

# Annual Activity Report in Brief

April 2011 - March 2012

 The Japanese Institute of Certified Public Accountants



日本公認会計士協会  
The Japanese Institute of Certified Public Accountants

# Foreword by chairman and President

With the approval of the budget and work plan for the year 2012, at the 46th JICPA Annual General Assembly held on July 4th, the final year of my term in office has just started. Together with JICPA management team, I am determined to continue our efforts in coping with the issues we face, both inside and outside the Institute.

In doing so, for the remainder of the term in office, we plan to conclude some of our management' s projects at JICPA and, through this effort, maintain our role as the self-disciplinary institution for professional accountants in Japan.

I hereby present my views on the key projects as follows:

## **1. Finalizing JICPA study on CPA and the CPA system in Japan**

Since 2011, the project team to consider the CPA and CPA System in Japan has been working to study and discuss the future of CPA profession in Japan. After much debate, in late June 2012, we published an exposure draft of the interim report, summarizing our discussions in the project team.

In this report, we raised 20 issues from seven key areas for further discussion, such as the mission and role of the CPA, professional engagements, license and certification, professional education and examination, JICPA and its role, and matters related to audit firms. For all of these issues, we presented our members with our current understanding of the subject matters for further consideration.

We welcome various comments and suggestions from our members relating to matters that have not been dealt with in this draft interim report, and we especially believe it is important to share and exchange views and opinions with our members.

Additionally, after gathering views and opinions from our members, we plan to bring this matter into the public arena for hearings and discussions, in order to receive views from the general public. And lastly, we expect to publish the final interim report with our vision for the future of CPA and CPA system in Japan by the end of March 2013, and hand this over to the next JICPA management team as the basis for the future work plans and administration of the Institute.

## **2. JICPA' s response to maintain trust in the work of audit**

With respect to corporate scandals of certain listed companies reported in November 2011, the Financial Services Agency (FSA) has taken administrative measures against those audit firms involved in the audits. JICPA, as a self-disciplinary professional body, is continuing, in its own right, its investigation into the past audit engagements of the CPAs and audit firms. In the event our investigation concludes that the practice of our members involved in the audits infringed on our standards and rules, we will take appropriate measures against

responsible members.

Since the recent corporate scandals inherently involve, besides particular issues related to audits of certain companies, questions relating to appropriate corporate governance and external audit, as well as how the system of external audit should function in promoting even greater trust in capital markets, we have also established the Special Committee on the Improvement of the Auditing System, and started our discussions. As the audit subcommittee of the Business Accounting Council (BAC) of the FSA has been considering appropriate audit procedures for coping with the matters such as accounting fraud, we also intend to provide them with our views from the auditor' s perspective.

### **3. IFRS adoption in Japan**

The Business Accounting Council (BAC) has been engaged in a heated discussion with respect to the adoption of IFRS in Japan, and JICPA has also been expressing its view related to the matter. The important point of contemplation for the upcoming debate is how and when we can realize the implementation of IFRSs in Japan, while maintaining our voice in the international accounting community. From the perspective of maintaining international presence, JICPA has argued to clarify the way forward for IFRS adoption in Japan during 2012; we believe it is time for Japan to show a realistic plan of action for the implementation of IFRS.

Finally, with the support and cooperation from our members and other related parties, I am determined to continue taking proactive actions in coping with the issues surrounding us.

**Shozo Yamazaki**  
Chairman and President



# JICPA - the organization for the CPA profession in Japan

The JICPA, through its various committees and project teams, carries out a wide range of activities from self-regulation to the provision of services to its members. Some of these important activities include the following:

- Initiating research on, and investigation into, the practices and the systems of accounting, auditing and other related fields of professional services in Japan and overseas;
- Providing guidance on auditing, accounting and other related fields of professional services, and presenting comments on various exposure drafts published by other organizations;
- Delivering pre-qualification training courses and programs for continuing professional education;
- Performing quality control reviews; and
- Conducting investigative and disciplinary proceedings.

## **JICPA Membership (As of March 2012)**

Number of members (CPAs)	23,336
Number of Associates	8,817
Number of audit firms and corporate practices	213

## **Number of Registered Listed Company Audit Firms (As of March 2012)**

177 audit firms

- 148 Audit corporations
- 29 CPAs (sole practitioners)

## **JICPA Key Board Members 2010 – 2013**

Chairman and President	Shozo Yamazaki	
Deputy Presidents	Gen Ikegami	Mitsuru Komiyama
	Aiko Sekine	Seno Tezuka
	Kimitaka Mori	Hikoe Konishi
	Yasuhiko Ogawa	
Chief Executive	Toshio Kinoshita	

# Key Activities

## **Support for Earthquake Victims**

The Great East Japan Earthquake and Tsunami struck Japan on March 11, 2011. JICPA immediately launched a task force, and conducted several projects to support the affected members. At the same time, from the professional standpoint JICPA took measures to assist people and companies damaged by the earthquake. Thanks to the support from the members and fellow professionals around the world, the donation gathered at JICPA, approximately JPY 70 million in total, was sent to the Japanese Red Cross Society.

## **Corporate Financial Scandals**

A wave of corporate financial scandals reported at the end of 2011 was a matter of much concern from the perspective of securing public trust in the Japanese capital markets. In view of these scandals, JICPA immediately started its investigation into the past audit engagements of the CPAs and audit firms.

At the same time, JICPA requested all of the members to consider carefully the expectation from the public, and ensure that they continue to conduct proper audits.

## **Special Committee on the Improvement of the Auditing System**

In face of a challenge posed by recent corporate scandals, JICPA has also established the Special Committee on the Improvement of the Auditing System to consider the current practice of auditing, and what should be the appropriate corporate governance. The Committee is entrusted with: (1) considering the relationship between corporate governance and external audits; (2) re-examining auditor's procedures in response to detected fraud, errors, and illegal acts; (3) re-examining practice guidelines on audit, relating to fraud or other illegal acts; (4) considering cases when CPAs are requested to perform appraisal or valuation work; and, (5) confirming the significance and the purpose of audits, and how audits should function in the Japanese socio- economy and capital markets, with the view also to consider ways to promote greater understanding of the role of audits.

Subsequent to the conclusions of the special committee, if necessary, JICPA may consult other committees within JICPA on the need to revise related guidelines on audit, and also may request external parties to initiate appropriate changes to the related Acts and regulations.

### **Future of CPA Profession**

To offer a clearer vision for the future of the profession, and how CPA and CPA System should be in Japan, JICPA established a new task force in May 2011. Based on the findings from the study conducted by the team of independent researchers mainly composed of non-CPAs, JICPA plans to issue an interim report with the vision for the future of the profession.

### **Review of Companies Act**

Ministry of Justice issued, on December 14th, 2011, Review of Companies Act – Interim Proposal, and requested for public comments on appropriate corporate governance. JICPA emphasized, in its comment letter submitted on January 31st, 2012, the need to enhance the role of company auditors or audit committees in appointing or dismissing the accounting auditors and determining remuneration for accounting auditors.

### **IFRS adoption in Japan**

The Business Accounting Council (BAC) of the FSA is continuing its discussion on IFRS Adoption in Japan. JICPA recognizes that, however complicated the discussion may be over how and when IFRS should be implemented in Japan, IFRS adoption is inevitable in the future. We have promoted the IFRS adoption by facilitating close communications between JICPA committees/task forces and with other related organizations. At the same time, we actively contribute to the IASB standards setting process by sending representatives and providing comments to its public consultations. Also, in preparation for future opportunities, JICPA launched IFRS Study Group, to develop professionals who will be able to proactively participate in and contribute to the IASB activities.

### **Clarified ISA adoption in Japan**

With the publication of final reports, JICPA has finalized, in July 2012, its work to redraft the Quality Control Standards Committee Statement and all existing Auditing Standards Committee Statements (ASCSs), to be consistent with the clarified International Standards on Auditing (ISAs) and International Standards on Quality Control of the International Auditing and Assurance Standards Board of International Federation of Accountants.

### **Enhanced Self-regulatory System for Auditors of Listed Companies**

Tokyo Stock Exchange and Osaka Stock Exchange revised their securities listing

regulations, and requested the listed companies to be audited by the audit firms enrolled in the JICPA Registration System for Listed Company Audit Firms.

In response to further increased social significance of the Registration System, JICPA has improved the functions of the system, and thereby enhanced its self-regulatory structure for auditors of listed companies.

### **PAIB Symposium**

Professional Accountants in Business (PAIB) Task Force issued, in August 2011, an overview of the results of the questionnaire distributed to CFOs as well as CPAs both in practice and in business, and highlighted the potential needs for the PAIB. In October and December 2011, JICPA organized a symposium and a seminar featuring PAIB. The success of these events demonstrated that there is growing interest in PAIB. In 2012, JICPA plans to establish the PAIB Council, in order to further enhance the activities related to PAIB.

### **The 32nd JICPA Annual Conference**

On September 16, 2011, the 32nd JICPA Annual Conference was held at the RIHGA Royal Hotel in Hiroshima. Four concurrent sessions were provided during both morning and afternoon programs, and Mr. Nobuhiko Obayashi, the famous film maker from Hiroshima prefecture, presented a commemorative speech. The conference was attended by over 1,000 participants including JICPA members, and many others with interest in financial reporting.

### **2011 JICPA Awards**

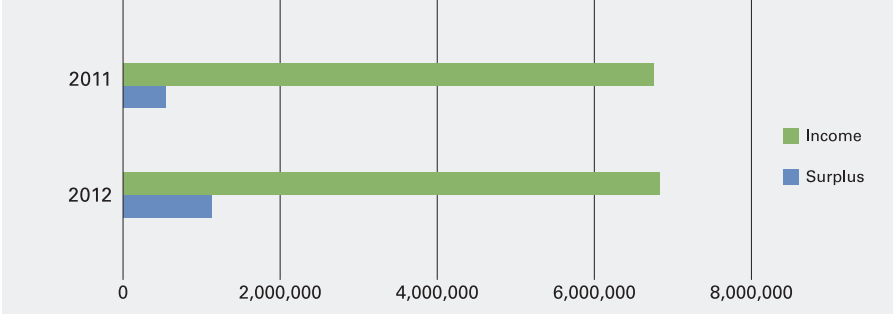
JICPA presents special awards annually to people who have contributed to the public understanding of the work of accounting and auditing, and the promotion and recognition of the CPA profession. In 2011, the awards went to the following people:

- Mr. Toshitaka Hagiwara, President of Financial Accounting Standards Foundation (FASF)
- Mr. Hiroshi Takeuchi, President of Nihon Dempa Kogyo Co., Ltd. (This is the first company to issue financial statements based on IFRSs in Japan)
- Mr. Koji Tajika (the deceased), Former IASCF Trustee

# Financial Statements Summary

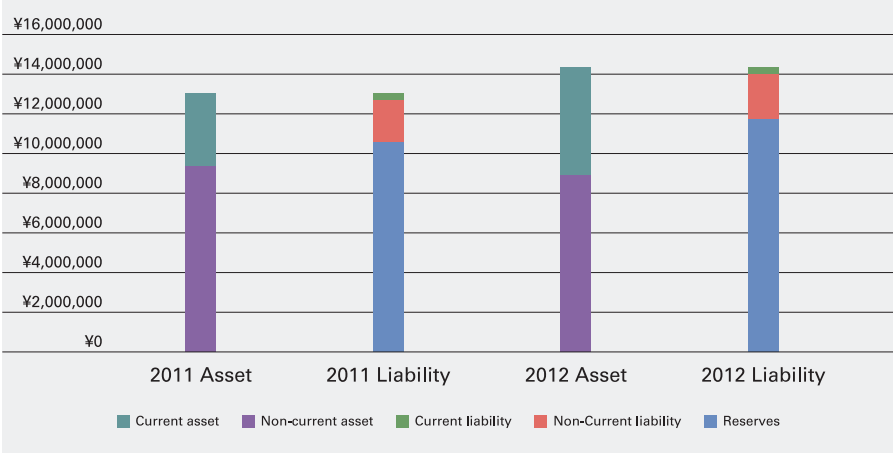
Statement of Financial Performance

(JPY: 000)



Statement of Financial Position

(JPY: 000)







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