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MONTHLY REPORT

APR.2024

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01. LATEST ACCOUNTING INFORMATION

Important accounting information relating to the fiscal year ending March 2024 is as follows:

1. Review of the quarterly disclosure system. Companies' quarterly information will be consolidated into disclosure via financial statements, and auditing firms will conduct interim reviews of semi-annual reports and annual audits of securities reports.
② Comment on the exposure draft of leasing An exposure draft of accounting standards for leasing was published in May 2023 to align with IFRS 16, the international standard for lease accounting.
・Lease transactions → Leases ・Lease assets → Right-of-use assets ・Lease obligations → Lease liabilities ③ Change in tax accounting classification In line with international trends, corporation tax, etc. on income will be classified and accounted for as profit or loss, shareholders' equity, or other comprehensive income depending on the transaction, etc. that generates the tax.
④ Introduction of a global minimum tax system Additional tax will be levied when the national effective tax rate falls below 15%.

[Impact on Company]

●● Company, which has a fiscal year ending in March, will have a semi-annual review in September 2024 and a financial statement audit in March 2025. However, no financial statement reviews will be conducted in June or December, and interim reviews will be conducted as usual.

When the accounting standards for leases are revised, lease assets will be recorded as assets on the balance sheet, and it is expected that the financial indicators of return on assets (ROA) and return on equity (ROE) will become relatively lower at the time of the change. Investment efficiency will be required for leases as well as fixed assets.

Currently, there are no countries where ●● Company has subsidiaries with tax rates below 15%, so there is no impact from the global minimum tax system.

Quarterly reviews will be abolished from April 2024

02. LATEST TAX INFORMATION

The main changes in the proposed tax reform for fiscal year 2024 are as follows:

① Income tax and local resident tax will be reduced for annual income of 20 million yen or less. ② A 7% wage increase will be required for large companies with more than 2,000 employees. ③ Special tax measures will not be applied to large companies that are expanding their profits but are reluctant to invest. ④ Tax reduction measures will be implemented in the fields of GX, DX, and economic security. ⑤ Research and development tax measures will be created on expenses, and an innovation box tax system will be created on profits, to keep pace with other countries. ⑤ The exercise price of qualified stock options will be raised to a maximum of 36 million yen. ⑥ Expansion of preferential treatment for child-rearing.

[Impact on Company]

The measures that are expected to have a particularly large impact on ●● Company are ④ tax reduction measures in the fields of GX, DX, and economic security, and ⑤ research and development tax measures and the innovation box tax system.

For details on GX, DX, and SX, please refer to the terminology explanation.

In addition, with regard to the innovation box tax system, it is particularly important to understand the classification of sales and other items related to intellectual property within the company.

The key words for the tax reform in fiscal year 2024 are "Deflation"

03. SUSTAINABILITY-RELATED INFORMATION

We researched the sustainability and governance approach of ▲▲ Company, which has been selected for four consecutive years by S&P Global, a global ESG research and rating company based in the United States.

▲▲ has set specific sustainability contribution targets for each business sector and is trying to address governance by linking them to executive compensation. In addition, sustainability is one of the indicators in risk management, and trends are constantly being monitored. Specific details are disclosed in ▲▲'s integrated report.

[●● Company Integrated Report]

An integrated report links financial and non-financial information to clarify a company's impact on society and its initiatives.

The "Corporate Report" disclosed by ●● Company is indeed an integrated report, but in the publication it is only referred to as a "Corporate Report." From the perspective of appealing to investors, analysts, and society in general, it would be advisable to consider calling the Japanese version of the "Corporate Report" an "Integrated Report." In addition, it would be a useful tool for executives to evaluate sustainability-related indicators as "PKI."

It is important to link sustainability indicators to business evaluation

04. NON-FINANCIAL INFORMATION TRENDS IN EUROPE

If a subsidiary is not listed in the EU, it is required to disclose information in the areas of Environmental, Social and Governance (ESG) if it meets two or more of the following three criteria: sales of 50 million euros, total assets of 25 million euros, and 250 employees. (European CSRD (Corporate Sustainability Reporting Directive)) In applying the CSRD, Japanese parent companies with subsidiaries in Europe must consider the following points.
① Scope of application ② Responding departments ③ Consistency and comprehensiveness with ESG information

[●● Company response]

J●● Company will be required to comply with the report for the fiscal year ending March 2026, while overseas subsidiaries will need to submit reports for the fiscal year ending December 2025. It is possible for ●● Company's EMEA parent company to prepare the report alone, rather than for all of its subsidiaries, and for its sub-subsidiaries to apply the exemption regulations. Going forward, it would be desirable for the sustainability department at ●● Company's headquarters to actively exchange information with sustainability personnel in EMEA to strengthen the compliance system for the entire ●● Company Group.

CSRD response is led by the parent company as part of compliance

05. THIS MONTH'S KEY WORD

Explains new terms and jargon.

1

SX
Sustainability Transformation

A shift in a company's management direction to one that emphasizes sustainability.
The following two points are required to realize SX:
・Corporate sustainability - Strengthening existing businesses and entering new businesses, etc. ・Social sustainability - Identifying mid- to long-term risks and opportunities for social change and reflecting them in management

2

GX
Green Transformation

To promote sustainable social and economic transformation by shifting from fossil fuels to renewable energy sources such as solar and wind power, aiming for environmentally friendly economic growth and social reform.
This transformation aims to achieve both greenhouse gas reduction and economic growth.

3

DX
Digital Transformation

By utilizing digital technology, we aim not only to improve business processes, but also to move away from existing systems and transform our corporate culture.

Proposal for ●● company

"SX," "GX," and "DX" do not exist separately; it is believed that by working on these across the entire company, contributions to society will be increased.
Currently, at ●● Company, SX is being promoted by the Corporate Planning Department, GX by each business division, and DX by the Information Systems Department. However, it is believed that more effective transformation can be achieved if not only the Corporate Planning Department, but also each business division and the Information Systems Department tackle sustainability with an awareness of the value they provide to society.

REFERENCES

(1) Accounting and Audit Topics Training Seminar (Corporate Accounting and Audit) (2) Tax Reform in 2024 (3) Sustainability Disclosure and Governance Requirements (4) Sustainability Management at ▲▲ Company (5) Joint Research Report on Internal Controls for Circular Transactions (6) 2023 Asia-Pacific Whistleblower Survey Report

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