



The Japanese Institute of  
Certified Public Accountants

# Annual Report 2022



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, connect- ing, and supervising its members.

Tagline

“Building trust, empowering our future” was adopted as the JICPA’s tagline in April 2022.  
Based on strong professional ethics and specialized expertise, CPAs strive to provide accountability in order to foster social trust with people around the world. This stance, as well as our desire to continue to contribute to a secure and vibrant society by doing so, is reflected in our tagline.

Building trust, empowering our future  
信頼の力を未来へ



JICPA Membership Badge

JICPA members are required to wear their 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 soci- ety, while the ellipse they form invokes the globe, representing the pride that CPAs take in protecting the global economy.



Period covered  
This report covers fiscal 2022, the period from April 1, 2021 to March 31, 2022. Certain parts also include information about matters prior and subsequent to these dates.

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# Working to Foster Confidence and Prosperity throughout Society

## Building Trust, Empowering Our Future

*M. Tezuka*

Masahiko Tezuka, Chairman and President of the JICPA

### Enhancing the Adaptability of CPAs and the JICPA

The environment surrounding CPAs is changing dramatically. The systems we use have undergone numerous changes in the past several years, with the rapid internationalization of accounting and auditing standards, as well as the expansion of sustainability disclosure. There has been a steady stream of violations of the disclosure regulations for listed companies in and outside Japan, and audit regulations are being tightened worldwide. At the same time, the number of JICPA members is rapidly expanding and the scope of their work is diversifying: the JICPA's membership now stands at more than 33,000, about 2.5 times the number in 2,000, and almost 60% of members are engaged in wide-ranging work outside of audit firms. On top of all these changes, the global economy and society have taken heavy blows from such unforeseen developments as the COVID-19 pandemic and the Russian invasion of Ukraine. The need for us to be rapidly adaptable to change, as individual CPAs and the JICPA as a whole, is greater than ever.

### Looking Back on the Past Three Years

When I took office as chairman and president, one of the first issues I tackled was reforming the JICPA's operations. We defined the JICPA's mission, vision, and values along with the five strategic targets for officers and staff. We particularly focused on building confidence in auditing. In this area, we had to work very hard, in cooperation with market actors, to get through the difficulties imposed by the COVID-19 pandemic. As a result, we were able to prevent disorder that could have severely damaged markets, helping to build stakeholder trust in and understanding of auditing. Nevertheless, there is still a long way to go in securing confidence in auditing, and the challenges I must hand off to my successor are numerous. With this in mind, we published Vision Paper 2022 as a review of our activities over the past three years and to clearly outline the issues ahead that the next JICPA administration will need to take up.

### The Most Memorable Initiatives of My Tenure

Dealing with the COVID-19 pandemic and the amendment of the Certified Public Accountants Act were particularly memo-

orable for me as unique experiences that JICPA members, and even presidents, do not typically go through. I am also proud of the branding activities we undertook to clarify the CPA identity amid the growth of diversity among CPAs. The result of these efforts was that we defined trust as the core value that CPAs provide to society. Finally, I feel that Vision Paper 2022—the first update to the JICPA's vision paper in 15 years—is a testament to, and the culmination of, the work I did as chairman and president.

### The JICPA's Mission and Strengths in a Time of Unprecedented Change

Looking at the distrust that permeates international relations, it is painfully clear that in our turbulent times, when so few things are certain, trust is what we need most. By exclusively handling the auditing of financial statements for more than 70 years, CPAs have cultivated the ability to create trust. We must make effective use of this ability for the benefit of society. First, to build a sound economy and society underpinned by the reliability of information, we must resolutely fulfill our professional responsibilities. We must also proactively respond to emerging social needs, such as by providing assurance for sustainability information. Furthermore, it will be important to fully leverage the wide-ranging activities of CPAs today. I believe that if every CPA conscientiously strives to provide accountability in their work—whether in accounting, auditing, or other roles—we can foster trust across all parts of society and contribute greatly to the realization of a more secure, vibrant, and prosperous world.

### To Our Stakeholders

Going forward together as CPAs, we must continue working to foster confidence and prosperity throughout society. The JICPA will continue to assiduously work with stakeholders to resolve the issues laid out in Vision Paper 2022. I thank all our stakeholders for their kindness and help over the three years of my presidency, and I look forward to your continued guidance and support.



# Contributing to Social Development by Providing Value in the Form of Trust

*Tetsuya Mogi*

Tetsuya Mogi, Incoming Chairman and President of the JICPA

Beginning in July 2022, I have the privilege of taking the helm of the JICPA's operations on behalf of more than 40,000 members and associate members across Japan. As chairman and president, I will strive to ensure that the JICPA and CPA industry meet society's expectations regarding CPAs and their work and, by doing so, contribute to sustainable social development by providing value in the form of trust.

The coming three years in which I will head institute operations will mark a very important period for determining the future direction of CPAs in Japan. We will respond with precision to society's expectations related to ensuring confidence in auditing, including those raised by the amendments to the Certified Public Accountants Act recently passed by the Diet, as well as expectations of CPAs themselves as the range of our activities expands beyond auditing.

## Contributing to Society by Building Trust

The JICPA has adopted "Building trust, empowering our future" as its new tagline.

In a similar vein, the recently published Vision Paper 2022—which I led the preparation of under chairman and president Masahiko Tezuka—identifies trust as the value that CPAs provide to society.

Building on the confidence placed in us, as CPAs we will continue to contribute significantly to sustainable social development by building trust throughout society.

## Raising the Bar and Reinforcing the Fundamentals in Auditing

A much wider range of firms can now handle the audits of listed corporations. As such, we must reinforce the audit infrastructure available to this wider range of auditors. To this end, we will leverage digital technologies to enhance the sophistication of our operations and strengthen our operational infrastructure for handling internationalization. By applying digital solutions, we will eliminate time-consuming basic tasks, allowing us to further shift the limited resources of CPAs to areas that require sophisticated judgment.

## Meeting the Broadening Expectations of CPAs

The fields in which CPAs work continue to broaden in response to society's needs for confidence. To meet the expanding expectations of CPAs, we will strive to enhance the abilities of CPAs working in diverse fields and strengthen our networks.

Furthermore, we will proactively work to provide leadership in the area of corporate disclosure, an area that has recently come under great scrutiny.

## Securing the People We Need

As more people understand the appeal of the CPA profession, over the past several years, the number of people taking the CPA examinations has grown. Ours is a leading industry in terms of diversity—including gender diversity—and we will continue to advance diversity-related initiatives to further enhance the appeal of the profession.

At the same time, many people are leaving the auditing field. Some of these are moving on to pursue other interests, but others are leaving for less positive reasons, like overwork or feelings of stagnation. As we advance operational streamlining across the industry, we must work to reaffirm our role of building trust in society, the significance of our work, and the fulfillment that work can provide.

## Proactive Coordination with Stakeholders

Coordination with stakeholders will be essential to solving the issues that lie ahead.

To this end, we will proactively engage with other related organizations, building and strengthening relationships as trustworthy partners as we advance constructive discussion and cooperation to address our shared challenges.

The entire CPA industry will work to meet society's expectations for CPAs and to ensure that we are able to effectively contribute to society.

I look forward to your guidance and support going forward.



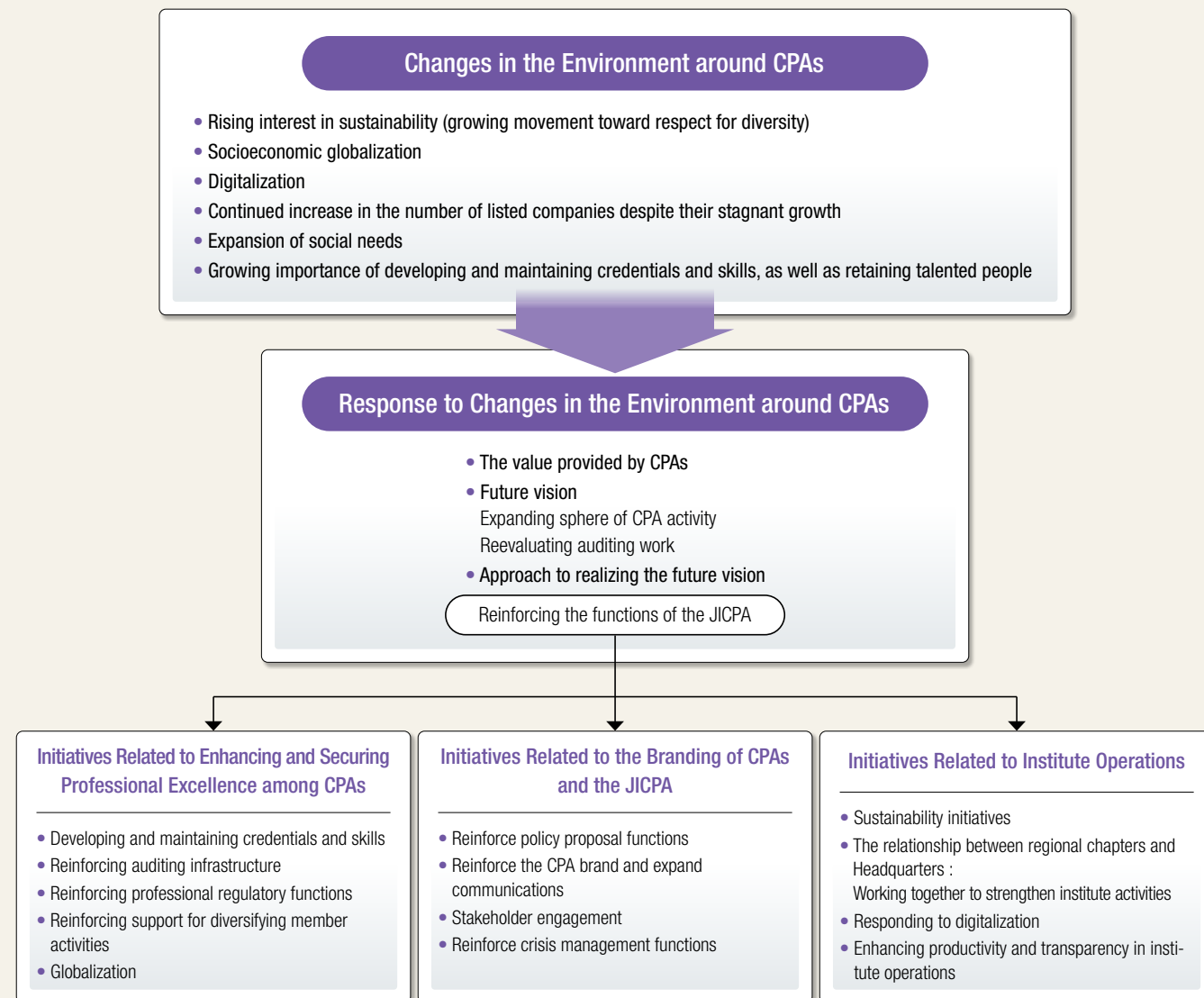
## The Formulation of “Vision Paper 2022 —The Way Forward for JICPA—

Amended several times since its establishment by the Certified Public Accountants Act in July 1948, Japan’s CPA system has been in place for more than 70 years. In that time, CPAs have worked as experts offering expertise in accounting, auditing, disclosure, and corporate governance, while the JICPA has carried out initiatives in step with the expansion of CPA work, including efforts to safeguard and enhance confidence in Japan’s capital markets and ensure the quality of accounting audits.

Upon taking office in July 2019, the JICPA administration of Chairman and President Tezuka worked to reform institute operations to foster even greater trust in CPAs from society under the slogan “Move Forward to the Future.” They endeavored to understand the current environment and issues facing the JICPA, looking a decade ahead to 2030 to chart a course forward. Building on the Vision Paper published in 2007, the results of these efforts were published in March 2022 “Vision Paper 2022—The Way Forward for JICPA.”

Vision Paper 2022 begins by laying out policy for institute operations and the JICPA’s mission (see page 26 for details about the Tezuka administration’s management policy). It then presents the changes occurring in the environment around CPAs and how the JICPA will respond, as outlined below.

By 2030, we want to enable the JICPA to look even further ahead, contributing to and leading the way toward the future. We also aim to widely foster a positive image of CPAs as expert professionals who provide a kind of public utility or social infrastructure, building trust in society and helping to solve social issues. The JICPA will continue to advance institute operations toward these goals.



Publication of “Vision Paper 2022—The Way Forward for JICPA” (in Japanese)  
[https://jicpa.or.jp/specialized\\_field/20220309ibd.html](https://jicpa.or.jp/specialized_field/20220309ibd.html)

## New Branding for CPAs and the JICPA

The JICPA undertook branding efforts to communicate to society the direction CPAs should aim for in the future as the profession diversifies. These efforts led us to update the JICPA’s tagline in use since 2013, “Engage in the Public Interest,” and create a new institute logo. The new branding was officially unveiled in April 2022 at the JICPA Online Conference 2022 and will be rolled out in full from July 6, 2022, which the JICPA designates as CPA Day.

### The New CPA/JICPA Branding

Tagline

# Building trust, empowering our future

Core Concept\*

As CPAs, we are expert professionals who contribute to the realization of a more secure, vibrant, and prosperous world by providing the highest standard of accountability based on robust ethics and specialized expertise and by working with people around the world to build trust in society.

\* An expression of the basic ideas that underlie the tagline and the role that CPAs seek to fulfill in society.

### The Ideas behind the New Branding

In formulating the new branding, we reexamined our core aspirations for 2030 and summarized them as follows.

“In these unpredictable and uncertain times, the importance of trust in society is greater than ever.

As CPAs, we serve as professionals equipped with robust ethics, broad-ranging knowledge and specialized expertise in such areas as auditing, finance, accounting, tax work, and consulting. For decades, by upholding accountability in society broadly while fulfilling our duty of accountability in our various roles, we have built trust in society.

Going forward, as CPAs, we will each strive to ensure the highest standard of accountability, working as professional partners with people around the world to build trust across all parts of society and thereby contributing greatly to the realization of a more secure, vibrant, and prosperous world and a bright future.”

### Institute Logo

#### From “JICPA” to “jicpa”

The JICPA logo was changed to all lowercase letters in order to build upon the conventional image of prudence, diligence, authority, and tradition associated with CPAs by evoking gentleness, warmth, and approachability, essential qualities for building closer relationships with people and communities.

The logo redesign reflects our strong determination to take on new goals and transform the JICPA.

#### The Logo’s Design

The new logo is composed entirely of circular elements and vertical lines. The use of all lowercase letters eliminates sharp angles and emphasizes round forms. The two round dots above the “j” and the “i” symbolize interpersonal connection, while the letters “cpa” are made of perfect circles, a shape defined by perfect mathematical beauty, communicating stability and clarity. The lack of sharp angles imparts an overall gentleness, while the circles also suggest links, reflecting ideals of connectedness and inclusion.

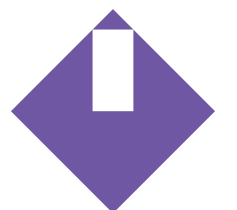
jicpa

### The JICPA Symbol and Brand Color

The JICPA symbol has been in use since 1987. To maintain the symbol’s accumulated value and continuity with the meaning behind it while also building a new brand, the shape of the symbol was left unchanged, but the JICPA’s purple brand color was replaced with a brighter, more saturated hue for a more vital and active look.

#### The Meaning of the JICPA Symbol

- The use of a square balanced to be horizontally symmetrical expresses dependability.
- The rectangle rising from the center of the square, exactly twice as long as it is wide, represents the institute’s values of prudence and reason.
- The rectangle also evokes upward momentum, expressing the institute’s future-oriented commitment to the development of the free market economy.
- The crisp form of the square standing on its point captures an international sophistication.
- The symbol echoes the *sumitate-kakumochi* crest (a square at a 45 degree angle) used in Japan for centuries, conveying tradition rooted in the lives of the common people.





## Interview with Executive Board Member Tatsuya Arai



**Tatsuya Arai**  
Executive Board Member  
JICPA

### Q1 | What led to the decision to implement new branding?

The environment surrounding CPAs has changed immensely since Japan's "Big Bang" financial system reforms that began in the latter half of the 1990s. In 2000, the JICPA had just over 13,000 members. Since then, our membership has grown by almost 20,000, to more than 33,000 in 2022. At the same time, the scope of CPA activity continues to diversify; today, more than half of our members do not belong to audit firms. With this broadening, I feel that society's perceptions of the CPA profession have diversified, as well.

The recent branding efforts began with the recognition that the general public has relatively little awareness of the CPA qualification and the work that CPAs do. Although most people are somewhat aware of CPA as a professional qualification, interviews with various CPA industry stakeholders found that many people didn't have a concrete idea of what CPAs actually do, or of how auditing works. Furthermore, a nationwide survey of non-CPAs aged 18 to 29 found that, compared with other professions, respondents did not have a distinct mental image of what CPAs are. These findings seem to indicate that

the social value and significance of the work CPAs do, including the core of our work in auditing, is not well known or understood among the general public. At the same time, as the range of CPA work grows more diverse, some of our members and associate members seem to be having difficulty in establishing a clear professional identity for themselves.

Given these challenges, we felt that we needed to get a clearer idea of how our members and associate members—both those working in auditing and those mainly working outside auditing—see their identity as CPAs, the value CPAs provide to society, and the way that value contributes to society. Then, once we had clarified these ideas for ourselves, we needed to share them broadly with society. I believe that doing so is very important in terms of assisting JICPA members and associate members in establishing their own professional identity and bolstering their sense of purpose and pride. It was with all this in mind that we decided to undertake the new branding initiatives.

### Q2 | The recent branding initiatives led to an update of the JICPA's tagline and the creation of a new "Core Concept" to express the role that CPAs strive to fulfill in society. Could you tell us more about the ideas that went into these?

We began our efforts to create the Core Concept by focusing on what CPAs are now and what they ought to be, and aspire to be, in the future. We gathered input not only from among ourselves, but also a diverse range of CPA industry stakeholders. The project team then took the lead. Comprised of

CPAs active in a wide range of fields, the team discussed this input to identify common threads in the value provided by CPAs as the profession expands and diversifies, as well as the value that CPAs should strive to provide to society going forward. Through numerous discussions, we arrived at two

conclusions: until now, CPAs have created trust by providing the highest standard of accountability; and, going forward, the provision of trust will continue to be the fundamental value that CPAs offer.

For example, until now, auditing has meant assuming the duty of accountability on behalf of corporations. Going forward, however, I think we will also need to fulfill our own duty of accountability through our auditing in order to impart confidence. The Key Audit Matters (KAMs),\* introduced from the fiscal year ended March 2021, illustrate this.

Looking at other areas of CPA activity, in tax-related work, for example, CPAs support the accountability of taxpayers. And, at the same time, by working with a constant awareness of proper accounting based on their ethical understanding—a core part of the CPA skillset—CPAs build trust by carrying out their duty of accountability to a wide range of stakeholders, such as tax authorities, corporate executives, and financial institutions. Similarly, when working as outside directors and corporate auditors, or as professional accountants in business (PAIB) at corporations or in the public sector, CPAs build trust by staying true to their underlying sense of ethics and exercising their specialized expertise to carry out their duty of accountability in whatever work they are doing.

Building trust has always been a key part of what we seek to do. In times of heightened uncertainty, society needs this trust even more. The role of CPAs is to meet such needs by backing up accountability in society while also fulfilling our duty of accountability in our own work. It was this understanding that led us to include the phrase "providing the highest standard of accountability" in the Core Concept.

As a result of the above considerations and discussions, we created the Core Concept to encapsulate the pride we take as CPAs in the trust we have created in society by providing the highest standard of accountability across various settings and positions, as well as our aspiration and determination to proactively work with various stakeholders to continue to contribute to the creation of a more secure, vibrant, and prosperous world and a bright future. The tagline "Building trust, empowering our future" was created as a succinct expression of the Core Concept.

In addition, we established six keywords for use when creating visuals that express the tagline or Core Concept: "open," "dynamic," "creative," "lively," "prosperous," and "happy." We are working to develop a visual vocabulary that will evoke these keywords for viewers.



### Q3 | What challenges are next?

It will be important to spread awareness of the new branding and the ideas behind it among CPAs and society at large. This will require more than making sure our members know the new tagline. Fostering awareness of the new brand will take time. We will need to, for example, explain the tagline and logo and increase their exposure at educational events for JICPA members, display them on business cards and publications, implement activities to increase awareness through both Headquarters and regional chapters, and provide explanations to other stakeholders.

Furthermore, I believe that the most important factor for creating trust in society will be for each and every CPA to understand the ideas behind the tagline and core concept, and to embody them in their own activities based on high ethical standards and professional expertise. To this end, the JICPA will continue to provide opportunities for study and implement other measures to maintain and improve the ethical standards and professional expertise of CPAs, while also promoting branding activities with members to promote understanding of the significance and value of CPAs in society.

\* Key Audit Matters (KAMs)

Matters that auditors have 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, are described in the audit report as KAMs. Early adoption of KAMs began with audits for the year ended March 2020, and their inclusion applies, in principle, to all audits of listed companies for fiscal years ended March 2021 and later.



# Special Dialogue

We invited Professor Kunio Ito, Director of Hitotsubashi CFO Education and Research Center to discuss the role of CPAs and the JICPA in this time of rapid change with Masahiko Tezuka, Chairman and President of the JICPA. Professor Ito has led the development of approaches to increase the corporate value of Japanese companies through his project with the Ministry of Economy, Trade and Industry (METI), “Competitiveness and Incentives for Sustainable Growth—Building Favorable Relationships between Companies and Investors,” and subsequent Ito Reviews.

(Dialogue held March 1, 2022)

**Kunio Ito**, Director of Hitotsubashi CFO Education and Research Center

Graduated from Hitotsubashi University Faculty of Commerce and Management in 1975. Served as Dean of the Hitotsubashi University Graduate School of Commerce and Management and the Faculty of Commerce and Management, and as the university's Senior Vice President. Served as Specially Appointed Professor at the Chuo Graduate School of Strategic Management. Served as project chairman on such METI projects as “Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors” and “Report of the Study Group on Improvement of Sustainable Corporate Value and Human Capital,” as well as the Cabinet Secretariat's Study Group on Improving the Visibility of Non-Financial Information.

## The Ito Review and “Japanese-Style Short-Term” Management Today

**Tezuka** Professor Ito, I understand you are currently working on a follow-up to the METI Report of the Study Group on Improvement of Sustainable Corporate Value and Human Capital (the “Human Capital Ito Review”)?

**Ito** Yes, we plan to publish the Human Capital Ito Review 2.0 this April or May.

**Tezuka** The first Ito Review<sup>1</sup> was published in 2014, right?

**Ito** Right, August 2014. That was the very first.

**Tezuka** It was groundbreaking. In the review, you pointed out that Japanese companies are innovative yet low-profit and raised concerns over “Japanese-style short-term” management. Almost eight years have passed since the review came out; do you think that corporate management in Japan has changed since then?

**Ito** The first Ito Review first made a big splash overseas, which then prompted a greater response in Japan, I think. That September, Bloomberg ran a shocking article. The article was positive, but its title, “Profit Laggards Seen Catching Up as Japan Seeks 8% Return,” was very symbolic of the issues we faced. Everyone knew that Japanese companies had low capital productivity, with ROE of around 5%, but with that article, Japan was branded a “laggard.”

**Tezuka** Yes, that's how it was seen.

**Ito** I don't think that people in Japan, especially corporate executives, really understood the issue before that. They didn't think of themselves as profit laggards. Despite its enormous size, the gap in profitability had gone largely unexamined. For example, to explain the difference between the very high ROE of U.S. companies and low ROE of Japanese companies, Japanese executives would say it was because U.S. companies were more leveraged, and that kind of management would be destructive for Japanese companies. This was despite the actual data, which showed almost no difference in leverage between the U.S. and Japan. It goes to show how dangerous thinking based on preconceptions can be. To counter this, when working on the Ito Review, we put aside those preconceptions and fuzzy impression-based arguments and engaged in a year-long evidence-based discussion. I think that being confronted with how Japanese companies are seen from the outside was a very important lesson.

Before the COVID-19 pandemic, the average ROE of Japanese companies had risen to 10%. There were concerns that focusing on ROE and getting it over 8% would lead Japanese companies to rely on share buybacks and or ways of increasing leverage. Looking at the data from 2014 to just before the pandemic, however, while ROE steadily rose, there seems to have been a general decrease in leverage, as internal reserves increased.

To return to your question, investors' short-termism is clearly visible in the data. The turnover rate of Japanese stocks has increased, and today is high. The data on short-termism in management, however, is not as clear.

**Tezuka** I ask that question because, based on my 33 years (as of June 2019) of experience in front-line work as a CPA, working mainly in Japan's manufacturing industries, the Ito Review's diagnosis of “Japan-style short-term” management resonated greatly with me. I think there has been a rapid shift toward short-termism since the 1980s. In the industries I encountered, as companies focused on annual profit, capital investment was the first thing they let fall by the wayside.

**Ito** Yes, that's borne out by the data, too.

**Tezuka** Then, they started to put off repairs and maintenance.

After that came research and development. Most investment went to upgrading products already on the market, and before long companies were only making things that could be brought to market quickly. And then, finally, came people. Companies stopped hiring new people or investing in education.

When I saw the words “Japan-style short-term management,” I had to agree.

**Ito** Rather than any one reason, this tremendous short-termism comes from the combination of a wide range of factors. Even governance is involved; Japanese companies often switch out their presidents after going through two medium-term management plans that are each three years long. I'm not sure we can call this long-term thinking. It is difficult, for example, to execute structural reforms and see results in a three-year window.

**Tezuka** Just figuring out where the issues are takes a year and a half to two years.

**Ito** Even if they manage it in three years, there are only three years left after that. With this kind of governance and top management rotation, I think it really is difficult to successfully implement long-term structural reforms.

**Tezuka** Yes, that approach may be fine when the everything is going smoothly and the company is growing, but not for implementing reforms.

**Ito** Exactly. That was why we determined, as you mentioned, that Japanese companies had the capacity for innovation but continuously low profitability. However, I think their capacity for innovation may have atrophied since then. Skimping on R&D, capital investment, and human resource development is not a recipe for innovation. I think Japanese companies have lost a great deal of ground in terms of investment in human capital, which I suspect will be a more talked about issue going forward. Japanese companies have long had a reputation for being people-friendly and treating their employees with care. It is true that the Japanese “membership” model guarantees long-term employment, but in return, employees are expected to be obedient to the company. This is not conducive to producing independent-minded, autonomous talent.

## Pushing for Change: ESG Issues in the Ito Review 2.0 and the Human Capital Ito Review

**Tezuka** The Ito Review 2.0 came out in October 2017.<sup>2</sup> What was its aim?



## Special Dialogue

**Ito** A tectonic shift has been taking place around the world in the drivers of corporate value, from tangible to intangible assets. The change has not been as pronounced in Japan, but the market value of the S&P 500 in the United States is now almost all intangible assets. The first Ito Review pointed out the problem of short-termism. Building on that, in Ito Review 2.0, in order to realize the mission of sustained corporate value growth from a long-term perspective, we examined ESG factors and intangible assets and created the Guidance for Collaborative Value Creation as a common language for corporations and investors.

**Tezuka** I think the Guidance for Collaborative Value Creation is an excellent model for consultants in terms of understanding which parts of corporate management they should focus on.

**Ito** Reading the Guidance, one of the working group members from a foreign-based company let slip that it seemed to give away their “secret sauce.” In a sense, the Guidance made outstanding investor know-how free—a common good.

**Tezuka** It packages together everything from the furthest upstream strategy to the most downstream aspects of stakeholder engagement and investor relations, and breaks it all down into modules. I think there must be people out there using the Guidance for Collaborative Value Creation in their consulting.

**Ito** And that’s fine. That’s what we were hoping for. We are now working on revising the Guidance for Collaborative Value Creation. The Study Group on Approaches to Making More Substantial the Dialogues for Creation of Sustainable Corporate Value, established in November 2019, released its interim report in August 2020. In light of this, the SX Study Group<sup>3</sup> is advancing a second round of discussions. It plans to release the results of these, including a revised version of the Guidance for Collaborative Value Creation, as Ito Review 3.0.

As project chairman for both the SX Study Group, as it revises the Guidance, and for the Study Group on Improving the Visibility of Non-Financial Information, sponsored by Prime Minister Kishida, I am currently considering the best timing to release the next review.

**Tezuka** The first Ito Review stresses the importance of ROE; Ito Review 2.0 incorporates an ESG perspective and offers the Guidance for Collaborative Value Creation. In the Human Capital Ito Review, which followed, what did you most want to advocate?

**Ito** In the Human Capital Ito Review, I propose the 3P/5F Model, comprising three perspectives and five common factors that describe the characteristics of the people strategies companies should pursue going forward. The first of the three perspectives is coordination between corporate strategy and people strategy. This may seem obvious, but looking at the actual conditions at corporations today, the truth is that there is not much coordination.

**Tezuka** Why is that, when many companies have plenty of highly competent people?

**Ito** First is the issue of how Japanese companies see their people. Although they say they value their people, they view them as homogeneous, thinking in terms of headcount. Rather than considering each employee’s individual character, skills, and expertise, they manage by headcount, allocating this many people here and that many there. Headcount alone is not sufficient to match corporate strategy with human resource strategy.

**Tezuka** So, they ought to determine what kind of people they need?

**Ito** Yes. These companies have not sufficiently assessed where their individual employees’ strengths lie. They do not even have any solid basis on which to say whether or not their corporate and people strategies are coordinated. Merely moving human resources around to level out unevenness—saying, well, this person has been in this department for a long time, so next year they’ll move over there, and we’ll need someone to take their place—this is not people strategy.

Before we can ask whether a company’s corporate strategy and people strategy are coordinated, we may have to ask whether or not it even has a people strategy. Although companies pay lip service to the importance of people, they often feel that getting too involved at the individual level can get messy and avoid too much clarity, making it effectively off-limits. There is some very chilling data backing this up: a survey by U.S. polling company Gallup found that, of 139 countries assessed, Japan ranked 132nd in employee engagement. What are we to make of Japanese companies—which claim to have always valued people—being among the very worst in terms of employee engagement? Even allowing for Japanese respondents’ cultural hesitance to evaluate themselves positively in surveys, this rank is alarmingly low.

**Tezuka** Talking with top management down to roughly executive officers, who are generally over the age of 55 or so, most describe their company as a good one. When I interacted with younger employees as an auditor or consultant, however, I often found that they did not feel the same way. It seems that corporate management notices that gap less often than one would think.

**Ito** I think they often don’t. The way that people derive happiness at work varies by generation. Retiring employees often express gratitude for having been able to work at their company steadily all that time. That is, their happiness is based on memory. For younger generations, however, happiness based on experience—on whether or not what they are currently experiencing is useful and meaningful to them—is more important. If management fails to understand this, then after three years or so, their younger employees will say “I’ve had enough, thanks for everything, that was very instructive,” and be on their way.

### Corporate Culture—An Important Asset That Must Be Made Explicit to Bridge the Gap

**Tezuka** And what about the second perspective?

**Ito** Even when a company is making an effort to coordinate corporate strategy and people strategy, there is always a gap, to a greater or lesser degree. Most companies have not taken steps to elucidate that gap, even if they intuitively know it’s there. The second perspective is thus the question of whether the gaps between the current business model and the corporate strategy to be pursued, and between the company’s current human resources and its people strategy, have been ascertained.

The third perspective is whether the company has fostered a corporate culture that encourages organizations and individuals to change their behavior in a desired direction. Japanese companies tend to vastly underestimate the importance of corporate culture and the effort needed to maintain it. Indeed, corporate culture is actually a highly valuable intangible asset.

Despite this, not many executives make an effort to change their corporate culture. Very few even try to concretely ascertain whether their cultures are really as free and open as they may claim.

Recently, the start of dialogue between companies and investors about their “purpose” has led to growing momentum toward improving corporate culture.

Corporate culture is often said to be the very DNA of an organization or company. Actual biological DNA is naturally inherited from generation to generation, but with companies, it’s not a given. Without concerted, ongoing effort to pass it down, corporate culture tends to die out.

Google’s all-hands Friday meetings, called “TGIFs,” provide a way for top management to keep their finger on the pulse of the company’s culture. By comparison, Japanese companies are overly sanguine. They act as if putting the founder’s corporate philosophy in a frame on the wall means it has been passed down to employees. The only problem is, the philosophy never leaves that frame.

**Tezuka** Recent integrated reports are carefully structured, with sections for corporate philosophy and messages from the management. Looking at these, it seems like they are making the kind of efforts you’re referring to.

**Ito** Most companies have a corporate philosophy or management philosophy; if they are actually discussing these, there’s no need to also start talking about their “purpose.” I think the important thing is for executives and employees to create corporate culture together, through dialogue. Merely having designated a philosophy does not mean it has actually taken root; what matters is whether or not that philosophy is being applied to guide conduct.

**Tezuka** What issues do Japanese companies face in terms of people strategy?



**Ito** In the 21st century, disclosure will grow only more important. This is illustrated by the 11 areas outlined in the “Guidelines for internal and external human capital reporting” created by the International Organization for Standardization (ISO).<sup>4</sup> I think companies will start to disclose information about human resource development and investment in some form. Of course, wanting to present themselves in the best light possible, they tend to put a positive spin on such information in their integrated reports, but this is ultimately unimpressive unless it is backed up by real enhancements. It is vital that companies are aware that information they disclose will be examined closely.

**Tezuka** When reading integrated reports, for example, I’d like to know what type of people companies seek, based on their strategy, but most companies do not define such parameters.

**Ito** It seems to me that the recent focus on digital transformation (DX) has led, for the first time, to clarity in terms of the concrete skills and experience that companies seek. But, what specific skills and experience should they look for outside of DX? Corporate strategy has to be finely honed before it can be synced to people strategy. And even when corporate strategy has been well honed, I think a misconception—that people strategy can be effectively implemented without a deep understanding of corporate strategy—is a major reason the challenges facing Japanese companies have gotten as big as they are.

**Tezuka** I have gone through global training at two of the Big Four audit firms. Unlike in Japan, communication skills, for example, are taught through training, rather than assuming that employees will just naturally develop them. Team management, project management, logical thinking, and problem-solving techniques are all taught, as well. Rather than relying on skill transmission through on-the-job-training, employees are armed with specific techniques for use in their jobs.

**Ito** They are made explicit. In Japan, companies tend to falsely assume that skills will just be transmitted on their own, that the skills don’t need to be explicitly put into words for employees to acquire them. Because of this, companies don’t spend all that much energy on making these essentials explicit.



## Special Dialogue

In the 3P/5F Model Factor we were talking about earlier, one of the five factors is diversity and inclusion of knowledge and experiences. This factor goes beyond diversity of gender, nationality, or other such personal traits. Diversity of knowledge and experience is now extremely important. Individuals have different knowledge and experience—the idea that Japanese employees are homogeneous just because they're Japanese is an erroneous preconception.

### TCFD and Climate-related Disclosure as an Opportunity to Go Beyond Traditional Accounting

**Tezuka** What do you think of the TCFD recommendations and climate-related disclosure?

**Ito** As chair of the Japan TCFD Consortium, founded in May 2019, I hope to make such disclosure commonplace throughout Japan. Japan ranks first globally, by a wide margin, in the number of corporations that have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Companies on the Tokyo Stock Exchange's new Prime Market will be practically required to provide disclosure in line with the TCFD recommendations, which I think is a step in the right direction. However, there are concerns that disclosure in securities reports will settle into hollow, generic patterns.

**Tezuka** It is legally mandated disclosure, after all.

**Ito** That said, I think that we have yet to see how much climate-related information will be disclosed in integrated reports.

In TCFD-aligned disclosure, the greatest problem is Scope 3. There is no global standard. It is not clear how to account for wide-ranging industries both upstream and downstream.

On top of this, mere disclosure is not enough. Who is providing assurance of the information's credibility? In some cases, a narrow focus on disclosure itself could lead to the disclosure of

low-credibility information.

Gillian Tett, editor-at-large of the U.S. edition of the *Financial Times*, sharply criticized the lack of visibility of auditors and accountants—the guardians of disclosure—at COP26,<sup>5</sup> calling it “a mistake.” For audit firms and the JICPA, I think this indicates tremendous opportunity, but also the possibility of new types of competition.

**Tezuka** Audit firms are among the organizations with the most people who can provide assurance regarding the credibility of climate-related information. However, globally speaking, I don't think there is yet adequate capacity for this kind of work. So, how do we address this? In the EU, the current solution is to allow certain people and organizations other than auditors to provide assurance of non-financial information. Under this approach, such work is not our exclusive purview, but something we must compete for. I see this as an extremely important issue.

One of the most important things I wanted to ask you today is about assurance regarding TCFD-compliant disclosure—specifically, the question of who will provide that assurance.

Also, in some industries, transition risks related to moving toward carbon neutrality are extremely significant and could most certainly have a major financial impact. Given that, I also want to ask whether other environment-related institutions can provide assurance regarding climate-related information in financial contexts. Transition risk is the quintessential example; if transition risks impact a company's annual financial statements, auditors cannot avoid the need to assess them. At that point, should they base their audits on assurance provided by another institution?

**Ito** To reframe the issue, I think that the content of KAMs<sup>6</sup> will change. If audit matters—KAMs—include climate-related issues and transition risks, then the question becomes whether auditors can responsibly write KAMs based on the assurances provided by other institutions.

**Tezuka** There are around 3,900 listed companies in Japan, with about 1,800 on the Prime Market alone. Simply in terms of volume, it's true that it would be very difficult for audit firms' sustainability teams to provide assurance for all of them. However, having these auditors do this work facilitates financial audits and is more economical for the companies being audited. I have come to think that, given that we have exclusive authority to audit financial statements, it is our duty to take a proactive stance toward providing assurance for climate-related information.

**Ito** That's very commendable. This issue has concerned me for a long time. Just putting out information does not mean all the related problems are solved. Unless the quality of the information is assured, sometimes it is better undisclosed.

I think that these factors are behind the International Financial Reporting Standards (IFRS) Foundation's creation of International Sustainability Standards Board (ISSB) to develop standards for climate- and other sustainability-related disclosure.

**Tezuka** I think that the IFRS Foundation created the ISSB partly

because some ESG and sustainability information ultimately converges with financial information. As such, it would be socially and economically beneficial, and improve credibility, if a standard-setting body with excellent governance were to take the lead in creating global standards to establish that linkage.

The question, then, is to what extent there is demand for such standards from society, and whether we can provide the resources to fulfill that demand.

The creation of such standards has begun with climate-related disclosure, but do you think that global standards will be established for human capital or human rights issues, for example?

**Ito** Shareholder primacy is far from absolute in Japan anyway, but the global trend is now toward stakeholder capitalism, and existing ways of thinking about profit may become inadequate going forward. I propose a way of thinking about this with four types of “profit.” The first is accounting profit. Second is economic profit, calculated by deducting cost of capital from net profit. The third is social profit, based on ESG scores. And, the fourth is sustainability profit, defined using ROESG, a concept that integrates ROE and ESG. The ESG scores used in these present both opportunities and risks. For example, companies could implement adjusted accounting in which costs calculated using internal carbon pricing are deducted from profit. Or, for human rights, if the true human rights-related costs can be identified, then, factoring these in could increase personnel costs, affecting net profit. I see two basic approaches for handling such issues: either through additional disclosure, on top of existing accounting, or by changing existing accounting methods to incorporate them.

**Tezuka** Developing accounting that far would mean going beyond the traditional realm of CPAs.

**Ito** Yes, it would. This idea of profit is different from the realization principle-based conception, and maybe it's not really “profit” per se, but in any case, it entails incorporating non-financial factors into the calculation of profit. It will take a vast amount of work, which is why current efforts are focused on first providing non-financial disclosure separately, in addition to financial. This approach cannot solve everything, though, and I think it will come back to the issue of finding ways to provide assurance regarding information and guarantee reliability.

### Big Opportunities for the Accounting Profession

**Tezuka** Lastly, do you have any message for CPAs or audit firms?

**Ito** The two things I wanted to say today are that accountants must address the challenges facing the accounting industry with a sense of urgency, and, more importantly, that there are big opportunities for the industry going forward.

The big opportunities lie in contributing to the solution of not only the challenges facing companies, but those facing the

entire planet. Until now, the accounting profession has, in a sense, been closed in, existing mainly within the context of corporate audits. By seizing opportunities presented by taking on bigger challenges, the accounting profession can greatly expand its sphere of contribution. This is truly a matter of transformation, not mere improvement. It will require either existing accounting talent to acquire new skills, or for people who have the necessary expertise to join the accounting profession. This is precisely the same as the “re-skilling” in the third common factor in the Human Capital Ito Review, and it comes down to the gap between corporate strategy and people strategy. If expanding its sphere of contribution is the accounting profession's long-term “corporate strategy,” then the key is to determine the gap between that and its people strategy. Once the issues are identified, they can be solved through re-skilling, with the current people acquiring new expertise, or through the mid-career hiring of people who already have the right expertise. Either way, the solution requires action over the long term. I think it may be time for the accounting profession to start creating a grand design for this.

**Tezuka** Thank you. It seems we are at a major turning point. Right now, we are wrapped up in the audits of financial statements, but five years from now, perhaps our perspective will start to look very different. Do we focus on re-skilling ourselves? Or should we try to meet society's expectations by partnering with other experts? This discussion has made the need to get started with strategic efforts very clear to me.

**Ito** In either case, we may see organizational collaboration. In addition to recruiting specialists from outside, dynamic collaboration between organizations may prove necessary.

**Tezuka** Yes, that is how much the industry is changing, and I think it will only continue to get more interesting. I know you are hard at work, and I look forward to seeing your continued contributions to the growth of companies in Japan. Thank you very much.

**Ito** Thank you.



1. Ito Review: The final report of the “Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors” Project (August 2014)
2. Ito Review 2.0: The report of the Study Group on Long-term Investment (Investment Evaluating ESG Factors and Intangible Assets) toward Sustainable Growth (October 2017)
3. SX Study Group: The Ministry of Economy, Trade and Industry's Study Group on Dialogues that Contribute to Long-term Corporate Management and Investment for Creation of Sustainable Corporate Value
4. Guidelines for internal and external human capital reporting: ISO 30414, released by the International Organization for Standardization (ISO) in December 2018, provides guidelines with the objective of considering and making transparent the human capital contribution to the organization in order to support sustainability of the workforce.
5. COP26: The 26th Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change, held in Glasgow, Scotland, October 31 to November 13, 2021
6. KAM: Key Audit Matters. Required in securities reports for fiscal years ended March 2021 and later.



# 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 "Building trust, empowering our future." 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 establishment of the profession of accountant based on the Accountant Law in 1927. 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 firms bearing unlimited joint liability was introduced.

With audits of incorporated educational institutions beginning in 1967 and the introduction of CPA audits based on the Act on Special Provisions on the Commercial Code in 1974, CPA skills were no longer restricted to the securities market, and the need for them spread throughout broader society. The 2003 amendment to the Certified Public Accountants Act put the mission of CPAs in Article 1 of the Act and reinforced CPA independence. The following amendment of the Act, in 2007, strengthened the quality control, governance, and disclosure requirements for audit corporations; reinforced the independence and position of auditors; and revised the oversight and liability of audit firms.

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 firm system enters effect
- 1967 CPA audits of incorporated 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
- 1992 **Certified Public Accountants Act amended**  
CPA examination system reformed
- 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-Related Work Subcommittee established**
- 2012 **Professional Accountants in Business (PAIB) 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**  
Auditing Standards amended
- 2019 CPA audits of agricultural cooperatives begin  
**Self-Regulation Monitoring Conference established**
- 2020 Auditing Standards amended
- 2021 Standards on Quality Control for Audits amended
- 2022 **Certified Public Accountants Act amended**  
Registration system for listed company audit firms written into law

## 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 Act on Special Provisions on 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 associations with more than ¥20 billion in deposits and agricultural cooperative federations with more than ¥20 billion in liabilities will be required by law to undergo audits by accounting auditors (CPAs or audit firms).

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

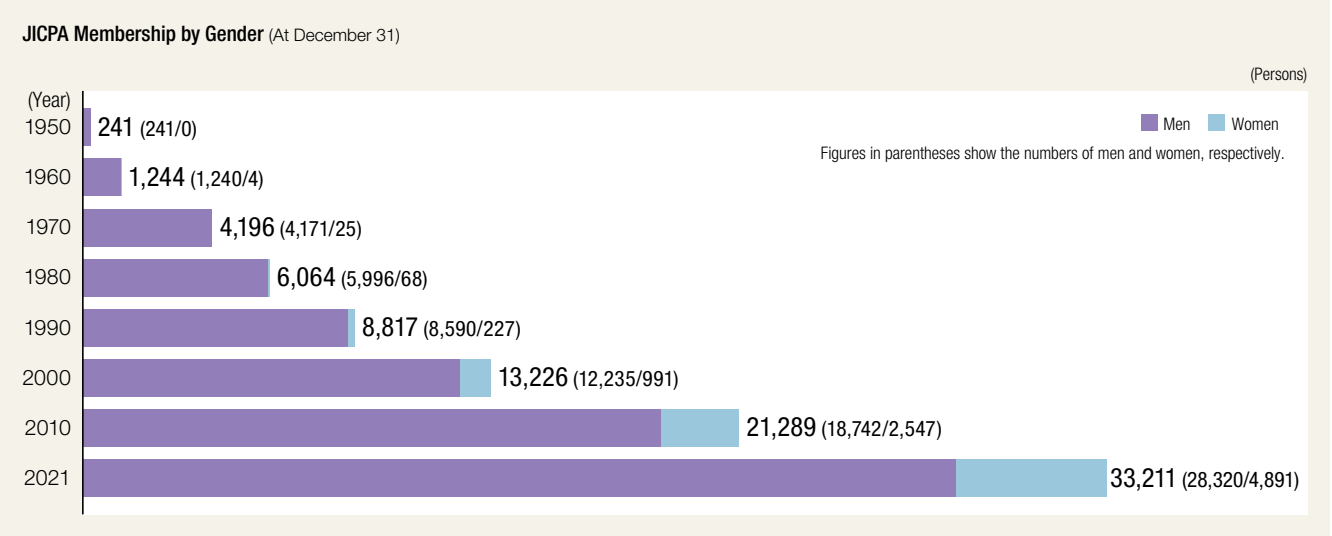
Statutory audits (audits required by laws and regulations)	
<ul style="list-style-type: none"><li>• <b>Audits based on the Financial Instruments and Exchange Act</b> Documents on financial accounting in the securities reports (balance sheets, profit and loss statements, and other statements) submitted by specified securities issuers must receive an audit certification by a CPA or audit firms (Article 193-2, paragraphs 1 and 2).</li><li>• <b>Audits based on the Companies Act</b> Large companies, companies with audit and supervisory committees, and companies with nominating committees must retain a financial auditor (Companies Act articles 327 and 328). Furthermore, any stock company that so designates in its articles of incorporation may retain a financial auditor.</li></ul>	<ul style="list-style-type: none"><li>• Shinkin banks</li><li>• Credit unions</li><li>• Labor banks</li><li>• Incorporated administrative agencies</li><li>• Local incorporated administrative agencies</li><li>• National university corporations and the Inter-University Research Institute Corporation</li><li>• Public interest incorporated associations and foundations</li><li>• General incorporated associations and foundations</li><li>• Consumer cooperative associations</li><li>• The Open University of Japan</li><li>• Agricultural credit guarantee fund associations</li><li>• The Norinchukin Bank</li><li>• Reports on expenses, etc., made using political party grants based on the Political Party Subsidies Act</li><li>• Social welfare corporations</li><li>• Medical corporations</li><li>• Crypto asset exchange service providers as specified in the Payment Services Act</li><li>• Agricultural cooperatives</li></ul>
Statutory audits include audits of the following:	
<ul style="list-style-type: none"><li>• Mutual insurance companies</li><li>• Special purpose companies</li><li>• Investment corporations</li><li>• Limited partnerships for investment</li><li>• Limited liability trusts with certificate of beneficial interests</li><li>• Incorporated educational institutions that receive national or regional public subsidies</li><li>• Incorporated educational institutions applying for authorization with regard to an act of endowment</li></ul>	
Non-statutory audits include audits of the following:	
<ul style="list-style-type: none"><li>• Audits of financial statements of companies not subject to statutory audits</li></ul>	<ul style="list-style-type: none"><li>• Special-purpose financial statements</li></ul>
International audits include audits of the following:	
<ul style="list-style-type: none"><li>• Companies with shares listed on overseas exchanges or that are applying for such listing</li><li>• Companies that have procured or seek to procure funding overseas</li></ul>	<ul style="list-style-type: none"><li>• Overseas branches, subsidiaries, and joint ventures of Japanese companies</li><li>• Japanese branches and subsidiaries of overseas companies</li></ul>

2 Number of CPAs in Japan

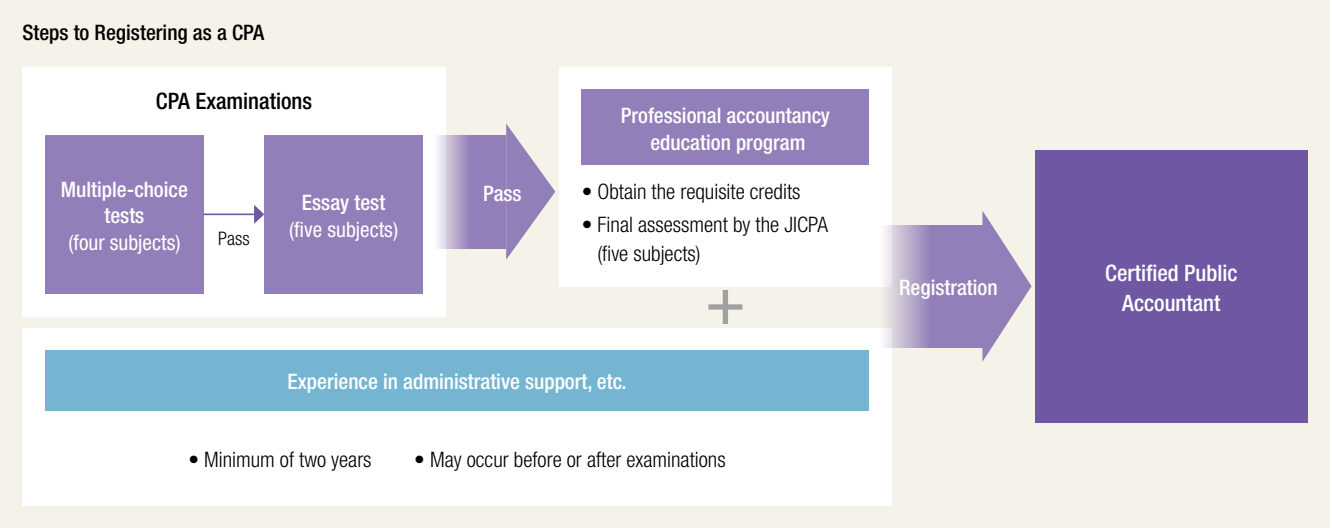
The number of JICPA members is steadily rising. As of March 31, 2022, the number stood at 33,215.

1951 saw Japan's first registration of female CPAs (two 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, standing at 21.8% in 2021, indicating that the proportion of women among JICPA members will continue to increase going forward, although raising the proportion of successful female examination candidates remains an issue.

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 53).

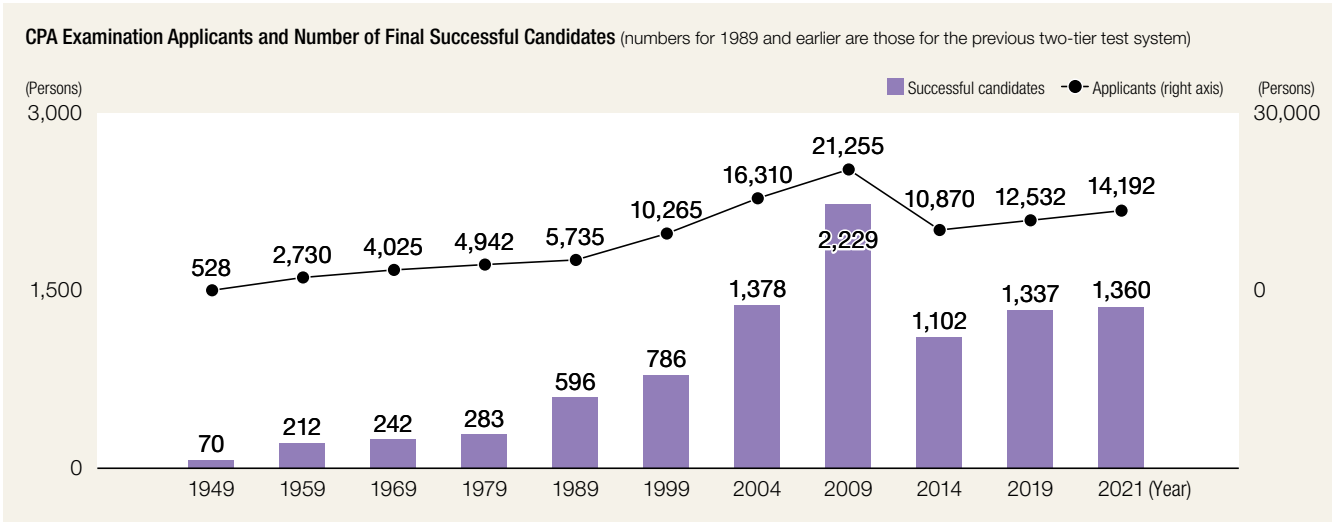


To become a CPA in Japan, an applicant must pass the CPA examinations (multiple-choice tests and essay tests), complete at least two years of practical experience in the professional accountancy education program, undergo a professional accountancy education program administered by the Japan Foundation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



CPAs of Japan and of other countries practicing in Japan specified in the Certified Public Accountants Act 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).

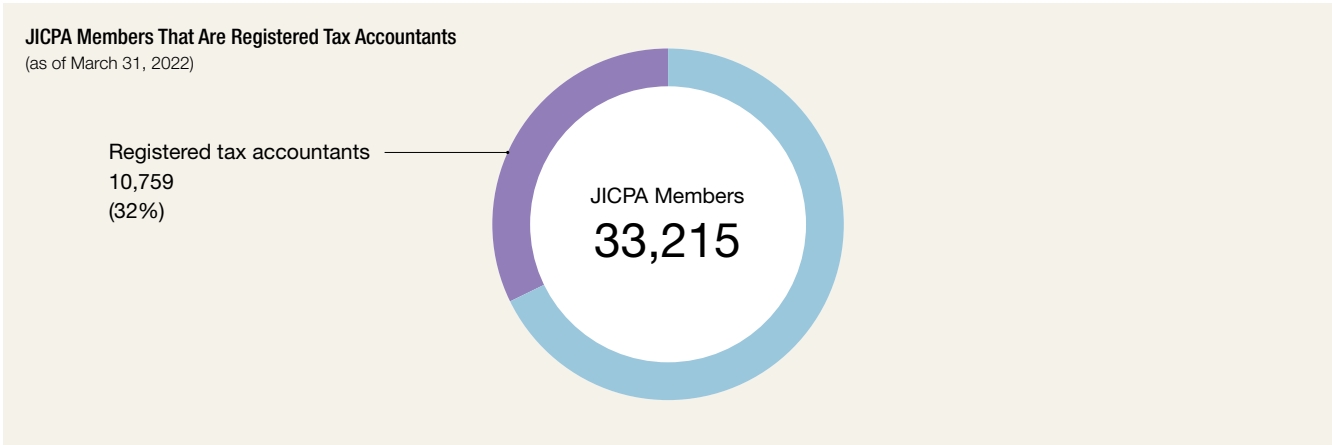
- Individuals qualified to be a CPA in Japan or another country specified in the Certified Public Accountants Act
  - Junior accountants
- Individuals qualified to be a junior accountant
  - Successful CPA examination candidates
  - Specified partners of audit corporations

3 Areas of CPA Activity

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

1 Tax-Related Work

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



2 Consulting

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

3 Professional Accountants in Business (PAIB)

CPAs work at corporations and other organizations in the private and public sectors. The number of CPAs working at organizations other than audit firms or sole practitioners' office 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 2021. The Code states that "Companies listed on the Prime Market should . . . appoint at least one-third of their directors as independent directors (two directors if listed on other markets)" 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, 2022).

Name	Target	Members
Small and Medium-Sized Audit Firm Liaison Council	Small and medium-sized audit firms that audit listed companies	469 firms
Tax-Related Work Council	CPAs who perform tax-related work	Members: 8,860 Associate members: 6,107
Public Accounting Council	CPAs working in not-for-profit and public sectors	Social Security Working Group* Members: 2,670 Audit firms on the working group's list: 91 Regional Public Entity Accounting and Auditing Working Group Members: 800 Associate members: 2,173
Professional Accountants in Business (PAIB) Council	CPAs that are employees of corporations	Professional Accountants in Business (PAIB) Network Members: 2,298 Associate members: 487
Council for Accountants Serving as Outside Directors and Corporate Auditors	CPAs serving as outside directors and corporate auditors	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	6,542

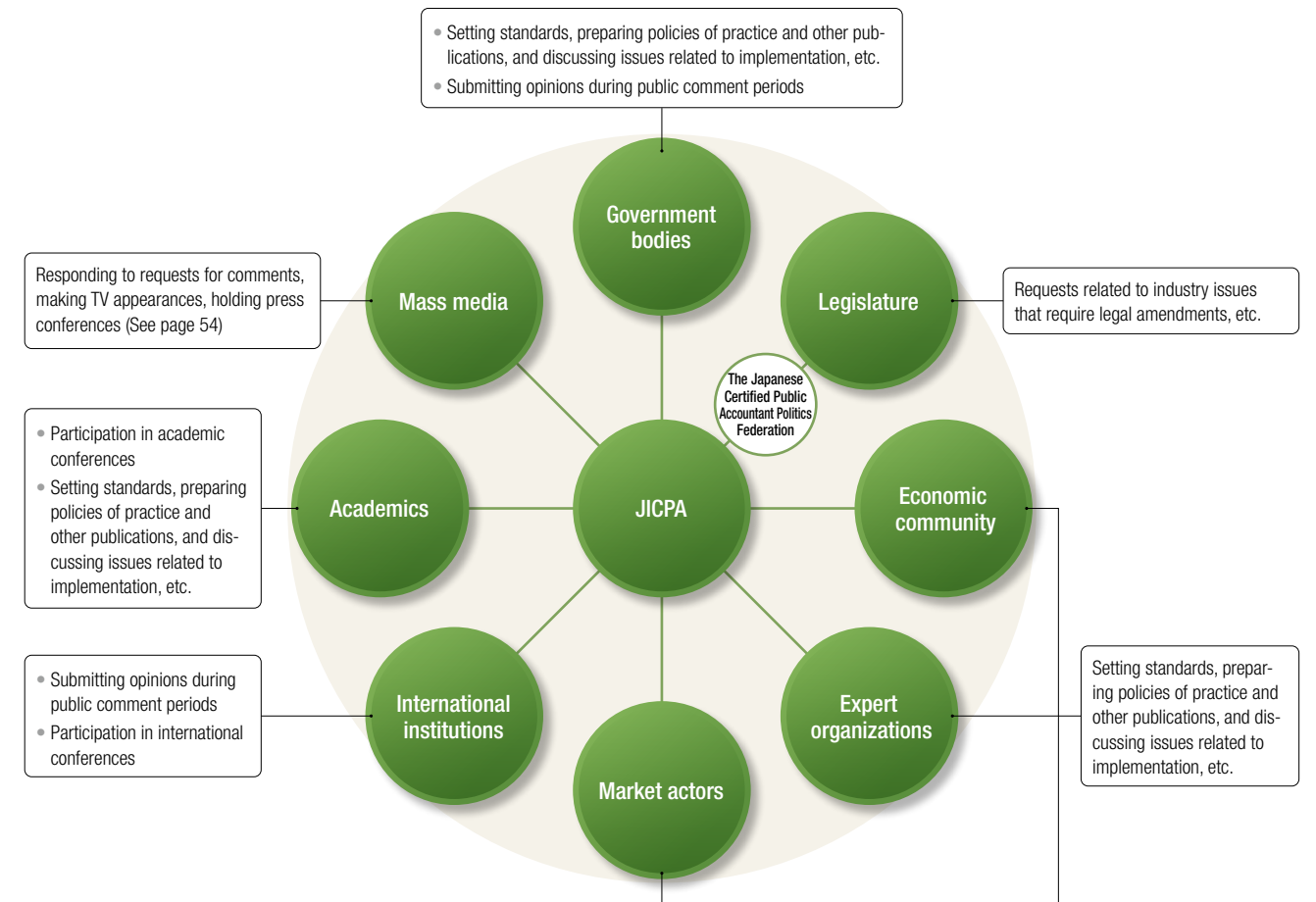
\* Reorganized into the NPO Accounting and Auditing Working Group as of April 1, 2022

# What We Do

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

## Stakeholder Engagement

The scope of activities for CPAs is expanding, and their 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.

- Sep. 10, 2021 Keynote lecture at the International Computer Auditing Education Association's 2021 International Conference on Computer Auditing in Tokyo  
Topic: The ways auditing should aim to evolve and technology
- Sep. 29, 2021 Panel discussion appearance at the 19th Annual Aoyama Gakuin University Accounting Summit  
Topic: Sustainability and ESG info
- Oct. 8, 2021 Spoke at ACFE Japan Conference 2021 held by the Association of Certified Fraud Examiners Japan  
Topic: How auditors should approach fraud
- Dec. 6, 2021 Panel discussion appearance at the online seminar "Investing for Brighter Future—Value Creation Based on Mutual Understanding" held by T. Rowe Price Japan, Inc.  
Topic: Net zero, corporations, and investors—deepening mutual understanding
- Jan. 26, 2022 Appearance at a session of the Nikkei SDGs/ESG Corporate Issues Symposium  
Topic: Disclosure to win stakeholder trust



## 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, Chairman and 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 the tagline at the time, “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.

Professional Regulation Initiatives

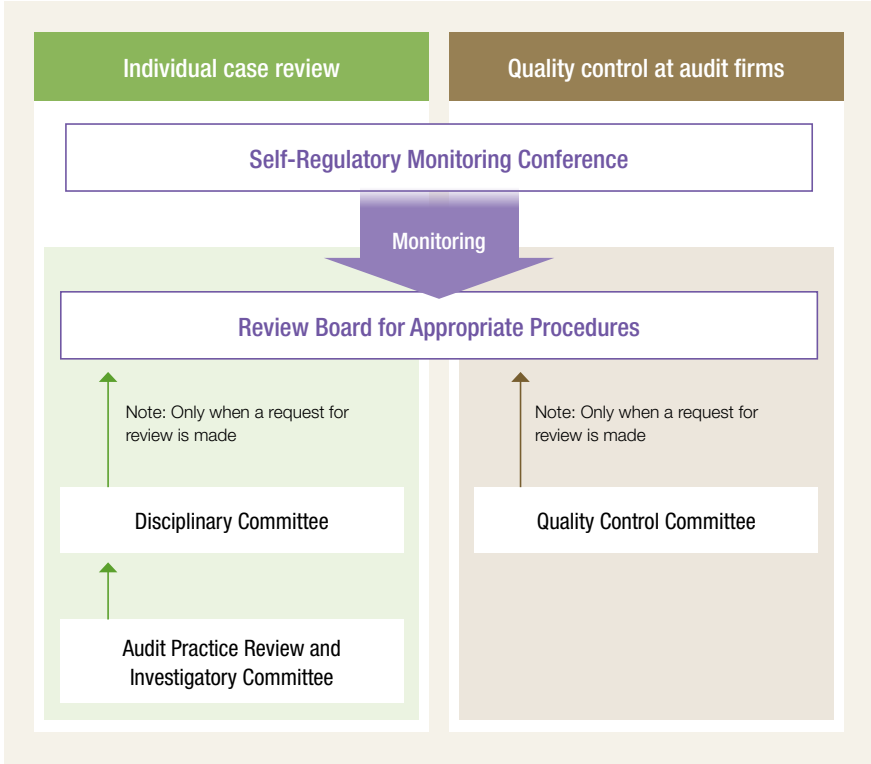
1 Professional Regulation Overview

Role and Function of Professional 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 below. Increasing transparency, providing society with timely information, and ensuring clear, satisfying explanations are prioritized as key issues.



2 Individual Case Review

Audit Practice Review and Investigative Committee

The Audit Practice Review and Investigative 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 and President 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 and President 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 and President requests a review by the Disciplinary Committee.

The Audit Practice Review and Investigative 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 and President based on the Audit Practice Review and Investigative 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 and President deems doing so necessary in order to secure the confidence of society in the JICPA and the CPA system.

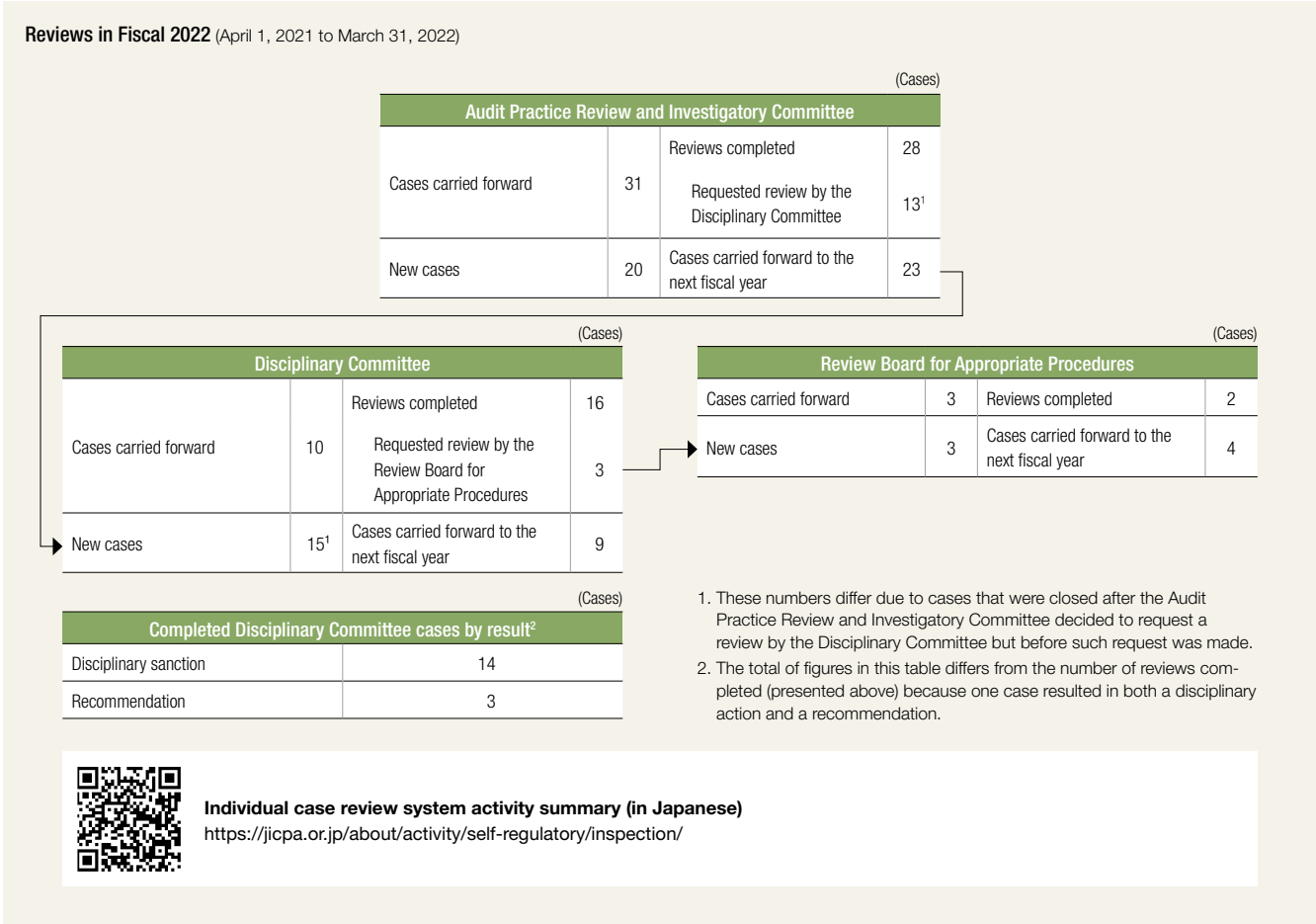
Summaries of cases that are still under investigation may also be disclosed publicly if the JICPA Chairman and President deems doing so necessary in order to secure the confidence of society in the JICPA and the CPA system.



Professional Regulation Initiatives

Data: Individual Case Reviews

Reviews undertaken in fiscal 2022 are summarized in the chart below. Note that an overview of the activities of the individual case review system is published separately (in Japanese).

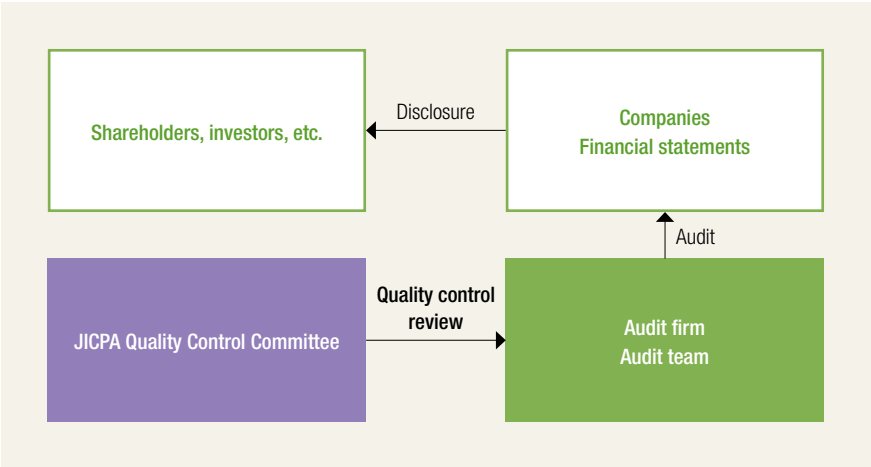


3 Quality Control at Audit Firms

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 firms 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 control system and its operation. The second is a special review, which is conducted when needed to examine quality control in specific fields of the audit firm involved or the quality control 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.

More information about the quality control review system and its implementation in fiscal 2022 is available in the Overview of the Quality Control Review fiscal 2022.

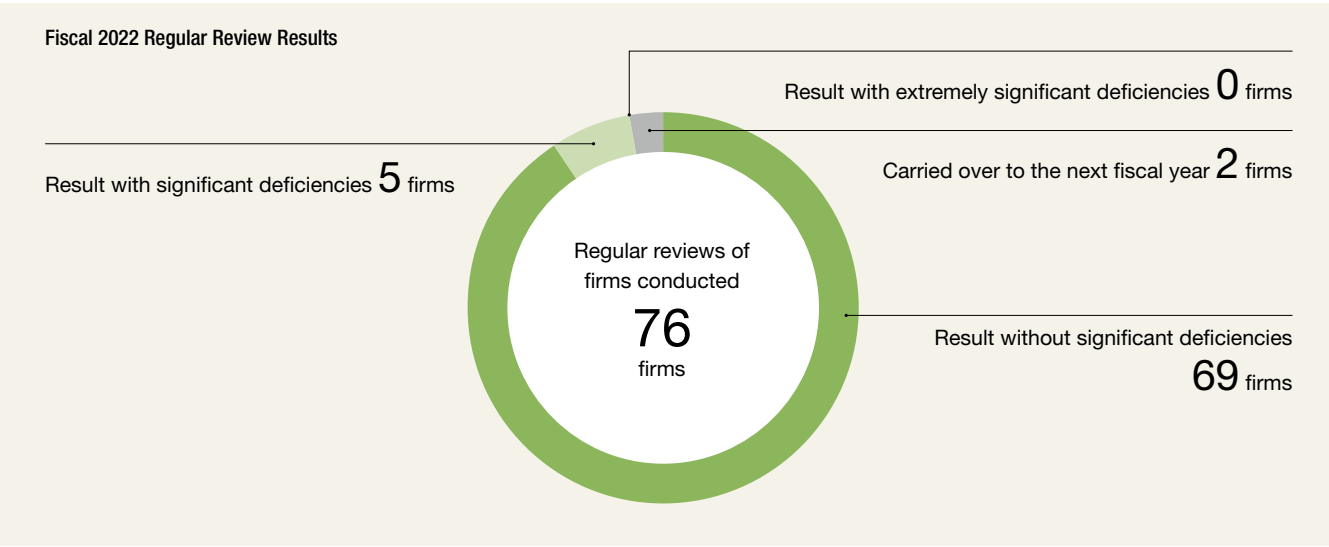
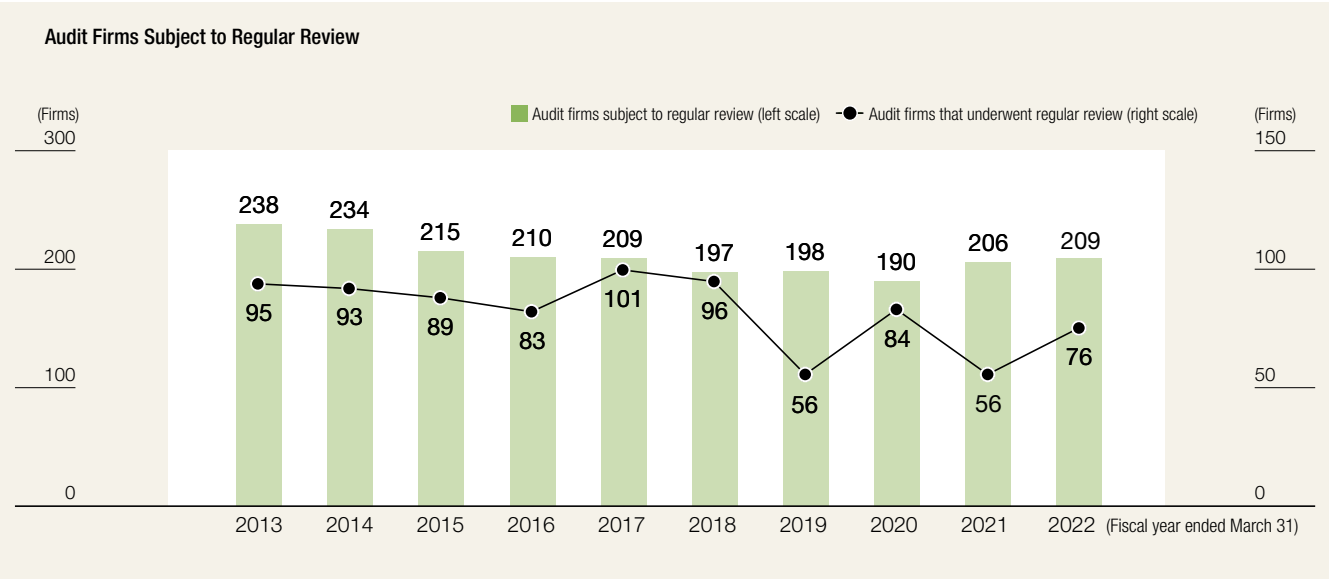


**Overview of the quality control review fiscal 2022 (in Japanese)**  
<https://jicpa.or.jp/about/activity/self-regulatory/quality/>

Professional Regulation Initiatives

Data: Regular Quality Control Reviews

The number of audit firms undergoing regular reviews each fiscal year and a summary of the fiscal 2022 regular review results are presented below.



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 control 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 found to have extremely significant deficiencies and admonished to withdraw from its auditing work based on the results of a quality control review, the Quality Control Committee will also reach a decision on striking 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 are published, along with an overview of each firm, 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, 2021	March 31, 2022
Audit firms registered on the roster of audit firms that engage in audits of listed companies	127	126
Audit firms registered roster of associate registered audit firms	13	16
Total	140	142



Professional Regulation Initiatives

4 Professional Regulation Monitoring

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 Conference mainly monitors the operations of the individual case review system and quality control review system, which are the core functions of the JICPA's self-regulation. It also takes up CPA system-related regulations and other topics related to self-regulation as needed. 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). The one Conference member who is a JICPA member is not involved in the execution of institute operations. 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>

Message from the Conference Chairman

Aiming for Sustainable Accounting Professionals

Hisashi Yamaura, Chairman, Self-Regulatory Monitoring Conference

The Purpose of the Conference

The purpose of the Self-Regulatory Monitoring Conference is to check, from an outside perspective, whether or not the self-regulatory activities implemented by the JICPA are functioning appropriately and effectively, to reflect the results of such checks in self-regulatory activities to improve their effectiveness, and to maintain trust in the work of CPAs by publishing information about these activities. To fully achieve this purpose, four conditions must be met: 1. Timely and accurate provision of information to the Conference; 2. Securing adequate time for discussion and proceedings at Conference meetings; 3. The publication of the results of Conference activities and their appropriate use as feedback in the work of CPAs and JICPA operations; and 4. Securing opportunities to verify whether or not such results have been appropriately fed back as described above. In this sense, there is still an aspect of trial-and-error to the Conference's activities, but I am confident that it will help reinforce the foundations underlying the work of CPAs by increasing social trust in that work.

My Perspective as the Conference Chairman

The Self-Regulatory Monitoring Conference has now met seven times, from the first meeting on February 18, 2020, to the latest on March 8, 2022. Based on the Conference's activities so far, as its chairman, I first wish to express my respect for the diligent efforts related to self-regulation on the part of the JICPA's Chairman and President, the Deputy President in charge of self-regulation, and the officers of related bodies and offices. The significant labor and cost they have expended to carry out the ideal of self-regulation are commendable. At the same time, quality control reviews have found a number of inappropriate practices, which have led to individual case reviews, and at each meeting, we hear reports about incidents in auditing and other issues, all of which are very concerning. In addition, criticism from society of JICPA members participating inappropriately or fraudulently in professional education is a cause for deep regret. It would appear that a lack of respect for legal compliance and professional ethics has crept into certain parts of the industry. Fortunately, the JICPA swiftly took initial steps to remedy the situation. However, in order to ensure the future of the CPA qualification, it is essential for not only the JICPA but also each individual CPA in the industry to maintain a steadfast professionalism, and for audit firms and sole practitioners to implement thoroughgoing governance.

Self-Regulatory Monitoring Conference Members (As of March 31, 2022)



**Mari Kobayashi**  
Professor, Graduate School of Political Science, Waseda University; former President, Board of Audit  
Apr. 1994 Associate Professor, Business Administration Department, Fuji College  
Mar. 2001 Earned PhD in commerce from Waseda University  
Apr. 2001 Professor, Business Management Department, Fuji College  
Apr. 2002 Professor, Tokyo Fuji University  
Apr. 2003 Professor, Graduate School of Public Management, Waseda University  
Apr. 2012 Professor, Graduate School of Political Science, Waseda University  
Aug. 2013 Commissioner, Board of Audit of Japan  
Dec. 2018 President, Board of Audit of Japan  
Aug. 2019 Retired from Board of Audit of Japan  
Aug. 2019 Professor, Graduate School of Political Science, Waseda University  
Jan. 2021 Board Member, International Public Sector Accounting Standards Board (IPSASB)



**Mari Sono**  
CPA; Former Commissioner, Securities and Exchange Surveillance Commission  
Oct. 1976 Joined NISSHIN Audit Corporation (now Ernst & Young ShinNihon LLC)  
Mar. 1979 Registered as a CPA  
Apr. 1992 Member, Business Accounting Council, Ministry of Finance  
Oct. 2002 Member, Secretariat of the Information Disclosure Board, Cabinet Office (now the Secretariat of the Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications)  
Apr. 2005 External Comprehensive Auditor, Tokyo Metropolitan Government  
Aug. 2012 Retired from Ernst & Young ShinNihon LLC  
Dec. 2013 Commissioner, Securities and Exchange Surveillance Commission  
Jun. 2017 Outside Director, Nomura Holdings, Inc.  
Sep. 2020 Auditor, Waseda University



**Hirano Takeshi**  
Managing Governor, Japan Exchange Regulation  
Apr. 1989 Joined Tokyo Stock Exchange  
Jun. 2011 Director, Strategic Planning Department, Japan Securities Clearing Corporation  
Jun. 2014 Director, Corporate Strategy Department, Japan Exchange Group, Inc.  
Jun. 2015 Executive Officer, Japan Exchange Group, Inc.  
Apr. 2017 Standing Governor, Japan Exchange Regulation  
Apr. 2021 Managing Governor, Japan Exchange Regulation



**Masato Matsuno**  
Chairperson, Japan Audit & Supervisory Board Members Association  
Apr. 1981 Joined Sumitomo Metal Industries, Ltd.  
Apr. 2012 Managing Executive Officer and General Manager, Personnel & Industrial Relations Department, Sumitomo Metal Industries, Ltd.  
Oct. 2012 Executive Officer and Head of General Administration Division, Nippon Steel & Sumitomo Metal Corporation  
Apr. 2015 Managing Executive Officer and Head of General Administration, Nippon Steel & Sumitomo Metal Corporation  
Apr. 2016 Managing Executive Officer (Head of Office, Osaka Office), Nippon Steel & Sumitomo Metal Corporation  
Jun. 2019 Senior Audit & Supervisory Board Member, Nippon Steel Corporation  
Jun. 2020 Directors and Senior Audit & Supervisory Committee Member, Nippon Steel Corporation  
Nov. 2021 Chairperson, Japan Audit & Supervisory Board Members Association



**Hiroshi Miyake**  
Attorney  
Apr. 1983 Registered as attorney (Daini Tokyo Bar Association)  
Mar. 1993 Earned master's degree in law from Graduate School of Management and Public Policy  
1999 Member, Personal Information Protection Study Committee, Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society  
2001 Member, Government Office Personal Information Protection Legislation Study Group, Ministry of Internal Affairs and Communications  
Apr. 2004 Visiting Professor, Graduate School of Law, Dokkyo University  
2006 Director, Broadcasting Ethics & Program Improvement Organization  
2010 Member, Public Records and Archives Management Commission, Cabinet Office  
Apr. 2015 President, Daini Tokyo Bar Association; Vice President, Japan Federation of Bar Associations  
Mar. 2020 Withdrew as doctoral candidate after completing course-work at the Graduate School of Law, Kyoto University (Law)



**Masataka Miyazono**  
President, Government Pension Investment Fund  
Apr. 1976 Joined The Norinchukin Bank  
Jun. 2011 Deputy President & Co-Chief Executive Officer, The Norinchukin Bank  
Jun. 2018 Retired from The Norinchukin Bank  
Apr. 2019 President, Pension Fund Association  
Mar. 2020 Retired from Pension Fund Association  
Apr. 2020 President, Government Pension Investment Fund



**Manabu Morimoto**  
Vice-Chairman, Japan Securities Dealers Association  
Apr. 1977 Joined the Ministry of Finance  
Jul. 2009 Director-General, Inspection Bureau, Financial Services Agency  
Jul. 2010 Director-General, Planning and Coordination Bureau, Financial Services Agency  
Jun. 2013 Retired from Financial Services Agency  
Sep. 2013 President, Japan Securities Research Institute  
Jul. 2014 Senior Managing Director, Japan Securities Dealers Association  
Jul. 2015 Vice-Chairman, Japan Securities Dealers Association



**Hisashi Yamaura**  
Outside Council Member, JICPA; Emeritus Professor, Meiji University; former Commissioner, Board of Audit  
1991 Professor, Faculty of Law and Economics, Chiba University  
1994 Earned Ph. D. in commerce from Hitotsubashi University  
1997 Professor, School of Business Administration, Meiji University  
2005 Chairman, Audit Standard Committee, Business Accounting Council, Financial Services Agency  
Feb. 2008 Commissioner, Board of Audit of Japan  
Mar. 2013 President, Board of Audit of Japan (retired in May)  
Sep. 2013 Professor, Graduate School of Professional Accountancy, Meiji University  
Nov. 2018 Awarded Order of the Sacred Treasure  
Mar. 2019 Retired from Meiji University (Professor Emeritus)

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 take educational courses 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 membership rights, request 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](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.

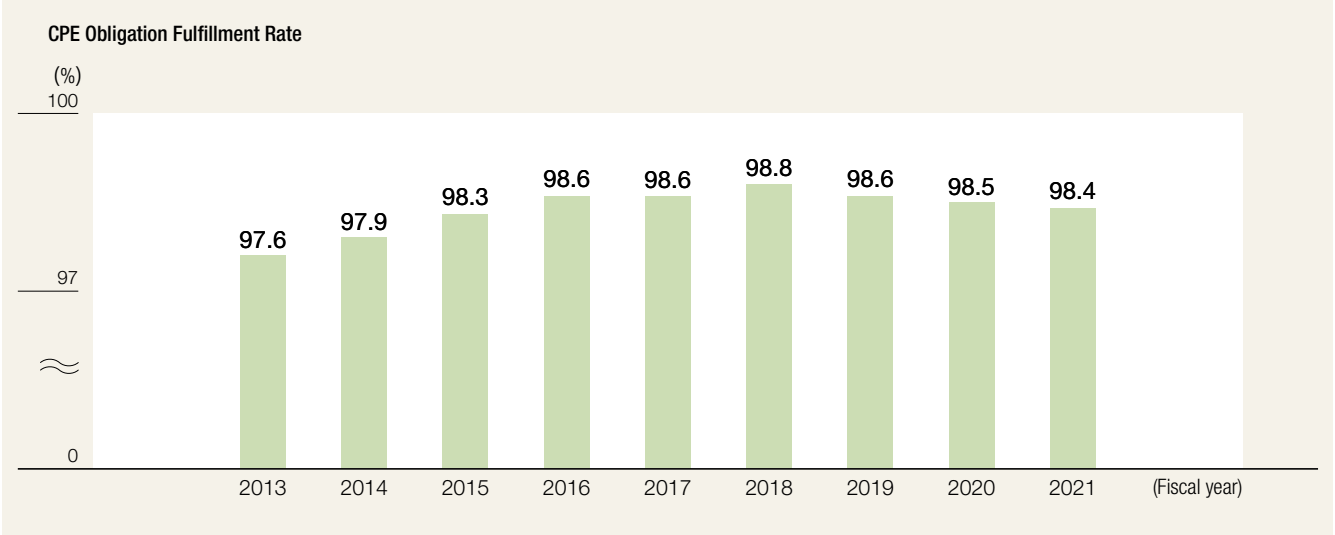
A breakdown of group seminars held in fiscal 2022 by field covered is provided in the table at right.

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 CPAs.

Seminars held	
Field	Seminars held
Ethics and related topics	259
Accounting	72
Auditing (including fraud case study)	362
Tax	236
Consulting	162
Organizational environments	112
Skills	59
Total	1,262

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 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, to prevent the spread of COVID-19, the 42nd Annual Conference was held online, streamed from the Hilton Fukuoka Sea Hawk in Fukuoka City on September 17, 2021. The main theme of the 2021 event was "Accountants creating a dynamic future—building a sustainable world." The conference served as an opportunity to think and learn about ways that CPAs can contribute to the achievement of the SDGs in this time of uncertainty and change.

Etsuro Sotoo (Chief Sculptor of the Sagrada Familia) delivered the commemorative lecture on the theme of "Taking on the forever-unfinished." The afternoon portion of the conference consisted of 10 research presentations covering a wide range of fields, from auditing to accounting, taxes, organizational environments, and consulting.

The conference was once again a success, with a total of around 1,000 JICPA members taking part.



Building Confidence in CPAs

1 JICPA Online Conference 2022

1 Purpose and Objective

The JICPA Online Conference 2022 served as an occasion for CPAs to reaffirm their mission in order to better fulfill their social role by putting it into action. Aimed at encouraging dialogue and cooperation between capital market constituents, the conference theme was “Building trust, empowering our future.” Though originally planned as an in-person event, to prevent the spread of COVID-19, the event was recorded on March 10 and 11, 2022 and made available to the public via online stream on April 4 and 5, reaching approximately 1,500 viewers.

2 Program



JICPA Online Conference 2022 Archive Stream (Available online until September 31, 2022; in Japanese)  
<https://jicpa.or.jp/news/information/2022/20220418dii.html>

April 4, 2022 (Monday)

**Keynote Lecture**

- **Topic** Initiatives for the post-pandemic capital markets
- **Speaker** Tomoyuki Furusawa (Director-General, Policy and Markets Bureau, Financial Services Agency)
- **Summary** The lecture covered trends in sustainability disclosure and the 2022 amendments to the Certified Public Accountants Act.  
In the area of sustainability disclosure, Mr. Furusawa explained how the Financial Accounting Standards Foundation announced in December 2021 the establishment of the Sustainability Standards Board of Japan (SSBJ) to advance sustainability disclosure-related initiatives in Japan. The key role of the SSBJ will be to discuss wide-ranging sustainability issues, such as climate change, human capital, and human investment, and to develop domestic sustainability disclosure standards based on international standards.  
Next, Mr. Furusawa spoke about the amendments to the Certified Public Accountants Act, laying out three main challenges for auditing in light of socioeconomic changes in the environment surrounding CPAs: 1. Ensuring the reliability of audits, 2. Utilizing and enhancing the abilities of CPAs, and 3. Creating environments conducive to high-quality auditing.

**Session 1**

- **Topic** The JICPA's future vision and new branding
- **Speakers** **Panelists** Tatsuya Arai (Executive Board Member, JICPA)  
Tetsuya Mogi (Executive Board Member, JICPA)  
**Moderator** Masahiko Tezuka (Chairman and President, JICPA)

**Session 2**

- **Topic** New trends in corporate disclosure—sustainability disclosure initiatives in Japan and overseas
- **Speakers** **Panelists** Toshitake Inoue (Deputy Director-General, Policy and Markets Bureau, Financial Services Agency)  
Masamichi Kono (Global Advisory Board Member, MUFG Bank, Ltd./Trustee, IFRS Foundation)  
Toshiya Mori (Chief Executive Officer, KPMG AZSA LLC)  
George Iguchi (Chief Corporate Governance Officer and Executive Director of Investment Department, Nissay Asset Management Corporation)  
Satoshi Ando (Director, OMRON Corporation)  
**Moderator** Takako Fujimoto (Executive Board Member, JICPA)

**Session 3**

- **Topic** Enhancing hands-on auditing skills—ways to meet stakeholder expectations
- **Speaker** **Panelists** Ryuji Kawayama (Dean, Graduate School of Information & Communication, Advanced Academic Agency (now the Graduate School of Social Design))  
Yoshihiro Matsuda (Partner, KPMG AZSA LLC)  
Yuichi Yokoyama (Partner, Grant Thornton Taiyo LLC)  
Kaori Terunuma (Director, Accounting Department, Taiyo Holdings Co., Ltd.)  
**Moderator** Hidehiko Yuki (Executive Board Member, JICPA)

**Session 4**

- **Topic** Accounting audits to enhance corporate value—opinions from inside corporations
- **Speaker** **Panelists** Rumiko Tanabe (Corporate Auditor, Credit Engine Group, Inc. and others)  
Kenichiro Okamura (Representative Partner, Kaede Accounting Advisory Co., Ltd.)  
Toshio Sato (Executive Board Member, JICPA)  
Tomoko Tanabe (Partner in Rotation, EY Japan/Partner, Ernst & Young ShinNihon LLC)  
Takashi Niimi (Partner, PricewaterhouseCoopers Aarata LLC)  
**Moderator** Ichiro Waki (Executive Board Member, JICPA)

April 5, 2022 (Tuesday)

**Keynote Lecture**

- **Topic** The TSE's market restructuring and expectations for CPAs
- **Speaker** Akira Kiyota (Director & Representative Executive Officer, Group CEO, Japan Exchange Group, Inc.)
- **Summary** Mr. Kiyota gave a lecture about market reorganization and expectations for CPAs in light of the April 4, 2022 restructuring of the Tokyo Stock Exchange's previous four markets (1st Section, 2nd Section, Mothers, and JASDAQ) into the Prime Market, Standard Market, and Growth Market.  
Regarding the market restructuring, he explained that the existing market segmentation had been criticized as lacking a clear concept and insufficiently incentivizing listed companies to continuously improve their corporate value, among other issues. To address these issues, the Tokyo Stock Exchange decided to restructure the markets, with each based on a clear concept, in order to support the sustainable growth of listed companies and medium- to long-term corporate value improvement while providing an attractive cash equity market favored by a diverse range of domestic and overseas investors.  
Next, he spoke about expectations for CPAs, saying that the audits performed by CPAs play an extremely important role in ensuring the reliability of listed companies' financial information. CPAs are indispensable for enabling investors to make rational investment decisions based on disclosure, supporting proper price discovery and maintaining smoothly operating capital markets. He also spoke about the crucial importance of the role CPAs play in the corporate governance of listed companies and his strong conviction that their contribution will continue to grow in this area.

**Session 5**

- **Topic** The Future of Auditing
- **Speaker** **Panelists** Taisei Kunii (CEO, Deloitte Touche Tohmatsu LLC)  
Takefumi Ueno (Professor, School of Management & Information, University of Shizuoka/Visiting Researcher, Center for Advanced Intelligence Project, RIKEN)  
Hiroyuki Ikarugi (Head of Technology & Assurance Enrichment, Group Internal Audit (GIA), Takeda Pharmaceutical Company Limited)  
Mitsuo Tsuruta (Executive Board Member, JICPA)  
**Moderator** Masahiko Tezuka (Chairman and President, JICPA)

**Session 6**

- **Topic** Reinforcing the foundations of small and medium-sized practices and their role in capital markets
- **Speaker** **Panelists** Masayuki Horie (Professor, Nihon University College of Commerce)  
Kaori Nishiyama (Director, Disclosure Enforcement Office, Corporate Accounting and Disclosure Division, Policy and Markets Bureau, Financial Services Agency)  
Tomoyuki Shinkai (Supervisory Representative Partner, Cosmos & Co./CPA)  
**Moderator** Giichi Yanagisawa (Deputy President, JICPA)

Building Confidence in CPAs

2

CPA System Initiatives

Changes in the Environment Surrounding Accounting Audits

The CPA qualification is based on the provisions of the Certified Public Accountants Act. The Certified Public Accountants Act in force today has been amended several times since its enactment, most recently 15 years ago.

Since the last amendment, corporate activities have further globalized, technological innovation in such areas as ICT and AI has advanced considerably, uncertainty created by climate change, pandemics, and other such factors has increased, and efforts toward expanding corporate disclosure of non-financial information have advanced.

At the same time, the scope of CPA work has diversified, reflecting the changing expectations of society. For example, auditing, the exclusive purview of CPAs, has been adopted in systems for certain types of non-profit entities, and needs for assurance services other than financial statement audits are increasing. Furthermore, the number of CPAs engaged in work within corporations, as outside directors and corporate auditors, in consulting, or other non-auditing work has grown.

In light of such changes in the economic environment, the expansion of the role of CPAs, and the diversification of work styles in recent years, the CPA set up a project team to study whether and how the CPA system should be updated.

Amendment of the Certified Public Accountants Act

Given these changes in the environment surrounding accounting audits, the Advisory Council on the Systems of Accounting and Auditing and the Financial System Council's Subcommittee on Certified Public Accountant Regulation, established by the Financial Services Agency, have discussed what will be necessary going forward to secure confidence in accounting audits. The JICPA's Chairman and President Tezuka, Deputy President Yanagisawa, and Deputy President Ogura took part in these discussions, providing input on behalf of the JICPA and the auditing industry.

These discussions identified seven pressing issues, listed below, which were discussed by the Diet during its ordinary session in 2022, leading to an amendment of Certified Public Accountants Act.

- 1 Writing into law the registration system for audit firms that engage in audits of listed companies
- 2 Revising the Certified Public Accountants and Auditing Oversight Board's authority to perform walk-in inspections
- 3 Revising restrictions on work that can be performed by the employees of audit firms based on their spousal relationships
- 4 Adding "place of employment" to the registration data of CPAs working for companies, etc.
- 5 Revising the period of practical experience required for qualification as a CPA (from two years to three years)
- 6 Revising rules for deregistering CPAs who have not appropriately met their continuing professional education obligations
- 7 Promoting the JICPA's accounting education activities  
(Including accounting education activities in the JICPA Constitution)

Of these, the JICPA regards the first, writing into law the registration system for audit firms that engage in audits of listed companies, as the most significant. The JICPA has operated this system on a self-regulatory basis, developing insight and expertise and, going forward, will continue to apply these to design the specifics of the system and operate it within the provisions of the law to increase its effectiveness. At the same time, to facilitate understanding among capital market constituents, the JICPA will promote disclosure by small and medium-sized practices and enhance support measures to reinforce the operating foundation of such firms, striving to further secure audit quality.

Many important long-term issues remain to be discussed, such as adapting to the diversification of the work of CPAs and audit firms; updating the CPA examinations, practical experience system, and training systems in light of changes in the abilities required of CPAs, and adapting to the shift toward larger audit firms. We will work to address these issues going forward.

3

Initiatives in Auditing

1 | Follow-Up After the Application of the KAMs

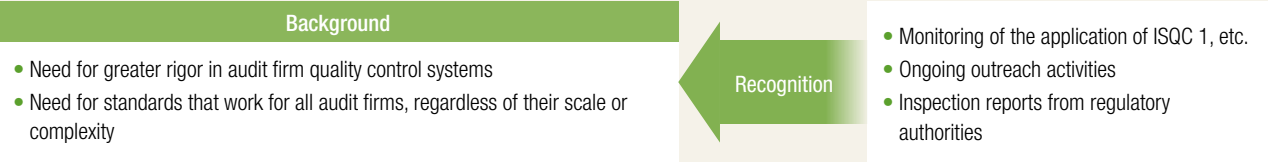
The JICPA commissioned Aoyama Gakuin University Professor Akira Kanie to conduct a case analysis of Key Audit Matters (KAMs) included in audit reports for the year ended March 2021. To conduct the analysis, Professor Kanie assembled a team comprising Sugako Ijima (Professor, Kurume University), Taiki Okano (Associate Professor, Hokkaido University), Sayako Matsumoto (Associate Professor, Hokkaido Information University), and Kazuya Kinoshita (Professor, Kurume University). On October 29, 2021, the JICPA published the results of this analysis under the title "Case Analysis of the First Year Mandatory Application of KAM (Listed Companies in Japan, Fiscal year ended March 31, 2021)" (in Japanese; a summary version was published in English on April 26, 2022). The JICPA also conducted a survey of its members involved with related work regarding auditors' use of KAMs in the year ended March 2021 and published the results as a companion to the report.

In addition, the JICPA assisted the Securities Analysts Association of Japan in the preparation of a collection of good examples of KAMs for securities analysts, published February 2, 2022, by conducting the primary selection of examples using mechanical standards.

2 | Response to Revision to the Standards on Quality Control

The Business Accounting Council's November 16, 2021 "Opinion on the Revision of the Standards on Quality Control for Audits" replaced the content then in use from the International Standard on Quality Control (ISQC) 1 with content from the International Standard on Quality Management (ISQM) 1 and ISQM 2 newly published in December 2020 by the International Auditing and Assurance Standards Board (IAASB), as well as the revised International Standard on Auditing (ISA) 220. In response, the JICPA has convened expert drafting committees under the Quality Control Standards Committee to amend the "Quality Control Standards Committee Report 1: Quality Control at Audit Firms" and draft a new committee report titled "Review of Audit Engagement," as well as an expert drafting committee under the Auditing Standards Committee to amend "Auditing Standards Committee Report 220: Quality Control in Audits" as policies of practice. Exposure drafts of these reports were released in March 2022 to solicit opinions more broadly. Furthermore, as of March 2022, the expert drafting committees are developing tools to ensure that small and medium-sized audit practices can apply the policies in these reports smoothly.

Adopting an International Quality Management Approach



Adopting the Quality Management Approach

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

Revision of content based on ISQC 1 and ISA 220 in line with the adoption of the new Quality Management Approach





## Building Confidence in CPAs

### 3 | Guidance on Sustainability and Other Extended External Reporting Assurance Engagements

Spurred by climate change-related initiatives, the promotion of ESG investment (investment with a focus on environmental, social, and governance performance) is drawing growing attention to non-financial disclosure. There is growing need for emerging forms of external reporting to investors and other stakeholders that include not only conventional financial information, but also non-financial information. In step with this growth, needs are also increasing for emerging forms of external reporting assurance services from CPAs and other external parties to back up such disclosure.

As part of its initiatives in this area, in August 2021, the JICPA published a Japanese translation of the International Auditing and Assurance Standards Board's "Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagements."

In light of the changes described above, the JICPA is working to identify and spread awareness of issues related to sustainability and other extended external reporting assurance engagements while advancing considerations toward the creation of guidance on such engagements.

### 4 | Reinforcing Practical Auditing Effectiveness

Under the strategic target "Build Confidence in CPAs," the JICPA commissioned a study from the Graduate School of Social Design (formerly the Graduate School of Information & Communication) of the Advanced Academic Agency with the aim of providing advice for reinforcing practical audit effectiveness based on the results of a survey of enterprises and auditors.

This study hypothesized that mismatches in understanding of audits between enterprises and auditors impact hands-on audit effectiveness. Individuals working for enterprises and CPAs were surveyed about their understanding of CPA audits. Using the survey results, factors that could impact practical audit effectiveness were analyzed to lay out issues going forward and suggestions for reinforcement.

### 5 | Adapting to Digital Technologies and Remote Work

Work style reforms and the COVID-19 pandemic have caused remote work to rapidly become commonplace. In light of this change, the JICPA is advancing measures aimed at responding to reforms in the operational processes and internal controls of companies (such as doing away with requirements that documents be physically stamped) and promoting reforms in auditing procedures by encouraging the use of digital audit evidence.

The JICPA's Information Technology Committee has laid out an overview of key points and issues related to remote work in its Report 56, which provides suggestions for dealing with changes in operational processes and internal controls due to remote work, and Report 58, "Discussion Points and Issues Based on Overview of Remote Work (Suggestion)." Furthermore, we have published six articles about considerations for carrying out audits via a remote work environment, covering such topics as confirmation using digital tools and remote attendance at physical inventory counting.

## 4 Initiatives in Ethics

### 1 | The Code of Ethics

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

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

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

### 2 | Amendment of the Code of Ethics

The Ethics Standards Committee is currently working on a major amendment to the Code of Ethics. This amendment will overhaul the entire Code, including its organization and structure. It will also include content changes with significant practical impact, such as changing the rules for compensation dependence and expanding prohibitions of simultaneous provision of non-assurance services, as well as revising duty of confidentiality rules. The amendment will also establish new provisions about the mind-set with which CPAs should engage in their work, the role and conduct of CPAs in society, and the spirit of inquiry expected of CPAs in their work. This amendment will be brought for discussion at the July 2022 Annual General Assembly. Explanations of the changes and transcripts of roundtable discussions about them have been published in *Accounting & Audit Journal* and other journals, and the JICPA has posted videos explaining the amendment on its website.



**Educational videos about ethics (in Japanese)**  
[https://jicpa.or.jp/specialized\\_field/ethics/webinar.html](https://jicpa.or.jp/specialized_field/ethics/webinar.html)

### 3 | Measures to Enhance Transparency around the Code of Ethics

As described above, given that society expects CPAs to fulfill an important role, in formulating the Code of Ethics, it is important to consider the perspectives of a wide variety of stakeholders in order to create fair rules. To this end, in September 2021, the JICPA set up the Ethics Standards Committee Expert Advisory Council, comprising preparers and users of financial statements, academics, attorneys, securities exchange representatives, and other outside experts, to hear opinions regarding the amendment of the Code of Ethics. Furthermore, to enhance the transparency of the Code of Ethics amendment process, beginning in March 2021, summaries of the meetings of the Ethics Standards Committee are published on the JICPA's website.



**Summaries of the Meetings of the Ethics Standards Committee and Ethics Standards Committee Expert Advisory Council (in Japanese)**  
<https://jicpa.or.jp/about/activity/youshikisya/ethics.html>

Building Confidence in CPAs

5 Initiatives in Corporate Disclosure

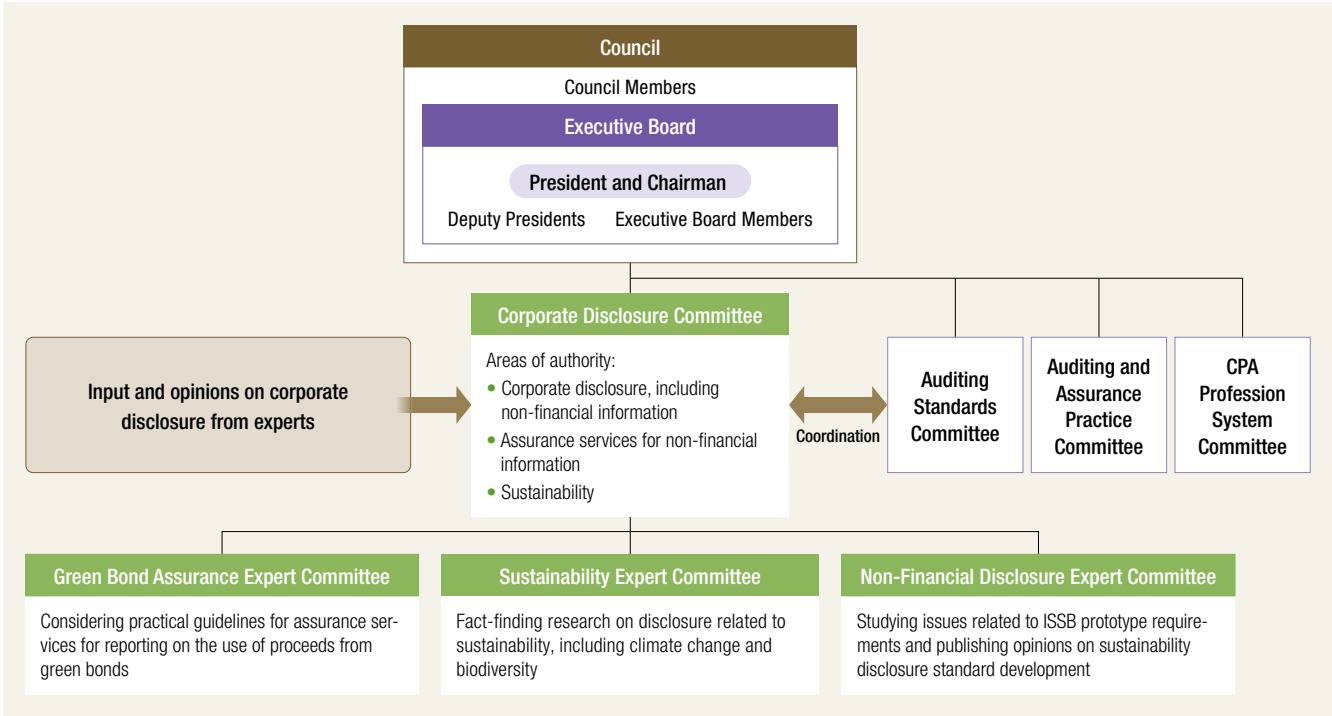
In September 2019, the JICPA established the Special Committee on Corporate Disclosure and Governance. On May 14, 2021, the committee published a paper titled “Key Issues in Enhancing Usefulness of and Trust in Corporate Disclosure — Supporting sustainable value creation cycle through interaction between disclosure and governance” (the “Special Committee Report”).

In addition, 2021 saw several major developments related to sustainability disclosure. In November 2021, the IFRS Foundation announced the establishment of the International Sustainability Standards Board (ISSB). This new organization runs parallel to the International Accounting Standards Board (IASB). The Foundation also announced the consolidation of the Climate Disclosure Standards Board (CDSB) and Value Reporting Foundation (VRF) (the consolidation of the CDSB was completed in January 2022). The JICPA welcomed these announcements and issued a Chairman and President Statement on November 4, 2021 pledging to work in close cooperation with related parties to proactively contribute to the formulation and practical application of sustainability reporting standards. The development of standards has continued to advance at an exceptional pace, as the ISSB published two exposure drafts of its first standards, “General Requirements for Disclosure of Sustainability-related Financial Information” and “Climate-related Disclosures,” on March 31, 2022.

In Japan, meanwhile, the Financial System Council’s Working Group on Corporate Disclosure discussed the disclosure of climate change and other sustainability-related information in securities reports. Furthermore, the Financial Accounting Standards Foundation (FASF) announced the establishment of the Sustainability Standards Board of Japan (SSBJ) to contribute opinions internationally and develop domestic standards, and, to this end, launched the SSBJ Preparation Committee.

Based on the Special Committee Report, the JICPA established the Corporate Disclosure Committee as a standing committee in July 2021. The purpose of this committee is to implement concrete measures to enhance the efficacy and reliability of corporate disclosure and to respond to sustainability disclosure-related developments in Japan and globally.

Under the Corporate Disclosure Committee, we established the Green Bond Assurance Expert Committee, Sustainability Expert Committee, and Non-Financial Disclosure Expert Committee to study issues in their respective areas of interest.



In addition to the deliberations of the Corporate Disclosure Committee and expert committees, the JICPA is actively putting out information about sustainability disclosure in light of the extremely rapid pace of developments in this area and their significant impact on the work of JICPA members. To this end, we have launched a running column on the JICPA website titled “Global Sustainability Insights” and held an online seminar on climate change in March 2022. Furthermore, we have launched a project team to examine approaches to education to better enable committee JICPA members to acquire sustainability-related skills and knowledge.

The JICPA will continue to monitor domestic and international developments in sustainability and other non-financial disclosure, providing opinions as appropriate while implementing measures to support the work of its members.

Meeting Society's Needs

1 Opinions on Tax System Reform

In June 2021, the JICPA published its Fiscal 2022 Tax Reform Opinion Paper. This paper consists of two sections: “Recommendations Regarding the Tax System” and “Fiscal 2022 Opinions on Individual Tax System Reforms.”

Section 1 Recommendations Regarding the Tax System

We have worked to identify problems in Japan’s current social conditions, formulating recommendations on the tax system as a policy tool to address these issues.

In 2021, we published the following eight recommendations in three areas.

I Strengthening the Competitiveness of Japanese Companies	II Responding to Changes in Socioeconomic Structures, Demographic Graying and Other Issues	III Correcting Economic Disparities
<div>1. Build an effective tax system for the digital economy</div> <div>2. Introduce a new tax system for educational funding to produce more entrepreneurs and build a tax system to encourage the growth of startups</div>	<div>1. Make it easy for anyone to file a final tax return in line with the diversification of work styles</div> <div>2. Reconsider existing tax systems to accommodate the diversification of work styles</div> <div>3. Improve tax agency efficiency using DX while protecting the rights of taxpayers</div> <div>4. Consider introducing household-level taxation as a way of addressing the low birth rate and promoting women’s workforce participation</div>	<div>1. Fundamentally revise inheritance and gift tax systems to promote the transfer of assets from seniors to younger generations and correct economic disparities</div> <div>2. Revise tax system to avoid exacerbating asset disparities between households</div>

Section 2 Fiscal 2022 Opinions on Individual Tax System Reforms

This section mainly lays out opinions regarding the current tax system.

In 2021, this section included 84 “Policy Opinions.” Nine opinions related to structural problems in Japan’s tax system in the six fields, listed below. The remaining 75 “Individual Tax System Opinions” related to specific tax system rules.

Policy Opinions	
<div>1. Calculation of taxable income and adjustments to corporate accounting under the Corporation Tax Act</div> <ul style="list-style-type: none"><li>Clarifying the differences between accounting and taxation in revising the Corporation Tax Act, based on the assumption that corporate accounting standards must be fully respected</li><li>Increased flexibility in permitted methods of confirming intent, including relaxation of filing requirements to formally fix obligations and loss accounting requirements, to avoid impeding the voluntary application of IFRS and other proper financial reporting</li></ul>	<div>4. Tax system to encourage investment in digital transformation</div> <ul style="list-style-type: none"><li>Introducing a temporary system to allow 100% tax write-offs of investments in digital transformation (DX) to help improve productivity at small and medium-sized entities through DX investment</li></ul>
<div>2. Tax system for supporting business succession</div> <ul style="list-style-type: none"><li>Understanding the current application of the succession planning tax system and maintaining the system to contribute to smooth corporate succession at small and medium-sized entities</li></ul>	<div>5. Consumption tax invoice system</div> <ul style="list-style-type: none"><li>Giving due consideration to reducing the administrative burden on small and medium-sized entities and the economic environment in the adoption and implementation timing of invoice systems and the adoption of digital invoice systems</li><li>Establishing safe harbor rules to avoid imposing tax penalties for cases when invoices are found to be fraudulent or invalid</li></ul>
<div>3. Preferential tax systems for venture capital investment</div> <ul style="list-style-type: none"><li>Further enhancing preferential tax systems for venture capital investment</li></ul>	<div>6. The tax payment environment, etc.</div> <ul style="list-style-type: none"><li>Organizing and unifying numbers used in tax procedures</li><li>Providing an adequate notification period in tax reform procedures to allow the public to discuss such reforms in comparison with the level of public services and the nation’s finances</li></ul>



Meeting Society's Needs

2 Responding to IPO-Related Needs

In 2021, the number of companies that went public with initial public offerings (IPOs) in Japan reached 138 (including 13 on the TOKYO PRO Market). This significant year-on-year increase speaks to the strong desire to IPO among companies. The JICPA is working with audit firms, securities companies, venture capital firms, and stock exchanges to carry out ongoing measures to provide an environment conducive to stably providing high-quality audits for companies seeking to IPO.

- **The JICPA's Main IPO Support Measures**
  - Publication of the List of Small- and Medium-Sized Audit Practices Offering Pre-IPO Audits
  - Publication of "The IPO Preparation Guidebook: Before Undergoing an Accounting Audit"
  - Publication of the List of Sole Practitioners Offering IPO Support
  - Publication of information about audit firms' IPO support measures



CPA Support for IPOs (in Japanese)  
<https://jicpa.or.jp/business/ipokansa/>

In addition, listings of companies being audited by second-tier or small- and medium-sized practices are growing steadily. In light of the great expectations for small- and medium-sized practices to step up to audit companies aiming to IPO, on November 29, 2021, the JICPA held the IPO Audit Forum and Networking Session for Small- and Medium-Sized Practices Offering Pre-IPO Auditing (sponsored by the Financial Services Agency, Japan Securities Dealers Association, and Tokyo Stock Exchange).

The first portion of the event opened with remarks from Toshitake Inoue, Deputy Director-General, Policy and Markets Bureau, Financial Services Agency. This was followed by a panel discussion on "the role of and expectations for small and medium-sized practices in IPOs," at which panelists including Hisakazu Sakai (General Manager, Investment Banking IPO I, SMBC Nikko Securities Inc.) and Shinobu Ikegawa, (Managing Director, Head of Initial Public Offering Dept. I, Daiwa Securities Co., Ltd.) discussed recent developments in this area.

In the second portion, the Networking Session for Small- and Medium-Sized Practices Offering Pre-IPO Auditing, 23 of the 65 firms on the JICPA's List of Small- and Medium-Sized Practices that Audit Companies Seeking to IPO (published in October 2020) set up booths to network with securities companies and other market constituents.

The event drew about 350 participants, including CPAs and IPO market constituents (individuals from startups, securities companies, venture capital firms, and stock exchanges) and served to build relationships and deepen understanding of the IPO-related initiatives of small and medium-sized practices.



The first portion



The second portion



2021 IPO Audit Forum Report (in Japanese)  
<https://jicpa.or.jp/news/information/2021/20211217ifg.html>

3 Contributing to Regional Revitalization

The JICPA has 16 regional chapters across Japan and implements activities for local communities in coordination with a wide range of stakeholders, including local companies, governments, educational institutions, and other professions.

CPAs contribute to regional revitalization through such work as support for industrial development, small and medium-sized entity operations, and the development of sound governance at companies and municipalities. To spread awareness of the many CPAs proactively engaged in such locally rooted activities, the JICPA published a special October 2021 edition of the *Accounting & Audit Journal* featuring CPAs working to tackle challenges facing the future of regional communities.

This special edition highlighted the careers and community activities of regional chapter chairs and the initiatives of the regional chapters, and included special features about CPAs working in collaboration with local stakeholders and exercising their specific expertise in local communities.



Accounting & Audit Journal Special Edition 3—CPAs in Regional Areas: Working to Solve Challenges Facing the Future of Regional Communities (in Japanese)  
<https://jicpa.or.jp/news/information/2021/20211006aai.html>



The JICPA also implements activities to promote efforts by CPAs to support small and medium-sized entities. As part of these activities, on September 22, 2021, the JICPA and Ministry of Economy, Trade and Industry (METI) held a joint online symposium on the adoption of the new invoice system, focusing on corporate digital strategy and applying the SDGs to promote corporate growth and contribute to communities. The symposium targeted JICPA members and associate members and representatives from METI-designated companies driving regional growth. Experts explained and discussed the above topics and about how companies can interpret the meaning of the SDGs and incorporate it into their businesses.

METI-JICPA Joint Symposium  
The introduction of the invoice system: corporate digital strategy and applying the SDGs to promote corporate growth and contribution to communities

- **Remarks from the organizers**
  - Masahiko Tezuka (Chairman and President, JICPA)
  - Koichi Hamano (Director-General, Regional Economic and Industrial Policy Group and Director-General, Kanto Bureau of Economy, Trade and Industry, METI)
- **Keynote Lecture: DX and Corporate Responses in Tax Work**
  - Chika Mochizuki (Professor, College of Law, Ritsumeikan University)
- **Panel Discussion: DX Changes in Back Office Operations**
  - Moderator** Toshihiko Shibusa (Council Member, JICPA)
  - Panelists** Chika Mochizuki  
Manabu Mizutani (Auditor, E-Invoice Promotion Association; Director and Advisor, PCA Corporation; CPA)  
Yoko Sakamoto (Representative Director and President, YDK CO., LTD)
- **Session 1 Applying the SDGs to Promote Corporate Growth and Contribute to Communities**
  - Misei Tsukamoto (Deputy Director, Regional Business Innovation Promotion Division, Regional Economic and Industrial Policy Group, METI; CPA)
  - Taichi Nushiki (Deputy Director to the Counselor, Office for the Promotion of Overcoming Population Decline and Vitalizing Local Economy, Cabinet Secretariat and Headquarters for the Regional Revitalization, Cabinet Office)
- **Session 2 The Invoice System**
  - Manabu Mizutani
  - Toshio Sato (Executive Board Member, JICPA)

## Securing and Developing Talent

### 1 The Qualities and Abilities Necessary in a CPA

In November 2021, the JICPA's Task Force for Studying the Qualities and Abilities Necessary in CPAs published the "Report on Qualities and Abilities Necessary in a CPA" ("the Report").\* JICPA Executive Board member Keiko Sugaya sat down with Executive Board Member Mitsuo Tsuruta, who chaired the taskforce, to hear more about the decision to convene the taskforce and the findings of the report.

\*This report is available only to JICPA members.

#### Creating the Report

**Sugaya** How did you go about preparing the report?

**Tsuruta** The taskforce met 13 times over nearly two years, beginning in December 2019. Most of the taskforce members were JICPA officers, but we also held 15 interviews with 17 outside experts and stakeholders—11 men and six women—including attorneys, doctors, and other expert professionals, as well as professors, newspaper editors, and analysts.

"Qualities" are often thought of as natural, inborn traits. In this case, however, we were interested in qualities and abilities that are not inborn, but acquired. In trying to define the qualities and abilities of a CPA, we also had to decide the point in a CPA's career that we were talking about. We settled on the point at which an individual has passed their final assessment and just registered as a CPA.

We began by establishing a common baseline understanding regarding the environment and current state of the profession, including the number of CPAs, people passing the CPA

examinations, and their employment. From there, we began our discussion of the necessary qualities and abilities. These discussions were quite intense, but with support from the JICPA's Research Group (the JICPA Research Laboratory), we completed the report in November 2021.

During the drafting process, we referenced studies and reports about the necessary qualities and abilities published by overseas professional accountant organizations, most notably the International Education Standards (IESs) published by the International Accounting Education Standards Board (IAESB) of the International Federation of Accountants (IFAC). The IESs are separated into two groups: Initial Professional Development (IPD), for aspiring CPAs, and Continuing Professional Development (CPD), for current CPAs. Our report focused on the point in a CPA's career when they are first registered, so we mainly used IES 2, 3, and 4, which concern IPD.

#### The Five Qualities and Abilities

**Sugaya** What qualities and abilities did the taskforce identify?

**Tsuruta** The taskforce identified five areas of qualities and abilities necessary in CPAs going forward: Rapid adaptability and embrace of continued learning; expert knowledge; values, ethics, and attitudes; skills; and general education. Of these, expert knowledge; values, ethics, and attitudes; and skills correspond, respectively, to IES 2 Technical Competence; IES 4 Professional Values, Ethics, and Attitudes; and IES 3 Professional Skills. We added two other areas to these.

One of these was general education. At first we thought of this as liberal arts, but we ultimately settled on general education to reflect the need for broad-ranging education and personal cultivation as the foundation underpinning the areas of expert knowledge; values, ethics, and attitudes; and skills, as

well as the depth of character and human qualities necessary to understand others.

The other area we added was rapid adaptability and embrace of continued learning. By this we mean the ability to proactively adapt oneself, not just passively respond. We discussed whether rapid adaptability was simply a part of "skills," and whether an embrace of continued learning was more a matter of mindset, outside the bounds of "qualities and abilities." Ultimately, however, we established this as a separate area that overlaps with the areas of expert knowledge; values, ethics, and attitudes; and skills.

Times of dramatic change require the ability to immediately adapt, rather than constantly chasing after each change, as well as an embrace of continuous learning to stay ahead of

#### Keiko Sugaya

Executive Board Member  
Transparency Report Drafting  
Committee Member  
JICPA

#### Mitsuo Tsuruta

Executive Board Member  
in Charge of Aspiring CPA  
Development  
JICPA

the rapid obsolescence of knowledge. This applies to everyone from those who have just passed the CPA examinations to long-time veterans. We cannot expect that the knowledge we have today will, by itself, be adequate for the work of the future. In that sense, this is the most important of the qualities and abilities we defined.

**Sugaya** You said that the report is focused on newly registered CPAs, but it sounds like these qualities and abilities are necessary for all CPAs.

**Tsuruta** At first we sought to keep the taskforce's discussion focused by limiting it to the requirements at a specific point in time. But, as we came to the final stages of preparing the report, it became apparent that the five qualities and abilities are important for all CPAs, regardless of their career stage or the kind of work they do.

Even after a CPA retires from the workplace, they remain a CPA until they are deregistered. In order to fulfill society's expectations, a CPA must of course continue to learn as an expert professional, but I also think that being a respected person is important.

**Sugaya** Returning to the five qualities and abilities, could you go into more detail about "skills?"

**Tsuruta** The skills area corresponds to IES 3 Professional Skills and comprises three skill types: conceptual skills, self-management skills, and human skills. The taskforce was divided about how to handle so-called soft skills, like communication or interviewing. We ultimately decided that expert

knowledge, mainly in the areas of accounting, auditing, and tax work, is, by definition, essential to being an expert professional. As such, we positioned expert knowledge and values, ethics, and attitudes as the core CPA qualities and abilities, with skills as a third area important to enhancing and applying the first two.

Conceptual skills are abilities related to taking a comprehensive view of social phenomena, conceptualizing them structurally, and understanding how they function. The world is changing at a dizzying pace, so resilient, flexible thinking is more important than ever to defining and solving the challenges we face. In addition, as information becomes more accessible and knowledge rapidly becomes obsolete, self-management skills are essential to reflect on one's own abilities, circumstances, and ideals and seek self-directed growth. The third skill type is human skills, which include communication abilities.

**Sugaya** Even in audits, I think that effectively incorporating the necessary expert knowledge and providing output to clients is extremely important. I see that this is not solely a question of communication abilities. You mentioned values, ethics, and attitudes again; could you tell us more about that?

**Tsuruta** Values, ethics, and attitudes was another area that the taskforce spent considerable time on. The need to learn and develop values, ethics, and attitudes as an expert professional is an issue shared by expert professions of all kinds. I think these are probably acquired not via classroom study,



Securing and Developing Talent

but gradually built up through work experience and by observing more senior professionals at work. This area seems to me somewhat ill-suited to e-learning. Also, values, ethics, and attitudes are not just issues for newly registered CPAs to consider; they are fundamental for CPAs throughout their careers. Indeed, the qualities and abilities we defined are necessary in CPAs—all CPAs—not only those working as auditors or professional accountants in business. The specific specialized knowledge required varies by type of work, but no matter what the setting, the basic qualities and abilities necessary in CPAs are the same.

Almost all of the experts we interviewed pointed to the need to keep learning, not waiting to be taught by others, but thinking for oneself. Practical experience in the professional accountancy education program is not enough to instill values, ethics, and attitudes; effectively teaching and developing them within the organizations where CPAs work is essential. I think that the JICPA should coordinate with audit firms and sole practitioners' office and encourage them to take action.

**Sugaya** It's difficult to boil these things down into a curriculum, so it seems vital to provide opportunities for, and assist



in, reflecting and thinking about one's experience.

**Tsuruta** After passing the CPA examinations, aspiring CPAs go through the professional accountancy education program and then take the final CPA assessment, at which point the JICPA decides whether or not they meet the standards required for registration as a CPA. After registration, CPAs must engage in continuing professional education (CPE), and, going forward, also in CPD. Nevertheless, there is a limit to what the JICPA can do. As such, I think it is crucial that CPAs utilize their experience and the training systems at the audit firms, accounting firms, or companies they belong to develop the necessary qualities and abilities of a CPA.

The JICPA has, over the years, considered these issues within the frameworks of the professional accountancy education program and CPE. There are many steps between the decision to become a CPA and actually starting work as a CPA. Within the JICPA, we are advancing preparation for establishing meetings and other bodies for considering how to develop the abilities of aspiring CPAs throughout that process and implementing related measures.

Closing Thoughts

**Tsuruta** A CPA remains a CPA until they are deregistered; for that reason, I think that the CPA profession is extremely well matched to reskilling and recurrent education—recent topics of interest. It is really a great profession in that, as CPAs, we can continue to leverage our professional qualifications to contribute to society throughout our entire lives, not only while working for an organization, but also thereafter.

**Sugaya** Each individual CPA functions as an autonomous professional.

**Tsuruta** Yes, because for the intellectually curious, the longer

you engage in CPA work, the deeper it goes. And, as an individual takes on more responsibility, rising from staff to manager, the kinds of work they do and their perspective continue to change. I hope that we can further communicate the appeal of the profession in this regard going forward. And, to maintain the quality of audits, I think that we should also continue striving to raise awareness among stakeholders of the training systems and professional development being implemented.

**Sugaya** Thank you for taking the time to talk today.

**Tsuruta** Thank you.

2

Maintain and improve the credentials of CPAs working as outside directors, outside corporate auditors, professional accountants in business, and in other diverse areas

As Japan's economy grows more sophisticated, complex, and international, the number of CPAs serving as outside directors, outside corporate auditors, or professional accountants in business is steadily growing. In fact, a total of 2,672 CPAs serve as outside directors or outside corporate auditors at 2,577 listed companies, or approximately 67% of all listed companies (JICPA survey of securities reports filed for the April 2020–March 2021 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 hold training and other events for CPAs registered with these networks. The JICPA also operates 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 May 2021, to highlight the work of CPAs across diverse social and economic spheres, we published the second special edition of the *Accounting & Audit Journal*, titled “CPAs Working at Diverse Companies: Diverse Work Examples.” This special edition highlights the work of 11 CPAs who belong to organizations other than audit firms, working as executives or employees of corporations and public institutions, or as outside officers of listed companies, in order to show readers the expanding possibilities of the diverse careers of CPAs today.



The Publication of *Accounting & Audit Journal* Special Edition 2—CPAs Working at Diverse Companies: Diverse Work Examples (in Japanese)  
<https://jicpa.or.jp/news/information/2021/20210419ebh.html>

CPAs working as executives	Shigefumi Wada, Shiro Uchida
CPAs working as managers	Michiaki Matsumoto; Shoko Isshiki; Manabu Seto
CPAs working at regional public entities	Takiko Yoshida; Kyohei Yamamoto
CPAs working as full-time corporate officers	Yoshie Shinoki; Takahito Kudo
CPAs working as outside corporate officers	Miwa Furusho; Hiroshi Shirai



Securing and Developing Talent

3 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 organizations, mainly in the areas of accounting and auditing. For example, the International Federation of Accountants (IFAC) is engaged in activities in the four areas of auditing and assurance, ethics, public sector accounting, and education. Through these activities, the IFAC expresses opinions on behalf of professional accountants globally with the aims of supporting the development of high-quality international standards and guiding initiatives to enhance professional accountants’ qualifications. Many individuals from Japan take part in the discussions of the IFAC’s boards and committees.

Japanese CPAs Serving in Major International Institutions (As of March 31, 2022)

Organization, etc.	Position	Name
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International Federation of Accountants (IFAC)

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
Public Policy & Regulation Advisory Group (PPRAG)	Member	Yoichi Mori

Public Interest Oversight Board (PIOB)

Standard-Setting Boards Nominations Committee	Member	Tatsumi Yamada
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Value Reporting Foundation (VRF)

Integrated Reporting Council	Member	Masahiko Tezuka
Integrated Reporting Framework Board	Member	Yoichi Mori

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.\*

\* In light of the COVID-19 pandemic, to prioritize the health and safety of participants and all involved, overseas study and dispatch programs have been suspended from the second term (September–December) of 2022 onward.

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 articles and videos of 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/](https://jicpa.or.jp/vision_future/)

Organization, etc.	Position	Name
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International Valuation Standards Council (IVSC)

Board of Trustees	Member	Aiko Sekine
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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
Working Committee	Member	Shizuka Kaneda
	Observer	Kazuko Yoshimura

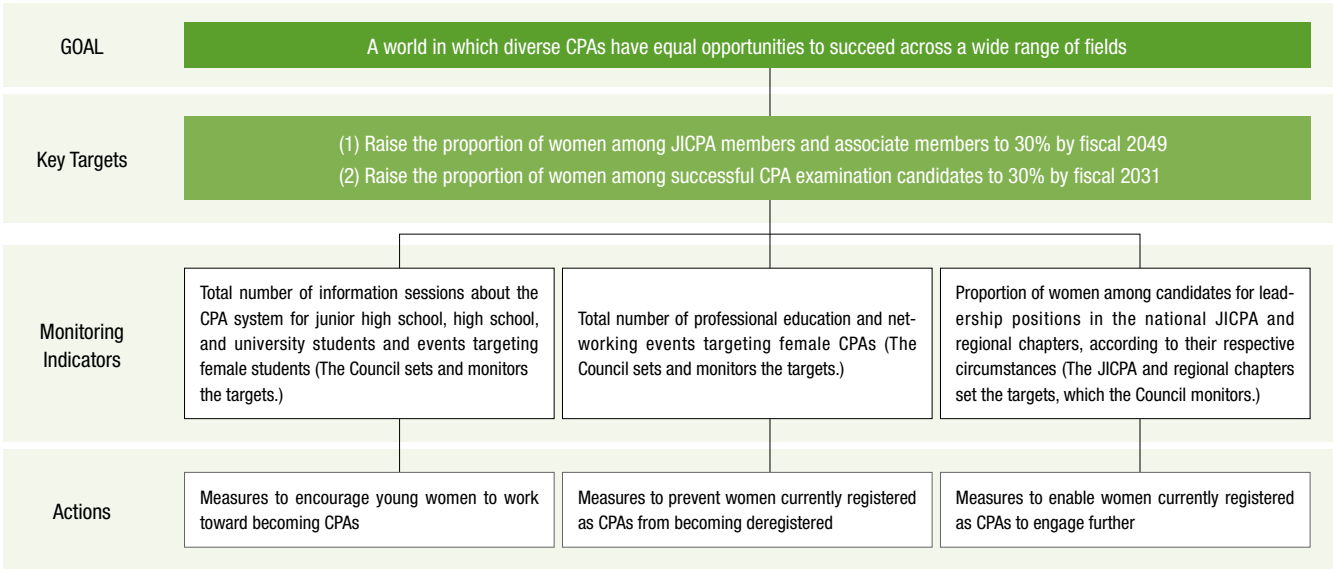
Global Accounting Alliance (GAA)

Board	Member	Hisashi Sato
	Technical Advisor	Tatsuya Arai
Education Working Group		Shintaro Goto
Tax Working Group		Takae Akatsuka
Sustainability Working Group		Marie Ogata*

Names marked with \* are not JICPA members.

4 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

	Percentage of women
December 2018	14.9%
December 2019	15.1%
December 2020	15.5%
December 2021	15.8%

Proportion of Women among Successful CPA Examination Candidates

	Percentage of women
December 2018	20.4%
December 2019	23.6%
December 2020	24.6%
December 2021	21.8%

We are holding events for women working toward becoming CPAs to increase the appeal of the CPA profession.

Event

**Online Event: So You Want to Be a CPA**

- Date** Saturday, March 19, 2022
- Program** This event connected women aspiring to be CPAs with the perspectives of women currently working as CPAs. The first portion, about the appeal of the CPA profession, consisted of a panel discussion with young female CPAs working in a variety of fields. They spoke frankly about the ways they find their work enjoyable, how they spend their days off, their finances, and other topics ranging from the appeal of the profession to their private lives. In the second portion, participants had the opportunity to submit questions they had for female CPAs, which the panelists enthusiastically answered.

**Panel Discussion Speakers**

- Panelists** Audit firm CPA: Aya Hiramitsu (Deloitte Touche Tohmatsu LLC)  
Professional accountant in business: Sachiko Hatano (Director and Operating Officer, ZIGEXN Co., Ltd.)  
Independent practitioner: Atsuko Yoseda (Director, willsi Co., Ltd.)
- Facilitator** Noriko Umeki (Council Member, JICPA)



## Public Relations

### 1 Press Conferences

The JICPA holds periodic press conferences as part of efforts to communicate about the JICPA to the public. In fiscal 2022, the JICPA held seven 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](https://jicpa.or.jp/news/jicpa_pr/2018/kaiken17.html)

#### Fiscal 2022 press conference dates

2021	Wednesday, April 21	Friday, September 17
	Tuesday, June 22	Friday, November 26
	Thursday, July 15	Thursday, February 24
	Thursday, August 12	



Press conference

### 2 Information Sessions on the CPA System

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. We have also created explanatory videos and offer information sessions online.



#### Activities in Fiscal 2022

- 32 sessions for high school students, with 2,560 participants
- 49 sessions for university students, with 5,230 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.

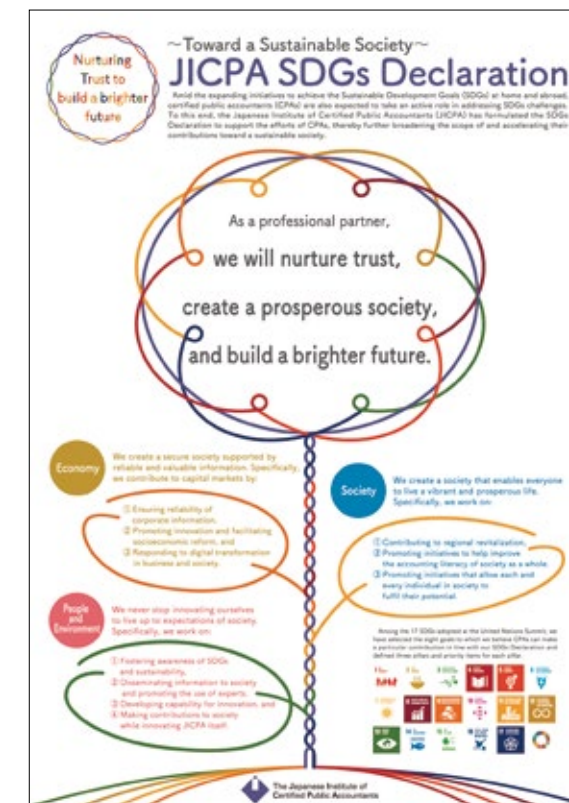
### 1 Initiatives Aimed at Building a Sustainable Society

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 Sustainable Development Goals (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.

Building on the challenges and approaches for addressing them laid out in the Committee's June 2019 interim report, "The Contribution of CPAs to Building a Sustainable Society," to further accelerate efforts toward the achievement of the SDGs, the Committee formulated the SDGs Declaration in July 2021, declaring that CPAs will proactively work to create a prosperous society and build a brighter future. Based on the 17 SDGs and the JICPA's ideals for the society of the future and CPAs, the SDGs Declaration sets out three pillars of the contribution that CPAs can offer: Economy, Society, and People and Environment.

We also created a pamphlet titled "Nurturing Trust to Build a Brighter Future" and a video about the process that led to the SDGs Declaration and the JICPA's specific initiatives and action plan for implementing the Declaration's three pillars and key priorities.

Furthermore, the designated term of the Committee for the JICPA's Challenges and Initiatives for Building a Sustainable Society, which was established as a special committee to deliberate issues in this area, came to an end. As such, in July 2021, the JICPA established the SDGs Promotion Committee as a standing committee to promote activities aimed at helping achieve the SDGs.



#### The JICPA SDGs Declaration

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

#### Three pillars

**Economy:** We create a secure society supported by reliable and valuable information.

**Society:** We create a society that enables everyone to live a vibrant and prosperous life.

**People and Environment:** We never stop innovating ourselves to live up to expectations of society.



JICPA has published its "SDGs Declaration"  
<https://jicpa.or.jp/english/news/2021/20211105ggb.html>



Video about the JICPA's initiatives related to the SDGs (in Japanese)  
<https://jicpa.or.jp/news/information/2021/20210924ehi.html>

Social Contribution Activities

In addition, the JICPA sponsored the production of a TV program on the BS TV Tokyo network in support for the program's concept. Titled "Future Project 2021—The Struggle of the Leaders of Tomorrow," the program was about searching for hints for creating a prosperous future.

One of the key priorities under the SDGs Declaration is "Contributing to regional revitalization." The "Future Project 2021" program featured three CPAs working to overcome the challenging circumstances created by the COVID-19 pandemic across Japan by contributing to regional revitalization through businesses rooted in their local communities in the fields of renewable energy, entertainment, and childcare.

CPAs across Japan are already engaged in activities that contribute to the achievement of the SDGs across a wide range of fields. The SDGs Promotion Committee will continue to publicize CPAs' contributions to the SDGs within the JICPA and externally while proactively fostering awareness of the SDGs among its members.



"Future Project 2021—The Struggle of the Leaders of Tomorrow" now available online  
(Available online until November 30, 2022; in Japanese)  
<https://jicpa.or.jp/news/information/2022/20220112ejd.html>



2 The JICPA's Sustainability Initiatives

In October 2021, the Accounting Bodies Network (ABN),<sup>1</sup> a member of the Prince of Wales's Accounting for Sustainability Project (A4S),<sup>2</sup> issued a joint statement on its commitment to net zero emissions titled "Accounting Bodies Net Zero Commitment." The JICPA is a signatory to the joint statement.

Outline of the Statement

<b>For our professional organisations, we commit to:</b>	Within the next 12 months, publish a net zero emissions pathway (including targets) and report annually to show our GHG emissions reductions and trajectory towards net zero emissions.
<b>For our members, we commit to:</b>	Encourage and provide our members with the training, support and resources they need to establish their own net zero pathways and reduce GHG emissions.
<b>For governments, we commit to:</b>	Provide sound advice to help governments create the policy and regulatory infrastructure necessary for a just transition to a net zero carbon economy.

The JICPA is advancing deliberations regarding the formulation and implementation of plans in the following areas to work toward net zero emissions.

- CO<sub>2</sub> emissions calculation
- CO<sub>2</sub> emissions reduction
- CO<sub>2</sub> emissions disclosure and reporting

The JICPA is taking proactive steps to address climate change and other pressing social issues. To this end, we have established a cross-functional Sustainability Team, which is considering ways of evolving institute operations toward net zero emissions and supporting the initiatives of members and associate members aimed at net zero emissions.

1. A collaboration between A4S and professional bodies across the globe. The ABN represents over 2.5 million professional accountants and students across 179 countries, covering two-thirds of the world's accountants.  
2. Established in 2004 with the support of the UK's Prince Charles, the A4S project works to help incorporate sustainability into corporate reporting and decision making.

3 Basic Accounting Education

Introduction

Since 2016, the JICPA has been implementing full-scale efforts to promote basic accounting education as part of its social contribution activities. Accounting literacy represents essential life-long knowledge and skills for everyone—not just those working as specialists or in accounting and finance. The JICPA has established the Basic Accounting Education Promotion Council and is advancing activities based on the concept that accountability is at the core of accounting.

In fiscal 2022, to further promote basic accounting education, we established three committees under the Basic Accounting Education Promotion Council.

Secondary Education Materials Editorial Committee

Japan's new curriculum guidelines that entered effect from 2021 for junior high schools and 2022 for high schools include "using accounting information."

However, the ways that "using accounting information" should actually be taught to students have been left up to teachers to figure out. This committee is working to create educational materials to help teachers with this by researching and developing specific lesson plans and other materials for use in class. In fiscal 2022, the committee created and published class support packages for junior high and high schools.



**Junior high school class support package**  
(in Japanese)  
[https://jicpa.or.jp/about/activity/basic-education/0-99-0-0-20210901\\_0.pdf](https://jicpa.or.jp/about/activity/basic-education/0-99-0-0-20210901_0.pdf)



**High school class support package**  
(in Japanese)  
[https://jicpa.or.jp/about/activity/basic-education/0-99-0-0-20220411\\_0.pdf](https://jicpa.or.jp/about/activity/basic-education/0-99-0-0-20220411_0.pdf)



Accounting Literacy Tool Development Committee

Based on the Accounting Literacy Map published in 2020, this committee considers and creates tools for learning aspects of accounting literacy necessary at various life stages. In fiscal 2022, the committee particularly focused on developing video content aimed at making accounting literacy accessible for junior high and high school students.



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

\*Content to be released in July 2022.

"Hello! Accounting" Operation Committee

"Hello! Accounting" is a free accounting class for elementary and junior high school students. The easy-to-follow lesson, which makes use of examples using familiar economic activities, such as the operations of a cake shop and takoyaki octopus treat stand, has been well received. Lessons at schools and lessons open to the public have been held at more than 200 locations to date.

The "Hello! Accounting" Operation Committee considers the operations and content of "Hello! Accounting" lessons nationwide. The committee's main focus in fiscal 2022 was creating safe lesson environments amid the COVID-19 pandemic, including online lessons and infection prevention measures for in-school lessons. In fiscal 2022, classes (in-person and online) for schools were held 25 times, and those open to the public held 24 times, for a total of approximately 3,300 participants.



Poster for "Hello! Accounting" lessons

"Hello! Accounting" Lessons Held in Fiscal 2022

Saitama Chapter: 1 public; Tokyo Chapter: 8 public, 11 in-school;  
Kanagawa Chapter: 4 in-school; Tokai Chapter: 2 public, 4 in-school; Keiji Chapter: 2 in-school; Kinki Chapter: 12 public; Hyogo Chapter: 1 public;  
Chugoku Chapter: 3 in-school; Shikoku Chapter: 1 in-school



**About "Hello! Accounting" (in Japanese)**  
<https://jicpa.or.jp/about/activity/hello-schedule/>



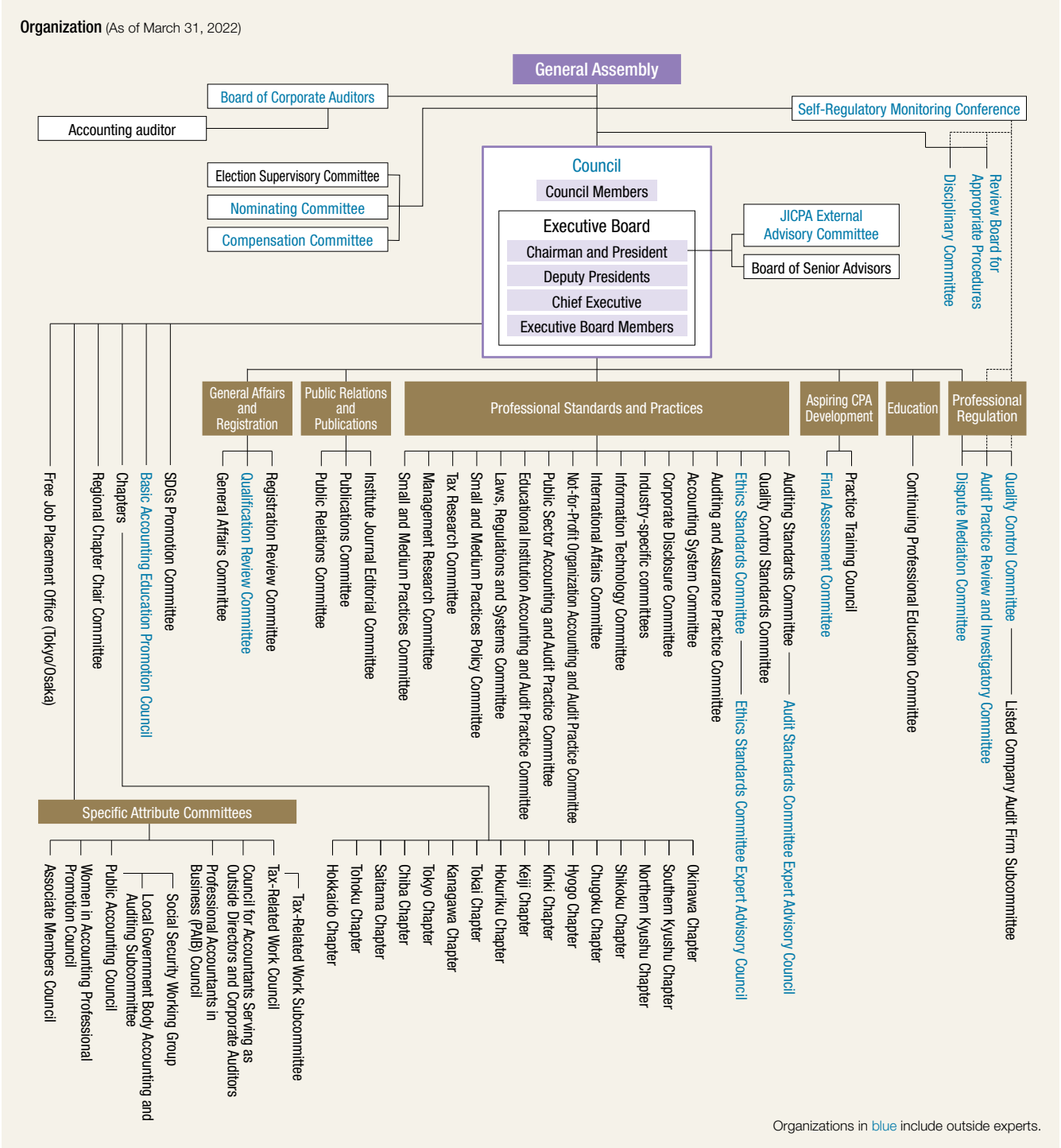
# How We Operate

As a self-regulatory body for the accounting profession, the JICPA conducts organizational operations with transparency and neutrality. The JICPA has 16 regional chapters, through which it strives to enhance the qualifications of members and implements initiatives closely rooted in local communities.

## Organization

1 Governance

The JICPA's governance comprises the General Assembly, which serves as the topmost decision-making body; the Executive Board and Council, which are responsible for the execution and oversight of institute operations; a range of advisory committees; and the Board of Corporate Auditors and Self-Regulatory Monitoring Conference, which provide monitoring. JICPA organs that particularly require transparency or expertise other than that of CPAs include outside experts.





Organization

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

JICPA Officers (As of March 31, 2022)

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	Tatsuya Arai	Toru Kajikawa	Yoshito Kaneyama	Hiroki Kitagata	Kazuya Kitazumi	Shintaro Goto
	Naoaki Kobayashi	Toshio Sato	Hiroshi Shiina	Kiyohiko Shinokawa	Sayaka Shimura	Motoharu Shoji	Keiko Sugaya
	Makie Suzuki	Hideki Chijimatsu	Mitsuo Tsuruta	Minoru Tobari	Toshiyuki Nishida	Keiko Hayashi	Tadashi Hisamatsu
	Hisatoshi Hirota	Takako Fujimoto	Mitsujiro Fuseya	Naruhito Minami	Satsuki Miyahara	Tetsuya Mogi	Toru Yasuhara
	Hidehiko Yuki	Yoshio Yukawa	Ichiro Waki	Yoshiki Watanabe			
Council Members (44)	Ikuko Akamatsu	Kosuke Araki	Yuichi Ishizawa	Yasushi Inagaki	Koichi Inoue	Shinji Inoue	Kazuki Iwashita
	Kuniyoshi Iwata	Noriko Umeki	Masaharu Ota	Yoshitsugu Ogawa	Noriyuki Kakazu	Shigeru Kajita	Shin Kato
	Yasushi Kaneko	Yasuo Kameoka	Yoichi Kubo	Seigo Ko	Ryoichi Komatsu	Akira Koyama	Hirofumi Sakai
	Seiji Sakashita	Toshihiko Shibusa	Yuko Suzuki	Mitsuhiro Takemura	Masao Tanaka	Yoshitaka Tanaka	Emi Chujo
	Satoe Tsuge	Kenichi Tsutsumi	Yusuke Nakano	Masazumi Nishikawa	Takao Furusho	Akihiko Masuda	Hitomi Masuda
	Hayato Miyata	Yoshizo Miyamoto	Shigeki Yagi	Yasuhisa Yajima	Koji Yasui	Yoko Yamada	Osamu Yoshii
	Akiyoshi Oba*	(Chairman, Japan Investment Advisors Association)			Hisashi Yamaura* (Professor Emeritus, Meiji University/former Commissioner, Board of Audit)		
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, 2022)

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		
		Spokesperson		
		International Affairs	Tatsuya Arai	Satsuki Miyahara
		External Affairs	Tetsuya Mogi	Toru Kajikawa
		SDGs		
Professional Regulation	Kazutoshi Kogure	Rulemaking and Operational Development	Kazuya Kitazumi	Keiko Sugaya
		Research and Publishing		
		Quality Control	Mitsujiro Fuseya	
Auditing, Corporate Accounting and Corporate Disclosure	Kanako Ogura	Audit Practice Review and Investigation	Keiko Hayashi	Hisatoshi Hirota
		Disciplinary Review (facilitator)	—	
		Ethics	Toshiyuki Nishida	
		Auditing and Quality Control Standards	Sayaka Shimura	
		Auditing, Assurance and IT	Hidehiko Yuki	
Social Support	Giichi Yanagisawa	Industry-specific Accounting and Auditing	Naoaki Kobayashi	
		Corporate Accounting and Disclosure	Takako Fujimoto	
		Diversity and Inclusion	Ichiro Waki	Makie Suzuki
		Taxes	Yoshiki Watanabe	Toshio Sato
		Management	Kazuya Kitazumi	
	Kiyonobu Takeuchi	Support for Small and Medium-sized Entities	Toru Yasuhara	
		Regional Revitalization	Tetsuya Mogi	
		Support for Small and Medium-sized Practices	Naruhito Minami	
		Basic Accounting Education	Makie Suzuki	
		CPA System and Laws	Yoshio Yukawa	
Human Resource Development	Giichi Yanagisawa	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 Management	Tetsuya Mogi	
Regional Chapters	Yoshiyuki Minegishi (Chairman) Hisae Kitayama (Vice Chairman)	Regional Chapters	Hiroki Kitagata	
			Keiko Sugaya	
			Tetsuya Mogi	Kiyohiko Shinokawa
			Motoharu Shoji	Tadashi Hisamatsu
			Hideki Chijimatsu	



Organization

JICPA External Advisors Committee

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

External Advisory Committee Members (As of March 31, 2022)

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

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

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

Apr. 1969 Joined Daiwa Securities Co. Ltd. (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 President & CEO, Tokyo Stock Exchange, Inc.  
Representative Executive Officer, Group CEO, Japan Exchange Group, Inc.  
Director, Tokyo Stock Exchange, Inc.

**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

**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, Japan Securities Dealers Association  
Chairman, Self-regulation Board, Japan Securities Dealers Association  
Sep.2013 Senior Advisor, IFRS Foundation Asia-Oceania Office  
Jun.2016 Outside Director, Nomura Holdings, Inc.

**Kosei Shindo**  
Representative Director and Chairman, NIPPON STEEL

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

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

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

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

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

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, 2022)			
Masahiko Tezuka	Motoharu Shoji	Tadashi Hisamatsu	
Hisae Kitayama	Hideki Chijimatsu	Shinnosuke Yamada	
Akiko Asai	Masahiro Togashi	Naoki Izumiya*	Chairman, Japan Investor Relations Association/Honorary Advisor, Asahi Group Holdings, Ltd.
Yoshitsugu Ogawa	Yusuke Nakano	Kazuhiko Fushiya*	Chairman, The Institute of Internal Auditors – Japan
Masamichi Ouchi	Masazumi Nishikawa		
Tatsuya Kato	Keiko Hayashi		
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 Members (As of March 31, 2022)			
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.

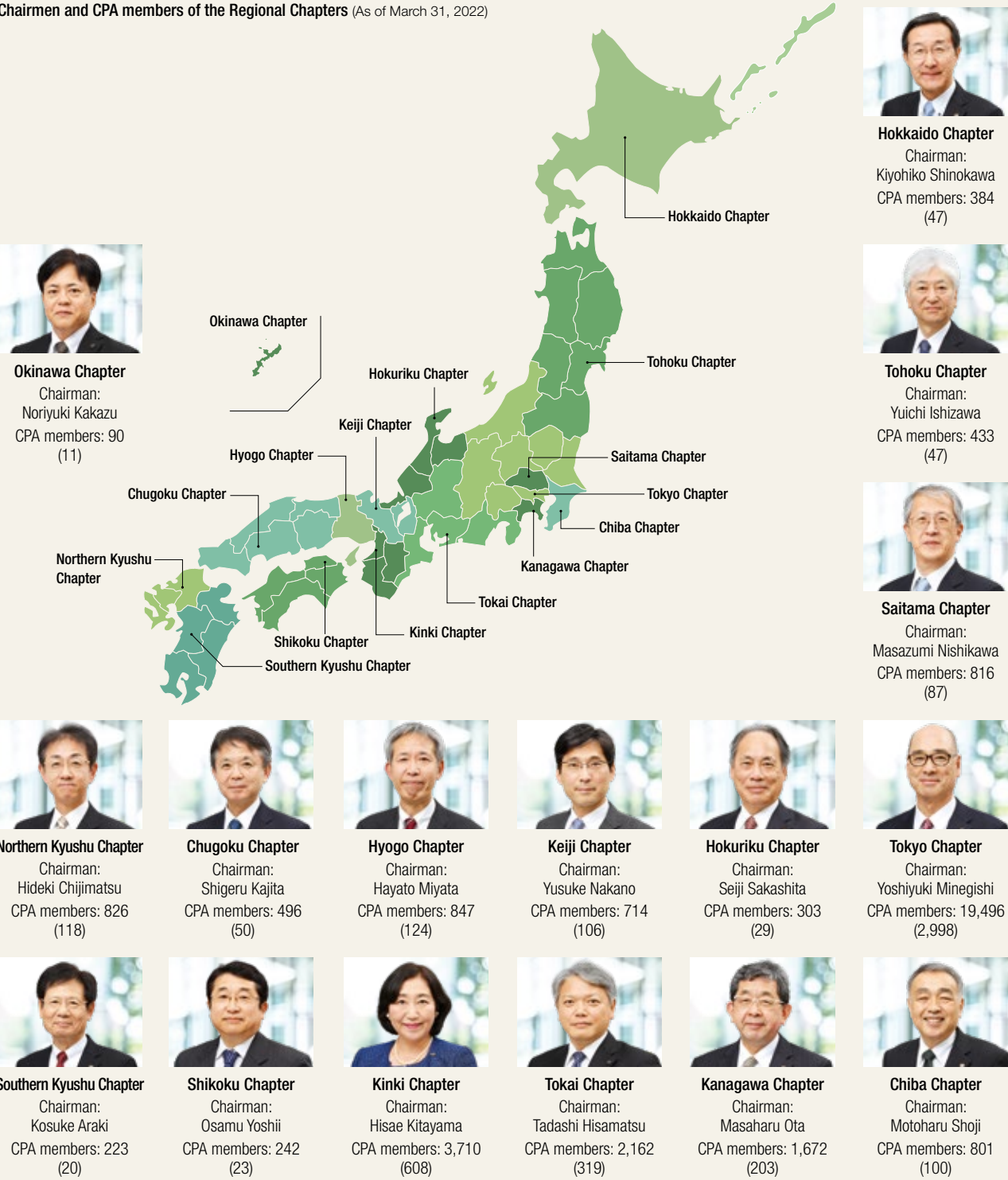
Councilors (As of March 31, 2022)			
Hiroshi Nakachi (former chairman)	Koichi Masuda (former chairman)	Aiko Sekine (former chairman)	Shigeru Takahama (former deputy president)
Akio Okuyama (former chairman)	Shozo Yamazaki (former chairman)	Masaji Suzuki (former deputy president)	Atsushi Takada (former deputy president)
Tsuguoki Fujinuma (former chairman)	Kimitaka Mori (former chairman)	Haruhiko Yamada (former deputy president)	

Organization

2 Regional Chapters

The JICPA 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, 2022)



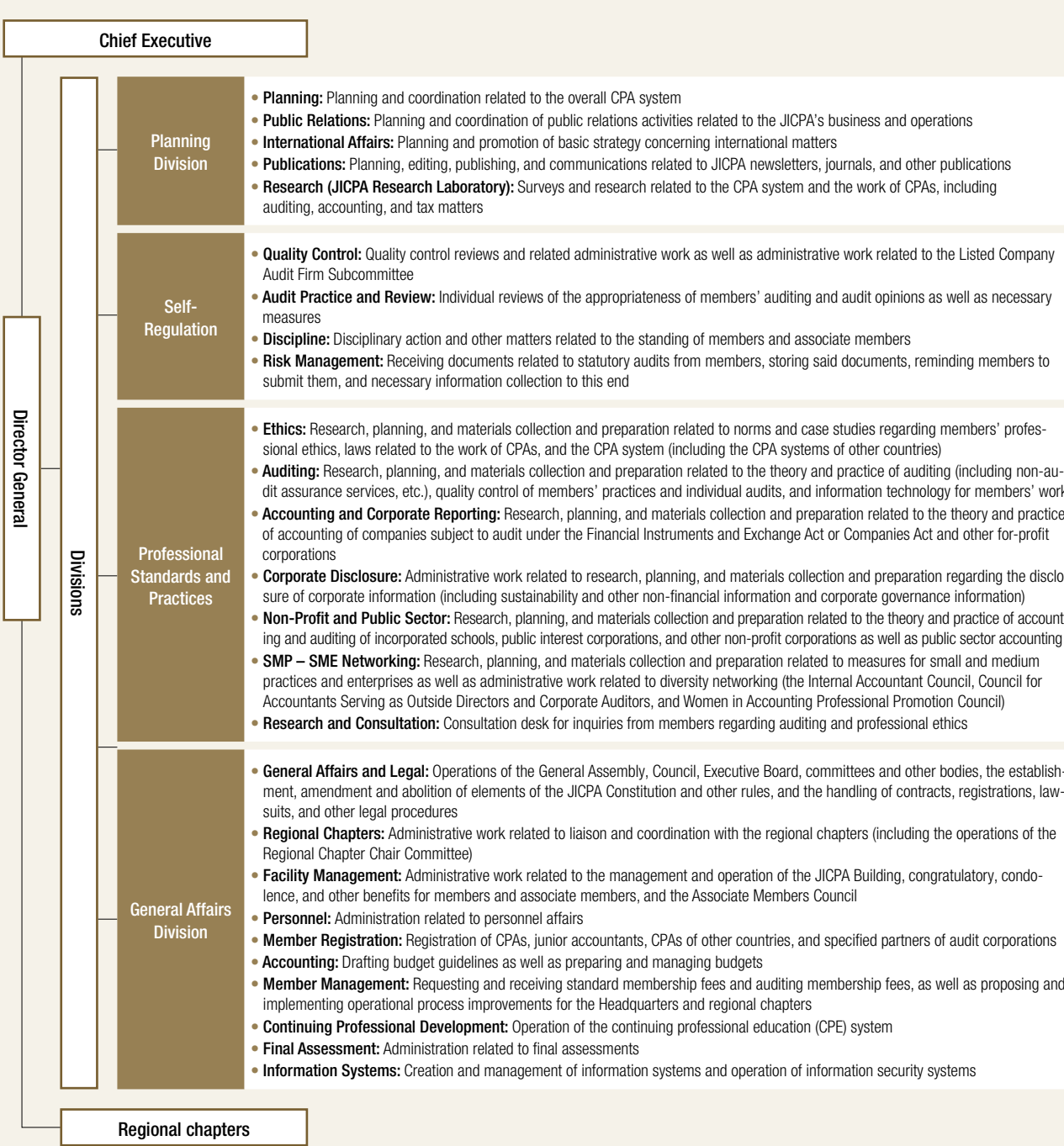
Note: Numbers in parenthesis indicate the number of female members.

3 Administrative Offices

The JICPA's administrative offices comprise 22 groups within four divisions and the offices of the 16 regional chapters. These administrative offices support the Group's operations.

As of March 31, 2022, the divisions have a staff of 222 (154 men and 68 women), and the regional chapters a total staff of 108 (57 men and 51 women). Of these, a total of 75 (59 men and 16 women) are qualified as CPAs.

Administrative Organization (As of March 31, 2022)



Note: As of April 16, 2022, the administrative structure was reorganized, increasing the number of administrative divisions from four to six.



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 1% of the audit fees they receive for the fiscal years pertaining to such agreements.
Business revenue	Revenues from the book sales of publishing operations, final CPA assessment fees, educational seminar fees, etc.

In the year ended March 31, 2022 (fiscal 2022), the JICPA collected standard membership fees of ¥2,332 million, regional chapter fees of ¥1,435 million, and auditing membership fees of ¥3,193 million. The total of these fees, ¥6,961 million, represented more than 90% of the JICPA's ¥7,445 million in ordinary revenues for the year.

2 Financial Results for Fiscal 2022 and the JICPA's Financial Administration

In fiscal 2022, the JICPA recorded a positive net change, amounting to ¥680 million, on its statements of changes in net assets.\* Compared with fiscal 2021, ordinary revenues and ordinary expenses both increased. The increase in revenues reflected a rise in standard membership and chapter fees due to an increase in the number of members, as well as a rise in auditing membership fees reflecting increased compensation for statutory audits. The increase in ordinary expenses was attributable to costs necessary to complete numerous measures during the final year of the JICPA's current administration, despite cost reductions associated with the ongoing COVID-19 pandemic, such as the cancellation or postponement of events and restrictions on travel. In addition, to provide support for CPAs working in expanding and diversifying fields, the JICPA increased its administrative staff, promoted work reforms to improve productivity, and upgraded systems and facilities, resulting in an increase in costs.

In September 2020, recognizing the importance of securing the financial resources to continue to strengthen frameworks for supporting CPAs so that they can meet society's expectations and needs, the JICPA established a financial structure reform project team. In addition to financial transparency, appropriate budget control, and cost reductions, the project team studied such matters as securing financial resources to cover expenses related to the expansion of the scope of members' activities, as well as how to sustainably structure the JICPA's finances for post-pandemic institute operations. By identifying and discussing key points based on an analysis of the JICPA's finances, the project team recognized and studied a variety of issues facing the JICPA related to its finances and adapting to the new social environment. The results of these efforts were published in December 2021 as "Recommendations for Ensuring Sustainable Finances for the JICPA." We will continue to examine and discuss the JICPA's financial structure going forward.

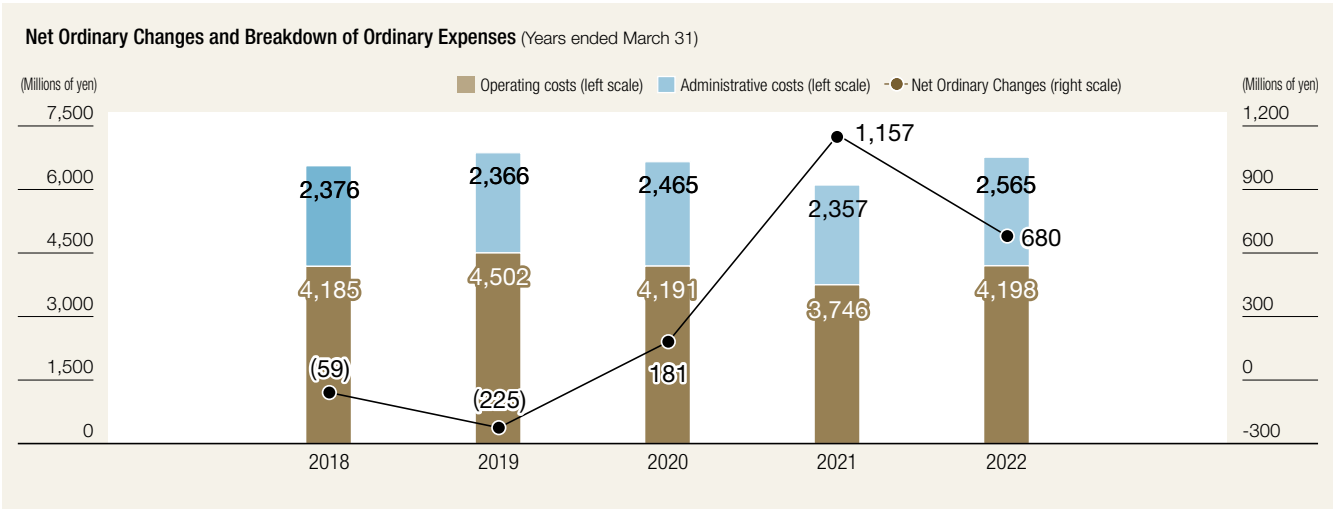
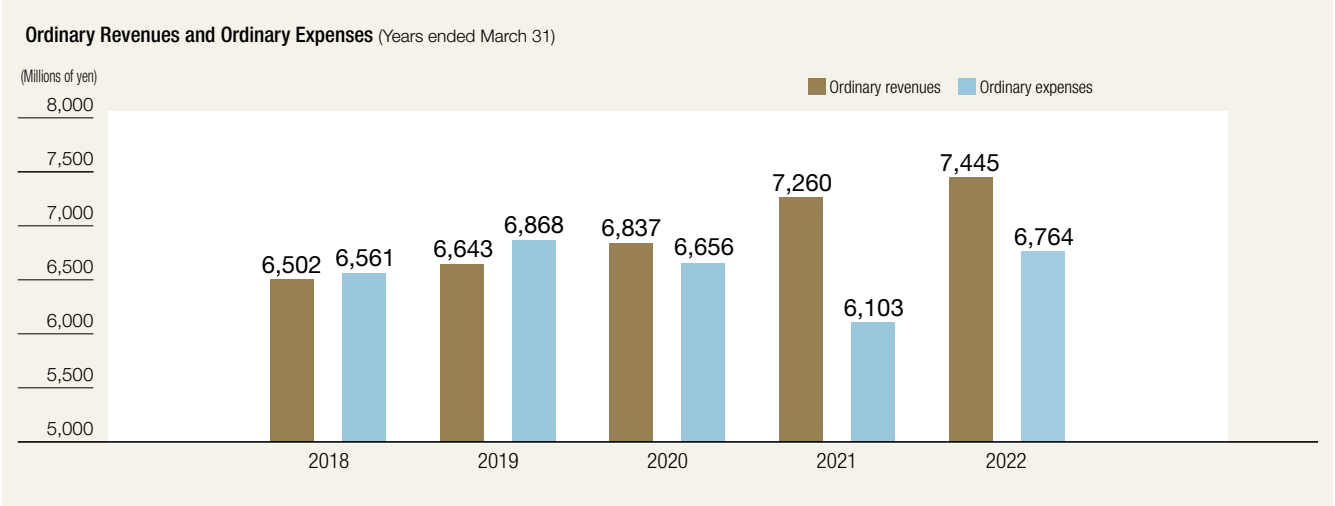
\* As of the publication of this report, the fiscal 2022 financial results are still under calculation and subject to change. The final results will be published on the webpage below (in Japanese).



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

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

	2018	2019	2020	2021	2022
Ordinary revenues	6,502	6,643	6,837	7,260	7,445
Ordinary expenses	6,561	6,868	6,656	6,103	6,764
Net ordinary changes	(59)	(225)	181	1,157	680
Total changes of unrestricted net assets	(60)	175	855	1,160	688
Unrestricted net assets at end of year	11,381	11,557	12,412	13,573	14,262
Restricted net assets at end of year	903	879	849	853	850
Cash flows from operating activities	219	(112)	139	1,393	1,072
Cash flows from investing activities	753	(50)	90	(723)	(1,922)
Cash flows from financing activities	—	—	—	—	—
Cash and cash equivalents at end of year	3,291	3,128	3,358	4,028	3,178





The Japanese Institute of  
Certified Public Accountants

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