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The International Valuation Standards Council
4 Lombard Street
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Comments on the IVS Agenda Consultation

The following are our answers to those of the questions contained in the IVS Agenda Consultation which we thought we should comment on, other than those which we have no particular comments on.

1. Environmental, Social and Governance (ESG) Questions

Question 1.1: Do you agree that the consideration of ESG in valuation should be a key topic for the IVSC's Technical Boards? If not, why?

(Our comments)

We agree.

Question 1.2: Should IVS include additional requirements in relation to the consideration of ESG within valuations? If so please provide further details and your reasoning.

(Our comments)

Given that it is likely that an especially high standard of expertise is needed for the consideration of ESG, IVS should additionally include rules on these requirements and the method of their application.

2. Technology in Valuation Questions

Question 2.1: Do you agree that the use of technology in valuation should be a key topic for the IVSC's Technical Boards? If not, why?

(Our comments)

We agree.

Question 2.2: Should IVS include additional requirements in relation to the use of technology within valuations? If so please provide further details and your reasoning.

(Our comments)

We consider it necessary to add to IVS the matters requiring legal and practical consideration such as the needs to obtain permission for the utilization of data used in valuations.

3. Valuation Risk Questions

Question 3.1: Do you agree that the valuation risk should be a key topic for the IVSC's Technical Boards? If not, why?

(Our comments)

We agree.

Question 3.2: Should IVS include additional requirements in relation to the consideration of valuation risk within valuations? If so please provide further details and your reasoning.

(Our comments)

Quality is always an important issue in valuations. Generally, problems arise if valuations are not reflective of their purposes (for instance, when a valuation of real estate is not appropriate in light of various purposes such as valuation as collateral for a loan, valuation for the purpose of financial statements or valuation for regulatory purposes including the Basel regulations for financial institutions). We therefore consider that valuation risks should be clarified and put together as an independent section, stating their significance, the matters that require attention, and the relevant procedures, among other things.

4. IVS Additional Topics Questions

Question 4.1: Do you agree with the scope of the project as described above and the prioritisation contained in the IVS additional topics and if not why?

(Our comments)

- Discounts and Premia

There is a wide degree of variance in valuation standards (*) and practices of discounts and premia. This may be creating difficulties in valuation practices. We therefore would like the reduction of variance to be a high priority topic.

- Model Calibration

There is a wide degree of variance in valuation standards (*) and practices of calibration. This may be creating difficulties in valuation practices. We therefore would like the reduction of variance to be a high priority topic.

- Quality Control and Individual Valuer

Quality assurance in valuations is always an important topic. Particularly, small-scale or individual valuers may find quality assurance through an internal process difficult. Some members therefore have commented that this topic should be made a topic that should be addressed within the next two years.

(*)

- USGAAP (AICPA Valuation of portfolio company investments of venture capital and private equity funds and other investment companies)
- IPEV (The International Private Equity and Venture Capital Valuation) Guidelines

Yours faithfully,

Eriko Otokozawa

Executive Board Member — Business Accounting Standards and Practice/Corporate Disclosure

The Japanese Institute of Certified Public Accountants