

January 2017

Looking ahead to the New Year

I convey my best New Year wishes on the start of 2017 to all of you

During the last year, as we were excited by the outstanding performance of Olympic athletes in the Rio 2016 Summer Olympics, Japan also encountered some difficulties including a severe damage by the earthquake in Kumamoto prefecture. The world itself seems to have been unstable and uncertain with a continuous threat of terrorism in many parts of the world, and unexpected decisions which surprised the world, such as the UK's decision to leave the European Union and Donald Trump's election as the new President of the U.S.

As I witnessed all of these changes, five months have passed since I took the office of the Chairman and President of the Japanese Institute of CPAs (JICPA). Looking ahead to the New Year, I have renewed my commitment to make progress on key initiatives I have put forward at the beginning of my term in office. I am also determined to work passionately to engage in the public interest and respond to the expectations from the public to bring brighter future to the institute and to our members as a whole.

Ensuring Confidence in Capital Markets

As the profession entrusted with safeguarding the reliability of financial information and credibility of capital markets, CPAs must adapt to changes and become a force of transformation for the continuous growth of the economy and capital markets. It is important that we all, once again, revisit the mission and responsibilities of the profession to carry out our work faithfully and in an independent manner, and ensure that we further build up our professional competence and skills.

By providing assurance to the information prepared by private and public entities, CPA audits serve as an important socio-economic infrastructure, working as the engine for the sustainable growth of the Japanese socio-economy. As such, as part of the effort to secure public trust in CPA audit, I have been engaged in the discussion on implementing audit firm governance code, enhancing quality control review system, and responding to the call for more enhanced auditors reporting, such as the development of Key Audit Matters (KAM). I remain committed to acting on measures to ensure audit quality, including the promotion of the unified corporate disclosure

rules and the enhancement of the mandatory training seminars for accounting frauds.

Development in information technology and science represented by IoT (Internet of Things), IoE (Internet of Everything) and AI (Artificial Intelligence) has rapidly revolutionized the way the business is conducted. Some people voice for threats associated with the new technology, but I believe the use of IT and AI will intensify in accounting and audit, with necessary improvements in practice and work environment. Witnessing the coming of a new era with Clouds, Big Data, AI, FinTech, the way corporate disclosure is conducted both for financial and non-financial information would change, and the profession must lead this transformation by winning the challenge and progressing forward.

Diversifying CPAs contribution in the society - Building a foundation for sound accounting system

Expenditures on social welfare such as medical and long-term cares for elderly continue to expand in Japan. Such expenditures amount to almost 10% of the total GDP and is expected to reach around 80 trillion yen in the near future. The sustainability of the social welfare system is a great concern for many citizens. In this respect, I believe CPAs have an important role to play in building viable social welfare system by ensuring efficient public services.

In order to strengthen management structure and ensure transparency, the new rule on CPA audits has been introduced for social welfare corporations and medical corporations of a certain size with accountability to the public. Responding to the needs of the general public, CPA audits newly introduced to those organizations will ensure transparency in the way funds are used, and could also empower governance structure and management ability of those organizations.

With further advances in globalization, free movement of people, and cross-border transactions, small and medium-sized entities (SMEs) are facing business transformation. To assist overseas expansion of SMEs, trusted experts are needed to provide advice for issues related to business operations in foreign economies. In support of Japanese government's initiative on SME business expansion in Asian region, JICPA has published a list of members based in Asia with expertise in assisting overseas business expansion. We hope this list will greatly encourage SMEs and financial institutions investing in Asian region to further employ business and accounting

expertise of CPAs.

Issues such as realizing fiscal reconstruction, improving the governance and management in not-for-profit sectors, as well as assisting SME business expansion will require accounting and finance skills of CPAs, and to respond to the expectations from the public, we must also aspire to excel in these areas.

Attracting and Retaining Talents in the Profession

To continue responding to the needs of business and the public as a whole, and to remain competitive in the international arena, it has become ever more significant to attract and retain talents who can lead our profession. As developing talents takes a great deal of time and effort, I am committed to continue reaching out to younger generations to illustrate the importance of our profession and the global opportunities that lies ahead for us. At the same time, constructing a long-term development scheme for younger CPAs to earn professional experience in overseas would also be a significant milestone.

I would also spare no efforts in inviting many talented females to see the future prospects of the CPA profession to increase the number of female candidates. I am eager to address challenges female members face in the profession so that members choosing to leave the profession would become minimized. Realizing diversity and ensuring active participation of talents with various backgrounds would assist achieving values and ideas that are unique and innovative. I believe that aspiring for a society where female can also actively participate would bring benefits to CPA profession as a whole.

I wish you all good health and success in the New Year, and would like to express my gratitude for your continuing understanding and support.

Aiko Sekine
Chairman and President