themselves.

However, the President's announcement of the full composition of the Election Committee made on June 12 makes it clear that the six-week time frame has not been strictly followed.

June 12, 2023

Additional information

ELECTION NOTICE TO ALL FCCJ MEMBERS

To prepare for the FCCJ Board of Directors election at Annual General Membership Meeting in June, I've appointed an Election Committee comprised of the following members:

- * Reed Stevenson, Chair*
- * William Sposato*
- * Martin Fackler*
- * Rocky Swift*
- * Karen Severns, Professional Associate Member*

The committee's job is to supervise the election to ensure it follows Club rules, answer questions and to count the votes.

Many of the above-mentioned loopholes did arise from the fact that Paragraph 12-8 dealing with the training of the newly elected Directors and Kanjis was not followed properly and some of the newly elected Directors were not fully aware of their rights and responsibilities. However, since the last couple of years had been a period of exception due to ongoing COVID emergency, this drawback can also be seen as an unavoidable consequence of emergency.

Paragraph 12-8

Any new Director or Kanji shall undergo training designated by the Board or the President on club structure and procedures, corporate governance, compliance, and the role of a Director or Kanji under the Shadan Hojin Law.

It would, therefore, be highly expected from the newly elected Board to follow the provisions of Articles of Association and Bylaws in the process of all decision making.

The Regular Kanji would also like to take this opportunity to express his sincere apology to the Board and Membership for failing to perform properly all the responsibilities due to complicated health issues, and would like to thank Board members and General Membership for their understanding and continued support.

Respectfully submitted by

Monzurul Huq

Regular Kanji of the Club for 2021-2023 Board of Directors

PRIVATE AND CONFIDENTIAL

To: FCCJ Board

From: Simon Farrell

Associate Member Kanji Report 2022/23

June 15, 2023

Introduction

The role of kanji (statutory auditor) is established by the Koeki Shadan Hojin Law and the Club's Articles of Association. The kanji are to attend Board meetings and otherwise monitor the Board's performance and overall governance of the Club as well as to review the Club's finances. Kanji are required to speak up to prevent the Board from taking any action in contravention of the law or club rules and may conduct special investigations or call special meetings for this purpose if required. Kanji are also required to prepare an annual report to the members assessing the Board and the club's governance.

The kanji for 2021/22 were Simon Farrell (professional associate member) serving part of the first year of a two-year term, following the passing away of then-kanji Toshiro Ueyanagi in November 2022, and Monzurul Huq (regular member) serving the first year of a two-year term. Both kanji are submitting individual reports.

Governance

As the previous kanji report said, a major accomplishment of recent years was the successful passage of amendments to the Articles of Association and the Bylaws. However, we are still in the process of getting Cabinet Office approval for some amendments.

Unlike in some recent years, and despite a bylaw to the contrary, the new directors and kanji did not receive governance training by a lawyer, kanji or specialist board-training organisation such as the Board Director Training Institute about club structure, procedures, corporate governance, compliance, and director and kanji roles and responsibilities under the Shadan Hojin Law.

The previous kanji report continued: since the club is a public interest corporation, directors must understand that they are more than just volunteer leaders of a social club. They are subject to substantial fiduciary duties in the eyes of the law and hold the ultimate responsibility to manage the club effectively. Accordingly, they must devote sufficient time and energy to their work as directors, including adequately preparing for and attending meetings, and fulfilling ancillary roles such as board liaison to committees.

Since we no longer have a law firm on retainer that offers basic free annual governance training for directors and kanji, the first board meeting of each term could be devoted to the president talking through the basics of the Articles of Association, Bylaws and what is expected of directors, in terms of workload and behavior.

It is dismaying, for example, that at least one director continues to brazenly pass highly confidential and personal details from board meetings to outsiders, often just minutes after the meeting has ended and with details that are often false, incomplete, subjective, exaggerated or taken out of context. This discourages some directors from speaking their mind at meetings and causes misunderstandings with serious consequences for reputations and trust.

One solution is for the board to draft a standard Confidentiality Policy or a Non-Disclosure Agreement to ban disclosure of all information from meetings without written advance authorization from the board. Please do not confuse this issue with whistleblowing or freedom of speech.

Despite false allegations that the vendor search did not follow correct procedures, I was part of a team that carried out a fully compliant search for a new F&B provider. This included comprehensive research, a tasting, and personal interviews of three candidates followed by a presentation to the board, questions from directors, and a final vote. We secured a major Japanese global corporation to take over from October 2023.

Much time is spent on taking minutes and there is disagreement on how much detail should be recorded. One solution might be that we use an AI such as Teams, for example, which offers "live transcription of the proceedings. The text appears alongside the meeting video or audio in real

time, including the speaker's name (unless they chose to hide it) and a time stamp." There are many other such systems and, although results can be sketchy and the transcribing should be monitored, the technology is developing quickly. The Teams AI needs to be monitored in real time until they get the technology right and apparently there are better models coming on the market all the time. The AMLC tested one, but it does not yet identify each speaker by name, so they are working on that for us. Cost would be just ¥2,000 per month for unlimited use by all staff, directors and kanji.

Committees

Although most committees work very hard to achieve great results and we applaud their selfless volunteerism, some committee chairs act autonomously or unprofessionally, by ignoring or refusing to accept proposals, ideas and even emails, and making unilateral decisions.

One chairperson, for example, will only take telephone calls (not emails); another apparently only feels pressured to reply to multiple emails from me once the president is copied; another insisted on being "properly" addressed by archaic honorifics. Another chair's emails simply do not arrive in some committee members' inbox, due to technical glitches and lack of knowledge on the sender's side that never get fixed. A recent decision by one committee cost us a major revenue source and a potential member; the committee could have first recommended its decision to the board for discussion, as required by a bylaw, rather than acting alone, regardless of its good intentions.

Some committees only make decisions at monthly meetings, which adds considerable time to the approval/disapproval process, but our bylaws do not require this time-consuming process, which could be done much quicker by email at any time.

It has also been asked why some committees rarely submit monthly reports to the board. The PR Committee seems to have been disbanded.

Finances

The club's financial situation continues to decline and the temporary rent reduction will apparently not be renewed. Although our diplomatic efforts have been very successful so far, it was proposed that we now insist on a

permanent reduction in rent and offer to hand back some square meters if necessary. Or we could negotiate a way out of the lease without paying the penalty and move premises.

Efforts to recover unpaid amounts from members suspended for non-payment have again yielded badly needed revenue.

Event bookings and restaurant revenues improved in 2023, as covid restrictions were eased, and such revenue should continue to increase.

However, the sushi vendor is apparently leaving us so we must quickly replace it—or convince them to stay—or face losing the considerable monthly rental income it generates.

As previously noted by a former kanji, is it possible that some board members do not know how to read financial statements and therefore do not fully grasp the club's current serious financial situation? The content of the JMEC business plan commissioned in 2020, while not perfect, is substantial, with a number of useful ideas. It will, if properly exploited in the future, prove well worth the minimal investment made by the board to get it.

As a defense against a sudden cash flow crisis, largely predicted for the next two years during which we must make substantial pension and maintenance payments, should we not apply for a bank loan before we actually need it? We have never borrowed money before, so we need to build up a credit history and credit line, as our first loan application would likely take two to three months to process.