



SUSTAINABLE TRUST

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INTEGRATED
REPORT



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The Type of Trust That Connects to the Future

The Japanese Institute of Certified Public Accountants (JICPA) works closely with society to plan ahead and realize our vision of “a bright future full of comfort and vitality.” The scope of CPAs’ core work of auditing and assurance is expanding, and CPAs will be expected to solve problems in a wide range of areas in future society.

The scope of auditing and assurance work and the issues facing society will most likely continue to change constantly. Working hand in hand with CPAs, JICPA will fulfill our mission of delivering trust to society and move toward the future without fearing change.

Sustainable Trust Creation

Auditing and assurance

Resolving social issues



The future

HUMAN CAPITAL MANAGEMENT FOR OUR FUTURE

EXCLUSIVE INTERVIEW

Future-oriented Human Capital Management

Konishi Decorative Arts and Crafts Co., Ltd. CEO

DAVID ATKINSON

Chairman and President of JICPA

TETSUYA MOGI

Mr. David Atkinson went from being a partner at a major U.S. financial institution to working for a company that restores important cultural properties in Japan and also driving the reform of this industry. His commitment to improving the skills of artisans and creating an environment in which they can thrive also provides a valuable reference for realizing JICPA's vision for a better future. He spoke about human resource development that will respond to future changes in the environment.

Western Companies That Have in Place Comprehensive Human Resource Development Systems

Mogi: Mr. Atkinson, you made a major career change, going from being an analyst at a major U.S. financial institution to becoming the CEO of a company that restores important cultural properties in Japan. What was your first impression when you took up the management position?

Atkinson: My first impression when I was asked to take charge of this company was that many of our people had joined Konishi Decorative Arts and Crafts specifically to be involved with cultural properties, and

their passion reduced their objectivity and neutrality. If people completely and positively believe that the restoration of important cultural properties is essential to society, viewing their own work objectively becomes difficult.

Mogi: Objectivity is a very important point of view. It is also essential for CPAs to have objectivity in carrying out their tasks. Removing preconceived ideas and assessing an organization's financial situation based on the facts enables the making of appropriate judgments. Objectivity forms one of the five basic principles for maintaining ethics that serve as the foundation of trust for CPAs, and we always bear this in mind when making objective judgments as professionals.

Given the impression you gained, what kind of initiatives have you taken in terms of human resource development?

Atkinson: Since human resource development is such a key issue for the future of the business, I changed the structure of the company completely. Specifically, I made all our young craftsmen full-time employees. Amazingly many of them were on part-time contracts. As a result, young craftsmen now have a greater sense of responsibility, their skills and quality control have improved and this has led to increased productivity. In Japan, there is a perception that corporate human resource development should be left entirely to the HR department, whereas in Europe and the United States, managements

tend to take it upon themselves to tackle the issue.

The difference in the level of support for human resource development is also evident in the level of investment in training. In Europe and the United States, corporate investment in training is between 1-2% of GDP. In contrast, the figure in Japan is 0.1%, which is around 30 times in real terms less that spent by U.S. companies.

Important Factors in Improving Productivity

Mogi: In your book, you write about the abolition of seniority-based systems. What was your thinking behind this?

EXCLUSIVE INTERVIEW



DAVID ATKINSON

CEO of Konishi Decorative Arts and Crafts Co., Ltd. Born in the UK in 1965. After graduating from Oxford University's Department of Japanese Studies, he worked as head of the financial research department at GOLDMAN SACHS JAPAN CO., LTD., before joining Konishi Decorative Arts and Crafts, which repairs national treasures and important cultural properties, in 2009. He has been in his current position since 2014.

Improving logical thinking by training yourself

on critical thinking about processes

will lead to increased productivity.

DAVID ATKINSON

Atkinson: To my mind, Japan's traditional seniority-based systems are becoming outmoded in many respects. One reason is the changing technical environment, including the evolution of digital technology. In the past, information was in written form. Therefore, the information one has in one's head, or knowing where to find information, and experience gained over the years is important. However, now that much information has been digitized and can be searched and processed instantly, age, a good memory and years of experience are no longer as important, rendering the seniority-based system less meaningful. I have noticed that there is too much of an inward-looking focus within companies and industries, and that alternative business models are not being properly explored. Even if you think a technology has huge value, it's meaningless unless it can contribute value to others.

Mogi: I think that having value objectively recognized by others does create added value and leads to improved productivity. What do you think is the reason why people are unable to think objectively like that?

Atkinson: There are cultural differences, but I feel that there are also problems with school education. It is said that due to brain development, young people begin to develop logical thinking after the age of 18. Thus the university years are vital for the development of logical thinking skills. Moreover, that does not mean having a few lectures on logical thinking; all teaching should be a training in logical thinking, which is the focus at Oxford University, where I studied. I believe that logical thinking can only be acquired through intensive training of the mind. It is not available just from reading a book about it.

Mogi: Logical thinking is one of the most important qualities in the CPA profession. JICPA is conducting an integrated and comprehensive study on how to develop

the qualifications and capabilities of CPAs throughout the process, from before to after they become CPAs. It is important to broadly and continuously develop logical thinking throughout the company.

Linking Training to Motivation

Mogi: What are your thoughts on the challenges facing human resource development in Japanese companies?

Atkinson: I think the root of the current system can be traced to the explosive population growth in Japan after the war. Companies had no difficulties in recruiting, so they did not need to develop people; those who could develop did so, and employees that did not develop simply languished. The same is true in the world of craftsmen restoring cultural properties, where I feel there has been a lack of awareness of helping people to grow who are unable to grow on their own.

Mogi: So that's why you implemented reforms, to change this.

Atkinson: Our industry association* has created a new training system leading to certification. Specifically, trainees receive training in which the development of their skills is also confirmed, and after several years, when they have developed their technical skills to the appropriate level, they are certified and can begin to be in charge of a restoration project team. The craftsmen with the strongest technical and managerial skills are chosen from this group and certified as highly skilled technicians. The most important and complicated restoration projects will be run by these craftsmen.

*Atkinson serves as the representative director of the Shrine and Architectural Decoration Heritage Skill Association, a general incorporated association.

Mogi: What changes have occurred since you introduced this system?

Atkinson: Simply putting the system in place does not change anything necessarily. The mindset of managements needs to be changed too. We are lobbying the Agency for Cultural Affairs to include in the bidding for restoration projects the required level of certification of the craftsmen that will actually restore a building. Since highly skilled technicians are a requirement for bidding on work, managements are encouraged to have employees participate in training to increase the number of skilled workers. This is a turning point for the industry as a whole.

Mogi: While managers provide educational opportunities, I believe that unless the participants also want to learn, it will not lead to growth. In the case of CPAs, they must pass the exam to enter the industry, gain more than three years of practical experience, and then take another exam. Only after passing this exam, will they be qualified as a certified public accountant. However professional development continues even after that. The qualification system that you and your team have established has four levels, and it takes 16 years to reach the top level of advanced skills, so how do you keep them motivated during all that time?

Atkinson: As an industry, I think the training being provided is proving effective. Workers can compare themselves with people both inside and outside their companies and across the entire industry, which makes it clear how much they have grown, thereby creating a competitive spirit and motivating them to keep learning.

Mogi: JICPA requires CPAs to take training courses to fulfill their mission and responsibilities as CPAs and to improve their qualifications. I do believe however that it is necessary to constantly keep pace with changes in the social environment and provide meaningful training that enables each CPA to continue to independently develop their skills with an eye to the future.

Toward Resolving Future Social Issues

Mogi: What needs to be done to adapt to changes in the social environment and solve future social issues?

Atkinson: When I first became an analyst in 1992, analysts were often the only people with databases and the data itself was very valuable. Most of the original data was only available in printed form, but now that data is digitally available to all. I think that CPAs are also shifting in terms of how they can utilize information. It is important to correctly understand the meaning of the data, and I believe that a thorough training in critical thinking leads to increased productivity by understanding what results can be gained by preparing and processing the data.

Mogi: I agree. The importance of correctly understanding the meaning of the data is the same in accounting. Accounting represents an important form of socio-economic infrastructure, and I feel that improving financial and accounting literacy has become even more important in Japan today. In addition to fostering social understanding of the significance of accounting and auditing, CPAs are expected to be widely involved in society in a variety of ways. Under those circumstances, I would like to contribute to future-oriented efforts so that we can produce many talented people who can play a part in this.

Atkinson: Data is not everything, but thinking objectively and logically using numbers has the power to change people's behavior. I have high hopes for the active roles that CPAs and JICPA will play.

Mogi: Thank you. I feel that the roles expected of CPAs are expanding more than ever. Through CPA services such as audits and assurance, we hope to build trust in society. In conjunction with these efforts, we will respond to society's expectations by pan-industry initiatives to underpin society's trust in a variety of fields, by adapting to changes in the environment and constantly improving our capabilities, and by creating a bright future for society full of comfort and vitality. Thank you so much for your time today.



Fostering a social understanding of

the significance of accounting and auditing,

JICPA will continue to produce many talented

CPAs who will play important roles in society

in a variety of ways in future.

TETSUYA MOGI