NOTE

CULTURE, BUSINESS AND ACCOUNTING ENVIRONMENT IN JAPAN

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I. Introduction

Our one world is peopled by many different nations. Each nation has its own unique culture. Each culture is shaped by many different influences. This paper will examine the influence of three cultural factors, the multi-layered nature, homogeneity and pragmatism, on the business environment in Japan. This paper will relate the social culture to the business environment. This paper will then trace some of the effects of these three cultural factors on current accounting environment, the educational environment in general, and accounting education in Japan.

II. Traditional Social Culture

Japan is now a major force in international trade. However, this nation has been isolated until relatively recently. Japan's isolation resulted in a society which is homogeneous in race and character. Philosophy also plays an important role in learning, since the society has a Confucian heritage which respects hard work and education.

Culture is the shared expectations of a society. Tanaka (1990, p. 25) sees four characteristics to Japanese culture: a multi-layered society, "Japanization," homogeneity, and pragmatism. A multi-layered society is the result of the absorption of many foreign elements with the simultaneous retention of traditional views. For over 1,500 years, Japan has assimilated culture, philosophy, and religion from the Silk Road civilizations. From 1600-1867, Japan isolated itself during the Edo period. After the Shogun was deposed in 1867, and the Meiji restored as emperors, Japan turned its attention to the West and a study of the European and American systems. Industrialization began. Today, Japan's ability to assimilate portions of other cultures is exemplified in Japan's polytheistic religious culture, in its multiple syllabary writing system which employs Hiragana, Katakana, and Kanji, and in its administrative systems, which assemble, mosaic-like, the valuable points learned from other nations.
In Tanaka's view, “Japanization” is the ability of the Japanese to absorb a foreign idea, such as a Chinese character set, and make it uniquely Japanese. The concepts of a multi-layered society and Japanization overlap for purposes of discussing Japanese education.

The concepts of multiple layers is illustrated by religious practices in Japan. Unlike some countries, Japan has adopted no national religion. Shinto, Buddhism and Christianity exist peacefully side-by-side in Japanese daily life. Weddings are conducted in a Shinto or Christian manner, or a combination of both. Funerals are usually conducted according to Buddhist rites. Japanese homes typically have two special areas: one, for a Shinto shrine and the other, for a Buddha. Christmas is being celebrated more and more, with presents being given and special Christmas cakes being eaten. On New Year's Day visits are made to a Shinto shrine to ask for good wishes for the coming year. According to Kimura (1988, p. 104) religion is a matter of lifestyle, not faith. A multi-layered society is not only the result of absorption of many foreign elements, but also the accumulation of a long history.

Homogeneity is found in race and character, where most of the population is Japanese ethnic stock. There are three roots of this homogeneity: agriculture, Confucian morality and geography. At the beginning of the Yayoi period (about 300 BC) rice cultivation began. In order to have a successful rice crop, all the people had to work together for a common purpose. Villages that were not able to work together did not survive. So agriculture forced a sameness of purpose. In the Edo period (17th-19th centuries) Confucian principles were widely propagated. The home became the societal unit and the household master's word was followed unquestioningly. Within a household, all could be punished for the transgression of one. The status of a person in society at large depended on the status of his household. There was much pressure to conform to the norm established by the head of the house. Finally, the fact that there is such a small piece of land accommodating so many people creates much pressure to act in concert toward the same goal (Tanaka, 1980, p. 39).

“Pragmatism” is used in the sense of being oriented to the “here-and-now.”
This is a different emphasis from the Western notion of the practical consequences of beliefs. The Japanese focus on the present, which may explain the overall Japanese ability to find practical uses for theoretical research. The strong focus on the needs of the present may have arisen because of the intimate connection of the land and the Japanese people. The native Shinto religion concentrated on attaining worldly rewards such as a good rice harvest or a painless childbirth. Today, the modern Japanese asks for good entrance exam results, a successful bid in the housing lottery or a profitable year for the business. The orientation of Japanese people is almost exclusively on success in the present life.

The strong Buddhist tradition is given credit by some for the fervent work ethic practiced by most Japanese (Tanaka, 1990, p. 31). Work is viewed as a method of self-discipline on the spiritual plane. Through this unflagging attention to work, spiritual growth and ultimate attainment of enlightenment will be achieved. So Buddhism has its influence on the Japanese “here-and-now” approach.

A third element that is responsible for the “here-and-now” focus of Japan is the very strong agricultural roots of the people. For centuries, the farmer that paid constant, unwavering attention to his rice paddies usually had the best results. The notions of hard work and worldly success became linked in the Japanese mind. Although more people now work the “fields” of the factory floor, rather than the rice paddy, the national habit of single-minded focus on work remains. Unlike the experience of Westerners and many the people of other Asian countries, work in the Japanese experience is not viewed as something to be avoided. Rather it is something to be embraced, because work is the path to success (Sumiya, 1987, p. 122; Tanaka, 1990, p. 31). Because of the prevalent adoption of the here-and-now philosophy, Japanese people often take only the short-term view.

III. Business Culture

A. Business Environment
Japanese business reflects the society in which it has arisen. Japanese business reflects the three influences of a multi-layered society, homogeneity and Japanese pragmatism. The multi-layered nature of business today has its origins in the society of the Edo period (1600-1867). The uniformity of Japan was reinforced by one Shogun and his Samurai government. The organization of village life was for agricultural purposes. In many ways this farm life regimented by religion and a strong central ruler paralleled the development of the Protestant ethic at the same time in the West, both of which led to industrialization. In Japan, the five-family neighborhood system from the Edo period (Watanabe, 1987, p. 66) can be traced today to the team spirit that Japanese bring to their work.

Another aspect of the multi-layered society, of the old and the new, is the adaptation of Confucian philosophy to business. A manager rules through virtue, and uses force only as a last resort (Watanabe, 1987, p. 86). This led to peace and prosperity throughout the Edo period, although Japan was isolated at the time. Expressed today, these values appear when companies offer lifetime employment, seniority, and company (rather than industry) labor unions (Kimura, 1988, p. 130).

An interesting example of Japanization is the notion of quality circles. The idea of quality control as a management technique was developed in the United States as “Statistical Quality Control.” This technique was introduced into Japan in the 1950s, where it was refined. Japanese managers obtained quality control by forming small groups of workers and giving the small groups of workers responsibility for identifying the problems, and developing solutions. This resulted in a dramatic increase in the level of quality of output. Managers in the United States were so impressed with the high quality of Japanese output that they adopted the notion of quality circles in their own manufacturing plants (Kagono, 1982, pp. 95-96).

The homogeneity of Japanese society produces harmony, which makes it possible for a large number of people to peacefully share very small islands. Homogeneity provides for group decision-making. “The good decision-maker is one who listens to everyone and leads the group toward a consensus coalescing
around the idea that has the broadest support" (Tanaka, 1990, p. 213). The ability to compromise is an important characteristic of such a manager. The Confucian principle of leading through virtue rather than through power is an important factor in the harmony of the Japanese work force. A leader who attempts to lead by power is not supported. Rather, managers are expected to develop mutual trust and a sense of solidarity among the workers. Managers are expected to allow employees to make mistakes and to refrain from punishment when mistakes are made. The successful Japanese manager will use the mistake as a learning opportunity for all. The employee can see what works and what does not. The employee will not repeat the mistake, but he does not feel humiliated for making an error (Watanabe, 1987, pp. 86–88).

The Japanese work ethic rests on a Confucian culture. According to Sumiya (1987), the Japanese work ethic is shown in dependability, low absenteeism, and working overtime and on holidays. Many Japanese keep working after age 65 since “work gives them meaning and a purpose for living” (Sumiya, 1987, p. 120).

The Japanese pragmatism is a “here-and-now” philosophy. Traditionally, Japanese managers have had an almost exclusive focus on maximizing profits of the company. Managers compete fiercely with competitors to achieve supremacy in price and market share, thereby increasing profits. This competition has caused Japanese companies to continue to invest in operations even in recessionary times (Kimura, 1988, p. 128).

In 1947 the Labor Standards Law of Japan required that the minimum workday must be 8 hours. It is common in Japan to work on Saturday also. By Western standards, a six-day workweek is a long one. However, the six-day work week was consistent with the managers' goal of maximizing profits for the company. The employees and their families shared this goal as well. The employee, of course, earned additional salary as compensation for the long week. It didn’t matter that the employee had no time to spend the money on consumer items such as vacations. The money could be invested. For 46 years this remained
the standard workweek. Only now, in times of a deep recession, is Japan considering shortening the workweek (Nippon Steel, 1984, p. 149).

One of the problems resulting from the single-minded focus on corporate profits is that land prices became very high. In a country with little land to begin with, companies acquired as much as they could to build factories. This reduced the available land for housing individuals. The result is an astronomically high price for a house. Owning a home is beyond the reach of most Japanese (Kimura, 1988, p. 164).

According to a recent article in the Nikkei Shinbun (Feb. 10, 1993, p. 1 "Nihon no Jiku", “Axis of Japan”, 8th in a series) (mainstay), 64% of corporate general managers believed that illegal fees are paid to fix the results of shareholder meetings. Ito-Yokado, Co., Ltd., a consolidated entity, controlling retail operations such as Southland Corp. and Denny’s restaurants, was widely believed to rarely, if ever, engage in these illegal payments. Its auditor under the Commercial Law was recently arrested for making illegal payments of $210,000. The auditor was a former long-time employee, who then became the company’s auditor (Nikkei Shinbun, Oct 29, 1992, p. 14 “Towareru Kansayakuseido” “Questioning the Auditor System”). This is a typical example of the Japanese “here-and-now” philosophy that focuses on the selected goal. That goal for many businesses and its workers (or former workers) is increased profits. The business seeks immediate results, regardless of the methods used or the long-term consequences affecting their perception by the public.

**B. Accounting Work Environment in Business**

Accountants in industry are more respected than those in public accounting. Hiramatsu (1989) reported on a study of the attitudes of Japanese accountants working in large business firms. He sent questionnaires to 236 companies, and received 111 replies. Of the replies, 66 were from companies in the first tier of the listed stock companies, 22 were from the second tier, and 23 were other companies. The average sales for these companies was ¥216.9 billion ($1.8 billion). The
average firm employed 3,168 workers, and 30.5% of these were accountants (19.3% male, 11.2% female). Women tended to work in the smaller companies.

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<tr>
<th>Accounting Employment</th>
<th>Male</th>
<th>Female</th>
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<tr>
<td>Under 5 accountants</td>
<td>23%</td>
<td>54%</td>
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<tr>
<td>6-10</td>
<td>26%</td>
<td>22%</td>
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<td>11-20</td>
<td>33%</td>
<td>17%</td>
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<tr>
<td>More than 20</td>
<td>18%</td>
<td>7%</td>
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<td>Total</td>
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Is there a relationship between being hired for an accounting position and one's major in college? Apparently not in Japan: of the companies responding, only 28% of the employed accountants were accounting majors. None of the companies had a policy of hiring only accounting majors for accounting positions.

When the companies were questioned about the usefulness of hiring accounting majors, only 32% believed the education was useful, 48% somewhat useful, and 16% thought it not useful. Surprising to an American is that only 35% of the companies believed that accounting information was very useful for managing the business; 58% felt that it was somewhat useful, and most surprising, 5% thought it was not useful.

If the company had an accounting issue to solve, 30% stated that they would call their CPA or CTA; 20% that they would research it themselves; and the rest did not answer. There are no companies who would read materials written by professors. Educators are considered to be too remote from practical matters to be relevant to here-and-now issues.

(1) Certified Tax Accountant, a separate profession in Japan.
IV. Business Accounting System and Culture

Like other areas of Japanese society, Japanese accounting principles reflect a multi-layered character. In 1868, after the Meiji Restoration, and the end of a long period of isolation from other countries, Japan began incorporating ideas from other countries. It borrowed bookkeeping and accounting principles from England in the late 19th Century. Then Japan began to look to Germany for much of its accounting (Shiina et al., 1992). For example, at the base of Japan’s principle of financial accounting is the “Principle of Truth and Fairness” borrowed from Germany and England, as well as Germany’s Grundsätze Ordnungsmässiger Buchführung and the American “Principle of Consistency.” The Commercial Law, a pivotal piece of legislation affecting business in Japan, was enacted in 1908. It was modeled originally on work done by the German scholar, K.F.H. Roesler (1834-1894). Revisions of the Commercial Law in 1903 reflected significant German influence.

The principle of financial accounting that Japan established after World War II, while introducing the American principle of common law, which was itself patterned after the English common law, is yet in character much closer to traditional Japanese written law. Instead of representing a distillation of experience gained in attempting to accommodate the changing eras, it has consistently made systematic relations with commercial law its primary contention.

After World War II, the American occupation forces introduced American concepts, including certain accounting notions. American structures, such as a Securities and Exchange Commission, were put in place to regulate markets. The Securities Transaction Act, passed in 1948, was modeled after the U.S. Securities Act of 1933 and the Securities Exchange Act of 1934. Certain notions of the American system were fitted into the Japanese framework, whether or not they could really be applied. For example, under the Commercial Law income is calculated the same way for financial purposes as for tax purposes. This is not permitted under the American principles that were “adopted.” Additionally, under
U.S. rules marketable securities must sometimes be valued at the current market price for purposes of year-end statements. This practice of “marking to market” is not permitted under the Commercial Law. In Japan, the BADC makes recommendations on accounting rules to be adopted. However, it is solely an advisory body and its recommendations on accounting rules to be adopted. However, it is solely an advisory body and its recommendations need not be adopted. In contrast, in the U.S., the FASB’s final recommendations on accounting principles must be followed.

Homogeneity finds its expression in government control of many business activities and accounting regulations. The Commercial Code is a federal statute, and financial income and loss must be calculated according to the Commercial Code. As stated before, Japan drew its first Western accounting from Germany, and still retains the concept of federal regulation of accounting through prescriptive law.

Pragmatism permeates Japanese life. This has an impact on accounting as well as other facets of Japanese life. Japanese companies rely more on indirect (external) financing; i.e., borrowing, to raise capital for its operations, than they rely on direct financing; i.e., issuance of stocks or bonds, or accumulation of retained earnings. Most of the external financing comes from loans obtained from banks. Even when securities are issued to raise capital, the stock or bondholders are banks. So Japanese companies are very dependent upon banks for financing. There are several factors that make indirect financing preferable to direct financing. For a time the growth rate of Japanese companies was too high to be sustained by accumulated retained earnings. Nor was it possible to obtain the necessary capital from the sale of securities in the stock market. The stock market was “immature.” The Japanese corporate investor often prefers a safer investment yielding a fixed amount of income, rather than the riskier, less predictable investment in growth stocks. Additionally, the cost of borrowing was relatively low and land prices were rising rapidly in the 80s, so the value of mortgages on the land increased, all of which favors borrowing capital rather than
obtaining capital from the securities markets. Finally, borrowing could be more quickly and easily arranged, which appealed to the Just-In-Time philosophy of financing. Kagano (1982, p. 135) calls this the “incremental approach” to financing.

The Japanese corporation frequently does not stand alone as do many American companies. Often the Japanese corporation is a member of a Keiretsu, or family of business entities. The Keiretsu is organized around a central bank with many corporations linked to the bank and each other. The corporations will rely almost exclusively on the bank as its financing source. The bank will support the corporations in times of financial troubles. The corporation will sacrifice short-term profits in order to maintain a certain rate of financing favorable to the bank. Lending rates among members of the Keiretsu will be very favorable and easily obtained. The result is a very stable operation over the long-term for members of the Keiretsu. Inflation accounting is not used in Japan. Book value is used to value assets. There are large differences in book and present value of assets (in times of inflated land prices), but little differences in book and present values of liabilities. So the present equity values of corporations are larger than reflected on their books (Kagano, 1982, pp. 133–137).

Nationally there are 27,250,000 stockholders in Japan. Of these, 23.2% are individuals; 44.7% are banks; 24.5% are corporations; 3.2% are investment and trust companies; and 5.4% is held by foreigners (Zenkoku, 1992, p. 42). The banks and corporations together account for almost 70% of the shareholders. In Japan this is referred to as Antei Kabunushi Seisaku (stabilized stockholders’ policy). Often, the banks and corporations are tied through membership in a Keiretsu. Disclosure of various pieces of information in the financial statements is not made in Japan. Although it would benefit the individual stockholders, it would serve no particular beneficial purpose to the banks and corporations that hold a strong majority of the stock. Since they are Keiretsu members, they already know the relevant information. Revealing that information to the individual stockholders could only hurt the position of the majority shareholders. One important focus in Japan is on marketable securities. There is relatively little disclosure because
corps don't need it. The recent stock market contraction which created differences between cost and market. Corporations report values based on cost, not market price. The Ministry of Finance said recently that banks need not report market price, just report values based on cost. The government is concerned about potential adverse effects on banks if the differential between cost and market were widely disseminated.

One example of pragmatism in corporations was revealed by recent investigation of the National Tax Administration Agency (NTAA) (Reports of May, 1991 and June, 1992). The NTAA investigated 4,722 companies making public offerings of securities values at 100,000,000 or more yen. These companies represent 14% of the companies making these large offerings. The NTAA found that of all the capital raised in the offerings, 58,800 million yen (US$446,400,000) was unaccounted for. Corporations admitted to using the money for kickbacks, entertainment expenses, political "donations," and secret salaries, some of which were illegal under Japanese law. In the short run, the companies profits were maximized by engaging in the illegal activity.

V. Educational Environment

The Japanese educational system is a fusion of old and new (Nippon Steel, 1984). Like most other facets of Japanese life, the education system is multi-layered. There are three broad time periods for Japanese education. The first was prior to 1872, when Japanese education was voluntary and took place at Terakoya (temple schools). The second time period is after the Meiji Revolution in 1868, and the opening of Japan to the West. In this period education became compulsory for children, but remained traditionally Japanese in content. The substance of education reflected a Shinto philosophy in which the emperor is a god. This school system was also heavily influenced by the British and German school systems of the time. "Only those who had studied in the West and acquired the latest knowledge and technology were now qualified for leadership" (Nishio, 1987, p. 111). At the same time, advancement was to be on merit: "......one's academic
career became more important for success and social mobility than one's parents' descent, rank or status" (Nishio, 1987, p. 111).

The third and present stage of the Japanese education system came from the United States after World War II. In the educational reform of 1947, American democratic ideas were introduced; for example, the emperor is now considered to be a man, not a god. The school structure was changed. There are now six years of elementary school, three years of middle school and three years of high school. Universities provide four years of education. Before World War II, only 18% of Japanese went to high school.

Today the schools are mostly co-educational. The education system is one of the world's most successful, with no illiteracy and a very low high school drop out rate of 12%. The current educational system represents the Japanization of a western idea, while retaining the idea of homogeneity.

Homogeneity is enforced in the primary and secondary school systems through federal control of the standards for teacher training, textbooks, and curriculum. Homogeneity is one of the factors that is responsible for certain Japanese behavioral traits. In the Japanese language today there are very many honorific phrases that are used when one person is speaking to another person. Through the speech the speakers are acknowledging the rank of each person involved. Age and social status are only two of the attributes that determine rank. Conformity is the acceptable way of behaving in Japan. A concern for others and a concern for the perception of oneself by others are powerful shapers of behavior. The good Japanese person is constantly watching for cues from others as to the proper way of behaving. Japanese usually do not give a firm Yes or No answer. This is done out of consideration for the other person's feelings, especially if the answer would be "No." This dissembling, so frustrating from the out-spoken Westerner's point of view, reduces the amount of friction in a society which depends on a low level of interpersonal conflict (Nippon Steel, 1984, pp. 323-325).

Pragmatism is reflected in the university emphasis on engineering. There is a very strong focus on the "pedigree" of the education received. In Japan certain
employers tend to hire graduates from the “best” universities and ignore graduates from the rest of the universities. Tokyo and Kyoto Universities are generally highly regarded public universities. Waseda and Keio Universities are highly regarded private schools. Government employers and large businesses will hire from graduates of the “best” schools. So employers compete strenuously for their graduates. High school graduates compete even more strenuously to gain entrance to those universities. In order to pass the universities’ entrance exams, some students will go to certain high schools that have the reputation for placing a large proportion of their graduates in the most highly ranked universities. Most students prepare for the university entrance exams as if they were preparing for battle. Some students will spend as much as a year in a special school, a juku, in order to enhance their chances of passing the exam. Attendance at the juku is in addition to the usual years of primary and secondary education.

Even during the early grades, some students will attend a juku daily for several hours after school and on Sunday to do better in the high school entrance exams. Students typically refer to competition as “examination hell” (Kimura, 1988, p. 146).

VI. Accounting Education and Culture

Accounting education in Japan has four major characteristics: (1) a majority of courses are theoretical, not practical; (2) curriculum content is determined by a regulatory body related to the government; (3) few courses relate to contemporary issues; and, (4) individual course content and relationships among the courses are not clear.

In Japan, it happens frequently that professors will use different texts, even thought they are all teaching the same course. If there is a senior professor who authored a text, his less senior proteges will use that text whether or not it is the best for the course (Kamata, 1989, p. 52). In the U.S, multiple sections of the same course are often coordinated. That means that all professors teaching the course will use the same text. The professors select the appropriate text after a vigorous
debate on the merits of several available texts. If one professor has written a
textbook that would be appropriate for the coordinated course, it may be consid-
ered for adoption as a courtesy, but that professor's book will not automatically
be adopted. After the text adoption decision has been made, frequently by
majority vote, all professors will use the same book for all sections.

The multi-layered characteristic that is seen in other areas applies to
accounting education as well. For example, many professors who are now in their
80s adopted what they thought of as the German style of accounting education.
Principles of Bookkeeping, Cost Accounting, Budget Control and Management
Analysis were introduced as fundamental courses (Yamabe, Ch. 1). These courses
were strongly theoretical, not ones focused on practical applications. Later ideas
of curriculum content were adopted from the US. These courses included
Accounting Principles, Financial, Managerial, and Tax Accounting, Corporate
Financial Analysis and Auditing. These courses introduced a certain degree of
pragmatism. Textbooks for US courses use problems to help the student apply the
theory contained in the text. Classroom lecture contains a similar degree of
practical application. This notion of practical application being taught simultane-
ously with theoretical framework was brought to the Japanese curriculum.
However, the result was much the same as before. The professor lectured while
the students listened without interruption. These two sources or layers
significantly influenced the curriculum in Japan. Under the old Fundamental
University Establishment Standard, which was completely revised in 1991, the
formal, required Commercial College accounting courses were Principles of
Bookkeeping and Managerial Accounting, and Accounting Principles or Financial
Accounting. Strongly recommended was Cost Accounting. Electives were
29, for a table listing the old law curriculum.)

Homogeneity is apparent in accounting education. The start and finish of
the school year is mandated by law for the entire nation. The minimum number
of units required for graduation (124) is also specified by the national law. The old
law was markedly changed in 1991, so that each university is now able to develop its own curriculum. However, the old uniformity of curricula still exists in the universities, because it takes several years to completely revise a curriculum.

This law applies to all areas of education, not just accounting. However, this paper focuses on the changes as affecting accounting education. In order for the new law to result in different curricula in different universities, attitudes must change as the law changes. Presently, there is a strong tendency to seek harmony between students and faculty and harmony between different universities. As long as people feel that harmony is a high priority, what the law says about change will not be emphasized.

In the area of pragmatism, Gakusei (1990, p. 84) summarizes the charts on attitudes of Japanese and US students concerning the usefulness of education in relation to employment after graduation.

Faculty attitudes toward education also reflect pragmatism. For the survey, 55 university departments of accounting responded. Of these, 51 of 55 respondents said the most important purpose of accounting education is to educate about the principles and theories of accounting. Four of 55 said the most important function of a university education was to equip the student for employment in the business world. These four respondents said that accounting knowledge is a basic requirement for businessmen. No respondents selected the option of "necessary to be trained as an accountant in business and professional accountant" (Nakahara, 1979, pp. 72-73). This combination of student and faculty attitudes results in a program of accounting education that does not provide any practical, current knowledge. The professor emphasizes the theoretical underpinnings of accounting and its historical development, (and by using the same text and sometimes the same tests year after year). The student does not complain about the ease of the course, since the student's primary focus is a social one. There is no motivation for most students to develop an ability to criticize the course content.
VII. Future Developments

A. Changes in Japanese Lifestyle

Prime Minister Miyazawa created an advisory committee to report to him on changes in lifestyle. In November, 1992, a committee report was issued. The committee recommended reexamining seven aspects of society. Current practices of lifetime employment and age-based seniority should be carefully examined. Since these practices can result in paying unproductive employees (window-sitters), companies' profits can be reduced. The value of company-sponsored housing should be included in employees' salaries. At present, the rental value is excluded from salary. The number of hours in a typical worker's year should be reduced to 1800 hours. At the same time, companies should pay overtime to employees who work productively more than the usual number of ours.

The committee also recommended that the Female Protection Regulations be repealed. Under these regulations, women are forbidden to work overtime and after midnight. The need for these regulations has evaporated. The price of land and fees should be charged to any person or business that throws away large items. The report emphasizes the need for a change form reliance on corporate choices to reliance on individual choices ("Kokumin Seikatsu Shingikai," (Report of Prime Minister's Advisory Body on Life in Japan, *Nikkei Shinbun*, Nov.12, 1992, p. 1).

B. Changing Business Environment

The "bubble economy" burst. The economic contraction is causing major changes in the way that Japanese companies are run. Lifetime employment and seniority based on age, not years of service, is disappearing, along with company labor unions. Layoffs are planned especially for white collar of middle managers, including major electrical companies such as Hitachi, Mitsubishi, and Fujitsu. Research engineers face being retrained to be sales staff because the company cannot maintain a large number of engineers and still achieve desired profits.
Japan Kodaō has begun the early retirement of about 200 workers over 45. NTT has a middle-term layoff plan ending in 1994, and it is estimated that 20,000 people will be laid off by 1994. Sanyo Brokerage will layoff 2,000 employees by 1995 (Nikkei Shinbun, 1992a).

Tokyo Bank made a major change in its salary system. For the first time in this bank, administrators of Tokyo Bank will be allowed to negotiate their own salary increases. This means that a younger administrator may end up with a larger salary than an older administrator. The increases will be awarded on the basis of performance for the bank, not on the basis of the age of the employee. This represents a tremendous change in attitude. Formerly, age was the most important criterion for salary increases. In the future, the employee's effect on the performance of the company will determine salary (Nikkei Shinbun, 1992b).

Worker attitudes are changing. The rate of new union membership in the company labor union, especially for the younger, new employee has sharply declined. According to a recent poll, employees are satisfied with their present position, but 60% might change employers. 64% of employers support the seniority system based on ability, not age (Nikkei Shinbun, 1992c).

Discussions by BADC are beginning on the change from the current system of no difference in book and tax to the European system of book tax differences (Nikkei Shinbun, 1993, p. 1). Japan GAAP does not require disclose on pensions, leases, or market prices of marketable securities. Even if there were disclosure rules in the Commercial Law, they would not be followed. Disclosure may be overlooked for domestic purposes, but it becomes more important from an international standpoint. Commercial Law has detailed rules on financial accounting. Making Japan's rules and international rules agree is difficult. These difficulties must be addressed.

The structure of accounting education is changing. Under the new law that permits each university to design its own curriculum, each university can fulfill a unique niche in society. Universities must compete to offer successful programs. Since it is necessary for all countries to be more aware of each other, tools such
as Bitnet, that allow for communication with other parts of the globe, regardless of time differences, will be come common in the classroom.

Accounting Education — changing structure — 7th International Conference stuff about new standard that allows each university to design curriculum. Bitnet and other stuff is necessary in education.

While speculation about the future is risky, clearly the basic character of Japan is changing. While the Japanese themselves like to believe that it is different from other countries, there are some aspects of industrialization which are universal. Japan faces the same problems that many other industrial nations face. For example, a low birth rate and a lower death rate result in an increasing burden to care for the elderly.

In the information age, soon there will be communications networks which can deliver hundreds of gigabits per second. Japan is receiving increasing exposure to the rest of the world. While it is possible that this information sharing will lead to a world culture, the impact on a traditional culture could be profound.

Economic power is political power. Japan is likely to become a member of the U.N. Security Council, and from there, will exert influence on world politics. The harmonization of global accounting standards is a continuing debate, and Japan’s voice will be heard more in the discussion.

It is tempting to speculate that the Japanese economic influence in the United States will change American accounting principles: for example, LIFO accounting and pooling-of-interests accounting are unknown in Japan. Might their influence cause these principles to be changed in the U.S.?

For the Japanese, perhaps their educational system will develop more interaction between professors and students. Students will learn to be more involved in their classes, paying careful attention to what is said by the professor and questioning what is said when necessary. The student attitude that responsibility for understanding a lecture always rests with the student may change. The professor will make himself or herself more available to students outside of formal classroom lectures. The professor will learn to immediately respond to questions
asked during class.

The challenge to Japanese accounting education is to be relevant. The data clearly show that Japanese corporations hire harmonious people who can be trained as accountants, rather than trained accountants who will learn to be harmonious. Japanese accounting professors must find a way to become credible to corporations.

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Note: To aid the English-speaking reader, the author has cited English translations of articles wherever possible, even when the translation is suspect. When this is not possible, Japanese articles have been rendered phonetically in ROUMANJI.


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