



# Annual Report 2019



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## Message from the Chairman and President



Since taking office as Chairman and President in July 2016, I have focused on three broad goals: Improving the reliability and quality of the CPA auditing system, creating an environment where we can contribute to society and thrive in it, and recruiting people who can work internationally in a diverse setting and making CPA careers more attractive.

Regarding the first of these, building and enhancing trust in CPA audits, as particularly pressing, I have dedicated the utmost effort to it. Specifically, we introduced the Audit Firm Governance Code, formulated based on the recommendations of the Advisory Council on the Systems of Accounting and Auditing, as well as the Key Audit Matters (KAMs). As a self-regulatory body of CPAs, we constantly consider how to best carry out the duties entrusted to us under the law and proactively implement initiatives necessary to do so. My efforts to increase trust in the profession will not end with my term as JICPA president, but I do think that we have genuinely been able to move the ball forward over the past three years.

CPAs were originally auditing professionals. In order to meet the public's expectations, however, we have assumed numerous roles, beyond simply auditing listed companies, in which we apply our audit and accounting expertise. To create an environment to facilitate the career success and social contribution of CPAs, I have carried out initiatives to support CPAs in a wide range of roles, beyond just auditing. I believe that continuing such efforts to create the conditions for CPAs to contribute to society will be essential going forward.

Finally, to create a world in which diverse CPAs have equal opportunities to succeed across a wide range of fields, I have focused on such efforts as supporting the success of female CPAs, developing professionals with the skills to work globally and contribute to international business, and communicating the appeal of such work.

Accounting is both the foundation of and a tool for seeing and understanding all business and public life. Providing credibility to accounting is the professional role of the CPA. The mission of the CPA as laid out in Article 1 of the Certified Public Accountants Act is "contributing to the sound development of the national economy." As the economy and society grow more complex, the ability to accurately assess corporate activities and effectively communicate with diverse stakeholders is more important than ever to fulfilling this mission. To that end, I have tried to make it easier for our stakeholders to give us frank feedback, and I think that incorporating their opinions into our initiatives going forward will be very important.

2018 marked the 70th anniversary of Japan's CPA system. The JICPA has taken this milestone as an opportunity to consider where CPAs should fit into society and how we can contribute to sustainability in light of the SDG-related targets now being pursued by companies, organizations and communities, as well as the social issues facing Japan as a whole. Taking into account the views of a wide range of stakeholders, we aim to implement concrete measures to move us closer to our vision for the future of the profession.

Lastly, I would like to express my sincerest gratitude to all of our stakeholders for their tremendous support and assistance, without which I could not have given my best throughout my term in office.

Aiko Sekine  
Chairman and President of JICPA



## Message from the Incoming Chairman and President

In July 2019, I took the helm of the Japanese Institute of Certified Public Accountants, representing our more than 37,000 members and associate members nationwide. Taking seriously the responsibility of establishing steadfast trust in CPA audits, over the next three years I will do my utmost to apply the results of the initiatives taken thus far by the JICPA and other stakeholders to secure the reliability of accounting audits. By doing so, I hope to ensure that accounting scandals like those that have rocked the trust in capital markets in recent years never occur again.

The reason that CPAs exist as part of society and the contribution we offer through our work are fundamentally rooted in auditing. Hands-on, practical skill is essential to auditing, and indeed the core of its trustworthiness. I hope to use the challenge of increasing such hands-on skill as a jumping-off point to further develop the CPA industry going forward. At the same time, enriching support for CPAs working in areas outside of auditing, a trend that has been markedly expanding in recent years, will also be a key focus for the JICPA.

A company's reality is never exactly the same as its ideals. If the gap between these is ignored, the risk of serious misconduct or errors increases. As such, companies must examine themselves, clearly identify their problems, and strive to solve them. I think that a CPA's hands-on skill is defined most crucially by the ability to encourage companies to take steps toward the resolution of such problems and provide assistance in overcoming them. Corporate globalization and diversification, along with the rapid advance of IT and other technologies, are bringing about major changes in the qualities required of CPAs. Taking into account the views of our members and other stakeholders, the JICPA will reexamine its definition of what a CPA should be while utilizing all the means at its disposal to help improve the hands-on, practical skills of CPAs.

Today, auditing has expanded to cover schools, local government bodies, healthcare corporations, social welfare corporations, agricultural cooperatives, and other organizations. Such auditing contributes to the management soundness of its subjects and is taking root as an integral function in local communities. It thus offers great potential in terms of helping to invigorate communities. Going forward, in addition to auditing, I think that the areas in which CPAs can contribute will expand greatly. In cooperation with all the entities we work with, the JICPA will strive to create an environment that better enables CPAs to contribute to the creation of social value by actively engaging in such work.

To accomplish this, we must make the JICPA more productive and its operations more transparent. By enhancing the openness of our operations, I will strive to deepen relationships of trust with our stakeholders and foster enthusiasm and goodwill toward the JICPA. I look forward to building the future of the JICPA together with all our members, associate members, and other stakeholders, and I ask for your continued guidance and support.



Masahiko Tezuka  
Incoming Chairman and President of JICPA





Philosophy and Activities

1 Philosophy

The Mission of the CPA and the Role of the JICPA

Japan's Certified Public Accountants Act states that "The mission of certified public accountants, as auditing and accounting professionals, shall be to ensure such matters as the fair business activities of companies and the protection of investors and creditors by securing the reliability of financial documents and any other information concerning finance from an independent standpoint, thereby contributing to the sound development of the national economy." The Act defines the purpose of the Japanese Institute of Certified Public Accountants (JICPA) as upholding the professionalism of CPAs as well as guiding, connecting, and supervising Japan's CPAs.

Tagline

The Japanese Institute of Certified Public Accountants adopted "Engage in the Public Interest" as its official tagline in July 2013. CPAs serve as accounting and audit professionals, and the JICPA provides instruction and oversight to maintain and improve confidence in their work. This understanding, along with our desire for both the JICPA and its members continue to contribute to society, is reflected in our tagline.



Membership Badge

CPAs are required to wear their JICPA membership badge at all times while working.

The Current Badge

The badge's design is a collection of simple squares enclosed in an ellipse. 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.

The Previous Badge (may still be worn by members)

(Distributed from November 1976 to June 2009)  
The badge features the engraved letters "C.P.A."



Left: The current membership badge  
Right: The previous membership badge

2 Activities

The JICPA was established under the Certified Public Accountants Act for the purpose of guiding, connecting, and supervising CPAs as well as performing administrative work related to CPA registration. As a self-regulatory body, the JICPA engages in a variety of activities under the tagline "Engage in the Public Interest." These include activities related to ensuring professional ethics, maintaining and improving the credentials of its members, and upholding the quality of their work. Article 3 of the JICPA Constitution outlines the Institute's activities as follows.

The Activities of the Japanese Institute of Certified Public Accountants (JICPA Constitution, Article 3)

1. Establish standards of professional ethics for CPAs to abide by and work to maintain and improve such ethics.
2. Implement measures to improve the qualifications of members, such as holding lectures and study sessions related to the work of CPAs.
3. Conduct research on the theory and practice of auditing, promote the use and adoption of auditing standards, and establish auditing systems.
4. Conduct research on the theory and practice of accounting, promote the use and adoption of accounting principles, and establish corporate and other accounting systems.
5. Conduct research on the CPA system and the duties (including tax-related duties) of CPAs, and issue recommendations and provide consultation to governmental and regulatory agencies as necessary.
6. Design and implement measures to support proper auditing by members.
7. Provide necessary support to members with regard to the work of CPAs, including providing consultation and materials.
8. Provide mediation to help resolve disputes over the work of members.
9. Design and implement measures for the education and training of individuals who pass the CPA examinations.
10. Perform administrative tasks related to the registration of CPAs, junior accountants, CPAs of other countries, and specified partners of audit companies.
11. Other operations necessary to achieve the purpose of the Institute.

70 Years of the CPA System

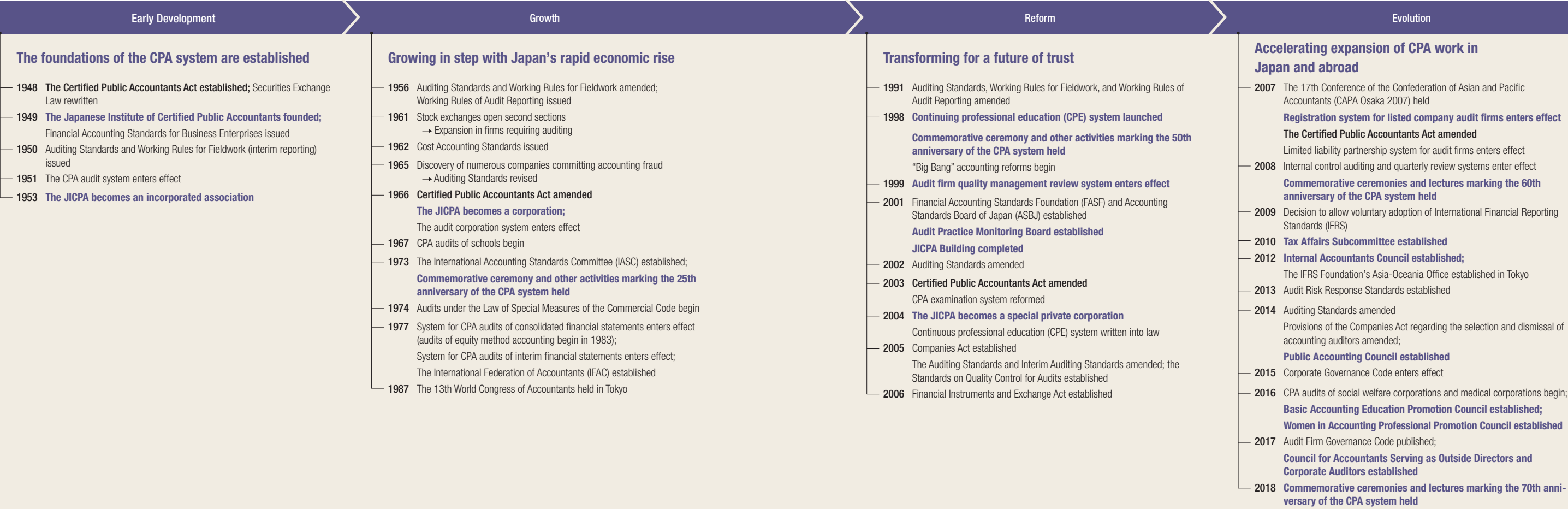
1 The Genesis and Evolution of the CPA System

Japan’s professional accountant system dates back to the 1927 establishment of the profession of accountant based on the Accountant Law. The period immediately after World War II brought advances in democratizing the nation’s economy, including breaking up the *zaibatsu* industrial and financial conglomerates as well as the enactment of the Securities Exchange Law in 1948. In the same year, the Accountant Law was


abolished and replaced with the Certified Public Accountants Act. In 1949, eight stock exchanges, including those of Tokyo, Osaka, and Nagoya, were opened, and 1951 brought the first CPA audits under the Securities Exchange Law. The CPA system thus emerged from the securities market’s need to ensure the trustworthiness of financial statements. As the securities market expanded, the importance of CPA

audits grew, and the Certified Public Accountants Act was amended accordingly. In 1966, to facilitate organized audits of increasingly large-scale corporate activities, a system of audit corporations bearing unlimited joint liability was introduced. With audits of schools beginning in 1967 and the introduction of CPA audits based on the Commercial Code in 1974, CPA skills were no longer restricted to the securities market, and the need for them spread throughout broader society. The 2003 amendment to the Certified Public Accountants Act put the mission of CPAs in Article 1 of the Act and reinforced CPA independence. The following amendment of the Act, in 2007, strengthened the quality management, governance, and disclosure requirements for audit corporations; reinforced the independence and position of auditors; and revised the oversight


and liability of audit corporations. The Audit Firm Governance Code was released in 2017, and the 2018 amendment of Japan’s Auditing Standards introduced the Key Audit Matters (KAMs). These and other initiatives are being advanced to enhance audit transparency. In these ways, Japan’s CPA system has evolved in step with the changes and development of the corporate community. At the same time, companies, a primary subject of auditing, have undergone advances in corporate governance, including the introduction of internal control auditing at listed companies in 2008 and the application of the Corporate Governance Code in 2015. CPAs, who perform audits, and companies, which undergo them, are each working in their own roles to secure confidence in capital markets.




The Offices of the Japanese Institute of Certified Public Accountants




Oct. 1949–May 1956  
Leased space on the 1st floor of the former Tokyo Chamber of Commerce and Industry building (Chiyoda-ku, Tokyo)




May 1956–June 1963  
Leased space on the 5th floor of the Daido Seimei Building (Chuo-ku, Tokyo)




June 1963–Feb. 1966  
Leased space on the 1st floor of the Tokyo Chamber of Commerce and Industry Building (Chiyoda-ku, Tokyo)




Feb. 1966–Nov. 1969  
Leased space on the 4th floor and in the basement of the Tokyo Shoken Building (Chuo-ku, Tokyo)



Nov. 1969–June 1977  
Leased space on the 3rd and 4th floors of the Kabuki Kaikan (Chuo-ku, Tokyo)



Jun. 1977–Nov. 2001  
Previous JICPA Building (Bunkyo-ku, Tokyo)



Nov. 2001–  
Current JICPA Building (Chiyoda-ku, Tokyo)



## 70 Years of the CPA System

## 2 70th Anniversary Events

July 6, 2018 marked 70 years since the promulgation of the Certified Public Accountants Act. To celebrate, the JICPA held commemorative ceremonies and lectures across the country under the catchphrase “Changing Times, Unchanging Trust.”



2018  
公認会計士制度70周年

変わる時代、変わらぬ信頼。

## Headquarters/Tokyo Chapter

- Date: Monday, July 23, 2018
- Location: Tokyo International Forum
- Program: The commemorative ceremony comprised a 70th anniversary movie and video message from Prime Minister Abe, congratulatory addressees from Parliamentary Secretary Murai of the Cabinet Office, and other special guests, and a 20-minute commemorative video about the 70-year history of the CPA system and activities of CPAs in the near future.



The commemorative lecture was given by special guest Tadashi Yanai, chairman, president, and CEO of Fast Retailing, Co., Ltd., on the theme “Accountants changing the world.”

## Hokkaido Chapter

- Date: Friday, June 15, 2018
- Location: Sapporo Grand Hotel
- Program: JICPA chairman and president Aiko Sekine gave a lecture titled “New Initiatives for CPAs toward Sustainable Prosperity for Japan.”



## Tohoku Chapter

- Date: Monday, June 11, 2018
- Location: Hotel Metropolitan Sendai
- Program: Special guest Seiichi Ohtaki, professor emeritus of Tohoku University, gave a lecture on the theme “The post-recovery outlook of the Tohoku economy and expectations for CPAs.”



## Saitama Chapter

- Date: Saturday, August 4, 2018
- Location: Omiya Sonic City
- Program: Special guest Masamitsu Morita, weather forecaster, gave a lecture on extreme weather events and related problems, incorporating recent events.



## Chiba Chapter

- Date: Tuesday, June 26, 2018
- Location: Mitsui Garden Hotel Chiba
- Program: Special guest Takaaki Kameda, chairman of Kameda Medical Center, gave a lecture on the theme “The role of medical welfare in a graying society: transitioning to sustainable systems.”



## Kanagawa Chapter

- Date: Friday, July 6, 2018
- Location: Kanagawa Kenmin Hall
- Program: Special guest Yasutoshi Kita, author, gave a lecture on the theme “The secrets to innovation as seen in Segodon.”



## Tokai Chapter

- Date: Friday, August 31, 2018
- Location: Nagoya Marriott Associa Hotel
- Program: Special guest Dr. Masahiko Fujiwara, mathematician, author, and professor emeritus of Ochanomizu University, gave a lecture on the theme “The path for Japan.”



## Hokuriku Chapter

- Date: Friday, June 8, 2018
- Location: Hotel Nikko Kanazawa
- Program: Special guest Keiki Iwashita, commissioner of the Hokuriku Local Finance Bureau, delivered a lecture on the theme of “Hokuriku’s future, supported by CPAs”.



## Keiji Chapter

- Program: On Friday, July 6, 2018, an interview with JICPA chairman and president Aiko Sekine was broadcast on local TV station KBS Kyoto’s economics program *Kyo biz X*. Also, on June 16, 2018, the Keiji Chapter held a commemorative lecture to mark its 50th anniversary, at which special guest religious studies and philosophy scholar Tetsuo Yamaori gave a lecture on the theme “The heart of the Japanese.”



## Kinki Chapter

- Date: Friday, August 31, 2018
- Location: Nara Kasugano International Forum Iraka
- Program: Special guest Kimihiro Kitakawara, senior monk at Kegon Shudai Honzan Todaiji, gave a lecture on the theme “How to hold oneself in our diverse, modern society.”



## Hyogo Chapter

- Date: Sunday, August 5, 2018
- Location: Kobe International House
- Program: The chapter held a commemorative event for the 70th anniversary of Japan’s CPA system and 50th anniversary of the Hyogo Chapter. In the first half, JICPA chairman and president Aiko Sekine gave a lecture titled “New Initiatives for CPAs toward Sustainable Prosperity for Japan.” In the second half, author Kaoru Tamaoka gave a lecture on the theme “The era-shaping work of women: tracing the lineage of female leaders in Japan.”



## Chugoku Chapter

- Date: Saturday, June 23, 2018
- Location: RIHGA Royal Hotel Hiroshima
- Program: Special guest Takashi Igi, mayor of Yonago City, Tottori, and CPA, gave a lecture on the theme “My experience as mayor of Yonago.”



## Shikoku Chapter

- Date: Friday, June 29, 2018
- Location: Rexxam Hall
- Program: JICPA chairman and president Aiko Sekine gave a lecture titled “New Initiatives for CPAs toward Sustainable Prosperity for Japan.”



## Hokubu Kyushu Chapter

- Date: Wednesday, June 20, 2018
- Location: Hotel Okura Fukuoka
- Program: Special guest Ryuko Sakurai, former justice of the Supreme Court of Japan, gave a lecture on the theme “Yardsticks for judgment: reflecting on my time working in the executive and judicial branches.”



## Minami-Kyushu Chapter

- Date: Friday, June 8, 2018
- Location: Hotel Nikko Kumamoto
- Program: Special guest Masayuki Sato, commissioner of the Kyushu Local Finance Bureau, gave a lecture on the theme “The recent economic climate and expectations for public and private finance and CPAs.”



## Okinawa Chapter

- Date: Friday, July 20, 2018
- Location: Loisir Hotel Naha
- Program: Special guest Koji Kuwabara, director of the Bank of Japan Naha Branch, gave a lecture on the theme “Economic trends worldwide, in Japan, and in Okinawa.”



3 Committee for the JICPA's Challenges and Initiatives for Building a Sustainable Society

Initiatives aimed at addressing a wide range of social issues and building a sustainable society are spreading rapidly. Notably, the September 2015 United Nations Sustainable Development Summit adopted the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals (SDGs), a set of 17 goals and 169 targets for 2030. In response, the International Federation of Accountants (IFAC) has designated 8 goals that professional accountants are expected to play an important role in achieving. Many organizations, like this, are advancing initiatives toward the achievement of the SDGs.

Public and private initiatives based on the SDGs are advancing in Japan, as well. The Japanese government has established the Sustainable Development Goals Promotion Headquarters, and the Keidanren Japan Business Federation has amended its Charter of Corporate Behavior with a central pillar of achieving the SDGs through its Society 5.0 initiatives.

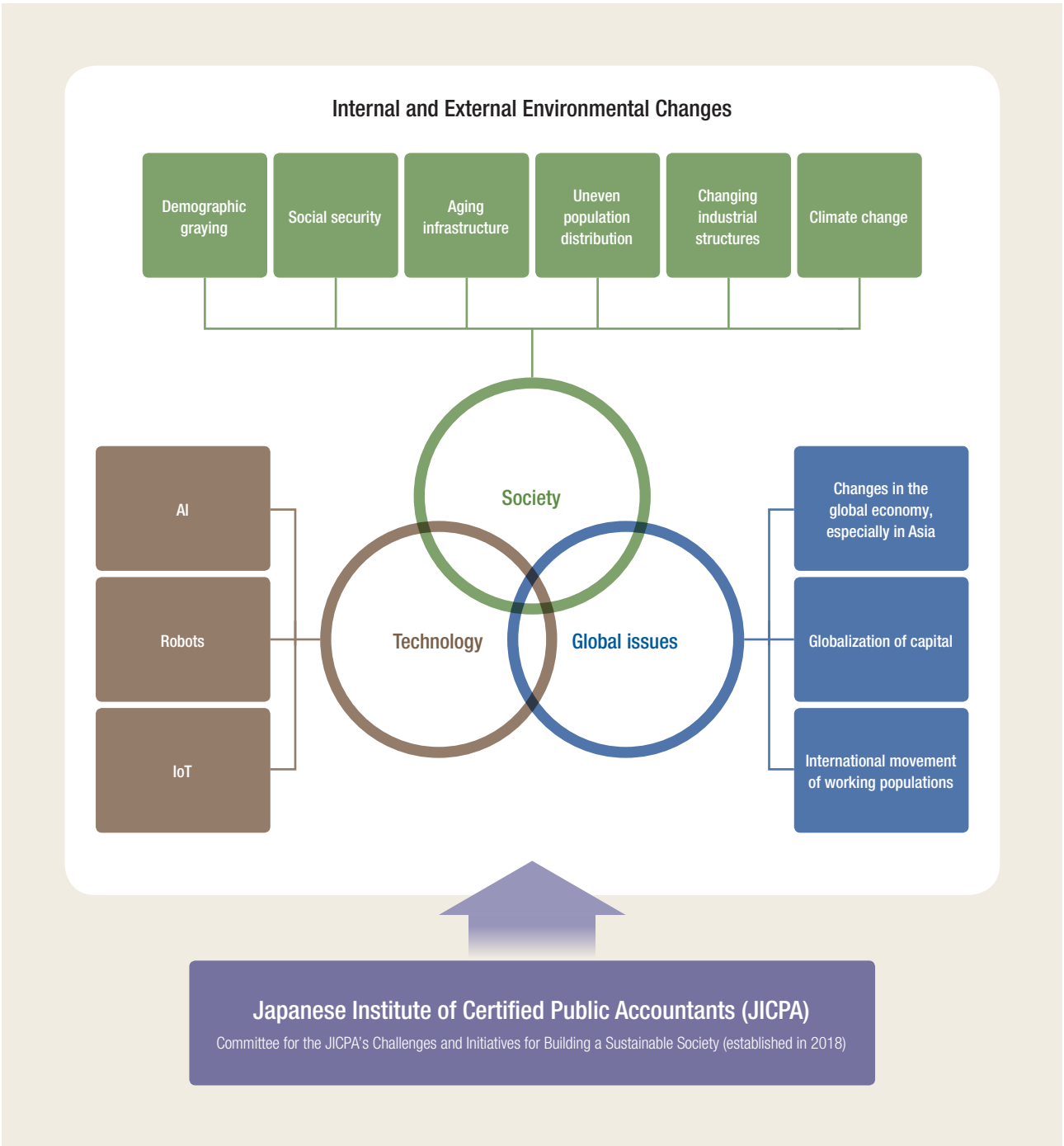
In this social environment, the JICPA is expected to not only fulfill its duties as a self-regulatory body of CPAs prescribed by law and its constitution, but also to more proactively engage in efforts to build a sustainable society as a group of professional experts.

In addition, Japan, in particular, faces such pressing social issues as rapid demographic graying and population decline, frequent natural disasters, and aging infrastructure. Taking steps to address these issues is also important for the JICPA.

The realization of a sustainable society is the foundation for the development of the national economy. With this in mind, the JICPA established a special committee named the Committee for the JICPA's Challenges and Initiatives for Building a Sustainable Society. Based on an understanding of the goals and targets of the SDGs as well as the issues facing Japanese society, this committee examines the roles of the JICPA and CPAs in society as well as the challenges they face in helping solve social issues and the ways they can take action to do so.

Many companies and organizations are already implementing initiatives that leverage their unique characteristics and strengths to contribute to solving social issues. In light of this, in fiscal 2018, the committee sought the insight of organizations that are at the forefront of such efforts. Based on these discussions and considerations of the changes in the internal and external environments, the committee published an interim report on the approach and policy for initiatives of the JICPA.

The committee's interim report is available at the URL below (in Japanese).  
▶ [https://jicpa.or.jp/specialized\\_field/20190619jiz.html](https://jicpa.or.jp/specialized_field/20190619jiz.html)





## Special Dialogue

To deepen communication with our stakeholders, we invited Shigeharu Suzuki, Chairman and CEO of the Japan Securities Dealers Association (JSDA), to a special dialogue with Aiko Sekine, Chairman and President of the Japanese Institute of Certified Public Accountants (JICPA). The JSDA has deep ties to the JICPA through the financial and capital markets. The dialogue focused on how the JICPA can contribute to achieving the Sustainable Development Goals (SDGs) and, more broadly, building a sustainable society.

(Dialogue held June 6, 2019)

### Shigeharu Suzuki

Joined Daiwa Securities Co., Ltd. in 1971, working in the Tokyo Sales Office's Sales Department, Executive Office, and Corporate Clients Banking Department before becoming a member of the board in 1997. Became the Daiwa Securities Group's President and Chief Executive Officer in 2004, and then Chairman of the Board in 2011. Assumed the office of Chairman and CEO of the JSDA in July 2017. Originally from Kyoto Prefecture.



## The Activities of the JICPA

**Sekine** The mission of a CPA includes contributing to the development of the national economy. In 2018, Japan's CPA system marked the 70th anniversary of its creation under the Certified Public Accountants Act enacted July 6, 1948. As a self-regulatory body of CPAs, the JICPA will continue to instruct, connect, and oversee its members. In addition, however, I hope that it will play a role in the creation of a sustainable society, so that the CPA system will continue to grow as it reaches the 80, 90, and 100 year marks. We seized on the 70th anniversary as an opportunity to establish the Committee for the JICPA's Challenges and Initiatives for Building a Sustainable Society and began launching initiatives through it. I know that the JSDA has been implementing a range of social

contribution activities, including those related to the SDGs, for some time. What do you think of the activities of the JICPA?

**Suzuki** The first thing that comes to mind when I think of the JICPA is auditing. Because CPAs audit the financial statements that investors use to make investment decisions, CPAs are inextricably linked with the financial and capital markets, and one can say that they serve as an integral part of the infrastructure of society. The role of CPAs is already significant, but in light of the wide-ranging problems that have occurred with respect to companies, I think both the importance and responsibilities of CPAs are growing.

When I hear the term "SDGs," I remember an episode related to the Yangon Stock Exchange in Myanmar. The Daiwa Securities Group, where I was chairman, worked hard to set up Myanmar's first stock exchange, which finally opened in 2016. We aimed to encourage IPOs, but there were many aspects of

Myanmar's business infrastructure that were insufficiently developed at the time. A shortage of CPAs was especially apparent, so we asked the JICPA for help. Thankfully, the JICPA enthusiastically accepted and began earnest efforts to develop CPA human resources and enhance the functions of the Myanmar Institute of Certified Public Accountants. These cooperative efforts to build Myanmar's national infrastructure helped it grow tremendously, and the country has since maintained very friendly relations with Japan.

**Sekine** When we were first approached about Myanmar, the JICPA had just adopted the new "Engage in the Public Interest" tagline and was launching new activities aimed at contributing to society. At the time, I was the deputy president in charge of international matters. Thinking that, as a part of Asia, we needed to contribute to countries in the region, we were in the process of examining the state of CPA-related fields in countries

across Asia. We had experience providing assistance in Mongolia in the early 2000s, but we were trying to figure out what concrete steps the JICPA could take going forward. So it was extremely good timing when the Daiwa Myanmar Japan Foundation came to us about the need for greater internationalization of auditing and accounting in Myanmar.

I did not have a chance to visit Myanmar at the time, but in August 2018, I attended a ceremony there for the renewal of our memorandum regarding human resource development support for CPAs in Myanmar. I was surprised by how up to date all the facilities were.

**Suzuki** Every time I visit Myanmar, it's more developed. It seems to have rapidly modernized over the past decade or so.



## Special Dialogue



## The JSDA's SDG-Related Initiatives

**Sekine** The JSDA issued a Declaration in Support of SDGs in March 2018. Was that influenced at all by the proactive ESG initiatives that the Daiwa Securities Group advanced under your leadership? In November 2016, the International Federation of Accountants published “2030 Agenda for Sustainable Development—A Snapshot of the Accountancy Profession’s Contribution.” In response, we at the JICPA are currently considering what action we should take. I’d be very interested to hear your advice.

**Suzuki** When I first took the position of chairman of the JSDA in July 2017, I didn’t know much about the SDGs, either. *(laughs)*

**Sekine** Most of us didn’t then.

**Suzuki** Luckily, someone gave me some good advice, pointing out that we could contribute to achieving the SDGs through the securities business, including business in developing countries. The United Nations estimates that achieving the SDGs will require an annual investment of five to seven trillion U.S. dollars per year until 2030, which led us to the idea that funding that investment might be the area where we could contribute the most. When I was at Daiwa, we were pushing impact investing\*, including green bonds and water bonds. As a result, at one point, we had almost an 80% domestic market share of sales of impact investment bonds to retail investors. Today, bonds that contribute to achieving the SDGs go by many

names. To avoid confusing investors and to help the market grow, we have been advocating to collectively label such financial instruments “SDG bonds” within the industry.

The securities industry as a whole has also been striving to support the professional success of women and advance work style reforms. Efforts include holding seminars for management-level professionals to foster awareness related to the work styles of managers themselves and women’s careers, as well as working to build industry networks between women working at securities firms.

Japan has little life-or-death level poverty, but does have relative poverty—that is, people earning less than half the average national income who face hardship relative to the nation’s overall level of development and standard of living. We also have child poverty, in which children are living at an income level that makes it difficult to maintain a dignified standard of living. We wanted to do something to help address these problems, so we started small by deciding to take part in a project being led by the Cabinet Office called the Used Book Sale Donation for Children’s Future. We reached out to our member securities firms, many of whom agreed to help, and from October 2018, it grew into an industry-wide initiative, with more than 1,400 used book donation boxes set up at securities firms’ branches.

Another initiative we began, which is especially fitting for the securities industry, is based on effectively using shareholder incentives. The JSDA established the Shareholders Incentives Endowment Fund for the SDGs as a channel through which listed securities firms can donate funds equivalent to the shareholder incentives they offer that go unclaimed by institutional and other investors. We plan to donate the funds collected this fiscal year to the United Nations’ World Food Programme.

Going forward, we are examining the possibility of operating a website that would help match our member securities firms with NPOs and other organizations that provide support to children.

\* Impact investing: Investing with the intent to contribute to solving social issues, such as environmental problems and poverty, while simultaneously generating economic returns, where the use of investment proceeds are limited to that purpose.

## Making Initiatives Inviting and Lasting

**Sekine** You touched on how finding ways to advance SDG-related initiatives within your main business helps such initiatives last and can create benefits for the business. I think that this is key.

**Suzuki** Initiatives that are overly burdensome just won’t last. The initiative using retail branches was easy to take part in, and our efforts to utilize shareholder incentives to provide support for children lined up well with the issue that securities firms were already facing of determining what to do with the goods they were receiving as incentives. Efforts like these have spread awareness throughout the securities industry that working proactively toward achieving the SDGs can be a very good thing.

The JSDA’s dedicated SDGs Promotion Office is now coming up with numerous new initiatives, which is helping securities firms realize the breadth of ways they can contribute. As such, our fundamental stance is to just encourage giving concrete efforts a try.

**Sekine** If you try out an idea and it doesn’t go so well, move on to the next. Being flexible is crucial.

**Suzuki** Yes, exactly.

**Sekine** In that sense, it seems to me that CPAs often seem to just keep their heads down and do their work, which does not lead to a lot of new ideas. However, many CPAs are quite young. When I became chairman, I was again struck by this. Can you guess what age group is most common among CPAs in Japan?

**Suzuki** Perhaps those in their 40s or 50s?

**Sekine** In fact, CPAs in their 30s are the single largest group. CPAs ages 30-39 make up 36% of our members, while those 40-49 account for just under 30%, and those under 30 about 5%. Overall, around 70% of CPAs in Japan are under 50. Looking just at women, about 80% are under 50. Furthermore, after passing the CPA exams, applicants have to get practical experience before becoming a CPA. Because of this, most join an audit company, but they don’t all stay there—today, less than half of CPAs work for audit firms. This means that CPAs are now working in a wider variety of settings. I hope that this variety of experience will give rise to a wide range of new ideas.

**Suzuki** As I mentioned, CPAs are a part of the infrastructure of society and play an indispensable role in finance. As the involvement of CPAs in various aspects of society deepens, I believe the role of the JICPA as a self-regulating body, including its SDG-related initiatives, will only grow.

**Sekine** Thank you very much for taking the time for this discussion today.





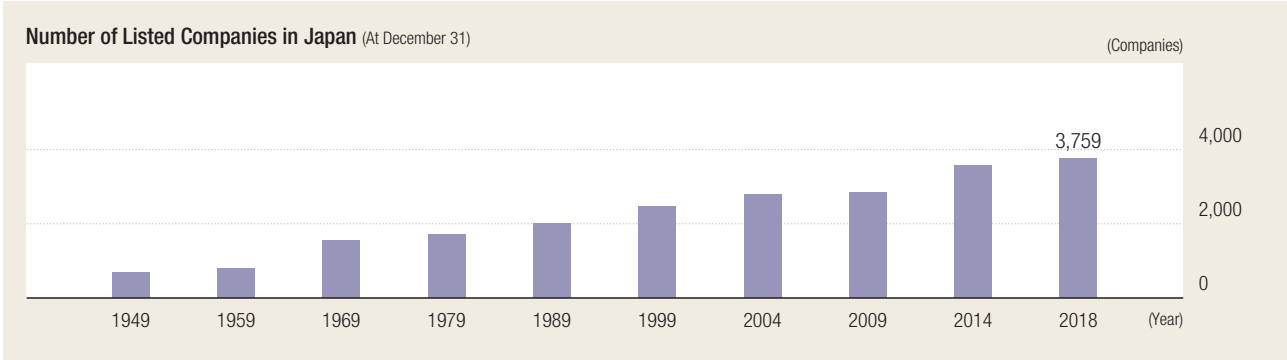
# Overview of the CPA Profession

## 1 Audits by CPAs

Japan's CPA system was created alongside post-war securities market reforms, positioning CPAs as expert auditors for listed companies.

Subsequently, the Law of Special Measures of the Commercial Code made audits of listed companies mandatory, after which audits of a wider range of organizations became mandated by law, steadily expanding the fields in which CPAs perform audits.

In recent years, the use of CPA audits in the non-profit sector has been increasing, and, based on the Revised Agricultural Cooperative Law promulgated on April 1, 2016, from fiscal 2019 onward, agricultural cooperatives with more than ¥20 billion in deposits and cooperative associations with more than ¥20 billion in liabilities will be required by law to undergo audits by accounting auditors (CPAs or audit corporations).

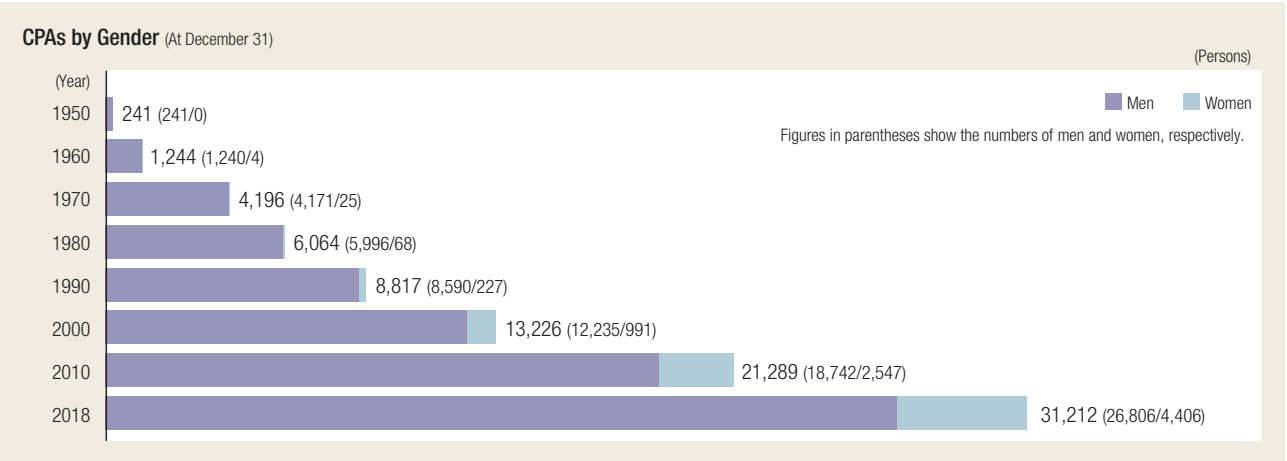


## 2 Number of Accounting Auditors

The number of CPAs in Japan is steadily rising. As of March 31, 2019, the number of CPAs stood at 31,426.

1951 saw the first registration of female CPAs (2 individuals). Today, approximately 14% of Japan's CPAs are women. In

recent years, around 20% of successful CPA examination candidates have been women, indicating that the proportion of women among CPAs will continue to increase going forward.



To become a CPA, an applicant must pass the CPA examinations (multiple-choice tests and essay tests), complete at least two years of practical experience, undergo a professional accountancy education program administered by the Japan

Foundation for Accounting Education and Learning, and pass a final assessment by the JICPA. After confirmation from the prime minister, the applicant's name is added to the register of CPAs.

The main bodies required by laws and regulations to undergo audits are as follows.

**Statutory Audits (Audits Required by Laws and Regulations)**

- Audits based on the Financial Instruments and Exchange Act  
Documents related to the financial calculations contained in the securities reports (balance sheets, profit and loss statements, and other statements) submitted by specified securities issuers must receive an audit certification by a CPA or audit corporation (Article 193-2, paragraphs 1 and 2).
- Audits based on the Companies Act  
Large companies with a board of corporate auditors, and companies with nominating and other committees must retain an accounting auditor (Companies Act articles 327 and 328). Furthermore, any stock company that so designates in its articles of incorporation may retain an accounting auditor.

**Statutory audits include audits of the following:**

- Mutual life insurance companies
- Special purpose companies
- Investment corporations
- Limited partnerships for investment
- Limited liability beneficiary certificate issuing trusts
- Incorporated schools that receive national or regional public subsidies
- Incorporated schools applying for an act of endowment
- Shinkin banks
- Credit unions
- Labor banks
- Independent administrative entities
- Regional independent administrative entities
- National university corporations and the Inter-University Research Institute Corporation

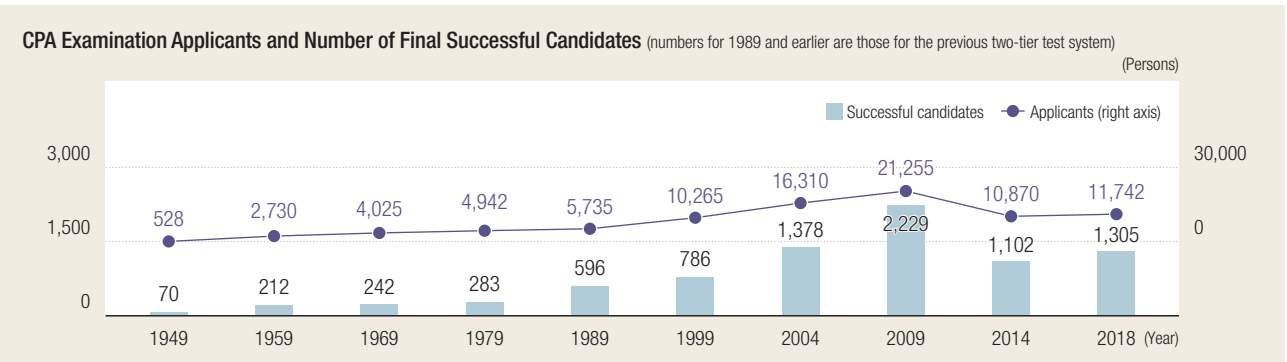
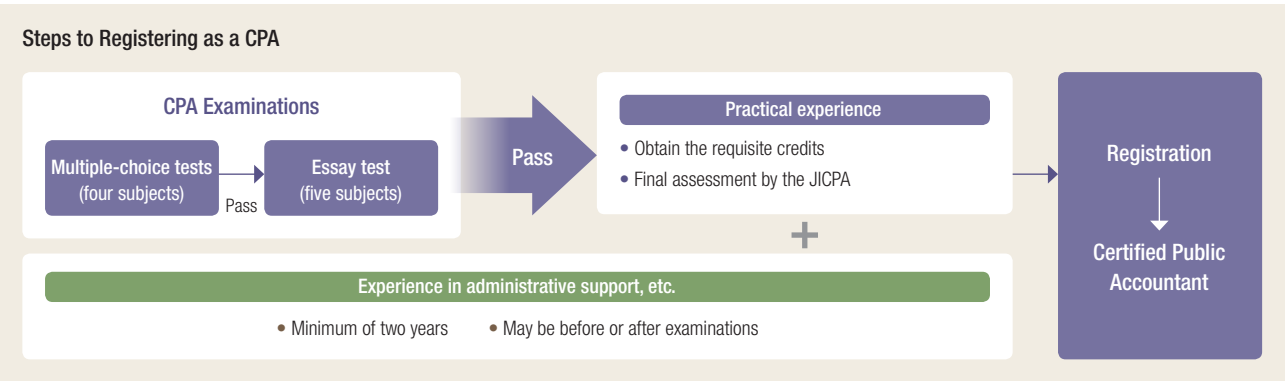
- Public interest incorporated associations and foundations
- General incorporated associations and foundations
- Consumer cooperative associations
- The University of the Air Foundation
- Agricultural credit fund associations
- The Norinchukin Bank
- Reports on expenses, etc., made using party subsidies based on the Political Party Subsidies Act
- Social welfare corporations
- Medical corporations
- Virtual currency exchange service providers as specified in the Payment Services Act
- Agricultural cooperatives

**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
- Overseas branches, subsidiaries, and joint ventures of Japanese companies
- Japanese branches and subsidiaries of overseas companies



CPAs of Japan and of other countries practicing in Japan are required to register as members of the JICPA. In addition, the types of individuals shown at right may become associate members of the JICPA (non-mandatory).

- Individuals qualified to be a CPA in Japan or another country
- Junior accountants
- Individuals qualified to be a junior accountant
- Successful CPA examination candidates
- Specified partners of audit corporations

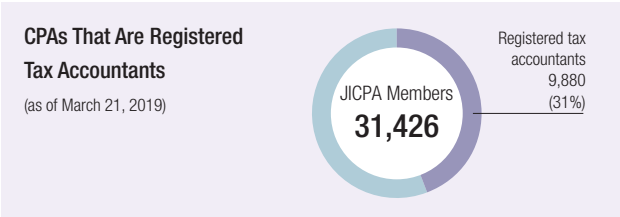
Overview of the CPA Profession

3 Areas of CPA Activity

In addition to accounting, CPAs work in a wide range of fields and roles in society as accounting experts.

1. Tax-Related Work

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



2. Consulting

CPAs provide council and advice in all areas of management, including drafting management strategy, organizational reform, and due diligence.

3. Internal Accountants

CPAs work at corporations and other public and private organizations. The number of CPAs working at organizations other than CPA offices and audit companies has been rising in recent years.

4. External Directors and Corporate Auditors

Japan's Corporate Governance Code for listed companies was adopted in 2015 and amended in June 2018. The Code states that "Companies should appoint at least two independent directors" and that "persons with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law should be appointed as *kansayaku* [corporate auditors].\*" In particular, at least one person who has sufficient expertise in finance and accounting should be appointed as *kansayaku*."

In accordance with these provisions, the number of CPAs serving as external directors and corporate auditors has been rising. In fiscal 2018, a total of 1,593 CPAs served as external directors or corporate auditors at 1,856 companies, or approximately 50% of all listed companies (JICPA survey, based on securities reports for the fiscal year ended March 31, 2018).

\* Also known as Audit & Supervisory Board Members

To support CPAs working in a variety of fields, the JICPA has established a number of specialized councils. The membership of these councils is as follows (as of March 31, 2019)

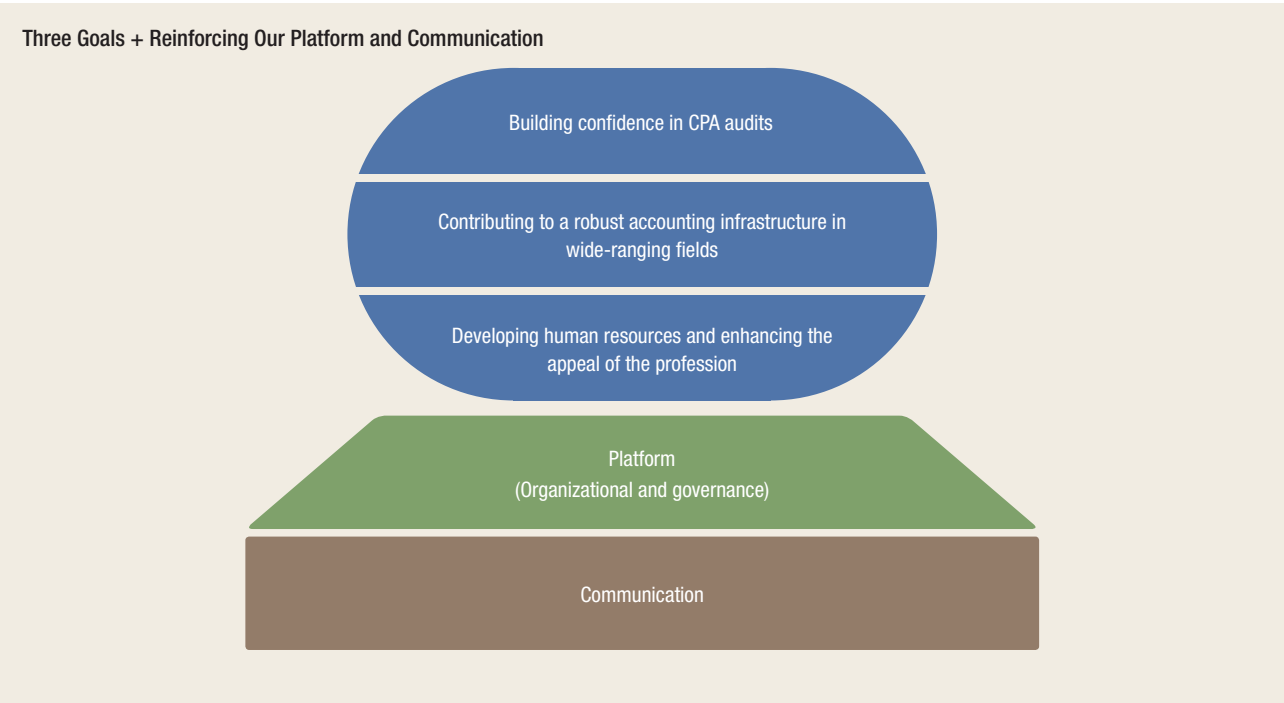
Name	Target	Members
Small and Medium-Sized Audit Firm Liaison Council	Small and medium-sized audit firms that audit listed companies	417 corporations and firms
Tax-Related Work Council	CPAs who perform tax-related work	Members: 9,041 Associate members: 6,029
Public Accounting Council	CPAs working in the public and NPO sectors	Social Security Working Group Members: 1,039 Associate members: 1,813 Regional Public Entity Accounting and Auditing Working Group Members: 2,532 Audit corporations on the working group's list: 88
Internal Accountant Council	CPAs that are employees of corporations	Members: 1,813 Associate members: 430
Council for Accountants Serving as Outside Directors and Corporate Auditors	CPAs serving as outside directors and corporate auditors	CPA Outside Director and Corporate Auditor Network Members: 771 Associate members: 610
Women in Accounting Professional Promotion Council	Female JICPA members/associate members	5,722

Fiscal 2019 Business Plan and Activities

1 Medium-Term Outlook

On July 25, 2016, Aiko Sekine began her three-year term as chairman and president. The JICPA designated three goals for the duration of her term: 1) Building confidence in CPA audits, 2) Contributing to a robust accounting infrastructure in wide-ranging fields, and 3) Developing human resources and

enhancing the appeal of the profession. In addition to these goals, during the year ended March 31, 2019 (fiscal 2019), the JICPA focused on reinforcing its organizational structure and financial base as well as promoting timely, appropriate communication about its activities and operations.



(1) Building Confidence in CPA Audits

As the cornerstone of market confidence, audits form a pivotal part of the infrastructure of capital markets. In recent years, society's confidence in auditing has been shaken by major accounting scandals. The JICPA is therefore working to restore and build confidence in audits.

(2) Contributing to a robust accounting infrastructure in wide-ranging fields

As audits are increasingly being used at social welfare corporations, medical corporations, agricultural cooperatives, and other organizations, the sphere of CPA activity is growing broader than ever. CPAs are using their expert knowledge to contribute to society within their local communities and in a wide variety of fields.

(3) Developing human resources and enhancing the appeal of the profession

The JICPA is working to increase the appeal of the CPA profession to increase the number of CPA examination applicants by such means as emphasizing that CPA qualifications can be used internationally and that women can excel in the profession.



2 Basic Policy and Priority Measures

1. Basic Policy

The JICPA is an expert professional organization of CPAs, who are responsible for ensuring confidence in information while contributing to sound organizational governance. By helping maintain and improve the qualifications of CPAs, performing self-regulatory functions with regard to their work, and providing recommendations about the function of social systems, the JICPA contributes to the development of economic society.

Furthermore, by maintaining transparent operations and proactively communicating the results of such operations, we are advancing initiatives to better fulfill our accountability to society.

2. Priority Measures

- Initiatives to solve the challenges to auditing as part of the infrastructure of capital markets and enhance disclosure**
- Enhance audit quality and transparency, improve the auditing environment, and enhance self-regulatory functions
  - Assess how auditing will change in light of evolving technologies
  - Promote fair, rational information disclosure and productive dialogue
- Contribute to local economies and communities through CPA work and implement initiatives to solve social issues as an organization of professional accountants**
- Maintain and improve the quality of audits of social welfare corporations, medical corporations, and other such entities
  - Meet society's needs by carrying out tax-related work that leverages the unique skills of CPAs and enhancing support for small- and medium-sized practice
  - Improve the accounting literacy of society as a whole

- The JICPA will continue to fulfill its social responsibility as an expert professional organization to help realize a sustainable, international, and diverse society.
- Fiscal 2019 marked the 70th anniversary of the founding of Japan's CPA system. During the fiscal year, the JICPA worked to make this system an even more robust part of economic infrastructure. In addition, we implemented measures to create a foundation enabling CPAs to better adapt to various environmental changes and play leading roles in Japan and the world far into the future.
- Develop professionals who will contribute across a broad range of fields as accounting professionals and increase the appeal of the CPA profession**
- Maintain and improve the qualifications of CPAs who utilize their skills as outside directors and corporate auditors or as in-house accountants
  - Develop professionals who can express professional opinions internationally and provide them opportunities to do so
  - Expand the diversity of accounting professionals and increase the appeal of the CPA profession by such means as supporting the professional success of female CPAs
- Actively promote understanding of the ways CPAs contribute to the public interest and reinforce the JICPA's organizational and financial foundations**
- Enhance communication related to the JICPA's transparency and dialogue with stakeholders
  - Communicate about Japan's CPA system, which is now 70 years old
  - Reinforce the JICPA's organization nationwide and enhance its financial infrastructure to support CPAs in growing spheres of activity

3 Fiscal 2019 Activities and Operations

1. Initiatives to solve the challenges to auditing as part of the infrastructure of capital markets and enhance disclosure

- (1) Enhance audit quality and transparency, improve the auditing environment, and enhance self-regulatory functions**
- a. Enhance audit quality and transparency and improve the auditing environment**
- CPA audits are part of the infrastructure of capital markets. To meet the expectations of shareholders and investors, the direct beneficiaries of such markets, maintaining and improving confidence in audits is essential. To that end, ensuring accountability—with regard to such matters as the quality of audits conducted, how such audits were carried out and how the resulting judgements were reached—is crucial.
- Based on this understanding, the JICPA implements ongoing initiatives to increase audit quality and transparency and improve the audit environment. To introduce the Key Audit Matters (KAMs), which are items (for example, the risk of material misstatements) that auditors examine during audits and write about in their audit reports, the JICPA participated from the international discussion phase onward, proactively contributing the perspective of auditors in Japan. We also communicated our opinions at the time of discussions before the recent revisions of Japan's Auditing Standards to ensure a balance of the interests of the various actors in capital markets. Furthermore, we worked on related Auditing Standards Committee Statement and research papers and held a symposium and information sessions to gain the understanding of capital market actors, such as corporate auditors and

investors. Through such efforts, we have worked to spread awareness of the updated systems.

As needs for information provision related to accounting audits are increasing, audit opinions other than an unqualified opinion (namely, a qualified opinion, an adverse opinion, or a disclaimer of opinion) are particularly attracting attention. In light of these circumstances, the Financial Services Agency established the Advisory Council on Enhancement of Auditing Information Provision, mainly to clarify the accountability of auditors when a modified audit opinion has been issued. On January 22, 2019, this advisory council published a report on enhancing the provision of accounting audit information, focusing mainly on handling modified audit opinions.

The JICPA has taken part in the advisory council's discussions and provided input from the perspective of audit practitioners regarding the way that accounting audit information should be provided for capital market actors. In addition, coinciding with the publishing of the above report by the advisory council, a statement from the JICPA's deputy presidents was sent to members to encourage awareness of the importance of auditors' accountability and duties of confidentiality. We are currently working to identify key issues regarding duties of confidentiality in an effort to determine what policies the JICPA should adopt going forward.

- b. Enhancing and Reinforcing Self-Regulatory Functions**
- As a self-regulatory body, the JICPA's key tasks are not confined to improving confidence in CPA audits. To meet society's needs and expectations regarding CPA audits, the JICPA must also maintain discipline among its members via self-regulation and implement measures necessary to further enhance the audit system and environment. To expand and strengthen the functions that form the core of our self-regulation, we consider ways to improve our overall self-regulatory organizational structure, including increasing the speed and transparency of quality control review and individual case review, and enhancing the monitoring of both systems.

Symposium with Capital Market Actors

- Date: Friday, March 8, 2019
- Location: CPA Building Event Hall
- Program: Panel discussion about the state of initiatives aimed at applying the Key Audit Matters (KAMs).



Symposium with Capital Market Actors

## Fiscal 2019 Business Plan and Activities

### (2) Assess how auditing will change in light of evolving technologies

In recent years, the press has often speculated that AI may evolve to replace auditors. However, we believe that the advance of AI and other technologies will not eliminate the work of CPAs, but free them from the demands of menial tasks, such as cross-referencing documents, and improve the efficiency of information gathering. This will free up time for more important tasks, such as making sophisticated judgments, thereby helping to improve audit value.

In light of recent developments in IT, the JICPA compiled a research report titled “The Outlook for and Challenges Facing Next-Generation Auditing,” published January 31, 2019 (in Japanese). This report comprises our outlook for the next generation of auditing as well as the challenges to realizing such auditing.

In addition, we set up a special webpage titled “The Work of CPAs and AI,” (in Japanese) featuring a video on the subject, and published a pamphlet on the use of IT in auditing. Through such efforts, we are working to foster greater understanding of the ways that IT is used in our industry.

### (3) Promote fair, rational information disclosure and productive dialogue

When a company’s accounting auditor changes, the reasons for the change are disclosed via extraordinary reports based on the Financial Instruments and Exchange Act and timely disclosure based on the securities listing regulations of securities exchanges. However, the information these provide to shareholders and other stakeholders has been criticized as inadequate. To enhance the disclosure of such reasons, the JICPA works to constantly maintain an understanding of the concrete reasons within the systems of the Listed Company Audit Firm Subcommittee. From fiscal 2019, we have begun to publish the aggregated information thus gathered in the annual report of the Quality Control Committee.



“The Work of CPAs and AI” webpage can be accessed at the URL below (in Japanese):

► <https://jicpa.or.jp/cpainfo/ai.html>



“The Uses of IT in Auditing” pamphlet can be downloaded from the URL below (in Japanese).

► <https://jicpa.or.jp/news/information/2017/20171106ifi.html>



The annual report of the Quality Control Committee can be downloaded from the URL below (in Japanese).

► [https://jicpa.or.jp/specialized\\_field/20180626nen.html](https://jicpa.or.jp/specialized_field/20180626nen.html)

## 2. Contribute to local economies and communities through CPA work and implement initiatives to solve social issues as an organization of professional accountants

### (1) Maintain and improve the quality of audits of social welfare corporations, medical corporations, and other such entities

Beyond listed companies, accounting audits have been increasingly adopted across society in recent years. Beginning in April 2017, such audits have been introduced in stages for social welfare corporations and medical corporations over a certain size, and beginning in October 2019, agricultural cooperatives and cooperative associations over a certain size will be required to undergo CPA audits.

To facilitate the smooth rollout and ongoing use of statutory audits, the JICPA has been advancing discussions with related government agencies and preparing research reports and materials on policies of practice for its members. In addition, we have held training based on the results of the first year of such audits and are providing ongoing support for members in coordination with our regional chapters.

### (2) Meet society's needs by carrying out tax-related work that leverages the unique skills of CPAs and enhancing support for small- and medium-sized practices

To foster tax experts who can meet society’s needs, the JICPA implemented training to improve the tax skills of its members and promote understanding of the Certified Public Tax Accountant Act, and enhanced the consultation services of its tax support desk. In addition, the JICPA is revising its medium- and long-term tax-related measures to help CPAs continue to contribute to society in tax-related fields.

To support small- and medium-sized practices, we have assembled a list of tools for those involved in the management and support operations of such practices and created a portal site, the Small- and Medium-Sized Practice Tool Guide, to make them easily accessible (available in Japanese). We continue to look for ways to further enhance the content of this site.



The Small- and Medium-Sized Practice Tool Guide is accessible not only to CPAs, but to the general public at the URL below.

► <https://jicpa.or.jp/business/sme/information/toolguide.html>

In addition, seizing on the occasion of the IFAC’s February 2019 Small and Medium Practices Committee meeting in Tokyo, we invited participants to a Small and Medium Practices Forum.

#### Small and Medium Practices Forum

- Date: Wednesday, February 27, 2019
- Location: CPA Building Event Hall
- Program: We invited members of the Small and Medium Practices Committee of the International Federation of Accountants (IFAC) and held lectures and a panel discussion.



Small and Medium Practices Forum

### (3) Improve the accounting literacy of society as a whole

As a group of accounting professionals, we believe that we must contribute to the spread of knowledge about accounting, which is a part of social infrastructure. Accordingly, we carry out basic accounting education promotion initiatives. In addition, we commissioned the Report on the State of Basic Accounting Education from external experts, which was published on May 31, 2018.



Fiscal 2019 Business Plan and Activities

3. Develop professionals who will contribute across a broad range of fields as accounting professionals and increase the appeal of the CPA profession

(1) Maintain and improve the qualifications of CPAs who utilize their skills as outside directors and corporate auditors or as in-house accountants

As Japan's economy grows more sophisticated, complex, and international, the number of CPAs serving as external directors and corporate auditors or as in-house accountants is steadily growing. To encourage the expansion of the sphere of CPA activity and the smooth, efficient movement of human resources, the JICPA has set up networks for both these types of CPAs. To maintain and improve the skills of such CPAs, we are holding training and other events for CPAs registered with these networks.

CPA Outside Director and Corporate Auditor Network Special Seminar  
Bringing Governance Reforms from Form to Substance—The Role of Independent Outside Officers in Increasing Corporate Value

- Date: Thursday, November 22, 2018
- Location: CPA Building Event Hall
- Program: Tsuguoki Fujinuma, who is the chairman of the CPA Outside Director and Corporate Auditor Network and possesses a wealth of experience as an outside corporate officer, and Naoki Izumiya, Chairman of the Board of Asahi Group Holdings, who led that company's trailblazing corporate governance reforms, gave lectures. The second half of the seminar included a panel discussion on the theme "how independent outside officers support dialogue between companies and investors."



CPA Outside Director and Corporate Auditor Network Special Seminar

The JICPA has prepared a code of professional ethics for in-house accountants and, in fiscal 2019, has established guidelines for in-house accountants to follow in the event that they notice or suspect illegal activity in the company or organization they work for. In addition, we have prepared and published a pamphlet titled "Leveraging CPAs In Your Company" to encourage the use of CPAs by companies.



The "Leveraging CPAs In Your Company" pamphlet can be downloaded from the URL below (in Japanese).

▶ <https://jicpa.or.jp/sitemap/CareerNavi2019.pdf>

(2) Develop professionals who can express professional opinions internationally and provide them opportunities to do so

Amid rapid globalization, developing accounting professionals who can express professional opinions internationally is a pressing issue. The JICPA is reinforcing coordination with international organizations (by such means as short-term dispatches of personnel to such organizations) as part of its ongoing human resource development. At the same time, to enhance the diversity of globally capable accounting human resources, we are proactively communicating the appeal of global work through such means as our website and seminars.

Vision for the Future—Globally Capable CPAs Working in International Institutions

- Date: Saturday, December 8, 2018
- Location: CPA Building Event Hall
- Program: Moderated by Kentaro Yamamoto (Representative director, Zenkai; associate member of the JICPA), Raira Yamasaki (CPA), who works at the Japan Relations Office of the U.N.'s World Food Programme, and Makoto Honda, Chief of the Ministry of Foreign Affairs' Recruitment Center for International Organizations, who has extensive experience dispatching human resources to international organizations, discussed themes including the definition of globally capable human resources, the preparation needed to work in international roles, and how CPA skills can be used in international organizations. The event also featured an explanation from the Recruitment Center for International Organizations on the details of its Junior Professional Officer dispatch system.



Discussion between Mr. Yamamoto, Mr. Yamazaki, and Mr. Honda

(3) Expand the diversity of accounting professionals and increase the appeal of the CPA profession by such means as supporting the professional success of female CPAs

Creating a more diverse and inclusive society is a guiding principle for the CPA industry. The JICPA aims to create a society in which every CPA has equal opportunities to contribute across a wide range of fields. To promote the increased professional success of women in accounting, we have established targets regarding the proportion of women among our members and associate members and among successful CPA examination candidates. We are examining measures to achieve these targets.

Furthermore, in coordination with these efforts, we are holding events targeting female college students in order to increase the appeal of the CPA profession.

JK (*josei kouninkaikeishi*: female CPAs) × JK (*joshi kokosei*: female high school students) PARTY

Enjoy learning about the work styles of the future!

- Date: Thursday (public holiday), March 21, 2019
- Location: MOJA in the HOUSE (Shibuya, Tokyo)
- Program: This talk event, emceed by comedian Tetsuya Yanagihara, began with remarks from Kumiko Terai, chairman of the Public Relations Committee. With speakers including Izumi Okamoto, CPA who has a U.S. CPA certification and works internationally, Satoko Matsuda, CPA who is working while raising two small children, and special guest actor Marie Iitomi, the female high school students in the audience enjoyed learning about the CPA qualification and future modes of working through talks and games.



JK × JK PARTY talk event

Event for female college students: 10 Colors of CPA

- Date: Thursday, December 6, 2018
- Location: HELLO, VISITS University of Tokyo (Hongo, Bunkyo-ku, Tokyo)
- Program: Toko Shirakawa, a journalist who reports on Japan's low birth rate, spoke to female college students about women's careers and workforce participation, and 10 women of diverse career paths held a panel discussion on the reasons they chose to become CPAs. A reception then allowed participants to freely discuss a range of topics.



10 Colors of CPA panel discussion



Fiscal 2019 Business Plan and Activities

4. Actively promote understanding of the ways CPAs contribute to the public interest and reinforce the JICPA's organizational and financial foundations

(1) Enhance communication related to the JICPA's transparency and dialogue with stakeholders

To enhance transparency and communication with society regarding its activities, the JICPA published Annual Report 2018. Other publications related to initiatives to enhance transparency and communication include the annual report of the Quality Control Committee, a collection of quality control review case studies, and a summary of the activities of the system for individual case review.

Furthermore, we are using various media, including newspaper ads and digital signage in train stations, as well as holding regular press conferences in an effort to communicate about the JICPA to the public.



Advertisements that ran on digital signage

Press conferences in fiscal 2019

1. Friday, April 6, 2018
  2. Thursday, June 21, 2018
  3. Tuesday, July 24, 2018
  4. Friday, September 14, 2018
  5. Thursday, November 29, 2018
  6. Thursday, February 28, 2019
- An overview of the JICPA's press conferences is available on its website (in Japanese).



Press conference

(2) Reinforce the JICPA's organization nationwide and enhance its financial infrastructure to support CPAs working in growing spheres of activity

In light of the expectations and needs of society regarding CPAs, the JICPA must continue to strengthen its systems of support for the work of its members. Securing a solid financial infrastructure to underpin such efforts is a challenge that we face. To this end, the JICPA examined how to ensure that its finances would be sustainable, based on medium- and long-term projections, and published an exposure draft of recommendations. Reflecting feedback to this draft, the JICPA then published a revised version titled "Recommendations for Ensuring Sustainable Finances for the JICPA" in December 2018. This document provides recommendations regarding such matters as adjusting membership fees and educational fees based on the three perspectives of the JICPA's current finances, cost reduction measures, and the JICPA's revenue structure.

In addition, in order to adapt to structural changes in the economy and society and shifts in society's expectations as well as to enhance the JICPA's overall functions, the JICPA reinforced its administrative functions. In light of the work style reforms being advanced across Japan, the JICPA, led mainly by its administrative employees, also considered work styles within its organization.

4 Lectures by the Chairman and Other Events

JICPA chairman and president Aiko Sekine attended numerous lecture events, speaking about the role of CPAs and reporting on the activities of the JICPA. This provided opportunities to engage in discussions with many stakeholders and reflect their opinions in the JICPA's operations.

The main lecture and other events held at outside organizations are as follows. The materials used in these lectures are available at the JICPA's website (in Japanese).

Thursday, May 10, 2018

Lecture for Students of the Waseda University School of Commerce

Chairman Sekine gave a lecture on the theme "The contributions of CPAs across a wide range of fields in Japan and the world" at Waseda University (Shinjuku-ku, Tokyo).



Tuesday, May 29, 2018

Keio University Accounting Research and Education Center Symposium

Chairman Sekine expressed her views on the theme "The place of the researcher and the place of the practitioner" at Keio University (Minato-ku, Tokyo).



Tuesday, July 17, 2018

Lecture for Students of Toyo University Faculty of Business Administration, Department of Accounting and Finance

Chairman Sekine gave a lecture on the theme "The contributions of CPAs across a wide range of fields in Japan and the world" at Toyo University (Bunkyo-ku, Tokyo).



Friday, September 21, 2018

Lecture for Students of the Rikkyo University College of Economics Department of Accounting and Finance

Chairman Sekine gave a lecture on the theme "The contributions of CPAs across a wide range of fields in Japan and the world" at Rikkyo University (Toshima-ku, Tokyo).



Saturday, October 13, 2018

Joint Research Conference of the Business Analysis Association and Japanese Association for Research in Disclosure

Chairman Sekine gave a lecture on the theme "CPA audits and the role of CPAs in Japan" and participated in a panel discussion at the Osaka Head Office of Nikkei, Inc. (Osaka-shi, Osaka).

Tuesday, November 13, 2018

Lecture and Dialogue at Waseda University

Chairman Sekine gave a lecture and took part in a discussion with Akio Negishi, Director, President, and Representative Executive Officer of Meiji Yasuda Life Insurance Company, on the theme "Leaders discuss: The work of CPAs and actuaries, as told by Waseda alumni" at Waseda University (Shinjuku-ku, Tokyo).



Monday, February 18, 2019

Lecture at O-HARA Gakuen

Chairman Sekine gave a lecture on the theme "The contributions of CPAs across a wide range of fields in Japan and the world" at Shikaku no O-Hara Tokyo Suidobashi School (Chiyoda-ku, Tokyo).



Wednesday, February 27, 2019

Roundtable Discussion with the Japan Audit & Supervisory Board Members Association Kyushu Chapter

The JICPA's Hokubu Kyushu Chapter and Minami-Kyushu Chapter jointly held a roundtable discussion with the Japan Audit & Supervisory Board Members Association Kyushu Chapter. Participants reported on the recent activities of the association and exchanged opinions.



Self-Regulation Initiatives

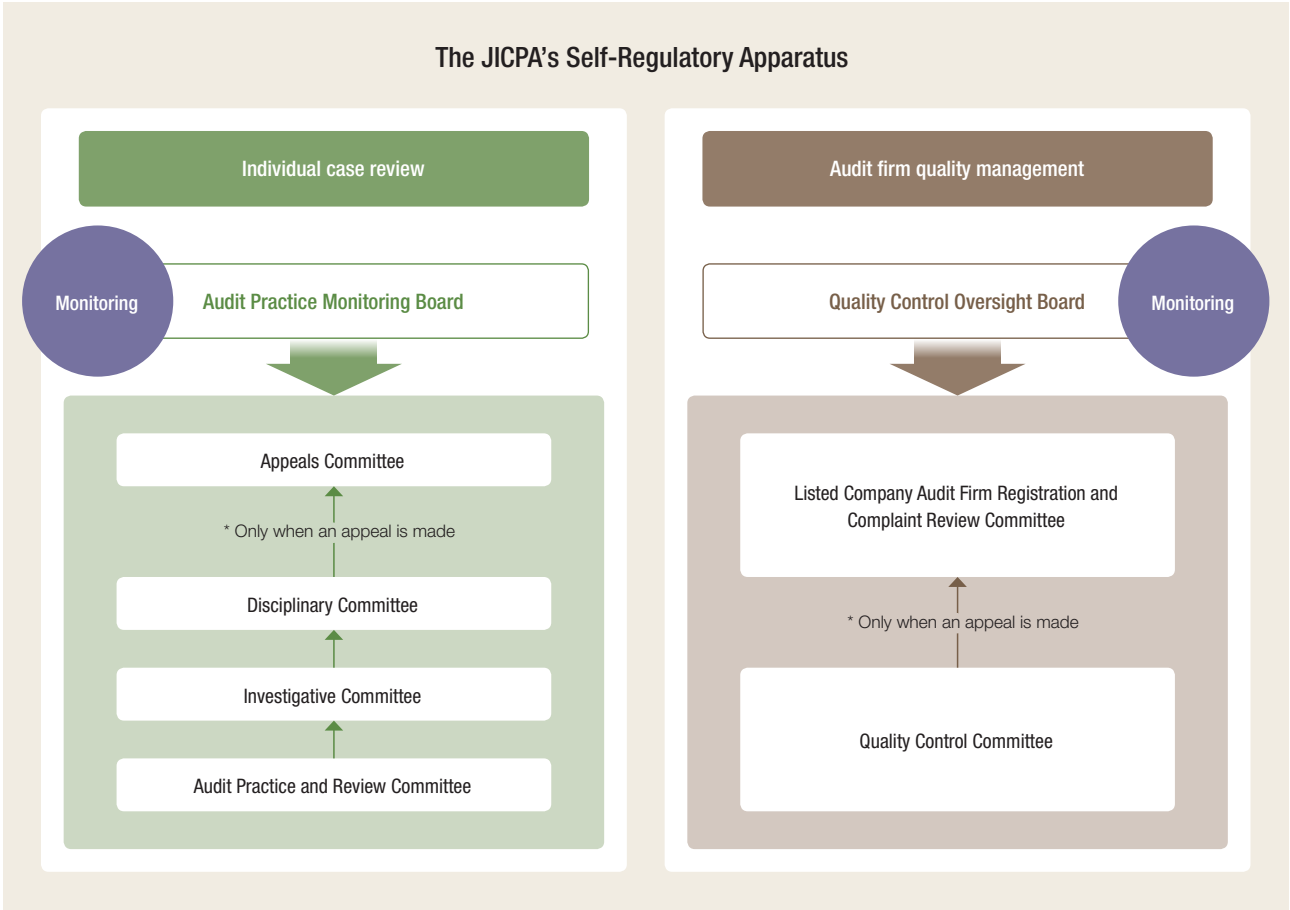
1 Self-Regulation Overview

Role of Self Regulation

As a self-regulatory body charged with maintaining the credentials of CPAs at a high level, the JICPA conducts activities to guide, connect, and supervise its members, seeks to maintain and improve the quality of the work of CPAs, and implements initiatives to ensure society's confidence in the work of CPAs.

The JICPA's Self-Regulatory Apparatus

The JICPA's self-regulation comprises two core functions. The first is individual case review, in which such matters as the audit implementation status and appropriateness of audit opinions concerning individual audit engagements and issues involving the professional ethics of CPAs are reviewed. The second is the quality control review system, which provides guidance and supervision regarding the quality control systems of audit firms.



In fiscal 2019, we reexamined the individual case review system in order to better provide quick, timely information on reviewed matters to society, ensure clear, satisfying explanations of the review process, and enhance the transparency of

self-regulatory functions. We also reexamined the quality control review system, including its monitoring mechanisms. We plan to implement improvements to our self-regulatory systems in fiscal 2020 based on the results of these examinations.

2 Individual Case Review

Audit Practice and Review Committee

The Audit Practice and Review Committee reviews the implementation of audits and appropriateness of audit opinions for individual audit engagements, such as those related to companies' IR, audit hotline reports, or problems reported in the media. Based on its findings, the committee chairman then issues recommendations or instructions to members deemed to require

improvement. In addition, the committee refers matters found to require deeper investigation to the Investigative Committee.

The committee issues compilations of the suggestions it has made based on its reviews for use as reference in the auditing work of CPAs. Separate versions are prepared for JICPA members and for the general public.

Investigative Committee

The Investigative Committee investigates matters referred by the Audit Practice and Review Committee as well as matters concerning issues of ethics or other matters referred to it in accordance with the JICPA Constitution. It discusses whether

violations of laws, regulations, or the JICPA Constitution or other rules have occurred as well as the need for disciplinary action, and requests review by the Disciplinary Committee as needed.

Disciplinary Committee

The Disciplinary Committee accurately and equitably evaluates matters for which it has received a review request from the Investigative Committee based on the Investigative Committee's disciplinary action proposals and determines the disciplinary actions to be imposed.

The members of the Disciplinary Committee include outside experts.

The committee issues compilations of cases it has decided to JICPA members as a resource to help them audit appropriately and to maintain and improve their professional ethics.

Appeals Committee

When a member is not satisfied with the decision of the Disciplinary Committee and their case meets certain conditions, they may file an appeal with the Appeals Committee. The Appeals Committee accurately and equitably evaluates such

appeals and either returns cases to the Disciplinary Committee or dismisses them.

The Appeals Committee includes outside experts as members.

Audit Practice Monitoring Board

The Audit Practice Monitoring Board examines and evaluates the activities of the Audit Practice and Review Committee, Investigative Committee, Disciplinary Committee, and Appeals Committee and makes suggestions as needed in order to contribute to the appropriate evaluation by the JICPA of the auditing performed by CPAs.

The members of the Audit Practice Monitoring Board include outside experts. The board monitors whether or not each body's investigations are being implemented properly.

Audit Practice Monitoring Board Members (As of March 31, 2019)	
Kimataka Mori	Chairman/JICPA Councilor
Hideyoshi Ando	Acting Chairman/Professor, Senshu University/Professor Emeritus, Hitotsubashi University
Tatsuo Uemura	Professor, School of Law, Faculty of Law, Waseda University
Hiroshi Miyake	Former Vice President, Japan Federation of Bar Associations
Yasushi Suzuki	Managing Governor, Japan Exchange Regulation
Yasushi Kurokawa	Audit & Supervisory Board Member, JFE Steel Corporation/ Former Vice Chairperson, Japan Audit & Supervisory Board Members Association
Names in blue are outside experts	

Types of Disciplinary Sanctions

The following five types of disciplinary action may be imposed by the JICPA.

- 1. Reprimand
- 2. Suspension of the membership rights granted by the JICPA Constitution
- 3. Expulsion from the JICPA
- 4. Recommended deregistration from the JICPA

5. Request to the Financial Services Agency to impose such sanctions as striking the individual from the CPA registry or issuing a dissolution order to an audit corporation

(May be combined with items 1–4)

When investigations find that matters examined require improvement but do not warrant disciplinary sanctions, the bodies involved issue recommendations or instructions as needed.



Self-Regulation Initiatives

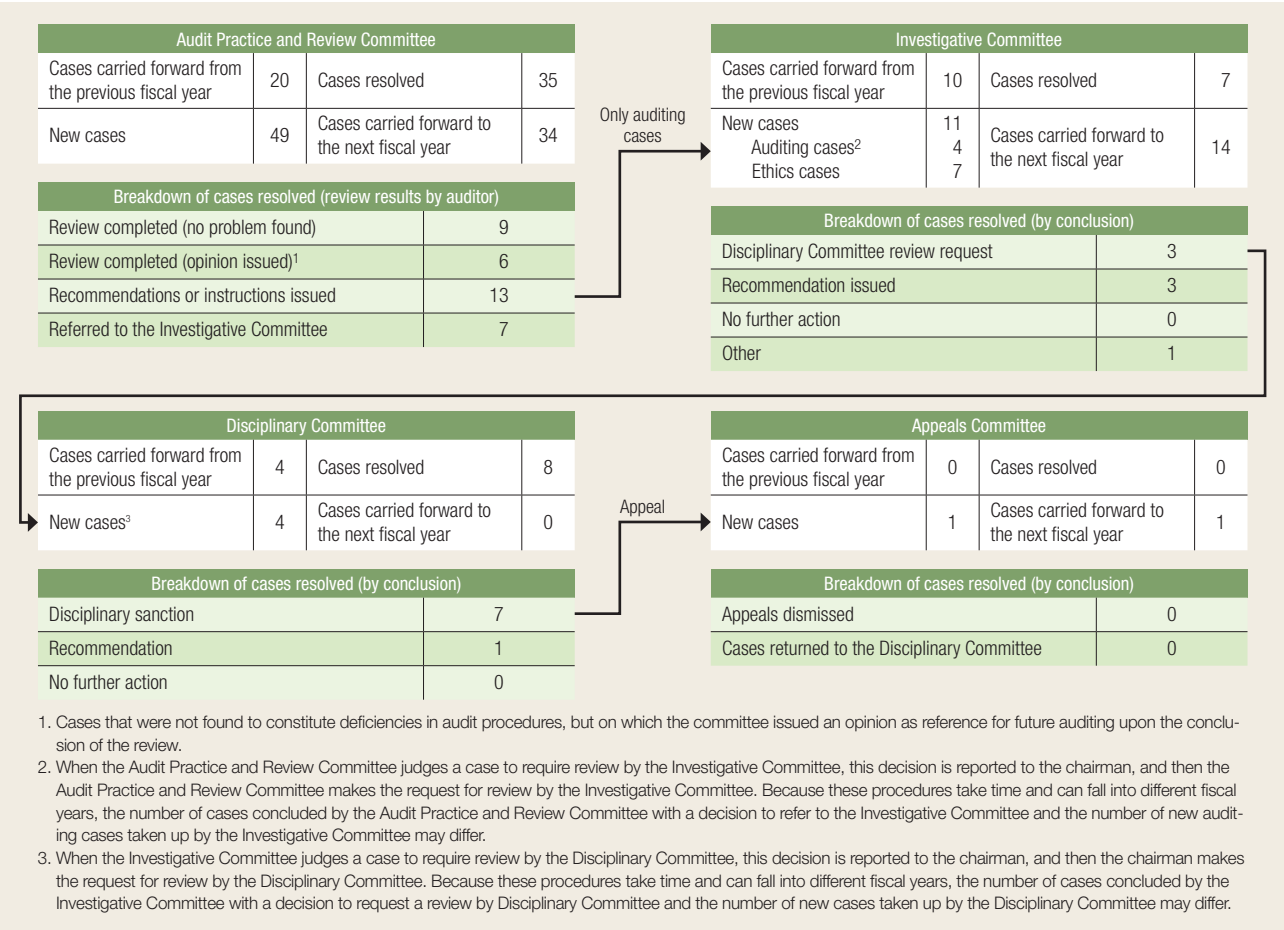
Internal and External Disclosure of Disciplinary Sanctions

Disciplinary sanctions imposed by the JICPA are, per the JICPA Constitution, internally disclosed to members via the JICPA web-site (on a page only accessible to members and associate members), the JICPA newsletter, and postings in the JICPA offices.

Furthermore, disciplinary sanctions imposed may be disclosed publicly if the severity of the underlying matter exceeds a certain threshold or the said matter is of great interest or import to society and the JICPA chairman deems so necessary in order to secure the confidence of society in the JICPA and the CPA system.

Data: Individual Case Reviews

Reviews undertaken in fiscal 2019 are summarized in the chart below. Note that an overview of the activities of the individual case review system is published separately (in Japanese).



Disciplinary Sanctions Imposed		
	Type of sanction	Actions*
Individuals	Reprimand	0
	Suspension of membership rights	11
	Recommended deregistration	0
	Sanction request filed with the FSA	0
	Expulsion	0
Audit Corporations	Reprimand	3
	Suspension of membership rights	0
	Recommended deregistration	0
	Sanction request filed with the FSA	0

\* The number of individuals for the individuals category and the number of corporations for the audit corporations category.

3 Quality Control at Audit Firms

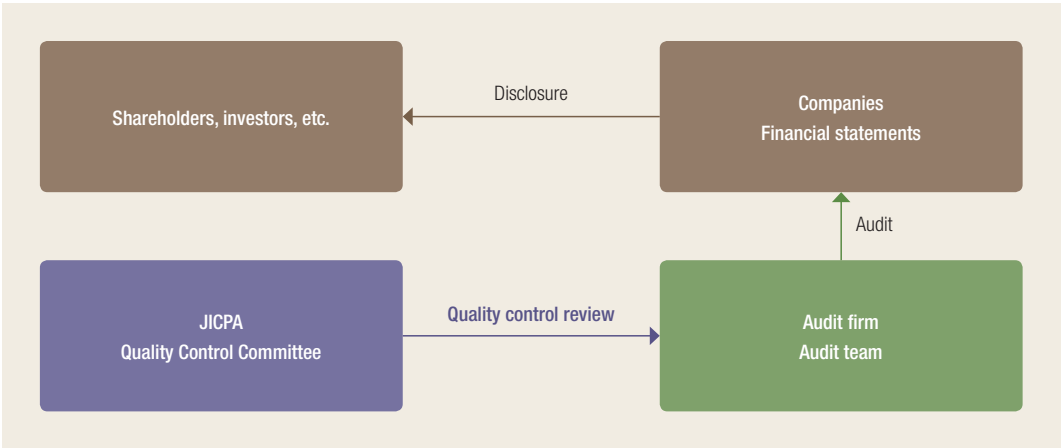
1. Quality Control Reviews

In light of the public significance of auditing, since fiscal 2000, the JICPA has operated a quality control review system for audit firms (audit corporations and CPAs) as a means of self-regulation in line with the Certified Public Accountants Act. The system is aimed at maintaining and improving the quality of auditing as well as securing society's confidence in audits.

Under the quality control review system, the Quality Control Committee reviews the status and implementation of the quality

control systems of audit firms and, as needed, issues recommendations for improvement or imposes appropriate measures. In this way, the system helps maintain and improve the quality of audits conducted by audit firms.

The quality control review system is not intended to badger, penalize, or interfere in the formation of audit opinions by audit firms.



The system includes two types of quality control reviews. The first is regular reviews, which are conducted periodically or flexibly and examine an audit firm's overall quality management. The second is special reviews, which are conducted as needed, when a situation arises in which there is concern that

society's confidence in auditing may be damaged. Special reviews examine quality management in specific fields of the audit firm involved or the quality management of specific audit engagements.

Quality Control Review Conclusions (Regular Reviews)

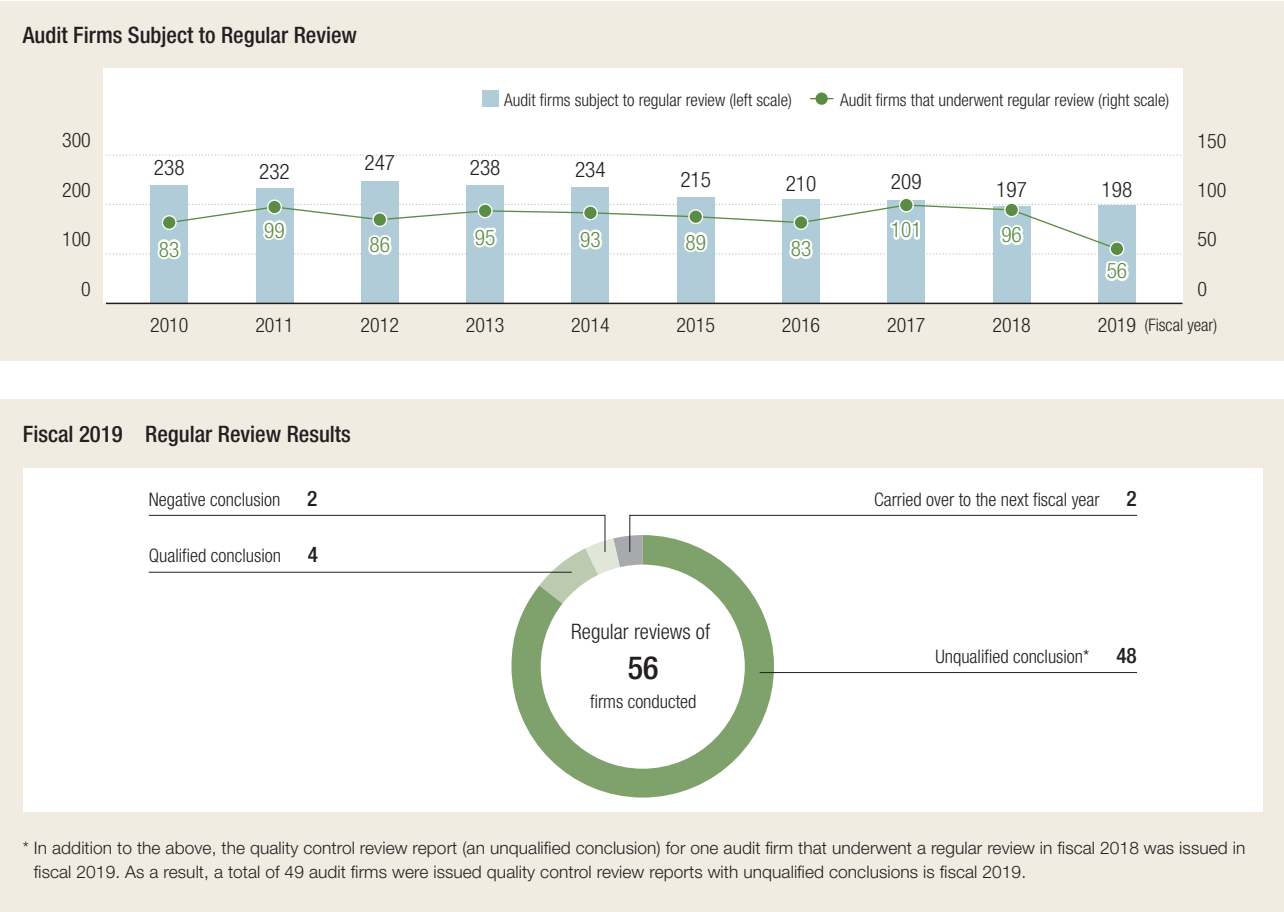
Type of quality control review conclusions	Description
Unqualified conclusion	Presented when a regular review finds that the conditions of both a. and b., below, are met. a. No significant non-conformities with quality management standards were found in the quality control system established by the audit firm b. No significant non-conformities with the audit firm's quality control system were found in the auditing related to audit reports dated in the period covered by the review
Qualified conclusion	Presented when, as a result of a regular review, significant matters were observed that were deemed cause for considerable concern about the possibility of material non-compliance with professional standards or applicable laws and regulations in the auditing performed by the audit firm.
Negative conclusion	Presented when, as a result of a regular review, significant matters were observed that were deemed cause for serious concern about the possibility of material non-compliance with professional standards or applicable laws and regulations in the auditing performed by the audit firm and extremely significant violations of professional standards or applicable laws and regulations were observed in the individual engagements subject to normal review.

Self-Regulation Initiatives

Data: Regular Quality Control Reviews

The number of audit firms undergoing regular reviews each fiscal year and a summary of the fiscal 2019 regular review results are presented below.

Note that the results of quality control reviews are compiled in the annual report of the Quality Control Committee, which is published separately (in Japanese).



Expanding Disclosure of Quality Control Review Results

In principle, quality control review reports may not be disclosed to any third party. However, a partial amendment to the Quality Control Committee's rules in July 2018 now allows audit firms to disclose to third parties summaries of their most recent quality control review results (such as the quality control review conclusion) in the audit quality reports that they prepare.

Quality Control Oversight Board

The JICPA has established the Quality Control Oversight Board, the members of which include outside experts, to facilitate the appropriate operation of the Quality Control Committee. The Quality Control Oversight Board examines and evaluates the operation of the quality control review system and, based on the results of these efforts, makes recommendations to the Quality Control Committee.

Quality Control Oversight Board (As of March 31, 2019)	
Shozo Yamazaki	Chairman/JICPA Councilor
Kenzo Yamamoto	Acting Chairman/Outside Director, Bridgestone Corporation
Masaaki Oka	Former Vice President, Japan Federation of Bar Associations
Joji Okada	Chairperson, Japan Audit & Supervisory Board Members Association
Yasuyuki Konuma	Director and Senior Executive Officer, Tokyo Stock Exchange, Inc.
Takatoshi Hayashi	Professor, School of Business Administration, Kwansei Gakuin University
Yoshihide Toba	Visiting Professor, Akita International University
Names in blue are outside experts	

Monitoring by the Certified Public Accountants and Auditing Oversight Board

The Certified Public Accountants and Auditing Oversight Board (CPAFOB) is a government organ established within the Financial Services Agency based on the Certified Public Accountants Act and Act for Establishment of the Financial Services Agency. The main operations of the CPAFOB are

administering the CPA examinations, reviewing and examining audit firms, and investigations and deliberations related to disciplinary sanctions for CPAs.

Based on the Certified Public Accountants Act, since fiscal 2005, the JICPA has reported on the status of quality control reviews to the CPAFOB, and the CPAFOB monitors such reviews.

2. Registration System for Audit Firms that Engage in Audits of Listed Companies

To further strengthen quality control of the audits performed by audit firms that have audit agreements with listed companies, in 2007, the JICPA introduced a registration system for such audit firms. This system is operated as a component of the quality control review system. The Listed Company Audit Firm Subcommittee, established within the Quality Control Committee, maintains an official roster of audit firms that engage in audits of listed companies as well as a roster of associate registered audit firms that it makes broadly available to the public. The subcommittee also makes decisions on allow-

ing firms to be registered and registration-related measures. The securities listing regulations of securities exchanges in Japan require listed companies to engage auditors that are registered on the roster of audit firms that engage in audits of listed companies or the roster of associate registered audit firms. The roster of audit firms that engage in audits of listed companies is available on the JICPA's website (in Japanese).

Firms Registered on the Roster of Audit Firms That Engage in Audits of Listed Companies

	March 31, 2018	March 31, 2019
Audit firms that engage in audits of listed companies	126	118
Associate registered audit firms*	8	13
Total	134	131

\* Audit firms that have specific plans to form audit engagements with a listed company or those without specific engagement plans that currently audit a company deemed equivalent to a listed company and aim to form future audit engagements with listed companies.

Improving Confidence in Auditing

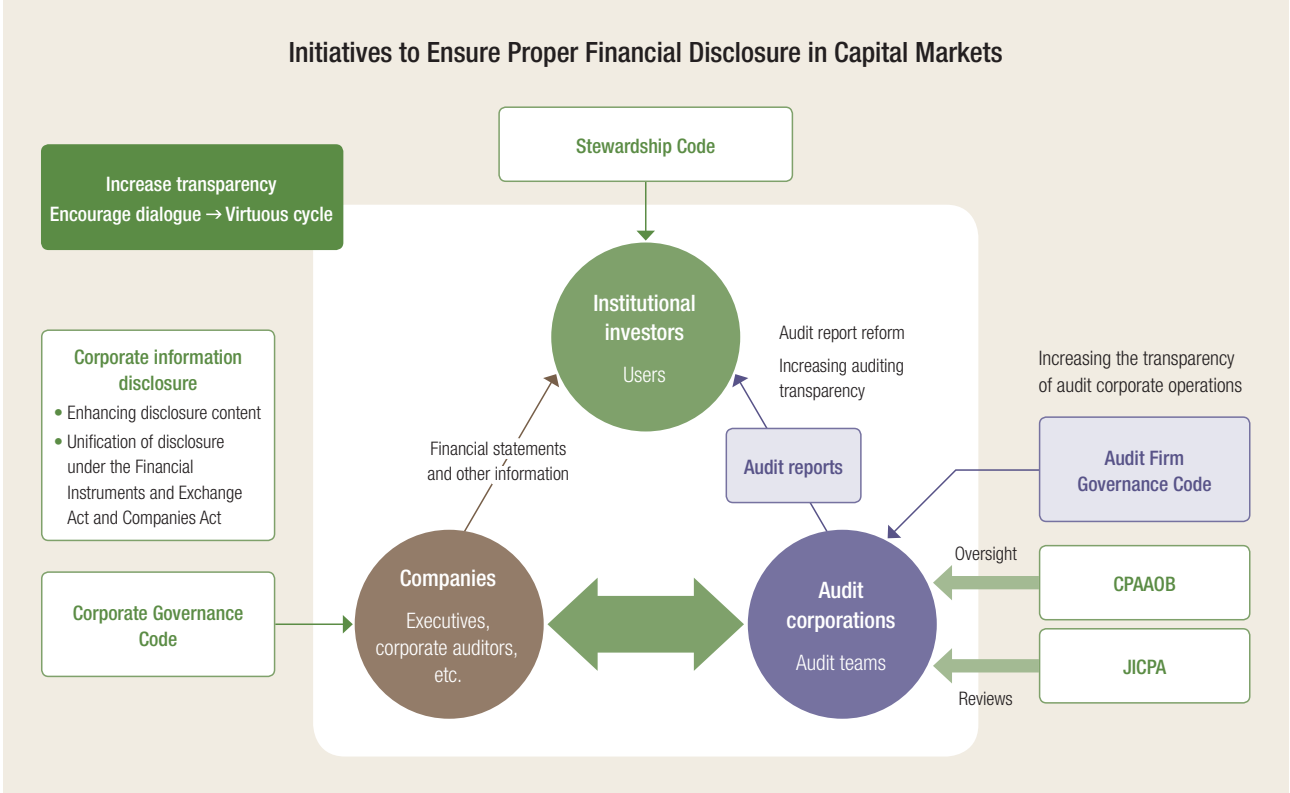
One significant trend amid the structural changes to society in recent years has been demand for increased transparency in organizations and business. In capital markets, initiatives to enhance information disclosure are being advanced to enable increasingly international and diverse companies to grow sustainably. Beginning with requirements related to securing appropriate disclosure and transparency in Japan's Corporate Governance Code for companies, followed by the introduction of

the Fair Disclosure Rules, disclosure systems are being improved. This includes proposals related to enhancing both financial information and written explanations to facilitate understanding of such information as well as the provision of governance information aimed at encouraging productive dialogue. In parallel with such efforts, initiatives to increase the transparency of auditing are also being implemented.

1 Improving Transparency in Auditing

The Audit Standard Committee of the Financial Services Agency's Business Accounting Council issued an opinion on the revision of Japan's Accounting Standards on July 5, 2018. Of particular note, this opinion indicated that auditors should include matters they deem especially important in their audits of annual financial statements in their audit reports as Key Audit Matters (KAMs). The introduction of KAMs is expected to have a number of positive effects. These include increasing the transparency of audits, raising the value of information in audit reports, enhancing discussions between accounting auditors and companies' executives and corporate auditors, promoting dialogue between companies and the users of their financial statements,

and enhancing corporate financial reporting. Matters included in a report's KAMs may be completely different even between companies in the same industry, depending on company scale, culture, management, or other differences. It is vital that accounting auditors write KAMs based on adequate understanding and consideration of the company's particular characteristics. The JICPA has revised its practical guidelines in this area and is working to spread awareness and knowledge of the KAMs in society and among its members through public relations activities and training in order to meet society's expectations, including those for the early application of the KAMs from the year ending March 2020.

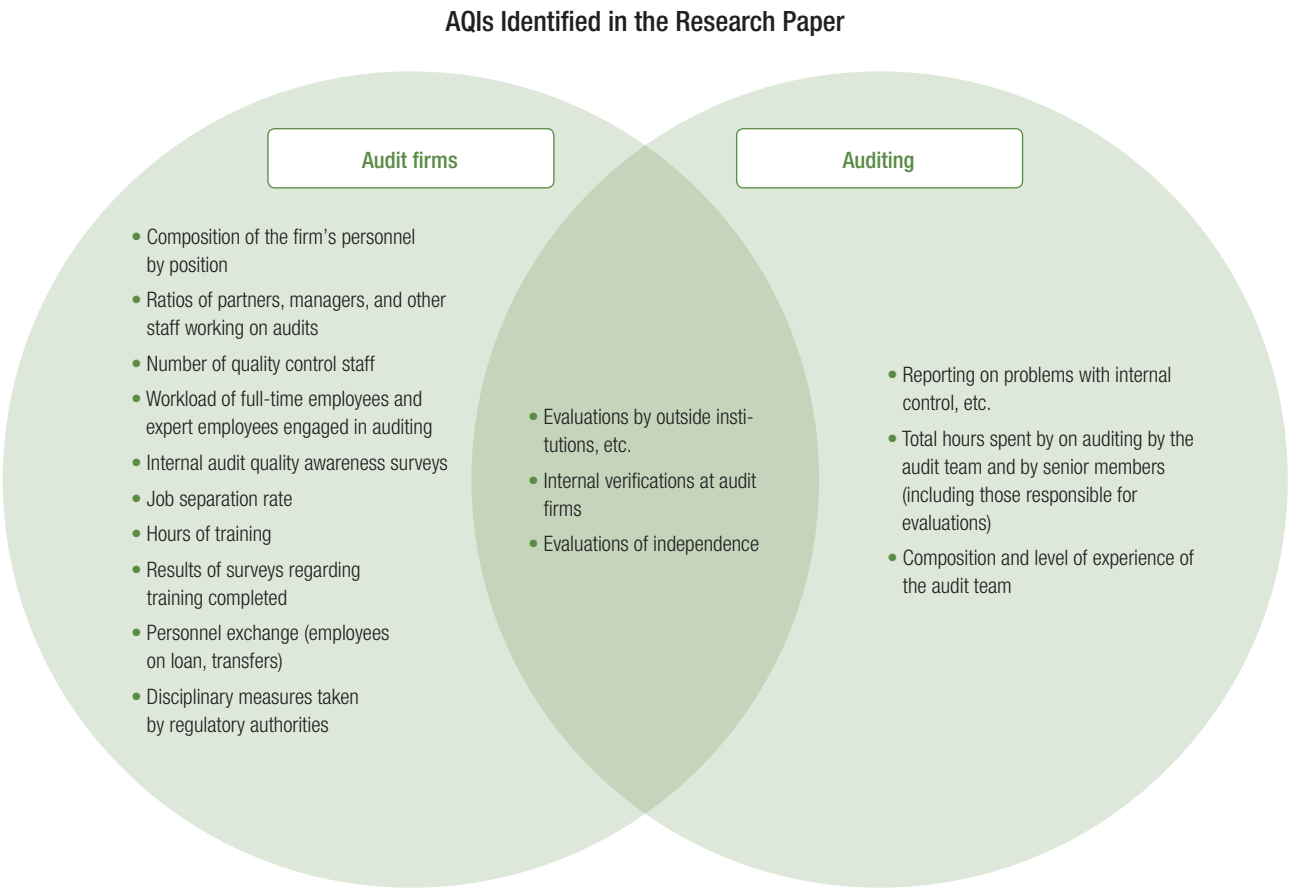


CPAAOB: Certified Public Accountants and Auditing Oversight Board (Financial Services Agency)  
JICPA: Japanese Institute of Certified Public Accountants (self-regulatory body)

2 Improving the Transparency of Audit Firms

The JICPA published a research paper on audit quality indicators (AQIs) on November 21, 2018 (in Japanese). AQIs provide quantitative data on audit quality. The JICPA's research paper identified AQIs for audit firms and for auditing. These were selected with the assumption that the former would be used for disclosure by firms that audit listed corporations, while the latter would be used by audit teams in explanations given to, for example, the corporate auditors of the companies

they audit. The report also provides an example of how firms might present AQIs, based on an approach of allowing firms to find creative ways to present AQIs as they see best. Used appropriately, AQIs are expected to deepen the understanding of interested external parties regarding initiatives to improve audit quality, contribute to productive dialogue, and provide useful information to corporate auditors for evaluating the performance of accounting auditors.





Improving Confidence in Auditing

Interview with the Deputy President in Charge of Auditing and Assurance

How will initiatives to improve audit transparency change accounting and auditing? What is the role of the JICPA in these initiatives? We put these questions to JICPA Deputy President (responsible for ethics, audit quality control standards, and auditing and assurance) Shigeru Takahama.



Shigeru Takahama  
Deputy President  
Japanese Institute of  
Certified Public Accountants

**Q1** Why is improving audit transparency such a hot topic recently?

Auditing comprises an important part of the infrastructure of capital markets. Despite this, the content of auditing, such as the procedures used to carry out audits, as well as the internal management functions of audit firms, especially firms over a certain size, have been rather opaque. There have thus long been needs for clearer explanations in these areas.

To address these needs, in the past few years, the Key Audit Matters (KAMs) system has been introduced to increase the transparency of auditing, while measures to increase the

transparency of audit firms have been advanced in response to the adoption of the Audit Firm Governance Code.

Increasing the transparency of auditing and audit firms will allow for more feedback from capital markets and enable the appropriate evaluation of auditors. This will also help auditors better understand the expected value of audits, helping them provide higher quality audits, thereby improving the value of auditing as infrastructure supporting sustainable market growth and creating a virtuous cycle.

**Q2** What initiatives has the JICPA implemented to improve transparency? What do you see as its role?

In February 2019, the JICPA put together practical guidelines for the use of KAMs to improve auditing transparency. Furthermore, to support their establishment as part of audit practice, in June 2019 we released an exposure draft of a research paper, in Q&A format, that provides more concrete explanation.

Regarding the transparency of audit firms, with an eye to enhancing the information disclosure of audit firms in line with the requirements of the Audit Firm Governance Code, the JICPA has established an Audit Firm Disclosure Project Team. This team has published the aforementioned research paper on

AQIs as well as a research paper providing examples for audit corporations of financial documents and audit reports.

Furthermore, we have engaged in discussions with numerous related parties in and outside Japan and held public forums and symposiums regarding KAMs and the Audit Firm Governance Code. Going forward, we will continue to create opportunities for dialogue with related parties in capital markets and lead the way forward to increase the value of audits as part of the infrastructure of capital markets.

**Q3** How are auditors expected to improve audit transparency?

First, regarding auditing transparency, the discussion of KAMs began based on criticism from society that conventional audit reports were often almost all the same, based on standard templates, and that the items auditors were focusing on and the basis for their decisions were inscrutable.

KAMs serve to disclose the processes of audits completed. As such, the KAMs of audit firms should not all be the same; rather, providing, unique information specific to each audit and firm will be extremely important. This will require working to change the existing mindsets of auditors. We will do our utmost to ensure that they understand the purpose of the KAMs and can provide effective explanations.

Turning to the transparency of audit firms, initiatives are already under way at firms to further improve audit quality.

Audit corporations are disclosing such efforts through audit quality reports and other means, and I have heard that they are gradually gaining the understanding of capital markets. I hope that audit corporations will take in feedback from capital markets and use it toward greater improvements while continuing initiatives to improve governance.

Lastly, as these initiatives will help make audit quality more visible, I think we should regard them as an excellent opportunity for auditors to fulfill their duties of accountability. The true mission of auditors is to proactively contribute to the public interest. To fulfill this mission, I think it is important we embrace change in our approach to auditing. I believe these innovations to audit systems will be a positive step forward, contributing to the sustainable development of capital markets.

Improving Confidence in Auditing

Q4

How are audit firms and the JICPA implementing audit quality checks?

Just as companies and investors have the Corporate Governance Code and Stewardship Code, we auditors, as well as audit corporations over a certain size, have the Audit Firm Governance Code.

The basic principles of the code lay out quality control mechanisms, by which audit firms must create and maintain systems—similar to the internal control systems of companies—to ensure that they, as corporations, do not fail to audit properly. Audit corporations provide explanations of these internal systems to the public via their audit quality reports.

At the same time, the JICPA implements quality control reviews to check the quality control systems of audit firms and publishes summaries of the findings of such reviews. Under the quality control review system, most audit firms are, in principle, reviewed once every three years, or once every two years for especially large firms.

The results of the JICPA's reviews are also used as part of the AQLs.

Q5

Please tell us more about the KAMs.

Japan's Auditing Standards define KAMs as “those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.” Part of their purpose is to improve the value of information provided by clearly indicating in the audit report which matters the auditor deemed the most important, thereby enhancing audit transparency. Including this information in audit reports provides users with an explanation of the process carried out by the auditor, bringing into the open a process that had previously been hidden in a black box.

However, KAMs do not represent an entirely new practice; they correspond to a part of the content that we accounting auditors already explain to corporate auditors. The abovementioned “matters communicated with those charged with governance” are matters that are already explained to corporate auditors from the audit planning stage and when reporting the

audit results. The KAMs are a system for selecting from these the most important items and explaining them in the audit report.

One of the questions regarding the KAMs is the handling of undisclosed information. When an accounting auditor deems it necessary to include as-yet undisclosed information in the KAM section of a report, they will first encourage the company's executives to disclose said information, and, if needed, discuss the matter with the corporate auditors. The preamble to the Auditing Standards states that executives are expected to proactively respond to requests from accounting auditors, and that corporate auditors, who are responsible for overseeing the execution of directors' duties, are expected to encourage executives to disclose additional information as needed.

Another issue in question is the role of outside auditors regarding general meetings of shareholders. The Q&A format research report released (in Japanese) as an exposure draft in June touches on this, so please take a look for more information.

Q6

In recent years, there have been suggestions that explanations of audits have been inadequate. Please tell us more about this.

It is clear that auditors have been criticized as hiding behind their duty of confidentiality to justify not providing explanations. I think we therefore need to fundamentally change the way we think about confidentiality. Duties of confidentiality are also an issue with the KAMs. Navigating this may prove challenging, psychologically and practically, for auditors that have until now written audit reports more or less according to a standard template.

The Financial Service's Agency's Advisory Council on Enhancement of Auditing Information Provision has also discussed the accountability of outside auditors, and has released

a notice requesting that we keep in mind the increasing demand for auditors to fully carry out their duty of accountability so that audit report users can better understand audits (January 22, 2019 open notice to members). However, this does not mean that auditors are free to explain anything at all. As such, I think it will be important for the council to continue working to hammer out an approach that identifies just causes for overriding duties of confidentiality as it builds up a base of concrete examples and fosters shared understanding across capital markets.



# Contributing to a Robust Accounting Infrastructure in Wide-Ranging Fields

CPAs leverage their knowledge as experts in auditing and accounting not only to audit listed companies, but to contribute to society in a wide variety of settings. This year we highlight two of these: 1) Enhanced governance for local government bodies and 2) Tax system reform requests.

1

Enhanced Governance for Local Government Bodies

In 2017, the Local Autonomy Act was amended to strengthen the governance of local government bodies. The policy report of the 31st Local Government System Research Council recommends implementing a package of the following four types of initiatives.

1. Executives: Prefectural governments and mayors of government-designated cities should formulate and publish policies on internal control systems. They should prepare internal control appraisal reports, which should be evaluated by audit and inspection commissioners before being submitted to local assemblies. (Introducing internal control systems.)
2. Audit and inspection commissioners: Formulate and publish auditing standards, establish recommendation systems, establish expert audit committees, relax requirements for the appointment of assembly election auditors, relax requirements for the frequency of comprehensive external audits of local government bodies based on local ordinances. (Enhancing and strengthening audit systems.)
3. Assemblies: Improve rules regarding reporting by executives to assemblies regarding rejected budget items.
4. Residents: Revise systems for pursuing liability for damages.

The JICPA is communicating the opinions of CPAs regarding system reforms at conferences and other opportunities for discussion, based on their work in the auditing and other operations of local government bodies. By doing so, we are helping to ensure that the resulting systems will be aligned with the frontline realities of audit practice.

The topics examined by the 31st Local Government System Research Council included the governance of local government bodies. As such, the JICPA has observed and checked the content of all the council's discussions. When the council's policy report was published in March 2016, the JICPA provided a written opinion on the report to the head of the Local Administration Bureau of the Ministry of Internal Affairs and Communications.

Furthermore, JICPA Executive Board Member Shuichiro Akiyama is a member of the Local Government Body Internal Control and Auditing Research Council established by the Ministry of Internal Affairs and Communications and takes part

in its discussions. The content of such discussions is examined as needed by the Expert Committee on Regional Public Accounting and Auditing established under the JICPA's Public Sector Accounting and Audit Practice Committee, which regularly exchanges opinions on such matters with the administrative section of the Local Administration Bureau of the Ministry of Internal Affairs and Communications, which is in charge of related systems.

Furthermore, every year, we hold the External Auditor and Audit and Inspection Commissioners Discussion Meeting as an opportunity to gain feedback from JICPA members serving as audit and inspection commissioners or external auditors across Japan. At the fiscal 2018 and 2019 meetings, an official from the Ministry of Internal Affairs and Communications in charge of these systems gave lectures about their reforms and responded to questions submitted in advance by members.

## Interview with the Executive Board Member in Charge of Public Sector Accounting and Auditing

We asked Shuichiro Akiyama, JICPA Executive Board Member in charge of public-sector accounting and auditing, about the role that CPAs and the Japanese Institute of Certified Public Accountants (JICPA) should play in reinforcing the governance of local government bodies.



Shuichiro Akiyama  
Executive Board Member  
Japanese Institute of  
Certified Public Accountants

Q1

Going forward, what role will CPAs play in the governance of local government bodies?

Among the amendments to the Local Autonomy Act, introducing internal control systems and enhancing and strengthening audit systems are especially important in terms of enhancing the governance of local government bodies. In addition to auditing listed companies, CPAs serving as external auditors

and audit and inspection commissioners for local government bodies are already widely recognized as governance experts. I think that the recent amendment to the Local Autonomy Act will lead to an expansion in the range of activities of CPAs in the governance of local governments.

### (1) Audits by Audit and Inspection Commissioners

In an effort to enhance and strengthen audit systems, the amended Local Autonomy Act now requires local government body audit and inspection commissioners to establish and publish audit standards.

The Ministry of Internal Affairs and Communications has published a sample draft of audit standards and implementation guidelines, which the audit and inspection commissioners of local government bodies will use to formulate their own audit standards.

Many CPAs already serve as audit and inspection commissioners for local government bodies across Japan. The ministry's sample draft of audit standards and implementation guidelines are based in part on auditing standards for private companies. As such, CPAs who regularly audit private companies will be readily able to serve as effective audit and

inspection commissioners and contribute greatly to the formulation of auditing standards by local government bodies.

Furthermore, the audit standards sample draft requires audit and inspection commissioners to coordinate with external auditors when implementing audits and other procedures to ensure efficiency and efficacy.

Since the comprehensive external auditing system was introduced, CPAs have served as comprehensive external auditors at more than 80% of local government bodies that have adopted comprehensive external audits. I think that CPAs serving as audit and inspection commissioners and comprehensive external auditors can contribute to the further improvement of local government body governance based on their deep understanding of their respective audits and through effective coordination with one another.

Contributing to a Robust Accounting Infrastructure in Wide-Ranging Fields

(2) External Audits

Until now, comprehensive external audits, one type of external audit, were mandatory for prefectures, government-designated cities, and core cities, and also carried out for local government bodies that passed ordinances to do so. All of these bodies were required to perform comprehensive external audits every fiscal year.

The amendment of the Local Autonomy Act relaxes this frequency requirement for local government bodies that adopt

comprehensive external audits by ordinance, so that they can commission such audits once every few fiscal years, rather than every fiscal year.

This change will facilitate the greater use of comprehensive external audits by local government bodies that, until now, hesitated to adopt them due to cost restraints or other concerns related to the requirement to commission them annually.

(3) Internal Control Systems

Many aspects of the internal control systems that prefectures and government-designated cities are now required to adopt are modeled on the internal control systems of private companies.

With the introduction of internal control systems at local government bodies, these bodies will establish internal control promotion departments and internal control evaluation departments. CPAs can support the adoption of such systems in

many ways, including directly providing support for these departments and by advancing discussions with internal control promotion departments regarding the formulation of internal control policies in their positions as audit and inspection commissioners. Providing support by building on experience gained in private-sector internal control auditing while considering the particularities of local government bodies will be crucial.

Q2

What initiatives will the JICPA implement in the field of governance for local government bodies?

The JICPA's initiatives in this field fall into the three broad categories of (1) education and training for its members, (2) awareness and knowledge building, and (3) research.

(1) Education and Training of JICPA Members

The JICPA has established the Public Accounting Council to create a network of members who have particular expertise or interest in the field of local government bodies.

The Public Accounting Council uses e-learning to provide ongoing training. It has updated the content of its e-learning training materials on local government body audit and internal control systems in response to the recent changes.

In addition, as the changes to these systems come into effect, it will be essential that more members receive related education. As such, in addition to the training provided by the Public Accounting Council, we will proactively provide training in this field as part of the regular nationwide training sessions held at the JICPA headquarters to increase the opportunities our members have to undertake such education.

(2) Awareness and Knowledge Building

Many leaders and employees of local government bodies, as well as non-CPA audit and inspection commissioners, are unfamiliar with internal control systems. The JICPA is therefore already holding training sessions about audit standards and internal control systems at its regional chapters across the country, mainly for local government employees. We will continue these efforts going forward.

(3) Research

The Ministry of Internal Affairs and Communications has issued guidelines regarding internal control systems. However, the specific challenges faced by local governments in actually adopting such systems are wide-ranging. These challenges cannot all be adequately addressed by merely applying said guidelines.

As such, the Public Sector Accounting and Audit Practice Committee's Expert Committee on Regional Public Accounting and Auditing is investigating the practical issues faced by local government bodies in adopting internal control systems, with plans to publish a report on this research in 2020.

2 Tax System Reform Requests

1. Tax System Opinions and Requests

Since 2000, the JICPA has prepared and published an annual document titled "Tax System Opinions and Requests," detailing its opinions and desired actions mainly regarding the current tax system.

In 2018, this document included 10 opinions and requests in the category "Policy Requests," mainly related to structural problems in Japan's tax system, as well as 55 opinions and requests in the category "Individual requests," mainly related to specific tax system rules, for a total of 65 opinions and requests.

Policy Requests	
<p><b>1. Regarding the calculation of taxable income and adjustments to corporate accounting under the Corporation Tax Act</b></p> <ul style="list-style-type: none"><li>• Tax neutrality-based amendments to the Corporation Tax Act to avoid obstructing the voluntary adoption of IFRS</li><li>• Respecting corporate accounting standards</li></ul> <p><b>2. Regarding the tax system for supporting business succession</b></p> <ul style="list-style-type: none"><li>• Revisions to the special requirements of the succession planning tax system in light of their applications</li></ul> <p><b>3. Regarding the preferential tax systems for venture capital investment</b></p> <ul style="list-style-type: none"><li>• Further enhancing the preferential tax system to encourage venture capital investment</li></ul>	<p><b>4. Regarding the reduced consumption tax rate system and invoice system</b></p> <ul style="list-style-type: none"><li>• Design of a reduced tax rate system in which applicable items are clearly differentiable</li><li>• Preventing new exempted consumption tax</li><li>• Design of an invoice system that will not be confusing to adopt for business operators</li></ul> <p><b>5. Regarding the tax payment environment, etc.</b></p> <ul style="list-style-type: none"><li>• Simplifying and rationalizing tax declaration and payment</li><li>• Organizing and unifying numbers used in tax procedures</li><li>• Ensuring adequate discussion and awareness of tax system revisions</li></ul>

2. Recommendations Regarding the Tax System

In addition to the "Tax System Opinions and Requests," since 2016, we have prepared and published recommendations aimed at addressing social problems in Japan from a tax perspective.

In 2018, we published the following six such recommendations in three areas.

I. Strengthening the International Competitiveness of Companies and of Japan as a Place of Business	II. Responding to Changes in Social and Economic Structures, Demographic Graying and Other Issues	III. Correcting Uneven Asset Distribution between Generations
<p><b>1. The Burden on Companies Using International Financial Reporting Standards (IFRS)</b></p> <p>Fair corporate tax treatment to prevent disadvantage due to adopting IFRS</p> <p><b>2. Implementing the BEPS Project Actions</b></p> <p>Examine whether standards for income appropriateness and a mandatory disclosure system can be implemented without weakening the international competitiveness of Japanese companies</p>	<p><b>1. Creating tax exemptions for child-rearing costs</b></p> <p>Create tax exemptions for child-rearing costs, including non-registered day-care facility fees and babysitting expenses, etc., to support women's careers and reduce burdens placed on them</p> <p><b>2. Introducing household-level taxation</b></p> <p>Consider the unit of taxation, including revising exemptions for spouses, in light of changing and diversifying work styles</p>	<p><b>1. Inheritance and gift taxes</b></p> <p>Reform inheritance and gift tax structures to encourage the smooth transfer of assets from elderly households to younger generations where consumption is brisk</p> <p><b>2. Income taxes</b></p> <p>Include not only income (flow approach), but also assets (stock approach) in preferential income tax system standards to realize a fairer tax system</p>



Continuing Professional Education System

1 Overview

To maintain and enhance the qualifications of CPAs and ensure that they adapt to changes in the audit environment, CPAs are required to take courses through the continuing professional education (CPE) system.

CPAs must earn at least 120 credits (equivalent to 120 hours of education) every three fiscal years. Members who fail to meet their CPE obligations are subject to sanctions, which may include the publication of their names, suspension of member privileges, the filing of requests for disciplinary action by the Financial Services Agency, and prohibition from engaging in auditing.

Information on the training and education of individual CPAs (indicating either that their CPE obligations were fulfilled, not fulfilled, or exempted) is available through the CPA search system on the JICPA's website (in Japanese).

**Mandatory Training under the CPE System**

- Professional ethics training
- Audit quality and fraud risk training (for CPAs engaged in statutory audits)
- Tax-related training

2 Implementation Status

CPE credits can be earned in several ways, including attending group seminars, taking e-learning courses, and reading specified journal articles and submitting reports.

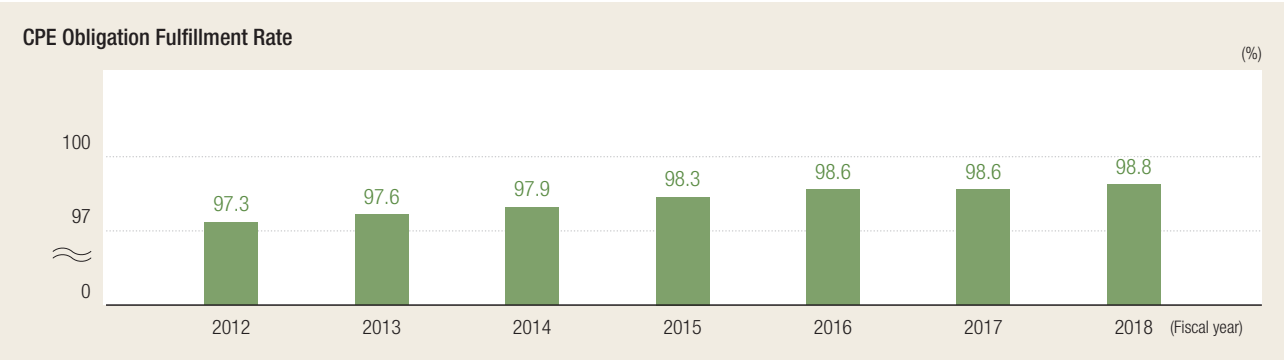
A breakdown of group seminars held in fiscal 2019 by field covered is provided in the table below.

Seminars cover a wide range of topics. In addition to sessions aimed at honing professional and expert knowledge in such areas as auditing and ethics, they include training to improve communication and management skills used in operations and to develop teaching skills to lead internal training at audit corporations.

Field	Seminars held
Ethics and related topics	353
Accounting	168
Auditing (other than fraud case study)	410
Auditing (fraud case study)	131
Taxes	502
Consulting	196
IT and related skills	149
Total	1,909

3 CPE Obligation Fulfillment

The percentage of CPAs who have fulfilled their CPE obligations in each fiscal year is shown below. In fiscal 2019, more than 98% completed their annual CPE obligations.



4 Annual Conference

Since 1979, the JICPA has held an annual conference in which CPAs, outside experts, and business professionals from across the country present their research. This conference is aimed at building relations with society, sharing knowledge, enhancing the capabilities of participants, and communicating with the public.

The 39th annual conference was held on September 14, 2018, at Asty Tokushima, in Tokushima City, Tokushima. This marked the second time the conference has been held in Shikoku, the first being the 2003 conference in Takamatsu.

The 2018 conference's main theme was "Building on tradition to innovate—overcoming the challenges of a declining population" and featured 10 presentations on such topics as

leveraging the expert knowledge of CPAs to contribute to society through regional vitalization, the promotion of diversity, and the utilization of AI. The event was attended by approximately 1,000 JICPA members.

Before the research presentations, the conferences feature a commemorative lecture by an outside instructor with deep ties to the area where the conference is held. In 2018, Shinya Ominami (board member of specified non-profit corporation Green Valley Inc.) gave a lecture titled "The Kamiyama Project—Considering the Area's Future, Beginning with Creative Depopulation." This was followed by a panel discussion in which Mr. Ominami took part.



29th annual conference on September 14, 2018



A research presentation

Developing Human Resources for the Accounting Field

1 Publicizing the CPA System

To spark the interest of as many students as possible and deepen the knowledge and understanding of those who aim to become CPAs in the future, we hold information sessions about the CPA system and the work of CPAs at high schools, universities, and test prep schools.

In addition, since 2017, the JICPA has been a sponsor of Suugaku Koshien, a team-based math competition for junior high and high school students. At the championship tournament held September 16, 2018, we set up a CPA Café to communicate the appeal of the CPA profession to entrants and their guardians and teachers and awarded one team the Japanese Institute of Certified Public Accountants Prize.



Above: The CPA Café  
Right: A poster promoting the CPA examination



- Information Sessions in Fiscal 2019
- 38 sessions for high school students, with 2,403 participants
  - 76 sessions for university students, with 11,176 participants

2 Promoting the Engagement of Women in Accounting

In Japan, a wide range of public and private initiatives are under way to promote the professional engagement of women, with the expectation that doing so will bring more diverse values and perspective to economic society, leading to innovation.

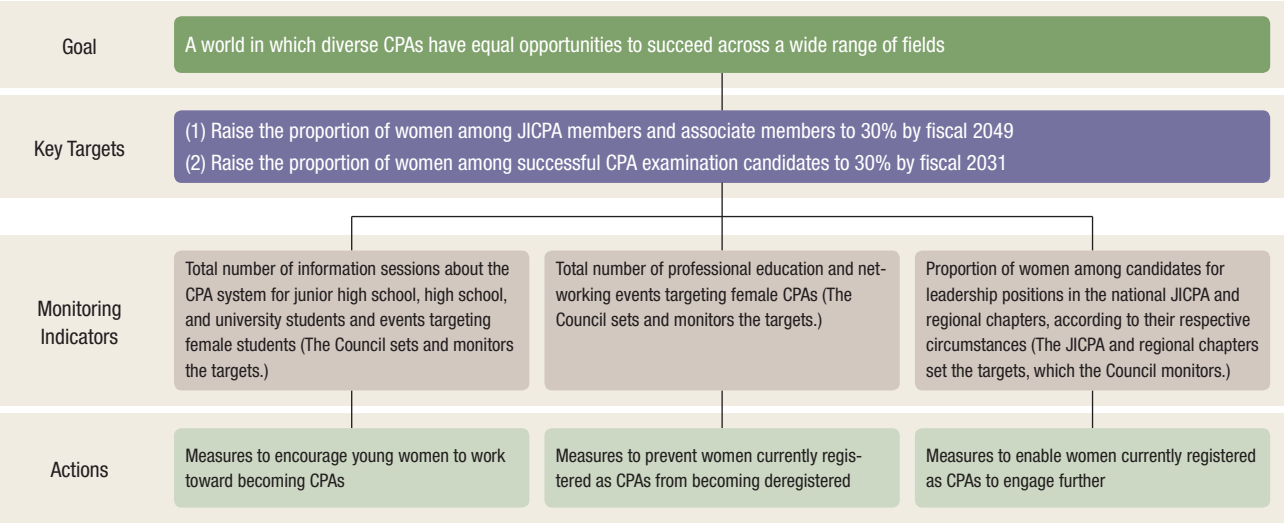
The JICPA, too, believes that fostering environments that allow female CPAs to fully utilize their individuality and abilities is important. Based on this awareness, we established the Women in Accounting Professional Promotion Council in 2016, organize networking events for female CPAs, and implement a range of measures to support women returning to work after a period of unemployment and to communicate the appeal of the profession to women. The Women in Accounting Professional Promotion Council prepares pamphlets about its activities.

In addition, aiming to create a world in which diverse CPAs have equal opportunities to succeed across a wide range of

fields, the JICPA has established two key targets to better promote the professional engagement of women in accounting. These are raising the proportion of women among its members and associate members to 30% by fiscal 2049 (the 100th anniversary of the CPA system) and raising the proportion of women among successful CPA examination candidates to 30% by fiscal 2031. By considering and implementing related measures to achieve these targets and regularly monitoring progress, we will work toward ongoing improvement.



The 2019 leaflet



3 Developing Internationally Capable Accounting Professionals

The JICPA and its members provide opinions to a wide range of international institutions, mainly in the areas of accounting and auditing. For example, the International Federation of Accountants has established independent standard-setting boards in the four areas of auditing and assurance, ethics, public sector accounting, and education. These boards, in which many JICPA members take part, represent accounting professionals on the global stage, providing suggestions and other information related to such issues as setting international standards for accounting professionals and maintaining and

improving accounting professionals' qualifications and the quality of their work.

The JICPA continuously works to develop professionals with the international knowledge and experience to represent Japan at such international organizations. These efforts include the establishment of a fund to provide support for members to take part in short-term study abroad programs.

We are also broadly communicating that the CPA qualification can be used in international settings.

Japanese CPAs Serving in Major International Institutions (As of March 31, 2019)

Organization, etc.	Position	Name
IFAC Boards and Committees		
Nominating Committee	Member	Aiko Sekine
Board	Member	Shinji Someha
	Technical Advisor	Tadashi Umino
International Auditing and Assurance Standards Board (IAASB)	Member	Sachiko Kai
	Technical Advisor	Kohei Yoshimura
International Ethics Standards Board for Accountants (IESBA)	Member	Hironori Fukukawa
	Technical Advisor	Masahiro Yamada
International Public Sector Accounting Standards Board (IPSASB)	Technical Advisor	Takeo Fukiya
International Accounting Education Standards Board (IAESB) *Until June 30, 2019	Member	Yoshinori Kawamura
	Technical Advisor	Shinji Takada
Small and Medium Practices Committee (SMPC)	Member	Naofumi Higuchi
	Technical Advisor	Hironori Okada
The Professional Accountants in Business Committee (PAIBC)	Observer	Ichiro Waki

International Integrated Reporting Council (IIRC)

Council	Member	Aiko Sekine
Framework Panel	Member	Yoichi Mori

Organization, etc.	Position	Name
Confederation of Asian and Pacific Accountants (CAPA)		
Board	Member	Shinji Someha
	Technical Advisor	Tomoe Watashiba
Professional Accountancy Organization (PAO) Development Committee	Member	Shigeaki Kobayashi
	Technical Advisor	Tomoe Watashiba
ASEAN Federation of Accountants (AFA)		
	Associate Member (Representative)	Aiko Sekine
	Associate Member	Tomoe Watashiba
Global Accounting Alliance (GAA)		
Board	Member	Tadashi Umino
	Technical Advisor	Shinji Someha
Education Directors Group		Shinji Takada
Tax Directors Group		Ichiro Suto Takae Akatsuka
Technical Advisory Panel		Shinji Someha

World Business Council for Sustainable Development (WBCSD)

Assurance Working Group	Member	Hiromasa Niinaya
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Social Contribution Activities

The JICPA aims to contribute to society through the professional activities of CPAs and its support for such activities, but also engages in social contribution initiatives not directly related to the work of CPAs.

1 Basic Accounting Education

At its 2016 Annual General Assembly, the JICPA reached a resolution to engage in basic accounting education by promoting accounting literacy and increasing awareness of the usefulness of accounting.

Accounting literacy is not only important for accounting experts, such as CPAs, or people who work in corporate finance or accounting, but necessary and useful in a wide range of settings and life stages. As an organization of accounting professionals, the JICPA seeks to fulfill the role of promoting accounting literacy.

New junior high and high school curriculum guidelines in Japan include “using accounting information,” creating a need for educational materials to help teachers understand and learn to teach this material. In light of this, the JICPA has established the Accounting Literacy, Map and Educational Materials Study Group, which includes academic experts in accounting and education, to consider how such materials should be created.

**Accounting Literacy, Map and Educational Materials Study Group Members**

Yuki Sato    Executive Board Member in Charge of Basic Accounting Education, CPA

Shintaro Abe    Professor, Josai International University

Naohiro Urasaki    Professor, Kindai University

Hisashi Kurihara    Professor, Toyo University

Tomoyuki Tanaka    CPA

Kei Hiraki    CPA

Ryoko Fukaya    CPA \*Joined in May 2019

Names in blue are outside experts.

2 Hello! Accounting

“Hello! Accounting” is a free accounting class for elementary and junior high school students. Launched in 2005, it is part of the JICPA's efforts to promote basic accounting education. The easy-to-follow lesson, which makes use of examples using familiar foods, such as cake and *takoyaki* octopus treats, has been well received. Implemented mainly by JICPA's regional chapters, lessons at schools and lessons open to the public have been held at more than 200 locations to date.

In fiscal 2019, classes were held at schools 38 times, and classes open to the public held 30 times, for a total of 4,980 participants.



Poster for Hello! Accounting lessons

3 Support for Emerging Countries

In 2016, the JICPA, the Myanmar Institute of Certified Public Accountants (MICPA), and the Daiwa Myanmar Japan Foundation signed a memorandum of understanding to support the development of CPAs in Myanmar and the reinforcement of the MICPA. Based on this memorandum, the three organizations are advancing joint initiatives to develop accounting professionals in Myanmar and reinforce the country's accounting and auditing systems on an ongoing basis.

In fiscal 2019, three CPAs of the MICPA as well as twelve representatives from the Yangon Stock Exchange, the Myanmar Ministry of Planning and Finance, and private companies in Myanmar came to Japan to take part in training on Japan's accounting and auditing systems, the role of CPAs in initial public stock offerings, and Japan's quality control review system.



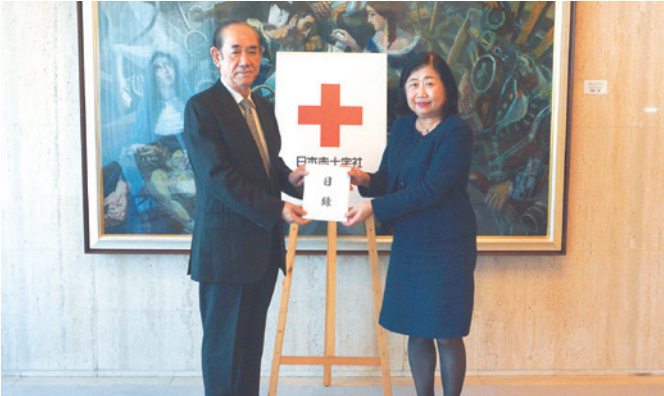
Visitors from Myanmar with Chairman Sekine

4 Disaster Recovery Support

In response to the March 11, 2011 Great East Japan Earthquake, the JICPA established a Disaster Response Headquarters, establishing a framework for supporting the immediate and long-term recovery of regions impacted by natural disasters. In fiscal 2019, the headquarters continued to provide support in coordination with recovery-related institutions and organizations.

In addition, based on the Guidelines for Consolidation of Debt Caused by Natural Disasters (published December 25, 2015), we have created a register of experts who assist debtors.

In fiscal 2018, in response to major natural disasters, the JICPA solicited donations from members and donated a total of ¥11,215,000 to the Japanese Red Cross Society's funds for supporting recovery from the July 2018 flooding and landslides and the September 2018 Hokkaido Eastern Iburi Earthquake.



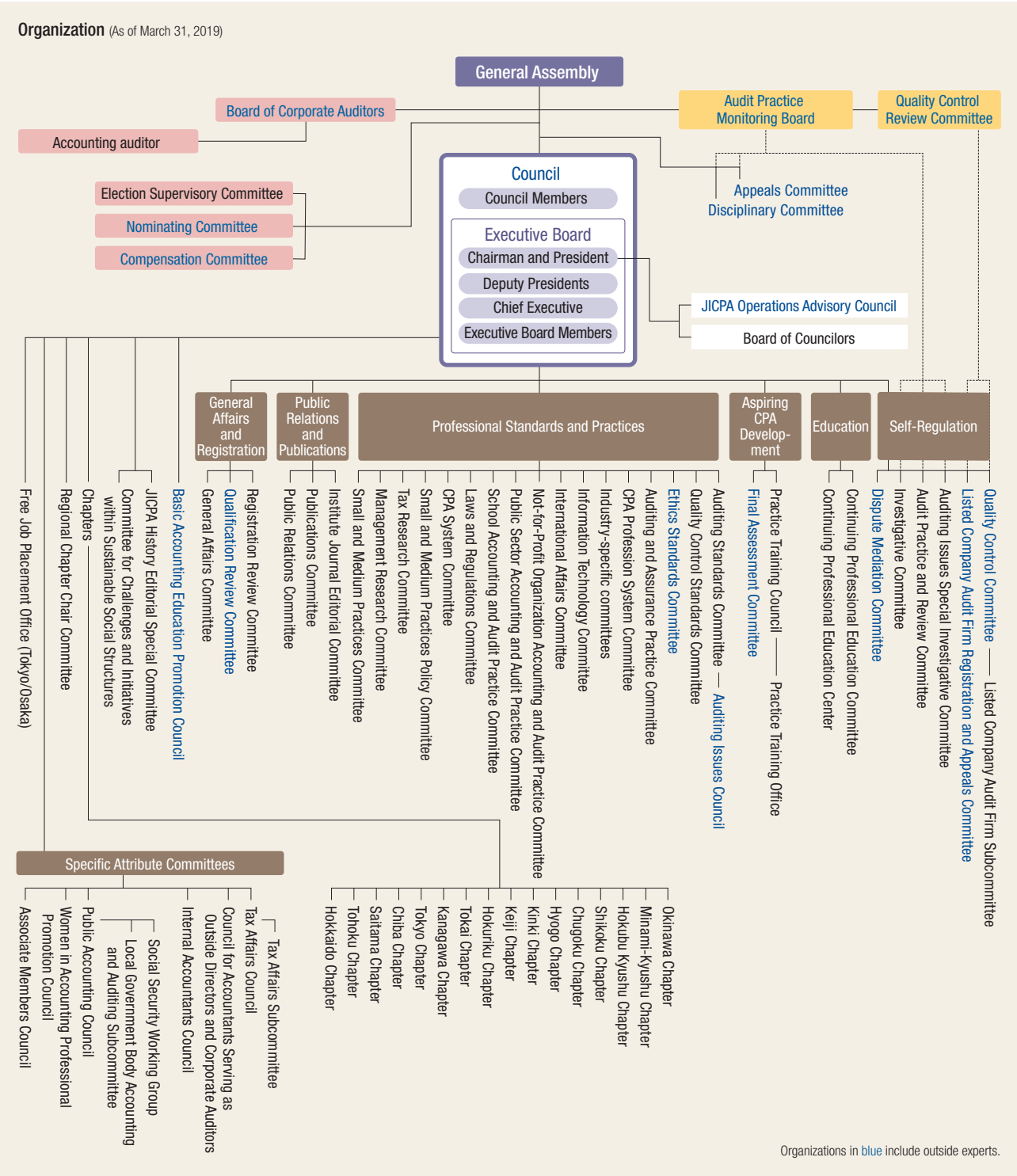
Donation of disaster support funds

Organization

1 Governance System

The JICPA's governance system 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, as well as the Board of Corporate Auditors,

Audit Practice Monitoring Board, and Quality Control Review Committee, which provide monitoring.  
JICPA organs that particularly require transparency or expertise other than that of CPAs include outside experts.



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 outside experts. In addition, the chief executive may be either a CPA or an outside expert.



Aiko Sekine (center); from left: Kazutomi Asai, Kiyonobu Takeuchi, Giichi Yanagisawa, Haruhiko Yamada, Masaji Suzuki, Shigeru Takahama, Atsushi Takada, Tadashi Umino

JICPA Officers (As of March 31, 2019)

Chairman and President	Aiko Sekine
Deputy Presidents (7)	Masaji Suzuki, Haruhiko Yamada, Giichi Yanagisawa, Shigeru Takahama, Kiyonobu Takeuchi, Kazutomi Asai, Atsushi Takada
Chief Executive	Tadashi Umino
Executive Board Members (32)	Shuichiro Akiyama, Tatsuya Arai, Azuma Inoue, Katsuhiko Ogata, Kanako Ogura, Tatsuya Kato, Keiko Kishigami, Hiroki Kitagata, Kazuya Kitazumi, Kazutoshi Kogure, Hironobu Sakai, Yuki Sato, Hiroshi Shiina, Takeshi Shiba, Sayaka Shimura, Ayaka Sumida, Shinji Someha, Yoshihiro Tsuda, Masahiko Tezuka, Takeshi Nakao, Takayuki Nakagawa, Motohiko Nakamura, Keiko Hayashi, Shinnosuke Yamada, Yoshio Yukawa, Yoshiki Watanabe, Ikuo Takano, Kazunori Shibata, Koichi Inoue, Shintaro Goto, Akihiko Masuda, Masanori Motono
Council Members (44)	Kiyohiko Shinokawa, Masahiro Togashi, Yuichi Ishizawa, Akira Koyama, Katsumasa Sano, Yoshihiro Oshima, Masao Tanaka, Toru Kajikawa, Yoshihito Kaneyama, Mineo Kanbayashi, Makie Suzuki, Takako Fujimoto, Mitsujiro Fuseya, Kazuhiko Maehara, Yoshiyuki Minegishi, Hidehiko Yuki, Akira Takashina, Minoru Tobari, Kaoru Ogawa, Shin Kato, Satoe Tsuge, Tadashi Hisamatsu, Seiji Sakashita, Hitoshi Hori, Minoru Kida, Yusuke Nakano, Masahiko Iwai, Hisae Kitayama, Hisatoshi Hirota, Toru Yasuhara, Satoshi Kitamoto, Toshiyuki Hayashi, Hayato Miyata, Mitsunori Amo, Osamu Kurata, Chiaki Ishikawa, Seisuke Kudo, Hideki Chijimatsu, Tadahumi Torisu, Kosuke Araki, Takaya Sadaka, Yuji Tasato, Akiyoshi Oba, Hisashi Yamaura
Corporate Auditors (4)	Yasushi Ishiwaka, Kyosuke Wagai, Takao Nagachi, Muneharu Otsuka

Names in red are women. Names in blue are outside experts.



Organization

Nominating Committee

Candidates for the position of chairman and president are solicited from among the officers elected by JICPA members. The Nominating Committee then selects the candidate it views as best suited, whom it recommends to an assembly of the newly elected officers and, by receiving their confidence, the chairman and president is selected.

The Nominating Committee comprises 16 members, two of whom are outside experts. The committee selects candidates to recommend for chairman and president based on dispassionate, objective considerations of a number of important factors, including candidates' understanding and awareness of the mission of CPAs and the JICPA's operations and the individual's eagerness to concentrate on said operations.

Nominating Committee Members (As of March 31, 2019)		
Aiko Sekine	Haruhiko Yamada	Yukihito Mori
Atsushi Takada	Hisahide Endo	Husahiro Yamamoto
Keiko Kishigami	Yuki Sato	Atsushi Shimizu
Akira Takashina	Kazuo Takahashi	Attorney/Outside Statutory Auditor, Tokyo Stock Exchange, Inc./
Tadahumi Torisu	Hitomi Takahashi	Chief Justice, Hiroshima High Court
Hitoshi Hori	Tsunetoshi Harada	Kazuhiro Fushiya
		Chairman, The Institute of Internal Auditors - Japan
Names in blue are outside experts.		

Compensation Committee

The Compensation Committee comprises five members, of whom two are outside experts. The committee is charged with deciding the compensation paid to officers (the

chairman and president and chief executive) and policy for deciding such compensation, and making recommendations to the Council.

Compensation Committee (As of March 31, 2019)		
Kimitaka Mori	Atsushi Shimizu	Attorney/Outside Statutory Auditor, Tokyo Stock Exchange, Inc./
Gen Ikegami		Former Chief Justice, Hiroshima High Court
Masaki Horie	Sadao Yoshino	Advisor, Heiwa Real Estate Co., Ltd.
Names in blue are outside experts.		

JICPA Operations Advisory Council

The JICPA Operations Advisory Council is made up of outside experts and meets two times a year to provide advice as needed regarding improvements to the work of CPAs.

Advisors (As of March 31, 2019)	
Atsushi Shimizu	Attorney/Outside Statutory Auditor, Tokyo Stock Exchange, Inc./ Former Chief Justice, Hiroshima High Court
Kazuhiro Fushiya	Chairman, The Institute of Internal Auditors - Japan
Noriaki Shimazaki	Outside Director, Nomura Holdings, Inc./Former Trustee, IFRS Foundation
Katsunori Nagayasu	Senior Advisor, MUFG Bank, Ltd.
Akira Kiyota	Director & Representative Executive Officer, Group CEO, Japan Exchange Group, Inc.
Naoki Izumiya	Chairman, Japan Investor Relations Association/Chairman, Asahi Group Holdings, Ltd.
Names in blue are outside experts	

Board of Councilors

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

Councilors (As of March 31, 2019)		
Hideo Yamamoto (former chairman) Passed away April 9, 2019.	Hiroshi Nakachi (former chairman)	Kimitaka Mori (former chairman)
Koichi Masuda (former chairman)	Shozo Yamazaki (former chairman)	Tsuguoki Fujinuma (former chairman)
	Akio Okuyama (former chairman)	Gen Ikegami (former deputy president)

\* Councilor Hiroshi Kawakita (former chairman) passed away on December 9, 2018.

2 Selection of Incoming Officers

The term of the current officers ended as of the conclusion of the regular General Assembly on July 22, 2019. The incoming officers were decided by election of the General Assembly, as shown below.

Chairman and President	Masahiko Tezuka
Deputy Presidents	Giichi Yanagisawa, Kazutoshi Kogure, Tatsuya Kato, Kiyonobu Takeuchi, Kanako Ogura, Yoshiyuki Minegishi, Hisae Kitayama
Chief Executive	Tadashi Umino
Names in red are women.	



Masahiko Tezuka (center); from left: Tadashi Umino, Tatsuya Kato, Kazutoshi Kogure, Kiyonobu Takeuchi, Giichi Yanagisawa, Kanako Ogura, Yoshiyuki Minegishi, Hisae Kitayama

Organization

3 Regional Chapters

The JICPA's maintains 16 regional chapters covering all of Japan to help ensure that CPAs across the country provide consistent, high-quality services.

Chairmen and Members of the Regional Chapters \* As of March 31, 2019

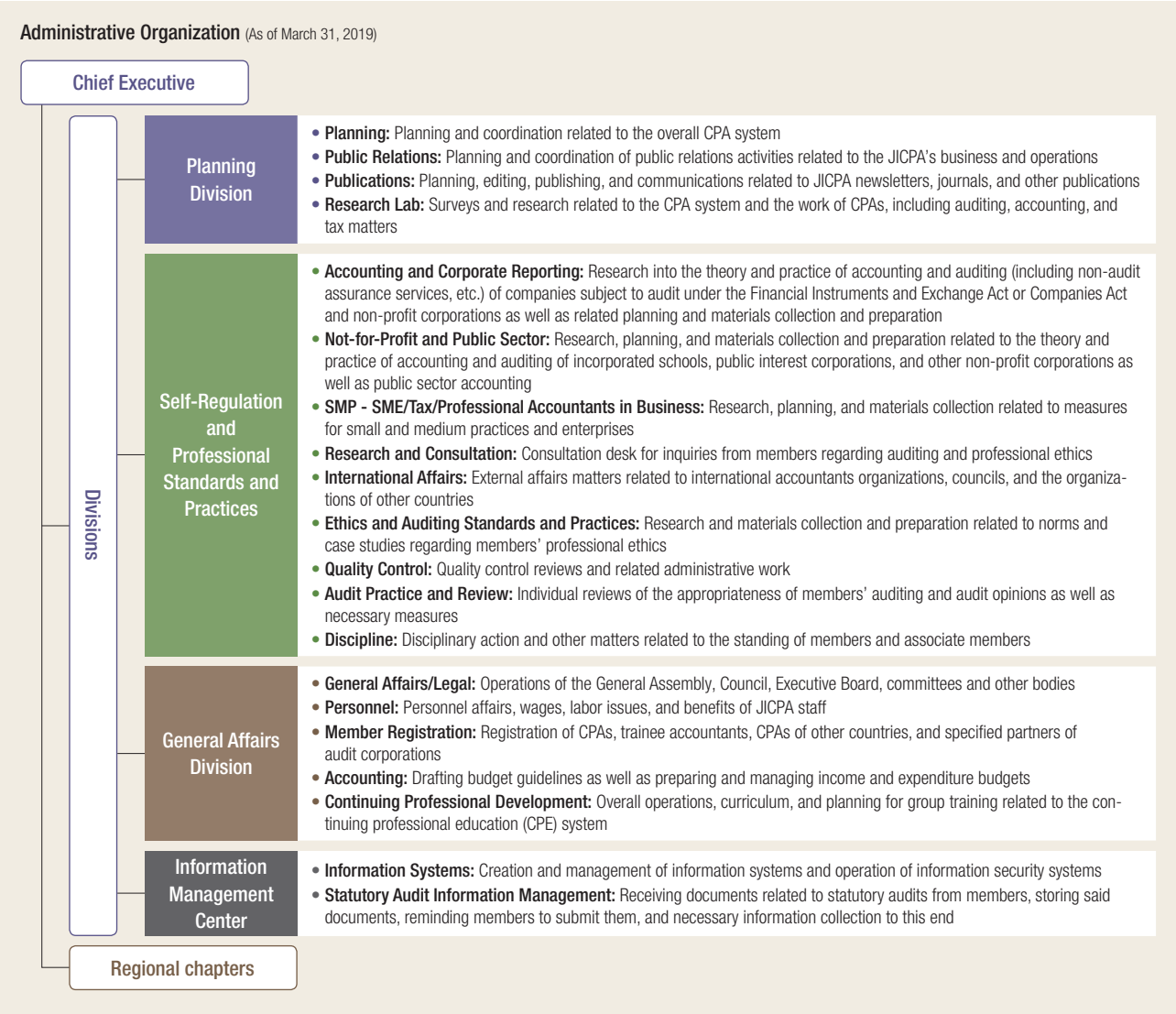
Chapter	Chairman	Members
Hokkaido Chapter	Masahiro Togashi	388
Tohoku Chapter	Katsuhiko Ogata	412
Saitama Chapter	Akira Koyama	734
Chiba Chapter	Masao Tanaka	721
Kanagawa Chapter	Akira Takashina	1,518
Tokai Chapter	Kazunori Shibata	2,099
Kinki Chapter	Atsushi Takada	3,592
Shikoku Chapter	Chiaki Ishikawa	237
Minami-Kyushu Chapter	Takaya Sadaka	214
Hokubu Kyushu Chapter	Masanori Motono	769
Chugoku Chapter	Osamu Kurata	471
Hyogo Chapter	Toshiyuki Hayashi	754
Keiji Chapter	Minoru Kida	652
Hokuriku Chapter	Hitoshi Hori	289
Okinawa Chapter	Yuji Tasato	76

Names in red are women.

4 Administrative Offices

The JICPA's administrative offices comprise 20 groups within four divisions and the offices of the 16 regional chapters. These administrative offices support the Group's operations.

As of March 31, 2019, the divisions have a staff of 193 (136 men and 57 women), and the regional chapters a total staff of 108 (55 men and 53 women). Of these, a total of 65 were qualified as CPAs.



With an eye to reinforcing and enhancing its self-regulation, the JICPA examined its administrative structure and, as of April 1, 2019, divided the Self-Regulation and Professional Standards and Practices into the Self-Regulation Division and Professional Standards and Practices Division.





Financial Summary

1 Revenue Structure

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

Membership fees borne equally by members Standard fee / Chapter fee	Standard memberships are ¥5,000 per month, while associate memberships are ¥1,250 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 ¥5,000 per month, depend on such factors as the size and number of members of the regional chapter.
Membership fees borne by members who engage in auditing that is the exclusive purview of CPAs Auditing membership fee	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 a certain percentage of the audit fees they receive for the fiscal years pertaining to such agreements. The rates applied vary slightly by audit type.
Business revenue	Revenues from the book sales of publishing operations, final CPA assessment fees, educational seminar fees, etc.

In the year ended March 31, 2019 (fiscal 2019), the JICPA collected standard membership fees of ¥1,899 million, regional chapter fees of ¥1,435 million, and auditing membership fees of ¥2,786 million. Together, these fees represented approximately 90% of the JICPA's ¥6,643 million in ordinary revenues for the year.

2 Fiscal 2019 Financial Results

On its statements of changes in net assets, the JICPA has recorded negative net ordinary changes each year since the year ended March 31, 2016. In fiscal 2019, we recorded a negative net ordinary change, amounting to ¥225 million, for a fourth consecutive year. This was because growth in ordinary expenses outpaced growth in ordinary revenues, even though standard and chapter membership fee revenues increased due to membership growth during the year, and despite a rise in auditing membership fee revenue as a result of increased statutory audit fees.

One major cause of the ongoing annual losses is the expansion and diversification of the JICPA's operations being implemented to better meet society's expectations and demands for CPAs. The JICPA must reinforce its administrative systems to support the operations of its members. This includes responding to the introduction of statutory audits of social welfare corporations, medical corporations, agricultural cooperation associations, and non-profit organizations as well as to audit system reforms; ramping up the activities of internal organizations newly established to support the operations of members; responding to international developments in such areas as IFRS, ethical standards, and auditing standards; handling needs related to meeting and exchanging opinions with an increasing number of related government agencies and industry

organizations; and securing administrative staff with the credentials to handle such duties and improving our IT infrastructure.

In addition, spurred by accounting scandals, the JICPA has implemented measures to further strengthen its self-regulation, such as increasing the number of quality control reviewers, with an eye to restoring and enhancing confidence in CPA audits as a self-regulatory body. This has been another factor that has increased expenses.

Amid increasing globalization and digitization across society, the environment surrounding CPAs is undergoing immense changes, including the diversification of society's expectations and needs. To ensure that CPAs will be able to continue meeting such expectations and needs going forward, it will be crucial for the JICPA to continue to reinforce systems to support CPAs in providing increasingly diverse services.

To that end, given the ongoing net losses in recent years, reinforcing our financial base is an important task for the JICPA. As such, we established the JICPA Finances Project Team on July 25, 2016. The team reviewed projections of JICPA's medium- and long-term finances and investigated how best to ensure that its finances would be sustainable. As a result of these efforts, the team has issued recommendations that include raising membership fees.

Key Financial Indicators (Year ended March 31) (Millions of yen)

	2015	2016	2017	2018	2019
Ordinary revenues	6,113	6,242	6,326	6,502	6,643
Ordinary expenses	6,101	6,515	6,385	6,561	6,868
Net ordinary changes	12	(273)	(59)	(59)	(225)
Total changes of unrestricted net assets	(6)	(276)	(55)	(60)	175
Unrestricted net assets at end of year	11,773	11,497	11,441	11,381	11,557
Restricted net assets at end of year	905	930	919	903	879
Cash flows from operating activities	308	148	221	219	(112)
Cash flows from investing activities	(709)	455	(1,974)	753	(50)
Cash flows from financing activities	—	—	—	—	—
Cash and cash equivalents at end of year	3,467	4,070	2,318	3,291	3,128

\* Since the year ended March 31, 2017, the JICPA has applied the Accounting Standard for Public Interest Corporations issued April 11, 2008 (amended October 16, 2009) by the Public Interest Corporation Commission of the Cabinet Office, replacing the previous Accounting Standard for Public Interest Corporations issued October 14, 2004 by agreement of the liaison council of relevant agencies concerning the guidance, supervision, etc. of public interest corporations and other organizations.

