

TRUST

The Power of Trust That JICPA Provides to Society

CREATION

INTEGRATED REPORT 2024





The Trust Created by CPAs

The goal of the Japanese Institute of Certified Public Accountants (JICPA) is to “create a bright future full of comfort and vitality.” The greatest role that both JICPA and CPAs have in achieving this goal is “trust creation.”

To fulfill this role, we work both to increase the reliability of information and to resolve diverse social issues.

In this year’s Integrated Report, we present in easy-to-understand terms how we are working to increase the reliability of information through the auditing performed by CPAs, as well as how we are working to resolve social issues.

Are we fulfilling our role in trust creation?
We look forward to hearing your thoughts.

Creating trust = Auditing + The resolution of social issues

TRUST CREATION

Exclusive Interview

FIELDS of TRUST

How to Develop Trust on the Field or in the Field

In this exclusive interview, we welcome Mr. Hideki Kuriyama, who led the Japan National Baseball Team, also known as “Samurai Japan,” to win the World Baseball Classic as team manager in 2023. His warm personality and passionate coaching were clear even from the live television broadcasts of the games, making him extremely popular as a manager. Now with the Hokkaido Nippon-Ham Fighters, where he first began as a manager, Manager Kuriyama has worked to build a better organization and environment from the frontlines with the players and coaches. We asked him about how he develops players and responds to changes in the competitive environment, as well as about the value of trust, the most important factor to us at JICPA.

EXCLUSIVE INTERVIEW



Hokkaido Nippon-Ham Fighters
Baseball Club Co., Ltd.
Chief Baseball Officer (CBO)

**HIDEKI
KURIYAMA**

(titles omitted hereinafter)



Chairman and
President of JICPA

**TETSUYA
MOGI**

Perspective on the World of Professional Baseball Gained from the Experience with Samurai Japan

Mogi: I think that many people still see you as the manager of “Samurai Japan,” the Japan National Baseball Team, which won the 2023 World Baseball Classic (WBC). Because one of the same characters that forms part of the Japanese word bushi, or “warrior,” also forms part of the Japanese word for “certified public accountant,” the CPA industry is sometimes called a “samurai industry.” I feel a sense of affinity to Samurai Japan, because JICPA is also made up of individual members who polish their knowledge and skills as professionals and exercise teamwork to achieve their goals. Given your outstanding achievements as the winning manager of the WBC and in winning both the Pacific League and the Japan Series as the manager of the Hokkaido Nippon-Ham Fighters, I am extremely excited for this valuable conversation. I know that you now serve in the role of the Chief Baseball Officer (CBO) of the Fighters. Could you please tell us more specifically about what that role entails?

Kuriyama: The general manager is tasked with taking a broader view of the entire baseball organization to strengthen the frontlines and to build systems. I was the team manager for the Fighters for ten years through 2021. Many changes took place after that point, and I am now assessing the team’s current conditions and identifying what is lacking in the organization.

Mogi: From around the year 2000 until just before the COVID-19 pandemic, every year as part of work, I visited the stadium of the Fighters’ farm team in Kamagaya, Chiba, where I could feel the growing passion of the region rooting for the Fighters each year. You must get a sense of this as well in your work as the CBO?

Kuriyama: I am aware of both the work done to improve our farm team, including improvements to the training facilities, as well as how the team is loved by local fans. When I was team manager of the Fighters, my goal for the organization was for us to become the “most loved team in the entire world.” Because of this, I am very happy that this trend has been born in Kamagaya. However, after my experience with Samurai Japan, I

I have always been OK with a one-way street in player-coach relationships. I do what is in my power with all my heart and with the utmost sincerity. This is the only way that I know.

HIDEKI KURIYAMA

began to focus more on the overall development of professional baseball. There are now many different sports enjoying growing popularity, and for as many people as possible to get to love baseball, I felt that there was a limit to what I could do with a single team.

Mogi: I think that it is extremely important to try to consider the entire world of baseball. It is also important for people in the same field to work together as one.

Decision-making Standard: “Will It Benefit the Player?”

Mogi: You have been a part of the success of many elite players, starting with Shohei Ohtani. I know that you were very supportive of them joining the major leagues, but did you struggle with letting go of a player in whose development you had invested so much?

Kuriyama: I have maintained only one decision-making standard since my time as team manager for the Fighters: “Will it benefit the player?” Many people certainly questioned whether prioritizing the wishes of the player and releasing them conflicted with the best interests of the team. However, my belief is that the better the individual players become, the better the team becomes. If the player truly wants to go to America, then I want them to go. The repetition of this cycle certainly plays a big role in the development of young players.

Mogi: So, prioritizing players connects to a stronger organization?

Kuriyama: When I was team manager of the Fighters, I would often joke that if everyone had stayed, we would have won more. However, what makes me happiest is to see the smiles on their faces when the players reach higher levels. The relationship is like that of parents and



It can be very difficult for people to accept opinions that they do not necessarily want to hear. To overcome this challenge, earning trust is essential.

TETSUYA MOGI



children, and to see your own children performing on an even bigger stage is a happy experience for any parent.

Mogi: It seems from listening to your story that you have always tried to see eye to eye with your players.

Kuriyama: This is because it is the individual players on the field who win games. Just like at the WBC, we the staff are not the ones playing baseball, and are only there to help.

Mogi: I am sure that the players are not always in top condition, and that there are times when they are in poor shape. Given your decision-making standard of “Will it benefit the player,” are there times when the players need to be told things that are difficult to hear?

Kuriyama: Of course. I believe that is where trust is born. As a coach, one thing that I often wondered was what it truly means to be kind to someone. People do not grow through kindness alone. There are also times to be strict and even to make players feel uncomfortable.

Mogi: As CPAs, we also have an unwavering decision-making standard as professionals in performing the audit engagement: “Will it benefit investors and the people using the financial statements?” In dealing with companies, there have been many times where applying this decision-making standard was not the desired direction of the company. Having this standard accepted can be truly difficult, and gaining trust is the most important factor in this process.

At Times, Players Are Chosen more from a Belief in Their Own Growth Rather than the Present Game

Mogi: As a team manager, you were responsible for building two teams, the Fighters and Samurai Japan. Could you share with us the similarities and differences, as well as your priorities in the two teams’ development?

Kuriyama: The biggest difference was the time available for development. When I was the Fighter’s team manager, there were many times where I knew that we might lose the game, but that the experience would be invaluable for the player’s development. My belief is that, from a long-term perspective, giving that player a chance leads to a stronger team. On the other hand, for Samurai Japan, there were seven must-win games, meaning there was no time to think about development. However, understanding this did not mean I could entirely let go of my focus on player development. I would always envision

the tournament as an opportunity both for players to grow and to boost their reputations, while imagining the kind of success that they would have in the future.

Mogi: Would Munetaka Murakami’s play in the WBC be an example of this?^{*1}

^{*1} After being selected for Samurai Japan and beginning in the key number-four batting position, Murakami struggled and was moved to the number-five position from the tournament quarterfinals.

Kuriyama: I believed that both Murakami and Roki Sasaki could go as far as to be recognized at a world-class level just like Shohei and Darvish after the WBC. In the WBC championship game, I wanted to put Murakami in the number-four batting position because I strongly believed that he was going to connect and score for us. However, to give him things to work on, I ended up leaving him in the number-five position.

Mogi: It must have been hard to maintain trust in each other on such a big stage?

Kuriyama: When people have decided to try to accomplish something together, the words “I believe in you” alone are not enough. This was the moment that made me realize the importance of what people communicate through their body language. Any type of unease will almost certainly become clear when talking to someone.

Mogi: Murakami is a Tokyo Yakult Swallows player, and I am sure he grew close with many of the members of Samurai Japan. I would love to hear any insight that you have on building relationships of trust among team members in such a limited amount of time.

Kuriyama: My biggest piece of insight is that I have no talent (laughingly). There are all different types of people. We’ve all known people who are not that talented but who try their best, making us want to do our best for them too. I think that I am that kind of person. Also, I have always been OK with a one-way street in player-coach relationships. If I care about you, I will continue to care about you no matter how you feel about me. I have

always been completely straight-forward in communicating my feelings. When I selected players for Samurai Japan, the rules were that the NPB (Nippon Professional Baseball Organization) was the one to notify the players through their team. However, I insisted on communicating my feelings directly to the players, and after some back-and-forth, I was allowed to call the players directly at the same time as the NPB notified their team. To create an environment in which I get the best out of my players, I do what is in my power with all my heart and with the utmost sincerity. This is the only way that I know.

Choosing to Trust Means Maintaining Trust to Create a Brighter Future

Mogi: I felt that during the WBC, the Japanese people expected and trusted that Samurai Japan would win the tournament. At JICPA, we also work to continue to be broadly trusted by society. What are your priorities as someone in a position of trust?

Kuriyama: We as a team also wanted to come together with everyone throughout Japan to win the WBC as a country, and so I was truly happy that the country was behind us. I am not sure exactly why there was that level of passion in Japan, but it was a big reason that the players did everything they could to win the tournament.

Mogi: I would imagine that the players thrive on that kind of enthusiasm. It is important to do our very best in everything that we do, and watching Samurai Japan reaffirmed my belief that this attitude leads to relationships of trust.

Kuriyama: This was just after the COVID-19 pandemic when Japanese society was ready to work hard and smile again, which really provided support to the team.

Mogi: You just mentioned the COVID-19 pandemic, which is an example of how society is constantly changing and how unforeseen events can occur. As CPAs, we also struggle with things such as changes to the accounting system. I would imagine that in the world of baseball, you also deal with different unexpected issues such as rule changes or losing players to injury. How do you deal with these kinds of sudden changes?

Kuriyama: At the WBC, we were almost certain that we would be facing the U.S. if we advanced to the semifinals, but that did not end up being the case*². Something unexpected happened, and we had to rush to adjust, but we did everything we could in the situation and quickly decided to welcome the change of plans.

*² In the initial schedule, if Samurai Japan won and advanced to the semifinals, they believed that they would face the U.S., but the semifinals opponent ended up being Mexico.

Mogi: Welcoming adversity, right?

Kuriyama: Yes, exactly. Running head on toward adversity that is not your fault allows us to rise to the challenge. That's what I see in my experience.

Mogi: I would also like for us at JICPA to rise to challenges with this approach of welcoming adversity. There are so many things that I still want to ask you, however one final question. Our motto at JICPA is "Building trust, empowering our future." This means that through CPAs being trusted by society and delivering new forms of trust through our work, we empower and support society. What kind of strength do you believe is born through the acts of trusting and being trusted?

Kuriyama: The number of people who have believed in me and supported me has truly been a great help, and I only hope to repay them for everything that they have done. However, this does not mean believing in every single thing. I have always believed in my players and chosen players who believe in me. However, that does not necessarily mean that I believe in everything about them. I understand that people have good and bad qualities, and I think that I have made progress by deciding to have strong beliefs in certain qualities of people.

Mogi: In talking with you today, Manager Kuriyama, I have again realized the need to work tirelessly to live up to expectations and for both parties to be seriously invested to build and maintain relationships of trust. We as CPAs will continue to work diligently to continue to be a presence that is trusted throughout society. Thank you so much for your time today.



What is JICPA?

PURPOSE

JICPA's Contribution to the Success of CPAs and to the Development of Society

One role of CPAs is to express an audit opinion on financial statements prepared by a company to instill trust in information and, in turn, develop trust in society. JICPA is here to support CPAs to continue serving this role. JICPA is the only organization that operates based on the Certified Public Accountants Act. By maintaining integrity of CPAs and leading them in a positive direction, we continuously contribute to the sound development of the economy and society—this is JICPA's mission.

Check!

The Symbol of CPAs

All CPAs are members of JICPA to perform as accounting professionals, and their symbol is the JICPA membership badge. The repetition of squares, which evoke stability, represents the community of CPAs who safeguard the stability of economic society, while the ellipse they form invokes the globe, representing the pride that CPAs take in protecting the global economy. JICPA also takes pride in having our membership badge seen wherever CPAs are working.



VISION

Creating a Bright Future for Society Full of Comfort and Vitality

CPAs are expanding their activities into all areas of finance, accounting, taxation, consulting, etc., with a focus on auditing. CPAs who contribute to resolving various social issues and JICPA, which supports them, share the vision for the future. That future is one in which CPAs work together with the people of the world to provide trust and to contribute continuously to creating an abundant society full of comfort and vitality.

Check!

Making CPAs a Familiar Presence

In our tagline, "Building trust, empowering our future," we have instilled our expressed desire to continue to contribute to the creation of a better society. We are working on the branding of certified public accountants to make them feel more accessible to the public, while utilizing our renewed logo.



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Chairman and
President of JICPA

Tetsuya Mogi

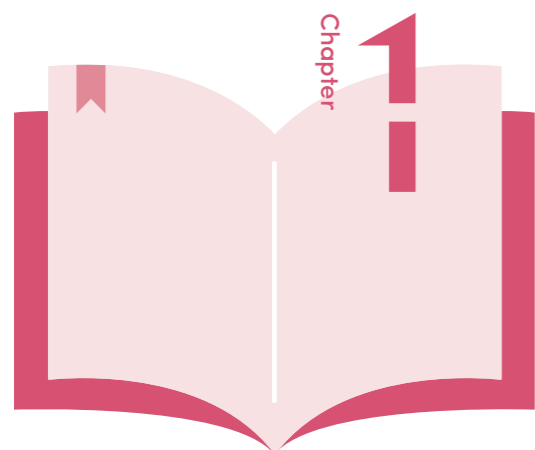


Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd.
Chief Baseball Officer (CBO)

Hideki Kuriyama

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Get to Know JICPA!

JICPA has always and will always
continue to create trust.

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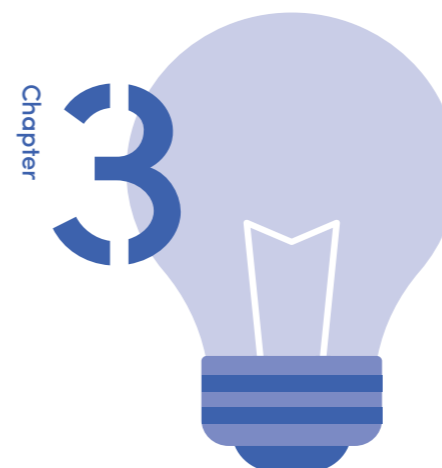
Editorial Policy

This Integrated Report is part of our communications with our shareholders. It is issued to provide an integrated understanding of the social value created by JICPA. As such, the Integrated Report introduces and explains JICPA's initiatives. We will continue to work to provide information that meets our readers' expectations.

Covered Period

April 2023 through March 2024 (the Integrated Report includes details on some activities beyond April 2024)

Note: The figures provided in this Integrated Report have been rounded off.



JICPA Makes Contributions, Even Here

In reality, CPAs contribute to the
resolution of many different social issues.

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Organizations and Operations Supporting JICPA

JICPA's goal is operations that allow us to
create trust sustainably.

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The Ethics of CPAs

FUNDAMENTAL

Ethics as a Foundation of Trust

The role of CPAs is to build trust in economic society.
All CPAs are called on to constantly maintain a strong sense of ethics.

Declaration of Ethics

To make our Code of Ethics, which CPAs must follow, easier to understand and to encourage compliance, JICPA has amended the system and structure of our Code of Ethics. In the amendments, we have created new provisions establishing the mindset that CPAs must have in performing their duties. Using the opportunity presented by the creation of these new provisions, we have formulated our “Declaration of Ethics” to ensure that all CPAs strive to act with the highest professional ethics.

Five Fundamental Principles for Maintaining Ethics



Declaration of Ethics (in Japanese)
https://jicpa.or.jp/specialized_field/20220729fd.html

Get to Know JICPA!

Chapter

1



JICPA's goal has always been to help create a society full of trust. In the turbulent times in which we find ourselves today, to support CPAs who are expected to perform in diverse fields, while realizing the vision we have for society, JICPA is working to address four key issues, our “Four Pillars.” How do we support the work of CPAs? Here, we provide you with a straight-forward overview of JICPA.

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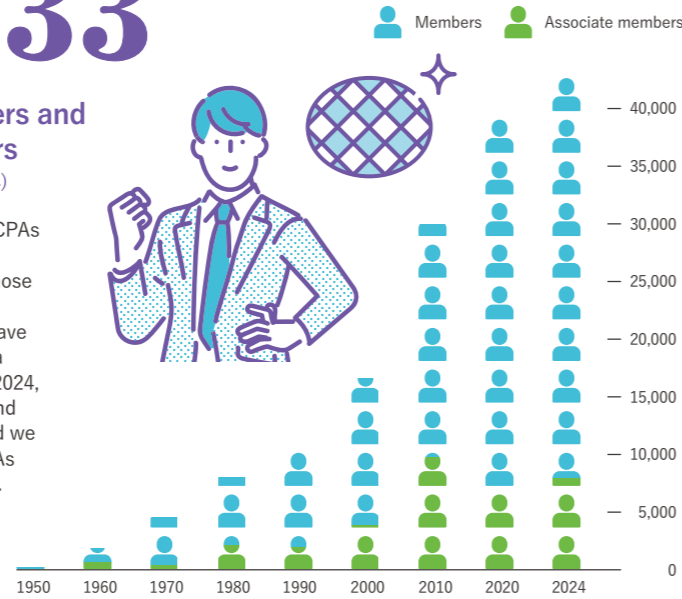
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OVERVIEW

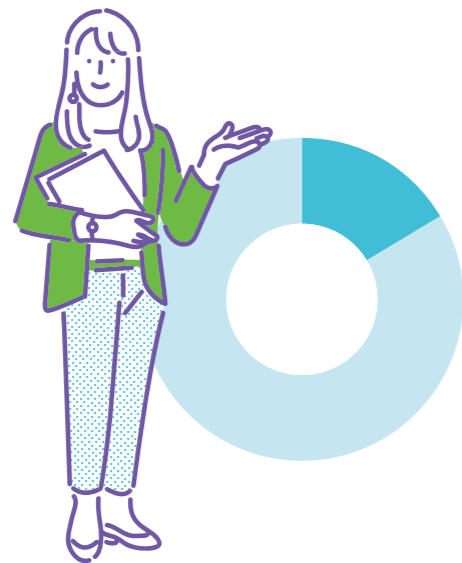
43,833

Number of Members and Associate Members
(as of the end of March 2024)

JICPA's members are mostly CPAs and audit firms. Furthermore, associate members include those who have passed the CPA examination and those who have the qualifications to become a CPA. As of the end of March 2024, JICPA had 35,821 members and 8,012 associate members, and we expect the fields in which CPAs are active to continue to grow.



CPAs Today **P.16**



16.6%

Ratio of Female Members and Associate Members

(as of the end of March 2024, excluding Specified Partners)

We have established a 30% percentage target for female members, associate members, and those passing the CPA examination. Since the first female CPA in Japan in 1951, the percentage of female CPAs has now reached nearly 17%, and we are furthering strengthening efforts to promote the success of female CPAs.

Supporting the Success of Female CPAs **P.26**

27



Appointments of Japanese CPAs at Major International Organizations

(as of the end of March 2024)

We dispatch certified public accountants to international organizations responsible for the formulation of international rules for auditing and accounting, such as the International Foundation for Ethics and Auditing and the IFRS Foundation. By representing Japan in the formulation of rules that form the basis of economic activities, we contribute to maintaining and improving Japan's economic strength.

Global Activities Aimed at International Economic Development **P.29**

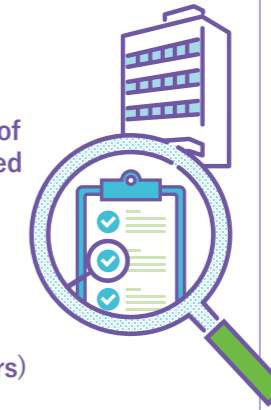
ACTIVITIES

Qualified Operation of the Registration System for Auditors that Engage in Audits of Listed Companies and Similar Companies

We regularly check the quality control status of audit work performed by audit firms and certified public accountants who audit listed companies and instruct them to make improvements as necessary.

11 times
Number of Meetings of the Listed Company Auditor Registration Examination Committee (FY2023)

19
Number of Registered Offices (FY2023)



38.3%
Ratio of Auditors (including deemed auditors) of Registered Listed Companies that Conduct Regular Reviews (FY2023)

Necessary Auditing Operations for Listed Companies **P.22**

53 times

Number of Meetings to Review Individual Cases Law and Regulation Violations (FY2023)

We monitor both daily news reported in newspapers and the information disclosed by companies in timely manner. We also have established a hotline related to the work and ethics of CPAs through which we receive external information. At our meetings, we examine matters brought to our attention through these sources that risk violating laws and regulations or company rules and impose disciplinary sanctions where necessary.

Structure to Continuously Support High-quality Auditing **P.22**



1,193 times

Number of Times Seminars were Held by JICPA (FY2023)

We hold training sessions for CPAs in a variety of fields. CPAs are mandated by laws and regulations to attend a minimum number of training courses. However, to continue to be professional partners that build trust together with society, CPAs continuously develop their skills on a daily basis.

Structure to Continuously Support High-quality Auditing **P.22**

70 times

Number of Times "Hello! Accounting" Classes Were Held (FY2023)

Total number of participants around **4,500**



To provide a close-up experience with the world of accounting, we have held our accounting classes "Hello! Accounting" for elementary and junior high school students throughout Japan since 2005. Through a simulated experience of managing familiar, everyday businesses such as cake and *takoyaki* shops, the classes provide a fun way for children to learn about accounting.

Spreading Accounting Literacy Needed by Everyone **P.27**

136 times

Information Sessions About the CPA System (FY2023)

Total number of participants around **12,000**



We hold "information sessions about the CPA system" covering details of the CPA system and the work of CPAs at high schools and universities. CPA alumni of the schools visit and share the appeal of CPA work through their own personal experiences.

Sharing the Appeal of Being a CPA with Everyone **P.27**

OUR PROGRESS

JICPA has Evolved Together with Society

The current CPA system was established in 1948 through the Certified Public Accountants Act. It has continued to change and evolve to meet the needs of the times. Together with changes to the CPA system, JICPA has worked to build trust in society. At present, based on our future vision, our goal is to continue to build trust in the next stage of society.

1948–

FOUNDATION

Building a foundation to develop together with Japanese society

As the Japanese securities market developed from the post-World War II recovery period through Japan's high economic growth period, a foundation was built for the CPA system, and it began to play a role in the development of Japanese society.

TOPICS

- 1948** The Certified Public Accountants Act established
- 1949** The Japanese Institute of Certified Public Accountants founded
- 1953** The JICPA becomes an incorporated association
- 1966** The Certified Public Accountants Act amended (introduction of the audit corporation system)
The JICPA becomes a corporation
- 1973** Commemorative ceremony and other activities marking the 25th anniversary of the CPA system held

Historical Context

In post-World War II Japan, breaking up the *Zaibatsu* corporate conglomerates unfroze and released a large amount of stock to the public. There was also a nationwide movement to democratize and create greater awareness surrounding securities. In 1948, the Securities and Exchange Law was enacted, and in the same year, the CPA system was born. The following year in 1949, securities exchanges were opened in eight locations including Tokyo, Osaka, and Nagoya.

1991–

REFORM

Reforms to shape the future of trust

As Japanese society matured, auditing operations were further strengthened and reformed.

TOPICS

- 1991** Auditing Standards, Working Rules for Fieldwork, and Working Rules of Audit Reporting amended
- 1992** The Certified Public Accountants Act amended (revision of the examination system)
- 1998** Continuing professional education (CPE) system launched
Commemorative ceremony and other activities marking the 50th anniversary of the CPA system held
- 1999** Audit firm quality management review system enters into effect
- 2001** Audit Practice Monitoring Board established
- 2003** The Certified Public Accountants Act amended (establishment of mission clause and strengthening of independence)
- 2004** The JICPA becomes a special private corporation

Historical Context

At the end of 1996 in Japan, many reforms to the financial system were undertaken as part of the "Japan's Big Bang." Through this process, Japan's financial industry progressed to the next stage. The Tokyo Stock Exchange transitioned all trading to electronic systems with the goals of accelerating trade execution, reducing costs, and pursuing streamlining.

2007–

GROWTH

Accelerating the expansion of operations in Japan and overseas

We have supported not only auditing work, but also other activities of CPAs, who are expected to contribute to resolving various social issues.

TOPICS

- 2007** Registration system for listed company audit firms enters into effect
The Certified Public Accountants Act amended (strengthening quality control of audit firms)
Creation of the Vision Paper
- 2010** Tax-related Work Subcommittee established
- 2012** Professional Accountants in Business (PAIB) Council established
Commencement of Statements on Auditing Standards based on the new drafting policy
- 2014** Public Accounting Council established
- 2016** Basic Accounting Education Promotion Council established
Women in Accounting Professional Promotion Council established
- 2017** Council for Accountants Serving as Outside Directors and Corporate Auditors established
- 2019** Self-Regulation Monitoring Conference established
- 2021** The JICPA SDGs Declaration

Historical Context

Through multiple amendments to laws and regulations, the creation of various systems, and economic changes including Abenomics starting in 2013, the Japanese financial market has gradually become more sophisticated. Furthermore, since the adoption of the Sustainable Development Goals (SDGs) at the UN summit in 2015, companies have pursued sustainability in earnest.

2022–

TRANSFORMATION

To continue delivering the value of trust into the future

Amid changes to systems including the digitalization of society and expanded sustainability information disclosure, we are responding with a long-term perspective.

TOPICS

- 2022** Creation of the Vision Paper 2022
Declaration of Ethics
- 2023** Revised Certified Public Accountants Act enforced (introduction of a registration system for auditing listed companies)

Please see **P.20–21** for the future of JICPA

Historical Context

Unthinkable events such as the COVID-19 pandemic, the war in Ukraine, and natural disasters occur frequently. In addition, we live in an age full of dramatic changes in diverse facets of society including digitalization and technological progress, environmental problems caused by global warming, and sustainability.

WHAT IS A CPA?

Building Trust Throughout Society

Historically, CPAs have been positioned as experts who are responsible for auditing publicly listed companies. However, within the constantly changing global economy, the expected role of CPAs is growing even more important. At present, 60% of all CPAs do not belong to an audit firm and are active in diverse fields starting with tax-related work and management consulting.

Number of CPAs
(as of the end of March 2024)

35,532

Of these, the percentage of CPAs not belonging to an audit firm is around **60%**



Outside directors and corporate auditors

In corporate management, appointments of outside directors and outside auditors with diverse knowledge is increasing. Recently, more CPAs with knowledge of finance and accounting are taking on the role of outside director.



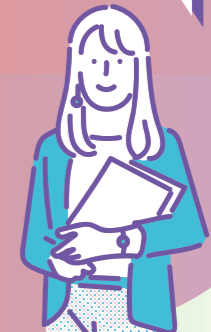
Corporate management

In recent years, many CPAs have become involved in corporate management. For example, after acquiring sufficient experience as a CPA, some become Chief Financial Officers (CFOs) of startup companies aiming to become publicly listed, and some become the managers of businesses that they start.



Consulting

CPAs provide consultations and advice on all aspects of corporate management including the development of management strategies, finding, establishing internal control, IPOs, organizational restructuring, and financial due diligence.



Professional Accountants in Business (PAIB)

CPAs work at corporations and other organizations in the private and public sectors.



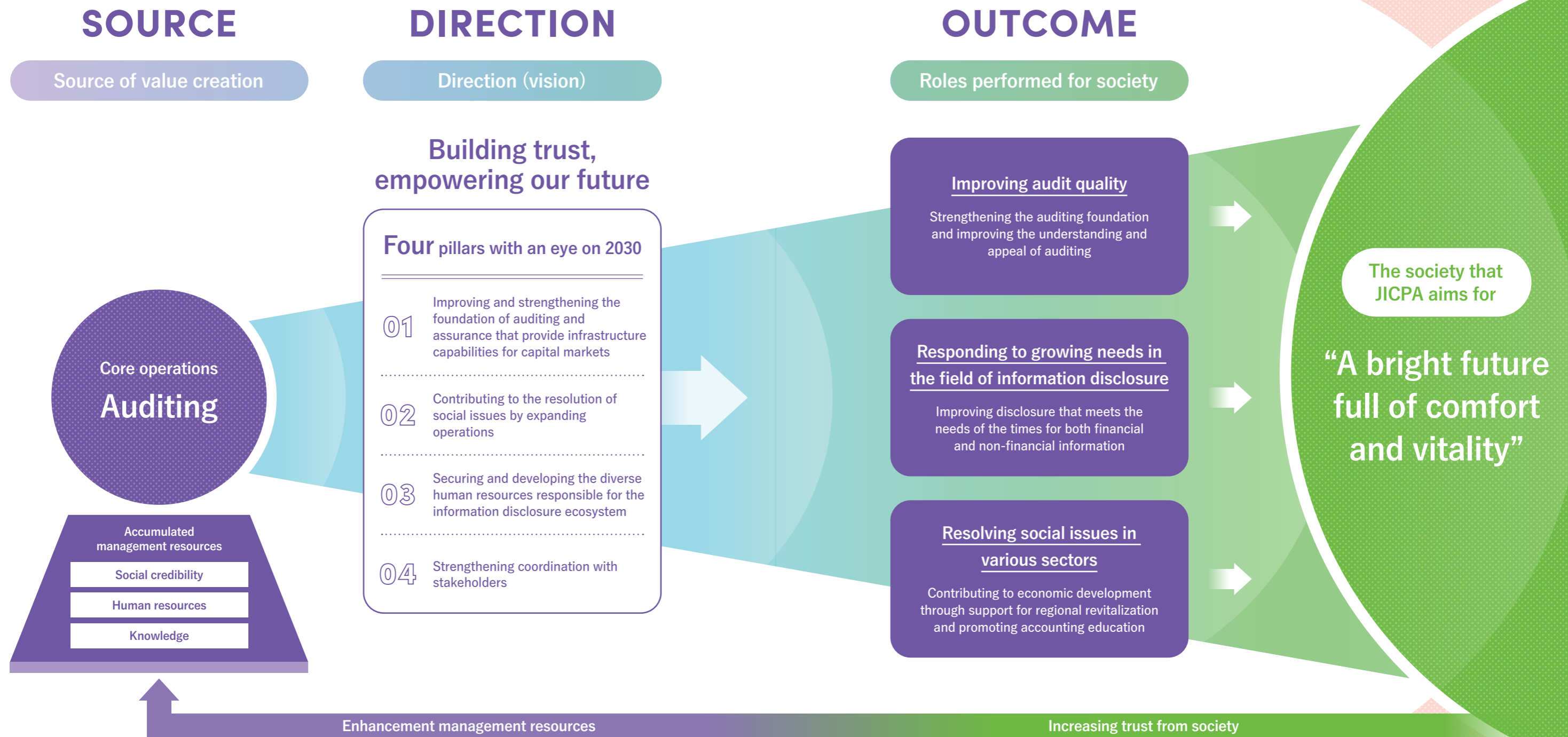
Tax services

By registering as a tax accountant, CPAs can carry out tax services. These CPAs prepare and review tax returns, provide tax-related consultation, and use their wide-ranging knowledge to provide counsel and advice in specialized tax-related matters, such as tax duties related to M&A and international taxation.



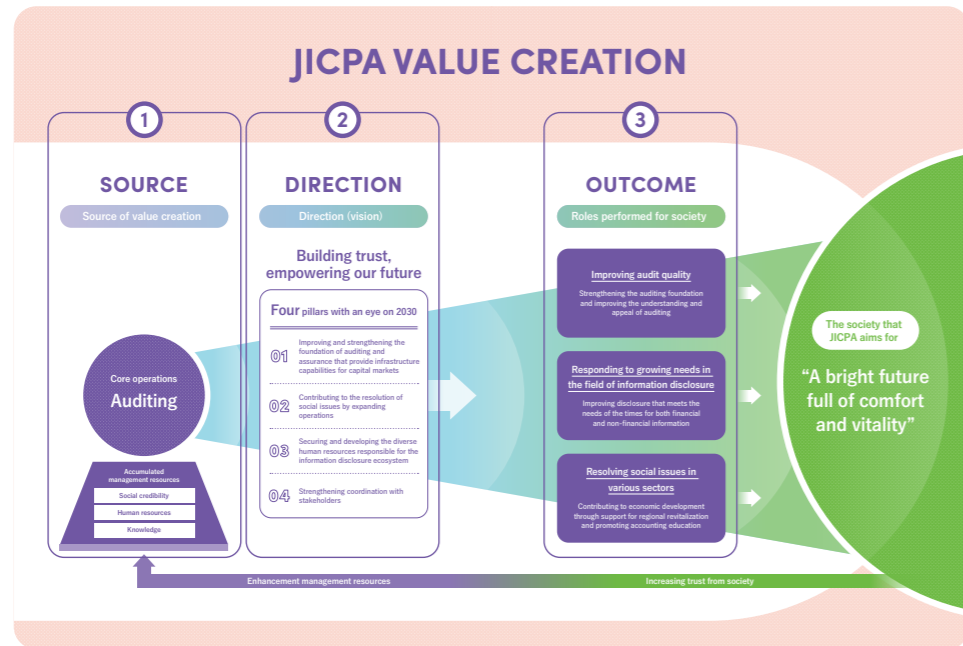
JICPA VALUE CREATION

JICPA has prepared our Vision Paper 2022 so that we may provide long-term value to society in response to the many changes in the operating environment surrounding CPAs. As part of our goals in the Vision Paper 2022, we are particularly focused on realizing the “Four pillars” as we aim to contribute to society.



About JICPA's Value Creation

Explaining our value creation story.



Phase

2 Direction of Our Vision

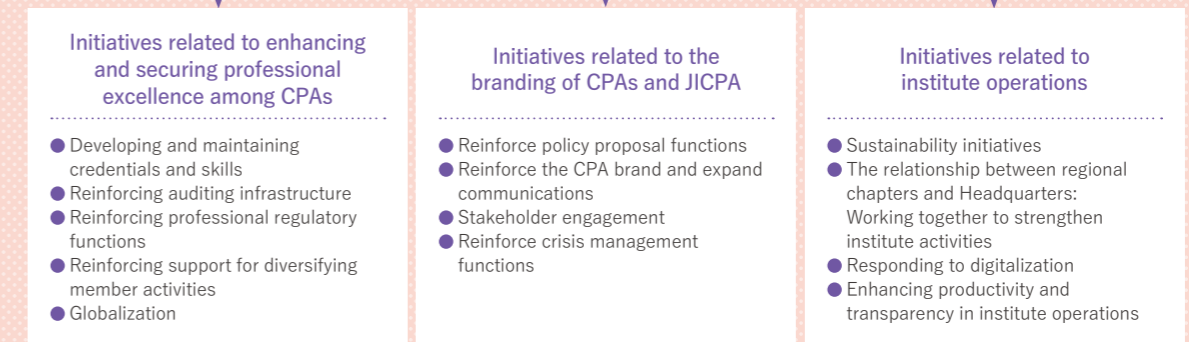
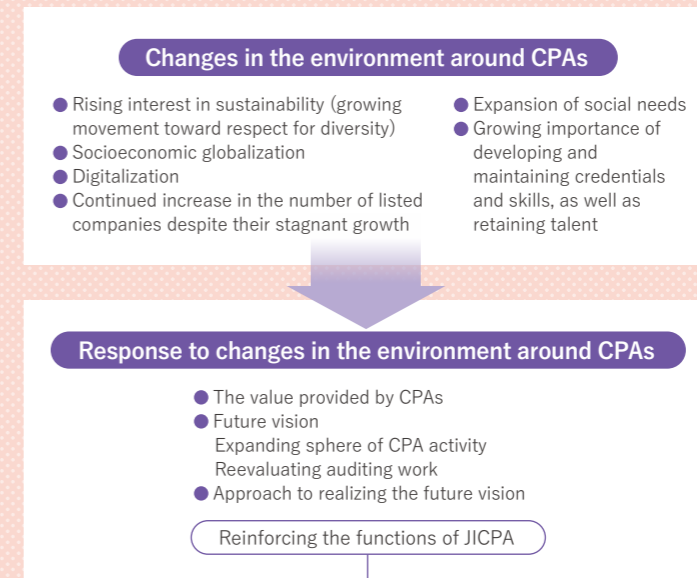
Based on our tagline, "Building trust, empowering our future" JICPA supports the work of CPAs active in a wide range of fields. In order for JICPA to provide value to society, we are working to solve issues together with diverse stakeholders in Japan and overseas under the priority theme of "Four Pillars." Through the four pillars, we will work to fulfill the role demanded of us by society and to maximize the value that we can provide to society.

P.22-30
JICPA's Four Pillars Explained

Phase

3 Roles in Society

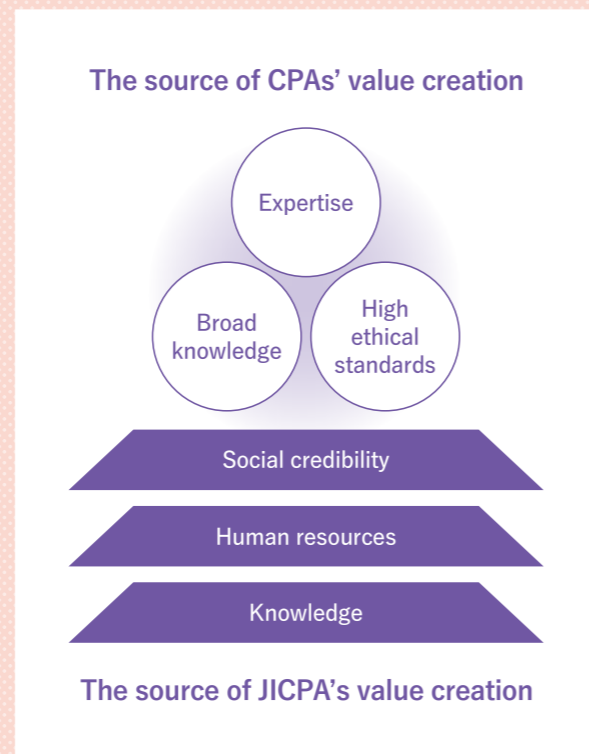
JICPA's vision is to act as part of the social infrastructure that contributes to the public interest and leads social transformation. We believe that our roles in society are to improve audit quality, respond to expanding needs in the area of information disclosure, and help to resolve problems in all areas of society. With an even more long-term perspective through 2030, we will contribute to shaping the future. The society that JICPA aims for is one that champions the creation of "a bright future full of comfort and vitality."



Phase

1 Source of Value Creation

The source of CPAs' value creation is their expertise, broad knowledge, and high ethical standards. The value of CPAs is to build trust in society and provide people with comfort even amid increasing uncertainty over the future. JICPA's role is to support the creation of that value. Our social credibility has been developed by JICPA as the only self-regulatory body composed of CPAs as members. Our human resources are the CPA members and associate members and the JICPA staff who support them. And finally, our diverse knowledge has been developed over the course of many years. With these three elements and our core business of auditing as the source of our value creation, JICPA contributes to the resolution of social issues.



JICPA's "Four Pillars" Explained

01

Improving and strengthening the foundation of auditing and assurance that provide infrastructure capabilities for capital markets

KEYWORD

Trust

Through their auditing and assurance work, CPAs build trust for society. By strengthening our guidance and monitoring system for CPAs, JICPA continuously ensures that this trust is maintained.

Necessary Auditing Operations for Listed Companies **P.23**

Japan has approximately 4,000 companies listed on securities exchanges. The Financial Instruments and Exchange Act mandates that listed companies have their accounting and financial statements audited by CPAs and audit corporations, both henceforth (audit firms).

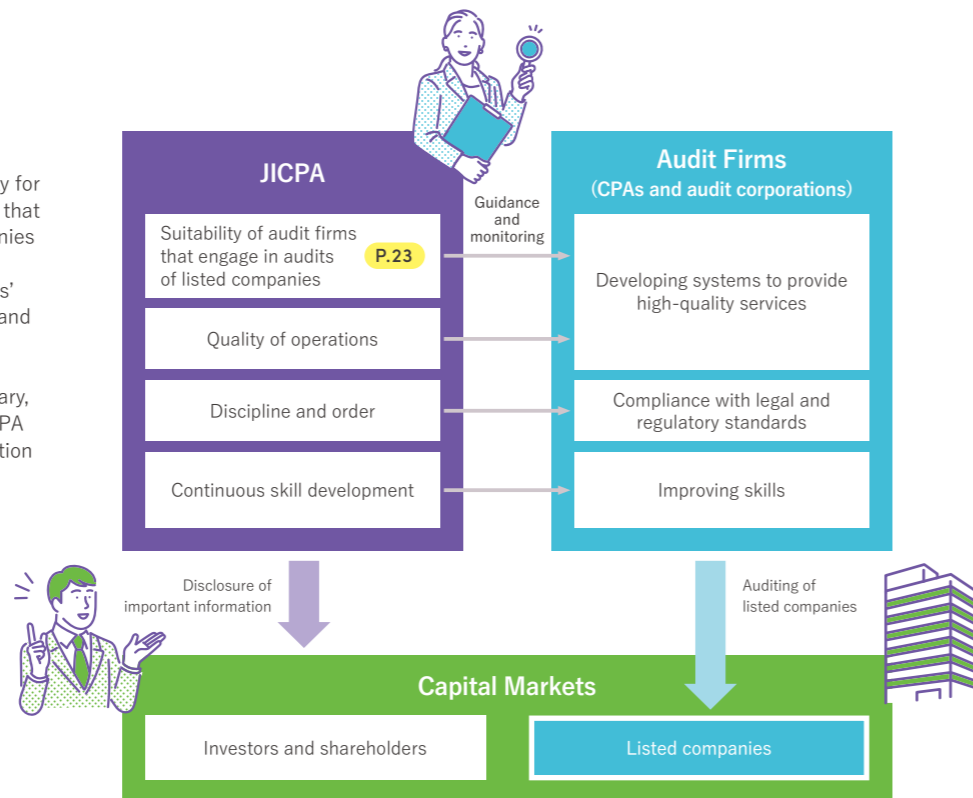
Audit firms are strongly expected to play the role of gatekeeper in the capital markets in their auditing of listed companies. Only audit firms that have passed JICPA's suitability review and are registered in the "List of auditors that engage in audits of listed companies and similar companies" may audit listed companies.

Structure to Continuously Support High-quality Auditing

To consistently provide high-quality auditing, audit firms strive day-and-night to maintain and improve the quality of their work.

JICPA's Actions

Starting with reviews of suitability for registration in the list of auditors that engage in audits of listed companies and similar companies, JICPA confirms the quality of audit firms' operations, discipline and order, and the presence of continuous skill development. JICPA encourages improvement, and where necessary, may levy disciplinary actions. JICPA also discloses important information related to these reviews both internally and externally.



JICPA's Actions

Registration System to Conduct Audits (suitability review of audit firms that engage in audits of listed companies)

With the amendments to the Certified Public Accountants Act in 2022, the "Registration System for Auditors that Engage in Audits of Listed Companies and Similar Companies" was launched in April 2023. To strengthen the quality management system of audits performed by audit firms that audit listed companies, and to ensure the reliability of financial statement audits, a similar system had been operated by JICPA. Against the backdrop of expanding the number of audit firms responsible for auditing listed companies, this process was reorganized as a statutory system. To ensure that audit firms attempting to audit listed companies have the appropriate systems in place to fairly and accurately perform these audits, they must undergo JICPA's suitability review and be registered.



Examples of JICPA's Review Items

- An HR system that ensures that the audit firm secures CPAs possessing sufficient knowledge and experience
- A system to perform quality control of the necessary operations to implement fair and accurate auditing etc.



Registration System for Auditors that Engage in Audits of Listed Companies and Similar Companies (in Japanese)
<https://jicpa.or.jp/business/inspector/20191212uvy.html>

Strengthening the Quality of Audits of Small and Medium-sized Audit Firms

As of March 2024, there are 133*1 audit firms that can audit listed companies, and many of those are small and medium-sized audit firms. With the number of listed companies increasing, the number of companies being audited by small and medium-sized audit firms is also increasing each year, along with the expectations that society places on these firms.

*1 Number of audit firms registered in the list of auditors that engage in audits of listed companies and similar companies: 19
Audit firms deemed to be registered in the list of auditors that engage in audits of listed companies and similar companies due to provisional measures at the time of the amendment of the Certified Public Accountants Act in 2022: 114
*2 Created based on written outlines of audits (copies) submitted by audit firms to JICPA and data extracted from audit reports.
*3 These results have been tabulated based on the accounting period of listed companies. The accounting periods of listed companies included in the tabulation are: FY ended April 2018 to FY ended March 2019 for 2019, FY ended April 2019 to FY ended March 2020 for 2020, FY ended April 2020 to FY ended March 2021 for 2021, FY ended April 2021 to FY ended March 2022 for 2022, and FY ended April 2022 to FY ended March 2023 for 2023.

Trend in the Number of Companies Audited by Small and Medium-sized Audit Firms



JICPA's Actions

With the increasing complexity and globalization of the economy, amendments to laws and regulations and standards, and technological process, the difficulty of auditing is increasing. JICPA is here to offer support so that even small to medium-sized audit firms can respond assuredly to this dynamic environment. To increase the quality of auditing,

JICPA provides reviews, guidance and monitoring of audit firms that engage in audits of listed companies (suitability review of audit firms that engage in audits of listed companies). JICPA also hosts seminars on urgent issues related to accounting and auditing and the latest auditing topics and provides auditing tools to audit firms.

KEYWORD

Resolving Social Issues

To balance the sustainability of society with economic development, the scope of the trust demanded by society is greater than ever before. JICPA ensures that a support system is in place for CPAs, who are now called on to play a role outside of audits in resolving social issues.

Contributing to Sustainability Information

As the importance of sustainability in corporate management increases, investors' interest is also rapidly expanding. The systemization of the disclosure of sustainability information and the establishment of international sustainability disclosure standards are progressing, while dialogue on ensuring the reliability of sustainability information is also moving forward.

JICPA's Actions

In addition to issuing our opinions by exchanging opinions with stakeholders as needed, JICPA issues sustainability-related information and holds seminars.



Sustainability Information Disclosure (in Japanese)
https://jicpa.or.jp/specialized_field/sustainability/disclosure.html



Sustainability Assurance (in Japanese)
https://jicpa.or.jp/about/activity/activities/assurance_aup/non_fi_assurance

JICPA Supports Diverse Activities for CPAs

JICPA has established various councils to support CPAs who are active in a wide range of fields. (as of the end of March 2024)

JICPA's Actions

Small and Medium-sized Audit Firm Liaison Council	
	487 firms
Target	Small and medium-sized audit firms that audit listed companies
Tax-related Work Council	
Members:	9,180
Associate members:	5,922
Target	CPAs who perform tax-related work
Women in Accounting Professional Promotion Council	
Members:	5,480
Associate members:	1,712
Target	Female JICPA members and associate members

Public Accounting Council	
Local Government Body Accounting and Auditing Subcommittee	
Members:	2,736
Associate members:	94
Regional Public Entity Accounting and Auditing Working Group	
Members:	618
Associate members:	2,343
Target	CPAs working in not-for-profit and public sectors

Professional Accountants in Business (PAIB) Council	
Professional Accountants in Business (PAIB) Network	
Members:	2,449
Associate members:	535
Target	CPAs who are employees of corporations
Council for Accountants Serving as Outside Directors and Corporate Auditors	
Accountants Serving as Outside Directors and Corporate Auditors Network	
Members:	1,839
Associate members:	1,258
Target	CPAs serving as outside directors and corporate auditors

Supporting the Startups Responsible for the Future

The development of startup companies is an important issue even within the Japanese government's growth strategy. CPAs have always supported startups in a variety of ways. Together with the CPAs who support startup companies, JICPA cooperates closely with the relevant government organizations and other groups while implementing various policies.

JICPA's Actions

	Establishment	Business Expansion	After Listing
Roles played by CPAs	Corporate advisor/ Consulting/Tax services	IPO preparation/ Internal control/Fundraising	Accounting audits/ IPO and M&A/Overseas support
Active CPAs	Auditors, Professional Accountants in Business (PAIB), CFOs, Part-time officers, Hands-on consulting, etc.		
JICPA's activities to resolve issues	Supporting the creation of networks among members and companies <ul style="list-style-type: none"> • Disclosing a list of CPAs involved in supporting IPOs • Publishing a guidebook to prepare for IPOs • Providing a system to introduce candidates for external officer • Cooperating with the relevant committees and addressing issues including the issue of supply-and-demand mismatches for IPO audits, the issue of insufficient involvement of accountants in startups, and issues related to accounting and tax affairs including the issue of evaluation 		Addressing supply-and-demand mismatches for IPO audits <ul style="list-style-type: none"> • Establishing an IPO help desk • Promoting information disclosure on audit firms that support startups and IPOs • Holding workshops on audits of Web 3.0-related companies and publishing research materials. Thereafter, carrying out activities to spread awareness such as holding member training sessions and joint forums with vendors
	Facilitating funding <ul style="list-style-type: none"> • Preparing practical guidelines for auditing related to limited partnerships for investment • Management Advisory Service Research Committee Research Report No. 70 "The Practical Task of Evaluating the Value of Startup Companies" 		Tax affairs and other activities <ul style="list-style-type: none"> • Publishing recommendations on startup development as a "Tax Reform Opinion Paper" • Exchanging opinions with relevant government bodies on policies to use stock options from the standpoint of promoting startups



List of small and medium-sized audit firms responsible for auditing companies aiming to carry out IPOs (in Japanese)
<https://jicpa.or.jp/business/ipokansa/list.html>



Regarding the establishment of a help desk for IPO audits (in Japanese)
<https://jicpa.or.jp/news/information/2023/20230720ecb.html>

Audits of Web 3.0-related Companies

Even among startup companies, companies conducting Web 3.0-related business are gaining attention. To develop the Web 3.0 market, at JICPA, we are holding opinion exchanges with stakeholders on audits of companies conducting Web 3.0 business, holding joint forums, and publishing auditing-related research materials.



"Vendor and Auditor Joint Forum on Accounting and Auditing for Web 3.0-related Businesses—Promoting Mutual Understanding Among Vendors and Auditors" (in Japanese)
<https://jicpa.or.jp/news/information/2024/20230124fgd.html>



Industry-specific Committee Research Materials Vol. 2 "Research Materials Related to Issues in Being Entrusted with Audits of Web 3.0-related Companies" (in Japanese)
https://jicpa.or.jp/specialized_field/20231120aef.html

JICPA's "Four Pillars" Explained

03

Securing and developing the diverse human resources responsible for the information disclosure ecosystem

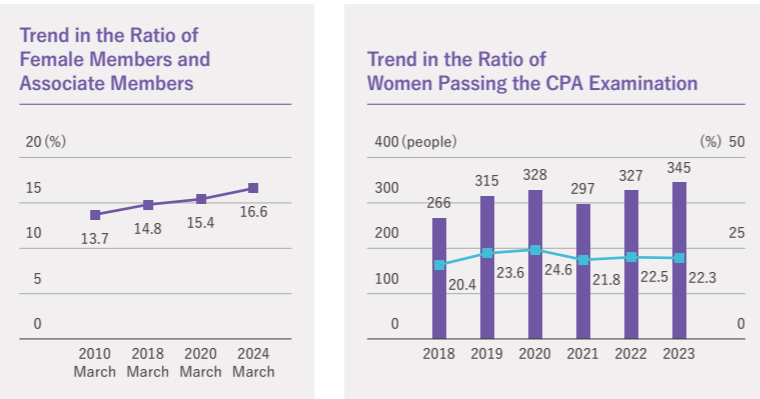
KEYWORD

Human Resources

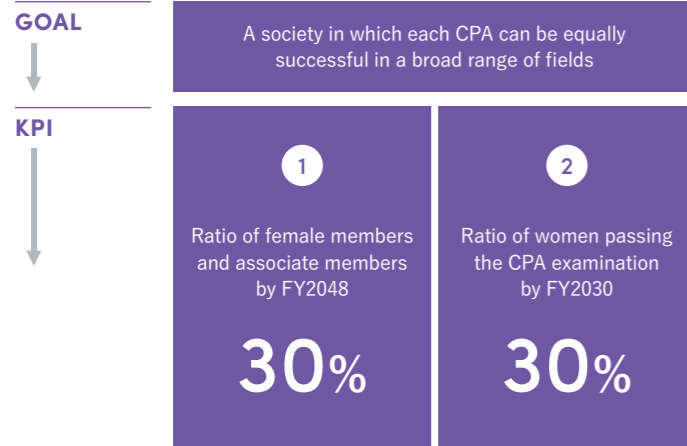
Amid increasing uncertainty over the future, there is a need to proactively respond through assurances of sustainability information. Given the many diverse roles that CPAs play, JICPA will continue to provide the necessary support for diverse human resources to be successful.

Supporting the Success of Female CPAs

Building a diverse society is also a goal for the CPA industry. Toward this goal, to further encourage active roles for female CPAs, in 2018, JICPA established KPIs for the ratio of women, and is evaluating and implementing various policies to achieve these targets. In terms of our recent initiatives, we are creating videos and hosting online events for students and those envisioning a CPA career to introduce the appeal of becoming a CPA, including the enjoyment of the work, approaches to private life, and financial conversations.



JICPA's Actions



Real talks with Female CPAs (in Japanese)
<https://www.youtube.com/watch?v=VBYfx5-MxLw&list=PLjb614Upe39yhpbdOBLPu2ZUcgiNEXsII>

Online Event: "What is a CPA? For Women in 2024 Aiming to Become CPAs—Becoming a CPA to Unlock the Future" (in Japanese)
https://jicpa.or.jp/cpainfo/introduction/cpa_women/news/20240130cdg.html

Sharing the Appeal of Being a CPA with Everyone

For CPAs to contribute continuously to a wide range of fields, it is essential that diverse personnel become CPAs.

JICPA's Actions

To attract interest in the CPA profession, starting with our presentations on the CPA system (P.13) we work to share information on the appeal of becoming a CPA with high school and college students. Furthermore, to share information with elementary and middle school students, JICPA sponsored the "Oshigoto Nenkan 2023*" published by The Asahi Gakusei Shimbun Company. Through the publication, we shared the importance of providing information and introduced the CPA profession.

*Books that introduce the work of companies and organizations to elementary and middle school students

Oshigoto Nenkan 2023 (in Japanese)
<https://oshihaku.jp/nenkan/page/14926268>

Ensuring the Reliability of Sustainability Information

In our contributions to sustainability information (P.24), we introduced our initiatives in creating sustainability disclosure standards. At JICPA, not only do we contribute to the creation of systems, but also, we advance policies aimed at increasing the expertise of CPAs as the ones responsible for tasks related to sustainability information.

JICPA's Actions

1 | Developing Shared Guidelines

In April 2023, JICPA's Sustainability Education Special Committee evaluated policies to steadily advance initiatives aimed at skill development related to sustainability among CPAs and released its "Sustainability Capacity-Building Policy and Actions." Following the basic policy at right, the Special Committee developed and published a syllabus as a form of shared guidelines to clarify both the sustainability knowledge demanded of CPAs and the necessary educational contents.

In the syllabus, we organize the knowledge and skills required of all CPAs and the knowledge and skills required of CPAs playing central roles in assurance operations in the form of a basic/general edition, and an applied edition.

Basic Policy

- 01 Anticipate changing trends and support independent learning by CPAs.
- 02 As professional experts, aim to share basic knowledge on sustainability and to acquire diverse expertise.
- 03 Collaborate and cooperate with sustainability education initiatives both in Japan and overall.

2 | Webinar Series to Support Independent Learning by CPAs

As part of our initiatives related to sustainability skill development, we have created and are broadcasting a seminar series to support independent learning by CPAs.

Sustainability Skill Development (in Japanese)
https://jicpa.or.jp/specialized_field/sustainability/capacity_building.html

Sustainability Webinar Series (in Japanese)
<https://www.cpd.jicpa.or.jp/page/jicpa-sustainability/index.html>

JICPA's "Four Pillars" Explained

04 Strengthening coordination with stakeholders

KEYWORD

Dialogue

JICPA supports CPAs who are active in numerous fields, and as such has a wide range of stakeholders. Strengthening our everyday relationships with our stakeholders leads to enhanced value in the form of trust.

Constructive Dialogue with Stakeholders

To support CPAs making contributions in diverse fields, and to actively work to realize an even better society, it is necessary for JICPA to engage in dialogue and cooperate with various stakeholders. JICPA truly has a wide range of stakeholders.

JICPA's Actions



Connecting with Society Through Events, Seminars, and Sponsorships

As part of our cooperation with our stakeholders, we hold events and seminars in partnership and cooperation with other groups, as well as sponsoring events held by other groups.

JICPA's Actions

Main Events and Sponsorships

- Small and Medium-sized Firm Support Symposium (jointly held with METI and the Small and Medium Enterprise Agency)
- Vendor and Auditor Joint Forum on Accounting and Auditing for Web 3.0-related Businesses (jointly held with the Japan Cryptoasset Business Association and the Japan Virtual and Crypto assets Exchange Association)
- IASB Seminar "The Latest Trends in IFRS Accounting Standards" (jointly held with the Financial Accounting Standards Foundation)
- NIKKEI Global Accounting and Audit Forum "The Value of Audit & Assurance" ~Facing Up to the Challenges~ (jointly held with Nikkei and GAA)

Main Sponsorships

- Corporate Governance of the Year 2023 (Japan Association of Corporate Directors)
- IR Conference 2023 (Japan Investor Relations Association)
- 14th ACFE JAPAN CONFERENCE (Association of Certified Fraud Examiners Japan)
- 11th High School Student Business Plan Grand Prix (Japan Finance Corporation)
- 1st National High School Bookkeeping Championship (The Japan Chamber of Commerce and Industry)

IASB Seminar "The Latest Trends in IFRS Accounting Standards"

On October 30, 2023, JICPA invited relevant parties from IASB for a panel discussion on such topics as "Climate-related and Other Uncertainties in Financial Statements," a field gathering strong interest both in Japan and overseas.



Providing JICPA's Opinions on Tax Amendments Aimed at an Even Better Society

Every year, in addition to compiling and proposing our opinions on issues identified among recent social trends as well as the nature of the tax system and the direction of tax system amendments in response to these trends, JICPA exchanges opinions with government bodies, relevant groups, and lawmakers.

JICPA's Actions

In our written opinion published in June 2023, we share our opinions on the nature and direction of the tax system in response to recent social conditions, including responding to the rapidly advancing digital economy, creating a tax environment in line with diversifying work styles, and correcting both economic and asset disparities. JICPA also expresses our opinions on structural issues with the Japanese economy and individual regulations in the Japanese tax system.



"Recommendations on the Nature of the Tax System"



Tax system information (in Japanese)
https://jicpa.or.jp/specialized_field/20230627tqq.html

Spreading Accounting Literacy Needed by Everyone

In spreading accounting literacy, it is essential for everyone to understand the importance of accounting from a young age.

JICPA's Actions

To help middle school and high school students develop an interest in accounting, JICPA published the manga series "One-Word Shin" as a growth story to help students learn about accounting without even realizing it through familiar, everyday events. Moreover, to have the importance of accounting understood broadly mainly among educators, JICPA held dialogues with experts in school education and curriculum and published an interview article in JAPAN EDUCATIONAL PRESS. Furthermore, we are creating support materials and holding teacher seminars so that middle and high school educators in social sciences and civics can include these topics in their classes more easily.



"Using Accounting Information" classroom guidebook for teachers



Promoting Accounting Education (in Japanese)
<https://jicpa.or.jp/about/activity/basic-education>



Interview article in JAPAN EDUCATIONAL PRESS (in Japanese)
<https://jicpa.or.jp/news/information/2024/20240416iag.html>

Global Activities Aimed at International Economic Development



An urgent issue in energizing Japan's capital markets is proactively proposing unique Japanese value and Japan's presence on a global stage to strengthen Japan's international competitiveness.

JICPA's Actions

Starting with the international organizations listed below in the chart showing appointments of Japanese CPAs at major international organizations, JICPA proactively participates in the activities of international groups and supports short-term study abroad programs for related human resource development. JICPA also plays a role as an international think tank by proactively participating in the

resolution of global issues by acquiring and assessing information gained through international activities and connecting that information to more useful and effective systems by way of dialogue with stakeholders in Japan and overseas. Additionally, JICPA cooperates with international groups to host events.

Event Sponsorship: NIKKEI Global Accounting and Audit Forum "The Value of Audit & Assurance" ~Facing Up to the Challenges~

On April 15, 2024, JICPA sponsored the NIKKEI Global Accounting and Audit Forum together with GAA (Global Accounting Alliance, a global alliance formed of professional accountancy bodies from countries with the world's major capital markets).

The event welcomed stakeholders from Japan and overseas including CPAs, government and financial exchange representatives, corporate managers, and academics as both keynote speakers and panelists. Themes included how auditing responds to and provides value in the areas of technology, human resources, and market expectations. There was also lively discussion on

what can be done to develop capable, young personnel. The event welcomed more than 120 eager participants.



Appointments of Japanese CPAs at Major International Organizations (as of March 31, 2024)

International Federation of Accountants (IFAC):	5
International Foundation for Ethics and Audit (IFEA):	3
Global Accounting Alliance (GAA):	4
ASEAN Federation of Accountants (AFA):	3
Confederation of Asian and Pacific Accountants (CAPA):	1
International Organization of Securities Commissions (IOSCO):	1
Public Interest Oversight Board (PIOB):	1
IFRS Foundation (IFRSF):	6
International Valuation Standards Council (IVSC):	2
World Business Council for Sustainable Development (WBCSD):	1



Creating trust = **Auditing** + The resolution of social issues

Get to Know the Auditing Performed by CPAs

Chapter

2

If companies provide incorrect information, it could lead to confusion in society. As auditing and accounting specialists, CPAs audit the financial information of companies and other organizations and create trust in financial information, thereby fulfilling their role in economic society. What kind of stakeholders are involved with auditing, and what is expected of the auditing process? Here, we introduce auditing, the core work performed by CPAs.

CONTENTS

32	Basic Auditing Knowledge
34	Auditing Flow
36	The Future Frontlines of Auditing
38	Interview: Management's Perspective and Expectations for Auditors
	Mercari, Inc. Director, Executive Officer, Senior Vice President of Corporate, and Chief Financial Officer, Sayaka Eda

AUDIT VALUE

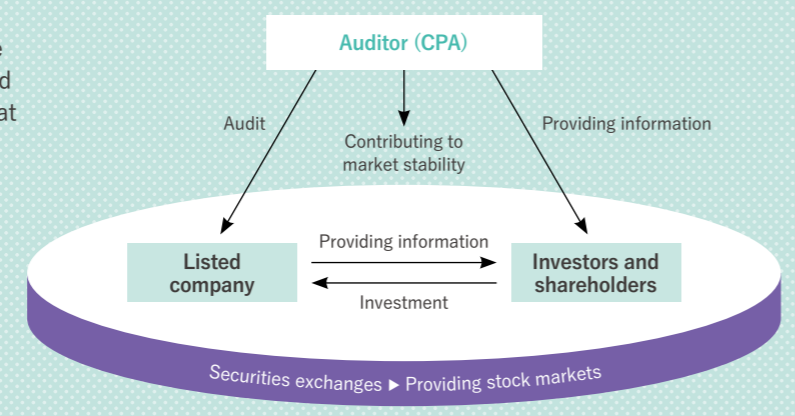
A Society in Which Auditing Creates Trust

As the environment that surrounds the CPA profession experiences significant change, the sphere of CPA activity is also expanding. However, amid this change, auditing remains a form of licensed work that only CPAs can perform. CPAs provide audit opinions and ensure the trustworthiness of financial information from an independent standpoint for a wide range of legal entities, starting with companies and including incorporated educational institutions and public interest incorporated associations and foundations.

What type of image does everyone have of auditing? So that everyone can better understand auditing, here we introduce the process of auditing listed companies.

Relationships with the Major Stakeholders in the Auditing of Listed Companies

The major stakeholders with whom CPAs interact in the auditing of listed companies are the listed companies themselves, investors and shareholders, and securities exchanges. So that economic society can continue to develop smoothly and properly, CPAs, as independent third parties, provide accurate information to investors and shareholders through their auditing of listed companies and support the stability of the stock markets provided by securities exchanges.



COLUMN

What Skills Are Required for Auditing?



When performing audits, what kind of skills are required?

First, it is necessary to understand the big picture of the company's business domain (businesses and systems). On top of this understanding, it is necessary to have analytical skills to analyze the company's entire business domain so as not to miss any latent risks or issues in the company's financial statements. Next, communication skills are necessary. Many stakeholders are involved in auditing. There is a need for the CPA to understand issues that are not clear from the company's documentation alone and to confirm the state of auditing implementation by communicating closely with these stakeholders.



All these skills are necessary to understand the real conditions at a company.

A sense of ethics and specialized knowledge are also essential. CPAs must maintain ethical standards, make fair and objective decisions, and retain and improve their knowledge of the latest accounting regulations and laws, as well as the IT-related knowledge essential in understanding business.



What is an Audit?

Q&A for Deeper Understanding of Auditing

01

Q For Whom Are Audits Performed? What is Audited?

A Audits are performed for stakeholders. For example, in the auditing of listed companies, as shown in the relationship diagram on the left, auditors perform audits for listed companies, investors, and shareholders. When investors consider investing in a company, they make their decisions by collecting information on the company to determine if its shares are properly valued. One important form of information that investors prioritize during this process is the company's financial statements. Although companies create financial statements, investors cannot judge whether the information they contain is truly correct. This is where third-party CPAs audit the company to ensure the reliability of the information presented in the financial statements.

For example, if no audit is performed, and a company is hiding a large loss when creating its financial statements, the risk of investors being unaware of this loss and suffering a loss on their own investment increases.

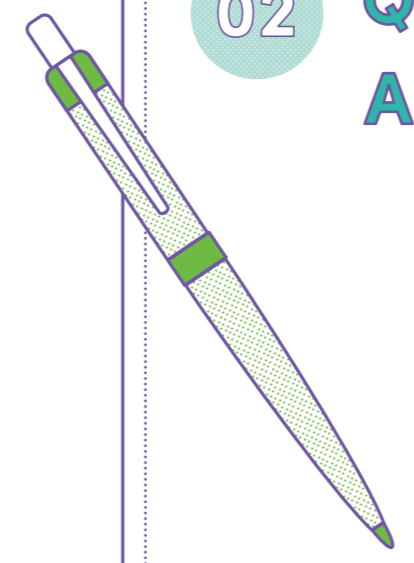
For your information, the mission of CPAs is stipulated in Article 1 of Japan's Certified Public Accountants Act as "ensuring the reliability of financial documents and any other information concerning finance." CPAs are experts when it comes to ensuring the reliability of information.

02

Q Who is Responsible for the Money Spent on Auditing?

A The compensation paid to auditors for their services is known as "audit fees." In the case of audits of listed companies, the companies being audited pay the auditors on behalf of the shareholders. The amounts of these fees differ depending on the scale of the company.

When the side being audited pays the person performing the audit, they may be concerned whether the audit was performed properly. As such, to maintain the independence of the auditor, rigorous restrictions are in place to ensure that there are no conflicts of interest with the company being audited. Depending on the regulations, the scope of those restrictions may extend to family members and relatives. For example, the auditor being forbidden to hold shares in the company being audited is a natural restriction. If it is a financial institution being audited, then the auditor cannot possess an account with the institution. Moreover, so that the auditor does not develop excess familiarity with the company being audited, the person responsible is replaced regularly. In this way, by regularly checking on these restrictions, auditing can be performed with independence strictly maintained.



One Year to Build Trust in Financial Information



(Notes)
On this page, to allow the reader to more easily visualize one year of auditing, a standard auditing process for an April-March fiscal year is introduced. In reality, depending on the conditions at the company being audited, the timing of the implementation of each item may vary. For example, the audit plan may be revised after being established based on auditing conditions, and more efficient and effective auditing can be implemented using AI to constantly monitor the accounting system of the company being audited.

Here, we provide a broad overview of one year of auditing. When auditing a listed company whose accounting period finishes at the end of March, the auditor (CPA) performs the audit using the below type of flow.



AUDIT WORKFLOW

START!

First of all, plan!

**Early July
Audit Plan**

Planning is necessary for everything, and auditing is no different. First, an audit plan is created. In developing the audit plan, the audit team discusses changes in the company's management environment and business contents, as well as fields with increasing risk.

**Mid-July to August
Interim Audit**

We inspect the company's rules and structures (internal controls) to prevent corporate mistakes and ensure sound corporate operations, and travel to branches and factories in Japan and overseas to view various documents related to business management such as corporate ledgers.

To understand the conditions of the company's business and where it may have risks, the audit team holds discussions with the company's management. For a manager's perspective on what role auditing plays in corporate management, we encourage you to read the CFO interview on P.38-39.

**September
Discussions with Management**

Dialogue is key!

**Mid-October to the Early November
Review of Half-year Financial Statements**

Listed companies are mandated to submit a semiannual securities report within 45 days after the completion of the first half of the fiscal year, meaning that the review of the interim financial statements must be completed by that point. After the review is completed, a review report on the half-year financial statements is submitted.

Review Report on the Half-year Financial Statements

This audit is identical to the interim audit implemented from mid-July to August.

**Mid-November to March
Interim Audit**

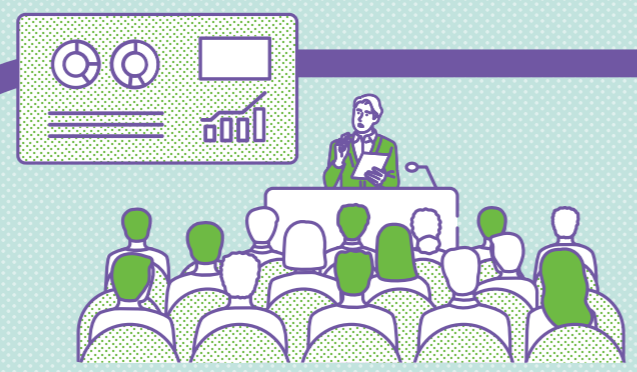


An examination or inventory count is conducted to confirm through an actual, visual inspection whether the number of assets including cash, bills receivable, securities, and products that exist at the company match the number presented in the ledger.

Confirm on site!

TRUST

**End of June
General Shareholders Meeting**



For many companies whose fiscal year closes in March, their annual general shareholders meeting is often held in the second half of June to present financial statements to their shareholders. Anyone who has invested in stocks has certainly been sent a convocation notice for a general shareholders meeting. To prepare for unanticipated questions from shareholders on financial statements at the General Shareholders Meeting, companies may request that a CPA be present at the meeting.



**End of May to end of June
Checking the Securities Report**

Audit Report

The draft of the securities report created by the company is checked. The securities report is a set of materials that companies use to disclose information about their business and management conditions externally. The submission of a securities report is mandated so that investors and the company's stakeholders have sufficient information to make decisions.

**Mid-May
Report to the Audit Committee**

Audit Report

The audit results are presented to the Audit Committee, and the audit report is submitted. The audit results include the audit procedures implemented and sectors for which focused audits were implemented due to perceived high risk. If serious issues such as illegal activities are discovered in the audit process, an immediate report must be made to the Audit Committee without waiting for the regular reporting meeting.

**Mid-April to the Early May
Final Audit**

Audit procedures are undertaken to confirm that the balance of assets and liabilities as of the final day of the fiscal year and the amounts recorded for earnings and expenses for the year as calculated by the company are correct. Because transactions during the year are evaluated in the interim audit, those results can be used. Furthermore, the final audit also evaluates whether the accounting documents created based on the Companies Act have been prepared correctly.

**End of March
(approaching the final day of the fiscal year)
Examination and Inventory Count**

The Future Frontlines of Auditing

How Will Auditing Evolve in the Future?

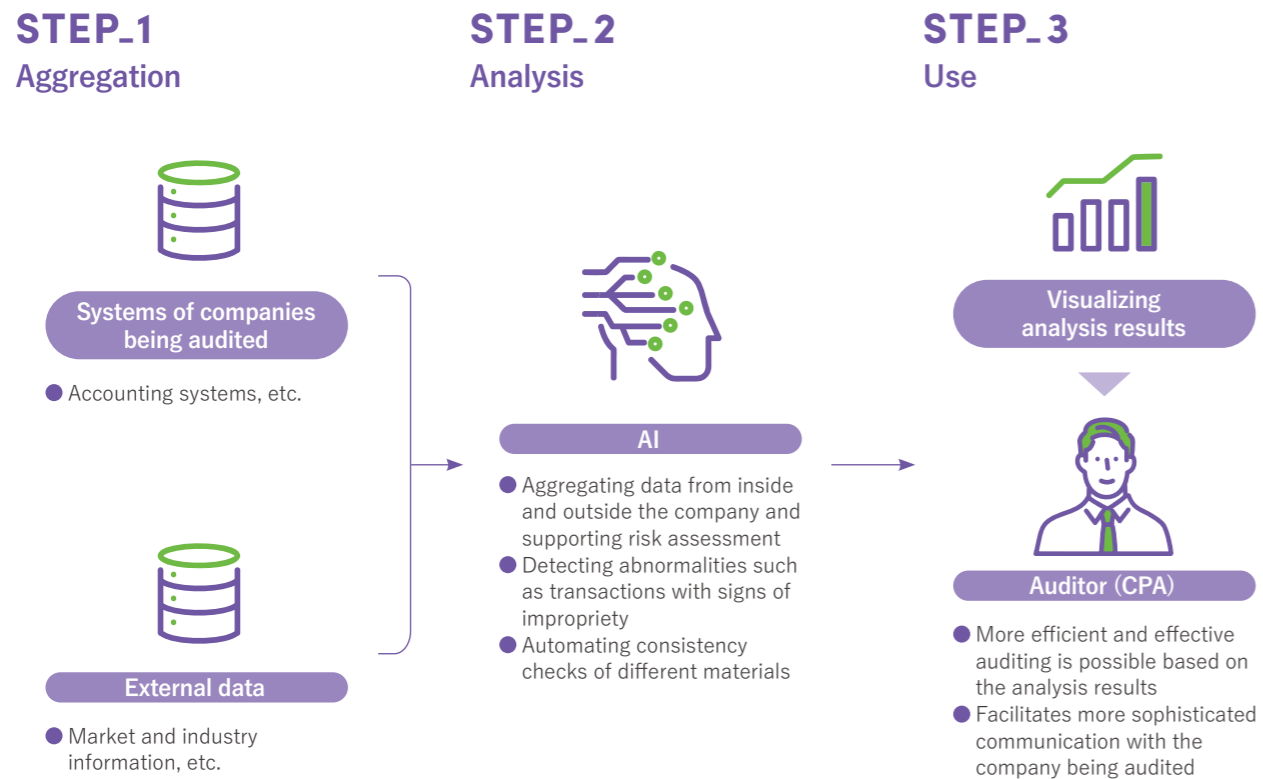
Many jobs are expected to be replaced due to the evolution of AI. Some even believe that CPAs themselves will be replaced by AI and lose their jobs, however CPAs are already growing accustomed to working with AI. By allowing AI to do what it does best and having CPAs focus on tasks that only humans can accomplish, CPAs will be able to produce even greater value as professionals.

Next-generation Auditing Using AI and Technology

In modern-day auditing work, against the backdrop of more sophisticated accounting and auditing standards resulting from increased transaction volume driven by the increasing complexity and diversification of corporate activities, the use of IT is expanding to perform more efficient and effective audits that accommodate these changes. The introduction of IT is progressing in various stages of auditing to support the work of CPAs. JICPA will continue to advance initiatives aimed at streamlining auditing processes to further improve the quality of auditing.



IT Use Cases on the Frontlines of Auditing



With the ongoing digitalization of companies and society, electronic data that can be used in internal and external corporate audits is expanding, and that data is now being aggregated

Data analysis can be implemented in a more efficient and effective manner than before using data analysis tools that incorporate AI and automated tools with the acquired data

Achieving DX (digital transformation) in auditing by facilitating the analysis and visualization of enormous amounts of corporate data

COLUMN

What Will Change and What Will Remain the Same in Future Auditing?

At present, rather than leading to the loss of the CPA profession, technological evolution including AI will likely free CPAs from the relatively mundane task of voluminous receipt reconciliation by assisting them through increasing automation. As technology continues to evolve, at a certain point a paradigm shift can take place in the world of auditing.

In considering the future of auditing, it will continue to evolve along with technology and changes in society. For example, the use cases introduced on the page to the left includes auditing tools that incorporate new technologies. The scope of auditing is also expanding in the form of auditing teams made up not only of CPAs, but also of diverse professionals in the areas of digital technology and statistics, as well as into non-financial information

such as sustainability information. In this way, we must consider how we evolve and transform auditing into the future.

However, there are also things that do not change and things that should not be changed. One of those is the desire to continue learning. For example, when new technologies emerge, we CPAs also often find ourselves at a loss to understand them initially. This is where we must work as hard as possible to study these new technologies and develop our knowledge. This is the same for all CPAs, whether in those their first year or veterans.

As the needs of society change, to continue to provide auditing that meets the needs of the times, CPAs must also continue to evolve through continuous learning.

Surveys & Research “Technology Committee”

At JICPA, we conduct surveys and research from a medium- to long-term perspective on the impact of technological development on the CPA profession. We publish research reports with an outlook on next-generation auditing, which we invite you to view on the “Technology Committee” page of the following website.



List of Publications Including Practical Guidelines Research Reports (in Japanese)
https://jicpa.or.jp/specialized_field/publication/research_report/



Interview: Management's Perspective and Expectations for Auditors

INTERVIEW



CPAs play an invaluable role for companies as accounting and auditing professionals that audit diverse corporate financial data and provide everyday support for accounting operations. How do the companies that work alongside them on a day-to-day basis actually view CPAs? What roles do CPAs play, and what is expected from them?

To gain insight into these questions, we interviewed Sayaka Eda, the CFO of Mercari, which has contributed to a recycling-oriented society by transforming society through DX and revitalizing the reuse market, and has changed people's lives by developing one of the largest flea market services in Japan.

We Look for Advice from Accounting Professionals and Third Parties Who Share Our Future Vision

The Role of the CFO

The role of the Chief Financial Officer (CFO) differs somewhat by company. At Mercari, as the leader of the team responsible for capital, including financial accounting, managerial accounting, funding, and IR (investor relations), the CFO plays an important role that includes assessing the company's overall finances, allocating funds optimally, and creating and promoting financial plans with a focus on the future.

Our Company's businesses include Mercari, our online flea market service, Merpai, our payment

service, our encrypted asset-related business, and Mercari US, our flea market service in the U.S. The CFO's role is to allocate funding across the entire group.

Another important role of the CFO is to help the Company's important growth partners, including investors and financial institutions, understand the Company's businesses and plans. Together with the funding and IR teams, I work to strengthen relationships of trust with our stakeholders.

Founded in 2013, Mercari is still a young company. Since being listed on the stock market, to accelerate our growth and to create new business pillars following our flea

market business, we have continued to invest aggressively. Hedging against uncertainties and carefully protecting the company's reserves—this is the image most people have of CFOs. However, the role of CFO at Mercari is different, in that I understand both that future uncertainties cannot be eliminated entirely in the initial stages and the importance of boldly taking on challenges.

The Importance and Difficulty of Management Information Disclosure

Management information, including

financial statements and results figures, are part of a company's "report card," and there is no doubt that improving that report card enhances both corporate strength and competitiveness. However, for companies like Mercari that continuously challenge ourselves to grow, I have also felt that detailed information disclosure can be difficult.

One difficulty is the timing of information disclosure. With various new initiatives in process at all times, we must decide at what point to disclose information and how much information to disclose. If information is disclosed too early, when the data is not yet stable, it could create misunderstanding among the recipients and lead to expectations that do not match reality, as well as unease. This, of course, is not our intention. While there are sometimes different opinions between us and the CPAs who advise us regularly on how to reflect this information in our financial statements, we aim to enhance our disclosure of information while carefully determining what should and should not be reflected at each stage.

The CFO's Relationship with CPAs and Auditors

I first began working with auditors who were CPAs after joining Mercari.

As evidenced in its expansion into the U.S. a year after its founding, since its inception, Mercari has aimed to develop marketplaces that allow different products to circulate throughout different countries and regions, and to realize an international, circular economy. As part of these efforts, just after I joined the Company, Mercari made the decision to transition its accounting standards to IFRS (International Financial Reporting Standards). There were a multitude of items to evaluate in making this transition. The move to a new standard represented a bold challenge to the Company's existing

financial and accounting systems, but with the proper support from our auditors, we completed the transition from the fiscal year ending June 30, 2024.

At Mercari, auditors do not only provide advice on disclosure and accounting methods from a machine-like, accounting-based perspective, but also provide auditing based on a deep understanding of Mercari's transaction flows and systems. We have third-party auditors look at the numbers produced by our business from a variety of angles, ensuring that they are reliable enough to share with external stakeholders.

Another important point is that our disclosure properly communicates what Mercari intends to communicate from an international standpoint. To ensure this, we obtain advice from the standpoint of auditors who take stock of numerous case studies of disclosure by companies on a global basis. We receive a wide range of advice from our auditors, making them extremely helpful partners to Mercari.

Creating Even Better Relationships with CPA Auditors

For us, as the Company and CPA auditors, to become even better partners, it is important for everyone involved to constantly update ourselves with the latest information.

For example, it might appear that little has changed from ten years ago

in our core business of flea market services. However, we have constantly fine-tuned the flea market business, and talking about what happened just last year in the business will not lead to a conversation about the future of Mercari.

To avoid such confusion, it is important to increase both the detail and the volume of our communication. We need everyone at the Company to want the auditors to understand the changes taking place at the Company and for the auditors to want to understand not only the numbers but also our vision for the future. This requires deeper, more involved communication. The repetition of this process will lead to better mutual understanding and trust.

One thing that I always communicate to the members of the financial team is the importance of consultation rather than questions. Rather than ask "What should I do?" say, "I want to disclose information for these goals. Do you know a better way to do this?" It is important that we express clear intentions like this. We hope to maintain relationships with CPAs and auditors as professionals that see a wide range of accounting and auditing information at other companies, allowing them to understand our future vision and provide Mercari with optimal advice.



Sayaka Eda

Mercari, Inc. Director, Executive Officer, Senior Vice President of Corporate, and Chief Financial Officer

<Work History>

In April 2006, Sakaya Eda joined Goldman Sachs Japan Co., Ltd. She served as managing director from 2017, when she joined Mercari, Inc. as Executive Officer and CFO in January 2021. In January 2023, she was appointed Senior Executive Officer, Senior Vice President of Corporate and CFO. She has been in her current position of Director, Executive Officer, Senior Vice President of Corporate, CFO since September 2023.

Creating trust = Auditing + **The resolution of social issues**

JICPA Makes Contributions, Even Here

Chapter

3



Digitalization, environmental issues, governance of non-profit organizations, regional revitalization, and sustainability—as modern-day society faces many different issues, the expectations placed on CPAs by society are also expanding. In what fields are CPAs active outside of capital markets? Here, we introduce a different side of the CPA profession along with some of JICPA's contributions.

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CPAs Are Active in a Wide Range of Fields

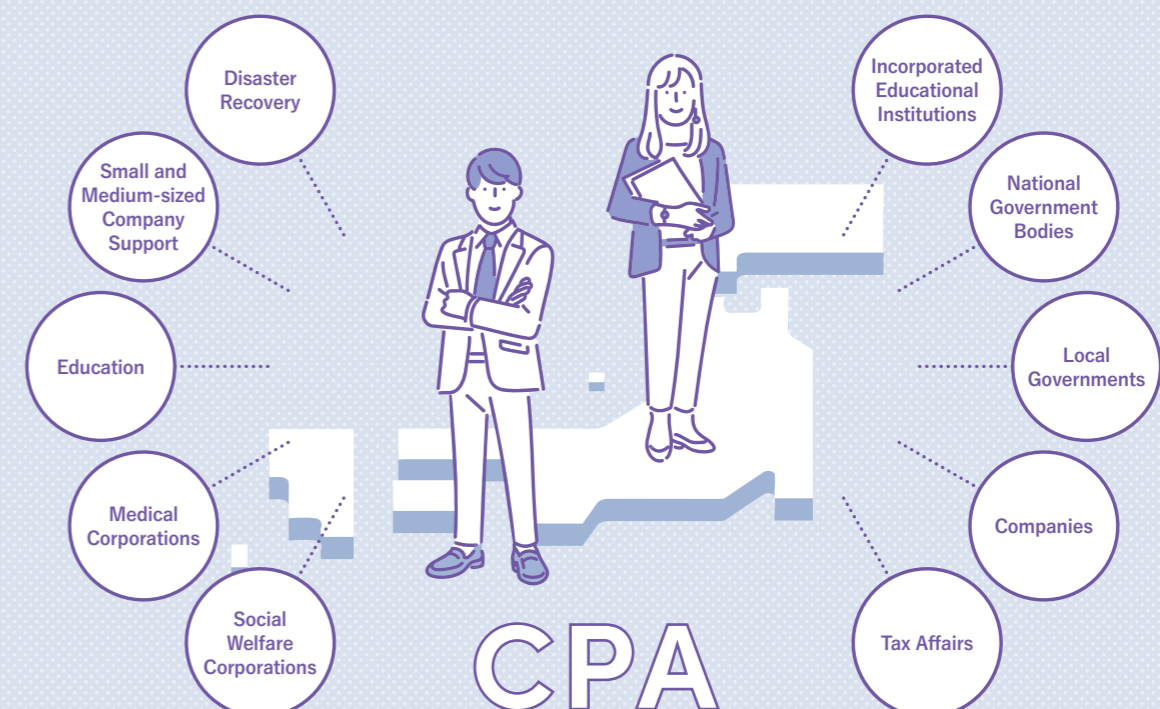
SOLVING SOCIAL ISSUES

CPA Activity in a Growing Number of Roles

As experts in auditing and accounting, CPAs perform the licensed work of auditing, and their specialized knowledge of accounting, auditing, and management is essential to economic society. However, CPAs are now active in more than just accounting firms and auditing firms. In recent years, the scope of the CPA profession has diversified, and CPAs are active in a wide range of roles in economic society. There are CPAs who work at regular companies, those who serve as outside officers, and those who provide consulting services. Through their work, CPAs also contribute to sustainability. JICPA has many initiatives in place to support CPAs in all their diverse roles.

In What Type of Roles Are CPAs Active?

With their expertise, broad knowledge, and high ethical standards cultivated through their auditing work as their source of value creation, CPAs are active in a wide range of fields throughout Japan including local government, non-profits, disaster recovery, the support of small and medium-sized companies, and education. In recent years, more auditing has become required in the non-profit field, including medical corporations, social welfare corporations, and incorporated educational institutions. We also find many CPAs working for national government bodies, local governments, public interest incorporated associations, public interest incorporated foundations, general incorporated foundations, civil services, and other non-profit organizations as accounting and auditing experts. CPAs are also active investigating financial crimes as financial investigators at police departments and as tax examiners at the National Tax Tribunal. As you can see, CPAs are active in many roles even in the civil services and at non-profit organizations.



Turning Our Eyes to the Non-profit Field

Non-profit Field

There is a strong impression that CPAs exist for companies, but the need for CPAs is also expanding in the non-profit field.

JICPA Makes Contributions Even Here!

CASE 01

Contributions to Strengthen Governance at Private Schools

WHY
Background

At present, where incorporated educational institutions (private schools) receive a certain level of financial support from either the national government or local governments (subsidies), according to legal stipulations in the Act on Subsidies for Private Schools, the schools are mandated to be audited by a CPA to ensure the appropriate allocation and results of the subsidies.

Meanwhile, with fewer children being born in Japan in recent years, the country is being called on to strengthen its global competitiveness, and incorporated educational institutions must now advance their own initiatives to improve the quality of their education and research. For incorporated educational institutions to maintain the trust of society and to further develop, in FY2025, system revisions are underway to promote effective governance reforms to meet the demands of society.

One form of these governance reforms created to support and strengthen accountability among incorporated educational institutions is the mandating of the disclosure of institutions' financial information regardless of the presence of subsidies for large-scale institutions (such as school corporations under the jurisdiction of the Ministry of Education, Culture, Sports, Science and Technology (MEXT)). As the financial auditors for incorporated educational institutions, CPAs support the publication of financial information through their auditing work.

HOW
Initiatives

In light of these system revisions, JICPA is supporting our stakeholders who are involved with incorporated educational institutions through the following activities.

1

Exchanging opinions with the Ministry of Education, Culture, Sports, Science and Technology and stakeholders including the parties associated with incorporated educational institutions

2

Creating the necessary practical guidelines, etc.

3

Providing information to and holding seminars for CPAs involved with incorporated educational institutions

While we have discussed private schools thus far, you may wonder what the case is for national universities. Auditing of national universities by CPAs is mandated through a different law.

JICPA Makes Contributions Even Here!

CASE 02

Activities to Spread Standard Accounting Models for Non-profit Organizations

WHY
Background

In addition to the incorporated educational institutions that appeared in CASE 01, non-profit organizations include public interest corporations and social welfare corporations. In line with the goals of the systems of each of these non-profit organizations, and considering the unique qualities of each, accounting standards are established for each organization. In recent years, activities of non-profit organizations have expanded from the standpoints of responding to diverse social issues, the sustainability of social welfare, and ensuring soundness in government financial policy, meaning social expectations are increasing. In this way, non-profit organizations are becoming more active. In addition to realizing independent governance and management, non-profit organizations are called on to enhance their management strength. With the move to develop and revise accounting standards for individual non-profit organizations growing more active, CPAs are also being called on to perform auditing in an increasing number of different scenarios.

Furthermore, there are more cases in which different types of corporations are running the same business and both the stakeholders and information needs of each corporation overlap. For example, many might be under the impression that medical corporations run hospital businesses, but social welfare corporations, incorporated educational institutions, and public interest corporations all also run hospital businesses. From the standpoint of the stakeholders involved in the hospital business, they are unable to compare financial information that has been prepared using different accounting standards. Against this backdrop, there is a need both to increase the quality of the different accounting standards used by non-profit organizations, and to create accounting rules for financial reporting that go beyond just the type of corporation.

HOW
Initiatives

JICPA is proposing model accounting standards as accounting standards to be shared by non-profit organizations, exchanging opinions with stakeholders, and holding seminars and events to create awareness.

Approach to Enhance the Commonality of Financial Reporting Across Legal Entity Forms

Fundamental concept of financial reporting for non-profit organizations

Non-profit organization model accounting standards

Ensuring the consistency of the accounting standards of different corporations



The goal is to develop model accounting standards based on the fundamental concept of financial reporting and to update the accounting standards of individual corporations referencing these model accounting standards



Non-profit organization accounting evaluation project (in Japanese)
https://jicpa.or.jp/specialized_field/non-profit-accounting/index.html

Energizing Local Communities

Local
Communities

JICPA coordinates with our stakeholders to engage in various locally rooted initiatives and to contribute to the resolution of social issues.

JICPA Makes Contributions Even Here!

CASE
03

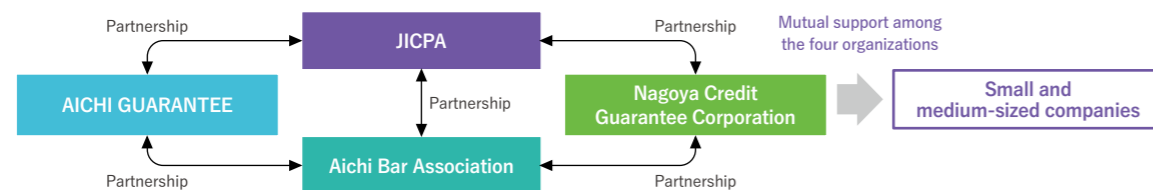
Resolving Issues for Small and Medium-sized Companies

JICPA is engaged in diverse initiatives to resolve the issues faced by small and medium-sized companies, as well as initiatives in partnership with professional groups and organizations in different regions. For example, at our Tokai Chapter (a regional chapter overseeing Aichi, Shizuoka, Gifu, and Mie Prefectures), we have concluded MOUs with AICHI GUARANTEE, Nagoya Credit Guarantee Corporation, and the Aichi Bar Association. JICPA is working with these organizations to further strengthen our support system for small and medium-sized companies.

By working together to provide support and resolve the various management issues faced by small and medium-sized companies, JICPA aims to contribute to the development of both regional economies and communities.



Details on the business alliance among AICHI GUARANTEE, Nagoya Credit Guarantee Corporation, and the Aichi Bar Association (in Japanese)
<https://tokai.jicpa.or.jp/news/2024/007021.html>



JICPA Makes Contributions Even Here!

CASE
04

Support for Recovery and Reconstruction in Areas Impacted by Natural Disasters

The 2024 Noto Peninsula Earthquake that struck on January 1, 2024 created immense damage in the area centered on Ishikawa, Toyama, Fukui, and Niigata Prefectures. To provide support to the region impacted by the disaster, JICPA called on its members and associate members including CPAs throughout Japan for their support and collected a relief fund. We also made our members aware of all notifications from different government bodies related to the impact of the earthquake.

At our Hokuriku Chapter (a regional chapter overseeing Ishikawa, Toyama, and Fukui Prefectures), we worked with administrative scriveners, patent attorneys, consultants for small and medium-sized companies, certified tax accountants, real estate appraisers, judicial scriveners, land and house investigators, legal attorneys, and licensed social insurance consultants to hold a “Free Expert Workshop” for victims of the 2024 Noto Peninsula Earthquake.

JICPA Makes Contributions Even Here!

CASE
05

Cooperation with Educational Institutions

JICPA is engaged in many cooperative initiatives with educational institutions to further the development of Japan's economic society through the development of accounting professionals and to contribute to knowledge sharing between the business world and academia. For example, at our Northern Kyushu Chapter (a regional chapter overseeing Fukuoka, Saga, and Nagasaki Prefectures), we are advancing initiatives in cooperation with the Seinan Gakuin University Faculty of Commerce.

On January 13, 2024, the “Kyushu Management Analysis Conference” was held at the Northern Kyushu Chapter conference room for students of Seinan Gakuin University Faculty of Commerce to present their management analysis results for companies mainly active in the Kyushu region of Japan. Eight representatives belonging to the Northern Kyushu Chapter including CPAs and persons passing the CPA examination attended the Kyushu Management Analysis Conference as examiners.

Yoshizo Miyamoto, Chairman of Northern Kyushu Chapter who served as chief examiner at the event, offered the following words: “I think that it was extremely valuable for the university students to witness the place where the knowledge that they gain in school is actually applied. I hope that opportunities like this will help create greater interest in the CPA profession and in accounting skills. I was also impressed by the students' presentation skills.”

COMMENT

There are almost no examples in Japan of initiatives where university students, professors, and CPAs come together to perform management analysis and strategy formulation. In addition to the significance of this initiative from the standpoint of developing accounting professionals, there was an extremely positive response from the students who attended. Going forward, we will work to develop the possibilities of this initiative even further.

I would like to again offer my thanks to everyone from the JICPA Northern Kyushu Chapter for their dedicated cooperation.



Seinan Gakuin University
Faculty of Commerce
Associate Professor
Kentaro Haraguchi
(CPA)

COLUMN

CPAs Aiming to Resolve Issues Facing Local Communities

With their wide-ranging expertise and strong desire to contribute to maintaining and developing local communities, CPAs will continue to work together with the regions in which they work. JICPA sees contributions to local communities as an extremely important business and supports the activities undertaken for local communities carried out by the CPAs belonging to each of our chapters.

To shine the spotlight on the activities of CPAs to resolve social issues, JICPA has created a pamphlet introducing the activities of our 16 nationwide chapters (regional chapters).

The pamphlet introduces initiatives carried out by CPAs in five categories: economy, society, education, environment, and HR development and networking for CPAs. We hope that the pamphlet acts as a good reference for the activities in which CPAs are engaged to contribute to issue resolution in local communities.



Accounting & Audit Journal Extra Issue No. 5
“CPAs Aiming to Resolve Issues Facing Local Communities” (in Japanese)
<https://jicpa.or.jp/news/information/2023/20231215iaa.html>



Source: cover page of Accounting & Audit Journal Extra Issue No. 5
“CPAs Aiming to Resolve Issues Facing Local Communities”

Sustainability

To continue to nurture trust into the future, it is important to expand activities that lead to a sustainable society.

JICPA Makes Contributions Even Here!

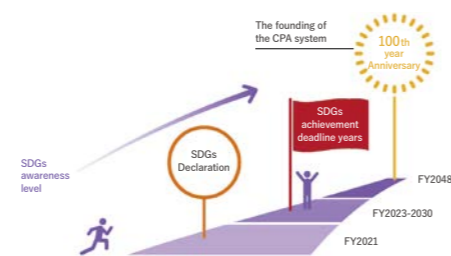
CASE 06

Creating Awareness of the SDGs Declaration

In July 2021, JICPA formulated our SDGs Declaration. In the declaration, we explain the vision of CPAs and JICPA is to become “professional partners that jointly build a sustainable and viable society.” Based on the SDGs Declaration, JICPA is proactively advancing initiatives based on the three themes of “Dissemination of information to society,” “Proactive interaction,” and “Innovation of ourselves (Change in our mindset).”

Specifically, we have identified eight fields within the 17 SDG goals adopted by the United Nations in which we believe that CPAs can make real contributions. We have organized these eight fields into the three pillars of “Economy,” “Society,” and “People and environment,” identified items to pursue, and created action plans for each item. We are starting with “Innovation of ourselves (Change in our mindset)” by advancing measures connected to JICPA’s business, working with local communities, and spreading awareness within the industry.

Roadmap to Promote the SDGs



Eight Fields in Which CPAs Can Make Contributions



JICPA Makes Contributions Even Here!

CASE 07

CPAs Working with SDGs

As one of our activities to spread awareness of SDGs within the industry, we created a YouTube video entitled “CPAs Active Throughout Japan × SDGs” to introduce CPAs who are leading the way in their approach to SDGs. The video introduces a CPA who is working with new funding sources to stimulate local economies and a CPA who is promoting GX and sustainability through the visualization of energy using SaaS. We invite anyone interested to please access these videos on YouTube. JICPA also holds workshops for our members (CPAs) in which we invite CPAs working with SDGs to present their work as lecturers.

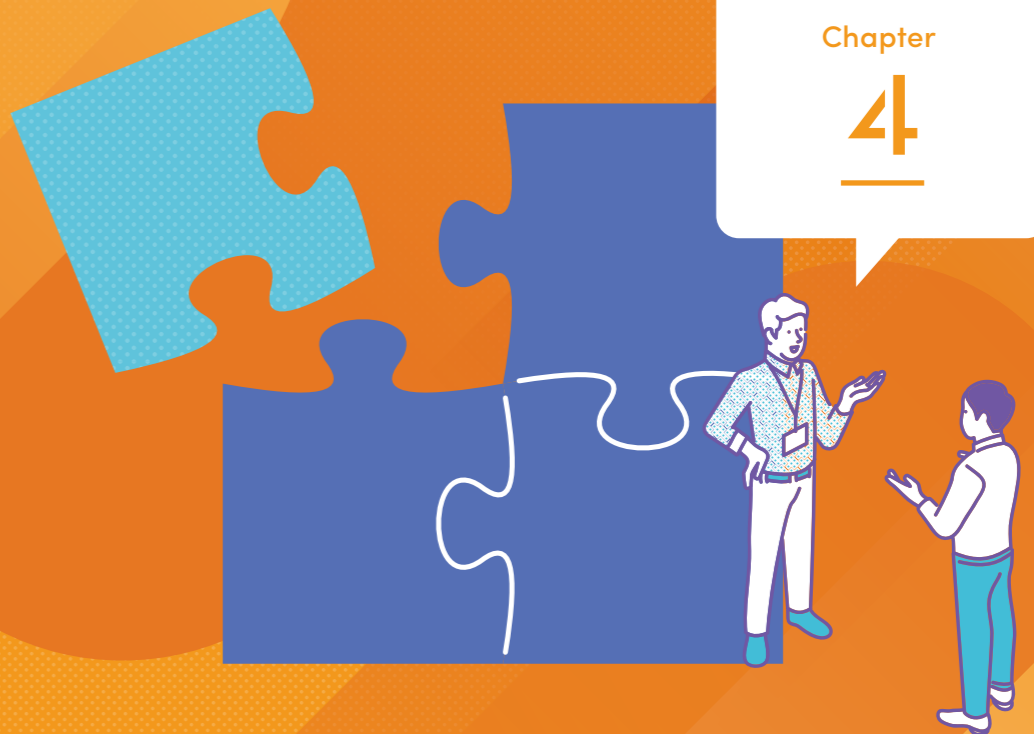


CPAs' goal of a sustainable future (in Japanese)
<https://sustainability.jicpa.or.jp/accountant>

Organizations and Operations Supporting JICPA

Chapter

4



To ensure the trust of society in a sustainable fashion, our operations must also be sustainable. We at JICPA aim to carry out appropriate operations that maintain both transparency and neutrality and that incorporate the perspectives of external experts. How do we build a solid organizational platform that allows us to build trust in society? Here, we provide a glimpse into the inner workings of JICPA.

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GOVERNANCE

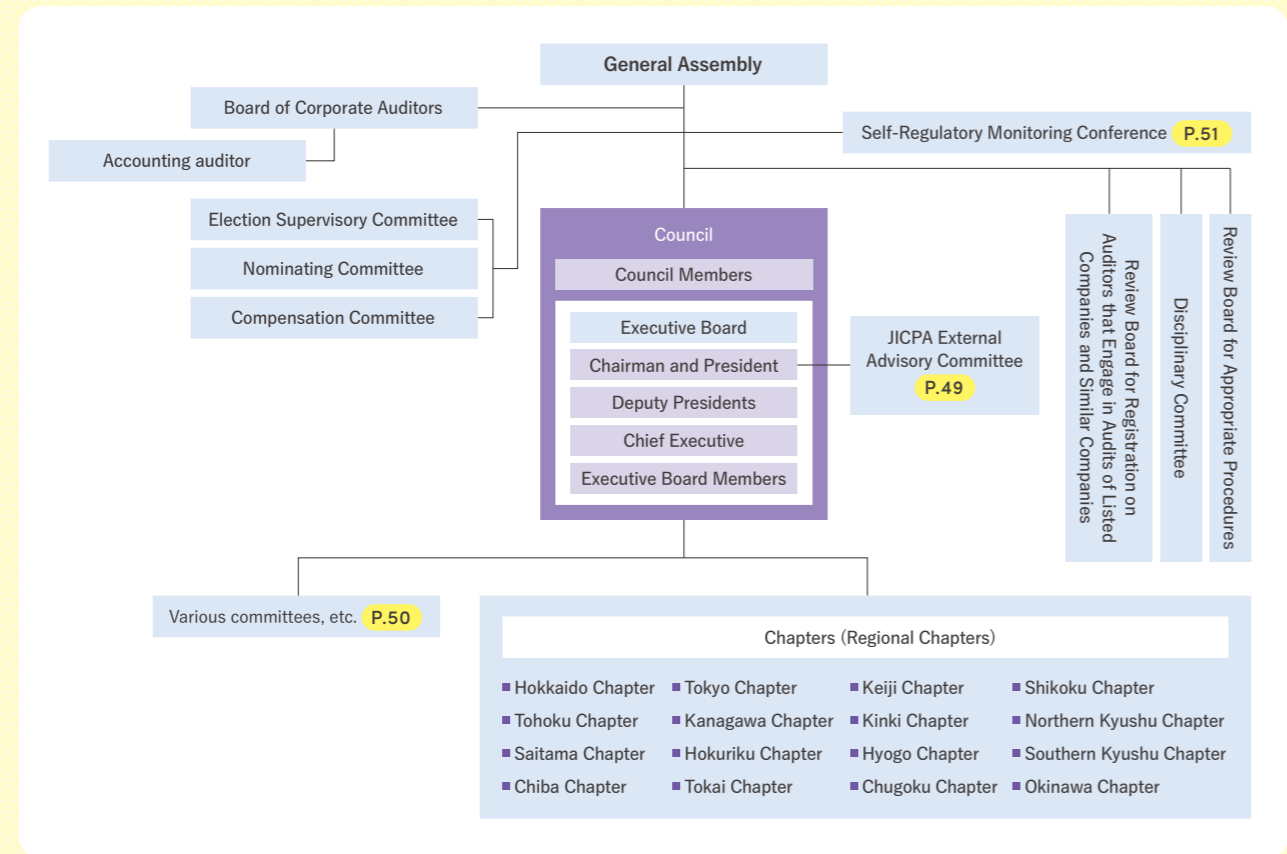
Aiming for Operations That Can Sustainably Build Trust

As an independently regulated group of CPAs active in diverse fields, JICPA plans, formulates, and manages the progress of its policies at bodies starting with its Council with the goal of sustainable operations. At each of JICPA's committees, we ensure broad perspectives by incorporating external experts' opinions, which are used in building an unshakable management platform.

Basic Approach to Governance

In addition to its General Assembly, which serves as the highest decision-making body, its Executive Board and Council, which implement and monitor institute operations, and committees that act as advisory bodies, JICPA has established both the Board of Corporate Auditors and the Self-Regulatory Monitoring Conference as monitoring organizations. Moreover, so that CPAs working in locations throughout Japan can provide uniform, high-quality service, JICPA has established Regional Chapters as branches for 16 regions covering all of Japan to provide the necessary guidance, communication, and oversight.

Overview of JICPA's Organizational Chart (as of March 31, 2024)



The Organization and its Committee Activities (in Japanese)
<https://jicpa.or.jp/about/activity/organization/>

External Advisors Evaluate JICPA's Initiatives

JICPA has appointed non-member experts as advisors and holds meetings of the JICPA External Advisory Committee three times a year for the advisors to provide advice on the necessary items related to progress in improving the work of CPAs. In this interview, we asked two of these advisors about JICPA's initiatives.

Questions

- 1 Evaluation of JICPA's recent initiatives
- 2 Future expectations for JICPA



Noriaki Shimazaki
 Outside Director, Nomura Holdings, Inc./
 Former Trustee, IFRS Foundation



Mariko Bando
 Chancellor, Showa Women's University/
 Former Director General, Gender Equality Bureau Cabinet Office

- 1** I believe that JICPA did a good job in its vision paper released in 2022 of stating that the role of CPAs is for each member to exercise their core value to resolve social issues, and of laying out a concrete action plan to for CPAs to fulfill this role.
- 2** Sustainability is a new field in which CPAs will be expected to play a role. Within this field, CPAs will be expected to utilize their experience in accounting audit and the credibility and trust as CPAs in assurance work, for which discussion is progressing.
- 1** I believe that JICPA has properly executed the core operations that it should perform as an organization, including its response to the amendments to the Certified Public Accountants Act and the release of its "Vision Paper 2022—The Way Forward for JICPA." JICPA's announcement of its Four Pillars was particularly commendable.
- 2** There are many expectations for JICPA, including: 1) participation in the creation of international standards such as IFRS, 2) strengthening coordination with not only companies but also a wide range of stakeholders, 3) supporting greater numbers of female CPAs and their success, and 4) responding to social issues such as the SDGs. For JICPA to respond to these expectations, the planned innovation and expansion of training and educational opportunities as well as skill development for CPAs are essential.

External Advisory Committee Members (as of March 31, 2024)

*Positions and titles are current as of March 31, 2024

Kazuhiko Fushiya
 Chairman,
 The Institute of Internal Auditors – Japan

Yamaji Hiromi
 Director & Representative Executive Officer,
 Group CEO
 Japan Exchange Group, Inc.

Mariko Bando
 Chancellor, Showa Women's University/
 Former Director General,
 Gender Equality Bureau Cabinet Office

Noriaki Shimazaki
 Outside Director, Nomura Holdings, Inc./
 Former Trustee, IFRS Foundation

Naoki Izumiya
 Chairman, Japan Investor Relations/
 Honorary Advisor, Asahi Group Holdings, Ltd.

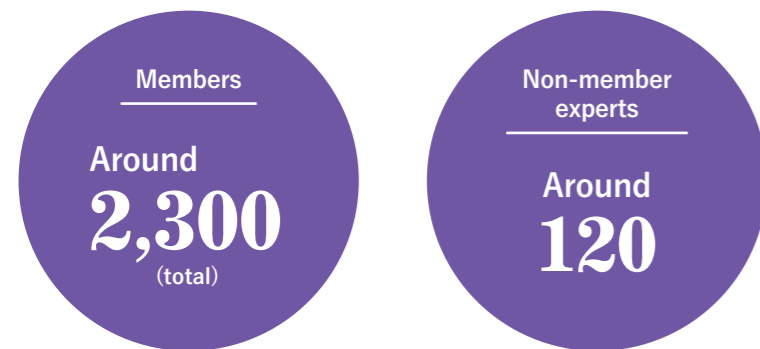
Yuko Miyazaki
 Attorney/
 Former Justice of the Supreme Court of Japan

Our Committee Activities Connect JICPA with Society

JICPA creates both the rules with which its member CPAs must comply in performing their work as well as work reference materials. We also conduct surveys and research that can be used not only by our CPA members, but also by the general public.

These activities are carried out mainly through JICPA's committees, which are made up of CPA members who are active at the cutting edge of a wide range of fields. Our committees are also attended at times by non-member experts to request outside perspectives.

Committee Participation (as of March 2024)



List of Committees (as of March 31, 2024)

PICK UP Ethics Standards Committee P.52	Public Sector Accounting and Audit Practice Committee	Continuing Professional Development Systems Committee
	Management Research Committee	Sustainability Capacity Building Council
Ethics Standards Committee Expert Advisory Council P.51	Tax Research Committee	Practice Training Council
Auditing and Assurance Standards Committee	Small and Medium Practices Committee	Final Assessment Committee
Auditing and Assurance Standards Committee Expert Advisory Council P.51	Small and Medium Practices Policy Committee	Integrated Skill Development Special Evaluation Committee
Industry-specific Committees	Laws, Regulations and Systems Committee	Certified Public Accountants Act Special Evaluation Committee
Accounting System Committee	Audit Practice Review and Investigatory Committee	General Affairs Committee
Technology Committee	Quality Control Committee	Public Relations Committee
Corporate Disclosure Committee	Qualification Review Committee	Publishing Planning and Editing Committee
Not-for-Profit Organization Accounting and Audit Practice Committee	Registration Review Committee	SDGs Promotion Committee
Incorporated Educational Institution Accounting and Audit Practice Committee	Dispute Mediation Committee	Accounting Education Promotion Council

Evaluating guidelines and other topics related to the work of CPAs
Addressing special issues
Maintaining the integrity of CPAs and ensuring the quality of their work
Sharing the appeal of the CPA profession and the importance of accounting
Maintaining and improving the skills of CPAs

Activities of Meeting Bodies Chaired by External Experts

Auditing and Assurance Standards Committee Expert Advisory Council

JICPA has established the Auditing and Assurance Standards Committee to evaluate, formulate, and establish codes of practice for items related to quality control in auditing, assurance, specialized work, and at offices. The Auditing and Assurance Standards Committee Expert Advisory Council compiles recommendations from the committee and requests opinions from the creators and users of financial statements and academic experts with the goal of formulating codes with social agreement.


Summaries and meeting materials for the Auditing and Assurance Standards Committee Expert Advisory Council (in Japanese)
https://jicpa.or.jp/about/activity/youshikisyu/auditing_standards.html

The perspective of external experts

Through suggestions on the formulation of standards that utilize broad, external knowledge and differing perspectives from those held internally, we are working to contribute to the continued development of the CPA industry in response to the dramatically changing auditing environment.




Chair, Auditing and Assurance Standards Committee Expert Advisory Council
Specially Appointed Professor, Nihon University College of Commerce

Masayuki Horie

Ethics Standards Committee Expert Advisory Council

To evaluate and establish codes related to the professional ethics of committee members, JICPA has established an Ethics Standards Committee. The Ethics Standards Committee Expert Advisory Council compiles the codes related to professional ethics from the Ethics Standards Committee and requests opinions from the creators and users of financial statements and academic experts with the goal of formulating codes with social agreement.


Summaries and meeting materials for the Ethics Standards Committee Expert Advisory Council (in Japanese)
<https://jicpa.or.jp/about/activity/youshikisyu/ethics.html>

The perspective of external experts

As an adjunct organization to the Ethics Standards Committee, the Ethics Standards Committee Expert Advisory Council works to enhance the transparency of the process to create codes including ethical rules from an international perspective and to formulate codes with social agreement through the opinions of stakeholders other than auditors.




Chair, Ethics Standards Committee Expert Advisory Council Professor Emeritus, Aoyama Gakuin University Professor, Ohara Graduate School of Accounting

Shinji Hatta

Self-Regulatory Monitoring Conference

To ensure objectivity and fairness in our self-regulatory activities and trust from society in the CPA system, JICPA has established a Self-Regulatory Monitoring Conference. The Self-Regulatory Monitoring Conference's goal is to monitor the overall operations and status of JICPA's self-regulation and items for improvement and to provide opinions and advice from the broad perspective of capital markets and society.


Summaries and meeting materials for the Self-Regulatory Monitoring Conference (in Japanese)
https://jicpa.or.jp/about/activity/self-regulatory/quality_monitoring.html

The perspective of external experts

Amid the increasing social importance of the core value of fairness, to further improve the quality control of auditing as the duty of the accounting profession, we are building infrastructure with the goal of consolidating assurances of the functions of capital markets.



Chair, Self-Regulatory Monitoring Conference Professor, Graduate School of Political Science, Waseda University Former Commissioner, Board of Audit

Mari Kobayashi

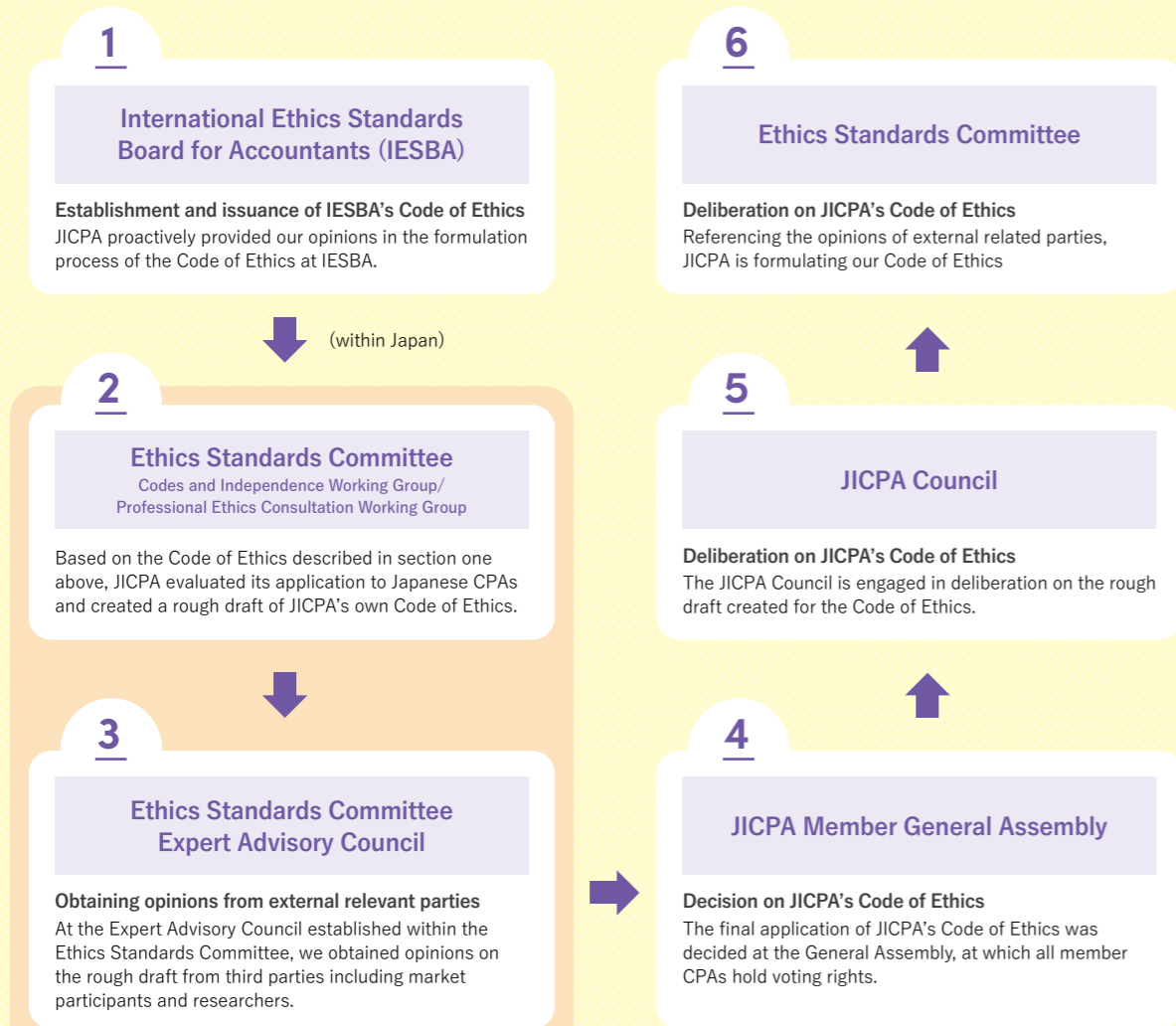
PICK UP

Operational Rules Process Leading to Formulation

Ethics Standards Committee

There is a process of evaluation at the Ethics Standards Committee before rules or materials are compiled. In addition to the opinions of our members, we gather the opinions of various external stakeholders so that our rules and materials are also appropriate from the standpoint of the general public.

Here, we introduce the process behind the creation of JICPA's Code of Ethics, a set of rules related to the ethics of CPAs.



Exchange of Opinions, Discussions, and Adjustments with Stakeholders

Changes to the rules related to the work of CPAs impact market participants starting with companies. As such, JICPA's rules not only benefit CPAs, but also contribute to the public good.

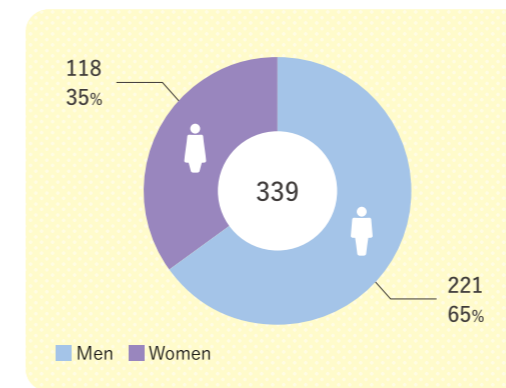
Parallel with the evaluation at the Ethics Standards Committee, we exchange opinions and hold discussions with stakeholders related to CPAs including relevant government bodies, economic groups, securities exchanges, and investor groups.

JICPA Administrative Office Data (as of March 31, 2024)

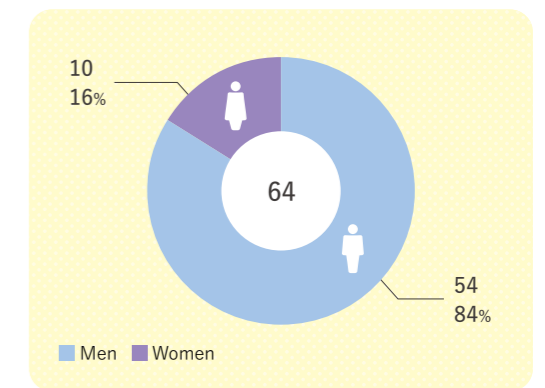
The administrative offices that support the operations of JICPA are staffed by 339 people (221 men and 118 women).

Around 30% of those staff members are CPAs, and the rest are made up of attorneys, judicial scriveners, administrative scriveners, tax accountants, U.S. CPAs, small and medium-sized enterprise consultants, labor and social security attorneys, and information technology engineers. Moreover, JICPA is promoting female empowerment at its administrative offices, with women making up 16% of management positions.

Number of Staff (male/female ratio)



Number of Management Staff (male/female ratio)



VOICE

Asking the Staff about Working at JICPA



Professional Standards and Practices Division
Ethics Group Manager and CPA

Emi Goto

Practical Experience at an Audit Firm Has Been a Big Plus for My Career

I first came to know of JICPA through my job-hunting activities. I decided to join JICPA because I felt that it would be a good place to get involved in the field of accounting and auditing and that working here would allow me to exercise my unique strengths to contribute to society. Since joining JICPA, I have mainly been involved in the creation of standards related to ethics, accounting, and auditing. I feel a great sense of purpose in having a professional role that contributes to the public good. Being able to study while working, passing the CPA examination, and then working at an audit firm has been a big plus for my career. At JICPA, I can feel the connection between the members and the stakeholders in the capital market. Each staff member has a real sense of mission in their work at JICPA.



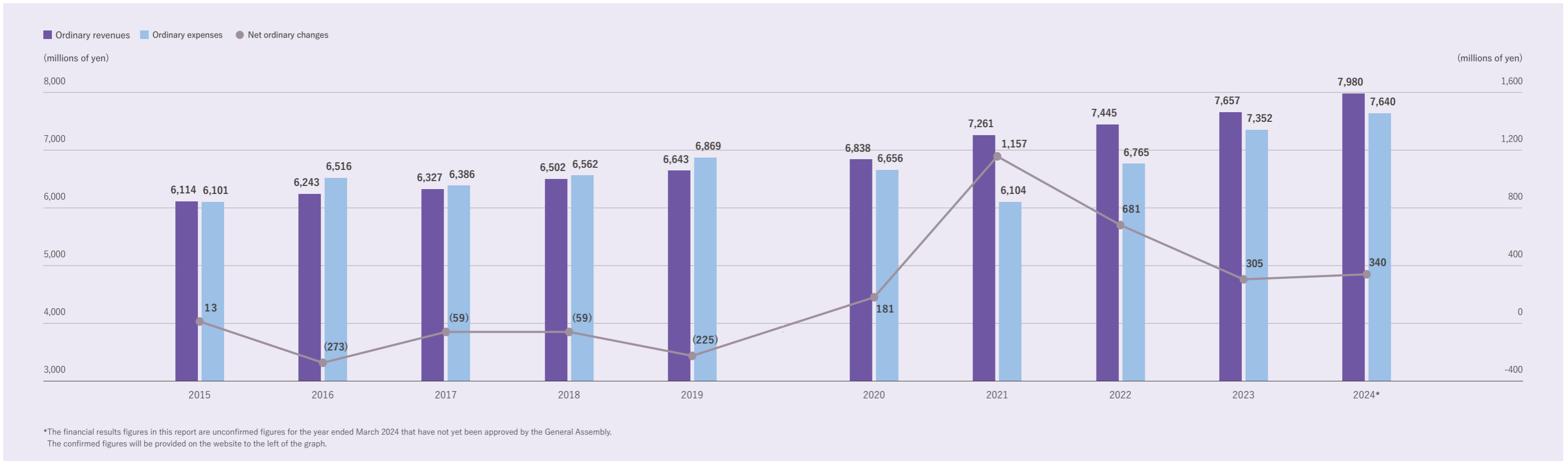
Professional Standards and Practices Division
Non-Profit and Public Sector Group

Yohei Matsumura

I Was Attracted to the Important Role of Social Contribution

I joined JICPA because I was attracted to and felt a sense of purpose in the important role of social contribution that JICPA plays for society through its accounting and auditing systems. After joining JICPA, I have mainly been involved in work related to the public accounting and public auditing field, including auditing local incorporated administrative agencies and national university corporations, as well as comprehensive external audits. I joined JICPA mid-career from a private-sector company. I am grateful every day that JICPA has created a more accommodating work environment than my previous job that meets the needs of the times by offering paid lead and childcare leave, the opportunity to work remotely with ease, and a complete support system to acquire credentials.

Trends in Ordinary Revenues, Ordinary Expenses, and Net Ordinary Changes



JICPA's Revenue and Cost Structure

The revenues for JICPA, which promotes policies related to CPAs, are made up of independent financial sources in the form of fees from CPA and audit firm members and associate members.

- 1) Standard fee/Chapter fee
Membership fees borne equally by CPAs who are members
- 2) Auditing membership fee
Membership fees borne by members who engage in auditing that is the exclusive purview of CPAs
- 3) Business revenue
The book sales of publishing operations etc.

These revenues are allocated to strengthening both the types of initiatives described below and JICPA's administrative offices responsible for those activities.

- 1) Reinforcing JICPA's professional regulatory functions through quality control reviews, etc. (P.13, P.22, P.23, P.51)
- 2) JICPA's training business to develop skills for CPAs (P.13, P.22)
- 3) Activities to implement the application of various standards (P.50-52)
- 4) Maintaining and enhancing coordination with various overseas groups (P.12, P.30)

JICPA's Financial Conditions in Recent Years

As shown in the Trends in Ordinary Revenues, Ordinary Expenses, and Net Ordinary Changes graphs, the scale of JICPA's business has expanded along with the increase in our member and associate member numbers, and both ordinary revenues and ordinary expenses are following a trend of increase.

Ordinary expenses decreased temporarily with the restrictions placed on our businesses by the impact of COVID-19. However, with the relaxation of restrictions on movement stimulating activity in Japan and overseas, and faced with global inflation, ordinary revenues are being used efficiently and effectively to contribute to value creation by the CPAs responsible for work that is expanding and diversifying to respond to a changing business environment.

Please visit the following website for JICPA's detailed financial information.



Activity Reports and Plans/Budget and Financial Results/
Annual Reports and Integrated Reports (in Japanese)
<https://jicpa.or.jp/about/activity/report/>



4-4-1, Kudan-Minami, Chiyoda-ku, Tokyo
102-8264, Japan
<https://jicpa.or.jp/english/>

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September 2024

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