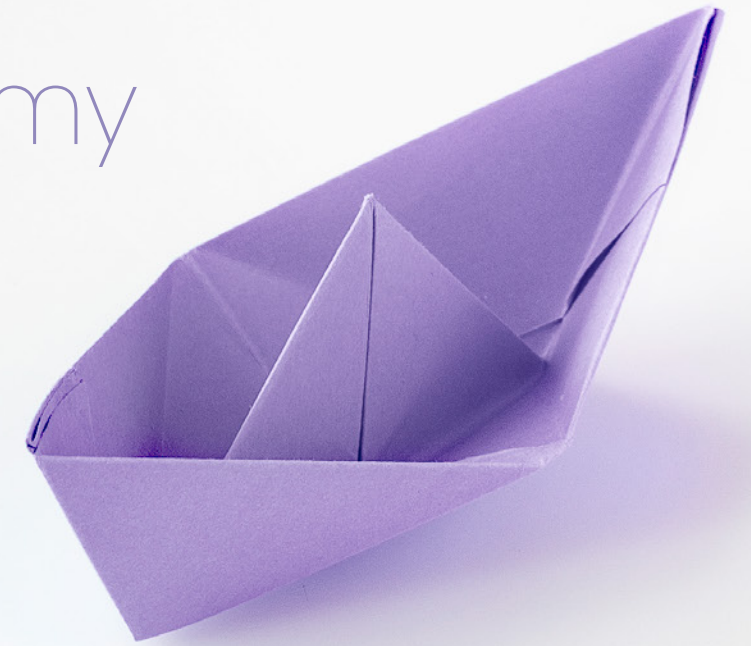




JAPANESE INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

# INSTITUTE PROFILE

Leading the profession of accountancy  
Encouraging confidence in the economy  
Engaged in the public interest



The JICPA was established to make securities trading more popular with Japanese citizens and to increase the number of individual shareholders in Japanese companies. Over our 70 years of professional excellence, we have been committed to maintaining transparency and independence as a self-regulatory organization for the accountancy profession. We believe that our purpose is to uphold a sense of trust in the CPA profession across national boundaries and to provide accountants, business owners, and investors with creative new tools that they can use to meet the challenges of doing business in the 21st century.

We have chosen origami, which you can see throughout this brochure, as a symbol of our organization for a number of reasons. One of them is that, as a piece of paper that can be transformed into many different shapes, we are going through a process of transformation as we look towards expanding our scope and responsibilities.



# ABOUT JICPA

## Key Responsibilities

-  **1.** To uphold the professional ethics of members by maintaining a code of ethics and promoting compliance with the code
-  **2.** To design and implement measures to improve the quality of services provided by members through organizing seminars and research projects
-  **3.** To research the theories and the practices of auditing, accounting, and other related fields to promote the implementation of auditing and accounting standards and establish auditing and accounting systems
-  **4.** To research the CPA system and the services CPAs provide (including tax services) and issue recommendations to governmental and regulatory agencies as appropriate
-  **5.** To design and implement measures to ensure that proper auditing services are provided by members
-  **6.** To support members with necessary assistance by consulting with them and providing materials
-  **7.** To resolve disputes over engagements of members through mediation
-  **8.** To design and implement measures for the education and training of individuals who pass CPA examinations
-  **9.** To perform administrative tasks related to member registration

## JICPA Code of Ethics

We developed our Code of Ethics in conformity with that of the International Federation of Accountants (IFAC).

In addition to the requirements in the IFAC's Code of Ethics, the CPA Act of Japan prohibits CPAs from engaging in continuous long-term audits of companies that fall under the definition of "large companies, etc." under the CPA Act. Furthermore, CPAs are strictly prohibited from working for the companies that they have served as independent auditors until the end of the following accounting year of their resignation.

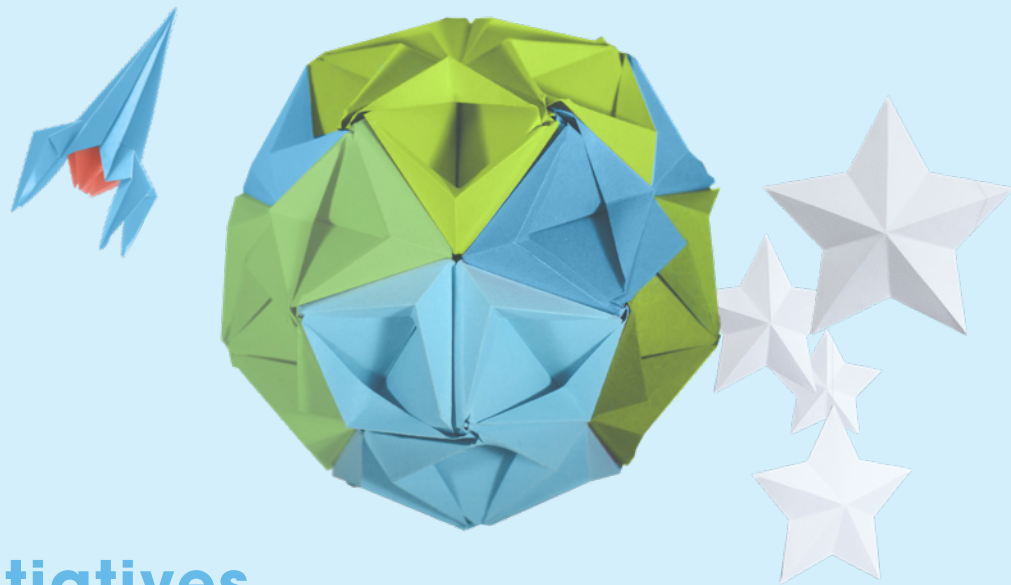
## DISCIPLINARY ACTIONS AND SANCTIONS ON CPAs

CPAs shall be subject to disciplinary actions by the JICPA when they are penalized by laws and regulations, have committed any act that may impair the reputation of CPAs, have failed to exercise reasonable care in expressing audit opinions, or fall in other cases as specified in the JICPA Constitution.

In addition to the disciplinary actions taken by the JICPA, CPAs and audit firms are also subject to those imposed by the Financial Services Agency (FSA), including deregistration, order for payment of surcharge, or suspension of services as CPAs.

Types of disciplinary actions taken by the JICPA:

- Reprimand
- Suspension of membership rights for a certain period
- Recommendation of withdrawal from membership
- Request for administrative actions (a request to the FSA to revoke qualifications of CPAs or audit firms, or other disciplinary actions)



## Global Initiatives

As a part of our mission to contribute to the development of the accountancy profession worldwide, we have contributed to activities in the following organizations.

### IFAC

The JICPA is a founding member of the International Federation of Accountants (IFAC). We are committed to assist IFAC activities and provide input into exposure drafts and other pronouncements published by IFAC.

### IFRS FOUNDATION AND IASB

We contribute to various activities conducted by the International Accounting Standards Board (IASB), including development of International Financial Reporting Standards (IFRSs). The IASB Technical Committee of the JICPA consults materials published by the IASB to contribute to the development of a single set of high-quality global accounting standards.

### CAPA

As one of the founding and key executive members of the Confederation of Asian and Pacific Accountants (CAPA), we have been instrumental in CAPA activities to develop and enhance the accountancy profession in the Asia-Pacific region.

### GAA

We are a founding member of the Global Accounting Alliance (GAA). GAA is an alliance of 10 leading professional accountancy bodies in significant capital markets, brought together to promote quality services, share information, and collaborate on important international issues.

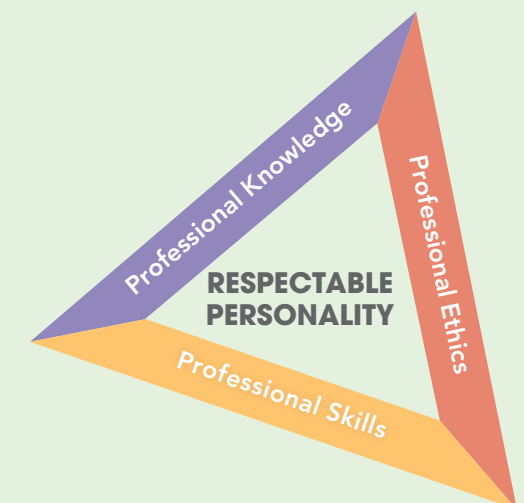
### AFA

As an associate member of the ASEAN Federation of Accountants (AFA), we share AFA's mission of developing and promoting the accountancy profession in the Southeast Asia region to support the region's socio-economic development.

## Continuing Professional Education

### OVERVIEW OF CONTINUING PROFESSIONAL EDUCATION (CPE)

In accordance with Article 28 of the CPA Act, the JICPA requires its members to undergo CPE activities each year. Members are required to earn a prescribed number of credits each year to maintain and develop their competence in providing high-quality professional services. To ensure compliance with the JICPA Code of Ethics, and to maintain the quality of services provided by members, each member is required to earn credits in professional ethics and tax each year. For those members engaging in statutory audits, credits in audit quality and fraud are also required annually.



### CPE REQUIREMENTS

- (a) For every reporting year, CPAs must earn the required number of credits and report to the JICPA.
- (b) The "required number of credits" constitutes:
  - (i) A sum of 120 credits over the course of three years,
  - (ii) A minimum of 20 credits annually, and
  - (iii) An annual requirement of two credits each in "Professional Ethics" and "Tax," and six credits in "Audit Quality and Fraud" for those engaging in statutory audits.



## Areas of Activity

JICPA members are flourishing in a wide variety of fields, such as:

### AUDITING

CPAs can conduct audits for a wide range of clients, from business entities and educational institutions to public interest corporations and non-profit organizations.

### TAXATION

In Japan, CPAs can register as licensed tax accountants, and use their expertise to provide instruction and oversight for their clients.

### CONSULTING (BUSINESS ADVISORY)

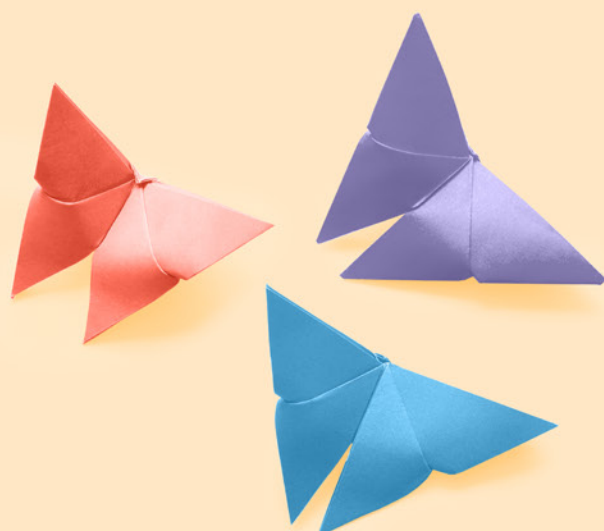
In addition to providing support for IPOs, CPAs can also advise on topics such as data systems, corporate governance, environmental requirements, and M&A activity.

### IN-HOUSE ACCOUNTANT

CPAs are currently harnessing their expert knowledge and experience of accounting and auditing as in-house accountants for a wide variety of business enterprises and organizations.

### EXTERNAL DIRECTOR

CPAs are often appointed as external directors or external auditors to serve the needs of corporations and groups.



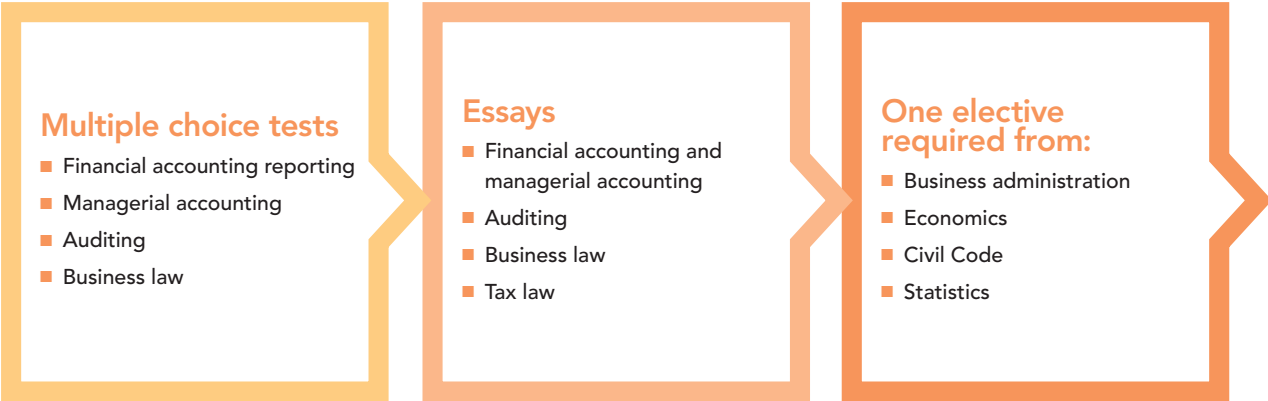


# BECOMING A CPA

To become a CPA, every person must meet the specific requirements for qualification and go through the steps prescribed in the CPA Act.

## STEP 1 CPA EXAMINATION

The first and the most challenging step is to pass the CPA examination conducted by the Certified Public Accountants and Auditing Oversight Board pursuant to the CPA Act. The CPA examination comprises multiple-choice tests and essay tests.



## STEP 2 PRACTICAL EXPERIENCE\*

Candidates are required to gain relevant practical experience by working at accounting/audit firms or in industry for a minimum of two years. When candidates work in industry, their work experience needs to be similar to that gained at accounting/audit firms.

\* Note: Step 2 can be completed before Step 1 or after Step 3

## STEP 3 PROFESSIONAL ACCOUNTANCY EDUCATION PROGRAM

Successful candidates of the CPA examinations are required to complete the three-year professional accountancy education program provided by the Japan Foundation for Accounting Education and Learning.

## STEP 4 FINAL ASSESSMENTS

Those who complete the professional accountancy education program are qualified to take the final assessments in the following areas conducted annually by the JICPA:

- Accounting
- Auditing
- Taxation
- Business administration, including the theory of information technology
- Rules, regulations and ethics related to CPA service

## CONTINUING PROFESSIONAL EDUCATION (CPE)

Throughout their careers, CPAs maintain and develop their skills by taking part in CPE. This ensures their ability to provide high-quality professional services.

## STEP 5 REGISTRATION WITH THE JICPA

Those who pass the final assessments and are given CPA qualifications by the Financial Services Agency are eligible to register with us. This registration is mandated by the CPA Act, and is necessary for CPAs to represent themselves as such to the public.





# ACCOUNTING STANDARDS

## STANDARD-SETTING BODY

The Accounting Standards Board of Japan (ASBJ), under the auspices of the Financial Accounting Standards Foundation (FASF), is responsible for the development and deliberation of accounting standards in Japan. The ASBJ is a private-sector independent accounting standard-setting board which also contributes to the development and improvement of international accounting standards.

## ACCOUNTING PRINCIPLES

Financial statements are prepared, in principle, in accordance with accounting principles generally accepted in Japan (J GAAP) as issued by the ASBJ. For consolidated financial statements of listed companies, use of IFRS Standards ("Designated IFRS"<sup>1</sup>), Japan's Modified International Standards (JMIS<sup>2</sup>) and US GAAP is also permitted.

<sup>1</sup> "Designated IFRS" is a set of IFRS Standards that have been designated by the Commissioner of the FSA. Each IFRS Standard is made effective through the formal process of endorsement. Currently Designated IFRS is identical with IFRS Standards as issued by the IASB.

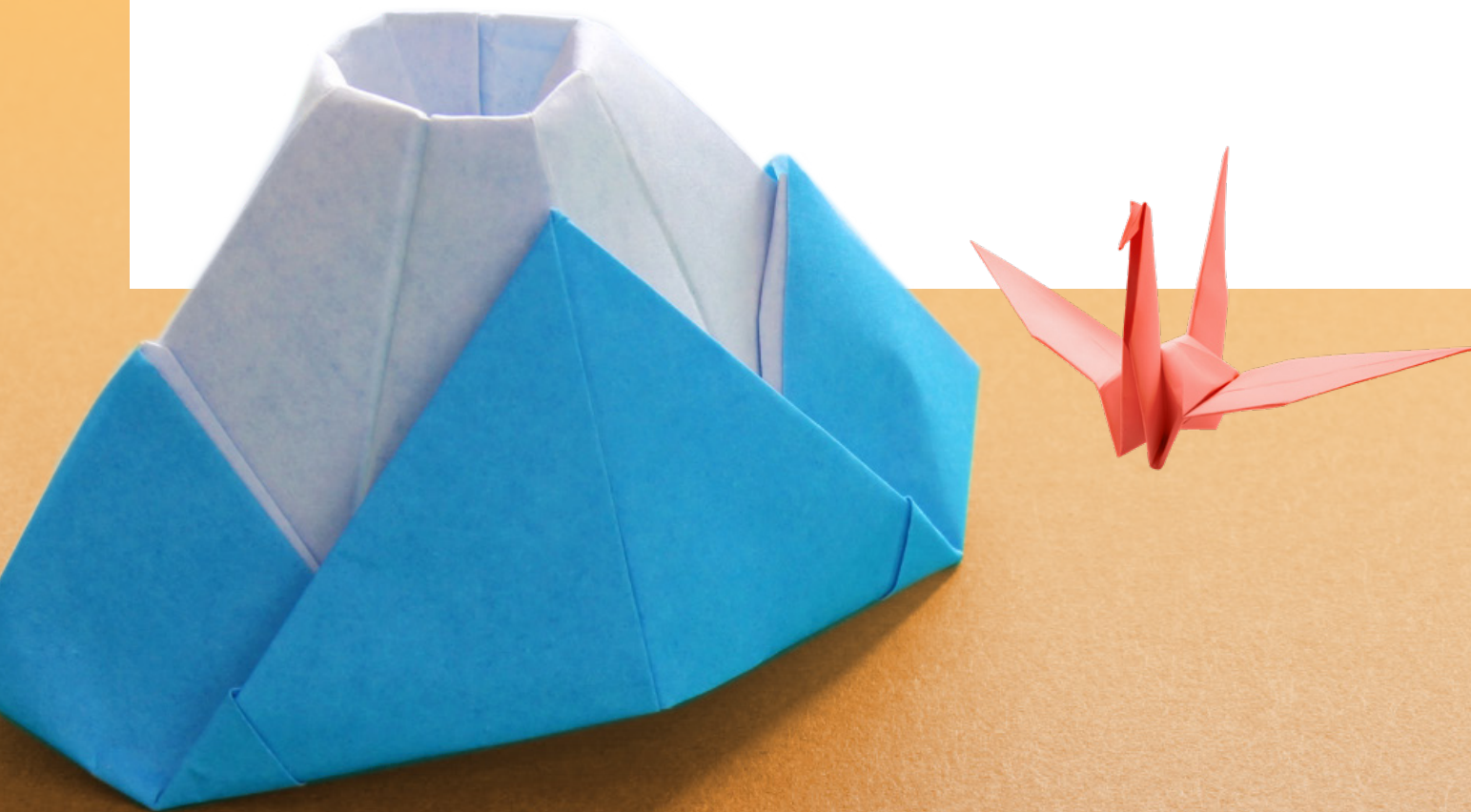
<sup>2</sup> JMIS are the new set of accounting standards inaugurated by ASBJ in 2015 and developed based on the endorsement process of accounting standards and interpretations issued by the International Accounting Standards Board (IASB). Currently almost all listed companies use J GAAP or Designated IFRS.

## IFRS ADOPTION IN JAPAN

Since 2010, companies that meet certain criteria have been permitted to voluntarily apply IFRS Standards for consolidated financial statements in Japan. In 2013, the FSA revised its Cabinet Office Ordinances and eliminated certain requirements in order to enhance further application of IFRS Standards in Japan. As a result, the number of companies eligible to apply IFRS Standards was increased, and virtually all listed companies and unlisted companies are allowed to use IFRS Standards for consolidated financial statements.

## JICPA'S CONTRIBUTION

We have supported a single set of high-quality accounting standards and have implemented various measures to contribute to the promotion of the adoption of IFRS in Japan, in cooperation with other stakeholders, such as the FSA, the ASBJ, the IASB and the IFRS Foundation. We provide various opportunities for members to enhance their understanding of IFRS, including seminars, workshops, and study sessions.



# AUDITING SYSTEM

The objective of audits conducted by CPAs is to provide reasonable assurance that the financial statements prepared by an entity are fairly presented for a wide variety of users and other stakeholders.

CPA audits are required under the Companies Act, the Financial Instruments and Exchange Act (FIEA), and other acts and regulations, and they contribute to ensuring the reliability of the financial information provided by various entities.

## GENERALLY ACCEPTED AUDITING STANDARDS IN JAPAN (JAPANESE GAAS)

The Japanese GAAS consists of the auditing standards issued by the Business Accounting Council (BAC) of the Financial Services Agency, Auditing Standards Committee Statements (ASCSs), and the Quality Control Standards Committee Statement (QCSCS) issued by the JICPA. CPA audits must be carried out in accordance with the Japanese GAAS.

The auditing standards issued by the BAC take a risk-based approach and are consistent with the clarified International Standards on Auditing (ISAs) and International Standard on Quality Control 1 (ISQC 1). ASCSs and the QCSCS also converge with clarified ISAs and ISQC 1.

## Statutory Audits Conducted by CPAs

### AUDITS UNDER THE FIEA

Under the Financial Instruments and Exchange Act (FIEA), certain listed companies and other specified entities are required to be audited by independent CPAs. CPAs issue three types of reports in audits under the FIEA:

- (a) **Audit reports on the financial statements for the current fiscal year**  
Financial statements submitted must be audited by independent CPAs in accordance with the Japanese GAAS. The independent CPAs express their opinions in the audit report that the statements of financial position, performance results, and cash flows are fairly and faithfully presented from every material perspective.
- (b) **Review reports of quarterly financial statements**  
The FIEA requires listed companies to submit quarterly financial statements, and those reports must be reviewed by independent CPAs.
- (c) **Audits of internal control reports**  
The FIEA requires listed companies to prepare reports on their internal control and have those reports audited by independent CPAs. This requirement has been introduced in reference to Article 404 of the Sarbanes-Oxley Act in the United States, but has been adjusted to take specific requirements in Japan into account (known as "J-SOX").

### AUDITS UNDER THE COMPANIES ACT

Companies that must be audited by independent CPAs under the Companies Act are as follows:

- Companies with capital stock of ¥500 million or more, or total liabilities of ¥20 billion or more as of the latest fiscal year-end
- Companies that adopt a "Company with Nominating Committee, etc" or a "Company with Audit and Supervisory Committee" corporate governance system
- Other companies that appoint external auditors on a voluntary basis

### OTHER STATUTORY AUDITS (EXAMPLES)

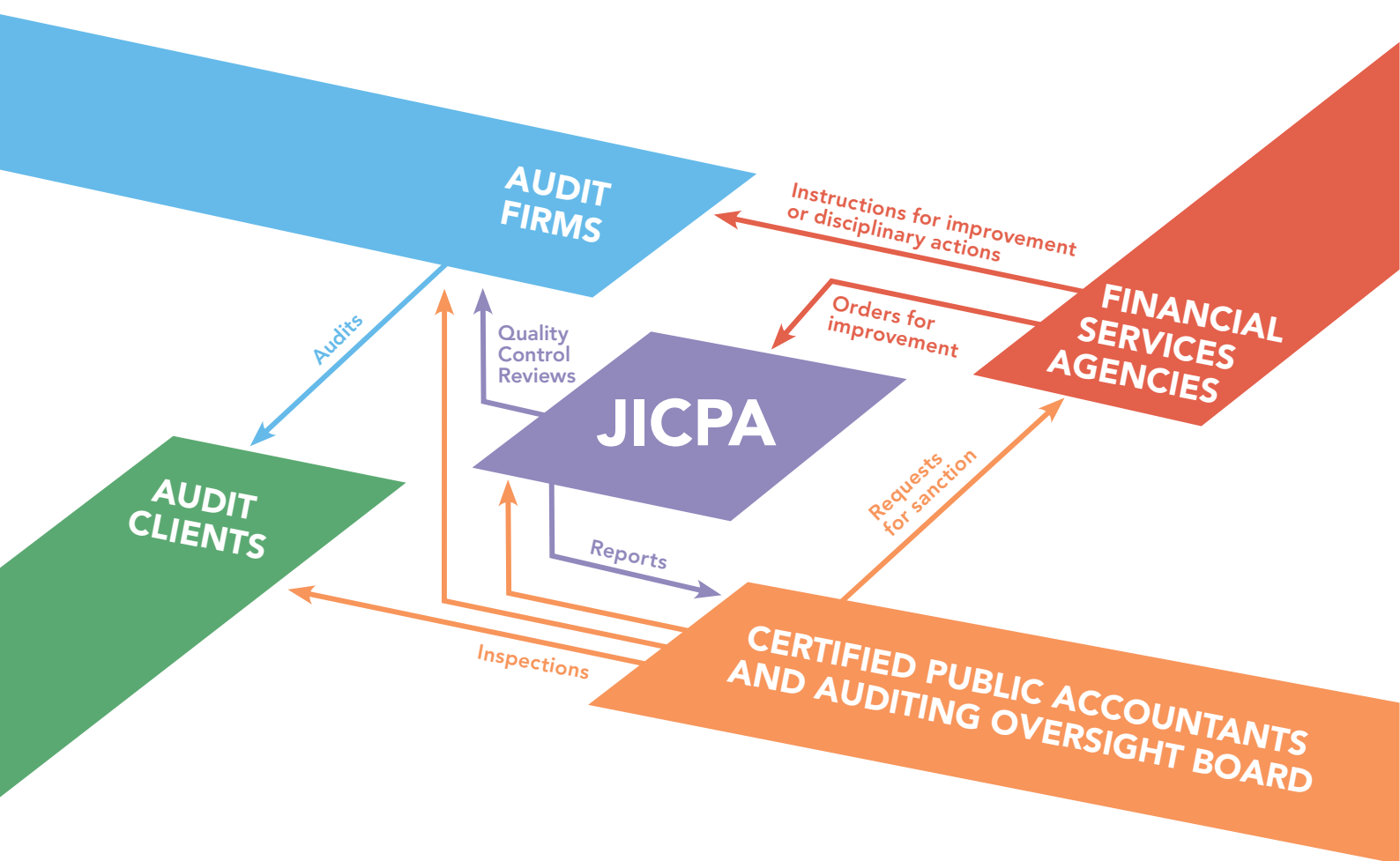
CPA audits are required in a number of areas, including the following:

- Incorporated private educational institutions that received subsidies from the central government or local governments
- Labor unions
- Certain large financial institutions
- Incorporated administrative agencies
- Local governments



# QUALITY CONTROL REVIEW SYSTEM

The JICPA, the Financial Services Agency (FSA), and the Certified Public Accountants and Auditing Oversight Board (CPAFOB) work together to design and implement a quality control system for audits in Japan in order to ensure their high quality.



## JICPA



## ROLES OF THE JICPA

The Quality Control Committee of the JICPA includes both our members and other highly experienced outside individuals. The Committee is responsible for developing quality control review standards and procedures, instructing and supervising review teams, considering and approving quality control review reports, and providing letters of recommendation.

The Quality Control Review Teams review whether a firm's system of audit quality controls, both firm-wide and on an individual engagement basis, has been well designed in accordance with the JICPA Quality Control Standards, and determine whether quality control policies and procedures have been adequately implemented.

The Quality Control Oversight Board monitors effectiveness and independence of the overall review system based on the reports submitted by the Quality Control Committee and issues recommendations to the Quality Control Committee, when appropriate.

## ROLES OF THE CPAFOB

The CPAFOB examines the reports submitted by the JICPA and carries out on-site inspections of the JICPA or audit firms, when appropriate. If the CPAFOB inspection finds that the JICPA has conducted insufficient quality control reviews, or that an audit firm's quality control is insufficient and does not comply with laws and regulations, the CPAFOB may recommend the FSA to take relevant administrative measures.

## ROLES OF THE FSA

Based on the recommendations from the CPAFOB, the FSA will take necessary administrative measures, such as giving orders to improve business operations in firms and others.

## REGISTRATION SYSTEM FOR LISTED COMPANY AUDIT FIRMS

To ensure the quality control of audit firms that perform audits of listed companies, we require all firms that audit listed companies to register with the registration system for listed company audit firms. We publish the list of registered firms on our website, with an overview of the firms and their quality control systems.









<https://jicpa.or.jp/english>

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