

2023

INTEGRATED REPORT



NEXT

Thoughts We Want to Share with the Future

SOCIETY



## From the “Annual Report” to the “Integrated Report”

As a self-regulatory body for CPAs, the Japanese Institute of Certified Public Accountants (JICPA) has contributed to the Japanese economy and society by building public trust. At present, expectations are increasing for CPAs to resolve issues not only in capital markets but also in a wide range of other fields. Against this backdrop, with 2030 as a future milestone, JICPA has put forth a vision of continuing to contribute to the development of society with the power of trust as the basis to “create a bright future full of comfort and vitality.”

JICPA has redesigned our report issued each year from the “Annual Report” to the “Integrated Report.” In the Integrated Report, we introduce our vision and the initiatives to achieve it and share our hopes for the future with an even broader group of stakeholders.

# Our Vision for the **NEXT SOCIETY**

JICPA—pioneering the future.

# CONTENTS

- 04 Message from the Chairman and President
- 06 What is JICPA?

## The Perspective of the Integrated Report 2023

In the Integrated Report 2023, we will introduce JICPA's value creation through trust using the analogy of a growing plant.

## NURTURE

Nurturing Trust in Society



Chapter

1

Explaining the mission and roles CPAs to play, and their current reality

- 08 About JICPA
- 10 Our History of Building Trust in Society
- 12 CPAs Today

## ADVANCE

Advancing into a Bright Future Together



Chapter

2

Sharing JICPA's history and future vision

- 16 The Story of Our Value Creation through Trust
- 18 Special Feature: Dialogue  
Sharing Our Thoughts on the Contribution of CPAs and JICPA to Sustainability
- 22 JICPA's Ideal Future

## CREATE

Creating Trust in Society Together with the People of the World



Chapter

3

Reporting on our "Four Pillars" initiatives to achieve JICPA's vision

- 26 Special Feature: Roundtable Discussion  
CPAs' Contributions in the Field of Sustainability
- 30 "Four Pillars" Initiatives to Fulfill Our Role in Society
  - 30-35 Improving Audit Quality
  - 36 Responding to Growing Needs in the Field of Information Disclosure
  - 37 Strengthening Corporate Governance
  - 38-40 Resolving Social Issues in Various Sectors

## SUSTAIN

Fulfilling Our Mission in Any Era



Chapter

4

Explaining the system supporting the operations of JICPA

- 42 JICPA's Operation
- 48 JICPA's Financial Summary

### 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. We will continue to work to provide information that meets our readers' expectations.

### Covered Period

April 2022 through March 2023  
(The Integrated Report includes details on some activities beyond April 2023)

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

# DEAR STAKEHOLDERS



**JICPA builds trust  
by deepening dialogue  
with every walk of life in  
society and contributes to  
a sustainable society.**

*Tetsuya Mogi*

Tetsuya Mogi, Chairman and President of JICPA

## JICPA's Hope for the Future in Contributing to Society

The Japanese CPA system welcomed its 75th anniversary in 2023. Throughout these 75 years, JICPA has created value in the form of trust and contributed to society while evolving with the changing times.

The year 2022 marked a significant turning point both for us at JICPA and the CPA industry, even within this long 75-year history.

Above all, the Certified Public Accountants Act in Japan was amended for the first time in 15 years. The amendments were made to respond to

changes, including increasing demands from society for auditing, an increasing number of households with both parents working, progress in female empowerment, and the diversification of value regarding CPA workstyles. We prepared thoroughly and welcomed the promulgation of the amended act with a solid system in place.

Furthermore, JICPA created a new tagline, “Building trust, empowering our future.” It embodies our strong desire to leverage the trust placed in CPAs to bring it to a new level in society and contribute to a better future.

To achieve this goal, in 2022, JICPA published our “Vision Paper 2022—The Way Forward for JICPA” to lay out our vision ahead to 2030. As we head toward 2030, in the three years of my term in office, we focus on strengthening the foundation of trust with CPAs, contributing to the resolution of social issues, securing and developing diverse human resources, and strengthening coordination with stakeholders.

## JICPA's Contribution to Society

In considering how JICPA can continue to contribute to society, we reimagined the source of value for CPAs.

In the 75 years since the Japanese CPA system's establishment, CPAs have cultivated expertise and wide-ranging knowledge focused on accounting, auditing, and taxes and built public trust through diverse operations, starting with auditing. In this process, CPAs have always maintained the awareness that self-regulation with a strong sense of ethics is the foundation of creating trustworthy information. CPAs are required to have a rare combination of not only expertise and wide-ranging knowledge but also an autonomous set of high ethical standards. This is the source of value for CPAs, and precisely because of this, they will continue to be relied on by the public.

We are seeing substantial global changes in the social and economic environment. The demands for CPAs are also shifting in response, with their fields of activity expanding greatly beyond the scope of accounting, auditing, and taxes. Furthermore, digital technology is evolving

at a dizzying pace with the widespread use of new digital tools like ChatGPT, and the technological expertise required to keep up with this evolution is growing more sophisticated. By evolving to meet these changing needs, we will contribute to the development of society. The field of non-financial information and sustainability is currently receiving the most focus in society and attracting global discussion. As CPAs who have instilled trust in information, we will contribute even more to this field as we move forward.

Moreover, JICPA believes that everyday people obtaining accounting literacy will help them to live more abundant, healthier lives, and we have long worked to expand accounting education and raise awareness. We see accounting education as an even more important policy to take in the future and will work closely with educators to continue to promote it.

## Continuing to Contribute to Society as CPAs

CPAs will continue to play the important role of contributing to the development of economic society for the public interest. To do so, while welcoming a diverse group of people to join the CPA industry, it is essential that we, as CPAs deepen our individual knowledge and continue to respond to changes in the social environment. Amid changes in global conditions and the expected role of CPAs, we aim to continue aligning ourselves with the needs of the times. We will develop the qualities and capabilities required of CPAs in an integrated fashion from the stage that they pass the CPA examination through the stage that they are active in diverse fields.

We CPAs aim to continue to be a presence that contributes to building a bright future full of comfort and vitality even 10 and 20 years down the line. To achieve this goal, we are pursuing various policies with a long-term perspective and an eye on the future together with CPAs who are members or associate members of JICPA. As we do so, we ask for the continued cooperation of all our stakeholders.

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 created in April 2022, "Building trust, empowering our future," we have instilled our expressed desire to continue to contribute to the creation of a better society. In addition to renewing our logo to give it a greater sense of familiarity, we are working on CPA branding for them to be seen as a more familiar presence.



Chapter

# 1

## NURTURE

### Nurturing Trust in Society

#### The current reality you may not know about CPAs

The Japanese CPA system, which has continuously built trust in information along with the changing times, welcomed its 75th anniversary in 2023. Throughout these 75 years, JICPA has supported CPAs unwaveringly and nurtured trust in society. In recent years, the world has experienced progressing digitalization and the increasingly global and borderless nature of the economy. Against this backdrop, expectations for CPAs are greater than ever, and their expertise is now in demand in diverse environments. JICPA will continue to provide our full-fledged support so that CPAs can flourish in a wide range of fields.

# JICPA in Numbers NUMBERS

## OVERVIEW

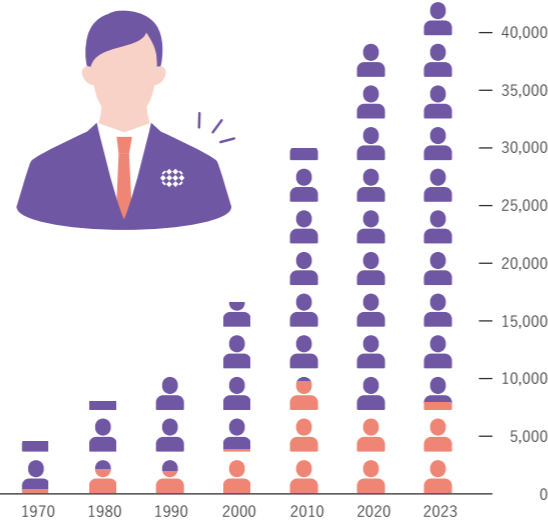
# 42,637

Members Associate members

### Number of Members and Associate Members

(As of March 31, 2023)

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 March 31, 2023, JICPA had 34,717 members and 7,920 associate members, and we expect the fields in which CPAs are active to continue to grow.



CPAs Today P.12



# 16.3%

### Percentage of Female Members and Associate Members

(As of March 31, 2023)

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 current percentage of female CPAs has passed 16%, and we are furthering strengthening efforts to promote the success of female CPAs.

Supporting the Success of Female CPAs P.35

For the first time in  
**15 years**

### The Certified Public Accountants Act was Amended

(May 2022)



The number-one topic in fiscal 2022 was the amendment of the Certified Public Accountants Act. It was the first amendments in 15 years since 2007.

For CPAs to continue to be a presence that builds trust together with society, we hold dialogues with stakeholders and work to create a CPA system that meets the demands of the times.

Contributing to the Creation of Systems that Align with Changing Times P.30

## ACTIVITIES

# 56 times



### Number of Times Meetings were Held for Individual Cases

(Fiscal 2022)

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.

Maintaining a High Level of Social Trust in the Work of CPAs P.31

# 142 firms



### Number of Audit Firms that Engage in Audits of Listed Companies

(Fiscal 2022)

# 63 firms

### Number of Reviewed Audit Firms that Engage in Audits of Listed Companies

(Fiscal 2022)

JICPA regularly checks the status of quality control of the auditing work performed by audit firms and CPAs that audit listed companies and provides guidance for improvement where necessary.

Maintaining a High Level of Social Trust in the Work of CPAs P.31



# 1,215 times

### Number of Times Seminars were Held by JICPA

(Fiscal 2022)

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 also engage in everyday self-education.

Moving from Training to Skill Development to Strengthening the Adaptability of CPAs P.34

# 48 times

### Number of Times "Hello! Accounting" Classes were Held

(Fiscal 2022)

Total number of participants  
around **3,500**

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.

Raising Awareness of the Need for Accounting Literacy P.39



# 103 times

### Information Sessions about the CPA System

(Fiscal 2022)

Total number of participants  
around **9,400**

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.

Raising Awareness of the Need for Accounting Literacy P.39



# OUR PROGRESS

JICPA has Evolved Together with Society

The first

75 years

The current CPA system, which derives from the advent of registered accountants based on the Accountants Law of 1927, was established in 1948 through the Certified Public Accountants Act. In the 75 years since, 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.

1991-

## REFORM

Reforms to shape the future of trust

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

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.

2022-

## TRANSFORMATION

To continue delivering the value of trust into the future

Amid changes to systems including the rapid internationalization of accounting and auditing standards and expanded sustainability information disclosure, we are responding with a long-term perspective.

### 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  
The JICPA becomes a corporation
- 1973** Commemorative ceremony and other activities marking the 25th anniversary of the CPA system held

### TOPICS

- 1991** Auditing Standards, Working Rules for Fieldwork, and Working Rules of Audit Reporting amended
- 1992** The Certified Public Accountants Act amended
- 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
- 2004** The JICPA becomes a special private corporation

### TOPICS

- 2007** Registration system for listed company audit firms enters into effect  
The Certified Public Accountants Act amended  
Creation of the Vision Paper
- 2010** Tax-related Work Subcommittee established
- 2012** Professional Accountants in Business (PAIB) Council established
- 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

### TOPICS

- 2022** Creation of the Vision Paper 2022  
The Certified Public Accountants Act amended

Please see P.22-24 for the future of JICPA

### 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.

### 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.

### 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.

### Historical Context

People's lifestyle patterns changed during the COVID-19 pandemic. 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?

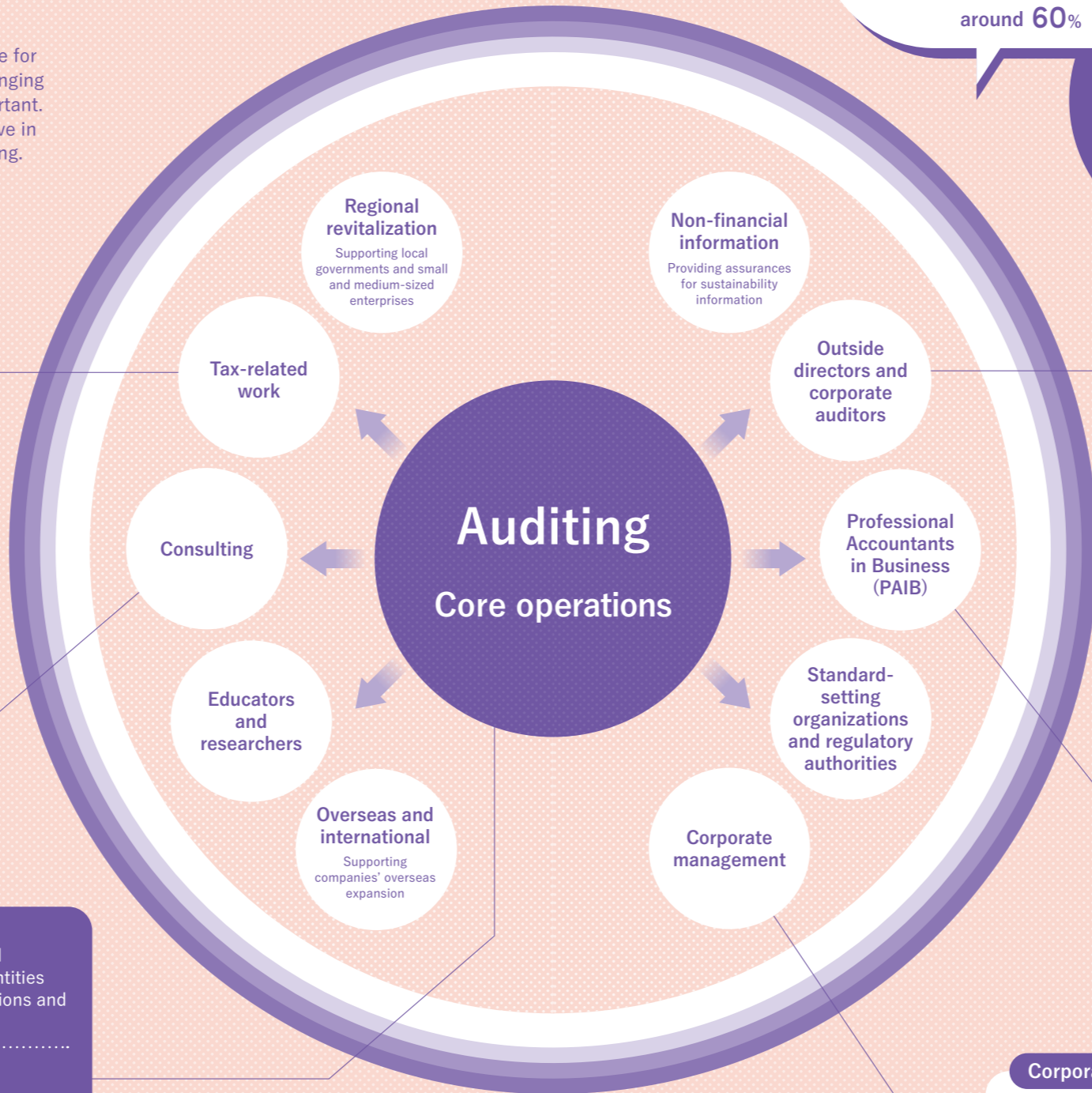
## Building Trust throughout Society

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 March 31, 2023)  
**34,436**  
Of these, the percentage of CPAs not belonging to an audit firm is around **60%**

### The Mission of CPAs

As experts in accounting and auditing, CPAs ensure the trustworthiness of information from an independent standpoint. Their greatest mission is to support the corporate and economic activities that form the foundation of society. They have an important role in this mission of contributing to the resolution of a wide range of issues and supporting the core elements of society as it constantly changes.



### Tax-related work

By registering as a tax accountant, CPAs can carry out tax-related work. 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.

### 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.

### Auditing

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.

**Main types of audits implemented by CPAs**

- Audits based on the Financial Instruments and Exchange Act
- Audits based on the Companies Act
- Audits of mutual insurance companies
- Audits of special purpose companies
- Audits of investment corporations
- Audits of limited partnerships for investment

**Non-statutory audits include audits of the following:**

- Audits of financial statements of companies not subject to statutory audits
- Special-purpose financial statements

**International audits include audits of the following:**

- Companies with shares listed on overseas exchanges or that are applying for such listing
- Companies that have procured or seek to procure funding overseas

### 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.

### Professional Accountants in Business (PAIB)

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

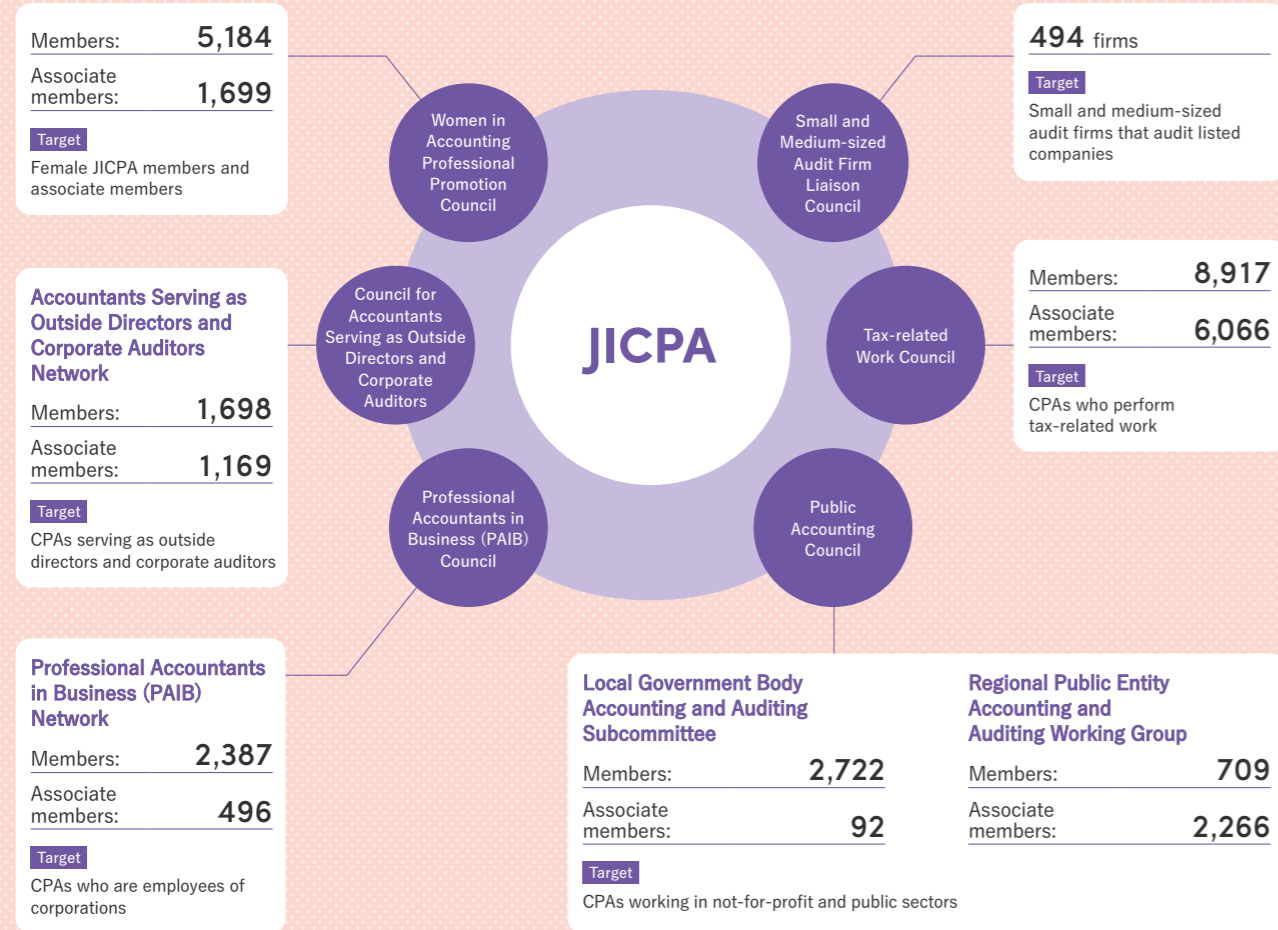
### Corporate management

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.



## JICPA Promotes Diverse Activities for CPAs

JICPA has established various councils to support CPAs who are active in a wide range of fields. (As of March 31, 2023)



### COLUMN

#### Let's Get to Know the CPAs who are Active in a Wide Range of Fields!

JICPA's goal is to share the reality of CPAs being active in many fields and have you understand the appeal of working as a CPA. To achieve this goal, we have created various pamphlets and online contents to provide interviews with CPAs active on the frontlines of auditing, those contributing to the SDGs, and those active overseas, as well as the experiences of people who pass the CPA examination. Please visit the below links to access this information. We would love for you to understand the appeal of working as a CPA in diverse fields.



**Pamphlet (In Japanese)**  
<https://jicpa.or.jp/cpainfo/introduction/publicity/>



**Interviews with CPAs (In Japanese)**  
<https://jicpa.or.jp/cpainfo/interview.html>

Website ▶



# Chapter 2 ADVANCE

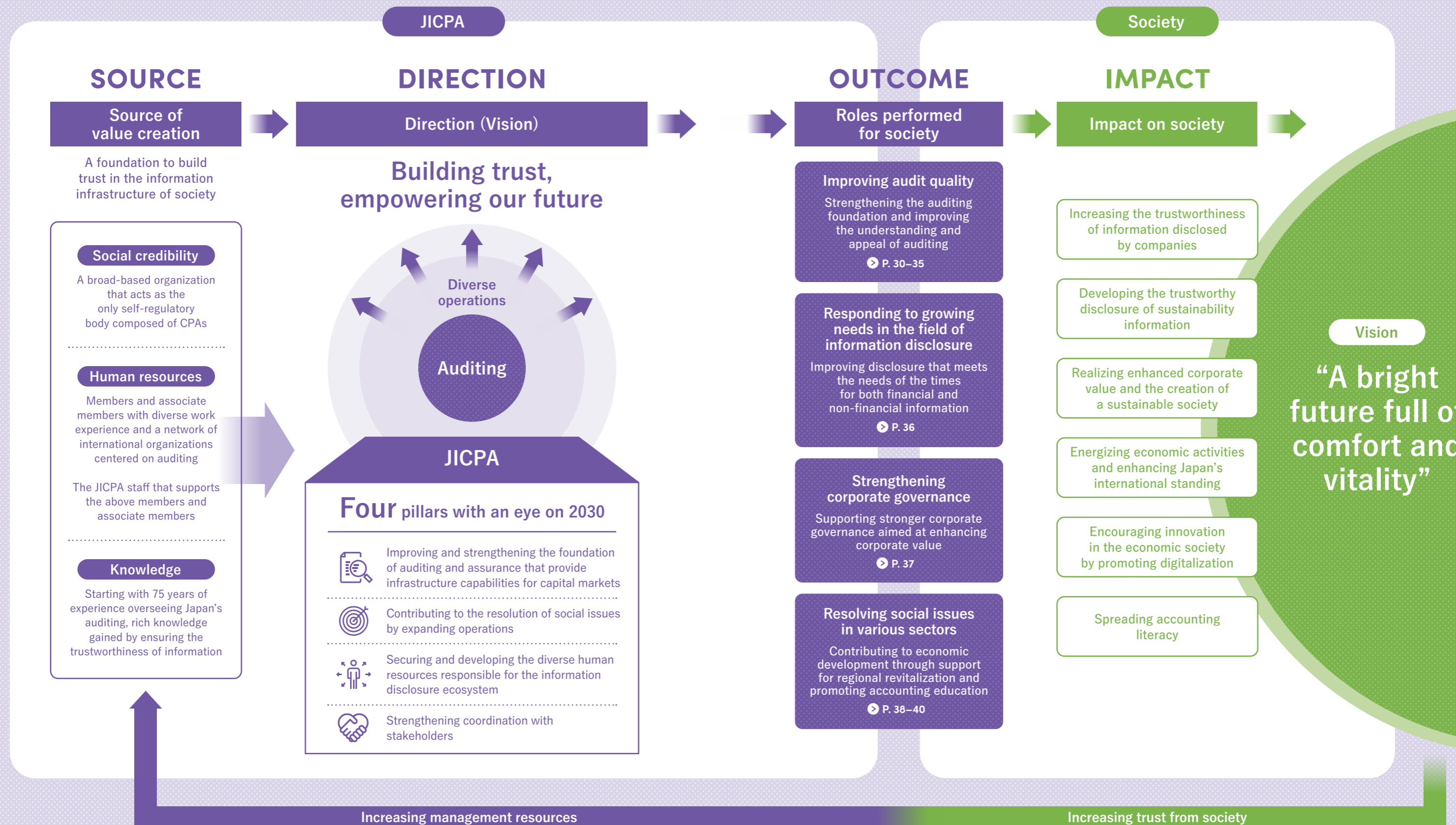
## Advancing into a Bright Future Together

### Envisioning a sustainable society together with you

CPAs are now called on to respond to a dynamically changing world, including digitalization, technological progress, and environmental issues such as global warming. To ensure trust in the coming future, JICPA is to further enhance audit qualities performed by CPAs. We are also focusing on developing the personnel that will serve the role. Through our efforts, JICPA aims to utilize the power of CPAs to aid in the creation of a sustainable society and to realize "a bright future full of comfort and vitality."

# 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.



# Sharing Our Thoughts on the Contribution of CPAs and JICPA to Sustainability

Chairman and President of JICPA

**Tetsuya Mogi**



Director and Deputy President,  
Daiwa Securities Group Inc.

**Keiko Tashiro**

(Titles of respect omitted below)



## Education as the Premise of Sustainability

**Mogi** In addition to Daiwa Securities Group Inc., Ms. Tashiro is active in fields adjacent to the work of JICPA, including her role as Member of the Board and Deputy President of the Japan Association of Corporate Executives, Member of the Working Group on Corporate Disclosure at the FSA's Financial System Council, and Trustee of the IFRS Foundation. In all these positions, she is involved with the expectations of society for sustainability, the actions of companies based on these expectations, and the related investment activities, all of which form the basis of corporate sustainability. I have also heard that she first became involved with the SDGs in her work in 2008 selling so-called vaccine bonds to individual investors for the inoculation of children in developing countries. She is a pioneer going back 15 years in what it means to implement the SDGs. Ms. Tashiro, what do you now feel are the sustainability initiatives demanded by society, and what issues do these initiatives face?

**Tashiro** I do not believe that there is anyone who is against the creation of a sustainable society. However, many people do not believe that sustainability can be realized with the current approaches. For example, in terms of environmental issues, the global environment is predicted to be at risk by 2050 if we continue our present course. Initiatives to avoid these risks require large sums of money. For a large financial institution like the Daiwa Securities Group, there is the big issue of not knowing where these funds should be directed. For this reason also, I believe that information disclosure is essential. Ensuring that as many people as possible have the proper understanding of our current reality is also important. The smallest unit of any social endeavor starting with corporate activities is the individual. In that sense, education also has a large role to play.

**Mogi** I am in total agreement. In 2021, JICPA announced "The JICPA SDGs Declaration," pledging that "As a professional partner, we will nurture trust, create a prosperous society, and build a brighter future." In our declaration, we identified eight fields in which CPAs can make meaningful contributions. I also believe that education is

important in spreading this awareness.

**Tashiro** I do not believe that anyone thinks that they are unrelated to the SDGs. At financial institutions such as ours, our core work is related to SDGs. From first-year employees to senior employees to everyday people, the SDGs affect everyone. That is why it is essential to understand the SDGs and make them a personal priority. I believe that this is the case at JICPA, but the first step at any financial institution or organization is sharing the understanding that the SDGs are a framework that everyone must pursue together.

## JICPA's Role in Contributing to a Better Way of Life

**Mogi** People living a better quality of life is another element in providing education on the SDGs. Accounting education is where we as CPAs can best exercise our expertise in the realm of education. As an initiative in the field of education that is part of the fourth goal of the SDGs, we have offered our "Hello! Accounting" educational program to young people. I am sure that as a

member of a securities firm, financial education is something that you think about. How do you feel about the current state of financial education in Japan, including accounting education?

**Tashiro** Starting several years ago, with the news that seniors would need ¥20 million in addition to their public pension to retire, more people have become aware of the need for financial education. I believe that part of the reason was that, until that point, there had not been that much financial education in Japan. For example, teachers have hesitated to talk to children about money in school. There are many reasons that financial education has not progressed in Japan, and the solution to this problem is still incomplete. The most important things are to understand that there is knowledge that you must acquire, and then to act on.

**Mogi** That is true. While accounting information has come to be included in the Japanese curriculum guidelines for junior high school and high school, even a few years ago, some said that talking about money like we do in "Hello! Accounting" was not appropriate for in-school education. I do believe that the situation has improved, and that people understand that their quality-of-life changes



**We are constantly working to understand and pursue what we can provide to society and what society expects of us.**

familiar with funding mechanism through my documentation work with stocks and bonds, being responsible for IR gave me an even greater understanding of the importance of financial and accounting disclosure as the foundation for investment decisions. While I understood funding and financial management from the perspective of a single company, this experience made me consider what meaning these had to the greater society. This was also when I became more aware of the importance of information disclosure.

**Mogi** We need to spread this kind of awareness of the role of corporate information disclosure throughout society.

**The Sustainability of Society Supported by CPAs**

**Mogi** You are part of many initiatives aimed at the disclosure of non-financial information including sustainability information starting with your work as a Trustee of the IFRS Foundation. What are the current issues that you see with sustainability disclosure?

**Tashiro** Because the approach to sustainability disclosure varies by company, a large issue is introducing statutory disclosure. From the standpoint of competitiveness also, regional comparisons with Europe, the U.S., and Asia naturally arise. Another difficult problem is deciding which countries to include when integrating sustainability disclosure globally.

**Mogi** I believe that the issue of being able or unable to meet the demands of information disclosure depends on a company's or country's stance on the topic. One signal is that if data cannot be collected, that company or country will have a weak understanding of the given topic. In order for the company or country not to be seen as having a weak understanding externally, at a certain point they need to create a system to produce the appropriate information.

**Tashiro** In terms of initiatives that are already underway, for example, the amount of diversity in a board of directors is already an issue. In another one or two years, I believe that companies without

depending on their knowledge of accounting. I recently had the opportunity to speak to a woman who became a CPA and asked her why she decided to follow that path. She had previously worked in the staffing industry. When the staffing company assigned workers to companies, the conditions of employment were always different depending on whether accounting could be performed. Based on this experience, she studied to join the world of accounting. We must properly communicate that there are differences based on the capabilities acquired by the individual.

**Tashiro** Students' feelings on employment have changed compared to the past, and I believe that more students are prioritizing fields in which they have a personal interest. As a result, the nature of companies including their approach to public listing may also change.

**Mogi** Most CPAs initially join an audit firm after passing the CPA examination. When I first began working 30 years ago, some people did not even know what an audit firm was. However, overseas we now have many countries where accounting firms are at the top of the rankings of desired jobs among students. While not yet to the extent of overseas, Japan is also seeing more students who want to work at audit firms.

**Tashiro** After I joined a securities company, one of our first training sessions was a bookkeeping test, but I honestly had very little experience with bookkeeping at that time. Interestingly, after working overseas and returning to Japan, I became responsible for investor relations. While I was

a single female director may see objections from their shareholders and have their chairperson not be reelected. Similarly with environmental issues, Japan has set a goal of achieving carbon neutrality in which overall greenhouse gas emissions are zero by 2050. As we approach that deadline, the sense that time is running out is becoming more and more intense.

**Mogi** That is true. As CPAs, we are involved with companies in many layers of society, and many companies still feel that these discussions are only for big businesses. However, these are issues that all companies must face when considering how to continue being successful in the supply chain.

**Tashiro** The response would be different between companies that are essential to society and companies that are just "one of them." From the standpoint of big businesses, we already live in a reality where they cannot use products or services from companies without concern for the environment.

**Mogi** When companies lack sufficient understanding surrounding these issues, I believe that an important role for us as CPAs who provide proposals and advice to management is to create awareness of these issues.

**Tashiro** Scientific technology is advancing. It used to be difficult to make environmental forecasts, but using the wide range of data available to us now, we can produce forecasted values. Some corporate managers make the decision not to take action on environmental issues simply because they are unaware of this technological progress. Filling this gap is exactly what CPAs are capable of doing.

**CPAs are Expected to Build Trust**

**Mogi** In reality, CPAs performing audit at audit firms make up just more than 40% of all CPAs. Around half of CPAs are company employees, advisors, researchers, educators, and those who work mainly with taxes. I believe that you have CPAs who work at your company as well. However, regardless of where and what type of work they perform, the shared value of us as CPAs is to

**To understand the SDGs and for people to make them a personal priority, the first step is sharing the understanding of why they should be pursued.**

create new trust through our involvement. One of our biggest future goals is to provide some kind of value to information disclosure related to sustainability. Ms. Tashiro, what do you believe is expected of CPAs?

**Tashiro** Whether it be finance or sustainability, what is most important is that the figures certified by CPAs have absolute reliability. For investors looking to make investment decisions, without the disclosure of reliable figures, overall society becomes more chaotic. As such, CPAs have a key function in maintaining order. Moreover, corporate value is created by a wide range of stakeholders inside and outside of the company. While finance has made up most of this value thus far, sustainability information will be added. CPAs are expected to contribute to meaningful information disclosure that allows investors to gauge corporate value.

**Mogi** We are constantly working to understand what society expects of us and what we can provide to society. Human resource development is extremely important in this process. In terms of sustainability, we still need to expand our knowledge in certain areas. While proactively incorporating the knowledge of external experts, we are creating educational programs and promoting skill development.

I would like to thank you for your valuable time today.

**Tashiro** Thank you as well.

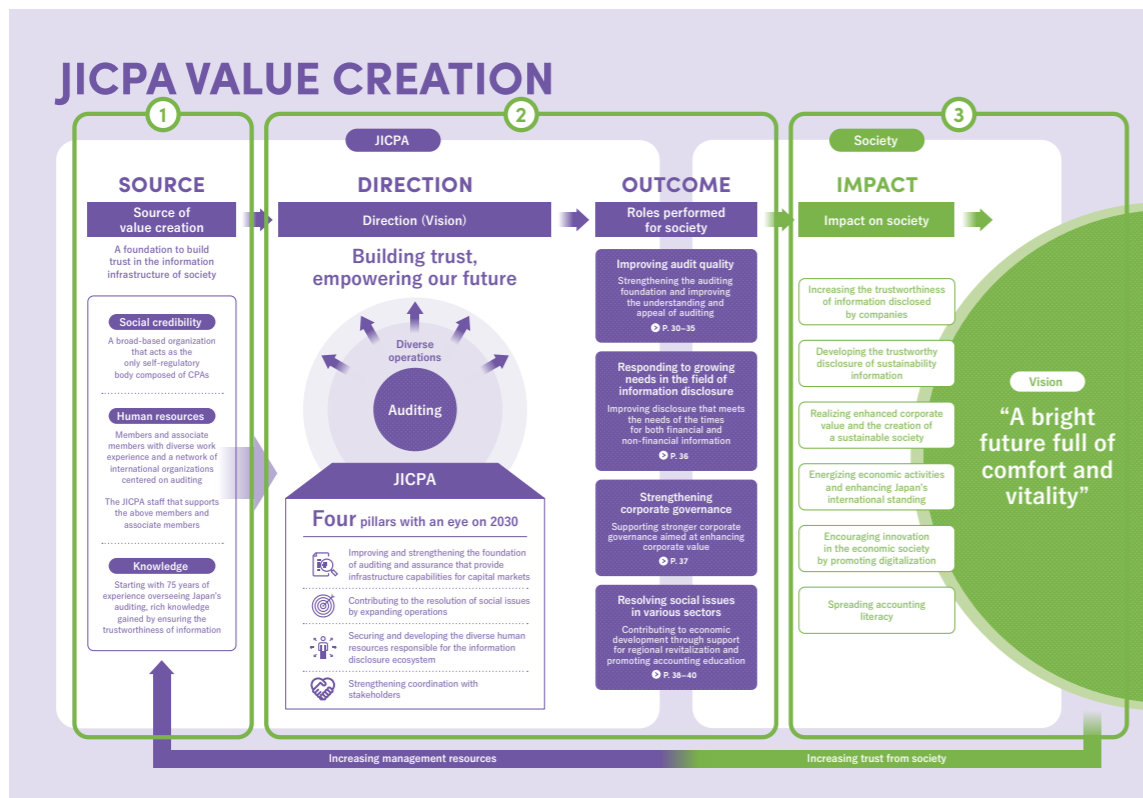


DIALOGUE

# FOR THE FUTURE

## The Path to Our Desired Future

To continue to build trust in line with the nature of society in each era, JICPA aims to realize “a bright future full of comfort and vitality.” On this page, we introduce our value creation story.



### Summary of Our Value Creation Story

- Phase 1 Source of Value Creation** : Based on the mission of building trust in the information infrastructure of society, JICPA was established through the Certified Public Accountants Act. The source of our value in realizing that mission is social credibility, human resources, and knowledge.
- Phase 2 Direction of Our Vision** : Recognizing the changes in society, we will carry out our “four pillars” management policy over the coming three years. By contributing to the resolution of social issues, we aim to make a positive impact on society.
- Phase 3 Vision** : We will make contributions that help shape the future of society. Our organization will lead the creation of our vision of “a bright future full of comfort and vitality.”

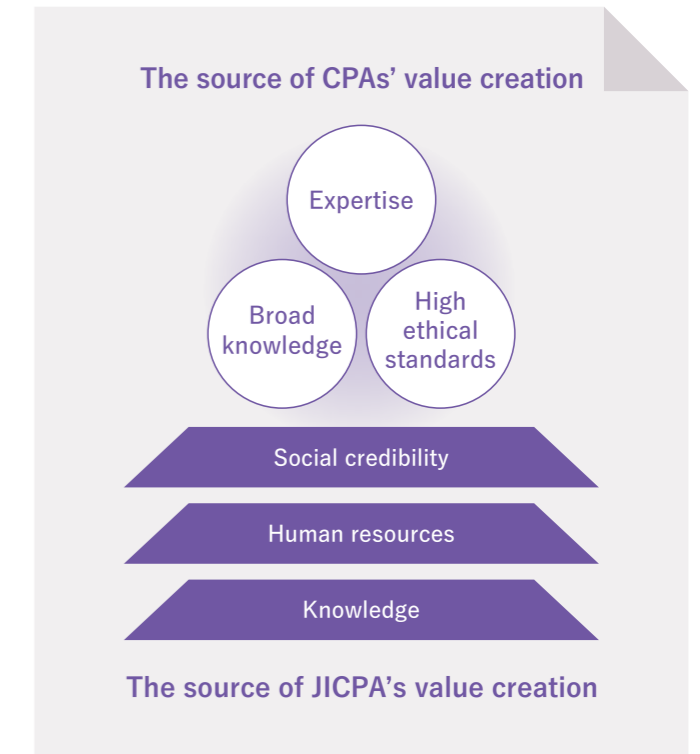
## Phase 1

JICPA VALUE CREATION

### Source of Value Creation

#### JICPA's role and mission

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 as the source of our value creation, JICPA contributes to the resolution of social issues.



## Phase 2

JICPA VALUE CREATION

### Direction of Our Vision

#### Our “four pillars” of focus in our management policy

Based on our tagline, “Building trust, empowering our future” JICPA supports the work of CPAs active in a wide range of fields. We see the roles that JICPA must fulfill to provide value to society as “Improving audit quality,” “Responding to growing needs in the field of information disclosure,” “Strengthening corporate governance,” and “Resolving social issues in various sectors.” With the four important themes to the right, our “four pillars,” as initiatives that connect to these roles, JICPA will work to resolve issues together with our stakeholders. 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.



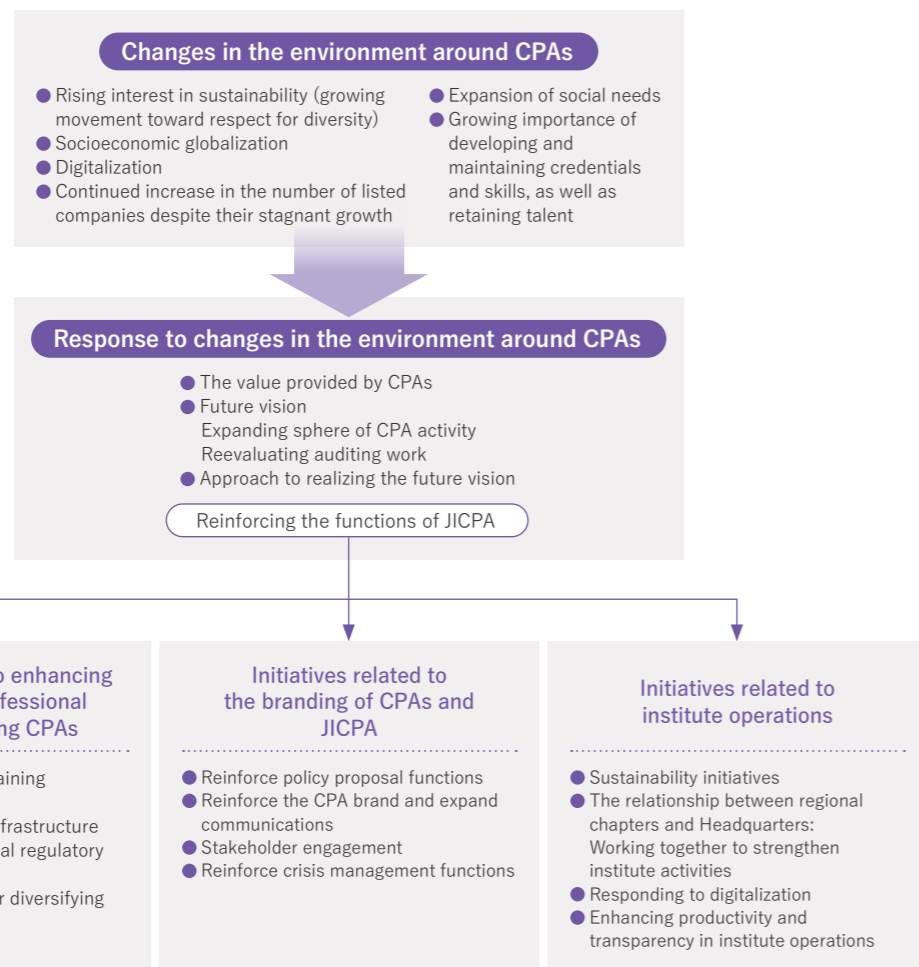
Phase **3**

JICPA VALUE CREATION

Vision

JICPA's desired direction

JICPA's vision is to act as part of the social infrastructure that contributes to the public interest and leads social transformation. Through dialogue with diverse stakeholders in Japan and abroad, we are deepening coordination and quickly capturing social changes. With an even more long-term perspective through 2030, we will contribute to shaping the future. Our aim is to be an organization that leads the creation of "a bright future full of comfort and vitality."



COLUMN

Let's Get to Know Sustainability at JICPA!

"SDGs" that leave nobody behind—we often hear about this concept. In July 2021, JICPA created "The JICPA SDGs Declaration." Its three pillars, "Economy," "Society," and "People and Environment," act to pass the baton along to future generations.

JICPA's Efforts Toward the Realization of a Prosperous Society **P.40**

The JICPA SDGs Declaration

As a professional partner, we will nurture trust, create a prosperous society, and build a brighter future.

Chapter **3**  
**CREATE**

Creating Trust in Society Together with the People of the World

What we can do now to shape our ideal future

What JICPA can do now—is our "four pillars" of initiatives; "strengthening auditing and assurance services," "resolving diverse social issues," "securing and developing personnel," and "coordinating with stakeholders." JICPA's management policy is focused on addressing these four issues. To respond to social changes, JICPA will continue to create trust in society together with the people of the world and resolve the issues in our four pillars. We believe that realizing our vision awaits us on the other side of these actions.

# DISCUSSION



## CPAs' Contributions in the Field of Sustainability

Recently, the demand for sustainability in society has been increasing, and CPAs are now expected to make contributions in a wide range of fields. For this roundtable discussion, we invited several experts who are active on the frontlines of sustainability to discuss the expected roles of CPAs in the field of sustainability while also referencing their careers of CPAs thus far.

### CPAs are Active in the Field of Sustainability

**Fujimoto** Regarding sustainability, going forward we will be evaluating both disclosure and assurance. As part of this process, today we gathered professionals who have accumulated high levels of knowledge and been active in the field of sustainability throughout their careers to share their thoughts on this topic.

**Mizuguchi** I currently serve as the President of the Takasaki City University of Economics, but before working at the university, I worked as

a CPA. I am now involved in the disclosure of non-financial information and research into sustainable finance. I also serve as the Chair of the Ministry of the Environment's Working Group on Green Finance and the FSA's Expert Panel on Sustainable Finance.

**Tsuruno** Since I began working in accounting audits around ten years ago, I developed an interest in sustainability and now work at CSR Design Green Investment Advisory. I study international trends in sustainable finance, report my findings to government offices and companies, and provide advisories on the disclosure of corporate sustainability information.

**Goto** I currently work as a credit analyst at Rating and Investment Information, Inc. (R&I). In recent years, there have been more examples of ESG (environmental, social, and governance) factors impacting credit ratings. As such, I provide opinions from the standpoint of an analyst externally and am involved in improving a system to reflect ESG factors appropriately in credit ratings internally.

**Fujimoto** As sustainability has begun to be more strongly emphasized and discussion on the nature of corporate reports progresses, I have provided opinions as part of my work with JICPA. Ms. Tsuruno, you also are a member of the International

From left to right

### Takeshi Mizuguchi

President, Takasaki City University of Economics

### Tomoko Tsuruno

Senior Advisor, CSR Design Green Investment Advisory, Co., Ltd./CPA

### Jun Goto

Managing Director, Deputy Head of Credit Rating Division, Head of Corporate Finance Dept. IV, Rating and Investment Information, Inc./CPA

### Takako Fujimoto

(Facilitator)  
Deputy President, JICPA/Partner, Deloitte Touche Tohmatsu LLC

(Titles of respect omitted below)

Financial Reporting Standards Foundation's (IFRS) International Sustainability Standards Board's (ISSB) Working Group, correct?

**Tsuruno** That is correct. The Working Group has members from a variety of industries including pharmaceutical companies, human resource companies, and financial institutions, and I find the work extremely stimulating.

### Beginning of Interest in Sustainability

**Fujimoto** Looking at society overall in recent years, I believe that the importance of ESG is changing. Discussion on disclosure is now moving forward, and there is increasing interest in Japan in the topic of carbon neutrality. You all

have been involved with sustainability for quite some time, and I would like to ask how you first got started.

**Mizuguchi** The Exxon Valdez oil spill in 1989 led to the start of a discussion that it was extremely beneficial for investors to focus on the environment when investing. There was a move toward socially responsible investment in the U.S. at the time, and I was involved in introducing to Japan the concept that care for the environment and society should be included in investment decisions. I got to know an accountant who was extremely passionate about working with environmental issues at the time. Through this person's initiative, JICPA formed a working group on environmental auditing at its Management Research Committee, and I became a member. From there, the working group's activities expanded from environmental auditing to environmental accounting and sustainability information, which led to JICPA's current activities.

**Fujimoto** The flow of these discussions has led us to today. The disclosure of sustainability information is now in focus, and the people around me say that JICPA's initiatives are truly progressing. I believe that this is mainly because the research initiatives and results are spreading to those around us.

**Mizuguchi** At each audit firm, there are some who have long been passionate about sustainability. The people at the center of each sustainability division have gathered at JICPA and taken part in discussions that go beyond the confines of a firm. I believe that this is what has led us to today.

**Tsuruno** These are the people who have created the history of environmental accounting for Japan and JICPA. In 2010, I was at a turning point in my life. My husband was planning to study abroad in England, and I thought that it was a good opportunity and decided to study with him. My major was in accounting, and when we were given the topic of environmental accounting and I was reading literature on the subject, I

encountered the idea of changing social awareness through accounting. It said because investors evaluate companies only with financial information, companies are focused on generating profit. I think that corporate behavior will change when companies disclose environmental and social content together with financial information and investors evaluate companies using the all the information. From the time that I first read this idea, I have always wanted to create a more sustainable society through the field of accounting.

**Mizuguchi** With changes in social structures, trends in environmental issues also change. Because accounting is part of the foundation of social structures, it has an extremely large impact.

**Goto** It seems that everyone here first became interested in ESG from an environmental perspective, but my involvement in work relating to the "G" in "ESG," governance, was how I first became involved. The UN first issued its Principles for Responsible Investment (PRI) in 2006. As an awareness of the elements of ESG in investment was being encouraged and corporate governance was being enhanced in Japan, I began to consider how governance assessments could be incorporated into the process of



**We need to understand that changes in investment encourage changes in information disclosure.**

Mizuguchi



**I would like to create a more sustainable society from the field of accounting.**

Tsuruno

rating companies. Since 2018, when the PRI began to encourage environmental and social factors to be considered in evaluating companies, my work shifted to overall ESG.

**Fujimoto** Is it difficult to quantify governance for inclusion in corporate evaluations?

**Goto** Yes, some parts of governance are difficult to quantify. Ratings entail a comprehensive evaluation of qualitative factors such as the sales platform, production system, and business portfolio, as well as quantitative factors from financial analysis. Governance is evaluated as a qualitative factor in business risk. If governance is functioning properly, the idea is that uncertainty surrounding cash flow can be limited.

**Mizuguchi** Of course, if governance is functioning properly, cash flow will stabilize over the long term. However, the issue is how to tell whether governance is indeed functioning. Can this be determined only from information disclosure?

**Goto** You are exactly right. Our strength as a rating company is our ability to visit companies and speak with top management to evaluate their current governance system and confirm its actual operating conditions. We may ask whether active discussion has taken place with the outside directors. We look

not only from the outside, but also starting from an understanding of the company's culture, we confirm whether an organizational climate is in place for governance to function and include this in our evaluation. While governance has a real-time impact on management that can be seen immediately in some parts, the timeline for environmental and social factors is extremely long. It is difficult to predict what kind of impact these will have over the long term, which can make evaluations difficult. Because financial disclosure information is limited at this time, these are mainly included qualitatively. For example, in the automotive industry, because companies are responding promptly to environmental issues and contributing to the stability of their future cash flow, their actions are included in their rating as positive evaluations of the competitiveness of their products and their technical development capabilities.

**Fujimoto** I have also been interested in corporate management since I was a university student. During my time at university, I studied our current topic, how to quantify qualitative information for use in management analysis. We make assumptions while performing our evaluations, but there are indeed difficulties in this process.

**Goto** That is correct. Rather than scoring, in forecasting future financial statements, the sense of stability in cash flow is incorporated in the evaluation. However, because we always want to directly forecast the amount of investment or amount of impact where possible, many analysts are calling for improvement in quantitative disclosure. Because more and more investors are focusing on a proactive attitude toward ESG, the disclosure content that they demand may also change.

**What CPAs can Contribute to Sustainability**

**Mizuguchi** I am sure that CPAs all understand the purpose of information disclosure, but in

general, there are those who wonder why disclosure is required to this extent. In terms of our social structure, if we do not have markets, then we do not have capitalism. To establish markets, information that forms the basis of our decisions and allows us to transact with a sense of comfort is required. As we move forward, not only accounting information on sales and profit, but also information on sustainability will become more and more important in this process.

**Tsuruno** The reason of sustainability information disclosure is that investors want to know how it affects both corporate value and financial information. This is the same approach taken by the Task Force on Climate Related Financial Disclosures (TCFD) that encourages the disclosure of climate-related information that affects finances. Because knowledge of accounting is a premise for understanding the relationship between sustainability information and financial information, this is an area in which CPAs can exercise their strengths.

**Goto** Because the approach of sustainability to address issues resembles the approach of auditing, CPAs are well suited to this field. Sustainability issues take the same approach as the risk-based approach taken in performing an audit, in which the business environment and business model must be understood and the risk management framework confirmed, is the same approach taken to sustainability issues. In this way, CPAs already have the necessary qualities to handle sustainability issues. Sustainability is a field that requires extreme expertise. Naturally, at first it will be the people at the companies who will have the most knowledge and the CPAs who will be in a learning position. However, after they gain experience with tens or hundreds of companies, ultimately the CPAs will be able to form their own opinions and provide advice.

**Fujimoto** The question is whether CPAs can really provide sustainability assurances. However, the same assurances have been provided in accounting audits through the

contents of disclosure standards, the structures to develop standards, and the accumulation of processes to impart trustworthiness.

**Mizuguchi** CPAs who talk to corporate management understand their business. These CPAs must acquire the same broad knowledge of sustainability in the future. Because the world is growing more complicated, sustainability issues facing management are also diverse, and CPAs must have a deep understanding of a range of issues including decarbonization and human rights.

**Tsuruno** Accounting knowledge can be utilized in sustainability, but to tackle sustainability issues, it is extremely important that not only the CPA industry, but also a wide range of industries work together. Given the diverse range of social issues, it is difficult to understand them all. It is extremely important therefore for people from different industries to join forces and to communicate with one another.

**What will be Demanded of CPAs in the Future**

**Mizuguchi** Opinions are divided on many topics in the world, and there



**My hope is for CPAs to become active in the field of sustainability without neglecting the audits that act as the foundation.**

Goto

are many things for which we do not know who is right. That is precisely why it is necessary to gather diverse opinions. When talking to corporate management, it is extremely important to be familiar with outside opinions.

**Tsuruno** At my present company, there are people from many specialized fields, and we hold regular workshops. In talking to people from diverse fields, we are able to deepen our understanding of many topics that we were unable to understand only reading articles. This is why it is important to share opinions with as many different people as possible.

**Goto** Sustainability issues cannot all be resolved by one person. Because of this, issues that require a Japan-wide solution must be tackled by taking on different roles. I would like to contribute to the resolution of sustainability issues throughout society in fields adjacent to financial reporting. My hope is for CPAs to become active in the field of sustainability without neglecting the audits that act as the foundation.

**Mizuguchi** The role of CPAs is expanding even further. On the other hand, we now have generative AI, and it is forecasted that routine work may be gradually replaced by machines. Auditing work is already being digitalized. When thinking of what new value CPAs can provide, or what value cannot be replaced by machines, one answer is the value that can be produced in the new field of sustainability. The field of sustainable finance is also starting to grow. The investors who read information disclosures are also changing. Particularly with European investors, we are starting to see a big shift in their values. CPAs must also understand that these changes in investors are what encourage changes in information disclosure.

**Tsuruno** Sustainability is not only a trend among big businesses, but also is an area that small and medium-sized businesses must address. As such, the CPAs who are involved with small and medium-sized businesses in various facets also need to be able to support decarbonization initiatives. Big businesses will also start to



**Sustainability is one form of new value that can be provided by CPAs.**

Fujimoto

demand the disclosure of greenhouse gas emissions data from the vendors in their supply chains. Given Japan's goal of achieving carbon neutrality by 2050, the response of small and medium-sized businesses is also essential. I hope that CPAs will utilize their fields of expertise to contribute to a sustainable society throughout the entire industry.

**Fujimoto** I also hope sustainability information is circulated to the CPAs at small and medium-sized audit firms responsible for auditing small and medium-sized companies. I would ask for the understanding and cooperation of the members of JICPA's regional chapters in coordinating with regional financial institutions and local government offices to expand sustainability activities. No matter the industry or scale, all companies are connected to the value chain, and everyone involved is in the same situation. I would like to create an environment of mutual support with everyone.

Today's valuable discussion with everyone involved with sustainability was extremely informative. Thank you very much.



“Four Pillars” Initiatives to Fulfill Our Role in Society

# PRIORITY

## Shaping Future Society by Implementing Our “Four Pillars”

JICPA’s policy is to provide value to society (outcome) by implementing our “four pillars” aimed at realization of our vision. Here, we will introduce the main initiatives under our “four pillars.”

### Contributing to the Creation of Systems that Align with Changing Times


**OUTCOME** Improving audit quality  
Strengthening the auditing foundation

Certifications for CPAs are established by the Certified Public Accountants Act and are amended to align with socioeconomic conditions. The last set of amendments was in 2007, and since then, corporate activities have further globalized, technological innovation in such areas as ICT and AI has advanced, and socioeconomic conditions have changed dramatically. In terms of auditing, the exclusive purview of CPAs, with corporate operations growing more complex, new standards have been introduced with amendments to accounting standards, and decisions on accounting estimates are growing more complex. Auditing systems are also being adopted in systems for certain

non-profit entities and need for assurance services other than financial statement audits is increasing. In this way, given the expanding role of those responsible for auditing listed companies, as well as changes in the socioeconomic conditions surrounding auditing such as increasing diversity and varying work styles, the amended Certified Public Accountants Act was promulgated in May 2022. JICPA participated in the discussion on the amendments to the Certified Public Accountants Act, and in addition to forming a cross-functional project team, we reviewed our system and established operational management rules ahead of the promulgation of the amendments in April 2023.

### Main Changes in the Amended Certified Public Accountants Act and JICPA’s Responses

<p><b>1 Creation and Operation of a Registration System for Auditors that Engage in Audits of Listed Companies and Similar Companies</b></p> <p>To provide higher discipline for audit firms responsible for auditing listed companies, JICPA’s registration system which was operated as a self-regulatory framework has been changed to a statutory framework. JICPA has instituted rules and systems in accordance with these changes.</p>	<p><b>3 Changes to the Registration System for CPAs</b></p> <p>The number of CPAs working at companies and government institutions as well as the number of CPAs being appointed as outside directors is increasing. Against this backdrop, registering “place of work” became a required item to report to the system. In addition, new regulations regarding the deregistration of CPAs were established. JICPA has instituted rules and systems in accordance with these changes.</p>
<p><b>2 Strengthening the Foundation of Small and Medium-sized Audit Firms</b></p> <p>There are more cases of small and medium-sized audit firms taking on the auditing of listed companies and IPO of companies. JICPA expressed an interest in supporting small and medium-sized audit firms in the discussion over the legal amendments and is continuously implementing policies to create an environment to offer that support.</p>	<p><b>4 Including Accounting Education Activities in the JICPA Constitution</b></p> <p>In the current set of amendments, “rules related to accounting-related education and other activities to spread and create knowledge of accounting” was newly added to the JICPA Constitution. JICPA has instituted rules and systems in accordance with these changes.</p>

 **The Amended Certified Public Accountants Act (In Japanese)**  
[https://jicpa.or.jp/specialized\\_field/cpa-act/](https://jicpa.or.jp/specialized_field/cpa-act/)

### Maintaining a High Level of Social Trust in the Work of CPAs

**OUTCOME** Improving audit quality  
Strengthening the auditing foundation


As the organization responsible for constantly maintaining high-level credentials for CPAs, JICPA provides guidance, communication, and oversight to CPAs to ensure society’s trust in their work. As forms of self-regulation to maintain and improve the level of quality of CPA work, there are three processes in place. The first is the individual case review of the status of implementation of individual audits and the validity of the audit opinion, as well as a review of the professional ethics of the individual CPA. The second process is a quality control review that provides guidance and oversight for the quality control system of the audit firm. The third is the registration review of audit firms which audit listed companies in which decisions are made based on a confirmation of the suitability of the audit firm. Since April 2023, we have been monitoring the implementation of these processes through the system shown to the right.



### 1. Individual Case Review


#### Audit Practice Review and Investigatory Committee

This process investigates and reviews the status of implementation of individual audits and the validity of the audit opinion, as well as items related to professional ethics, and where necessary, makes recommendations and gives instructions, and proposes disciplinary actions to the Chairman and President. The Audit Practice Review and Investigatory Committee is composed of up to 17 members, two of which are external experts.

 **Investigation System (In Japanese)**  
<https://jicpa.or.jp/about/activity/self-regulatory/inspection/>

#### Disciplinary Committee

For items for which the Disciplinary Committee receives a request for review from the Chairman and President based on a disciplinary proposal from the Audit Practice Review and Investigatory Committee, the Disciplinary Committee will perform a review and decide the need for disciplinary sanctions and their details. The Disciplinary Committee is composed of seven members, two of which are external experts.


 **Disciplinary System (In Japanese)**  
<https://jicpa.or.jp/about/activity/self-regulatory/officialdiscipline/>

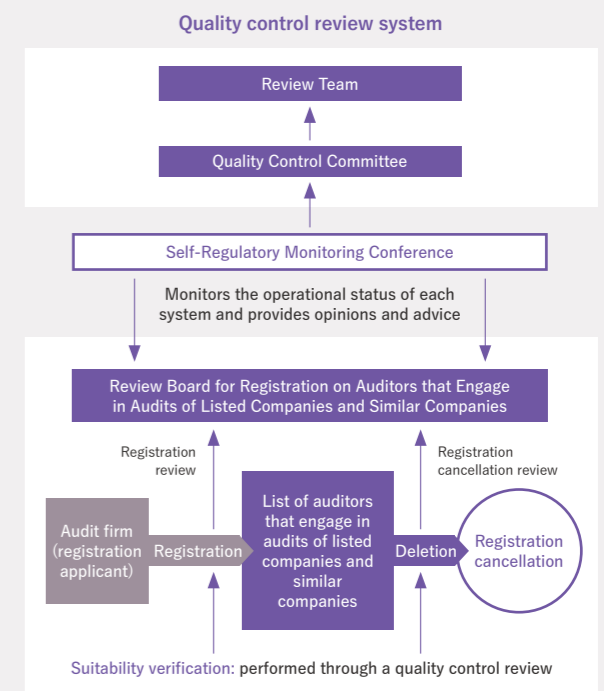
### 2. Quality Control of Audit Firms

To ensure social trust in audits, in 1999, JICPA introduced the quality control review system and began implementing quality control reviews of audit firms (both audit firms and CPAs). The quality control review involves accessing the design and operation status of the quality control systems of audit firms, notifying the audit firms of those results, issuing recommendations for improvement as needed, imposing appropriate measures, deciding on appropriate measures, and receiving reports on the status of improvement.

### 3. Registration of Audit Firms which Audit Listed Companies and Similar Companies

To provide guidance and oversight to audit firms which audit listed companies, in 2007, JICPA established a self-regulatory registration system. With the current legal amendments, this registration system was newly positioned as a system within the Certified Public Accountants Act (Registration System for Auditors that Engage in Audits of Listed Companies and Similar Companies). JICPA operates this system and has established a “Review Board for Registration on Auditors that Engage in Audits of Listed Companies and Similar Companies” as a dedicated body to review registrations and decide on the cancellation of registrations from the list of auditors that audit listed and similar companies. To verify whether there are reasons to deny registration in the registration application for the list of auditors that engage in audits of listed companies and similar companies, a “suitability verification” is performed through a quality control review.

 **Quality control review system (In Japanese)**  
<https://jicpa.or.jp/about/activity/self-regulatory/quality/>



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

## Improving the Quality of Audits by Audit Firms



Improving audit quality  
Strengthening the auditing foundation

Quality control of audits performed by audit firms requires the proactive involvement of the chief executive in building a quality control system and of an audit implementation system that matches the audit risks. Responding to a wide range of situations and business operations is becoming an issue for audit firms. Because of this, overseas we are seeing the introduction of quality control systems based on a risk-based approach handled mainly by audit firms. Against this backdrop, Japan has also revised its quality control

standards based on conditions surrounding auditing while maintaining compatibility with international standards related to quality control.

JICPA began drafting guidelines for these operations in a dedicated drafting committee, and in fiscal 2022, we published the amended version of Statement on Quality Management Standards No.1 “Quality Management for Audit Firms.”

### Adopting an International Quality Management Approach

#### Background

- Need for greater rigor in audit firm quality control systems
- Need for standards that work for all audit firms, regardless of their scale or other factors

#### Recognition

- Monitoring of the application of ISQC 1, etc.
- Ongoing outreach activities
- Inspection reports from regulatory authorities

#### Adopting the Quality Management Approach

- Adopt the new Quality Management Approach to emphasize proactive quality management under the leadership of audit firms and to ensure flexibility in the application of standards.
- Demonstrate a commitment to quality through a culture that recognizes and emphasizes the role of audit firms in serving the public interest by consistently performing high quality work.
- Develop and operate quality management systems adapted to the circumstances and work performed by individual audit firms.

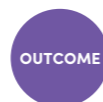
Revision of previous standards in line with the adoption of the new quality management approach

➔ Newly established International Standards on Quality Management (ISQMs) and amended ISA



Trends in amended quality control standards (In Japanese)  
[https://jicpa.or.jp/specialized\\_field/quality\\_management/](https://jicpa.or.jp/specialized_field/quality_management/)

## Creating the Strong Ethical Standards Required of CPAs



Improving audit quality  
Strengthening the auditing foundation

The mission of CPAs, as stipulated in Article 1 of the Certified Public Accountants Act, is to serve the public interest by ensuring the reliability of financial information. As such, strong ethical standards are a core part of the value of CPAs. The JICPA's Code of Ethics is a set of ethical rules that CPAs must observe in order to contribute to the public interest while maintaining a strong awareness of their mission and self-discipline. The Code of Ethics applies to all CPAs, not only when engaged in audits, but also in consulting, serving as an outside directors or Professional Accountants in Business (PAIB), and all other work.

The International Ethics Standards Board for Accountants (IESBA) has established an International Code of Ethics for Professional Accountants. JICPA's Code of Ethics is based on this code.

JICPA also pays close attention to the IESBA's Code of Ethics deliberations and proactively contributes opinions. Reports on the discussions at IESBA meetings are published in *the Accounting & Audit Journal*.

JICPA released its Amended Code of Ethics in July 2022. This amendment overhauled the entire Code, including its organization and structure. It also included content changes with significant practical impact, such as changing the rules

for compensation dependence and expanding prohibitions of simultaneous provision of non-assurance services, as well as revising duty of confidentiality rules.

In parallel with the Amended Code of Ethics, we created the “Declaration of Ethics” as a statement of our dedication to practicing professional ethics. In the Declaration of Ethics, based on the amendments to the Code of Ethics, CPAs pledge to comply with the Code of Ethics as a code of conduct for self-discipline as specialized professionals, to act in accordance with the intent and spirit of its basic principles, and to dedicate themselves to practicing professional ethics. Articles of commentary and roundtables on these contents are provided on the JICPA website and in *the Accounting & Audit Journal*.



Professional Ethics (In Japanese)  
<https://jicpa.or.jp/about/activity/self-regulatory/criterion/>



Declaration of Ethics (In Japanese)  
[https://jicpa.or.jp/specialized\\_field/20220729fdf.html](https://jicpa.or.jp/specialized_field/20220729fdf.html)

### CLOSE UP

#### Enhancing Frontline Auditing Capabilities

To provide recommendations to enhance frontline auditing capabilities through fact-finding surveys of companies and auditors, JICPA has contracted research led by the Graduate School of Social Design. A report compiling this research was completed and released in June 2022.

The report analyzed qualitatively and quantitatively the gap in the awareness surrounding auditing work between CPAs and corporate personnel. We believe that the

findings aided in developing mutual understanding between CPAs and corporate personnel, and in recognizing the capabilities and actions expected of CPAs by both the capital markets and companies being audited.



Enhancing frontline auditing capabilities (In Japanese)  
[https://jicpa.or.jp/specialized\\_field/20220630ffi.html](https://jicpa.or.jp/specialized_field/20220630ffi.html)

### CLOSE UP

#### Responding to the Audit Firm Governance Code

In accordance with the amended Certified Public Accountants Act and related cabinet orders and cabinet office ordinances established and promulgated in 2022, audit firms which audit listed companies and similar companies were mandated to create systems to carry out their operations in compliance with the Audit Firm Governance Code. The Audit Firm Governance Code is a set of principles and directives that are to be referenced as guidelines in organizational governance. In applying the governance code, a “comply or explain” approach was adopted (implement the principles or explain why if not implementing).

Because the original Audit Firm Governance Code had been created with major audit firms in mind, many small and medium-sized audit firms that had not implemented the code are now required to do so.

In March 2023, the FSA released the “Revisions to the Principles for Effective Management of Audit Firms

(The Audit Firm Governance Code).” When the revised version was released, JICPA compiled our opinion demonstrating our agreement with the revisions and submitted it to the FSA. Based on the intent of these revisions, audit firms that are newly subject to the Audit Firm Governance Code are called on to review and revise their organizational structure to ensure and continuously improve the quality of audits to respond to the expectations of society. In addition to supporting the initiatives by individual audit firms, as a self-regulatory body, JICPA will work to operate the Registration System for Auditors that Engage in Audits of Listed Companies and Similar Companies appropriately.



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

### CLOSE UP

#### DX Forum for Small and Medium-sized Audit Firms

JICPA has proactively supported the digitalization of small and medium-sized audit firms by improving training for the those working hands-on with IT at small and medium-sized audit firms such as IT partners, IT experts, and other IT representatives, by hosting IT communities, by providing networking opportunities for IT representatives, and by encouraging the sharing of information on business applications and auditing tools. Furthermore, the auditors and CPAs that will be registered in the list of auditors that engage in audits of listed companies and similar companies will be required to disclose the status of their business management and the status of the application of the Audit Firm Governance Code. In this process, they will also be required to explain the status of their implementation of an IT platform.

In February 2023, JICPA held a DX Forum for small and medium-sized audit firms which featured talks, exhibitions, and networking events on the topic of DX.

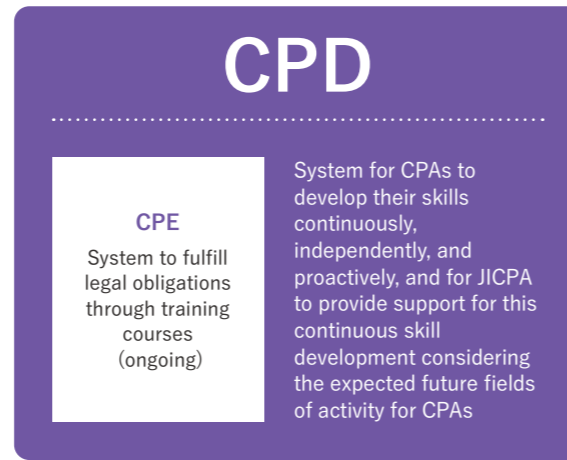


## Moving from Training to Skill Development to Strengthening the Adaptability of CPAs

**OUTCOME** Improving audit quality  
Strengthening the auditing foundation

To maintain and improve their credentials as professional experts and to respond to changes in the auditing environment, CPAs are required to engage in Continuing Professional Education (CPE). However, considering the expected future fields of activity for CPAs in addition to the existing training courses, for CPAs to develop their skills continuously, independently, and proactively, and for JICPA to provide support for this continuous skill development, in fiscal 2023 the program was changed from the CPE system to the Continuing Professional Development (CPD) system, and work is being done to improve the system.

The CPE system began as a voluntary program in 1998 in which JICPA supported CPAs' self-improvement. In 2002, as part of JICPA's self-regulation, the CPE system became mandatory for CPAs, and in 2004, through Article 28 of the Certified Public Accountants Act, the acquisition of training credits became a statutory requirement. JICPA sees the CPD system that was recently changed to include the CPE system as a medium- to long-term issue and is evaluating the specific details to create a CPD system.



CPD System (In Japanese)  
<https://jicpa.or.jp/cpainfo/introduction/organization/cpe/>

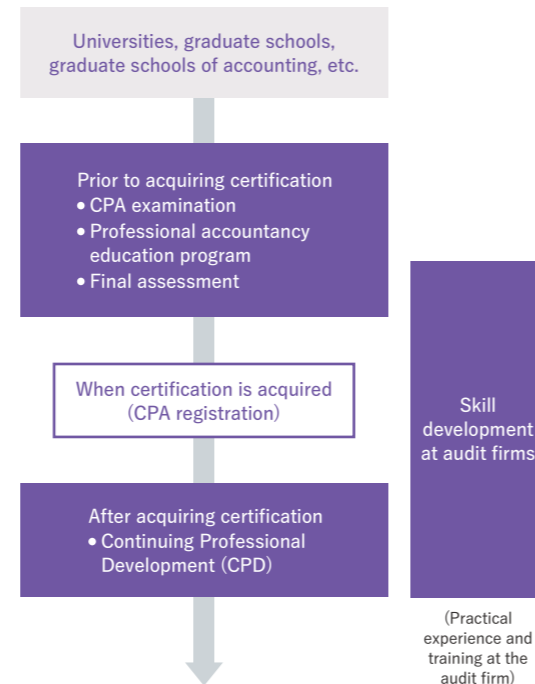
## Supporting the Skill Development Required of CPAs

**OUTCOME** Improving audit quality  
Strengthening the auditing foundation

Amid the rapidly changing business environment surrounding CPAs, for them to continue being trusted by society, they must develop skills to improve their credentials continuously in response to these changes.

In terms of credentials and skill development, thus far the professional accountancy education program and Continuing Professional Education have been considered independently of each other, and there has been no designated committee structure that continuously evaluated integrated, comprehensive skill development as credentials for CPAs.

Given this reality, JICPA's Task Force for Studying the Qualities and Abilities Necessary in CPAs published the “Report on Qualities and Abilities Necessary in a CPA.” In the report, the Task Force identified five areas of qualities and abilities necessary in CPAs going forward: Rapid adaptability and embrace of continued learning; expert knowledge; values, ethics, and attitudes; skills; and general education. Based on these five areas, JICPA established a new special committee to evaluate the integrated, comprehensive development of credentials and skills through an all-inclusive, sequential process including pre-examination education, the CPA examination, practical experience, the professional accountancy education program, final assessment, and Continuing Professional Development.



## Developing more Personnel who are Active Internationally

**OUTCOME** Improving audit quality  
Improving the understanding and appeal of auditing

JICPA provides opinions on discussions focused on accounting and auditing that take place at various international organizations. For example, under the International Foundation for Ethics and Audit (IFEA), the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) set standards. These boards support the creation of high-quality international standards for international economic development, and Japanese representatives participate on the boards and committees.

Furthermore, at these international organizations, we are working to develop personnel that can successfully represent Japan in the future, and as part of this development, we support study abroad by CPAs. We also continuously share the appeal of working globally by posting interview articles and videos of CPAs active in international fields on our website and by holding seminars.

### Posts Held by Japanese Citizens at Major International Organizations (As of March 31, 2023)

International Federation of Accountants (IFAC)	8
Public Interest Oversight Board (PIOB)	2
International Foundation for Ethics and Audit (IFEA)	4
Global Accounting Alliance (GAA)	7
ASEAN Federation of Accountants (AFA)	3
The Confederation of Asian and Pacific Accountants (CAPA)	2
IFRS Foundation (IFRSF)	18
International Valuation Standards Council (IVSC)	3
World Business Council for Sustainable Development (WBCSD)	1



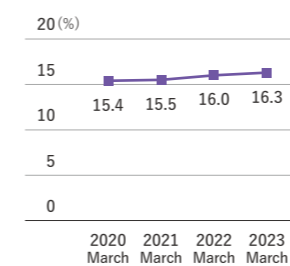
Vision for the future. (In Japanese)  
[https://jicpa.or.jp/vision\\_future/](https://jicpa.or.jp/vision_future/)

## Supporting the Success of Female CPAs

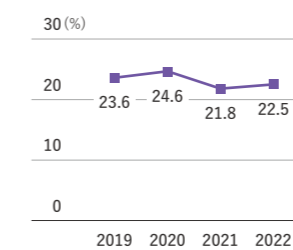
**OUTCOME** Improving audit quality  
Improving the understanding and appeal of auditing

Building a diverse society is also a goal for the CPA industry, and JICPA aims to realize a society in which each CPA can be equally successful in a broad range of fields. Toward this goal, to further encourage active roles for female CPAs, JICPA has established KPI for the ratio of female members, associate members, and those passing the CPA examination and is evaluating and implementing various policies to achieve these targets. To communicate the appeal of working as a CPA, JICPA has created videos and career maps and holds events for women who aim to become CPAs.

Trend in the Ratio of Female Members and Associate Members



Trend in the Ratio of Women Passing the CPA Examination



Professional participation of women (In Japanese)  
[https://jicpa.or.jp/cpainfo/introduction/cpa\\_women/](https://jicpa.or.jp/cpainfo/introduction/cpa_women/)

### GOAL

A society in which each CPA can be equally successful in a broad range of fields

### KPI

- Ratio of female members and associate members by fiscal 2048 **30%**
- Ratio of women passing the CPA examination by fiscal 2030 **30%**

### Monitoring indicators

- Total number of information session about the CPA system for junior high schools, high schools, and universities/ events held for female students
- Total number of professional education sessions held for female CPAs/ networking events held
- Setting ratios for female officer candidates for JICPA and its regional chapters leadership position based on their individual results

### ACTION

- Policies to encourage younger women to pursue careers as CPAs
- Policies to avoid women who are currently registered as CPAs from cancelling their registrations
- Policies to allow women who are currently registered as CPAs to be even more successful

## Contributing to a Sustainable Society

**OUTCOME** Responding to growing needs in the field of information disclosure

The importance of sustainability is rapidly increasing on a global basis. There are demands for sustainability information disclosure in both corporate management and in investment decisions, and CPAs are being called on to increase their knowledge and capabilities surrounding sustainability. As such, JICPA evaluated the state of sustainability education for CPAs. In June 2022, the Sustainability Education Study Project Team released its report entitled “Discussion Paper—Integrating Sustainability into Professional Accountants’ Competency.”

Thereafter, JICPA formed the Sustainability Education Special Committee. The Special Committee evaluated policies to steadily advance initiatives aimed at skill development related to sustainability among CPAs, and in April 2023, released its “Sustainability Capacity-Building Policy and Actions.” JICPA will now transition to implementing the basic policy and actions outlined in the report, rapidly and effectively developing skills related to sustainability among CPAs, and promoting activities to ensure the usefulness and reliability of sustainability information.

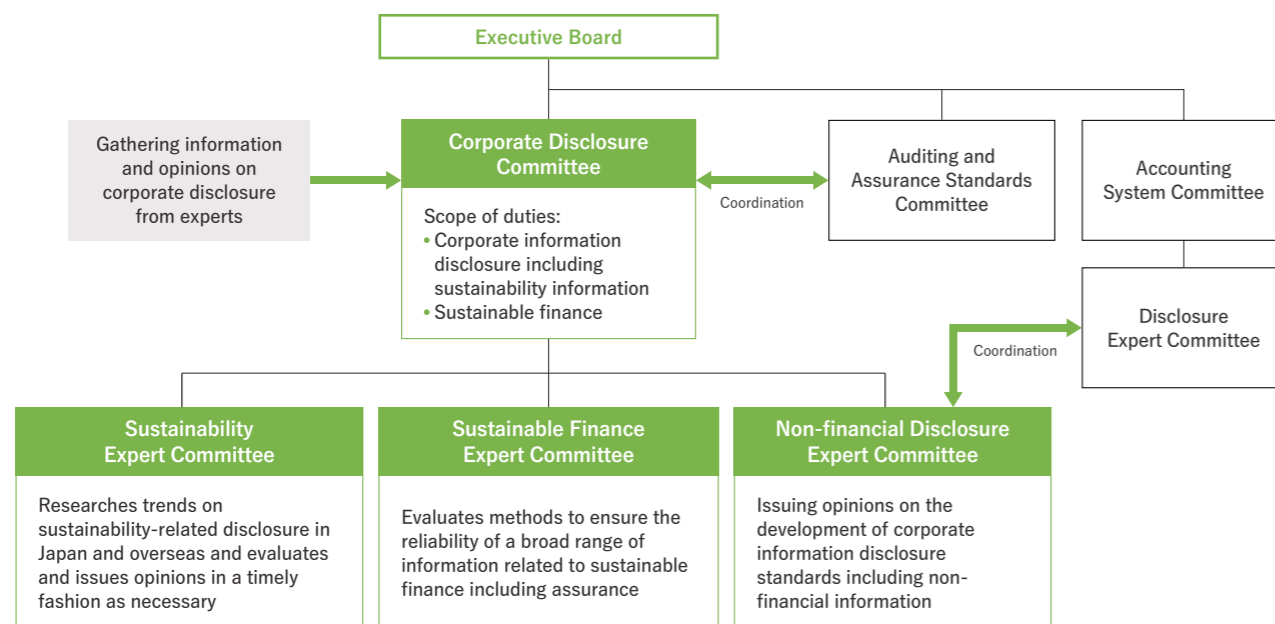
In a statement released in September 2022 entitled “IOSCO encourages standard-setters’ work on assurance of sustainability related corporate reporting,” the International Organization of Securities Commissions (IOSCO) expressed its support for the development of sustainability assurance standards by the International Auditing and Assurance

Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). On the same day, the IAASB and IESBA issued a joint statement welcoming IOSCO’s statement. JICPA strongly supports the development of sustainability assurance standards by the IAASB and the IESBA. In addition to participating directly in the development process for these standards, JICPA plans to provide our opinions and to be actively involved based on our track record of initiatives undertaken toward the application of these standards.

Furthermore, JICPA is implementing concrete policies aimed at improving the usefulness and reliability of corporate information disclosure. Additionally, to respond to trends related to sustainability disclosure in Japan and overseas, in July 2021, we established the “Corporate Disclosure Committee” as a permanent committee. JICPA has established three subcommittees of the Corporate Disclosure Committee to pursue evaluation: the Sustainability Expert Committee, the Sustainable Finance Expert Committee, and the Non-financial Disclosure Expert Committee.

JICPA is also focused on providing information on trends in sustainability disclosure, which has a large impact on the work of CPAs. As part of these efforts, in 2021 we began regularly issuing the “Global Sustainability Insights” on our website as articles explaining international developments related to sustainability.

### JICPA’s System to Promote the Disclosure of Sustainability Information



Corporate Disclosure (In Japanese)  
[https://jicpa.or.jp/specialized\\_field/corporate\\_reporting/](https://jicpa.or.jp/specialized_field/corporate_reporting/)

## Maintaining and Improving the Credentials of CPAs Active at Companies

**OUTCOME** Strengthening corporate governance

The number of CPAs who belong to and are active at companies is increasing year by year, as are the situations requiring the specialized knowledge, experience, and decision-making abilities of CPAs, such as at companies and government offices. Moreover, the number of listed companies with CPAs appointed as outside officers now makes up around half of all companies. We expect the number of CPAs working at companies to continue to increase, along with expectations being placed on CPAs. For CPAs to fulfill our social responsibilities, JICPA is working to enhance our education and training to improve in turn the skills and credentials of CPAs.

Furthermore, by promoting the organization of CPAs who belong to and work at companies (Professional Accountants in Business, PAIB) and CPAs appointed as outside directors and creating opportunities to exchange information, we are expanding the roles in which CPAs are active and encouraging the mobility of human resources. Additionally, in December 2022, we revised our “Handbook for CPAs Who Are Outside Corporate Auditors.” The handbook is a tool for when CPAs are newly appointed as outside corporate auditors to comprehensively grasp items of consideration as well as for CPAs already appointed as outside corporate auditors to refresh their understanding of necessary items.

Main initiatives of the Professional Accountants in Business (PAIB) Council

- Planning and running training sessions related to Professional Accountants in Business (PAIB)
- Providing support for the operations and management of regional and industry-specific networks
- Providing information through websites and emails as well as PR activities
- Surveys and research related to accounting, auditing, ethics, governance, internal control, as well as various systems from the standpoint of supporting operations related to Professional Accountants in Business (PAIB)

Professional Accountants in Business (PAIB) Council (In Japanese)  
<https://jicpa.or.jp/business/paib/>

Main initiatives of the Council for Accountants Serving as Outside Directors and Corporate Auditors

- Training sessions implemented for accountants serving as outside directors
- Preparation of the handbook for outside corporate auditors, etc.
- Providing information through emails, dialogue, and roundtables as well as other PR activities
- Holding events such as special seminars

Council for Accountants Serving as Outside Directors and Corporate Auditors (In Japanese)  
[https://jicpa.or.jp/specialized\\_field/exclusive/](https://jicpa.or.jp/specialized_field/exclusive/)

## Spreading Awareness of Key Audit Matters (KAM)

**OUTCOME** Strengthening corporate governance

In formulating Key Audit Matters (KAM), CPAs hold numerous discussions on risk sectors with auditors. Providing the KAM in audit reports deepens dialogue with investors and by extension leads to stronger corporate governance.

The fiscal year ended March 31, 2022 welcomed two years since KAM were mandated in audits of listed companies. To prepare for this requirement, JICPA collected, analyzed, and summarized cases of KAM in the audit report from April 2021 through the fiscal year ended March 31, 2022. We performed an overall analysis of trends through quantitative analysis (Number of KAM, number of words) and a qualitative analysis covering specific topics (Early adoption, revenue recognition, Information Technology, fraud, going concern, climate change, and percentage-of-completion method) as well as of examples of ingenuity in listing the KAM in audit reports. JICPA then published these research findings as reference materials on the practical operations involved with KAM.

As we welcome final audits of the fiscal year ended March 31, 2023, we are compiling points of consideration from the standpoints of avoiding the use of boilerplates and improving the usefulness of KAM for publication as a document to share knowledge with CPAs.

Key audit matters (KAM) (In Japanese)  
[https://jicpa.or.jp/specialized\\_field/kam/](https://jicpa.or.jp/specialized_field/kam/)

### CLOSE UP JICPA Online Forum Held

In March 2023, JICPA held an online forum entitled “What does sustainability information disclosure mean in this new era?— Understanding policy discussions and aiming for effective implementation.” At this event, we invited the FSA to explain the revised cabinet office ordinance on corporate information disclosure and presented good examples of sustainability disclosure. Furthermore, toward realizing effective disclosure that leads to continuous value creation, we invited expert investors and members of the corporate world to discuss the points in the ordinance on revised disclosure and advanced initiatives in sustainability disclosure.

JICPA Online Forum (In Japanese)  
<https://jicpa.or.jp/news/information/2023/20230414dea.html>

## Supporting Companies' Initial Public Offerings (IPOs)

OUTCOME  
Resolving social issues in various sectors

While coordinating with relevant parties including audit firms, securities companies, venture capital firms, and stock exchanges, JICPA continuously works to build an environment to stably provide high-quality auditing to companies aiming for IPOs.

### 1. Understanding the Reality of firms providing IPO Auditing

Once every quarter, JICPA conducts a questionnaire survey on the status of firms providing IPO auditing to regularly gauge the current reality.

### 2. Preparing a List of Small and Medium-sized Audit Firms who are Newly Responsible for IPO Auditing

As part of building an environment for companies aiming for IPOs to be appropriately audited based on their scale and growth stage, JICPA curates and manages a list of small and medium-sized audit firms that are proactive toward IPO auditing.

### 3. Curating the List of Sole Practitioners Offering IPO Support and Networking

To aid in companies aiming for IPOs receiving the appropriate support based on their scale and growth stage, JICPA curates and manages a List of Sole Practitioners Offering IPO Support and networking.

Furthermore, JICPA also holds discussions with small groups and other informal events as venues for networking for CPAs who work as sole practitioners.

### 4. Holding IPO-related Training Sessions

JICPA holds training sessions related to the practical operations of IPO auditing and skill sources for CPAs related to IPO support operations.



IPO support provided by CPAs (In Japanese)  
<https://jicpa.or.jp/business/ipokansa/>

## Issuing Opinions on Tax Reform to Create a Better Society

OUTCOME  
Resolving social issues in various sectors

Each year, JICPA identifies issues amid recent social trends, compiles opinions on the nature of the tax system and the direction of tax reforms, and makes recommendations. In July 2022, JICPA released our Fiscal 2023 Tax Reform Opinion Paper.

In the first section of the paper, “Recommendations Regarding the Tax System,” we examined the nature of the tax system as a policy method to realize sustainable economic growth for the Japanese economy assuming social

conditions including global inflation.

The second section of the paper, “Fiscal 2023 Opinions on Individual Tax System Reforms,” JICPA voiced key opinions on reducing the administrative burden for small and medium-sized companies ahead of the start of the invoice system in October 2023 and on tax deduction measures to contribute to promoting DX investment to improve the level of record keeping, proposing measures aimed at realizing even greater hands-on skills.

### Section 1 Recommendations Regarding the Tax System

- |   |  |   |
|---|--|---|
| 1 | <b>Strengthening the Competitiveness of Japanese Companies</b>                                 | <ul style="list-style-type: none"> <li>Building a viable tax system for the digital economy</li> <li>Introducing a new tax system for educational funding to produce more entrepreneurs and building a tax system to encourage the growth of startups</li> </ul>  |
| 2 | <b>Responding to Changes in Socioeconomic Structures, Demographic Graying and Other Issues</b> | <ul style="list-style-type: none"> <li>Make it easy for anyone to file a final tax return in line with the diversification of work styles</li> <li>Reconsider existing tax systems to accommodate the diversification of work styles</li> <li>Improve tax agency efficiency using DX while protecting the rights of taxpayers</li> <li>Consider introducing household-level taxation as a way of addressing the low birth rate and promoting women's workforce participation</li> </ul> |
| 3 | <b>Correcting Economic Disparities</b>   | <ul style="list-style-type: none"> <li>Fundamentally revise inheritance and gift tax systems to promote the transfer of assets from seniors to younger generations and correct economic disparities</li> <li>Revise tax system to avoid exacerbating asset disparities between households</li> </ul>  |



Fiscal 2023 Tax Reform Opinion Paper (In Japanese)  
[https://jicpa.or.jp/specialized\\_field/20220701fj.html](https://jicpa.or.jp/specialized_field/20220701fj.html)

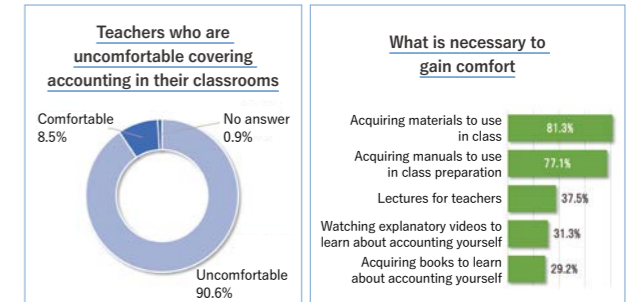
## Raising Awareness of the Need for Accounting Literacy

OUTCOME  
Resolving social issues in various sectors

JICPA has taken a serious approach to promoting accounting education since 2016. “Accounting literacy” is something that is important not only to people involved in accounting or financing work or experts, but also as a necessary form of literacy for anyone throughout their lives.

In recent years, the use of accounting information as part of junior high and high school curricula has become a topic of discussion. However, teachers do not have enough materials for such curricula, and in the results of a questionnaire given by JICPA to junior high school teachers, more than 90% responded that they would be uncomfortable covering accounting in their classrooms. Given this, with the recognition that expert support is required, JICPA has focused on providing that support to teachers. As one of these initiatives in fiscal 2022, we invited experts involved in accounting education and junior high and high school teachers to speak at our “JICPA Accounting Education Symposium.”

Furthermore, as accounting literacy contents, JICPA is producing an anime series entitled “One-Word Shin.” Through easy-to-understand contents that use familiar themes, JICPA aims to contribute to boosting accounting literacy among each Japanese citizen.



Source: Excerpt from the “Results of a Survey on the Response to ‘Basic Accounting Education’ in Junior High Schools”



Promoting accounting education (In Japanese)  
<https://jicpa.or.jp/about/activity/basic-education/>



Class support package for the “using accounting information” (In Japanese)  
<https://jicpa.or.jp/about/activity/basic-education/tools.html>

## Maintaining and Improving Public Services that form the Foundation of National Life

OUTCOME  
Resolving social issues in various sectors

So that the public services that form the foundation of livelihood of the people in Japan are appropriately maintained into the future, JICPA believes that governance at the organizations providing these services is essential. We have begun evaluating the nature of governance at the organizations providing public services by inviting academic experts.

### 1. Organizations Providing Public Services

Public services include healthcare, nursing care, childcare, and education. Each form of care is essential to everyday life. Public services are provided by diverse bodies, including public organizations such as government organizations and incorporated administrative agencies, private-sector non-profit organizations such as medical corporations, social welfare corporations, and incorporated educational institutions, as well as infrastructure companies.

### 2. The Importance of Governance

Organizations providing public services often use public funds, and to maintain these services even in a society with a declining population, boosting productivity is essential. To do so, we need to strengthen further the organizational governance that leads to effective resource allocation and efficient management activities.

### 3. Direction of Evaluation

So that JICPA can make recommendations on the nature of governance shared by organizations that provide public services given the broad mix of regulations, we have established a project team and are moving forward with our evaluation while gathering the opinions of academic experts.

## JICPA’s Efforts Toward the Realization of a Prosperous Society

**OUTCOME** Resolving social issues in various sectors

### Creating Awareness about the SDGs

In July 2021, JICPA formulated our SDGs Declaration, declaring that CPAs will proactively work to contribute to the SDGs. To promote activities on a constant basis to achieve the SDGs, JICPA established the SDGs Promotion Committee. JICPA will pursue evaluations to build a sustainable society in the future so that CPAs belonging to different regions can pursue activities in an integrated manner.



SDGs (In Japanese)  
<https://sustainability.jicpa.or.jp/>

### Ukraine Relief Fund

To provide support for the response to the humanitarian crisis in Ukraine and for relief efforts in neighboring countries and other countries receiving Ukrainian refugees, from April to June of 2022,



JICPA called on its members and associate members nationwide to contribute to a relief fund. We collected relief funds totaling ¥14,911,500, which were donated to the Japanese Red Cross Society and the UN Refugee Agency.

### Access to CPAs

For the sound development of the CPA system, development of related academic research is essential. To respect the independence of academics and to contribute to academic research, JICPA is recruiting academic research featuring access to CPAs. We hope that through the cooperation of CPAs and audit firms in the research, we can produce internationally highly acclaimed academic research.



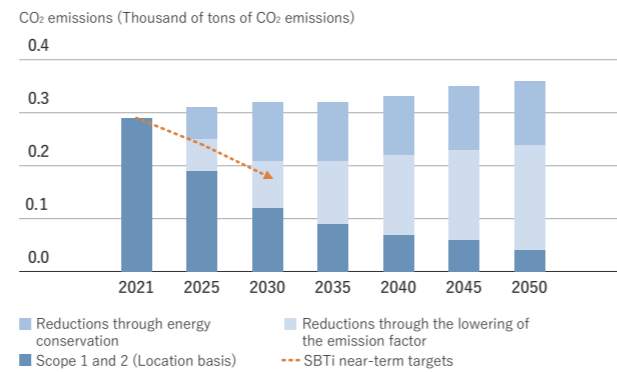
Access to CPAs (In Japanese)  
<https://jicpa.or.jp/news/information/2022/20220930ech.html>

## Contributing to the Global Goal of Net Zero

**OUTCOME** Resolving social issues in various sectors

In October 2021, the Accounting Bodies Network (ABN),\*<sup>1</sup> a member of the Prince of Wales’s Accounting for Sustainability Project (A4S),\*<sup>2</sup> issued a joint statement pledging its commitment to net zero emissions entitled “Accounting Bodies Net Zero Commitment.” Based on this statement, in December 2022, JICPA formulated our roadmap to achieve net zero. To address the global issue of climate change response, JICPA will proactively evaluate policies and carry out initiatives so that CPAs and specialist accounting groups can contribute to the realization of net zero.

### JICPA’s Roadmap to Net Zero



The goal is to reduce Scope 1 and 2 emissions by 42% or more, the science-based target (SBT), by 2030, and through the concrete evaluation and implementation of policy in the future, to continuously reduce GHG emissions including Scope 3.



Roadmap to achieve net zero (In Japanese)  
<https://jicpa.or.jp/news/information/2022/20221213dbi.html>

\*<sup>1</sup> A network established through cooperation between A4S and professional bodies across the globe, the ABN represents over 2.5 million professional accountants and students across 179 countries, covering two-thirds of the world’s accountants.  
\*<sup>2</sup> A4S (The Prince of Wales’s Accounting for Sustainability Project) Established in 2004 with the support of the UK’s King Charles III (during his time as Prince), the A4S project works to help incorporate sustainability into corporate financial reporting and decision making.



# Chapter 4 SUSTAIN

## Fulfilling Our Mission in Any Era

### JICPA’s connection with society

JICPA’s vision is to support the CPAs in contributing to sound economic development and responding to society’s expectations through transparent and neutral operations. To be recognized externally as a properly managed organization, we incorporate the views of experts in our operations. Moreover, we have 16 regional chapters throughout Japan to ensure locally rooted operations. We look forward to your further support as JICPA continues to respond to the changing times and connects with society.

# GOVERNANCE

## Aiming for Operations that can Create Lasting Trust

To realize our vision, JICPA establishes plans and manages the progress of our policies at our organizations starting with the Council. In this section, we will provide an overview of our management structure and introduce important details from an operational perspective including officers, regional chapters, and administrative offices.

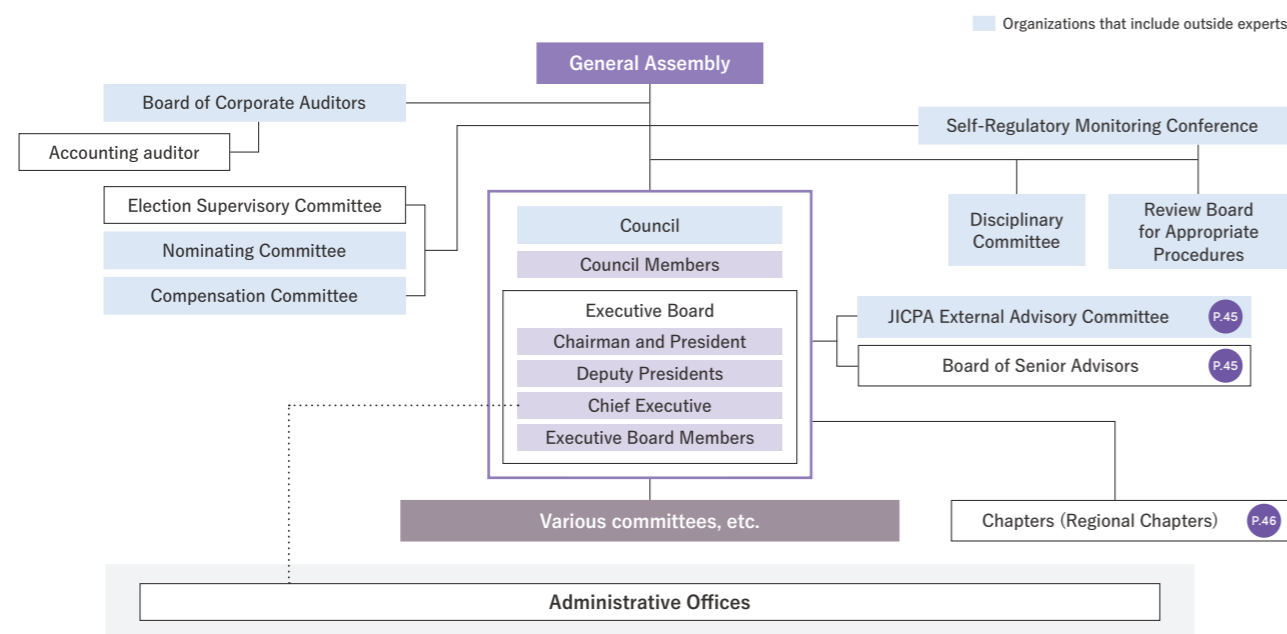
### Basic Approach to Governance

The JICPA's governance comprises the General Assembly, which serves as the topmost decision-making body; the Executive Board and Council, which are responsible for the execution and oversight of institute operations; a range of advisory committees; and the Board of Corporate Auditors

and Self-Regulatory Monitoring Conference, which provide monitoring.

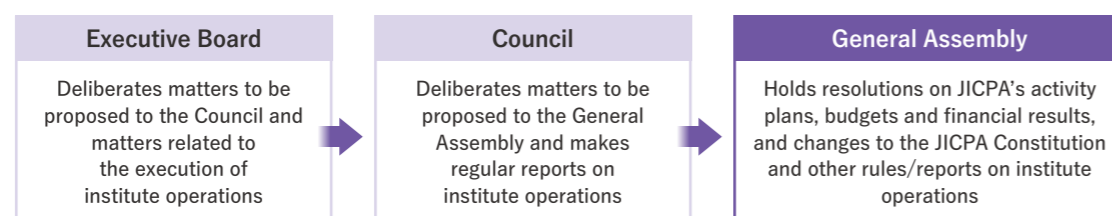
JICPA organs that particularly require transparency or expertise other than that of CPAs include outside experts.

### Organization (As of March 31, 2023)



Details of the duties and main activities of the committees (In Japanese)  
<https://jicpa.or.jp/about/activity/committee/>

### Decision-making Flow (Summary)



### 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.

#### 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  
Professor, Nihon University College of Commerce

**Masayuki Horie**

Summaries and meeting materials for the Auditing and Assurance Standards Committee Expert Advisory Council (In Japanese)  
[https://jicpa.or.jp/about/activity/yuushikisyu/auditing\\_standards.html](https://jicpa.or.jp/about/activity/yuushikisyu/auditing_standards.html)



#### 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.

#### 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**

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



#### 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.

#### 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**

Maintaining a High Level of Social Trust in the Work of CPAs (P.31)

Summaries and meeting materials for the Self-Regulatory Monitoring Conference (In Japanese)  
[https://jicpa.or.jp/about/activity/self-regulatory/quality\\_monitoring.html](https://jicpa.or.jp/about/activity/self-regulatory/quality_monitoring.html)



## Introduction of Officers

The JICPA's officers comprise the chairman and president, deputy presidents, chief executive, executive board members, council members, and corporate auditors. The total number of officers is capped at 90. Officers are mainly CPAs elected by the JICPA's members. However, to ensure the transparency of JICPA operations, two council members and one corporate auditor are non-CPA outside experts. In addition, the chief executive may be either a CPA or an outside expert.



Mitsuo Tsuruta      Kanako Ogura      Tetsuya Mogi      Takako Fujimoto      Naruhito Minami  
 Hisashi Sato      Shigeki Yagi      Shintaro Goto      Shuichiro Akiyama

### JICPA Officers (As of March 31, 2023)

Chairman and President	Tetsuya Mogi						
Deputy Presidents (7)	Naruhito Minami	Kanako Ogura	Mitsuo Tsuruta	Takako Fujimoto	Shuichiro Akiyama	Shigeki Yagi	Shintaro Goto
Chief Executive	Hisashi Sato						
Executive Board Members (32)	Tatsuya Arai Hiroki Kitagata Toshio Sato Toshiyuki Nishida Hidehiko Yuki	Masato Inagaki Kazuya Kitazumi Toshihiko Shibusa Raita Takahashi Yoshio Yukawa	Yasushi Inagaki Emi Kusakabe Keiko Sugaya Daijiro Furutani Tomoaki Yoshimura	Noriko Umeki Seigo Kou Makie Suzuki Shigehiko Matsumoto Ichiro Waki	Koji Ojima Naoaki Kobayashi Yuko Suzuki Satsuki Miyahara	Eriko Otokozawa Ryoichi Komatsu Minoru Tobaru Koji Yasui	Yasushi Kaneko Akira Koyama Masumi Nakagawa Yoko Yamada
Council Members (44)	Ikuko Akamatsu Minoru Ota Hirofumi Saka Katsunori Takahashi Kenichi Tsutsumi Hitomi Masuda Akiyoshi Oba* (Chairman, Japan Investment Advisors Association) Kazuyuki Masu* (Former Executive Vice President, Corporate Functional Officer, and CFO of Mitsubishi Corporation)	Hiroshi Asano Nobuaki Kanazawa Yoshiharu Sagami Raita Takahashi Masahiro Togashi Tatsuyuki Matsumoto	Iwao Arai Akihiro Kawaguchi Hiroshi Shiina Masafumi Takami Masahiro Togashi Ruriko Mitsuhashi	Tsuguo Ito Yoichi Kubo Takeshi Shibamoto Kaoru Tanima Hanae Nakaya Yoshizo Miyamoto	Kazuki Iwashita Kazuhiro Kouzuma Toshiyuki Shimizu Hiroshi Tamamoto Tsuyoshi Nunome Junji Murakami	Yoshiaki Uesaka Akihiro Kobayashi Kazuaki Sekine Rie Tsuge Kyoko Hikita Toru Yasuhara	Yoshiaki Oshima Nobuyuki Kobayashi Kiyohiko Takashima Fumio Tsuchiya Naofumi Higuchi Kazuhiro Yano
Corporate Auditors (4)	Masazumi Nishikawa Hisashi Yamaura* (Professor Emeritus, Meiji University/Formal Commissioner, Board of Audit)	Tadashi Hisamatsu	Yoshiyuki Minegishi				

Names marked with \* are outside experts.

## Introduction of Advisors

The JICPA External Advisory Committee is made up of non-CPA outside experts and meets three times a year to provide advice as needed regarding improvements to the work of CPAs.

### External Advisory Committee Members (As of March 31, 2023)

\*Positions and titles are current as of March 31, 2023.



#### Naoki Izumiya

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

- Apr. 1972 Joined Asahi Breweries, Ltd.
- Mar. 2003 Director, Asahi Breweries, Ltd.
- Mar. 2004 Managing Director, Asahi Breweries, Ltd.
- Mar. 2009 Senior Managing Director and Senior Managing Corporate Officer, Asahi Breweries, Ltd.
- Mar. 2010 President and Representative Director, Asahi Breweries, Ltd.
- Jul. 2011 President and Representative Director, COO, Asahi Group Holdings, Ltd.
- Mar. 2014 President and Representative Director, CEO, Asahi Group Holdings, Ltd.
- Mar. 2016 Chairman and Representative Director, CEO, Asahi Group Holdings, Ltd.
- Mar. 2018 Chairman and Representative Director, Asahi Group Holdings, Ltd.
- Jun. 2018 Chairman, Japan Investor Relations Association
- Mar. 2019 Chairman of the Board, Asahi Group Holdings, Ltd.
- Mar. 2021 Honorary Advisor, Asahi Group Holdings, Ltd.



#### Akira Kiyota

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

- Apr. 1969 Joined Daiwa Securities Co. Ltd. (Currently Daiwa Securities Group Inc.)
- Apr. 1999 President, Daiwa Securities SB Capital Markets Co. Ltd. (Currently Daiwa Securities Co. Ltd.)
- Jun. 2008 Chairman of the Board and Corporate Executive Officer, Daiwa Securities Group Inc.
- Jun. 2011 Honorary Chairman, Daiwa Securities Group Inc.
- Jun. 2013 Director, Japan Exchange Group, Inc.
- Jun. 2015 President & CEO, Tokyo Stock Exchange, Inc. Representative Executive Officer, Group CEO, Japan Exchange Group, Inc. Director, Tokyo Stock Exchange, Inc.



#### Noriaki Shimazaki

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

- Apr. 1969 Joined Sumitomo Corporation
- Jan. 2003 Member, Business Accounting Council, Financial Services Agency
- Jan. 2009 Trustee, IASCF Foundation (Currently the IFRS Foundation)
- Jul. 2009 Special Advisor, Sumitomo Corporation
- Jun. 2011 Director, Financial Accounting Standards Foundation Public Governor
- Japan Securities Dealers Association Chairman, Self-regulation Board
- Japan Securities Dealers Association
- Sep. 2013 Senior Advisor, IFRS Foundation Asia-Oceania Office
- Jun. 2016 Outside Director, Nomura Holdings, Inc.



#### Mariko Bando

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

- Apr. 1969 Joined the Prime Minister's Office
- Jul. 1989 Director of Consumer Statistics Division, Statistics Bureau, Management and Coordination Agency
- Apr. 1995 Vice-Governor of Saitama Prefecture
- Jun. 1998 Consul General of Japan in Brisbane, Australia
- Jan. 2001 Director General of Gender Equality Bureau, Cabinet Office
- Oct. 2003 Director, Showa Women's University
- Apr. 2007 President, Showa Women's University
- Apr. 2014 Chancellor, Showa Women's University
- Jul. 2016 Chairperson of the Board, Showa Women's University



#### Kazuhiko Fushiya

Chairman, The Institute of Internal Auditors – Japan/  
Former President, Board of Audit of Japan/  
Former Commissioner, National Tax Agency

- Apr. 1967 Joined the Ministry of Finance
- Jul. 1999 Commissioner, National Tax Agency
- Jul. 2001 Deputy Governor, National Life Finance Corporation
- Jul. 2002 Assistant Chief Cabinet Secretary
- Jan. 2006 Commissioner, Board of Audit of Japan
- Feb. 2008 President, Board of Audit of Japan
- Jan. 2009 Retired from the Board of Audit of Japan
- Jun. 2009 Chairman, Institute of Internal Auditors – Japan



#### Yuko Miyazaki

Attorney/Nagashima Ohno & Tsunematsu Advisor/  
Former Justice of the Supreme Court of Japan

- Apr. 1979 Registered as an attorney, Nagashima & Ohno (Currently Nagashima Ohno & Tsunematsu)
- Aug. 1984 The World Bank Legal Vice Presidency Counsel
- Apr. 2004 University of Tokyo Faculty of Law Visiting Professor
- Jan. 2018 Justice of the Supreme Court of Japan
- Jul. 2021 Legally mandated retirement
- Sep. 2021 Advisor to Nagashima Ohno & Tsunematsu
- Jan. 2022 International Judge of the Singapore International Commercial Court International Judge

## Introduction of Senior Advisors

The JICPA's former chairmen and deputy presidents serve as senior advisors. The Board of Senior Advisors meets three times a year and provides advice as needed regarding improvements to the work of CPAs.

### Senior Advisors (As of March 31, 2023)

Former chairmen (7)	Akio Okuyama	Tsuguoki Fujinuma	Koichi Masuda	Shozo Yamazaki	Kitataka Mori	Aiko Sekine	Masahiko Tezuka
Former deputy presidents (5)	Giichi Yanagisawa	Kazutoshi Kogure	Tatsuya Kato	Kiyonobu Takeuchi	Hisae Kitayama		



## Introduction of the Chairmen of Regional Chapters

Although JICPA is a single organization, it maintains 16 regional chapters covering all of Japan to guide, connect, and supervise CPAs across the country and help ensure that they provide consistent, high-quality services.

Chairmen and CPA Members of the Regional Chapters (As of March 31, 2023)

**Names of Regional Chapters**  
Names of Chairmen of Regional Chapters  
Number of CPAs (Numbers in parentheses indicate the number of female CPAs).

**Hokkaido Chapter**  
Masahiro Togashi  
398 (51)

**Tohoku Chapter**  
Kenichi Tsutsumi  
437 (48)

**Tokyo Chapter**  
Shigeki Yagi  
20,182 (3,176)

**Saitama Chapter**  
Fumio Tsuchiya  
876 (91)

**Chiba Chapter**  
Akihiro Kawaguchi  
859 (110)

**Northern Kyushu Chapter**  
Yoshizo Miyamoto  
869 (127)

**Chugoku Chapter**  
Yoshiharu Sagami  
505 (52)

**Hyogo Chapter**  
Hirofumi Sakai  
882 (130)

**Keiji Chapter**  
Yoko Yamada  
726 (110)

**Hokuriku Chapter**  
Hitomi Masuda  
305 (31)

**Chiba Chapter**  
Akihiro Kawaguchi  
859 (110)

**Okinawa Chapter**  
Nobuaki Kanazawa  
95 (11)

**Southern Kyushu Chapter**  
Raita Takahashi  
230 (24)

**Shikoku Chapter**  
Yoichi Kubo  
249 (24)

**Kinki Chapter**  
Shintaro Goto  
3,838 (639)

**Tokai Chapter**  
Yasushi Inagaki  
2,244 (341)

**Kanagawa Chapter**  
Minoru Tobari  
1,741 (219)

## Introduction of Administrative Offices

The JICPA's administrative offices comprise 34 groups within six divisions and the offices of the 16 regional chapters. These administrative offices support the Group's operations.

As of March 31, 2023, the divisions have a staff of 234 (164 men and 70 women), and the regional chapters a total staff of 105 (55 men and 50 women). Of these, a total of 72 (59 men and 13 women) are qualified as CPAs.

Administrative Organization (As of March 31, 2023)



## Revenue Structure

The JICPA's main sources of revenue comprise the following three categories.

### JICPA's Revenue Structure

01

#### Standard fee/Chapter fee

##### Membership fees borne equally by CPAs who are members

Standard memberships are ¥6,000 per month, while associate memberships are ¥1,500 per month. Chapter fees are distinct from standard membership fees. Chapter fees support the specific operations of each regional chapter and are borne by the respective chapter's members. These fees, ranging from ¥3,500 to ¥4,500 per month, depend on such factors as the size and number of members of the regional chapter.

02

#### Auditing membership fee

##### Membership fees borne by members who engage in auditing that is the exclusive purview of CPAs

Members who form agreements pertaining to the services described in Article 2-1 of the Certified Public Accountants Act or the services specified in the membership fee rules (commonly referred to as audit agreements) are required to pay the JICPA 1% of the audit fees they receive for the fiscal years pertaining to such agreements.

03

#### Business revenue

Revenues from the book sales of publishing operations, final CPA assessment fees, educational seminar fees, etc.

In the year ended March 31, 2023 (fiscal 2023), the JICPA collected standard membership fees of ¥2,396 million, regional chapter fees of ¥1,475 million, and auditing membership fees of ¥3,295

million. The total of these fees, ¥7,168 million, represented more than 90% of the JICPA's ¥7,656 million in ordinary revenues for the year.

## Financial Results for Fiscal 2023

In fiscal 2023, the JICPA recorded a positive net change, amounting to ¥305 million, on its statements of changes in net assets.\*

Compared with fiscal 2022, ordinary revenues and ordinary expenses both increased. The increase in revenues reflected a rise in standard membership and chapter fees due to an increase in the number of members, as well as a rise in auditing membership fees reflecting increased compensation for statutory audits.

The increase in ordinary expenses was attributable to the increase in travel within Japan and overseas with the relaxation of restrictions on

movement related to the spread of COVID-19, the reopening of events, and rising global inflation.

In addition, to provide support for CPAs working in expanding and diversifying fields in response to the changing business environment, including the response to last year's amendments to the Certified Public Accountants Act, the JICPA increased its administrative staff, promoted work reforms to improve productivity, and upgraded systems and facilities, resulting in an increase in costs.

\*The financial results figures in this report are unconfirmed figures that have not yet been approved by the General Assembly. The confirmed figures will be provided on the website below.

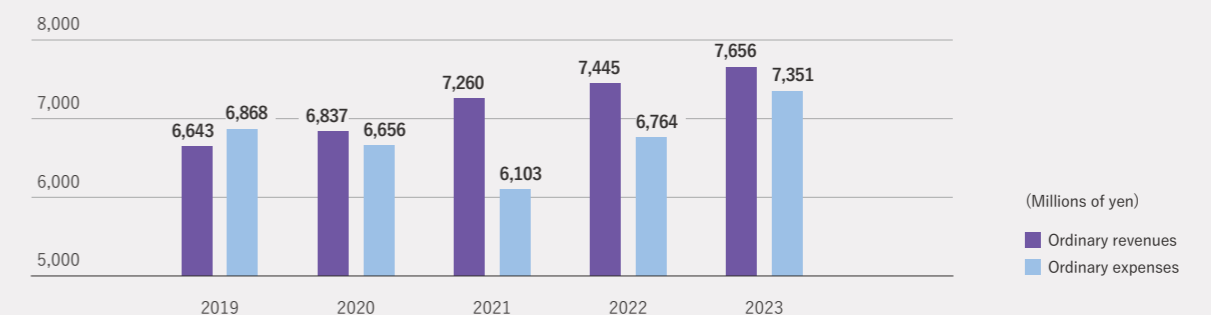
Activity Reports and Plans/Budget and Financial Results/  
Annual Reports and Integrated Reports (In Japanese)  
<https://jicpa.or.jp/about/activity/report/>

### Key Financial Indicators (Years ended March 31)

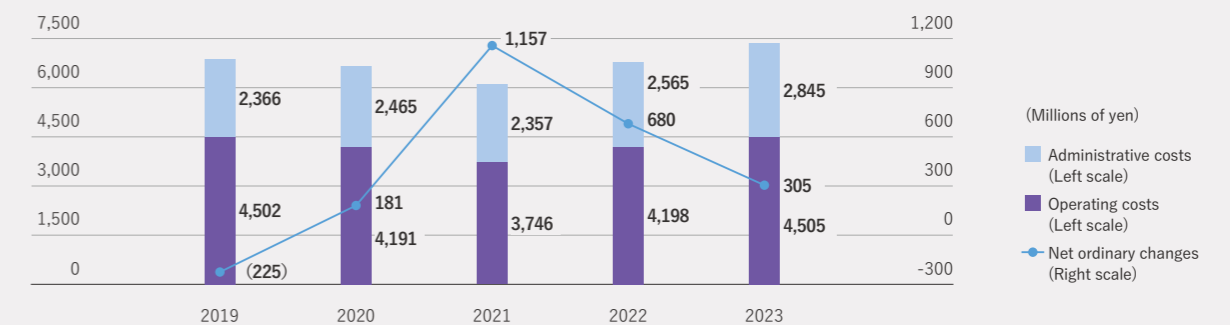
(Millions of yen)

	2019	2020	2021	2022	2023
Ordinary revenues	6,643	6,837	7,260	7,445	7,656
Ordinary expenses	6,868	6,656	6,103	6,764	7,351
Net ordinary changes	(225)	181	1,157	680	305
Total changes of unrestricted net assets	175	855	1,160	688	273
Unrestricted net assets at end of year	11,557	12,412	13,573	14,262	14,535
Restricted net assets at end of year	879	849	853	850	839
Cash flows from operating activities	(112)	139	1,393	1,072	531
Cash flows from investing activities	(50)	90	(723)	(1,922)	1,663
Cash flows from financing activities	—	—	—	—	—
Cash and cash equivalents at end of year	3,128	3,358	4,028	3,178	5,372

### Ordinary Revenues and Ordinary Expenses (Years ended March 31)



### Net Ordinary Changes and Breakdown of Ordinary Expenses (Years ended March 31)





The Japanese Institute of  
Certified Public Accountants

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



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September 2023

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