

### Change in Environment & New Challenges

### Steps forward

#### Ensuring confidence in audit

- While corporate activities become more complex and the diversity of companies expands, the share of small and medium-sized audit firms in audits for listed companies increases.
- Advances in audit quality control
- International trends in audit reforms

#### ■ Enhancing support for small and medium-sized audit firms

#### ■ Examining the statutory framework that requires high discipline in audits for listed companies

- Enhancement of adaption of the Audit Firm Governance Code

#### ■ Check function by third parties

- Having JICPA conduct in-depth quality control reviews
- Examining a wider range of inspection authority for the CPAAOB

#### Improving the capacity & capabilities of the CPAs

- Diversification of working styles of CPAs
  - Progress of women's advancement
  - Increase of professional accountants in business (PAIB)

#### ■ Modifying audit independence rules based on the spouse relationship

#### ■ Examining measures to improve supervision and support for PAIB, including more useful professional training programs

- Innovations in audit technologies, such as advanced auditing standards and AI

#### ■ Enhancement of CPE, accounting education and practical experience (CPA examination system will be examined from a medium-to long-term perspective)

#### ■ Acquisition of on-site experience through such means as personnel exchanges between audit firms and companies

#### ■ Measures for those who don't appropriately fulfill CPE obligations

#### Improving the environment for high quality audit

- Corporate initiatives based on the Corporate Governance Code

#### ■ Strengthening communication and cooperation by the external auditor with the corporate auditor and internal audit

#### ■ Discussions for more effective internal control by analyzing the current operational status