

## COMPLETION REPORT

In order to determine the effectiveness of supervisory board governance in China and Japan, we have visited many research institutions and companies, interviewed many enterprise executives and scholars in this field, designed questionnaires to collect information and raw data, and carried out a comparative institutional analysis on supervisory board governance in China and Japan. Through one year's effort, we found out some institutional background factors that influence system selection, but the research holds that these are just some superficial reasons that influence the system selection, and the key to the formation of supervisory board system lies in the interaction among enterprises, market and the society, which maintains the existence of these supervisory systems. Among enterprises, market and the society exists the relationship of heterogeneous symbiosis and complementarity, and the supervisory board system is formed in the process of the interaction among the three factors. Therefore, different enterprises, markets and social forms may have different supervisory board system. Based on this, the research has innovatively put forward three basic principles of the effectiveness of supervisory board system: legitimacy, complementarity and economic rationality. Moreover, based on these principles, the research has carried out an empirical study on the complementarity and economic rationality of supervisory board governance in China and Japan. Finally, based on the cognition on the primitive nature of supervisory board system, the research has put forward some specific measures to strengthen supervisory board governance.

Based on the contents above, the research has got the following conclusions and revelations:

Firstly, supervisory board governance is effective both in China and Japan. The generation and evolution of supervisory board system show that supervisory board governance both in China and Japan has strong legitimacy at present stage, and as long as people's concept does not change dramatically, this institutional arrangement will certainly continue to play its role, and will be widely acknowledged. Meanwhile, supervisory board governance has relatively strong economic rationality both in China and Japan. Therefore, in general, supervisory board governance is effective. But due to the problems existing within supervisory board system and the imperfectness of external market mechanism and other internal governance mechanisms, supervisory board governance does not have full effectiveness. This has objectively determined that supervisory board system still has room to further play its role.

Secondarily, the system construction of supervisory board governance is a systematic project, and needs to be built from the following three dimensions: supervisory board level, enterprise level and market level, with compliance with laws and regulations as the principle, and accountability as the standard. In particular, to improve the effectiveness of supervisory board governance in China, we should focus on legalizing independent supervisor system, standardizing supervisory board's structure and behavior, clarifying supervisory board's powers, improving market system, optimizing equity structure and introducing supervisory board association in due time.

Finally, the key to supervisory board governance innovation lies in the introduction of new governance body. Specific changes in the environment as well as changes in people's attitudes will influence the evolution of supervisory board's connotation, as the common faith maintaining system. The supervisory board systems in China and Japan are of no exception. With the changes of the concept of "maximizing shareholders' value" caused by the changes in environment at current stage, it is necessary to study possible further evolution path. The focus of future internal supervision system construction should be on innovating supervisory board system through introducing new governance subjects, thereby promoting the overall optimization of corporate governance in listed companies.

Publication of the Results of Research Project:

Verbal Presentation (Date, Venue, Name of Conference, Title of Presentation, Presenter, etc.)
Thesis (Name of Journal and its Date, Title and Author of Thesis, etc.) <ol style="list-style-type: none"><li>1. Accounting Research, October 2011, Should Listed Companies Introduce the Independent Supervisor System? Evidences from Chinese Securities Markets, Wang Shiquan &amp; Song Haiying</li><li>2. A Research on the Effectiveness of Supervisory Board Governance</li></ol>
Book (Publisher and Date of the Book, Title and Author of the Book, etc.)