

Annual Report 2021



JICPA

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 that 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 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.



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Information Disclosure, Auditing and the Contribution that CPAs Can Make in a Rapidly Changing Society— The Foundations for Building Trust

M. Tezuka

Masahiko Tezuka, Chairman and President of JICPA

Amid the increased uncertainty about the future brought about by the COVID-19 pandemic, building trust in society is more important than ever to achieving environmental and social sustainability alongside economic development in order to create a world where we can all live with peace of mind.

Over the more than 70 years since Japan's CPA system was established, CPAs have continually helped build trust through financial statement audits. At this time of immense change throughout society, we must reexamine how CPAs should best carry out their mission of building trust going forward.

Auditing in a Post-Pandemic World

Faced with the unprecedented difficulties of the COVID-19 pandemic, I believe that we must clearly define the criteria of quality in auditing that this new era demands.

One type of audit focuses first and foremost on meeting Japan's Auditing Standards and avoiding any serious concerns or revisions from the JICPA's quality control review or the inspections performed by the Certified Public Accountants and Auditing Oversight Board. Let us call this "compliance-oriented auditing." While such compliance considerations are important, society clearly expects more from auditing. Going forward, auditors must be conscious of the need to articulate the meaning of audit quality beyond compliance-oriented audits and set concrete goals and take action to realize such quality.

Looking at the audit quality reports put out by audit firms every year, it is evident that an increasing number of auditors are working toward what we might call "value-added audits," mentioning such priorities as improving audit timeliness, speed, efficiency and accuracy; increasing the precision of data analysis; providing insight to companies being audited; offering constructive advice to help prevent fraud; using ICT and data analysis technologies to overcome the limits of time and place; and providing value that helps improve corporate frameworks. Using auditing to help improve the information disclosure frameworks of companies under audit can also help to reduce improper disclosure and thereby increase trust in corporate disclosure,

creating peace of mind for the users of audited information. Furthermore, this can help reinforce the soundness of listed companies that issue stocks and bonds, in turn improving the quality of listed financial instruments. I hope to see CPAs involved in auditing strive to achieve value-added audits while taking care to maintain their independence as auditors.

Realizing value-added audits will require investment on the part of auditors, in line with their specific needs, to create information infrastructure, adopt data analysis tools, build overseas networks, and secure and develop human resources.

The COVID-19 pandemic forced many people and companies to shift to remote work. Around the world, a portion of this shift will likely prove permanent, remaining as a viable mode of working even after the pandemic. In order to respond to such changes, auditors will need to invest in such areas as information infrastructure and communication skills training for their human resources.

In addition, initiatives to alleviate the heavy workloads of CPAs involved in auditing will also be crucial. This has become an increasingly pressing issue in recent years. There are certain tasks in the auditing process that need not necessarily be performed by a CPA and could benefit from standardization. Developing innovative new approaches, such as advancing standardization to allow certain tasks to be assigned to non-CPA staff, outsourcing, and robotic

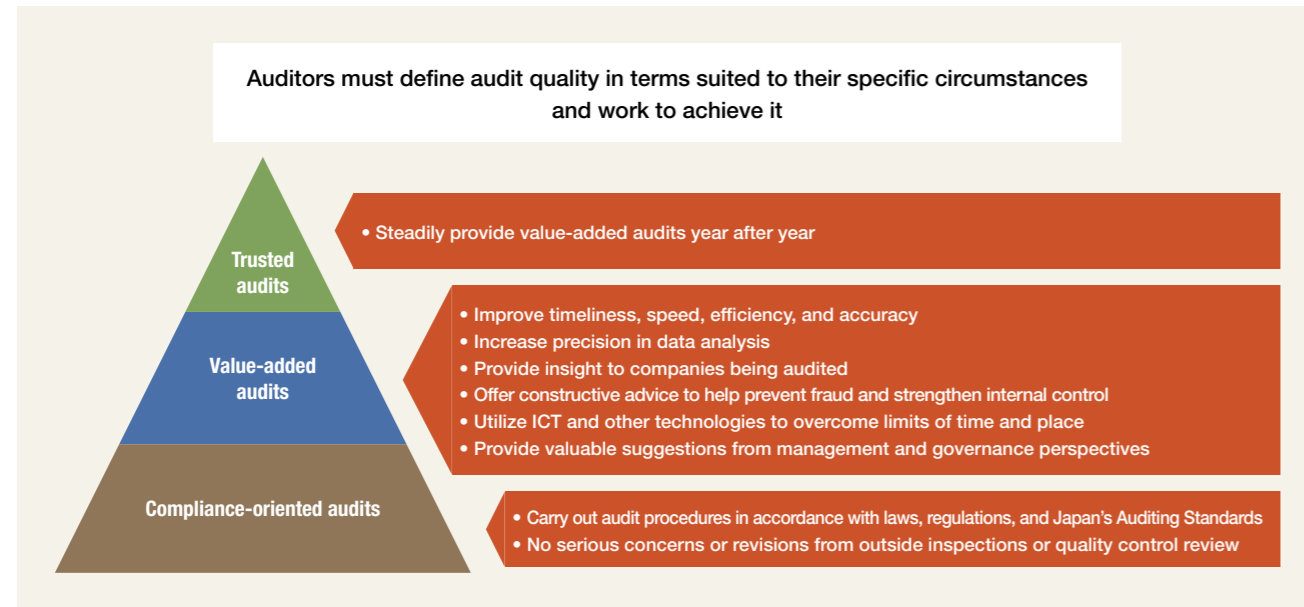
process automation (RPA), will enable us to achieve faster, more precise results while also saving time for CPAs. It will benefit auditors to pursue such innovations in line with their specific circumstances.

Recent years have seen marked advances in economic globalization, and today, it is common for listed Japanese companies to have important business locations overseas. To effectively audit the consolidated groups of such global companies, audit firms need to secure overseas networks

and enhance their ability to communicate smoothly with overseas entities.

I believe that by steadily making such investments, innovating and building up a track record of value-added audits year after year, we can realize audits that are truly trusted by the companies being audited and by their investors and other stakeholders. In the areas that require more than the efforts of individual auditors, the JICPA will develop concrete measures to offer support.

Audit Quality for a New Era



Full Application of the Key Audit Matters

From the fiscal year ended March 2021, the Key Audit Matters (KAMs) must be included in audit reports under the Financial Instruments and Exchange Act. Auditors should proactively work to enhance disclosure, aware that investors are paying increasing attention to the quality of auditing and the KAM content of their audit reports.

In addition, in the process of formulating KAM-related content, it will be important for auditors to communicate more constructively and robustly with corporate executives and corporate auditors on such topics as business risks, the validity of management's forecasts and estimates, the

appropriateness of accounting methods and disclosure, and the status of corporate governance and internal control systems. By doing so, auditors can help enhance the soundness of corporate management and trust in disclosure.

The JICPA is implementing necessary measures, such as preparing KAM case studies and offering training aimed at enhancing KAM-related content, to ensure that the introduction of the KAMs serves to enhance the provision of information to investors about the process leading up to an audit result and to reinforce audit transparency and trust in audits.

Adapting to Expanding Corporate Disclosure and Securing Trust

Over the past several years, support for the Sustainable Development Goals (SDGs) has rapidly expanded worldwide, and social and economic sustainability is an increasingly important factor in investment decisions. ESG investment volumes have seen explosive growth, prompting forceful calls from investors and others for the establishment

of unified standards for non-financial disclosure, including ESG data. In 2019, the JICPA established the Special Committee on Corporate Disclosure and Governance to advance discussions about the form that corporate disclosure should take, and on May 14, 2021, the committee published a discussion paper titled "Key Issues in



Enhancing Usefulness of and Trust in Corporate Disclosure — Supporting sustainable value creation cycle through interaction between disclosure and governance." Within the realm of ESG issues, environmental and social aspects have conventionally been outside the purview of CPAs. Nevertheless, corporate disclosure is a core area of expertise for CPAs, and the content of said disclosure is expanding, so we must adapt accordingly. The rising

importance of non-financial information will surely lead to a growing need, on the part of the users of corporate information, to ensure confidence in such information. To meet this societal need, CPAs must proactively contribute to ensuring trust in non-financial information. The JICPA will implement concrete measures to this end in such areas as developing training programs and guidelines for carrying out assurance services.

Creating Conditions that Enable CPAs to Contribute Even More

The acronym VUCA (short for volatility, uncertainty, complexity, and ambiguity) is used to describe chaotic and confusing social and economic conditions. More than a year into the COVID-19 pandemic, I feel the weight of VUCA more than ever before.

My term as president of JICPA extends to July 2022. During that time, I will work to promote the branding of the CPA certification based on the value that CPAs can provide to society in an era of VUCA and to formulate a medium-term vision for the CPA industry in ten years' time.

As I mentioned at the top, in this time of uncertainty, I believe that what society needs most is trust and the peace of mind that trust engenders. The JICPA will strive to create the conditions that enable CPAs to foster trust in society and contribute to the realization of a more prosperous world by faithfully carrying out their duty of providing accountability, which is the core of our profession. The number of registered CPAs in Japan currently stands at about 32,500. Leveraging their capabilities, these professionals are greatly

expanding the range of areas in which they contribute, beyond auditing. Furthermore, the profession is young—67% of registered CPAs are under the age of 50. I believe that we can help solve a wide range of social issues from a long-term perspective through such efforts as fostering start-ups, supporting small and medium-sized companies, revitalizing regional areas, improving the governance of public institutions, and promoting accounting literacy education. In implementing various initiatives aimed at overcoming the challenges of the COVID-19 pandemic, I have seen clearly just how wide-ranging the JICPA's stakeholders are. I will continue to focus my efforts on reinforcing the relationships of trust between the JICPA and its stakeholders and expanding cooperation based on that trust, so that CPAs can do even more to contribute to solving social issues.

CPAs will continue to use their wealth of abilities and robust networks to contribute to the creation of a society that is abundant in trust. We look forward to your continued guidance and support.

Responses to the COVID-19 Pandemic

In 2020, the COVID-19 pandemic created the need to operate under unprecedented crisis conditions. While putting the highest priority to the health and safety of its members and the staff of audit firms and companies, the JICPA worked in close cooperation with related government bodies and organizations to secure adequate time for the closing of corporate accounts and auditing in order to secure confidence in capital markets.

1 Participation in the Networking Group on Corporate Year-End Closing of Accounts and Auditing

In April 2020, the Financial Services Agency established the Networking Group on Corporate Year-End Closing of Accounts and Auditing to share information among market actors and discuss the situation and responses regarding the closing of corporate accounts and auditing amid the COVID-19 pandemic. JICPA president Tezuka and Deputy President Ogura took part in this group.

Under normal circumstances, the number of audits that must be performed between April and June is immense—it includes those for the more than 2,400 listed companies in Japan with fiscal years ending in March as well as audits of non-listed companies mandated by the Companies Act and of non-profit organizations. Due to disruptions caused by the pandemic, however, in 2020, the ordinary schedule did not provide enough time for procedures related to the closing of accounts and auditing, raising concerns that the accuracy and reliability of disclosure could be seriously affected. Accordingly, within the Networking Group, the JICPA expressed its views regarding the need to secure adequate time for the closing of accounts and auditing.

On April 15, 2020, the Networking Group issued a statement titled “Corporate Year-End Closing of Accounts, Auditing and Shareholders Meeting in Response to the Increasing Impact of COVID-19 (Novel Coronavirus),” requesting that companies and audit firms prepare to respond flexibly and appropriately to irregularly scheduled closing of accounts and auditing.

Postponements of Listed Companies' Results and General Meetings of Shareholders

(April 1–June 30, 2020; JICPA survey)

Results Announcement Postponements	
Approx. 750 companies (of which, approx. 600 had March fiscal year-ends)	
General Meeting of Shareholders Postponements	
101 companies	Postponed (record date unchanged) 4 companies
	Postponed (record date changed) 61 companies
	Partially postponed 32 companies
	Extraordinary meetings 4 companies

2 Publication of Chairman & President Statements and Audit Considerations

1 Chairman & President Statements

On April 7, 2020, the Japanese government declared a state of emergency regarding the COVID-19 pandemic. In response, the JICPA issued a Chairman & President Statement instructing its members and associate members to comply with governmental and other requests and guidelines in order to prevent the spread of infection and protect the public.

Subsequently, the JICPA issued further Chairman & President Statements as needed, such as reiterating the instruction to comply with governmental and other requests and guidelines, as well as urging cooperation with companies undergoing audits in line with the statement from the Networking Group on Corporate Year-End Closing of Accounts and Auditing (see table at right).

In addition, more than a year into the pandemic, with a great deal of work still being performed remotely, it was especially important to appropriately assess audit risk before auditing. At the same time, the Key Audit Matters (KAMs) were applied from reporting for the fiscal year ended March 2021. In light of these factors, on February 4, 2021, the JICPA and Japan Audit & Supervisory Board Members Association jointly published a Chairman & President Statement on handling the closing of accounts for the year ending March 2021, encouraging ample communication with corporate auditors and other relevant parties.

Chairman & President Statements

April 7, 2020	About the State of Emergency Declaration
April 15, 2020	About the Statement from the Networking Group on Corporate Year-End Closing of Accounts and Auditing
May 7, 2020	About the State of Emergency Extension
January 7, 2021	About the State of Emergency Declaration

2 Audit Considerations related to COVID-19

The JICPA has published audit considerations for its members to facilitate the smooth execution of auditing during the pandemic. In addition, on March 23, 2021, we set up a hotline for consultation regarding auditing during the pandemic, mainly to offer guidance related to the approach described in “Audit Considerations related to COVID-19 (Part 7).”

Audit Considerations related to COVID-19

Published	Title	Summary	Published	Title	Summary
March 18, 2020	Audit Consideration (Part 1)	1. Audit procedures (inventory observation, etc.) 2. Audits of companies whose fiscal year-ends have already passed 3. Audit of internal control 4. Extension of audit schedule, etc.	April 22, 2020	Audit Consideration (Part 4)	1. Accounting treatment of fixed costs during operation / business suspension 2. Considerations for banks and other financial institutions regarding allowance for credit losses
April 10, 2020 (Updated May 12, 2020)	Audit Consideration (Part 2)	1. Basic approach to auditing in environments of high uncertainty 2. Auditing accounting estimates 3. Going concern assumption	May 8, 2020 (Updated May 15, 2020)	Audit Consideration (Part 5)	1. Considerations on modified opinions due to the auditor's inability to obtain sufficient appropriate audit evidence 2. Considerations of written representations from the management
April 15, 2020 (Updated April 20, 2020)	Audit Consideration (Part 3)	1. Extension of the deadline for filing of annual securities reports, etc. 2. Auditing financial statements prepared in accordance with the Companies Act	June 30, 2020	Audit Consideration (Part 6)	Quarterly review considerations (impairment of fixed assets, assessing recoverability of deferred tax assets, additional disclosures (accounting estimates), going concern assumption)
			March 2, 2021	Audit Consideration (Part 7)	1. Approach to incorporating effects of COVID-19 in accounting estimates publicized by the Accounting Standards Board of Japan 2. Communication with management and those charged with governance in a timely and appropriate manner

3 Non-Profit and Public Sector Accounting and Taxation

The COVID-19 pandemic caused delays in the closing of accounts and auditing of many independent administrative entities and national university corporations, making it potentially difficult for them to meet the financial statement filing deadline established in Article 38 of the Act on General Rules for Incorporated Administrative Agencies. Accordingly, on May 1, 2020, the JICPA submitted to the minister in charge of independent administrative entity affairs a request that such filings be handled flexibly.

In addition, the JICPA discussed measures to extend corporate tax filing deadlines with the National Tax Agency.

4 Communication

The JICPA set up a dedicated page on its website about COVID-19, titled “Responses to Coronavirus (COVID-19).” We have used this page to post publications from the JICPA and related organizations and quickly publish English translations of the JICPA's Chairman & President statements and Audit Considerations related to COVID-19 in order to provide necessary information in a timely manner to users in and outside Japan.



5 Fundraising

The JICPA raised relief funds to support healthcare workers operating in difficult crisis circumstances as well as children and their families overseas as a way of addressing the pandemic in countries with fragile healthcare systems. We donated a total of ¥5,554,000.

Recipient	Donations	Amount
Japanese Red Cross Society	105	¥2,750,000
National Center for Global Health and Medicine	69	¥1,533,000
Japan Committee for UNICEF	64	¥1,271,000

Special Dialogue

We invited Yuri Okina, Chairperson of the Japan Research Institute, Limited, and Chair of the Cabinet Office's "Choosing the Future 2.0" Committee to discuss the role of CPAs and the JICPA as society adapts to the changes imposed by COVID-19.

(Dialogue held April 6, 2021)

Yuri Okina

Completed an MBA at Keio Business School and went to work at the Bank of Japan in 1984. Entered the Japan Research Institute in 1992. After becoming Chief Economist in 2000, she served as Counselor and Vice Chairperson before assuming the role of Chairperson of the Institute in 2018. Completed a doctorate in economics at Kyoto University in 2011.



The Macro Perspective Needed During the COVID-19 Pandemic

Tezuka Over the past decade or so, I have repeatedly encountered the term "VUCA."¹ During the COVID-19 pandemic, I have particularly experienced the impact of VUCA. During and after the pandemic, what social and economic changes do you think will be necessary in Japan?

Okina The suggestions drafted in 2014 that became the basis for Choosing the Future 2.0 also proposed three goals. The first was to raise productivity. Japan is expected to see a major decline in population, so the country's continued growth will require improvements in added-value productivity and advances in digitization, as well as an economy that develops human capital and produces excellent goods and services at appropriate prices. The second goal is to enrich regional areas with better economic opportunities. Even as the overall population undergoes considerable change, we should work toward a society in which regional areas are each appealing in their own right, places where people can work and prosper. The last goal is to respond to the low birth rate. I think that the COVID-19 pandemic has only reinforced awareness of the importance of shifting the tide of Japan's low birth rate.

In an era of VUCA, enabling a wide range of people to participate professionally and securing resilience are key. The mingling of diverse people sparks innovation. Given the wide variety of crises we face, now and going forward,

using creativity and problem solving to enhance resilience will be extremely important. I hope that the conditions we find ourselves in now will help spur improvements in added-value productivity, transforming society as more people, for example, work remotely to enjoy the quality of life in regional areas and take advantage of work style reforms.

I think that the question now is not whether to allow diversity or not; diversity is precisely where value resides. An organization can only achieve diversity by accommodating diverse life styles and diverse work styles. Through the pandemic, we have gained options to do many things remotely, such as telecommuting and online education. This positive step opens up new possibilities, for example, to live in regional areas and raise children while working remotely. Seniors who are no longer able to live independently will be better able to continue to engage with society, and the reduced need to commute will help break down barriers to working for people with disabilities. Many obstacles and hurdles remain, but it will be crucial to effectively combine these new, remote options with in-person aspects of life and work.

Tezuka In terms of enabling diverse individuals to participate professionally, under my predecessor, Aiko Sekine, our first female president, the JICPA established the Women in Accounting Professional Promotion Council and KPIs regarding the professional engagement of women. Our initiatives to raise the proportion of women among successful CPA examination candidates to 30% by fiscal 2031 are beginning to yield results. The proportion of women among

such candidates rose from fiscal 2020 to fiscal 2021 and currently stands at 24.6%.

We have also set the target of raising the proportion of women among JICPA members and associate members to 30% by fiscal 2049, the year that will mark the 100th anniversary of Japan's CPA system. This ratio currently stands at 15.5%.

What are your thoughts on the professional participation of women?

Okina The issue of the M-shaped curve² in the rate of women in the workforce by age is beginning to improve. However, challenges related to regular employment remain. Regular employment is highest among women in their late 20s, but falls precipitously after that, in an L-shaped curve. The rate of women in irregular employment who would prefer to be in regular employment is extremely high. Moreover, the COVID-19 pandemic has devastated the restaurant, tourism, and other industries with high rates of female participation, and that includes single mothers. To effectively increase female participation in the workforce, we need to consider such individuals in a more inclusive way.

Looking at corporate management, companies should work to increase the rate of women in management not only as external directors, but from the inside, including as executive officers.

The World Economic Forum's Global Gender Gap Report 2021 ranked Japan 120th among 156 countries in gender equality. As this illustrates, there is a very long way to go.

Finally, to create environments where women can continue

working with peace of mind over the long term and be promoted inside companies, I think that achieving a healthy work-life balance for both women and men will be crucial.

Business Models Going Forward

Tezuka What kind of changes do corporate business models need to make? What do you see as the role of, for example, digital transformation (DX)?

Okina The need for DX is one of the factors behind Japan's lagging productivity. This is particularly the case with small- and medium-sized companies, and an area in which the government is now offering support.

Business models are changing in response to the COVID-19 pandemic and its aftermath. Given the lack of clarity about the future, how can businesses anticipate changes in the ways people think in order to create new products and services? I think that the answer lies in advancing open innovation with diverse partners, working together to build new business models, and aggressively investing in non-tangible assets to advance corporate transformation.

Looking at the ratios of investment in intangible assets to GDP, Japan is on par with Germany, but well below the United States or the United Kingdom. Similarly, the contribution of the quality of human capital to Japan's total factor productivity (TFP)³ is relatively low. In the United States, investment in intangible assets is increasing and driving

Special Dialogue

growth in corporate value. Accelerating digitization, investing in human capital and otherwise expanding organizational capabilities will be key.

Tezuka Japanese companies are often said to have a long history of management that values all stakeholders, not just shareholders, based on a long-term perspective. This is exemplified by the traditional philosophy, called *Sampo Yoshi*, of doing business that benefits the seller, the buyer, and the community. Some have said, however, that the challenging post-bubble economy led to an increasing focus on securing annual profits, causing companies to gradually lose this long-term perspective and with it their ability to grow. What do you think?

Okina Japan's economic bubble burst because of near-sighted corporate management. Many companies went insolvent. I think that an important factor in determining which companies survived was whether or not they realized the need to respond to major long-term shifts, such as Japan's decreasing population. Although businesses in Japan did follow the *Sampo Yoshi* philosophy, over time, with the advent of quarterly disclosure and other changes, I think they shifted their focus somewhat toward short-term profit. Since the bubble burst, at the macro level, as companies have reduced their excess debt and gotten leaner, with increasing internal reserves, they have once again secured the breathing room needed for long-term thinking. And, since the advent of Abenomics, the cheaper yen has helped ease the short-term pressure on manufacturing industries, in particular. In any case, I think the emergence of discussions of sustainability and the current momentum toward long-term thinking in management is a very good thing.

Continually hiring and effectively developing human resources is crucial to long-term corporate growth. With the COVID-19 pandemic, more value has been placed on diversity, and I think we may see advances in mid-career hiring



and the mobility of talent. Hiring based on specific job skills for specific roles is rapidly becoming more common in Japanese companies. Going forward, I think that corporate growth will be contingent on finding ways to balance the unique strengths of Japanese companies with greater human resource fluidity.

The Importance of Non-Financial Disclosure

Tezuka Intangible assets account for a growing portion of corporate value, but these assets are notoriously hard to quantify or reflect in financial statements. Accordingly, investors are increasingly calling for more robust disclosure of non-financial information, including ESG data, to better assess corporate value and management sustainability. What is your perspective on this shift?

Okina In the manufacturing era, tangible assets were what mattered. In the IT and digital era, if the strengths of a company's intangible assets aren't apparent to its stakeholders, neither is its real corporate value. This is not sustainable. For example, looking at human capital, companies need disclosure that includes engagement, covering such factors as their initiatives to develop human resources, secure diversity, promote mid-career hiring, and implement educational programs. Furthermore, for information related to organizational capabilities and other aspects of management, it will be important to consider not only what should be disclosed, but where the information can be disclosed most effectively.

Tezuka Recently, I have noticed that when disclosure becomes obligatory, the companies that respond robustly also change their behavior. The question is whether disclosed information truly reflects the reality of the company, or is just a hollow formality. What are your thoughts about the reliability of material disclosure?

Okina It will be increasingly important. There have been numerous instances of manipulated financial results in the past, but manipulation of non-financial information is even harder to detect. Comparability is poorer, so finding ways of ensuring the reliability of disclosure is important. I think that CPAs will have an extremely important role to play in developing solutions to these issues.

Tezuka When it comes to environmental, social, and governance (ESG) issues, CPAs are highly knowledgeable about governance, but few have developed a deep and broad understanding of environmental and social issues. However, the big audit firms boast large numbers of specialists. Going forward, I think that CPAs will need to augment their own knowledge while working with a diverse range of specialists in order to ensure the reliability of disclosure. CPAs currently audit financial statements and certify their accuracy; we will

work to expand these functions to cover non-financial information as well.

Okina I am sure that the reliability guaranteed by CPAs will contribute greatly to economic and social development.

Tezuka Thank you.

Revitalizing Regional Areas

Tezuka The JICPA has designated regional revitalization as a priority. As part of our efforts, a special August 2020 edition of the *Accounting & Audit Journal* featured contributions of CPAs to achieving the SDGs, highlighting their activities in various regions and fields.

What kinds of challenges face regional revitalization, and how do you think CPAs can contribute?

Okina The regional areas of Japan are home to many manufacturing companies. Professor Yutaka Matsuo of the University of Tokyo School of Engineering is an expert in AI. At a meeting on Choosing the Future 2.0, he acknowledged that Japan trails the United States and China in terms of AI, but pointed out that combining manufacturing technologies and AI may provide a way to leverage Japan's strengths. Using remote work and online learning, it is now becoming possible for individuals to live or work from two locations, rather than being forced make a binary choice between a major city or a regional area. It will be important to leverage the major changes enabled by DX and new insights in revitalization efforts.

Social welfare corporations, medical corporations and universities are also closely connected to regional areas. CPAs will have important roles to play in terms of supporting the active development of these organizations, in addition to companies, and the initiatives of the people connected to them.

Tezuka I believe that social welfare and medical institutions are one of your areas of expertise. Social welfare corporation and medical corporations over a certain size are now required to have an accounting auditor. What are your thoughts on this change?

Okina As demographic graying advances, nursing and medical care will be extremely important industries. These industries will require digitization, coordination, and M&A to maintain essential operations as the population declines. As with other types of corporations, advice from the perspective of CPAs on how to operate sustainably will prove crucial.

Tezuka The special edition of the journal I mentioned is intended to illustrate the needs for CPAs in regional areas, particularly for accountants who are currently working in major cities and would like to move to regional areas but are



hesitating. What's more, a major audit firm recently announced that it would allow employees from all parts of its corporate group to move to regional areas.

Okina That's a very positive move. Allowing diverse work styles like that may help to make the organization itself more dynamic, as well.

Tezuka If employees are allowed to move, they can also contribute more easily to regional areas on a volunteer basis. I hope to we will continue to see this trend strengthen.

In Closing

Tezuka Would you like to share any final thoughts?

Okina The COVID-19 pandemic has triggered major changes in the thinking of people globally. The harsh reality is that, to survive in this new world, companies must explore new business models with an awareness of sustainability.

Leveraging their expert knowledge, CPAs have provided trust and reliability to information that is indispensable to companies and society. Going forward, we will need them to continue fulfilling this role from a long-term perspective, taking into account the latest major developments in the world and staying alert to the initiatives of individual companies. This will require their understanding of professional ethics, as well as robust communication and a commitment to the future. I look forward to seeing how CPAs will continue to make great contributions to the overall development and enrichment of society.

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

Okina Thank you.

1. VUCA: An acronym for volatility, uncertainty, complexity, and ambiguity used to describe conditions marked by major environmental changes and difficulty forecasting the future.

2. When plotted on a graph, the rate of employment for women in Japan by age resembles the shape of an M. The rate declines in their late 20s and 30s (as women marry and start families), then rises again from their 40s onward (as their children get older).

3. Total factor productivity (TFP): An indicator of productivity that indicates the contribution of such factors as technological innovation that cannot be explained by quantitative changes in capital or labor.

Initiatives for a Changing Society

The COVID-19 pandemic has caused major changes to ways of living and working. The adoption of new work styles, including remote work, and the pace of digital transformation (DX) across society are accelerating. At the same time, with corporate governance reforms and the expansion of ESG investing in recent years, the corporate disclosure environment is changing. The JICPA is advancing initiatives to examine the new forms auditing should take to support transitioning economic structures and create virtuous cycles as society evolves.

1 Corporate Operations and Closing of Accounts and Auditing under Remote Work Conditions

Propelled by the COVID-19 pandemic, remote work is rapidly becoming commonplace. The JICPA is advancing measures to respond to reforms in the operational processes and internal controls of companies (such as doing away with requirements that documents be physically stamped). Furthermore, in July 2020, the JICPA established the Remote Work Response Project Team to advance reforms in auditing procedures, such as using digital audit evidence and digitally confirming balances. This team is working to formulate suggestions and considerations regarding remote work.

Overview of measures



Corporate operations and closing of accounts and auditing under remote work conditions (in Japanese)
https://jicpa.or.jp/specialized_field/remote/

Publications in Fiscal 2021 (in Japanese)

- Dec. 25, 2020 Remote Work Series No. 1: "Considerations for Auditing Using Digital Materials and Channels: Methods via Auditors' Websites"
- Remote Work Series No. 2: "Considerations In Relation to Remote Attendance at Physical Inventory Counting"
- Feb. 12, 2021 Remote Work Series No. 3: "Audit Considerations In Relation to Authentication of Evidence Converted to PDF Format"
- Remote Work Series No. 4: "Considerations for Dealing with Restrictions on In-Person Audits of Constituent Units, Etc."
- Remote Work Series No. 5: "Remote Meetings and the Use of Remote Meeting Tools"
- Mar. 19, 2021 Remote Work Series No. 6: "Considerations for Auditing Regarding Confirmations Using Email"

2 High-Quality, Reliable Corporate Disclosure

In recent years, society's needs for comprehensive corporate disclosure have grown, encompassing not only financial but also non-financial information. Against this backdrop, corporate disclosure is undergoing major changes, including a growing emphasis on dialogue between companies and investors.

Given these circumstances, the JICPA believes in the importance of increasing the utility and reliability of corporate disclosure to increase its value to users and organically connecting it to corporate governance to help achieve sustainable value creation. In September 2019, the JICPA launched the Corporate Disclosure and Governance Special Committee to further these priorities.

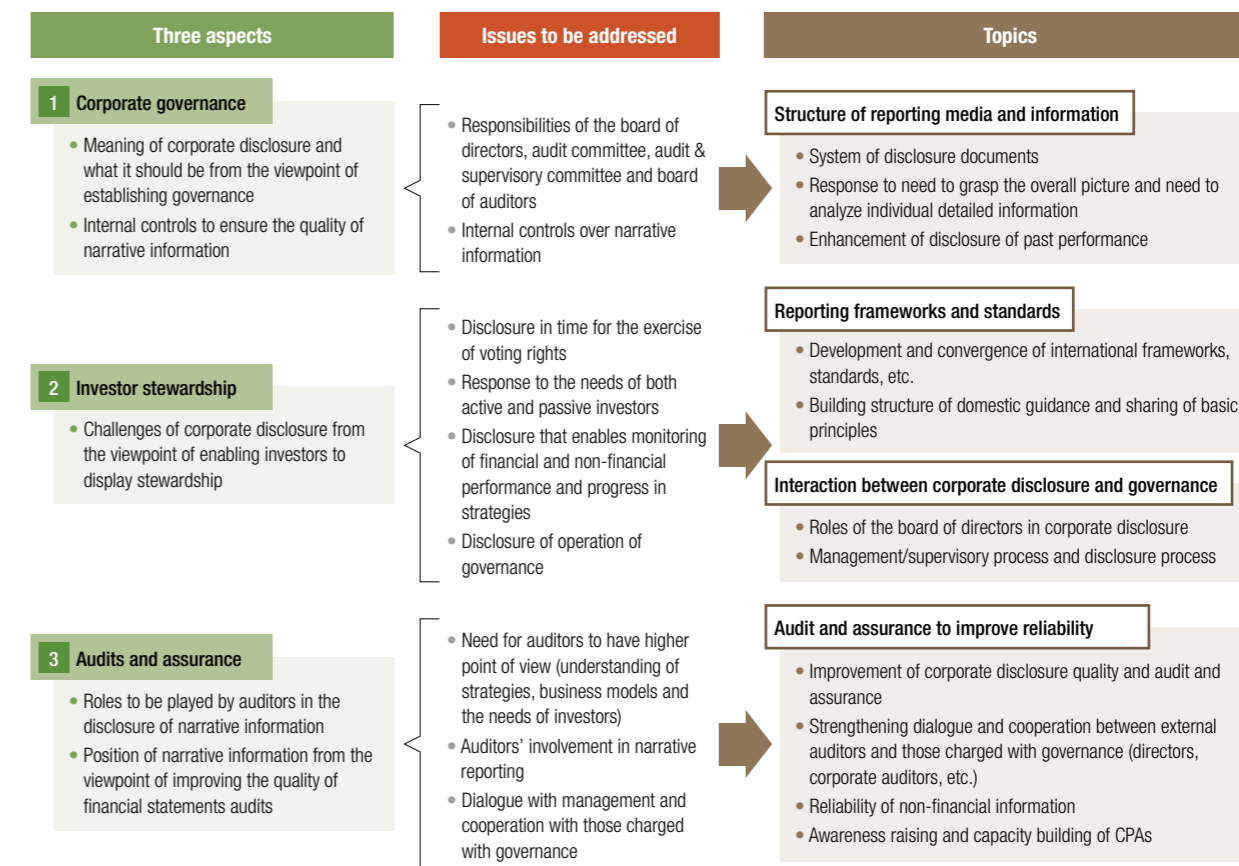
The Special Committee includes investors and external corporate directors as external experts. With their help, it identified challenges related to increasing the utility and reliability of corporate disclosure and discussed ways to address them. Furthermore, the Special Committee discussed the role that CPAs should play in supporting corporate disclosure and in September 2020 put out an interim report titled "Key Issues towards Useful and Reliable Corporate Disclosure — Realizing a Sustainable Value Creation Cycle through Interaction between Disclosure and Governance."

Through dialogue with diverse actors involved in corporate disclosure, we will continue to study governance, processes, and disclosure systems conducive to enhancing the quality and reliability of overall corporate disclosure.



Corporate disclosure initiatives (in Japanese)
https://jicpa.or.jp/specialized_field/corporate_reporting/

Key Issues Raised in the Interim Report



3

Requests Related to Recovery-Oriented Tax Systems After the Lifting of the State of Emergency

Each year, the JICPA publishes “Tax System Opinions and Requests” and “Recommendations Regarding the Tax System.” In 2020, however, the COVID-19 pandemic and the ensuing prevention measures created unprecedented circumstances worldwide, significantly affecting the Japanese economy. Accordingly, the JICPA also published “Requests Related to Recovery-Oriented Tax Systems After the Lifting of the State of Emergency (Supplement to Tax System Opinions and Requests),” which focused on the new normal conditions after the lifting of Japan’s state of emergency, as well as aspects of corporate and economic recovery.

This document comprised a total of 12 requests categorized under the three perspectives listed below.

I Assistance for Companies and Individuals Facing Economic Hardship

1. Corporate taxation (including income tax withholding)

- (1) Establish an employment promotion tax system not limited by geographic area to minimize the increase in unemployment
- (2) Issue public statements clarifying that subsidies for expenses paid by companies to employees related to preventing COVID-19 infection are not included in entertainment expenses and not taxed as employee income

2. Individual taxation

- (1) Expand income tax deductions for increased childcare expenses borne by households due to school closures
- (2) Establish a refund carryback system for losses arising from transfers of stocks, etc.

II Improving Corporate Financial Operations and Promoting Sustainable Growth

1. Corporate taxation

- (1) Eliminate deduction limits on carryforwards of losses for the fiscal year that blue returns are filed
- (2) Broadly reduce local taxes that are not based on income
- (3) Eliminate limits on expensing entertainment costs for a certain period after measures to prevent the spread of infection were put in place

2. Corporate and individual taxation

- (1) Support M&A aimed at rescuing companies by establishing systems similar to the open innovation promotion tax system and angel tax system

III Promoting Public Health and Building a Nation Resilient to Infectious Disease

1. Corporate taxation

- (1) Expand the categories of special investigational research under the investigational research expense tax deduction system
- (2) Allow revenue from contracted clinical trials to be included in revenue from healthcare services covered by social health insurance, which must be 80% or more of an organization’s total revenue for it to be classified as a specific medical corporation

2. Individual taxation

- (1) Allow the application of deductions for medical expenses and the self-medication tax deduction system to expenses related to preventing the spread of COVID-19, such as those for purchasing masks
- (2) Add COVID-19 antibody tests and vaccines to the category of “Efforts to maintain and improve health and prevent illness” under the self-medication tax deduction system

4

Institute Operations Using Online Technologies

In fiscal 2021, many events had to be cancelled, postponed, or held in a different form than originally planned. The JICPA converted many events previously held in person to an online format and implemented various institute operations in new forms.

1

Annual Conference

On September 11, 2020, the JICPA held its 41st Annual Conference online. Although the 2020 conference was originally scheduled to be held in Sapporo, to prevent the spread of COVID-19, it was held online for the first time ever, allowing members to participate remotely.

The main theme of the 2020 event was “The time is now—utilizing new technologies to expand the activities of CPAs across a wide range of fields.” The conference served as an opportunity to better understand new technologies and to learn and think about ways to utilize them in a rapidly changing external environment.

The morning portion of the conference featured a presentation from President Tezuka and a video message from President In-Ki Joo of the International Federation of Accountants (IFAC). This was followed by a commemorative lecture from Tsuyoshi Yano (Director, Manufacturing Industries Policy Office, Ministry of Economy, Trade and Industry) on the topic of how manufacturing industries can survive amid uncertainty, focusing on the dynamic capabilities and digital transformation necessary going forward. The afternoon portion of the conference consisted of eight research presentations covering a wide range of fields, from auditing to accounting, tax work, ethics, and IT.

A total of 1,600 JICPA members took part in this year’s conference, higher than the average in an ordinary year. The conference thus underlined the significance of online events that members can easily participate in, no matter where they are in Japan or overseas.



2

Hello! Accounting

“Hello! Accounting” is a free accounting class for elementary and junior high school students implemented as part of the JICPA’s efforts to promote basic accounting education.

Though normally held in a classroom space, to prevent the spread of COVID-19, in fiscal 2021, it was held online for the first time.

Using chat software, participants and teachers were able to interact in real time, making each class lively and fun.



Poster for online “Hello! Accounting” lessons



Lesson being taught at a regional chapter

Online Lessons in Fiscal 2021

Classes for schools:	5 times 102 participants
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Classes open to the public:	9 times 578 participants
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Who We Are

The JICPA is Japan's only self-regulatory body of CPAs. As mandated by the Certified Public Accountants Act, the JICPA strives to guide, connect, and supervise CPAs well as improve their credentials so that they can carry out their mission.

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 members.
- 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 CPAs.
- 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.

History

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 Law of Special Measures of 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.

Early Development

The foundations of the CPA system are established

- 1948 **The Certified Public Accountants Act established;** Securities Exchange Law rewritten
- 1949 **The Japanese Institute of Certified Public Accountants founded;** Financial Accounting Standards for Business Enterprises issued
- 1950 Auditing Standards and Working Rules for Fieldwork (interim reporting) issued
- 1951 The CPA audit system enters effect
- 1953 **The JICPA becomes an incorporated association**

Growth

Growing in step with Japan's rapid economic rise

- 1956 Auditing Standards and Working Rules for Fieldwork amended; Working Rules of Audit Reporting issued
- 1961 Stock exchanges open second sections
→ Expansion in firms requiring auditing
- 1962 Cost Accounting Standards issued
- 1965 Discovery of numerous companies committing accounting fraud
→ Auditing Standards revised
- 1966 **Certified Public Accountants Act amended**
The JICPA becomes a corporation;
The audit corporation system enters effect
- 1967 CPA audits of schools begin
- 1973 The International Accounting Standards Committee (IASC) established;
Commemorative ceremony and other activities marking the 25th anniversary of the CPA system held
- 1974 CPA audits under the Law of Special Measures of the Commercial Code begin
- 1977 System for CPA audits of consolidated financial statements enters effect (audits of equity method accounting begin in 1983); System for CPA audits of interim financial statements enters effect; The International Federation of Accountants (IFAC) established
- 1987 The 13th World Congress of Accountants held in Tokyo

Reform

Transforming for a future of trust

- 1991 Auditing Standards, Working Rules for Fieldwork, and Working Rules of Audit Reporting amended
- 1998 **Continuing professional education (CPE) system launched**
Commemorative ceremony and other activities marking the 50th anniversary of the CPA system held
"Big Bang" accounting reforms begin
- 1999 **Audit firm quality management review system enters effect**
- 2001 Financial Accounting Standards Foundation (FASF) and Accounting Standards Board of Japan (ASBJ) established
Audit Practice Monitoring Board established
JICPA Building completed
- 2002 Auditing Standards amended
- 2003 **Certified Public Accountants Act amended**
CPA examination system reformed
- 2004 **The JICPA becomes a special private corporation**
Continuous professional education (CPE) system written into law
- 2005 Companies Act established
The Auditing Standards and Interim Auditing Standards amended; the Standards on Quality Control for Audits established
- 2006 Financial Instruments and Exchange Act established

Evolution

Accelerating expansion of CPA work in Japan and abroad

- 2007 The 17th Conference of the Confederation of Asian and Pacific Accountants (CAPA Osaka 2007) held
Registration system for listed company audit firms enters effect
The Certified Public Accountants Act amended
Limited liability partnership system for audit firms enters effect
- 2008 Internal control auditing and quarterly review systems enter effect
Commemorative ceremonies and lectures marking the 60th anniversary of the CPA system held
- 2009 Decision to allow voluntary adoption of International Financial Reporting Standards (IFRS)
- 2010 **Tax Affairs Subcommittee established**
- 2012 **Internal Accountants Council established;**
The IFRS Foundation's Asia-Oceania Office established in Tokyo
- 2013 Audit Risk Response Standards established
- 2014 Auditing Standards amended
Provisions of the Companies Act regarding the selection and dismissal of accounting auditors amended;
- **Public Accounting Council established**
- 2015 Corporate Governance Code enters effect
- 2016 CPA audits of social welfare corporations and medical corporations begin;
Basic Accounting Education Promotion Council established;
Women in Accounting Professional Promotion Council established
- 2017 Audit Firm Governance Code published;
Council for Accountants Serving as Outside Directors and Corporate Auditors established
- 2018 **Commemorative ceremonies and lectures marking the 70th anniversary of the CPA system held**
- 2019 CPA audits of agricultural cooperatives begin
Self-Regulation Monitoring Board established
- 2020 Auditing Standards amended

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)



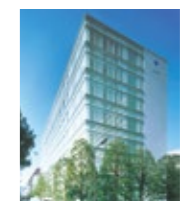
Feb. 1966–Nov. 1969
Leased space on the 4th floor and in the basement of the Tokyo Shoken Building (Chuo-ku, Tokyo)



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)

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 2020 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).

The main types of audit performed by CPAs are as follows.

Statutory Audits (Audits Required by Laws and Regulations)

- | | |
|--|--|
| <ul style="list-style-type: none"> • 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). | <ul style="list-style-type: none"> • Audits based on the Companies Act
Large companies, 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:

- | | |
|--|--|
| <ul style="list-style-type: none"> • 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 | <ul style="list-style-type: none"> • 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:

- | | |
|---|--|
| <ul style="list-style-type: none"> • Audits of financial statements of companies not subject to statutory audits | <ul style="list-style-type: none"> • Special-purpose financial statements |
|---|--|

International audits include audits of the following:

- | | |
|--|---|
| <ul style="list-style-type: none"> • Companies with shares listed on overseas exchanges or that are applying for such listing • Companies that have procured or seek to procure funding overseas | <ul style="list-style-type: none"> • Overseas branches, subsidiaries, and joint ventures of Japanese companies • Japanese branches and subsidiaries of overseas companies |
|--|---|

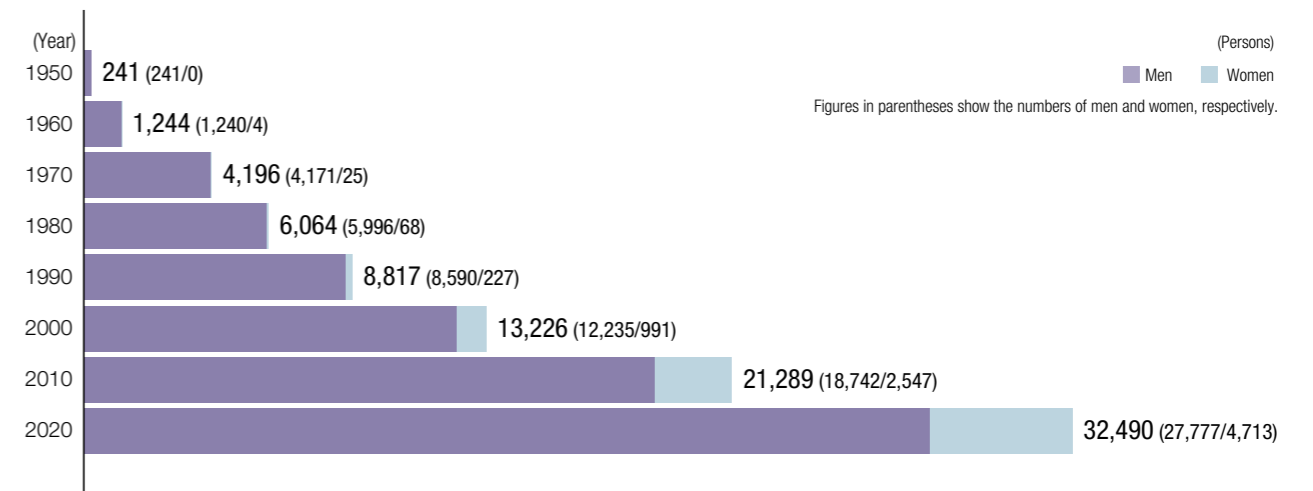
2 Number of Accounting Auditors

The number of CPAs in Japan is steadily rising. As of March 31, 2021, the number of CPAs stood at 32,478.

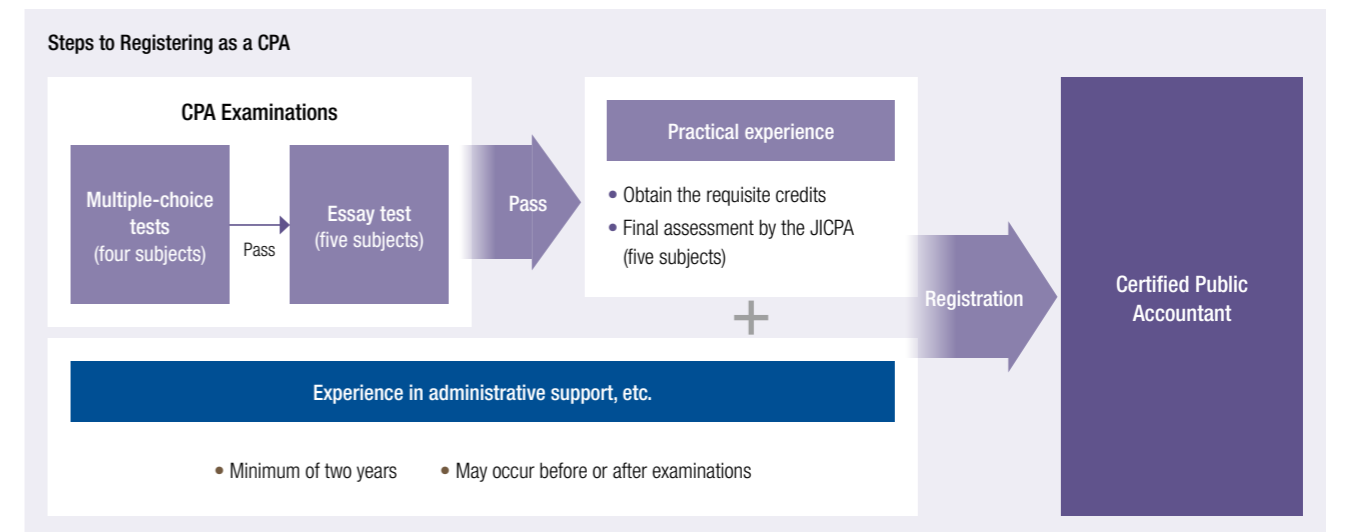
1951 saw the first registration of female CPAs (2 individuals). Today, approximately 15% of Japan's CPAs are women. The portion of successful CPA examination candidates who are women has been around 20% in recent years, reaching 24.6% in 2020, indicating that the proportion of women among CPAs will continue to increase going forward.

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 (see page 48).

CPAs by Gender (At December 31)

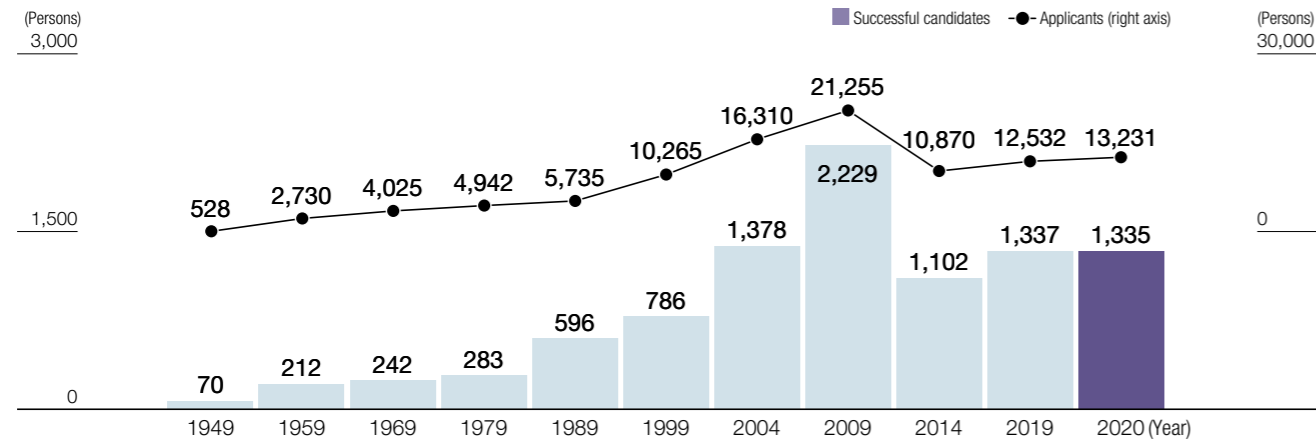


To become a CPA, an applicant must pass the CPA examinations (multiple-choice tests and essay tests), complete at least two years of practical experience, undergo a professional accountancy education program administered by the Japan Foundation for Accounting Education and Learning, and pass a final assessment by the JICPA. After confirmation from the prime minister, the applicant's name is added to the register of CPAs.



Overview of the CPA Profession

CPA Examination Applicants and Number of Final Successful Candidates (numbers for 1989 and earlier are those for the previous two-tier test system)



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 below 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

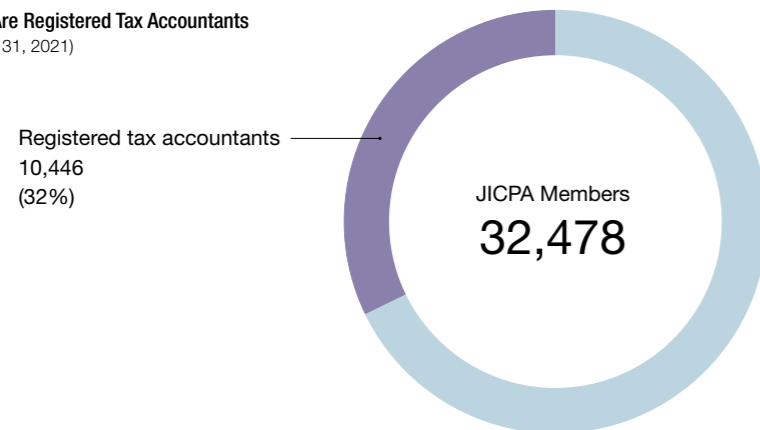
3 Areas of CPA Activity

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 counsel and advice in specialized tax matters, such as tax duties related to M&A and international taxation.

CPAs That Are Registered Tax Accountants (as of March 31, 2021)



2 Consulting

CPAs provide counsel and advice in all areas of management, including drafting management strategy, capital procurement, establishing internal controls, securities listing, organizational reform, and due diligence.

3 Professional Accountants in Business (PAIB)

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 Outside 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 outside directors and corporate auditors has been rising, and currently stands at more than half of all listed companies.

* 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 number of registered members of each council and of the working groups, etc., within each council are as follows (as of March 31, 2021).

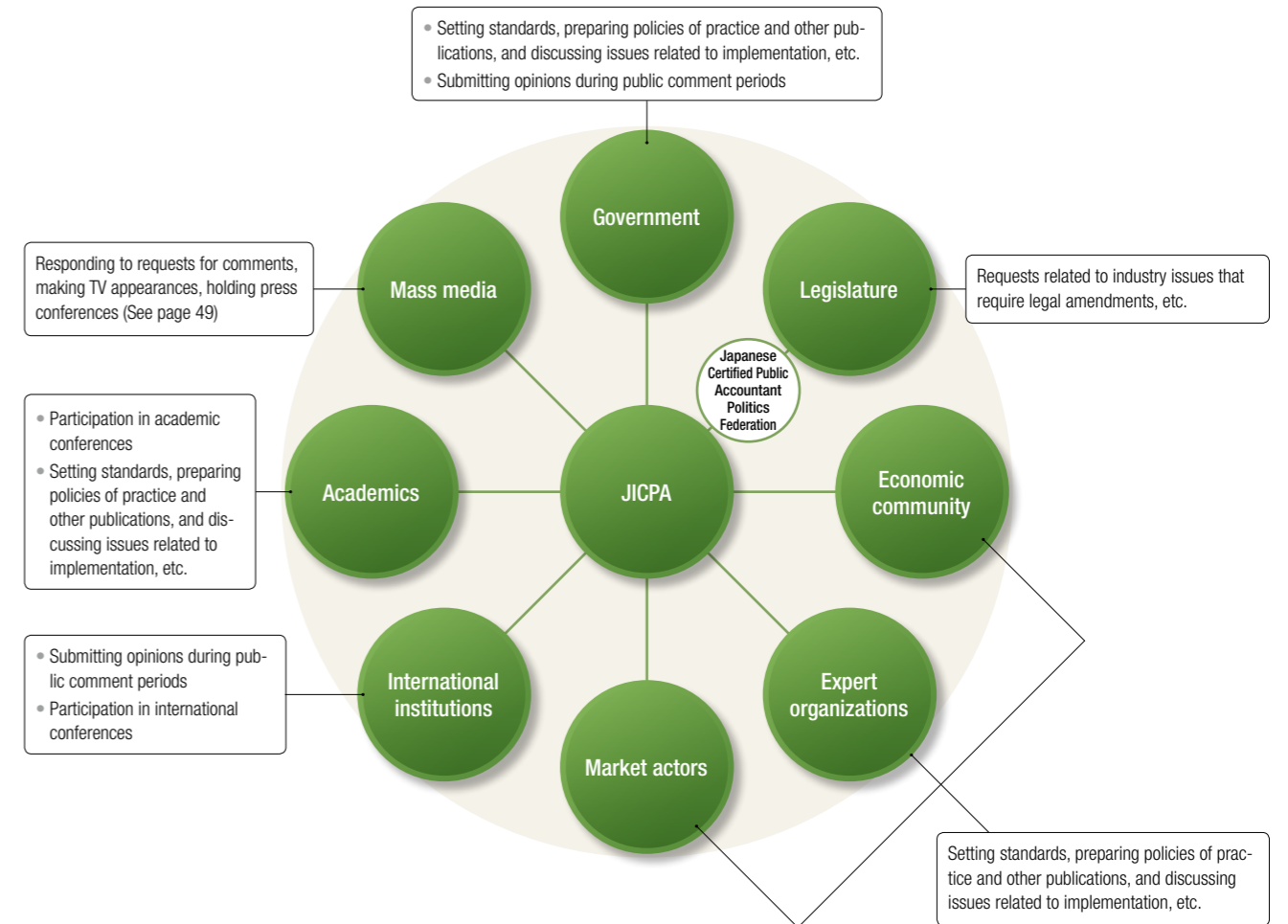
Name	Target	Members
Small and Medium-Sized Audit Firm Liaison Council	Small and medium-sized audit firms that audit listed companies	453 corporations and firms
Tax-Related Work Council	CPAs who perform tax-related work	Members: 8,916 Associate members: 6,116
Public Accounting Council	CPAs working in the public and NPO sectors	Social Security Working Group Members: 2,640 Audit corporations on the working group's list: 88 Regional Public Entity Accounting and Auditing Working Group Members: 913 Associate members: 2,048
Internal Accountant Council	CPAs that are employees of corporations	Professional Accountants in Business Network Members: 2,174 Associate members: 476
Council for Accountants Serving as Outside Directors and Corporate Auditors	CPAs serving as outside directors and corporate auditors	Council for Accountants Serving as Outside Directors and Corporate Auditors Network Members: 1,415 Associate members: 997
Women in Accounting Professional Promotion Council	Female JICPA members/associate members	5,999

What We Do

The JICPA implements a range of institute operations to contribute to the advancement of CPAs and the establishment and development of a fair economic society so that CPAs can better carry out their mission.

Stakeholder Engagement

The scope of activities for CPAs is expanding, and the JICPA's stakeholders are also increasing, both in number and diversity. To ensure that CPAs can carry out their mission, the JICPA is proactively collaborating and communicating with stakeholders to build and enhance relationships of trust.



Lectures and Appearances by the Chairman

JICPA chairman and president Tezuka attended numerous external lecture events. This provided opportunities to engage in discussions with many stakeholders and reflect their opinions in the JICPA's operations. The main external lecture events that he attended in fiscal 2021 are as follows.

- Aug. 29, 2020 Lecture at the 37th Annual Conference of the Japanese Association for International Accounting Studies
Topic: Corporate disclosure and changes in corporate behavior
- Oct. 27, 2020 Breakout panel discussion appearance at the Japan Productivity Center's 65th Anniversary Conference
Topic: Customer value-oriented management going forward—policies for sustainable management
- Nov. 21, 2020 Spoke at the 13th Annual Conference of the Japan Internal Control Research Association
- Dec. 17, 2020 Lecture for the Japan Association of Corporate Directors
Topic: Issues brought to light by the closing of accounts and auditing during the COVID-19 pandemic



Chairman Tezuka speaking during the Japan Productivity Center's 65th Anniversary Conference breakout panel discussion



Appearance at the Japan Productivity Center's 65th Anniversary Conference (in Japanese)
<https://jicpa.or.jp/news/weekly/2020/10/20201031fii.html#movement>

Management Policy

The JICPA is an expert professional organization of CPAs, who are responsible for ensuring confidence in information while contributing to sound organizational governance. As such, the JICPA has, over the years, revised existing forms of CPA auditing many times, proactively working to reform and improve the audit system.

Over the past several years, systematic efforts to improve audits have made great progress. For precisely this reason, President Tezuka and the entire executive team have determined that the JICPA must now look beyond accounting audits and undertake efforts to reform institute operations from a long-term perspective, envisioning the CPA industry in 10 or 20 years. To this end, they established the slogan shown below. Building from this slogan, to define a vision and values for the JICPA, based on the mission of CPAs outlined in the Certified Public Accountants Act and our current tagline, "Engage in the Public Interest," we laid out the JICPA's mission. In doing so, we identified issues that we must address and established five strategic targets to this end.

Slogan

“Move Forward to the Future”

The JICPA's Mission

- Build social confidence in CPAs
- Support the enhancement of the professional abilities of our members
- Offer opportunities for members to exercise such abilities to contribute to society

Vision

A professional organization, trusted by both its members and society, that makes the greatest possible contribution to sound economic development and the realization of greater wellbeing throughout society

Aiming to realize the vision by achieving the strategic targets

Values

- We put the trust of our members and other stakeholders first
- We esteem foresight, strategic thinking, and creativity
- We strive to engage in constructive discussion and collaboration with stakeholders
- We esteem mutual aid and cooperation and strive for open, highly productive institute operations

Strategic Targets

Six Key Issues

- Reforming accounting audits
- Involvement in the formulation of accounting and auditing standards
- Adapting to changes in corporate disclosure
- Adapting to changes in corporate activities and technological innovation
- Meeting society's needs for CPA work
- Adapting to rapid membership gains and the growing diversity of our members

Strategic Target 1 Build Confidence in CPAs

Japan's CPA system was created in 1948 to audit the financial statements of listed companies. Over the more than 70 intervening years, CPAs have worked constantly to protect confidence in capital markets through financial audits. Society's need for our profession and the contribution CPAs provide through their work are both fundamentally rooted in society's confidence in financial audits. We will continue working to build that confidence while also working to reinforce hands-on auditing skill.

Strategic Target 2 Enhance Stakeholder Engagement

To fulfill the mission of CPAs contributing to the sound development of the national economy, coordination with a wide range of stakeholders, including governmental bodies, market actors, and international institutions, is essential. By promoting constructive dialogue with stakeholders, we will strive to further build up relationships of trust.

Strategic Target 3 Secure and Develop Human Resources

The globalization of corporate activities, AI and other technological innovation, and other such factors are driving significant changes in the environment surrounding CPAs. Given these changes, to ensure that CPAs will continue to contribute to society in the future, we will redefine the qualities and abilities necessary in a CPA.

Furthermore, with efforts to promote the professional participation of women and growing numbers of CPAs working within companies or as external corporate officers, the sphere of CPA activity has been growing increasingly diverse in recent years. In response to this shift, we will advance diversity and inclusion initiatives.

Strategic Target 4 Meet Society's Needs

Japan is facing many serious challenges, including a declining population and birth rate, demographic graying, and the depopulation of regional areas. As such, enhancing the productivity and ensuring the management soundness of organizations deeply connected to the public interest is an urgent task.

Accordingly, the range of entities subject to CPA audits is expanding to include incorporated schools, regional public entities, medical corporations, social welfare corporations, and agricultural cooperatives. We will work to ensure that through audits and other work, CPAs contribute to the soundness of such organizations' operations while contributing to governance reforms and productivity gains, thereby supporting the revitalization of regional areas.

Strategic Target 5 Enhance the Productivity and Transparency of Institute Operations

Enhancing the productivity of the JICPA will be essential to achieving these strategic targets. As such, we are advancing organizational reforms, including revising our governance system and promoting work style reforms for institute staff.

In addition, we are working to enhance transparency to fulfill the JICPA's duty of accountability by providing timely, appropriate information to society.

Self-Regulation Initiatives

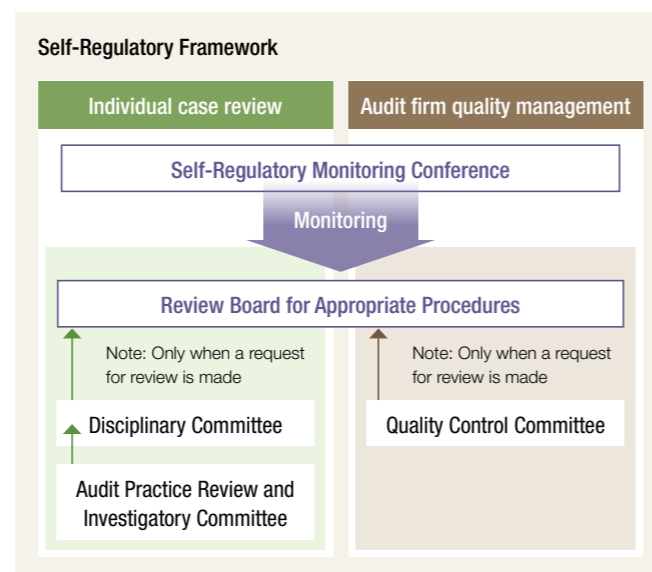
1 Self-Regulation Overview

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

The JICPA operates under the self-regulatory apparatus shown at right. Increasing transparency, providing society with timely information, and ensuring clear, satisfying explanations are prioritized as key issues.



Self-Regulatory Monitoring Conference

The purpose of the Self-Regulatory Monitoring Conference is to monitor the JICPA's overall self-regulatory operations and cases in which improvement is required to ensure a properly functioning system for self-regulation and secure greater understanding from society, as well as to provide opinions and advice based on a broader perspective encompassing capital markets and social impact.

The Self-Regulatory Monitoring Conference comprises eight members. In light of the importance of securing independence and transparency, seven of these members are outside members (one of whom is also an outside Council Member of the JICPA).

Self-Regulatory Monitoring Conference Members (As of March 31, 2021)

Hisashi Yamaura*	Outside Council Member, JICPA; Professor Emeritus, Meiji University; former Commissioner, Board of Audit	Hirano Takeshi*	Managing Governor, Japan Exchange Regulation
Hiroshi Miyake*	Attorney	Mari Sono	Former Commissioner, Securities and Exchange Surveillance Commission
Toshifumi Goto*	Chairperson, Japan Audit & Supervisory Board Members Association	Masataka Miyazono*	President, Government Pension Investment Fund
Mari Kobayashi*	Professor, Waseda University	Manabu Morimoto*	Vice Chairman, Japan Securities Dealers Association

Names marked with * are outside experts.

Summaries of the proceedings of the Self-Regulatory Monitoring Conference and the materials used at its meetings are published on the JICPA's website.



Self-Regulatory Monitoring Conference proceedings summaries and meeting materials (in Japanese)
<https://jicpa.or.jp/about/activity/self-regulatory/quality/monitoring.html>

2 Individual Case Review

Audit Practice Review and Investigatory Committee

The Audit Practice Review and Investigatory Committee examines and investigates the implementation of audits by JICPA members and the appropriateness of their audit opinions on individual audit engagements, such as those related to companies' timely disclosure, matters reported in the media, and audit hotline reports. Based on its findings, the JICPA chairman then issues recommendations or instructions as necessary.

The committee also reviews and investigates matters concerning issues of ethics related to JICPA members and associate members, as well as other matters referred to it in accordance with the JICPA Constitution. Based on its findings, the JICPA chairman then issues recommendations or instructions to the members or associate members in question as necessary.

Furthermore, when there is concern that a member or associate member may have violated laws, regulations, or the JICPA Constitution or other rules, the committee conducts a review and investigation. If the committee determines that there had been such a violation and that it requires review to determine whether disciplinary action is warranted, the JICPA chairman requests a review by the Disciplinary Committee.

The Audit Practice Review and Investigatory Committee comprises no more than 17 members, of whom two are outside experts. The committee issues compilations of the suggestions it has made based on its reviews to JICPA members for use as reference in the auditing work of CPAs.

Disciplinary Committee

The Disciplinary Committee accurately and equitably evaluates matters for which it has received a review request from the JICPA chairman based on the Audit Practice Review and Investigatory Committee's disciplinary action proposals. The committee determines the disciplinary actions to be imposed and informs the members or associate members in question.

The Disciplinary Committee comprises seven members, of whom two are 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.

JICPA members and associate members who have been sentenced to disciplinary action by the Disciplinary Committee may request a review by the Review Board for Appropriate Procedures if a procedural violation or significant factual error could have affected the outcome of the Disciplinary Committee's review.

The Review Board for Appropriate Procedures reviews such requests and either returns cases to the Disciplinary Committee or dismisses them.

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 (associate members only)
- 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.

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 website (on a page only accessible to members and associate members), the JICPA newsletter, and postings in the JICPA offices.

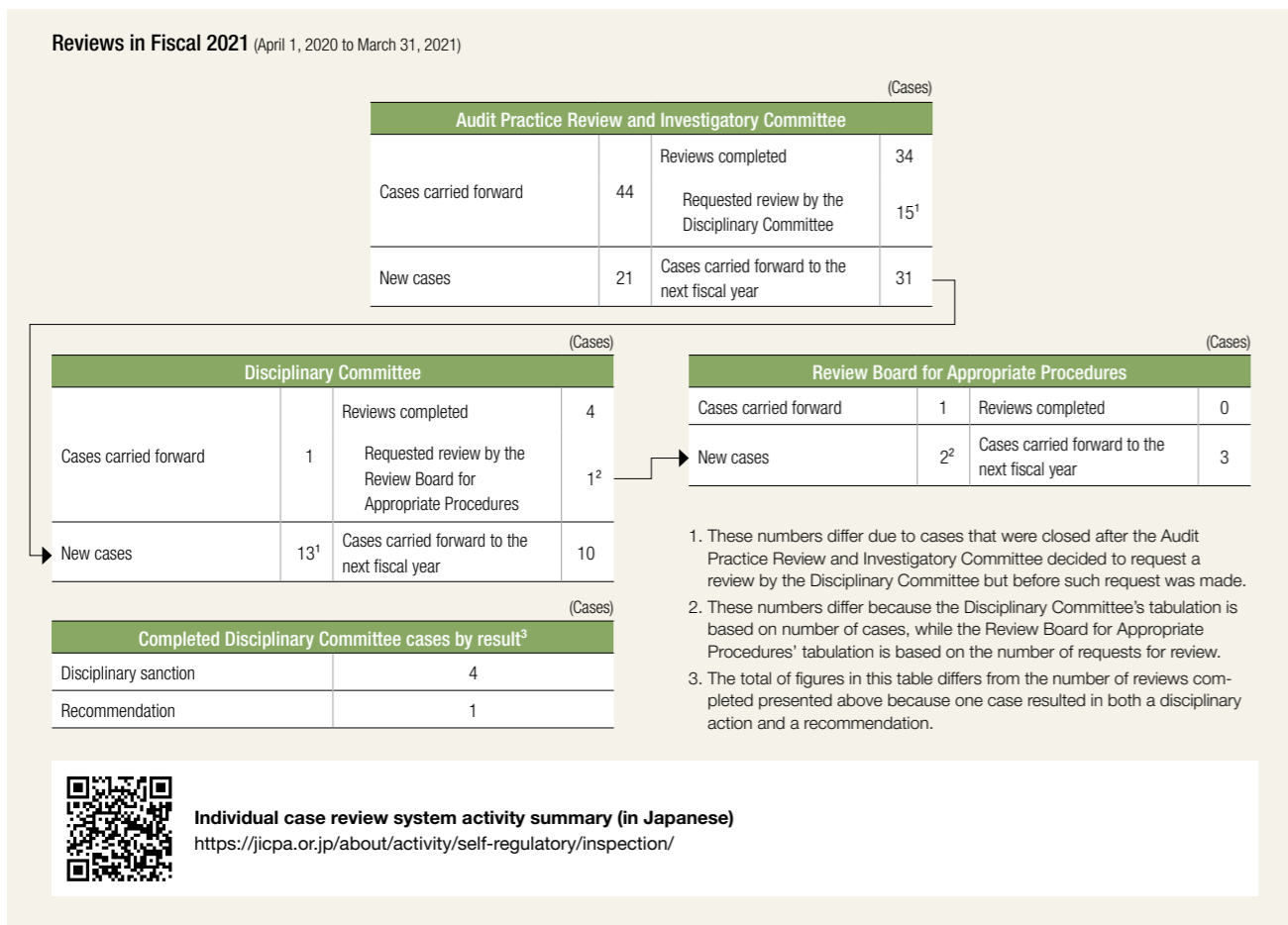
Furthermore, the disciplinary sanctions imposed may be disclosed publicly if the severity of the underlying matter exceeds a certain threshold or the said matter is of great interest or import to society and the JICPA chairman deems doing so necessary in order to secure the confidence of society in the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

Summaries of cases that are still under investigation may also be disclosed publicly if the JICPA chairman deems doing so necessary in order to secure the confidence of society in the JICPA and the CPA system.

Self-Regulation Initiatives

Data: Individual Case Reviews

Reviews undertaken in fiscal 2021 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 in Fiscal 2021 (April 1, 2020–March 31, 2021)

(Cases)		
	Type of sanction	Actions ¹
Individuals	Reprimand	43
	Suspension of membership rights	13
	Recommended deregistration	44
	Sanction request filed with the FSA	38
	Expulsion	6 ²
Audit Corporations	Reprimand	0
	Suspension of membership rights	1
	Recommended deregistration	0
	Sanction request filed with the FSA	0

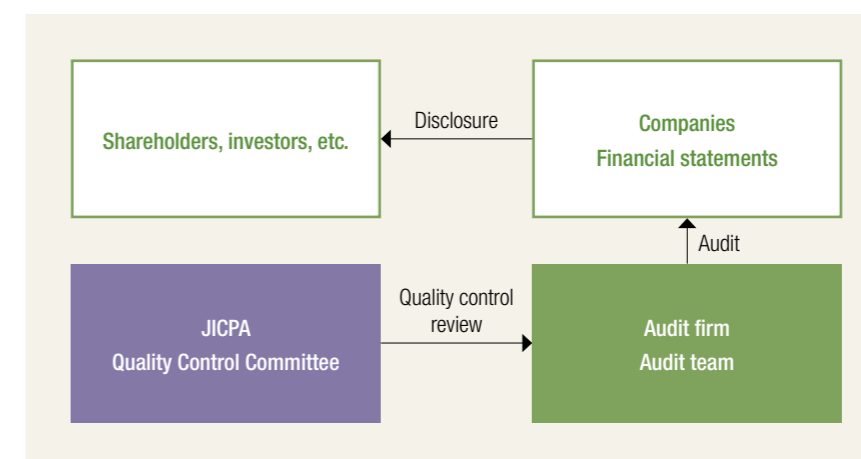
- The number of individuals for the individuals category and the number of corporations for the audit corporations category.
- The number of expulsions based on decisions of the Disciplinary Committee was zero. Associate members who are more than one year delinquent in the payment of standard membership fees or chapter fees (see "1 Revenue Structure" on page 64) and remain delinquent after receiving requests for payment are subject to disciplinary action by decision of the Council. The above number of expulsions reflects such decisions.

3 Quality Control at Audit Firms

1 Quality Control Review System

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

Quality control reviews entail reviewing the status and implementation of the quality control systems of audit firms, notifying them of the results, issuing recommendations for improvement or imposing appropriate measures as needed, and receiving reports on the status of improvements made based on such recommendations. 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 a regular review, which examines an audit firm's overall quality management system and its operation. The second is a special review, which is conducted when needed to examine quality management in specific fields of the audit firm involved or the quality management system and its operation with regard to specific audit engagements.

The Quality Control Committee conducts quality control reviews and prepares a quality control review report containing its findings pertaining to the status of the audit firm's quality control system and its operation. This report is issued to the audit firm.

In principle, quality control review reports may not be disclosed to any third party. However, audit firms may disclose to third parties summaries of their most recent quality control review results in the audit quality reports that they prepare.

Furthermore, audit firms are required to, at a minimum, communicate a summary of the findings regarding their quality control systems and their operation to the client's corporate auditors when the engagement involves companies that are legally bound to retain an accounting auditor (such as large companies defined in the Certified Public Accountants Act) or shinkin banks.

Amendments to the JICPA Constitution made in July 2019 revised the quality control review system and registration system for audit firms that engage in audits of listed companies (see page 33) to enhance effectiveness and transparency. Quality control reviews from fiscal 2021 are based on the new system.

More information about the quality control review system and its implementation in fiscal 2021 is available in the Overview of the Quality Control Review fiscal 2021.



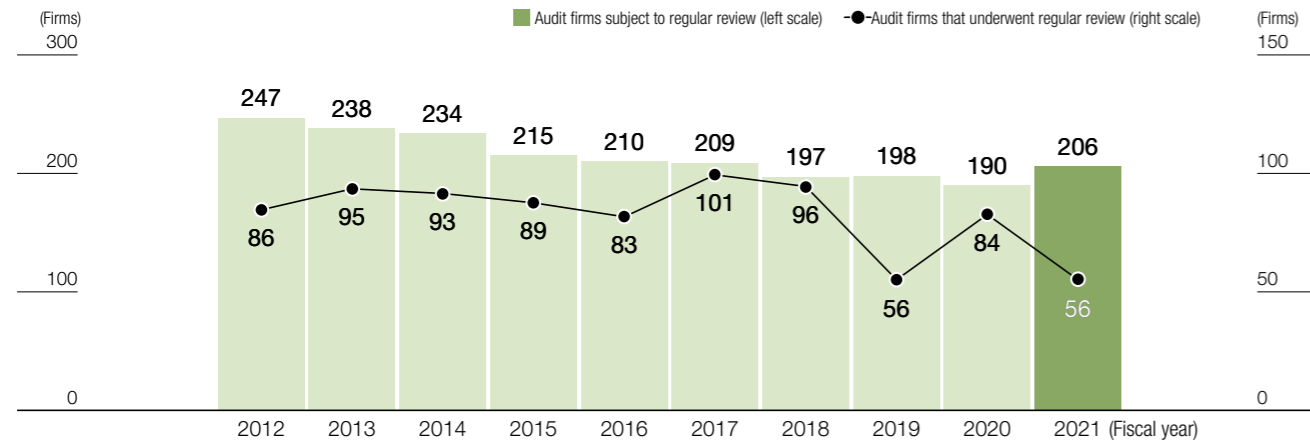
Overview of the quality control review fiscal 2021 (in Japanese)
<https://jicpa.or.jp/about/activity/self-regulatory/quality/>

Self-Regulation Initiatives

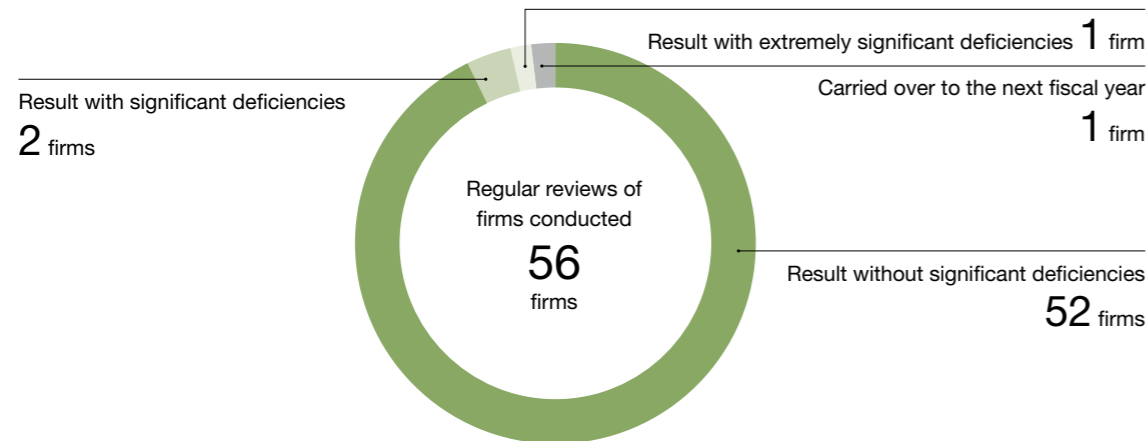
Data: Regular Quality Control Reviews

The number of audit firms undergoing regular reviews each fiscal year and a summary of the fiscal 2021 regular review results are presented below.

Audit Firms Subject to Regular Review



Fiscal 2021 Regular Review Results



Type of regular review conclusion	Description
Result without significant deficiencies	Presented when a regular review finds that the conditions of both 1. and 2., below, are met. 1. No significant non-conformities with quality management standards were found in the audit firm's quality control system or its operation as of the end of the period covered by the review. 2. No significant non-conformities with the audit firm's quality control system were found in the audit firm's quality control system or its operation during the period covered by the review.
Result with significant deficiencies	Presented when, as a result of a regular review, there is concern about the possibility of material non-compliance with professional standards or applicable laws and regulations in the audit firm's quality control system or its operation
Result with extremely significant deficiencies	Presented when, as a result of a regular review, there is concern about the possibility of extremely material non-compliance with professional standards or applicable laws and regulations in the audit firm's quality control system or its operation

Measures Based on Quality Control Review Results

Based on the results of a quality control review, the Quality Control Committee may decide to impose one of three types of measures on audit firms found to have inadequate quality control. These are warning, stern warning, and admonishment that the audit firm withdraw from all or part of its auditing work.

When an audit firm registered on the roster of audit firms that engage in audits of listed companies or the roster of associate registered audit firms (see below) is admonished to withdraw from its auditing work based on the results of a quality control review, a decision will also be made regarding the striking of the firm from such roster.

Monitoring by the Certified Public Accountants and Auditing Oversight Board

The Certified Public Accountants and Auditing Oversight Board (CPAAOB) is a government organ established within the Financial Services Agency based on the Certified Public Accountants Act. The main operations of the CPAAOB 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 CPAAOB, and the CPAAOB monitors such reviews.

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

To further strengthen the audit quality control systems of audit firms that have audit agreements with listed companies, the JICPA introduced a registration system for such audit firms in 2007. 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 is published on the JICPA website. Through quality control reviews, the subcommittee makes decisions on allowing firms to be registered and related measures.

Audit firms that have been denied registration or been removed from these rosters may request a review by the Review Board for Appropriate Procedures if a procedural violation or significant factual error could have affected the Quality Control Committee's decision.

The securities listing regulations of financial instrument 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.

* Audit firms that aim to audit listed companies in the future may, depending on whether they have specific plans to form audit engagements with a listed company, apply for registration on the roster of associate registered audit firms in accordance with the stipulations of the JICPA Constitution. If such application is approved, they are registered on the roster of associate registered audit firms.



Roster of audit firms that engage in audits of listed companies and roster of associate registered audit firms (in Japanese)
<http://tms.jicpa.or.jp/offios/pub/>

Firms Registered on the Roster of Audit Firms That Engage in Audits of Listed Companies	(Firms)	
	March 31, 2020	March 31, 2021
Audit firms that engage in audits of listed companies	118	127
Associate registered audit firms	18	13
Total	136	140

Continuing Professional Education System

1 Overview

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

The CPE system was launched in 1998 on a voluntary basis, in which the JICPA provided support for members' self-directed study. In 2002, CPE was made mandatory for members as a facet of the JICPA's self-regulation and, since 2004, CPAs have been legally required to earn credits under the system by Article 28 of the Certified Public Accountants Act.

The CPE system comprises mainly a curriculum designed to help enhance professional ethics and specialized knowledge and skills. CPAs must earn at least 120 credits (equivalent to 120 hours of education) every three fiscal years, including certain mandatory training.

Mandatory Training under the CPE System

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

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).



CPA Search System (in Japanese)
https://www.jicpa.or.jp/cpa_search/ms.php

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.

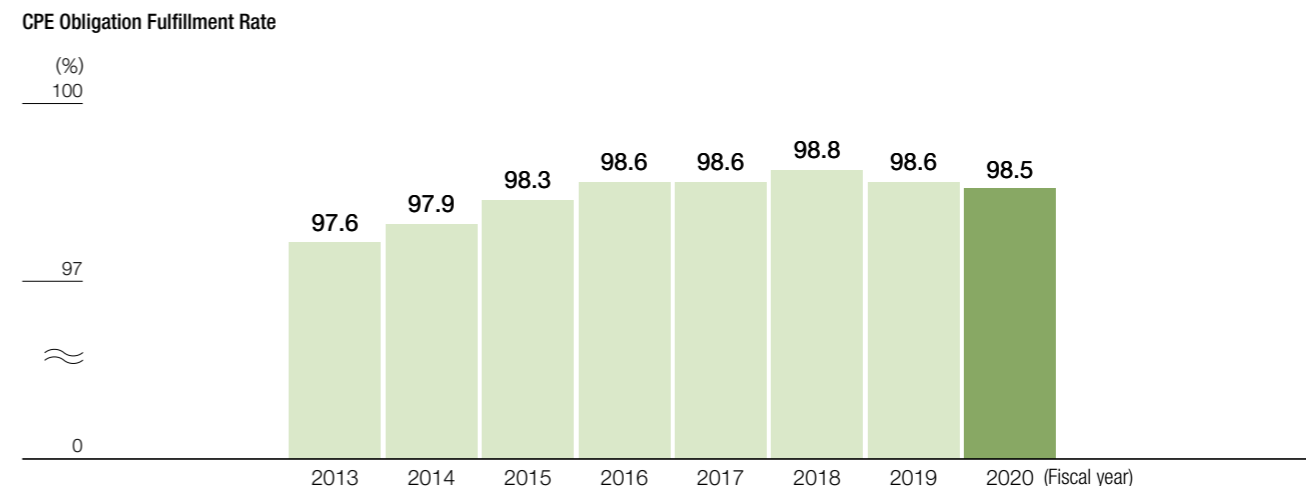
A breakdown of group seminars held in fiscal 2021 by field covered is provided in the table at right.

Seminars cover topics aimed at honing professional and expert knowledge in such areas as auditing and ethics. In light of the COVID-19 pandemic, the JICPA has expanded and reinforced e-learning and remote training to secure adequate training opportunities for members.

Field	Seminars held
Ethics and related topics	184
Accounting	94
Auditing (including fraud case study)	394
Taxes	249
Consulting	114
Organizational environments	81
Skills	51
Total	1,167

3 CPE Obligation Fulfillment

The percentage of CPAs who have fulfilled their CPE obligations in each fiscal year is shown below. In fiscal 2020, more than 98% completed their annual CPE obligations.



4 CPE System Review Project Team

Almost two decades have passed since CPE became mandatory for JICPA members. In December 2020, the JICPA established the CPE System Review Project Team to examine problems in the current system and its implementation.

The project team included outside experts. With their advice, the team examined the functioning of the overall system and prepared a report of its findings.

The report offers suggestions regarding the direction that the CPE system should work toward with the aim of solving problems with the current system. These suggestions are grouped under the perspectives of development related to the objectives of CPE; system improvements to appropriately track training completion; implementing effective training; providing diverse and appealing training content; and utilizing an output approach.

Building on the project team's report, the Continuing Professional Education Committee will study ways of operating the system to improve its effectiveness and the aspects of the system that need to be changed.

5 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 sharing knowledge, enhancing the capabilities of participants, and communicating with the public.

Normally, the annual conference is organized by one of the regional chapters. However, in fiscal 2021, to prevent the spread of COVID-19, the event was held online. See page 15 for more details.

Building Confidence in CPAs

1 JICPA Online Conference

1 Purpose and Objective

As lifespans in Japan grow longer, capital markets are becoming more important than ever since they serve as a means of asset formation for the public and a way of supplying capital for growth to companies.

The JICPA Online Conference event served as an occasion for CPAs to reaffirm their mission in order to better fulfill their social role in realizing orderly capital markets that have integrity and vigor. Aimed at encouraging dialogue and cooperation between capital market actors, the conference's theme was contributing to the formation of capital markets with integrity and vigor. With a wide range of capital market stakeholders participating as speakers and panelists, the JICPA Online Conference was recorded in advance and then streamed online.

Though originally planned as an in-person event, to prevent the spread of COVID-19, the event was recorded on March 18, 2021 and made available to the public online on April 13 and 17.

2 Program

Keynote Lecture



• **Topic**
Governance reforms and initiatives to secure confidence in accounting audits in light of the effects of the COVID-19 pandemic

• **Speaker**
 Tomoyuki Furusawa (Director-General, Policy and Markets Bureau, Financial Services Agency)

• **Summary**
 The lecture began with a discussion of the measures implemented by the Networking Group on Corporate Year-End Closing of Accounts and Auditing to facilitate the corporate closing of accounts and auditing during the pandemic. Next, Mr. Furusawa discussed corporate governance reforms, including the functions of boards of

directors, securing diversity among key corporate personnel, the advance of sustainability initiatives, and governance initiatives to increase confidence in auditing. On the topic of increasing confidence in accounting audits, he explained efforts to inspect individual measures while maintaining an overall view of the current three-tier structure—the hard law (the Certified Public Accountants Act), the Auditing Standards and Standard on Quality Control for Audits, and the soft law (the Audit Firm Governance Code). Finally, regarding the development of international human resources, as the activities of those involved in corporate accounting and auditing in Japan are growing increasingly international, Mr. Furusawa spoke about how the conference would be a venue for open and inclusive discussions not confined merely to raising the quality of audit firms, but serving the public interest in capital markets as a whole, communicating the role that audit firms must play in developing international human resources on a variety of fronts and in serving as the foundation for their activities.

Panel Discussion 1

• **Topic**
Building capital markets with integrity and vigor
—The roles of capital market actors and the future outlook

• **Speakers**
Panelists
 Toshitake Inoue (Deputy Director-General, Policy and Markets Bureau, Financial Services Agency)
 Masami Katakura (Chairwoman & CEO, Ernst & Young ShinNihon LLC)
 Akira Kiyota (Director & Representative Executive Officer, Group CEO, Japan Exchange Group, Inc.)
 Eiji Hayashida (Special Advisor, JFE Holdings, Inc.)
 Masataka Miyazono (President, Government Pension Investment Fund)

Moderator
 Masahiko Tezuka (Chairman and President, JICPA)

• **Summary**
 The participants, as actors in capital markets, discussed issues facing Japan as well as initiatives and challenges in specific industries. Topics covered included the way that capital markets should aim to grow and the functions sought from them; evaluations of the revisions to Japan's Corporate Governance Code and how it should evolve going forward; multi-stakeholder approaches to corporate disclosure; and leveraging the enhancement of non-financial information disclosure to improve corporate value. Finally, they discussed current initiatives for preventing corporate accounting fraud and what such initiatives should look like going forward in terms of realizing capital markets marked by integrity and vigor. Discussing the roles expected of CPAs and audit firms now and going forward, the participants talked about the extreme importance of providing confidence to capital markets by fulfilling duties of accountability through auditing.



Panel Discussion 2

• **Topic**
Developing Accounting Professionals and the Necessary Skills—Expectations for CPAs

• **Speakers**
Panelists
 Takaaki Ino (CEO, PricewaterhouseCoopers Aarata LLC)
 Mari Kobayashi (Professor, Graduate School of Political Science, Waseda University)
 Hisakatsu Sakurai (Chairperson, Certified Public Accountants and Auditing Oversight Board)
 Kazuyuki Masu (Member of the Board, Executive Vice President and CFO, Mitsubishi Corporation)

Moderator
 Giichi Yanagisawa (Deputy President, JICPA)

• **Summary**
 Economic globalization and the rapid advance of digital technologies are causing major changes in the economic environment. In this context, the panel discussed expectations for CPAs in capital markets, as well as the skills and qualities they will need going forward as CPAs increasingly work at not only audit firms, but ordinary companies, investment firms, standard-setting organizations, and in a variety of other fields. The panel also discussed the growing importance for CPAs of not only knowledge and skills, but maintaining sophisticated professional ethics in order to improve audit quality, as well as what kind of measures can be effective for ensuring such professional ethics.



Building Confidence in CPAs

2 Initiatives in Auditing and Accounting

CPA audits are an important part of the infrastructure of capital markets. Accordingly, to meet the expectations of stakeholders and to maintain and improve confidence in audits, the JICPA coordinates with relevant government agencies and related organizations to implement a variety of initiatives. We also provide information as needed to facilitate the understanding of new accounting standards and their smooth implementation.

1 Initiatives Related to the Introduction of the Key Audit Matters

In accordance with the Business Accounting Council's July 5, 2018 "Opinion on the Revision of the Audit Standards," Key Audit Matters (KAMs) have been introduced to auditing in Japan. This marks a significant shift from the standard wording of conventional audit reports to audit reports that include more specific information on the individual company audited.

KAMs are matters that auditors deemed especially important in their audits of an organization's financial statements in a specific year, selected from the various things that they discussed with the corporate auditors and other parties during the audit process. Including the KAMs in audit reports is expected to increase the transparency of financial statement audits and increase the value of the information in audit reports. The KAMs are also expected to prompt the further enhancement of communication and discussions with corporate auditors and executives, helping to reinforce corporate governance and realize more effective audits.

The JICPA has worked to promote awareness of and readiness for the application of the KAMs. Measures to this end include publishing and updating related Chairman & President Statements, reports of the Auditing Standards Committee, the Audit Report Q&A, and letters about the application of the KAMs, as well as holding the Symposium with Capital Market Actors.

The inclusion of KAMs applies, in principle, to all audits of listed companies under the Financial Instruments and Exchange Act for fiscal years ended March 2021 and later. Before this, early adoption began with audits for the year ended March 2020. Due in part to the impact of the COVID-19 pandemic, the KAMs were adopted early in the audits of only 48 companies, and this group was skewed toward certain industries. Nevertheless, the early adopters provided many useful examples for the general application of the KAMs. As such, the JICPA published a report analyzing examples of early adoption, including the results of a survey of those involved, as part of a proactive efforts to facilitate the smooth general adoption of the KAMs in the following year. Other efforts to this end included seminars on examples of KAM early adoption. Selections from these seminars were published on our website to promote awareness broadly among our members as well as corporate auditors, investors, and other capital market actors.

Given the challenging economic environment created by the COVID-19 pandemic, providing useful information to capital markets is more important than ever from the perspective of contributing to the public interest. The KAMs, in coordination with companies' initiatives in corporate governance and disclosure frameworks, will help reinforce corporate risk management. The JICPA will therefore continue to implement necessary initiatives to advance their smooth implementation and establishment.

2 Initiatives in Setting Standards for Ethics and Auditing

Processes of setting international ethics and audit standards have been criticized as being skewed unduly toward the perspective of CPAs. Against this backdrop, bodies that set ethics and audit standards are implementing governance reforms.

In light of this, the JICPA has begun to publish summaries of the proceedings of the Ethics Standards Committee and Audit Standards Committee Expert Advisory Council in order to improve standard setting processes related to the Code of Ethics, reports of the Auditing Standards Committee, and other related matters.

We also plan to establish an Ethics Standards Committee Expert Advisory Council within 2021.



Standard Setting Initiatives (Ethics and Auditing) (in Japanese)
<https://jicpa.or.jp/about/activity/yuushikisyu/>

3 Initiatives Related to Application of Accounting Standard and Guidance for Revenue Recognition

In March 2018, the Accounting Standards Board of Japan (ASBJ) issued the ASBJ Statement No. 29, Accounting Standard for Revenue Recognition, and Guidance No. 30, Implementation Guidance on Accounting Standard for Revenue Recognition (hereinafter collectively the "Revenue Standard"), which constitute a comprehensive accounting standard for revenue recognition in Japan. Application of this standard is mandatory for fiscal years beginning on or after April 1, 2021.

The Revenue Standard incorporates basically all the provisions of IFRS 15, Revenue from Contracts with Customers. As such, it will be important to consider its application to ordinary corporate transactions based on a full understanding of IFRS 15. As the application of the Revenue Standard will have a significant impact on the work of CPAs, the JICPA has not only contributed to its development, but implemented initiatives to promote understanding of the standard among its members.

1. Contribution to the Standard's Development

In 2015, the ASBJ began preliminary development for an accounting standard to recognize revenue in Japan based on IFRS 15. Since the start of this process, the JICPA has sought to contribute to the development of a high-quality standard by sending experts to sit on a revenue recognition expert committee and contributing opinions on reports of issues regarding application and public drafts.

Since the Revenue Standard was issued in March 2018, we have continued working to promote the development of more appropriate accounting standards in light of the Revenue Standard's practical application.

2. Training

To inform JICPA members of the Revenue Standard, during our August 2020 nationwide summer training, we invited the CPA Profession System Committee's Shinji Hatano, Chair of the Expert Committee on Revenue Recognition Issues, and Masahiro Kawanishi, Chair of the Expert Committee on Revenue Recognition Response, to speak about the ASBJ Statement No. 29, Accounting Standard for Revenue Recognition, and points to consider in its application. They covered general points related to accounting treatment, the standard's effect on financial statements and notes, and related considerations to keep in mind.

3. Publication of Q&A on Basic Issues of Revenue Recognition

To support the smooth adoption of the Revenue Standard, from July to October 2020, the JICPA published a series of Q&A-style guides to basic issues of revenue recognition, explaining 16 fundamental questions related to the application of the Revenue Standard with graphics and examples.

Furthermore, on March 31, 2021, we published a follow-up to this series focused on issues pertaining to specific industries.

The whole series and the follow-up are structured so that readers can benefit from reading just about a specific issue or industry, without having to read the entire series. We have made these resources available to the public to promote understanding of the Revenue Standard more broadly, beyond CPAs.



4. Research Paper

With the application of the Revenue Standard, the Accounting Standard for Construction Contracts and the Guidance on Accounting Standard for Construction Contracts were abolished. The JICPA prepared and published a research paper laying out considerations for audits of the financial statements to which the Revenue Standard is applied for companies in the construction industry and the made-to-order software industry, which frequently applied the previous standard and guidance.

Meeting Social Needs

1 Responding to IPO-Related Needs

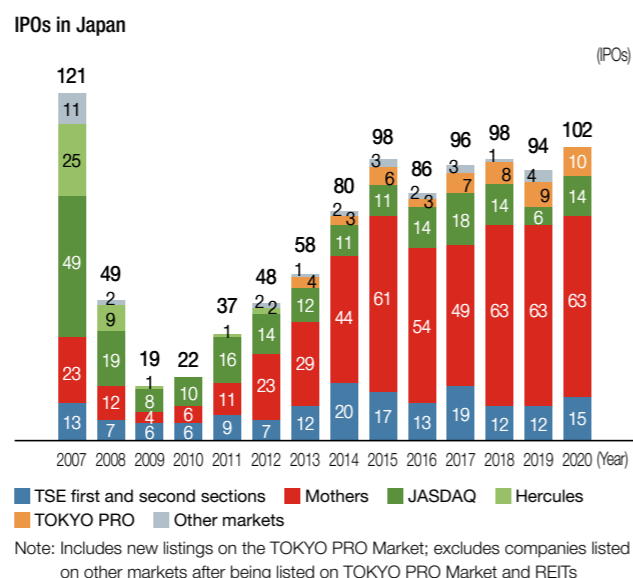
1 Overview

In 2020, the number of companies that went public with initial public offerings (IPOs) in Japan reached 102 (including 10 on the TOKYO PRO Market), surpassing 100 for the first time in 13 years. The increase in IPOs from 2019, despite the impact of the COVID-19 pandemic, speaks to the strong desire to IPO among companies.

Accountability is indispensable for companies aiming to IPO and for their sound growth afterward. Financial statements audits are, of course, essential to ensuring reliability in the information that enables accountability. However, in recent years, companies seeking to IPO have increasingly had difficulties in forming engagements with auditors, due in part to a mismatch between their understanding about auditing and that of audit firms (see Q2 on page 41).

To prevent such mismatches from hindering the IPOs of new, growing companies, the Financial Services Agency established the Liaison Council on the Appointment of Audit Firms (External Auditors) for Initial Public Offering (IPO) Audits in December 2019, aiming to create an environment where companies can engage with auditors as needed during the growth process. Through this council, audit firms and other capital market constituents as well as executives of companies aiming to IPO shared their understanding of related issues and considered initiatives by each participant for improvement.

Based on these efforts, the JICPA formulated an action plan for realizing such initiatives and in July 2020 formed the IPO Audit Liaison Council, a cross-organizational project team that considers specific measures in this area.



2 The JICPA's IPO-Related Measures *For details, please refer to the interview on page 41.

- (1) List of Practitioners Offering IPO Support
- (2) List of Small- and Medium-Sized Audits Firms Offering Pre-IPO Audits
- (3) Sharing of the accumulated expertise and know-how of big and second-tier audit firms and reinforcement of resources for contacting such firms
- (4) Revision and promotion of the IPO Preparation Guidebook
- (5) Utilizing professional accountants in business and outside officers (directors and corporate auditors) at companies aiming to IPO

3 IPO Accounting and Auditing Forum

On November 30, 2020, the JICPA held an online IPO accounting and auditing forum with the theme of marshaling all CPAs to help support startups. This event drew approximately 700 participants, including CPAs and IPO market constituents (individuals from startups, securities companies (underwriters), venture capital, and stock exchanges).

Following a greeting from JICPA president Masahiko Tezuka, in the first part of the event, Kaori Nishiyama, Director of the Disclosure Enforcement Office at the Financial Services Agency, spoke about the report of the Liaison Council on the Appointment of Audit Firms (External Auditors) for Initial Public Offering (IPO) Audits. This was followed by a panel discussion on the topic of the current status of IPOs and recommendations for growth, with JICPA deputy president Kanako Ogura serving as moderator, and market constituents Keiji Kuramoto (executive director, IPO Department, Nomura Securities Co., Ltd.), Shinzo Nakano (Chairman, Japan Venture Capital Association), and Masayuki Yokota (executive director, New Listings, Tokyo Stock Exchange, Inc.) as panelists.

In the second part, JICPA deputy president Giichi Yanagisawa spoke about the JICPA's IPO-related initiatives, and Masaru Miura, head of the IPO-related engagement support project team at the Tokyo Chapter of the JICPA, spoke about the JICPA's measures from the viewpoint of the regional offices of the JICPA. Lastly, Executive Board member Naruhito Minami (in charge of support for small and medium practices) moderated a panel discussion about audit firms' initiatives to support IPOs, with representatives from big, second-tier, and medium and small audit firms as panelists.



Panel discussion with market constituents

Interview with Deputy President Giichi Yanagisawa



Giichi Yanagisawa
Deputy President
JICPA

Q1 What are your thoughts on the expectations for CPAs from IPO market constituents?

Nurturing and developing startups that offer products and services based on groundbreaking ideas and technologies will be indispensable to the growth of Japan's economy going forward. IPOs are an effective way for startups to raise funds and make a major leap forward in growth.

CPAs support companies aiming to IPO, not only by providing assurance to their financial data as auditors, but by supporting the establishment of internal control, corporate governance, and other internal systems through auditing.

Furthermore, in addition to serving as auditors, CPAs in public practice around the country help startups as tax and IPO-related advisors. Recently, a growing number of CPAs in business have even been helping startups grow, serving as CFO or heading the pre-listing team. Many CPAs also serve as corporate auditors or outside directors, and the number of female CPAs in such positions has been growing in recent years. Across all these roles, it is clear that expectations for CPAs are rising in this area.

Q2 Difficulty in forming audit agreements with companies working toward an IPO has been a topic of growing concern. What are your thoughts about this?

Under Japan's current Auditing Standards, a company must develop its internal control and other systems to a certain level (as illustrated by the items listed below) before accepting an audit engagement. However, some companies think that they can be audited before they have such systems fully set up. They may be hoping that undergoing an audit

will help them move forward with improving their internal controls. This results in a mismatch in understanding about the prerequisites for accepting an audit. Effective and thorough communication between auditors and companies to resolve this mismatch before engagement is ultimately the fastest path to an IPO.

Excerpt from the JICPA's IPO Preparation Guidebook

To be audited, companies must address at minimum the following issues.

- [...]
- Establish a revenue base and business model
- Select and consult with an audit firm, advisor, and lead managing underwriter
- Carry out a short review and confirm and address issues identified therein
- Set up a governance system based on the stipulations of the Companies Act and Corporate Governance Code
- Recruit human resources (CFO, accounting/finance, internal auditing, and other internal management divisions)
- Implement systematic management (set up medium-term management plans and annual budgets and implement performance management based on monthly management of accounts and analysis of budgets versus results)
- Set up internal rules, including those regarding the separation of duties and decision making
- Set up internal management systems, including information system infrastructure
- Set up accounting policies in line with the business model and substance of the company
- Set up a disclosure system, including non-financial information
- Reorganize affiliate companies

Meeting Social Needs

Q3 What initiatives are being advanced by the JICPA in terms of IPO support?

Again, CPAs, are involved in a wide range of IPO-related matters, from professional accountants in public practice that serve in advisory roles during preparation for listing to audit firms involved in the auditing of financial statements

and professional accountants in business.

Accordingly, the JICPA is implementing support measures for startups in various growth stages under the banner of bringing the full strengths of Japan's CPAs to supporting IPOs.

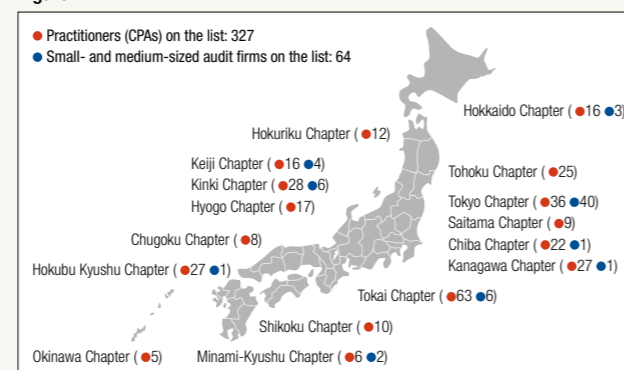
1 List of Practitioners Offering IPO Support

Many startups are organizationally underdeveloped and, in particular, do not always have the human resources they need to develop their administrative divisions and systems. CPAs, with their abundant experience with such business ventures, can leverage their insight to work alongside the executives of startups, offering guidance to solve issues in the lead up to an IPO and providing support for the establishment of administrative systems.

However, it can be difficult to find a CPA who will take on this role. The JICPA has therefore created a list of practitioners who offer IPO support to help executives locate CPAs that do such work in their respective regions. This list is available on our website and currently includes approximately 330 CPAs across Japan (Figure 1). The list is divided by regional chapter and offers information about the CPAs' career histories and approach to IPO-related work.

List of Practitioners Offering IPO Support (in Japanese)
<https://jicpa.or.jp/business/ipokansa/individual.html>

Figure 1.



2 List of Small- and Medium-Sized Audits Firms Offering Pre-IPO Auditing

Japan's big audit firms audit about 80% of companies that go public. Combined with the second-tier firms, the market share of IPO audits by large firms is more than 90%. As the number of companies seeking to IPO grows, big and second-tier audit firms simply do not have the resources to carry out all the audits requested. This is, in part, due to mismatches in the understanding of audits between such companies and audit firms. As such, there are growing expectations for small- and medium-sized audit firms to step up to audit companies aiming to IPO.

listed companies are fully capable of auditing a company working toward an IPO.

Small- and medium-sized audit firms registered in the JICPA's registration system for listed company audit firms are regularly subject to quality control reviews by the JICPA to ensure their systems of quality control, and many firms have specific areas of expertise or networks that can further enhance their audits of companies in certain industries.

We have recently published a list of small- and medium-sized audit firms that have expressed interest in a pre-IPO audit engagement. The list is expected to be used by companies and underwriters. This list is effectively a subset of the firms in the JICPA's registration system for listed company audit firms.

List of Small- and Medium-Sized Audits Firms that Audit Companies Seeking to IPO (in Japanese)
<https://jicpa.or.jp/business/ipokansa/list.html>

3 Sharing the Expertise of Big and Second-Tier Audit Firms

Of course, given their capacity, big and second-tier audit firms are crucial to carrying out auditing. Some IPOs can be quite large, raising billions of yen, or involve companies with numerous overseas locations; such IPOs are best audited

by large audit firms. Accordingly, big and second-tier firms are also advancing efforts to ensure the quality of pre-IPO audits by securing and properly allocating the necessary resources; building, gathering, and effectively utilizing

expertise and know-how; and revising organizational structures and allocating human resources accordingly.

The JICPA's website includes a portal page with contact information about IPO support at the big and second-tier audit firms.

IPO-Related Initiatives at Big and Second-Tier Audit Firms (in Japanese)
<https://jicpa.or.jp/business/ipokansa/auditingfirm.html>

4 The IPO Preparation Guidebook

Preparing for an IPO requires undergoing an accounting audit, but many companies do not fully understand the accounting standards nor what an audit entails. The JICPA has prepared a guidebook to explain. The guidebook focuses on the basic issues to be resolved in the preparatory stage before an IPO, particularly those related to systems of financial reporting, and lays out how to prepare for a financial statement audit. It also covers a typical schedule of steps leading up to an IPO, items to check, the importance of engaging with audit firms and advisors for IPO support

Furthermore, the large firms have a great deal of expertise and know-how built up through long track records of auditing companies before they went public. To maximize the sharing of this expertise and know-how not just within firms, but also with other CPAs, the JICPA holds regular training sessions led by CPAs from large firms who are highly knowledgeable in this area. Through such ongoing efforts, we are working to widen the range of CPAs who can perform pre-IPO audits.

early on, and the conclusion of an audit engagement. The guidebook is available for download on the JICPA's website. I hope that underwriters and the executives of companies will use it to enhance their understanding of the pre-IPO audit process and the applicable accounting standards.

The IPO Preparation Guidebook: Before Undergoing an Accounting Audit (in Japanese)
<https://jicpa.or.jp/business/ipokansa/guidebook.html>

5 Outside Director and Corporate Auditor Candidate Introduction System

The securities listing regulations of the Tokyo Stock Exchange (TSE) require listed companies to secure at least one independent officer—an outside director or an outside corporate auditor who is independent of management. The TSE's Corporate Governance Code requires companies to have at least two independent outside directors, and the Companies Act requires that at least half of the corporate auditors of large companies be outside corporate auditors. Securing outside officers is thus a necessary hurdle that companies seeking to IPO must clear and crucial to corporate growth. I think having a CPA serve as an outside officer can be beneficial in many ways, not limited to improving a company's governance. I am sure that having a CPA to assist with the auditing process can also help to resolve

mismatches in understanding between companies' boards and auditors. Today, the majority of listed companies have a CPA as an outside director or corporate auditor.

In contrast, many startups and similar companies do not have robust relationships with CPAs and do not know where to start their search for outside officers. To address this need, we have launched a system to match companies with CPAs as outside officer candidates, which I hope will be of great use.

Outside Officer Candidate CPA Introduction System (in Japanese)
<https://jicpa.or.jp/business/independent-directors/>

Q4 Please tell us about the JICPA's initiatives in this area going forward.

The star of an IPO is ultimately the company's business model and growth, so until now, auditing has tended to take a back seat. However, going forward, I think it will be important to actively promote the JICPA's IPO support measures to market participants so that they can fully take advantage of them to better contribute to the growth of companies and capital markets. We have prepared a brochure that lays our IPO support measures, which I invite anyone interested to check.

and a training series in cooperation with big audit firms.

Furthermore, to encourage JICPA members to proactively engage in IPO-related work, we will continue to enhance training aimed at improving the knowledge and skills of CPAs in the area of supporting IPOs. Such efforts include IPO-related skill development seminars held by the Tokyo Chapter

We recently held an online IPO accounting and auditing forum, which we plan to hold regularly going forward as we monitor the involvement of practitioners and small- and medium-sized audit firms in this area. Furthermore, we plan to visit underwriters that manage IPOs to explain our initiatives directly. I hope to create opportunities for dialogue between CPAs involved in IPOs and underwriters and other capital market constituents.



Meeting Social Needs

2 Tax System Reform Requests and Recommendations

1 Tax System Opinions and Requests

The JICPA prepares and publishes an annual document titled “Tax System Opinions and Requests,” detailing its opinions and desired actions mainly regarding the current tax system.

In 2020, this document included 9 opinions and requests regarding five fields in the category “Policy Requests,” related to structural problems in Japan’s tax system, as well as 72 opinions and requests in the category “Individual Requests,” related to specific tax system rules, for a total of 81 opinions and requests.

Policy Requests	
<p>1. Calculation of taxable income and adjustments to corporate accounting under the Corporation Tax Act</p> <ul style="list-style-type: none"> Amendment to the Corporation Tax Act in line with corporate accounting standards, while keeping in mind the objectives of such calculation Increased flexibility in permitted methods of confirmation of intent, including relaxation of filing requirements to formally fix obligations and loss accounting requirements, for listed companies and other organizations with reliable tax compliance measures <p>2. Tax system for supporting business succession</p> <ul style="list-style-type: none"> Revisions to the special requirements of the succession planning tax system in light of their applications 	<p>3. Preferential tax systems for venture capital investment</p> <ul style="list-style-type: none"> Further enhancing the preferential tax system to encourage venture capital investment <p>4. Reduced consumption tax rate system and invoice system</p> <ul style="list-style-type: none"> Preventing new exempted consumption tax Design of an invoice system that will not be confusing to adopt for business operators Establish safe harbor rules for cases when invoices are found to be fraudulent or invalid <p>5. The tax payment environment, etc.</p> <ul style="list-style-type: none"> Organizing and unifying numbers used in tax procedures Ensuring adequate discussion and awareness of tax system revisions

2 Recommendations Regarding the Tax System

In addition to the “Tax System Opinions and Requests,” since 2016, we have worked to identify problems in Japan’s changing social conditions, both preparing and publishing recommendations on the tax system as a policy tool to address these issues.

In 2020, we published the following seven recommendations in three areas.

I Strengthening the International Competitiveness of Companies and of Japan as a Place of Business	II Responding to Changes in Socioeconomic Structures, Demographic Graying and Other Issues	III Correcting Uneven Asset Distribution between Generations
<p>1. Build an effective tax system for the digital economy</p> <p>2. Introduce a new tax system for educational funding to produce more entrepreneurs and build a tax system to encourage the growth of startups</p>	<p>1. Make it easy for anyone to file a tax return in line with the diversification of work styles</p> <p>2. Consider income calculation methods in line with changes in work styles and diversifying life styles and career paths</p> <p>3. Consider introducing household-level taxation as a way of addressing the low birth rate and promoting women’s workforce participation</p>	<p>1. Revise inheritance and gift tax burdens to encourage the smooth transfer of assets to younger generations</p> <p>2. Include considerations of assets (a “stock approach”) in the taxation of public pensions</p>

Note: The JICPA also published “Requests Related to Recovery-Oriented Tax Systems After the Lifting of the State of Emergency (Supplement to Tax System Opinions and Requests),” at the same time as the above requests and recommendations. Please refer to page 14 for details.


3 Recommendations Regarding Public Spending

The Japanese government implemented a variety of emergency economic measures to address the COVID-19 pandemic. In addition to measures related directly to preventing the spread of infection and providing medical care, these measures sought to address such issues as maintaining employment and supporting business continuity. One such measure was the Small and Medium Enterprise Agency’s Subsidy Program for Sustaining Businesses, aimed at supporting small and medium enterprises facing difficulties regarding business continuity.

However, upon its implementation, the Subsidy Program for Sustaining Businesses generated public concerns regarding its transparency and efficiency. In response, the Small and Medium Enterprise Agency conducted an interim examination, and the Ministry of Economy, Trade and Industry set up the Spending Review Meeting to review the procedures for executing contracts and issuing subsidies, etc., in the use of the ministry’s budget. The result was a report issued in January 2021.

The JICPA sees the public concerns over the Subsidy Program for Sustaining Businesses’ transparency and efficiency as partly due to the program’s particular urgency, complexity, and scale, but also as a reflection of concern over public spending generally. Accordingly, the JICPA recommended third-party experts to provide advice regarding the interim examination of the program and established a project team to provide support for said experts and study public spending generally. The project team published its report on March 25, 2021.

The report examined the results of the interim examination of the Subsidy Program for Sustaining Businesses and the findings of the Spending Review Meeting to identify underlying causes and derivative issues. It further divided these into issues in public spending methods and issues in public spending governance, examining each in detail and indicating approaches for addressing them. Finally, based on these approaches, it provided recommendations regarding public spending systems. We hope that this report will be of use to CPAs involved in public spending governance, including the auditing of national or regional public entities, and that it will contribute to discussions about revisions to public spending methods and related governance practices and systems.

 **Report from the project team on public spending**
Public spending issues and approaches—improving efficiency with an emphasis on value for money and adopting a Japanese version of gateway reviews (in Japanese)
https://jicpa.or.jp/specialized_field/20210407efa.html

Report Summary	
I. Overview of and issues with the Subsidy Program for Sustaining Businesses	IV. Issues regarding public spending governance
II. Overview of systems of public spending	V. Recommendations regarding public spending systems
III. Issues regarding public spending methods	

Securing and Developing Human Resources

1 Maintain and improve the qualifications of CPAs who utilize their skills as outside directors and corporate auditors, as in-house accountants, or in public sector accounting, and support their work

As Japan's economy grows more sophisticated, complex, and international, the number of CPAs serving as outside directors and corporate auditors or as in-house accountants is steadily growing. In fact, a total of 2,092 CPAs serve as external directors or external corporate auditors at 2,269 companies, or approximately 60% of all listed companies (JICPA survey of securities reports filed for the April 2019–March 2020 fiscal year). 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 these types of CPAs. To maintain and improve their skills, we are holding training and other events for CPAs registered with these networks.

In August 2020, the JICPA launched the Outside Officer Candidate Introduction System to help connect companies considering the appointment of a CPA as an outside director or corporate auditor with CPAs interested in doing such work.

In addition, a growing number of CPAs are working at the front lines of national and regional public entities facing mounting challenges related to rising social security costs and aging public facilities and infrastructure. The JICPA has offered seminars for CPAs working in public sector accounting or serving on regional assemblies, in regional public entities, or as employees of the central government.

Column

Public Accounting Council Seminar: "CPAs in Government"

- Date: Thursday, January 21, 2021
- Format: Online seminar
- Speakers
 - Panelists
 - Masahiro Sonoda (Director, Public Accounting Office, Legal Division, Budget Bureau, Ministry of Finance; CPA)
 - Toshiko Takeya (Upper House member; CPA)
 - Tomohiro Mori (Mayor, Yokkaichi City; CPA)
 - Mikito Yoshida (Former Iwaki City Council member; CPA)
 - Coordinator
 - Masaya Kawaguchi (Researcher in charge of public sector accounting, JICPA; CPA)



- Program: Focusing on the topic of CPAs in government, the panel invited CPAs working in national and regional government to speak about their experience and discuss how the skills of a CPA can be effectively applied in the public sector.

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

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 (IFAC) 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 individuals from Japan take part, represent accounting professionals on the global stage and provide suggestions and other information related to such issues as setting international standards for accounting professionals, in addition to maintaining and improving accounting professionals' qualifications and the quality of their work.

Japanese CPAs Serving in Major International Institutions (As of March 31, 2021)

Organization, etc.	Position	Name
IFAC Boards and Committees		
Nominating Committee	Member	Aiko Sekine
Board	Member	Kohei Kan
	Technical Advisor	Hisashi Sato
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)	Member	Mari Kobayashi*
	Technical Advisor	Takeo Fukiya
International Panel of Accountancy Education (IPAE)	Member	Yoshinori Kawamura
Small and Medium Practices Advisory Group (SMP AG)	Member	Naofumi Higuchi
	Technical Advisor	Hironori Okada
Professional Accountants in Business Advisory Group (PAIB AG)	Member	Ichiro Waki
International Integrated Reporting Council (IIRC)		
Council	Member	Masahiko Tezuka
Framework Panel	Member	Yoichi Mori

Organization, etc.	Position	Name
Confederation of Asian and Pacific Accountants (CAPA)		
Board	Member	Satsuki Miyahara
	Technical Advisor	Mamoru Honda
Member Development Committee (MDC)	Member	Mamoru Honda
ASEAN Federation of Accountants (AFA)		
	Associate Member	Hisashi Sato
	Associate Member	Tatsuya Arai
Global Accounting Alliance (GAA)		
Board	Member	Hisashi Sato
	Technical Advisor	Tatsuya Arai
Education Directors Working Group		Shintaro Goto
Tax Directors Working Group		Takae Akatsuka
World Business Council for Sustainable Development (WBCSD)		
Assurance Working Group	Member	Hiromasa Niinaya

Names marked with * are not JICPA members.

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 study abroad programs.

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 posting interviews with CPAs working in international fields on our website ("Vision for the future.") and holding seminars.

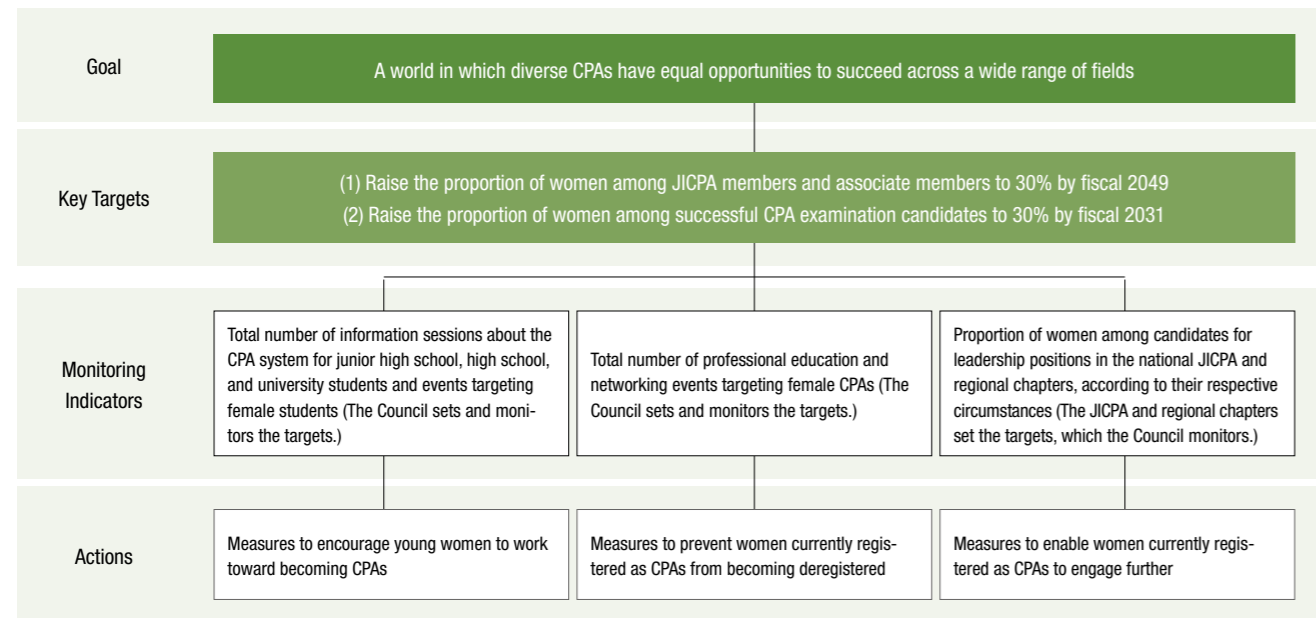


Vision for the future. (in Japanese)
https://jicpa.or.jp/vision_future/

Securing and Developing Human Resources

3 Increase the appeal of the CPA profession by supporting the professional success of female CPAs

We believe that the CPA industry should seek to build a society that embraces diversity. Accordingly, the JICPA aims to create a world in which diverse CPAs have equal opportunities to succeed across a wide range of fields. To this end, the JICPA has established key targets regarding the proportion of women among its members and associate members and among successful CPA examination candidates to better promote the professional engagement of women in accounting, and is examining and implementing measures to achieve these targets.



Proportion of Women among JICPA Members and Associate Members		Proportion of Women among Successful CPA Examination Candidates	
	Percentage of women		Percentage of women
December 2018	14.9%	2018	20.4%
December 2019	15.1%	2019	23.6%
December 2020	15.5%	2020	24.6%


We are holding events for female students to increase the appeal of the CPA profession.

Event

Event for female college students: Women Seeking More—The Right Choice Day

- Date: Saturday, March 6, 2021
- Format: Online event
- Program: This event provided an opportunity for women working as professionals in various fields to respond to the worries and anxieties of students about their present and future in light of the COVID-19 pandemic.

The event featured JICPA council member Noriko Umeki as facilitator and moderator and Kanae Takeuchi as emcee, with guests working as professionals in a variety of fields: entertainer and model Maomi Yuki, stylist Satomi Iwasaki, Sonoka Shimoo of the Horipro Publicity Department, and willsi Co., Ltd. director Atsuko Yoseda. The participating students submitted their worries and concerns ahead of time, and the speakers addressed them from a variety of angles. The guests also spoke about their careers, providing an opportunity for the students to think about their own careers and the future. Although the event was held online, the participants engaged in lively, interactive discussion, with the speakers responding to comments in the meeting chat.



Public Relations

1 Broadening Public Understanding of CPAs

1. Press conferences

The JICPA holds periodic press conferences as part of efforts to communicate about the JICPA to the public. In fiscal 2021, the JICPA held six press conferences. Summaries of the JICPA's press conferences are available on its website (in Japanese).



Summaries of past press conferences (in Japanese)
https://jicpa.or.jp/news/jicpa_pr/2018/kaiken17.html

2. Video for overseas audiences

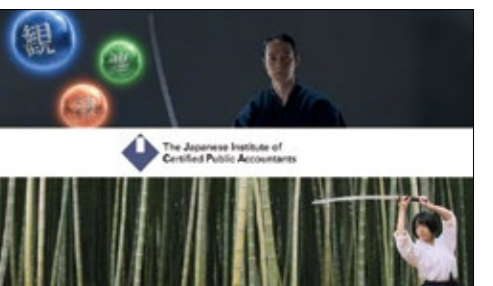
The JICPA created a video titled "Origins and Future" for overseas audiences about its history, present, and future.



Origins and Future
https://jicpa.or.jp/english/public_relations_materials/index.html

Fiscal 2021 press conference dates

2020	Wednesday, April 21	Monday, September 28
	Thursday, June 18	Friday, November 27
	Monday, September 7	2021 Tuesday, March 9




2 CPA System Information Sessions

To spark as much student interest as possible while furthering 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 both in-person and online formats. In addition, we have created an animated short to introduce the work of CPAs to interest students in this work and the CPA qualification.

Activities in Fiscal 2021

- 23 sessions for high school students, with 1,100 participants
- 24 sessions for university students, with 2,100 participants



Animated short about the work of CPAs (in Japanese)
<https://jicpa.or.jp/sitemap/prmovie.html>



A poster promoting the CPA examination



Social Contribution Activities

The JICPA aims to contribute to society through the professional activities of CPAs and its support for such activities as well as a wide range of other contribution efforts.

1 Initiatives Aimed at Building a Sustainable Society

Initiatives aimed at building a sustainable society are growing in Japan and around the world. 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. Building on this, the Japanese government has established the Sustainable Development Goals Promotion Headquarters.

The realization of a sustainable society is the foundation for the development of the national economy. With this in mind, the JICPA established 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 build a sustainable society and the ways they can take action to do so.

As part of these efforts, the JICPA published a special August 2020 edition of the *Accounting & Audit Journal* featuring contributions of CPAs to achieving the SDGs, highlighting their activities in various regions and fields.

In recent years, society has seen an increasing need for the roles provided by CPAs. In light of this, we hoped to communicate to readers that, across the country, CPAs are working hard to meet society's expectations in fields other than financial statement auditing. To this end, the special edition highlights CPAs who are contributing to the achievement of the SDGs across a variety of fields, including local government, disaster recovery, support for small and medium-sized businesses, education, poverty, and climate change.

Column



Accounting & Audit Journal Special Edition—CPAs' Contributions to Achieving the SDGs in Various Regions and Fields (in Japanese)

<https://jicpa.or.jp/news/information/2020/20200928jif.html>

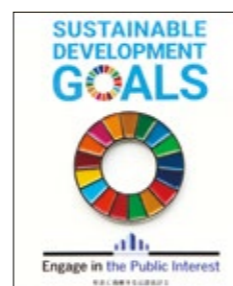
- Making Yonago City Sustainable: Takashi Igi
- Supporting Recovery from the Kumamoto Earthquake: Masaya Yamashita
- Supporting Recovery from the Great East Japan Earthquake: Masamichi Morikawa
- Addressing Issues in Succession Planning in Japan: Yasushi Utsumi, Akihisa Ogido
- Communicating Clearly About Accounting: Yasuhiro Tanaka
- Poverty and Helping the Economically Disadvantaged Achieve Independence: Kumi Kodama
- Promoting Sustainability through Wood Biomass Power Generation: Ikuhiro Okada
- Female CPAs Working in Regional Areas: Emiko Manabe



To further raise awareness of the SDGs among JICPA members and officers and to express broadly, both inside the JICPA and externally, our commitment to further engaging with the SDGs, in August 2020 we created an SDG pin, which JICPA officers are encouraged to wear.

The Committee for the JICPA's Challenges and Initiatives for Building a Sustainable Society published an interim report in June 2019. "The Contribution of CPAs to Building a Sustainable Society" lays out a number of challenges and approaches for addressing them. Based on these, we are working toward the realization of a society that, while undergoing population decline and slow economic growth, invests resources efficiently, effectively, and speedily to address wide-ranging social issues, simultaneously achieving both economic development and the resolution of social issues.

Specifically, we are engaging in dialogue with diverse stakeholders as we continue working to define concrete initiatives and consider and implement measures to better enable CPAs to leverage their strengths—such as wide-ranging expert knowledge and practical experience, a strong sense of ethics, and ability to identify and solve issues—to contribute to society as "professional partners that work together to build a sustainable, evolving society."



2 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. The parties renewed this memorandum of understanding in April 2020. 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 2021, to develop the abilities of Myanmar's CPAs, we held training on topics including IPOs, corporate governance and internal control, and auditing accounting estimates.

3 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 2021, classes (in-person and online) for schools were held 15 times, and those open to the public held 10 times, for a total of approximately 2,000 participants.

In light of the COVID-19 pandemic, in fiscal 2021, we offered these classes in an online format for the first time.



About "Hello! Accounting" (in Japanese)

<https://jicpa.or.jp/about/activity/hello-schedule/>



Poster for "Hello! Accounting" lessons

Social Contribution Activities

4

Basic Accounting Education

Introduction

In April 2021, Japan's junior high school curriculum guidelines were amended, establishing accounting as a topic covered in social studies classes. Similarly, from April 2022, high school guidelines concerning the content of government and economics and public affairs classes will be revised, meaning that junior high and high school students across Japan will learn about accounting. Because this will be the first time that accounting will be part of the standard curriculum, the JICPA has created and published three types of materials to support schools (texts for students, worksheets for students, and texts for adults).

In parallel with efforts related to education in schools, in 2020, the JICPA created and published the Accounting Literacy Map. Accounting is an integral part of daily life, and improving the accounting literacy of the public—the main actors in economic activity—is important to maintain social sustainability. The Accounting Literacy Map offers a clearly organized overview of what ordinary people should learn at the various stages of their lives.

Following approval at the 2016 Annual General Assembly, the JICPA established the Basic Accounting Education Promotion Council, jumpstarting efforts to promote basic accounting education as part of its social contribution activities. As an organization of CPAs—experts in accounting—we are advancing initiatives in line with the belief that accounting is an essential part of life-long education for all people, and that accountability is at the core of accounting.



About accounting-related junior high and high school curriculum guidelines (in Japanese)
<https://jicpa.or.jp/about/activity/basic-education/tools.html#koumin>

Interview with the Executive Board Member in Charge of Basic Accounting Education

Q1 Why is basic accounting education necessary?

For many people, the word “accounting” conjures up something difficult that is only relevant to a narrow group of specialists. In reality, however, the fundamentals of accounting are simple and very relevant for ordinary people.

Accounting is about accountability, which consists of recording and calculating the movement of money (economic activity), that is, how and why money came in or went out, and reporting the results. For example, imagine that you're given some money to go buy something on someone's behalf. You go to the store and pick out the item, pay for it, and then bring back the item, the change, and the receipt. You hand these over and report what you bought, how much it cost, and how much change you got. This is a form of accounting. Accountability—reporting the results of economic activity—requires accuracy as well as fairness and honesty, and is the core of accounting.

The most important part of learning about accounting is not studying specific data points or techniques, but developing an accounting perspective and way of thinking. An

accounting perspective and way of thinking are very useful for understanding economic activities and for making decisions about one's life or events in society. The most important thing they offer, however, is the idea of accountability at their core. In our families, at school, or in our communities, we often have to report our actions (decisions and judgments). Earning the trust of those around us requires doing so in a fair and honest way. By building up that trust over time, we can maintain positive relationships with those around us—I'm sure that many of us have experienced this first-hand. I believe that building this kind of trust at the individual level, as it gradually expands to more people, can help us achieve a sustainable society.

In this way, accounting is crucial to achieving a sustainable society and is a key form of literacy that everyone should learn and develop throughout their lives in order to correctly understand economic activity and participate broadly in society.



Makie Suzuki

Executive Board Member
JICPA

Q2 Why should CPAs and the JICPA be involved in basic accounting education?

First, CPAs are experts in accounting and have a wealth of knowledge and experience. CPA is a profession that contributes to realizing socioeconomic sustainability as a professional partner in accounting, mainly by keeping watch in financial markets through accounting audits. The public is the main actor in economic activity, and I think that CPAs, as accounting experts, should apply their professional knowledge and experience to accounting education to promote the public's lifelong accounting literacy as a form of social contribution.

Second, CPAs and the JICPA already have a track record in accounting education. Individual CPAs visit their alma maters to teach accounting classes, offer regular endowed lectures at universities, and engage in accounting education in a variety of other forms. The JICPA, meanwhile, offers “Hello! Accounting” classes for elementary and junior high

school students. This long-running class, ongoing since 2005, boasts a wealth of content and programs.

Third, the JICPA is an expert professional organization to which all CPAs in Japan belong and proactively engages in activities related to social sustainability, including the SDGs. In terms of accounting education, the JICPA can gather views from across the industry and lobby related institutions. In fact, in October 2016, the JICPA suggested that accounting education be included in social studies curriculum during a public comment period regarding the Ministry of Education, Culture, Sports, Science and Technology's deliberations on new curriculum guidelines. Furthermore, basic accounting education aligns with the JICPA's stance on promoting the SDGs, specifically Goal 4: “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.”

Social Contribution Activities

Q3 Please tell us about the JICPA's initiatives in more detail.

To support education in schools, based on the new curriculum guidelines, we prepared three types of materials for use in classes and made them available on our website in April 2020. Since then, we have continued discussions with junior high school teachers and implemented a survey of 300 junior high schools across the country. This survey found that many teachers were uneasy about dealing with accounting in class. The main reason they gave for this unease was not having a knowledge of accounting themselves. In light of this, in addition to the previously published materials, I hope that we can develop a variety of supplementary materials to eliminate the unease felt by the teachers actually implementing the new curriculum in schools. Our goal is for students to take an interest in accounting and understand it as a familiar part of their lives and for teachers to be excited to teach it.

We published the Accounting Literacy Map on our website in October 2020 and then incorporated it into our "This is Accounting" pamphlet about accounting education. In the

process of creating the Accounting Literacy Map, we considered what kind accounting literacy people need. This led us to the consensus that understanding the idea of accountability is the most basic form of accounting literacy and the core of accounting. The map also indicates relevant content to be taught in schools and where the curriculum guidelines for each school subject come in. The horizontal axis depicts life stages and lines up with the Financial Literacy Map published by the Committee for the Promotion of Financial Education in 2016. We hope that developing accounting literacy will contribute to more effective financial and economic education. Furthermore, the "This is Accounting" pamphlet also lays out ways that accounting relates to daily life by age group so that readers can better understand accounting as something familiar and relevant. Going forward, we will develop various approaches tailored by age group to enhance opportunities for the education needed at each life stage.

Q4 Please tell us about your initiatives going forward.

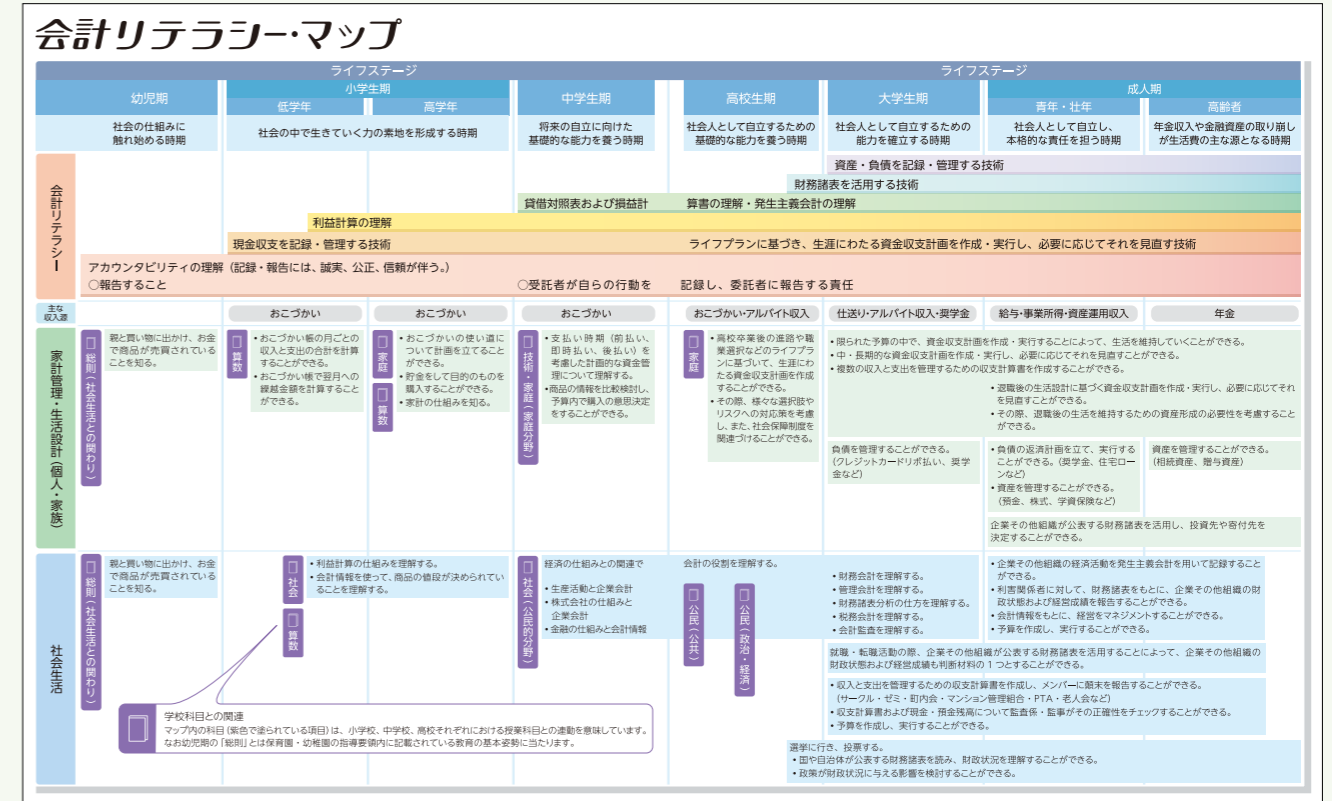
First, our highest priority is to further advance and evolve the three main pillars of our current efforts. These are support for education in schools, providing learning opportunities based on the Accounting Literacy Map, and "Hello! Accounting" classes. The first two, in particular, are finally moving to the real-world implementation stage, so we will need to reinforce coordination with various relevant institutions.

From there, we hope to advance communication to further spread basic accounting education. Increasing opportunities for teachers, students, and everyone in Japan to understand the importance and utility of basic accounting

education will be crucial. Of course, we will also advance communications within the CPA industry to form consensus and involve more CPAs in educational initiatives.

Furthermore, to promote basic accounting education across society, we hope to create deliberative bodies to coordinate with related governmental bodies, education officials, academic organizations and other relevant groups in order to build a broader promotional structure.

Going forward, we will continue to advance basic accounting education, aiming for the JICPA to provide appropriate, timely information as resource freely available to anyone who wants to learn about accounting.



Accounting Literacy Map (in Japanese)
<https://jicpa.or.jp/about/activity/basic-education/literacy-map.html>

"This is Accounting" pamphlet (in Japanese)
<https://jicpa.or.jp/about/activity/basic-education/pr.html>



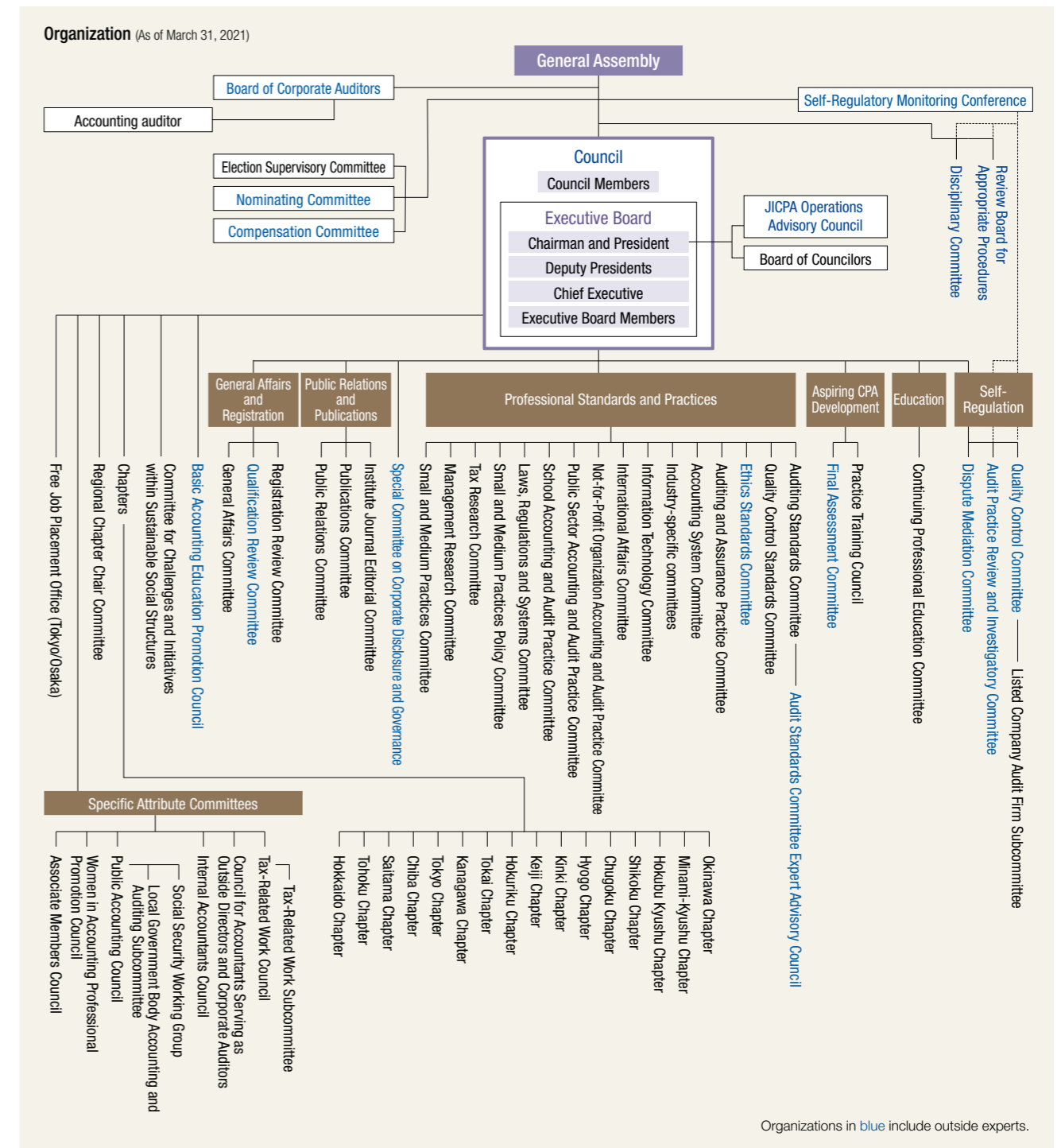
How We Operate

As a self-regulatory body for the accounting profession, the JICPA conducts organizational operations with transparency and neutrality. The JICPA has 16 regional chapters, which are closely involved in activities aimed at enhancing the qualifications of their respective members.

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; and the Board of Corporate Auditors and Self-Regulatory Monitoring Conference, which provide monitoring. JICPA organs that particularly require transparency or expertise other than that of CPAs include outside experts.



Organization

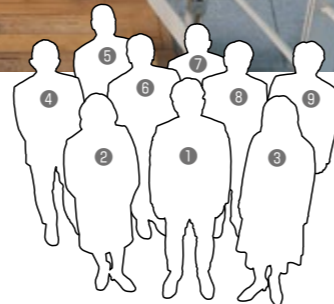
Officers

The JICPA's officers comprise the chairman and president, deputy presidents, chief executive, executive board members, council members, and corporate auditors. The total number of officers is capped at 90.

Officers are mainly CPAs elected by the JICPA's members. However, to ensure the transparency of JICPA operations, two council members and one corporate auditor are non-CPA outside experts. In addition, the chief executive may be either a CPA or an outside expert.



① Masahiko Tezuka ② Hisae Kitayama ③ Kanako Ogura ④ Hisashi Sato
 ⑤ Yoshiyuki Minegishi ⑥ Tatsuya Kato ⑦ Kiyonobu Takeuchi ⑧ Kazutoshi Kogure
 ⑨ Giichi Yanagisawa



JICPA Officers (As of March 31, 2021)

Chairman and President	Masahiko Tezuka						
Deputy Presidents (7)	Giichi Yanagisawa	Kazutoshi Kogure	Tatsuya Kato	Kiyonobu Takeuchi	Kanako Ogura	Yoshiyuki Minegishi	Hisae Kitayama
Chief Executive	Hisashi Sato						
Executive Board Members (32)	Shuichiro Akiyama Naoaki Kobayashi Makie Suzuki Hisatoshi Hirota Hidehiko Yuki	Tatsuya Arai Toshio Sato Hideki Chijimatsu Takako Fujimoto Yoshio Yukawa	Toru Kajikawa Hiroshi Shiina Mitsuo Tsuruta Mitsujiro Fuseya Ichiro Waki	Yoshito Kaneyama Kiyohiko Shinokawa Minoru Tobari Naruhito Minami Yoshiki Watanabe	Hiroki Kitagata Sayaka Shimura Toshiyuki Nishida Satsuki Miyahara	Kazuya Kitazumi Motoharu Shoji Keiko Hayashi Tetsuya Mogi	Shintaro Goto Keiko Sugaya Tadashi Hisamatsu Toru Yasuhara
Council Members (44)	Ikuko Akamatsu Kuniyoshi Iwata Yasushi Kaneko Seiji Sakashita Satoe Tsuge Hayato Miyata Akiyoshi Oba* (Chairman, Japan Investment Advisors Association)	Kosuke Araki Noriko Umeki Yasuo Kameoka Toshihiko Shibusa Kenichi Tsutsumi Yoshizo Miyamoto	Yuichi Ishizawa Masaharu Ota Yoichi Kubo Yuko Suzuki Yusuke Nakano Shigeki Yagi	Yasushi Inagaki Yoshitsugu Ogawa Seigo Ko Mitsuhiro Takemura Masazumi Nishikawa Yasuhisa Yajima Hisashi Yamaura* (Professor Emeritus, Meiji University/former Commissioner, Board of Audit)	Koichi Inoue Noriyuki Kakazu Ryoichi Komatsu Masao Tanaka Takao Furusho Koji Yasui	Shinji Inoue Shigeru Kajita Akira Koyama Yoshitaka Tanaka Akihiko Masuda Yoko Yamada	Kazuki Iwashita Shin Kato Hirofumi Sakai Emi Chujo Hitomi Masuda Osamu Yoshii
Corporate Auditors (4)	Kazutomi Asai	Katsuhiko Ogata	Hitoshi Hori	Muneharu Otsuka* (Professor Emeritus, Waseda University/former Commissioner, Board of Audit)			

Names marked with * are outside experts.

Officer Responsibilities (as of March 31, 2021)

Division	Deputy Presidents/Chief Executive	Role	Executive Board Members
General Strategy, Planning, and Communication	Tatsuya Kato Kiyonobu Takeuchi (International affairs) Hisashi Sato	General strategy and planning	Tatsuya Arai
		Public relations	Tatsuya Arai
		Spokesperson	Tatsuya Arai Satsuki Miyahara
		International affairs	Tatsuya Arai Satsuki Miyahara
		External affairs	Tetsuya Mogi Toru Kajikawa
Self-Regulation	Kazutoshi Kogure	JICPA Vision (SDGs)	Kazuya Kitazumi Keiko Sugaya
		Rulemaking and operational development	
		Research and publishing	
Auditing, Corporate Accounting and Corporate Disclosure	Kanako Ogura	Quality control	Mitsujiro Fuseya
		Audit practice review and investigation	Keiko Hayashi Hisatoshi Hirota
		Disciplinary review (facilitator)	—
		Ethics	Toshiyuki Nishida
Social Support	Giichi Yanagisawa	Auditing and quality control standards	Sayaka Shimura
		Auditing, assurance and IT	Hidehiko Yuki
		Industry-specific accounting and auditing	Naoaki Kobayashi
		Corporate accounting and disclosure	Takako Fujimoto
		Diversity and inclusion	Ichiro Waki Makie Suzuki
	Kiyonobu Takeuchi	Taxes	Yoshiki Watanabe Toshio Sato
		Management	Kazuya Kitazumi
		Support for small- and medium-sized companies	Toru Yasuhara
		Regional revitalization	Tetsuya Mogi
		Support for small- and medium-sized practices	Naruhito Minami
Human Resource Development	Giichi Yanagisawa	Basic accounting education	Makie Suzuki
		CPA system and laws	Yoshio Yukawa
		Public sector accounting and auditing	Hiroshi Shiina
		Not-for-profit organizations	Shuichiro Akiyama
		Incorporated schools	Minoru Tobari
General Affairs	Kiyonobu Takeuchi Hisashi Sato	CPE	Yoshito Kaneyama
		Aspiring CPA development	Mitsuo Tsuruta Shintaro Goto
		General affairs (general affairs management)	Tetsuya Mogi
Regional Chapters	Yoshiyuki Minegishi (Chairman) Hisae Kitayama (Vice Chairman)	General affairs (operational management)	Hiroki Kitagata
		Financial management and information management	Keiko Sugaya
		Regional chapters	Tetsuya Mogi Kiyohiko Shinokawa Motoharu Shoji Tadashi Hisamatsu Hideki Chijimatsu

Organization

JICPA Operations Advisory Council

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

Advisors (As of March 31, 2021)



Naoki Izumiya
Honorary Advisor, Asahi Group Holdings, Ltd.

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



Akira Kiyota
Director & Representative Executive Officer, Group CEO, Japan Exchange Group, Inc./ President & CEO, Tokyo Stock Exchange, Inc.

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



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

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



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

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



Ryuko Sakurai
Former Justice of the Supreme Court of Japan/
Former Director, Women's Bureau, Ministry of Labor

Apr. 1970 Joined the Ministry of Labour
Jun. 1998 Director, Women's Bureau, Ministry of Labour
Apr. 2001 Member of Cabinet Office Information Disclosure Review Board (Chair of the Third Division)
Jun. 2004 Invited Professor, Graduate School of Law, Osaka University (Labor Law)
Apr. 2007 Visiting Professor, Faculty of Law, Kyushu University (Labor Law)
Sep. 2008 Justice of the Supreme Court of Japan
Jan. 2017 Retired from Supreme Court of Japan



Kosei Shindo
Representative Director and Chairman, NIPPON STEEL CORPORATION/Vice Chair, Japan Business Federation

Apr. 1973 Joined NIPPON STEEL CORPORATION
Jun. 2005 Director and General Manager, Corporate Planning Division, NIPPON STEEL CORPORATION
Apr. 2007 Director (under the Executive Management System) and General Manager, General Administration Division, NIPPON STEEL CORPORATION
Apr. 2009 Executive Vice President (under the Executive Management System), NIPPON STEEL CORPORATION
Jun. 2009 Representative Director and Executive Vice President, NIPPON STEEL CORPORATION
Oct. 2012 Representative Director and Executive Vice President, NIPPON STEEL & SUMITOMO METAL CORPORATION
Apr. 2014 Representative Director and President, NIPPON STEEL & SUMITOMO METAL CORPORATION
Apr. 2019 Representative Director and Chairman, NIPPON STEEL CORPORATION



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

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

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 non-CPA outside experts. The committee selects candidates to recommend for chairman and president based on dispassionate, objective considerations of important factors, including candidates' understanding and awareness of the mission of CPAs and the JICPA's operations, as well as the individual's eagerness to concentrate on said operations.

Nominating Committee Members (As of March 31, 2021)

Aiko Sekine	Kazuo Takahashi	Haruhiko Yamada
Atsushi Takada	Hitomi Takahashi	Fusahiro Yamamoto
Naohide Endo	Tadafumi Torisu	Atsushi Shimizu* Attorney/Chief Justice, Hiroshima High Court
Keiko Kishigami	Tsunetoshi Harada	Kazuhiro Fushiya* Chairman, The Institute of Internal Auditors – Japan
Yuki Sato	Hitoshi Hori	
Akira Takashina	Koichi Mori	

Names marked with * are outside experts.

Compensation Committee

The Compensation Committee comprises five members, of whom two are non-CPA 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, 2021)

Aiko Sekine	Haruhiko Yamada	Noriaki Shimazaki* Outside Director, Nomura Holdings, Inc./Former Trustee, IFRS Foundation
Atsushi Takada		Riichiro Takahashi* Attorney/Former Vice President, Japan Federation of Bar Associations

Names marked with * 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, 2021)

Hiroshi Nakachi (former chairman)	Koichi Masuda (former chairman)	Aiko Sekine (former chairman)	Shigeru Takahama (former deputy president)
Akio Okuyama (former chairman)	Shozo Yamazaki (former chairman)	Masaji Suzuki (former deputy president)	Atsushi Takada (former deputy president)
Tsuguoki Fujinuma (former chairman)	Kimataka Mori (former chairman)	Haruhiko Yamada (former deputy president)	

Organization

2 Regional Chapters

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

Chairmen and CPA members of the Regional Chapters (As of March 31, 2021)

Chapter	Chairman	CPA members	Female members
Hokkaido Chapter	Kiyohiko Shinokawa	386	49
Okina Chapter	Noriyuki Kakazu	87	11
Hokuriku Chapter	Yuichi Ishizawa	423	44
Tohoku Chapter	Masazumi Nishikawa	780	82
Keiji Chapter	Yusuke Nakano	683	99
Saitama Chapter	Seiji Sakashita	303	29
Hyogo Chapter	Hayato Miyata	820	125
Chugoku Chapter	Shigeru Kajita	493	48
Tokyo Chapter	Yoshiyuki Minegishi	19,098	2,907
Chiba Chapter	Motoharu Shoji	761	93
Chugoku Chapter	Hideki Chijimatsu	804	113
Shikoku Chapter	Osamu Yoshii	239	22
Chugoku Chapter	Hayato Miyata	820	125
Keiji Chapter	Yusuke Nakano	683	99
Hokuriku Chapter	Seiji Sakashita	303	29
Tokyo Chapter	Yoshiyuki Minegishi	19,098	2,907
Chiba Chapter	Motoharu Shoji	761	93
Minami-Kyushu Chapter	Kosuke Araki	217	18
Shikoku Chapter	Osamu Yoshii	239	22
Kinki Chapter	Hisae Kitayama	3,630	575
Tokai Chapter	Tadashi Hisamatsu	2,140	312
Kanagawa Chapter	Masaharu Ota	1,614	195

Note: Numbers in parenthesis indicate the number of female members.

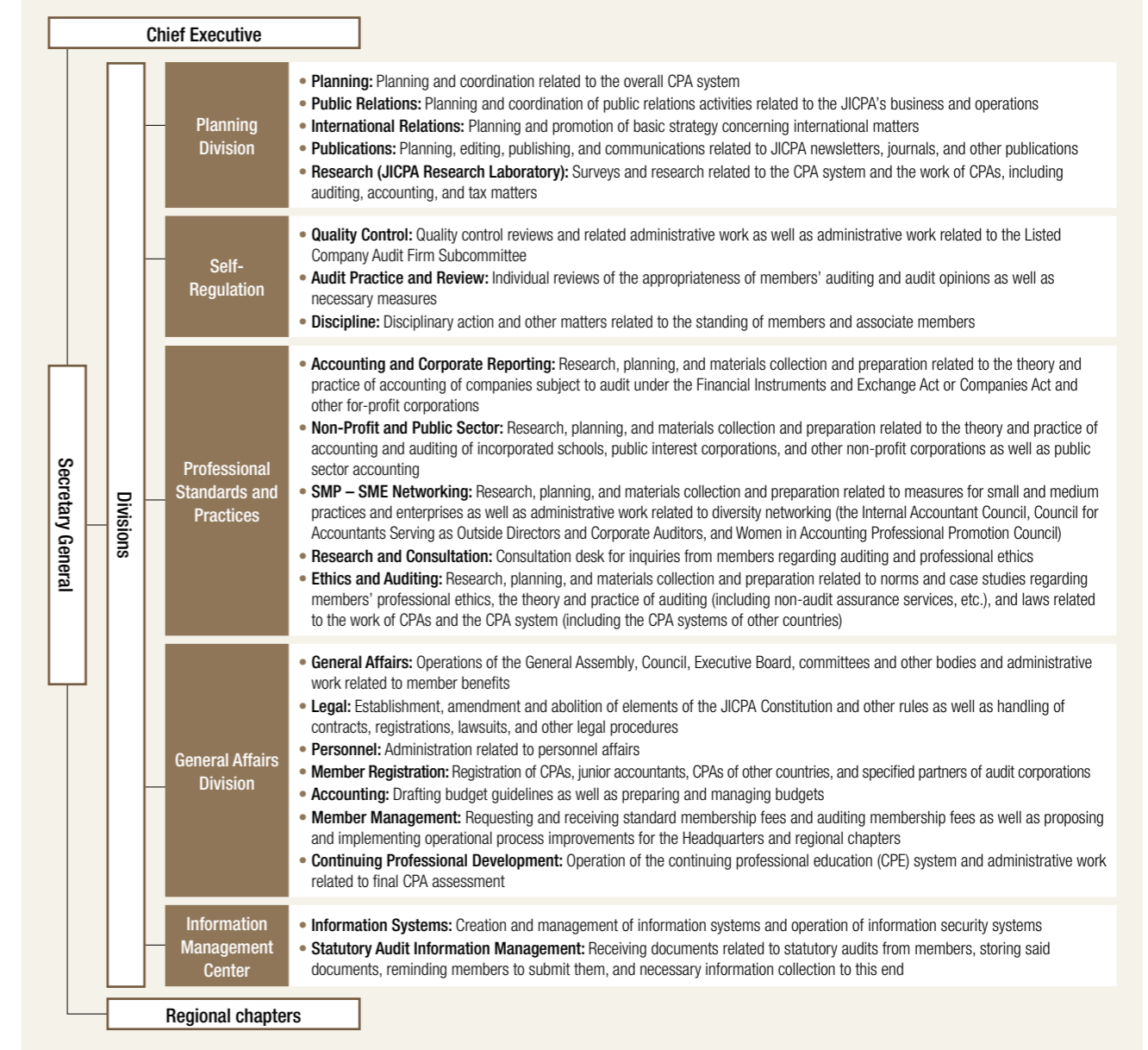
3 Administrative Offices

The JICPA's administrative offices comprise 22 groups within five divisions and the offices of the 16 regional chapters.

These administrative offices support the Group's operations.

As of March 31, 2021, the divisions have a staff of 208 (144 men and 64 women), and the regional chapters a total staff of 104 (56 men and 48 women). Of these, a total of 70 (54 men and 16 women) are qualified as CPAs.

Administrative Organization (As of March 31, 2021)



Note that, as of April 1, 2021, the following changes have been made to the JICPA's administrative structure.

- The Information Management Center has been abolished, and its functions have been transferred to other bodies.
 - The creation and management of information systems has been transferred to the General Affairs Division.
 - Administration related to statutory audit documents has been transferred to the Self-Regulation Division.
- The Professional Standards and Practices Division's Ethics and Auditing Group has been split into the Ethics Group and the Auditing Group.

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 ¥6,000 per month, while associate memberships are ¥1,500 per month. Chapter fees are distinct from standard membership fees. Chapter fees support the specific operations of each regional chapter and are borne by the respective chapter's members. These fees, ranging from ¥3,500 to ¥4,500 per month, depend on such factors as the size and number of members of the regional chapter.
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. * For audits pertaining to fiscal years ending on or after December 1, 2020, a flat rate of 1% is applied.
Business revenue	Revenues from the book sales of publishing operations, final CPA assessment fees, educational seminar fees, etc.

In the year ended March 31, 2021 (fiscal 2021), the JICPA collected standard membership fees of ¥2,291 million, regional chapter fees of ¥1,411 million, and auditing membership fees of ¥3,130 million. The total of these fees, ¥6,833 million, represented approximately 90% of the JICPA's ¥7,260 million in ordinary revenues for the year.

2 Fiscal 2021 Financial Results

In fiscal 2021, the JICPA recorded a positive net change, amounting to ¥1,157 million, on its statements of changes in net assets.*

Compared with fiscal 2020, ordinary revenues increased. This was due to a hike in the standard membership fee in April 2020 as well as a rise in auditing membership fees reflecting increased compensation for statutory audits, including those of newly mandated matters. Ordinary expenses were down, reflecting changes in institute operations due to the COVID-19 pandemic, such as the cancellation or postponement of measures and cancellation of travel.

For CPAs to meet society's expectations and demands, the JICPA must continue to reinforce its frameworks for supporting CPAs as they engage in expanding and diversifying work. We will continue to examine and discuss the JICPA's financial structure to ensure adequate support for institute activities with a view toward changes in society after the COVID-19 pandemic.

* As of the publication of this report, the fiscal 2021 financial results are still under calculation and subject to change. The final results will be published on the webpage below (in Japanese).



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

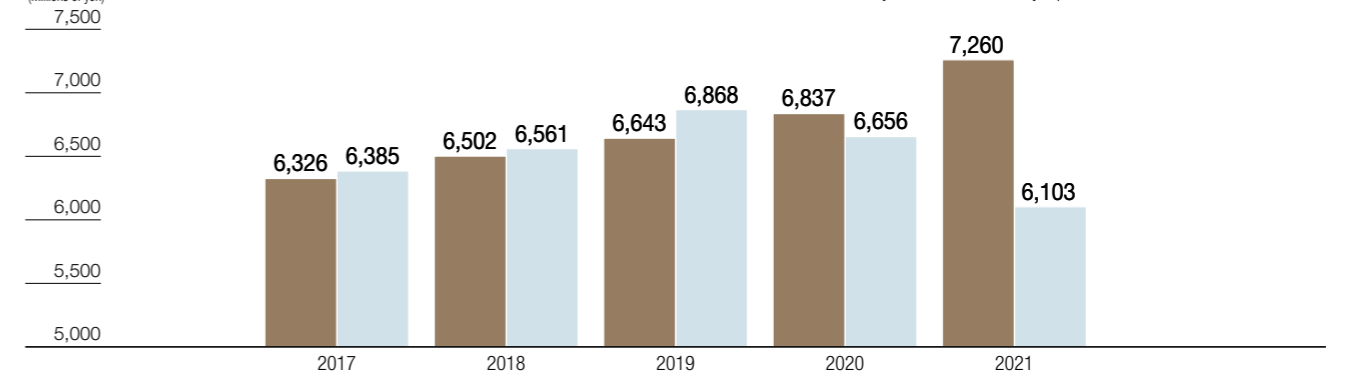
Key Financial Indicators (Year ended March 31)

(Millions of yen)

	2017	2018	2019	2020	2021
Ordinary revenues	6,326	6,502	6,643	6,837	7,260
Ordinary expenses	6,385	6,561	6,868	6,656	6,103
Net ordinary changes	(59)	(59)	(225)	181	1,157
Total changes of unrestricted net assets	(55)	(60)	175	855	1,160
Unrestricted net assets at end of year	11,441	11,381	11,557	12,412	13,573
Restricted net assets at end of year	919	903	879	849	853
Cash flows from operating activities	221	219	(112)	139	1,393
Cash flows from investing activities	(1,974)	753	(50)	90	(723)
Cash flows from financing activities	—	—	—	—	—
Cash and cash equivalents at end of year	2,318	3,291	3,128	3,358	4,028

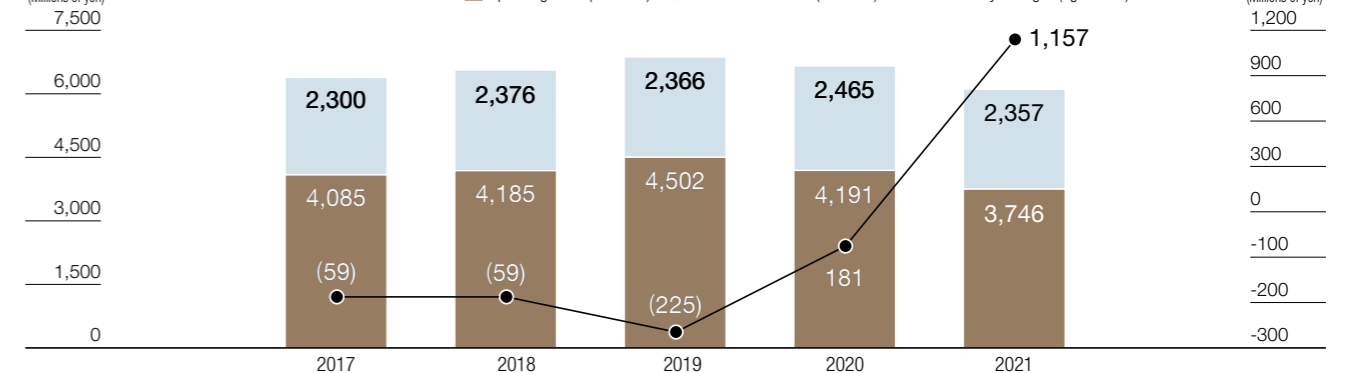
Ordinary Revenues and Ordinary Expenses (Year ended March 31)

(Millions of yen)



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

(Millions of yen)





Engage in the Public Interest

社会に貢献する公認会計士



JICPA

The Japanese Institute of Certified Public Accountants

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

August 2021
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