

1 Governance



Our 15 quality objectives

■ Leadership and quality management process

Objective 1: Leadership and quality management process

■ Ethics and objectivity

Objective 2: Ethical requirements and values
Objective 3: Objectivity and independence

■ Client selectivity management/ Solutions and opportunities management

Objective 4: Client selectivity
Objective 5: Managing services and products
Objective 6: Engagement acceptance and continuance

■ People management

Objective 7: Recruit, develop and retain
Objective 8: Learning and education
Objective 9: Assignment of people to engagements
Objective 10: Evaluation and compensation

■ Technology management

Objective 11: Technological resources

■ Solutions delivery management

Objective 12: Support for engagement performance
Objective 13: Direction, coaching and supervision
Objective 14: Expert knowledge

■ Monitoring and enhancement process for the system of quality management

Objective 15: Quality controls in performing engagements



Message from the chair of the Oversight Board

We support the Firm's activities through the appropriate oversight and evaluation of the leadership team and exchange of opinions.

Hitoshi Kiuchi

Chair of the Oversight Board

As part of various initiatives in FY2024, the Firm strengthened the foundation for realising the vision roadmap defined in Vision 2030. With the integration between ex-PwC Aarata and ex-PwC Kyoto on December 1, 2023, PricewaterhouseCoopers Japan LLC, a new Firm, has started its operation, resulting in an increase in the number of employees. Owing to various initiatives, employee satisfaction marked a record high.

The Oversight Board also started its activities to monitor, oversee and provide advice to the new Firm. Throughout FY2024, we received reports on a broad range of topics from the leadership team, discussed these topics and provided advice. Such topics included quality-related initiatives to maintain, improve, and enhance quality, initiatives to recruit, develop and retain people, audit transformation including promotion of digital transformation (DX), and the establishment of a structure to provide assurance services for non-financial reporting which is expected to expand in the future. I believe the Oversight Board has appropriately conducted its responsibilities while maintaining independence from the leadership team.

Another activity in FY2024 was the nomination of a candidate for the next CEO by the Nominating Committee,

a subcommittee of the Oversight Board, to replace the CEO whose term was ending. This nomination process was conducted in a fair and orderly manner.

For our activities in FY2025, we will continue to monitor and oversee the Firm's quality-related initiatives, and engage in active discussions with the leadership team to fulfil our role. The agenda will include efforts to realise Vision 2030, audit transformation such as implementation of AI, initiatives related to people strategy and cultures, and expansion of audit and non-assurance services.

We will also regularly exchange views with the external members of the Public Interest Body (PIB) to promote our monitoring and oversight activities, focusing on whether the Firm's activities are moving in the right direction and meeting societal expectations from the standpoint of public interest and various external stakeholders.

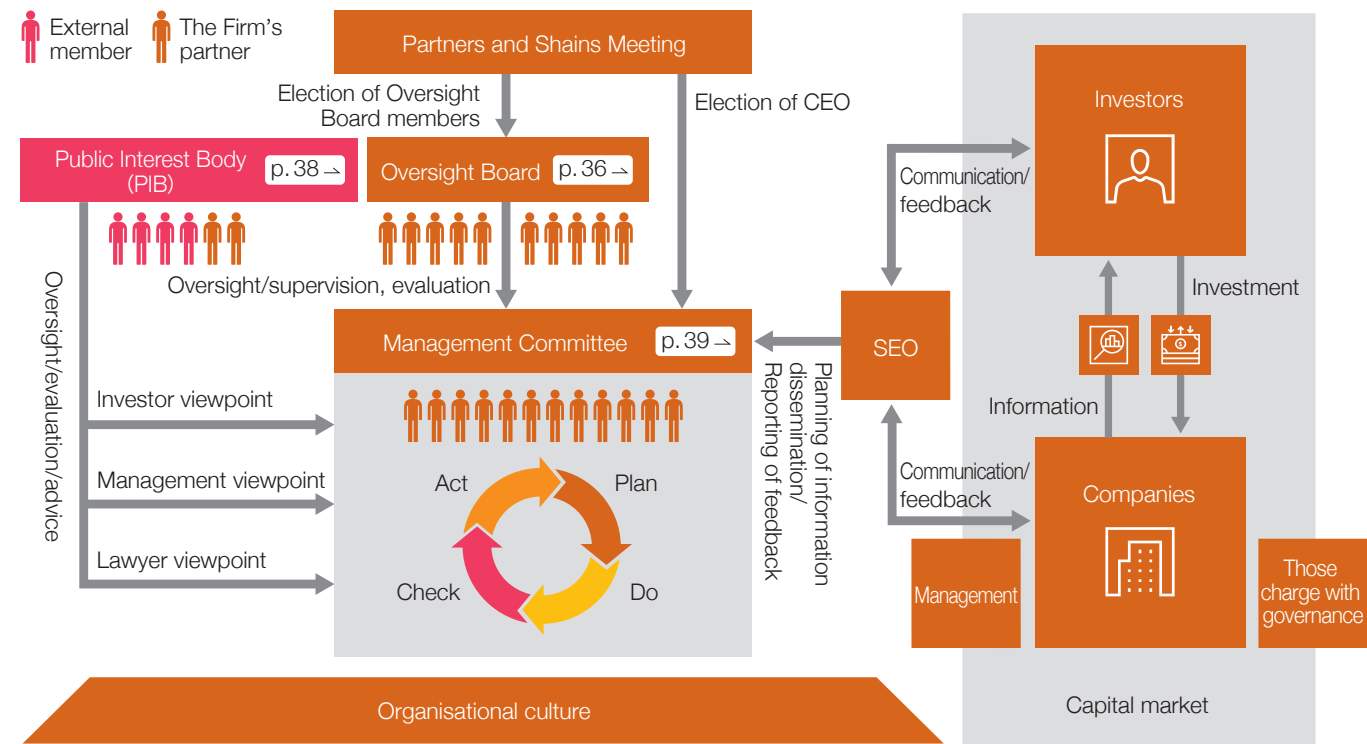
The Firm values its clients and employees and is committed to contributing to society by providing high quality trust services. The Oversight Board will closely monitor and oversee the leadership team from a governance perspective, and support the Firm's activities through exchanging opinions and providing advice.

Our governance and organisation

To continuously improve the quality of our audits and realise an effective governance structure, our firm has established three governance bodies: the Partners and Shains Meeting, the Oversight Board and the

Management Committee. In addition, the Public Interest Body (PIB) is established to oversee, assess and provide advice to the Management Committee from a public interest perspective.

Our governance structure



Partners and Shains Meeting:	The Partners and Shains Meeting is responsible for resolving matters prescribed by the articles of incorporation of the Firm as the highest decision-making body. The Partners and Shains Meeting consists of all partners, partners who make capital contributions to the Firm.
Oversight Board:	The Oversight Board consists of 10 members, and monitors and oversees the management strategies formulated by the Management Committee and their implementation.
Management Committee:	The Management Committee consists of the Chief Executive Officer (CEO), acting CEO, deputy CEO and other officers and makes decisions related to the execution of the Firm's operations.
Chief Executive Officer:	The CEO oversees the Management Committee and has ultimate responsibility for the Firm's system of quality management. The Nominating Committee established under the Oversight Board appoints candidates for CEO by holding hearings with partners of the Firm. The final candidate is proposed at the Partners and Shains Meeting and elected as the CEO with its approval.
Public Interest Body:	The Public Interest Body (PIB) consists of external experts, the Chair of the Oversight Board and the CEO of the Firm. The PIB is chaired by an external expert and oversees, evaluates and advises initiatives of the Firm's Management Committee from an objective perspective.
Planning & Management Stakeholder Engagement Office(SEO):	Planning & Management SEO is responsible for planning information to be shared with stakeholders and communicating with them, coordinating dialogue with stakeholders, reporting the status to the Management Committee, as well as coordinating organisation-wide feedback.
Internal Audit Office:	Personnel who have sufficient and appropriate experience and do not have special interests in the operations/activities of the Firm. They perform audits of the Firm's overall operations under the supervision of responsible personnel appointed by the CEO.

Oversight Board

The Oversight Board monitors the management strategies formulated by the Management Committee and their implementation, and is responsible for highly transparent governance. The Oversight Board consists of 10 members, and is operated by the Oversight Board itself and four committees. Candidates are selected based on interviews with our partners and are appointed as members by a resolution of the Partners and Shains Meeting

Chair : Hitoshi Kiuchi (also the chair of the Partner Evaluation Committee)

Vice Chair : Susumu Adachi^(*)

Members : Koichi Hamagami (Chair of the Audit Committee), Trevor Tisseverasinghe (Chair of the R&Q Committee), Ken Kawamura (Chair of the Nominating Committee)^(*), Noriko Umeki, Akinori Takemura, Yoshitaka Yamada, Shunsuke Horii^(*), Makoto Umeda^(*)

^(*) Partner of PwC Consulting LLC

^(*) Partner of PwC Advisory LLC

To leverage knowledge gained from business improvement projects for companies facing business challenges, 4 of 10 members of the Oversight Board are appointed from PwC Consulting and PwC Advisory who provide non-audit perspectives which are beneficial to the business operation of the Firm.

Appointment and composition of Oversight Board members

- The Election Administration Committee shall, in appointing a member of the Oversight Board, hold interviews with all partners who have the right to vote and select a candidate for the Oversight Board. If there

is a candidate other than the selected candidate, the member is decided by vote.

- Six of the Oversight Board members are in charge of audit, and the remaining four consist of partners in charge of advisory services (diversity in backgrounds).









Authority of the Oversight Board

- The Oversight Board has the authority to propose removal of the CEO at the Partners and Shains Meeting.
- The Oversight Board has the authority to determine an annual evaluation of the CEO and his or her remuneration based on that evaluation.
- In appointing the CEO, the Nominating Committee established within the Oversight Board has the authority to conduct interviews with all partners who have the right to vote and decide candidates for the CEO.

Sub-committees of the Oversight Board

Oversight Board
R&Q Committee
Receives reports from the CEO, deputy CEO and officer in charge of quality management on the status of the Firm's quality management activities and discusses and reviews their appropriateness.
Partner Evaluation Committee
Deliberates on matters such as partner enrollment/withdrawal, selection of CEO, evaluation and remuneration of partners.
Audit Committee
Perform audits of finance and business operations of the Firm.
Nominating Committee
Selects candidates to ensure fair and orderly nomination of candidates for the position of the CEO. The final candidate for the CEO is reported to the Oversight Board, voted on by all partners, and the result is discussed at the Partners and Shains Meeting. The CEO is appointed with the approval of the Partners and Shains Meeting.

Members of the Oversight Board(as of August 1, 2024)

			Skill Matrix												Industry
	Name Title	Career summary	Management/ Senior leadership	Audit	BAS	Quality management	Business development	Digital	ESG	Accounting/Finance	HR/labour management/ People development	Legal/Compliance/ Risk management	Global	Other industries/ Secondment experience	
	Hitoshi Kiuchi Chair (chair of the Partner Evaluation Committee)	1987 Joined Aoyama Audit Corporation/1995 Seconded to PwC U.S. New York Office/2010 Appointed leader of Accounting Support of Risk & Quality/2012 Appointed leader of the Nagoya Office/2016 Appointed deputy-CEO/2021 Appointed chairperson of the Oversight Board	●	●	●	●	●		●		●		●	●	Automotive, Electronics, Entertainment
	Susumu Adachi Vice-chair	2006 Appointed managing director of BearingPoint Japan/2011 Seconded to PwC U.S. New York Office/2017 Appointed CEO of PwC Consulting LLC/2020 Appointed vice-chair of PwC Consulting LLC/2021 Appointed Global Board member of PwC Global Network, chair of PwC Japan's General Oversight Board, and vice-chair of the Oversight Board	●				●	●			●		●	●	Finance
	Koichi Hamagami Member (chair of the Audit Committee)	1988 Joined Aoyama Audit Corporation/1997 Seconded to PwC UK London Office/2009 Appointed leader of Methodology & Technology of Risk & Quality/2012 Appointed leader of assurance training/2013 Appointed chair of the Auditing Standards Committee at the JICPA/2021 Appointed chair of the Oversight Board		●		●		●				●	●	●	Automotive
	Trevor Tisseverasinghe Member (chair of the R&Q Committee)	1996 Joined PwC UK London Office/1999-2000, 2002-2005 Seconded to PwC Japan/2008 Joined PwC Aarata LLC/2017 Appointed client partner of the PwC Global Network/2021 Appointed chair of the R&Q Committee		●	●	●			●	●			●	●	Finance
	Ken Kawamura Member (chair of the Nominating Committee)	1991 Joined Aoyama Audit Corporation/2010 Served as a part-time lecturer at the graduate school of Yokohama National University/2012 Appointed leader of TS at PricewaterhouseCoopers Co., Ltd./2017 Appointed member of the Oversight Board/2019 Appointed CFO Of PwC Advisory LLC/2023 Appointed leader of Risk & Quality at PwC Advisory LLC/2024 Appointed CRO of PwC Advisory LLC	●		●	●				●	●	●		●	Trading companies
	Noriko Umeki Member	1992 Joined Chuo Audit Corporation/2012 Appointed leader of diversity promotion of PwC Japan Group/2016 Member of the Oversight Board of the Nuclear Damage Compensation and Decommissioning Facilitation Corporation and the Supervisory Commission for Public-Private and Private-Private Competitive Tendering of the Ministry of Internal Affairs and Communications/2019 Appointed director of the JICPA (managing director in 2022)/2021 Appointed member of the Oversight Board		●					●		●				Finance
	Akinori Takemura Member	1992 Joined Chuo Audit Corporation/2007 Appointed leader of System and Process Assurance of Kyoto Audit Corporation/2013 Member of the Oversight Board of Kyoto Audit Corporation/2021 Member of the General Oversight Board of PwC Japan Group/2023 Appointed member of the Oversight Board		●				●						●	Communication, IPO
	Yoshitaka Yamada Member	1994 Joined Chuo Audit Corporation/2007 Appointed partner for supervising quality management at Kyoto Audit Corporation/2010-2016 Director of the Association of Certified Fraud Examiners/2021-2024 Director of the Japan Auditing Association/2023 Appointed member of the Oversight Board/2023 Appointed sub-leader of the Corporate Reporting Service/2024 Appointed expert member of the business combination committee of the Accounting Standards Board of Japan		●		●			●			●			Electronic equipment, Communications
	Shunsuke Horii Member	2008 Joined PwC Consulting/2022 Appointed leader of healthcare and medical life science business of PwC Consulting LLC/2023 Appointed leader of healthcare and medical life science industry of PwC Japan/2023 Appointed member of the Oversight Board	●			●	●	●	●		●				Healthcare, Pharmaceutical life sciences
	Makoto Umeda Member	1988 Joined Aoyama Audit Corporation/1997 Engaged in the advisory services for M&A and business revitalization of Deals (currently PwC Advisory LLC)/2010 Served as part-time teacher at Yokohama Business School of graduate school of Yokohama National University/2023 Appointed member of the Oversight Board									●	●		●	Automotive

Public Interest Body (PIB)

Audit firms have a public-interest role in ensuring the reliability of corporate financial information through financial statement audits and protecting participants in the capital markets, thereby contributing to the sound development of the national economy. We have established the Public Interest Body (PIB) to address issues we recognise from the standpoint of ensuring organisational operations and fulfilling our public interest role.

The PIB is comprised of external experts, the chair of the Oversight Board of the Firm and the CEO. It oversees and evaluates initiatives of the Management Committee to enhance audit quality, and provides advice to the Management Committee.

The PIB ensures transparency, strengthens accountability and improves audit quality by discussing the Firm's business management issues in a timely manner and incorporating fair and objective perspectives of experts representing the public interest in the Firm's operation. Regular meetings are held between external experts of the PIB and Oversight Board members with the aim of improving governance.

External experts are appointed by resolution of the Oversight Board at the recommendation of the Management Committee in consideration of their contributions to the financial and capital markets, their experience as management of a listed company or as a legal expert and public interest.

Members of the PIB As of June 30, 2024

Yoshinari Hara (Chair) Honorary advisor of Daiwa Securities Group Inc.

Kazuhiro Suzuki Lawyer, exsuperintending prosecutor of Fukuoka High District Public Prosecutors Office

Tadashi Shimamoto Ex-CEO and chair of Nomura Research Institute, Ltd.

Hiroshi Hitomi Chair and CEO of Kyoyu Shoji Co. Ltd.
Ex-representative executive director of Bank of Kyoto, Ltd.

Hitoshi Kiuchi Chair of the Firm's Oversight Board

Takaaki Ino CEO of the Firm

To ensure independence, external experts do not assume a business execution responsibility of the Firm and periodically review whether their independence requirements are met.

Composition of PIB

- PIB has at least four members, more than half are external experts.

How to appoint PIB members

- Appointed with the approval of the Oversight Board based on the recommendation of the Management Committee.

Qualification criteria of external experts

- A person who possesses appropriate knowledge as an external expert, such as a track record of contributing to the financial and capital markets as an investor, experience and knowledge as management of a listed company or comparable experience and knowledge, experience in regulatory authorities and experience and knowledge as a stakeholder in the financial and capital markets.
- A person who does not breach the independence of the Firm and the Firm's audit clients.

Role and authority








- Deliberates on matters such as the system of audit quality management and how it is operated, opinions from the PIB and the status of the Firm's actions to address the recommendations, and provides advice and recommendations to the Management Committee.
- Has authority to receive information on the system of quality management and how to operate the Firm, which is necessary for the performance of duties, from partners and employees at any time.



Yoshinari Hara Kazuhiro Suzuki Tadashi Shimamoto Hiroshi Hitomi

Management Committee

Officers (As of July 1, 2024)

	Name	Title	Career summary	Skill Matrix											
				Management/ Senior leadership	Audit	BAS	Quality management	Business development	Digital	ESG	Accounting/Finance	HR/labour management/ People development	Legal/Compliance/ Risk management	Global	Other industries/ Secondment experience
	Masataka Kubota		1998 Joined Aoyama Audit Corporation/2001 Seconded to PwC Chicago Office/2019 Appointed managing officer and assurance leader/2020 Appointed Deputy CEO/2024 Appointed CEO (and the leader of PwC Japan Group)												
	CEO			●	●	●		●	●	●		●		●	●
	Keiichiro Kagi		1994 Joined Chuo Audit Corporation/2007 Joined Kyoto Audit Corporation/ 2013 Appointed leader of HR, general affair, accounting and Management Committee secretariat/2023 Appointed managing partner of PricewaterhouseCoopers Kyoto/2023 Appointed Acting CEO												
	Acting CEO			●	●	●		●	●	●		●			
	Takeshi Yamaguchi		1999 Joined Chuo Audit Corporation/2005 Seconded to PwC New York Office/2019 Appointed leader of asset management assurance/2024 Appointed CEO												
	Deputy CEO (Assurance Leader/ Assurance Transformation/ Planning & Management/ Chief Investment Officer)			●	●	●			●	●				●	●
	Masato Yamagami		1997 Joined Aoyama Audit Corporation/2006 Appointed revenue recognition special member of the JICPA's Accounting System Committee/2016 Appointed leader of the Osaka Office/2019 Appointed												
	Executive Officer/ Chief Broadier Assurance Service Officer			●	●	●		●						●	
	Kensuke Koda		1994 Joined Aoyama Audit Corporation/2012 Appointed leader of the manufacturing, distribution and services No.2/2013 Seconded to PwC U.S. New York Office/2021 Appointed head of the Audit General Management Office/2022 Appointed officer/2023 Appointed executive officer												
	Executive Officer (Chief Audit Service Officer)			●	●			●		●		●		●	
	Takaki Suzuki		1993 Joined Chuo Audit Corporation/2000 Seconded to PwC U.S. New York Office/2019 Appointed leader of Chief Auditor/EPQ (*)/2022 Appointed the head of Risk Management of Risk & Quality/2023 Appointed officer/2024 Appointed executive officer * Audit process transformation program												
	Executive Officer/ Chief Quality Officer				●		●					●	●	●	
	Katsuhiko Saito		1999 Joined Aoyama Audit Corporation/2005 Seconded to PwC China Shanghai Office/2007 Joined Kyoto Audit Corporation/2023 Appointed leader of Tokyo office of PricewaterhouseCoopers Kyoto/2023 Appointed officer and leader of IPO business strategy office												
	Officer (Chief Kyoto Business Management Officer)				●	●		●			●	●		●	
	Masahiko Nara		1994 Joined Chuo Audit Corporation/2014 Appointed head of Insurance/ 2022 Appointed head of Human Capital Planning Office of Planning & Management/2023 Appointed officer												
	Officer (Chief Human Capital Officer)				●	●		●				●			●

Observers of the Management Committee

Takaaki Ino (Chair)

Akane Yoshida (Subsidiary management)

Neil Weingarten (Senior Officer, Risk & Quality Co-Leader)

Kazuyuki Tsujimura (Senior Officer, Planning & Management Leader)





Takeshi Ishigami (Senior Officer, Assurance OGC Leader)

Taiji Ayabe (Senior Officer (Risk Assurance Leader)

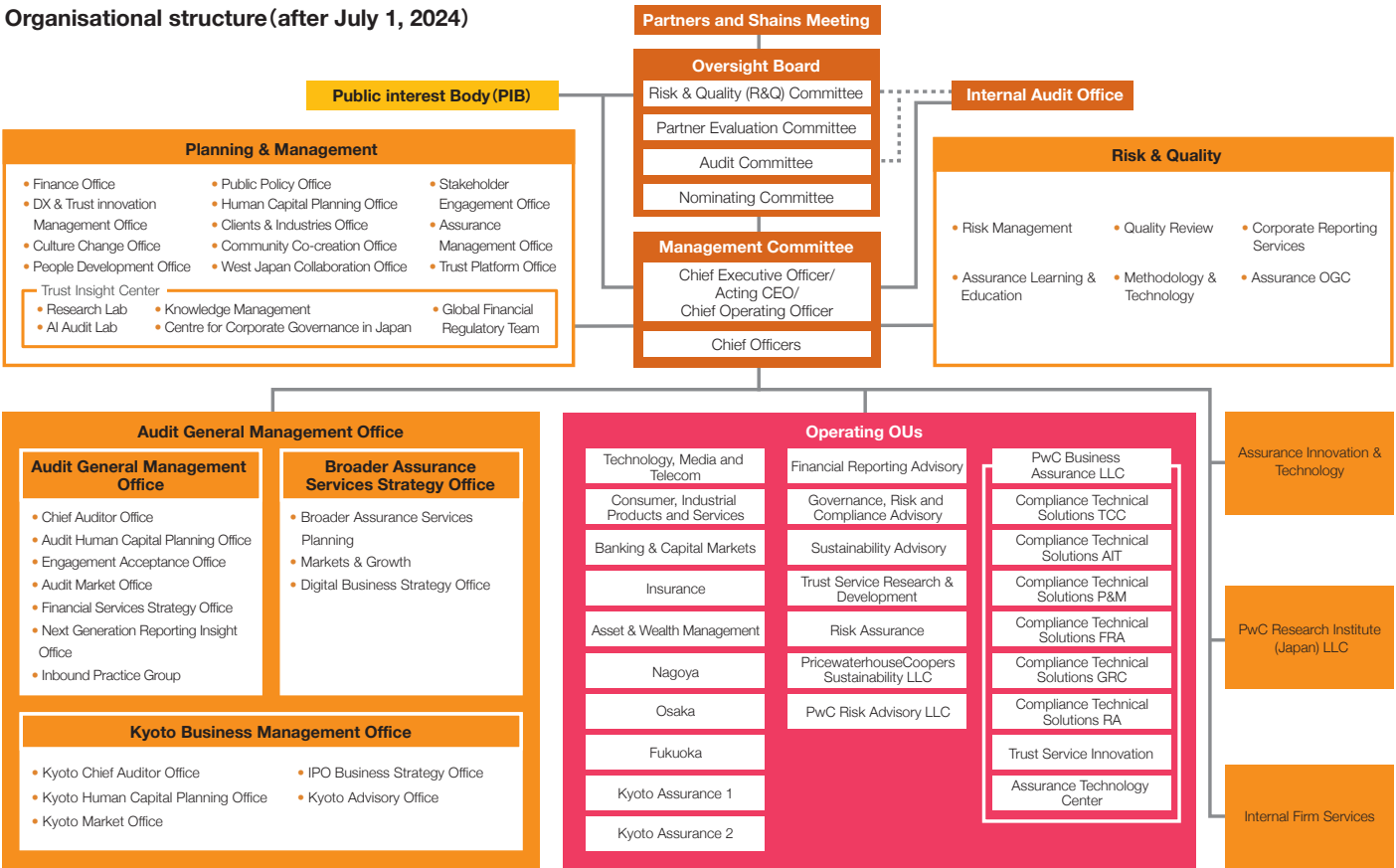
Kenji Tezuka (Senior Officer, Nagoya Leader, West Japan Collaboration Office Leader)

Naoko Mori (Officer, Regular Recruitment)

Kenichi Hayashi (Officer, Public Policy)

	Name	Title	Career summary	Skill Matrix											
				Management/ Senior leadership	Audit	BAS	Quality management	Business development	Digital	ESG	Accounting/Finance	HR/labour management/ People development	Legal/Compliance/ Risk management	Global	Other industries/ Secondment experience
	Chikako Suzuki		1997 Joined Chuo Audit Corporation/2016 Appointed head of Fintech & Innovation office/2016 Appointed member of the crypto asset special committee of the JICPA/2022 Appointed officer (leader of the Culture Change Office)/2023 Appointed leader of People Development Office of Planning & Management		●			●	●	●		●		●	
	Officer (Chief Culture Officer/Chief People Development Officer)														
	Eiichi Yamanaka		1996 Joined Aoyama Audit Corporation/2004 Transferred to PwC Los Angeles Office/2020 Appointed leader of Japan Group automobile sector/2022 Appointed leader of client industry/2023 Appointed officer			●		●		●	●			●	
	Officer (Chief Clients & Industry Officer)														
	Kazuya Miyamura		2000 Joined ChuoAoyama PwC Financial & Risk Management Consulting Since 2018, participated as member of the Study Group Working toward the Transformation to a Digital Industry and Study Group of AI Society Implementation Architecture of METI, DX Promotion Sub-working Group of Digital Agency/2023 Appointed officer												
	Officer (Chief Digital Officer/Chief Information Officer/Trust Service Development)			●		●		●	●	●				●	
	Nobuki Otsude		2006 Joined PwC Aarata/2015 Appointed Financial Reporting Advisory leader/2019 Appointed Chief Financial Officer/2020 Appointed officer												
	Officer (Chief Finance Officer)			●		●		●		●				●	

Organisational structure(after July 1, 2024)



Public Interest Body

Past year review

The members of the Public Interest Body (PIB) looked back on significant managerial challenges of FY 2024 and the progress of related initiatives.



Hitoshi Kiuchi
PricewaterhouseCoopers Japan LLC,
Chair of the Oversight Board

Masataka Kubota
PricewaterhouseCoopers Japan LLC,
CEO

Takaaki Ino
PricewaterhouseCoopers Japan LLC,
Chair

Hiroshi Hitomi
Chair and CEO of Kyoyu Shoji Co. Ltd.
Ex-representative executive director
of Bank of Kyoto, Ltd.

Kazuhiro Suzuki
Lawyer, ex-superintending prosecutor of
Fukuoka High District
Public Prosecutors Office

Yoshinari Hara (Chair)
Honorary advisor of Daiwa
Securities Group Inc.

Tadashi Shimamoto
Ex-CEO and chair of
Nomura Research Institute, Ltd.

1. FY2024* management initiatives

Culture

Ino : Following the establishment of Behaviours Guidelines in FY2023, our firm continued its cultural initiatives based on the PIB's advice in FY2024. With the completion of the integration between PricewaterhouseCoopers Kyoto (ex-PwC Kyoto) and PricewaterhouseCoopers Aarata LLC (ex-PwC Aarata) in December 2023, the PIB also discussed the new Firm's culture.

Hara : The integration was a milestone for the Firm in FY2024. I think it was executed at the right time, and went smoothly. Also, the Firm's revenue and number of

*FY2024 is the Firm's fiscal year from July 1, 2023 to June 30, 2024.

people have increased over the past few years, which proves the Firm's commitment to audit quality enhancement and cultural initiatives.

Suzuki : As it has not been long since the integration has been completed, whether this integration generates synergies will depend on the Firm's future efforts. But I think the post-integration integration has been proceeding successfully. When updating the Behaviours Guidelines in FY2025, the Firm should measure and verify its effectiveness and determine whether it is in the right direction.

Shimamoto : The philosophy of Behaviours Guidelines was embodied through conducting awareness raising

activities this year. This helped increase the participation rate and the results of the employee engagement survey. It is my impression that cultural initiatives are progressing well. But I perceive that there is still a gap in commitment between staff and partners. To solve this gap, partners should pay attention to the issues. The integration has given rise to the issue of how to integrate the culture of the two firms. The Firm should maintain the best attributes of both firms' culture as part of the integration.

Hitomi : I was a member of ex-PwC Kyoto's advisory board, which is equivalent to the PIB, for two years. I believe a lively discussion between the two firms contributed to the post-integration integration of both cultures. I hope good culture of both firms will be incorporated and continue to exist.

Ino : Culture is the key to success in the pursuit of quality. Therefore, we will continue and promote our cultural initiatives in FY2025.

Kiuchi : The leadership team places a priority on culture, and has been committed to cultural initiatives, including the Behaviours Guidelines, which are evaluated by the Oversight Board. The Behaviours Guidelines is an innovative, bottom-up initiative. But I think it is not sufficiently put in practice by the partners. Since the partners have a huge influence over engagements, it is important for the partners to deepen their understanding and demonstrate the Criteria.

Quality

Ino : Our quality has received good results in the external and internal inspections. Our Firm will continue its effort to maintain this quality level. We also worked on the post-integration integration of the quality management system.

Shimamoto : In integrating the approach to quality, it is important for ex-PwC Kyoto and ex-PwC Aarata to have an honest discussion to maintain good practices.

Smooth communication will drive the initiatives for truly high quality.

Suzuki : I recognise that the Firm has received good inspection results. But I am concerned with the fact that the number of cases of corrections to the annual securities reports is increasing.

As errors will undermine trust, audit staff should carry out their work with due care.

Kubota : We are investigating root causes of such cases and will take action according to the results.

Hitomi : Six months have passed since the integration, and the Firm is now standardising its operations. It is important to review whether there are any issues in the Firm's direction of this initiative.

Hara : If audit quality declines, it takes a very long time to improve it. So we must pay attention to this.

Ino : Audit quality may be affected by how resources are allocated. While continuing our initiatives to improve quality, we need to proactively change the resource allocation plan when the environment changes and risk arises.

Kubota : To further improve quality, we shifted our quality structure from a people-dependent to systematic structure by implementing an initiative called '4+1' (p. 50). Its effects took several years to produce, but we did it.

Kiuchi : In the past, there was a quality issue the Firm needed to address. One of the causes was a rapid increase in the number of staff and audit clients. At that time, the pace of disseminating our approach to quality across staff did not catch up with the rapid growth of the organisation. After appointment as Deputy CEO (Assurance Leader), Masataka Kubota implemented practical measures to improve quality.

Still, the Firm needs to continue its robust initiatives as audit quality is affected by people's behaviour, and



carelessness may cause deterioration in audit quality.

Hara : It is valuable to have experience of overcoming the issue. Even if a problem arises, the Firm can respond to this using know-how gained in such experience.

Ino : Yes, and I think we need to continue to put our soul into our quality improvement framework.

Digital

Kubota : We have established a new division to oversee DX and are working to strategically recruit, train, and develop digital talent. We have also expanded our digital tools, and begun to partially use generative AI. Our next challenge is to accelerate our implementation of Next Generation Audit (NGA), which requires the understanding of, and action by, our audit clients. We will also address this in promoting this project.

Shimamoto : Since users need to understand the purpose of promoting DX, it is important to clarify the linkage between DX promotion and specific operations. generative AI will improve the efficiency of operations and the ability to propose solutions to clients. In NGA implementation, the responsible division should show a clear policy to the organisation and communicate, and promote the understanding of, its effects and use cases.

Suzuki : To improve the efficiency of DX and accelerate our preparation for NGA implementation, the Firm needs to hire and develop people. An effective option is to review the salary structure to attract talented people with digital skills. To maximise its effect, NGA needs to be connected with audit clients' accounting systems, etc. Therefore, the Firm should engage in discussions with audit clients from an early stage. Additionally, the Firm



should make suggestions that will improve the user-friendliness of NGA as it is developed jointly with the PwC network.

Kubota : Tracking the status of tool utilisation is important for improving

the investment efficiency of DX. For example, a decision needs to be made whether to continue the use of subscription-type tools. In promoting the use of AI tools, we will communicate closely with the PwC network's development team.



Kiuchi : The promotion of DX and the strengthening and use of the Technical Competency Center (TCC) are making steady progress. While various DX initiatives are underway, their goals need to be clarified. The Oversight Board is also paying attention to NGA, and we will create an NGA implementation roadmap to monitor the progress.

Sustainability

Ino : Non-financial reporting standards, such as the EU Corporate Sustainability Reporting Directive and standards established by the International Sustainability Standards Board and the U.S. SEC, have been developed and their application framework has been rapidly established. In Japan, the Sustainability Standards Board of Japan is developing sustainability disclosure standards and assurance will be discussed. Our Firm is also developing sustainability services and investing in people development in our assurance and advisory practices.

Hara : Sustainability initiatives have aspects of both assurance services and non-assurance services. As clients will give more weight to sustainability skills in selecting an audit Firm, the Firm needs to further develop its sustainability literacy.

Ino : Integrated Assurance services defined in Vision 2030 aims for a future where the assurance team and the non-assurance team collaborate with and enhance each other.

Suzuki : Both assurance services and non-assurance services need to understand and respond to the issues and needs of individual clients.



In doing so, the effective approach is to focus on identifying and targeting issues that are not noticed by clients, not just looking at the existing issues and needs.

Shimamoto : I think the key is to clarify and enhance the Firm's strength. For non-assurance services, the Firm's strength can be combining sustainability services with other solutions and delivering them as a package by identifying target companies and responding to respective needs, instead of providing only sustainability services.

Hitomi : I also advise the Firm to develop its own strengths and set the Firm apart from competitors, including non-audit firms. Assurance services are one of the strengths, but a wider range of solutions are necessary.

Kubota : Sustainability related knowledge has been accumulated through non-assurance services, and we plan to use it to develop assurance services. We will also continue to make investments to address future revisions to regulations in Japan.

Kiuchi : As a huge trend in society, there is a societal expectation toward financial statement auditors' role in sustainability assurance. The Firm is working to develop a structure to provide sustainability assurance services, including people development and establishment of a quality management system. To provide added value by leveraging our strengths, high-quality services need to be delivered by mobilising teams with wide-ranging knowledge and experience and promoting collaboration with the PwC network.

2. Reflection and our Firm's future

Reflection

Hara : In response to the Audit Firm Governance Code that became effective 8 years ago, the Firm established the PIB to supervise, evaluate and advise on the initiatives of the Management Committee to enhance audit

quality. I have chaired the PIB since its establishment, and today will be my last meeting.

Looking back on the PIB's 8-year activities, in FY2017, the topic of the profession was the business model and role of audit firms. The Firm also reviewed its business and role. The Firm was appointed as an independent auditor for a large-scale audit engagement. In FY2018, the Firm had in-depth discussions on measures to improve audit quality to address the quality issue. The leadership team promptly responded and rolled out the '4+1' initiative. While it took several years to produce an outcome, this initiative contributed to professional development and quality enhancement. In FY2021, KAMs were introduced, which drove the Firm's activity to enhance audit quality. During FY2020 to FY2022, in which the pandemic occurred, the focus was on work styles. In FY2023, the Firm established the Behaviours Guidelines. The Firm's strength is its ability to put this Criteria into practice and focus on people development. Also, the Firm is heading in the right direction. For example, the development of non-assurance services in addition to the audit practice has contributed to revenue growth; quality has been enhanced, and employee satisfaction has improved. Various experiences have strengthened the Firm's growth potential.



Our Firm's future

Kubota : The foundation for further growth has been established in our Firm. The environment surrounding us is drastically changing, such as the expansion of assurance scope to include sustainability and changes in the audit methodology to address DX. To respond to these changes, we will launch far-sighted initiatives, instead of just following trends. We aim to develop the Firm into a brand that is recognised as: 'bringing the audit to the future.'