



# KPMG Japan Our Story 2020/21

KPMG Japan

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# Inspire Confidence,

## Inspire Confidence, Empower Change.

### Our Purpose

Inspire Confidence, Empower Change.

We work to inspire confidence in the economy  
while empowering clients and society to make positive changes.

This is Our Purpose.

We work shoulder-to-shoulder with our clients,  
delivering real results, while we ourselves change  
for the better as we seek to be the Clear Choice.

This is The KPMG Story – building on the past and leading into the future.

# Empower Change.



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# CEO Message

## To be the Clear Choice – Now and in the future

Hiroyuki TAKANAMI

CEO, KPMG Japan  
CEO, KPMG AZSA LLC

### Our Purpose

KPMG Japan's Purpose is to "Inspire Confidence, Empower Change," that is, to contribute to the realization of a fair society and to the sound development of the economy through delivering high-quality services.

It is imperative that we foster the public's confidence in KPMG Japan in order to achieve Our Purpose. We have been entrusted to provide services that contribute to the public interest on the premise that we have a high awareness of our social infrastructure role, and that we are recognized as being worthy of the trust placed in us by the public and our clients.

It is therefore our utmost priority that we ensure that no matters arise in our audits that may surprise the market, and that we constantly maintain the neutrality and independence expected of an accounting firm for our tax and advisory services. Our impartial and principled people who practice this every day and our open corporate culture in which we embrace diversity serve as KPMG Japan's foundation for value creation.

**Work Experience** | Hiroyuki managed the audits of major financial institutions before serving as Senior Executive Board Member in charge of Financial Services and subsequently Senior Executive Board Member in charge of Advisory. He concurrently served as the first President of KPMG Consulting Co., Ltd., established in 2014. He has been in his current role since July 2019.



## Reflections on this year

This year we were stricken by the coronavirus pandemic, and faced the challenge posed by the year-end closing and audit peak season ahead of the rest of the world. We were able to fulfill our responsibilities while considering the safety of our employees thanks to the understanding and cooperation of our clients, in addition to having previously prepared an environment for realizing a more flexible workstyle through our investments in digitalization. At the same time, we felt the need to prepare for the New Normal era by envisioning a new mode of service provision by reexamining workstyle and service objectives. To this end we launched the New Normal Project, and measures which have been under consideration are now being put into practice.

Through the pandemic, we have reaffirmed what is important to us. The COVID-19 pandemic has led us to reaffirm what is important to us – namely, prioritizing the health and safety of our clients and KPMG Japan employees, first and foremost at all times, while cooperating as a corporate citizen to bring the pandemic to an end by minimizing infection risk. Our experiences in this pandemic have provided an opportunity for us to rethink the way we do business and to have a greater awareness of our goal of sustainable growth. With consciousness of the need for sustainability growing on a global scale, KPMG Japan has created a platform called KPMG IMPACT for services relating to ESG and climate change which had previously been provided individually, allowing us to



contribute to accelerating initiatives for the sustainability of society and companies.

While there have been major changes in society and the way business is conducted, our mission to fulfill our social responsibilities and contribute to the development of a sound and sustainable economy has remained unchanged. However, we must continue to pursue self-transformation in response to the drastic changes in our environment in order to continue winning the trust of society.

### Responding to the constantly changing expectations of society

The expectations of our important stakeholders — the public, our clients and our people — are shifting alongside significant changes in values and behaviors throughout the world due to COVID-19, which is said to have moved the clock forward five to ten years. In order to be the first to recognize such changes and continue responding to the expectations of our

stakeholders, we believe we need to go beyond our existing service lines and demonstrate our comprehensive strength by sharing our insights and experiences. Toward this end, we will proactively address the following three points.

The first is further strengthening our global capabilities. How to effectively build and operate governance at overseas locations in a remote environment amid the ongoing COVID-19 pandemic is an urgent matter. For audits, we will continue to bolster group audit initiatives, while for advisory, we will strengthen our ability to provide services customized to individual companies from the viewpoint of reinforcing governance in overseas locations.

The second is addressing technological progress. The need to respond efficiently and effectively by utilizing data analytics is greater than ever before, not only for companies' internal controls but also for the audit, tax and advisory services that we provide. KPMG Ignition Tokyo, which was

established as a base for developing cutting-edge technology in July 2019, will take the lead and work together with our group companies to address transformation in all areas, providing society and companies with new, high value-added insights and knowledge. We have also launched a talent development program to ensure all of our people are capable of utilizing technology and responding to the digital needs of society and clients. The third is appropriately addressing risk. Uncertainty about the future has been growing as a result of COVID-19 and the VUCA era, and we are required to understand future risks by industry and address them appropriately. At KPMG Japan, we will address these challenges proactively by consolidating accumulated industry insights and accelerating the process of building an organization and fostering talent capable of demonstrating our collective strength as One KPMG. Our people are the foundation of our ability to continue meeting the expectations of society. Even in the current situation where remote working has become more common, trust between people and between organizations remains the most important thing. We are committed to

fostering true professionals who embrace their daily tasks with a high sense of ethics and integrity, and are trusted by all our clients. Recently, it became evident that some of our firm's partners and professionals were involved in inappropriate conduct relating to the completion of e-Learning programs within the firm, and consequently did not satisfy credit requirements. We sincerely apologize for the inconvenience and concern that this matter has caused for our stakeholders. We unreservedly acknowledge that such conduct lacked the ethics required of professional accountants, and furthermore that insufficiencies in the function of our internal control system led to this incident. We will take initiatives to prevent a recurrence of such conduct by strengthening our internal control system while thoroughly implementing compliance education.

### **We aim to be the Clear Choice**

In addition to the pandemic, we also face the unprecedented and significant challenge of addressing risks associated with climate change — a challenge that cannot be avoided in

order to realize a sustainable economy. With this backdrop, the information needs of the capital markets and what is expected of us are changing drastically. If we do not address these expectations in a swift manner, we could face a crisis of purpose. We believe that we can always provide high value-added services by anticipating changes in the business environment, and gain the trust of our clients by appropriately supporting their healthy growth. Further, we want KPMG Japan's people and their families to be motivated and have a sense of mission that they are contributing to the growth of clients and the development of society, and to feel confident in their skills as world-class professionals. KPMG Japan aims to understand the expectations of the public, our clients and our people, and continue to earn the trust of all important stakeholders while maintaining harmony among these respective expectations. We believe this is what is meant by our Vision – the Clear Choice.



# Chairman Message

## Work together through the unprecedented change of era

Toshiya MORI

Chairman, KPMG Japan

### – The Clear Choice –

#### What we envision for ourselves in the New Normal

KPMG Japan comprises eight professional firms supported by almost 9,000 people. KPMG, the global network to which we belong, has approximately 220,000 people with diverse characteristics and expertise in 146 countries and territories worldwide, and we cooperate and work together to provide audit, tax and advisory services based on Our Vision to be the Clear Choice.

KPMG's greatest strength is our culture rooted in mutual acceptance and respect, which serves as the foundation for value creation. Even in this New Normal era in which we have experienced the worldwide spread of the COVID-19 pandemic, we aim to contribute to clients and to society as One KPMG through our strong relationships and networks.

### – Shoulder to Shoulder –

#### Continuing to empower change as a trusted partner

The tide of globalization and digital transformation has become a more complex and unprecedented torrent amid the COVID-19 pandemic, and management of companies need to be prepared for re-creation, building a resilient organization and reexamining business models and corporate social value, or purpose, from zero.

In terms of global business, it is necessary not only to review the supply chain, but also to reexamine the business portfolio, utilize the strengths of the company, and firmly identify areas that are in line with the management philosophy.

For the promotion of digital transformation (DX), it is essential to encompass not only DX as an extension of existing business such as reduction of operation costs, but also DX for future business transformation

in anticipation of the transformation of industry rules to come.

In order to move forward together, shoulder to shoulder, as a reliable partner of companies in this era of disruption, we will develop digital solutions led by KPMG Ignition Tokyo and strengthen KPMG's global network, while actively developing talent with digital literacy and a global mindset. We will provide value-added support through such cross-function and cross-border initiatives and talent development.

### – Values Refresh –

#### What we value and what we believe

In order to lead the transformation of society and business and to always be the Clear Choice, what is required of KPMG is to fully understand Our Purpose and act accordingly. Integrity and Excellence are prerequisites for professionals.





## Our Values

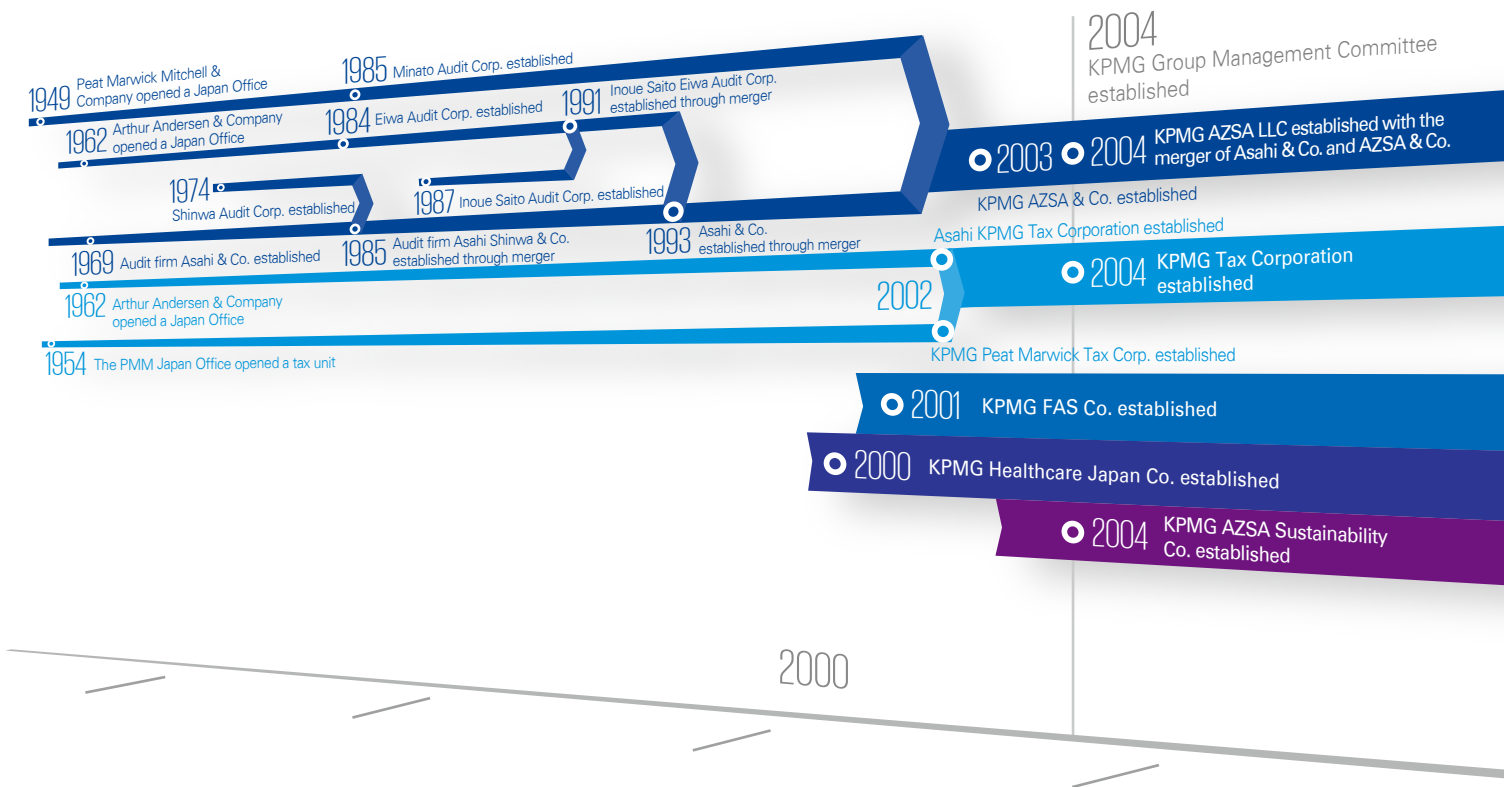
- Integrity** We do what is right.
- Excellence** We never stop learning and improving.
- Courage** We think and act boldly.
- Together** We respect each other and draw strength from our differences.
- For Better** We do what matters.

Courage is for boldly taking on challenges for the creation of new value that is indispensable in times of turbulence. Together is the driving force for providing a wide range of services as a team, and For Better is the will to act to build a better society. At KPMG, we have refreshed our code of conduct to include these five Values in order to become a stronger organization capable of addressing changes with the times.

Our business must be one that contributes to the reliability of the capital markets and to the public interest, rather than pursuing short-term profits or scale. I believe it is my mission as Chairman to create a group that earns the trust of companies and society through promulgating these new Values, and nurturing professionals who not only have high levels of expertise and insight, but also have a strong spirit of fairness.

**Work Experience** | Toshiya served as Head of Advisory of KPMG Japan since 2015 and assumed his current role in October 2018. He has extensive experience providing both audit and advisory services to assist global corporations with a wide range of management issues.

# Our Journey



**World Events**

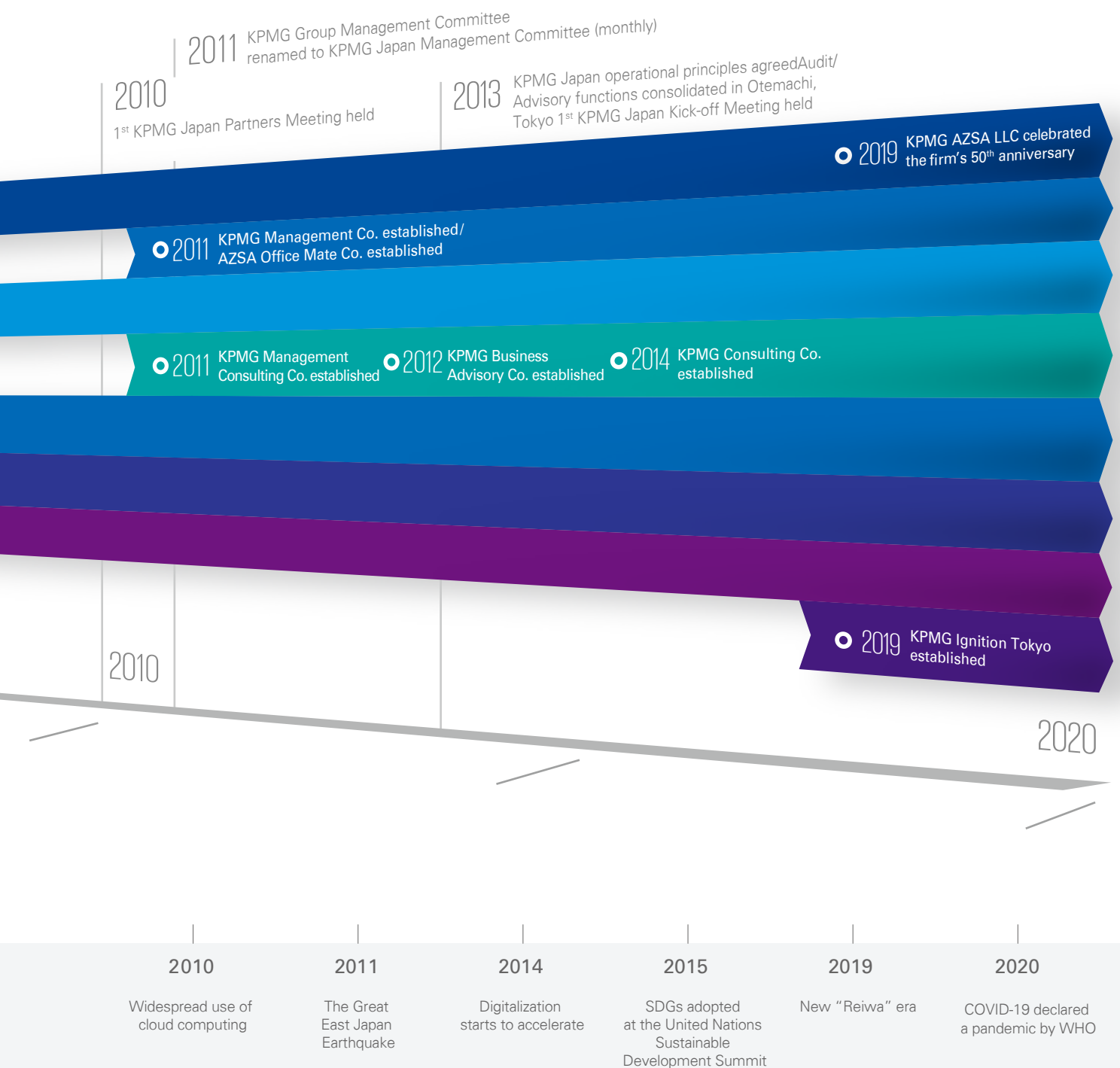
1991	1995	1996	2001	2008
Japan's economic bubble burst	Explosive use of the Internet Release of Microsoft Windows 95	Financial Big Bang	Dotcom bubble burst	Global financial crisis

KPMG Japan's current culture has been cultivated through various cultures mixing together, a result of mergers and integrations and repeated organizational restructuring.

We value two goals which may seem contradictory:

- For individuals of different origins to make the most of their unique characteristics
- To enhance our collective strength as an organization

It is the chemistry that arises from our diverse talent that is KPMG Japan's identity.



# Value Creation Story

Our ability to support clients in solving challenging issues and the diverse expertise of our people contribute to society by assisting our clients to create value, enabling KPMG to create our own value in turn. The insights gained from this contribution result in a stronger foundation for our business which allows us to enhance our capabilities to solve ever more complex issues. Through this process, we can achieve sustainable growth and fulfill the role expected of us by our clients and society.

## Our Strategy P15

- ◎ Pursuing quality
- ◎ Exerting our collective strength
- ◎ Strengthening our talent

External environment  
Sustainability trends/Digitalization/Globalization/

Our Strategy



Our Promise

Our Purpose

Inspire Confidence,  
Empower Change.

Through our audit and accounting services, we will ensure the reliability of information while driving positive change and contributing to the realization of a fair society and sound economy.

Our open corporate culture in which we make use of our impartial and principled people and various expertise serves as KPMG Japan's foundation for value creation.

- ◎ Corporate culture
- ◎ Our people
- ◎ Global network
- ◎ Technologies and solutions
- ◎ Trust from society and strong customer foundation (brand)

Risks  
Damage to our brand (trust)/Decreased customer satisfaction/Loss of competitive edge

Risks

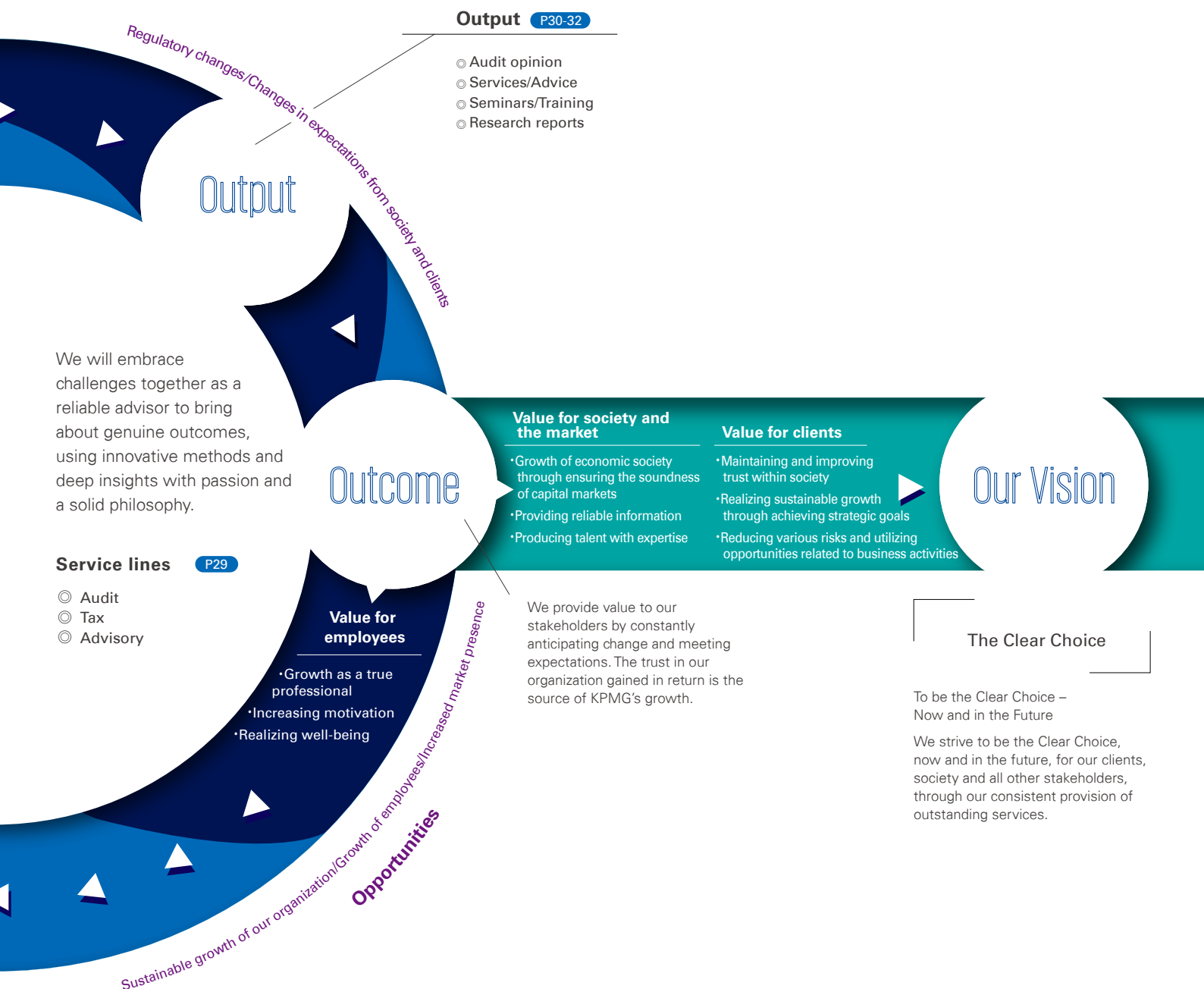
## Input

No. of employees	No. of Certified Public Accountants	No. of Certified Public Tax Accountants*1	Revenues	No. of global professionals*2	Global Network	
				No. of Countries and territories		No. of employees
8,983	3,316	235	165.8 billion yen	2,993	146	226,882
% of female employees	No. of female partners	% of non-Japanese	No. of nationalities	% of employees with a disability*3	No. of employees taking maternity or childcare leave	
32.4%	54	3.5%	34	2.55%	Female 190	Male 17

\*1 Certified Public Tax Accountants both registered and non-registered (including those who have passed the examination and those who are exempted from examination) who are engaged in Tax services.

\*2 Global professionals are those who have overseas work experience, those who have completed global skills training courses, and foreign nationals.

\*3 Total percentage of persons with disabilities who are employed by KPMG AZSA LLC, the parent company of a special subsidiary, AZSA Office Mate Co., Ltd., and KPMG Consulting Co., Ltd.



## Output

Share of audit market		Share of audit market		Share of audit market		Share of audit market	
Share of top 100 listed companies by market cap	No. 1 Share:35.0%	Share of 100 listed companies by revenue	No. 1 Share:38.0%	Share of 224 Japanese companies reporting under IFRS® (or planning to)	No. 1 Share:30.0%	Share of 11 SEC registrants in Japan	No. 1 Share:36.3%
No. of audit clients	3,635	Asia Tax Firm ranking*4	No. 1	M&A advisory ranking	No. 5 (Based on publicly announced deals) No. 2 (Based on In-Out deals)	Global People Survey 2019 results*5	69%
					January 1, 2019 – December 31, 2019		% of respondents giving a rating of four or more based on a five-point scale

Source: Refinitiv (formerly Thomson Reuters Financial & Risk)

\*4 Received awards in five categories including "Asia Tax Firm of the Year" as KPMG Asia Pacific in the Asia Tax Awards 2020 selected by International Tax Review magazine.

\*5 Global People Survey (GPS) is an attitude survey conducted on a regular basis for all people who work for KPMG member firms worldwide, as part of the firm's ongoing improvement initiatives.

# KPMG People

KPMG’s strength lies in our diversity which is the backbone of our value-creating story. KPMG Japan exists today in its current form having undergone many mergers and integrations. Our history is one of respecting diversity and accepting different cultures and values, forming the cornerstone of our corporate culture of inclusion and respect.

Teru took his first childcare leave when his second child was born, and is currently on leave for his third child.

Teru IIDA  
Senior, KPMG AZSA

## Q. What are your thoughts about your experience of taking childcare leave?

It made me reaffirm that childcare should be done jointly by both parents, rather than being centered on the mother. I now have a more active awareness of my role in childcare.

While experiencing the challenges of childcare, I feel that my everyday life is more fulfilling than before. I am able to see in real time the subtle changes in expressions that a newborn makes from day to day, and feel that our bond as a family is strengthening as a result of my spending more time with my children and wife. Being able to make time to study in my areas of interest in between taking care of the children is also an advantage. I can only think of advantages (also vouched for by my wife) and no disadvantages, and encourage everyone to take childcare leave.

## Q. Please share your career plan after you return from your leave.

After I return, I will be balancing childcare and work, and envision gradually increasing the weight of my work according to my children’s growth, and deepening my knowledge in my preferred field to move ahead in my career.

I also feel that an environment in which it is easy for men to take childcare leave will lead to a workplace that makes it easier for women to return to work and continue their careers, so I would like to be involved in creating such an environment.



Atsuko supports corporate sustainability management utilizing her knowledge and experience of both natural sciences and corporate management/finance.

**Q. Please talk about your field of expertise.**

I am involved in providing advice on corporate initiatives regarding the environment, safety and sustainable procurement and the like, as well as assurance services for related disclosures (sustainability information). In recent years in particular, the consideration and disclosure of matters regarding the impact of climate change on management, and relevant countermeasures and strategies, have come to be required, and the area where natural sciences and corporate management and finance directly connect is exactly the scope of my work. I did research on conservation ecology at graduate school and that led to my decision to join KPMG AZSA Sustainability. While my field of expertise may seem unique within KPMG, I believe I am in an environment where we can provide unprecedented value through working with a team of diverse professionals.



Atsuko WATANABE  
Manager,  
KPMG AZSA Sustainability

**Q. How do you feel about some of the recent changes in companies and society from the perspective of your field of expertise?**

Having gone through the experience of the COVID-19 pandemic, the world is going to change dramatically in terms of working styles and values. Recently, companies' efforts related to ESG (Environment, Society, Governance) have been emphasized in particular, and I feel that diverse expertise is now being required for

advisory work related to management. I think the world is now standing on the brink of either heading in the direction of sustainability, or failing to address issues such as climate change. Personally, I hope that my work will help to create a movement toward achieving social and economic sustainability.



After giving birth to her first child, Junko accompanied her husband who also works at KPMG AZSA on an international assignment during her maternity leave, and returned to work after a three-year blank.

Junko INADA  
Manager, KPMG AZSA

**Q. Are there any changes in the way you work before and after working remotely?**

It depends on the week, but I currently work in the office one day a week, from home three days a week, and at the client site one day a week. I am also now able to attend meetings in the evening or later, which had been difficult to do before, by attending meetings online from home while watching my child. While I need to be careful about the balance between my public and private life and a lack of exercise, working from home has otherwise reduced restrictions

as regards my work. I also feel that it is becoming easier to work in a way that suits the various situations of individuals. People throughout the organization now understand that it is only natural that the best time of day and situation for working differs for each individual. The degree of freedom over our use of time has increased, and the small stresses relating to balancing work, childcare and housework have been gradually relieved.

**Q. What kind of workplace is KPMG for women?**

Although we tend to think of women raising children as a particular segment of the population, their individual views and situations vary. KPMG offers an environment in which you can choose a workstyle that best fits your needs, making it easy to work. I had a three-year blank, but I hope to continue to accumulate knowledge and experience as a CPA while flexibly adjusting my own way of working. This year, I am also participating in an external talent development training program for women, which I would like to apply to my future work and career.



KPMG Ignition Tokyo connects KPMG Japan’s three strategic pillars – Quality, Career, and Collaboration – to drive the evolution of KPMG Japan and allow us to further support the transformation and innovation agenda of our clients. Introducing technologies to Audit, Tax and Advisory services, KPMG Ignition Tokyo connects KPMG Japan seamlessly to the KPMG global network in order to deliver solutions to the complex, rapidly-changing issues of our clients and society as “One KPMG.”



Ignition

Providing new value **P17**

We will realize more robust execution of KPMG Japan strategies by also strengthening Quality, Career and Collaboration in terms of digitalization.



Vision

# The Clear Choice

**To be the Clear Choice – Now and in the Future**

To share our goals and create visible results,  
we strive to be the Clear Choice while continuing to transform ourselves.

## Strategy for realizing Our Vision



### Quality

Quality strategy

Ensuring solid quality **P19**

As an accounting firm, we will constantly pursue quality that enhances two types of value: value for society and value for companies.



### Career

Human resource strategy

Fostering professionals **P21**

We will foster talent who not only acquire high levels of specialized knowledge and cutting-edge technology skills but also confront the challenges faced by society and companies with sincerity and can make appropriate judgments, and will provide an environment where individuals can be conscious of their own progress.



### Collaboration

Organizational strategy

Exerting collective strength **P23**

We will strengthen our structure as one that can demonstrate our collective strength through an organic integration of our professional insights and methodologies with the latest digital technologies, and support our clients resolve issues through our global network.

# KPMG Digital

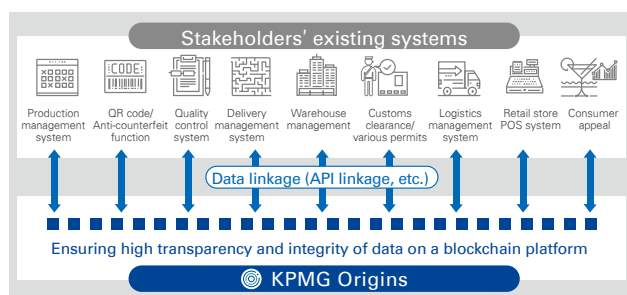


KPMG Japan will combine our diverse professional insights in the audit, tax and advisory fields with cutting-edge digital technologies, and provide society and companies with new insights and knowledge with high added-value. Here, we introduce four specific digital solutions.

## 01 | Visualization of supply chain data

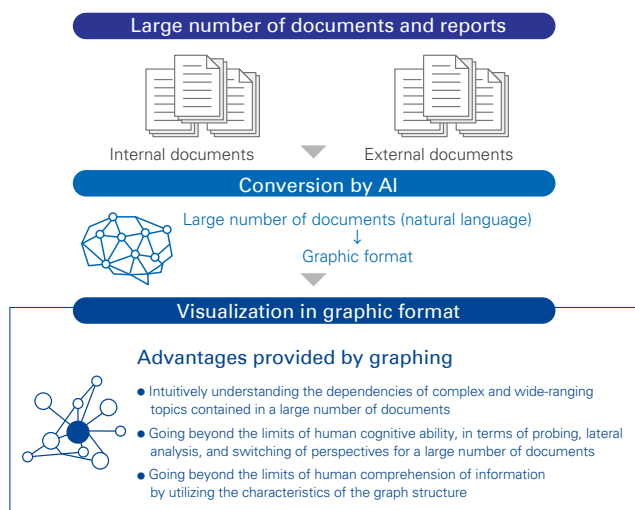
KPMG Japan combined the professional insights we have cultivated through our audit, tax and advisory services with cutting-edge technologies such as blockchain, IoT, and data analytic tools and launched “KPMG Origins”, a platform enabling the visualization and history tracking of supply chain data. This platform was developed with the aim of demonstrating to consumers the reliability of production control of the entire distribution channel of products in international transactions, and improving the competitiveness of producers and companies. Using KPMG Origins, consumers can track historical information such as the place of production and transportation status of products down to the smallest distribution unit, and can purchase products with a sense of security. In addition, producers and companies can differentiate their services by providing accurate and highly transparent information, and build relationships of trust with consumers, for example by preventing counterfeit sales, thereby increasing revenue and improving branding. Whereas conventional historical tracking systems are centralized, KPMG Origins employs a decentralized system utilizing blockchain to secure more reliable information and reduce the operational burden.

- 1 Ensuring reliability through digitalization
  - ▶ Information sharing is seamless with digitalization, and reliability of the entire supply chain is improved.
- 2 Visualizing data all at once
  - ▶ Data across the supply chain can be accurately grasped, enabling smooth information sharing.
- 3 Ensuring data transparency and integrity
  - ▶ Blockchain technology is used to irreversibly store data and ensure extremely high reliability.



## 02 | Discover latent insights in large numbers of documents

KPMG Consulting provides operational optimization consulting services utilizing an AI solution, KNIGHT (Knowledgeable Integrated Graphic Transformation). KNIGHT utilizes natural language processing technology to analyze a large number of natural language documents, determine lateral relevance across topics, and provide visualization in graphic format. For example, KNIGHT analyzes technical documents such as weekly reports and technical reports that have been accumulated from the past in the research and development field of the manufacturing industry, and comprehensively visualizes technologies and past problems related to research issues. This allows the prevention of any omissions of considerations in the downstream process and the upstream process that may have a significant impact on a company, if problems are discovered after a product has been released to the market. Utilizing KNIGHT makes it possible to visualize the “translated” content of large numbers of documents in a readily understandable way, and enables sophisticated decision-making in the upstream manufacturing process. Nowadays, by acquiring and recognizing the value of data outside of company documents, data that exists in natural language form, such as those found in internet news articles, on social media, in administrative and patent documents, it is possible to enhance human decision-making and, ultimately, corporate management decision-making.





### 03 | KPMG's view of the future of tax management

KPMG Digital Gateway is a platform that integrates tax and legal technologies built on Microsoft Azure. Utilizing KPMG's machine learning, data analysis, visualization, AI technology, and the like makes possible not only cross-border tax management, but also the visualization of enormous amounts of data accumulated in a company in a form required by management and tax personnel. Digital Gateway has workflow management and reporting functions for tax operations, and can also build a dedicated site customized according to the needs of an individual company. In addition, by collaborating with KPMG's tax professionals through a dedicated site, optimized tax management can be achieved for each company. Implementing Gateway will enable optimized tax management while creating valuable insights, and pave the way for new tax strategies.

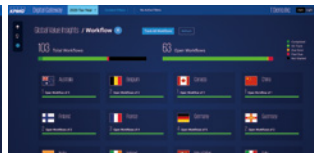
Managing progress of tax operations at affiliated companies worldwide



Breakdown of taxable expenses of affiliated companies



Workflow of tax operations at affiliated companies worldwide



Screen showing organizational structure of the company

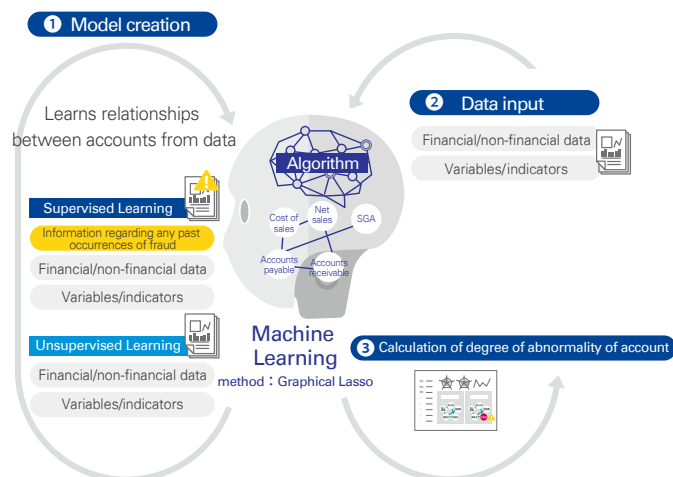


### 04 | Digital audit initiatives —Fraud risk detection model

In 2018, KPMG Japan developed a machine learning model that quantifies the risk of corporate accounting fraud (fraud risk) based on past fraud cases and restatements.

This model uses unique algorithms based on financial and non-financial data for the past 10 years or more and information on the occurrence of fraud to output the level of risk for each type of fraud. KPMG AZSA Quality Control Headquarters and audit teams use a fraud risk identification support tool that incorporates this model in order to identify financial statements for which the probability of fraud occurrence is high and perform appropriate audit procedures in response.

We also utilized AI/machine learning to develop a model for detecting fraudulent accounting at the account level as a joint research initiative with Hitotsubashi University, and acquired a patent for the model in February 2020. Through the use of this patented technology, we can refine and accelerate the identification of fraud risk thus enabling a timely audit response.



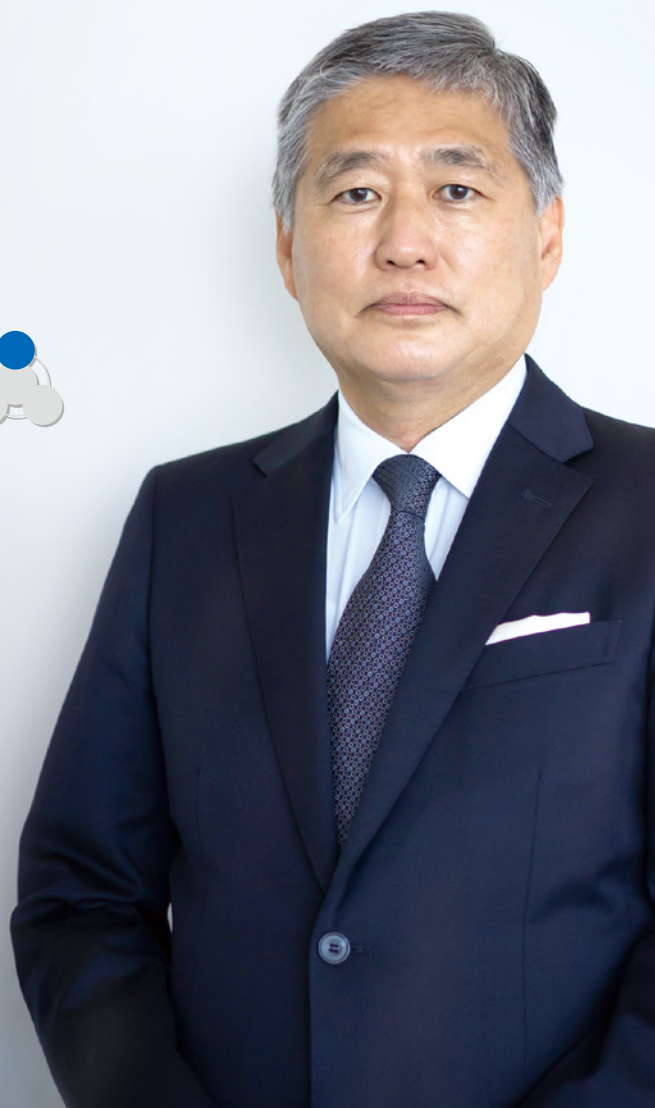
# Quality

Message

Ensuring steadfast quality

Head of Audit

Takuji KANAI



KPMG Japan is, at its core, an audit firm and tax accounting firm. The audit firm's mission is to ensure the credibility of financial statements, while the tax accounting firm's mission is to help clients fulfill appropriate tax obligations. As an accounting firm that bears this social responsibility, KPMG Japan pursues ever higher quality in all of our services including advisory. In this way, we contribute to increasing value both for society and for our clients. We have always made judgments based on criteria and ethics that are recognized by society as fair and reasonable, while maintaining a high degree of expertise and integrity and complying with a strict set of rules. We have also ensured the independence of our audit services and have maintained and enhanced the quality of all services that we provide.

The advent of the New Normal era brought about by the COVID-19 pandemic has accelerated the transition to a digital society, and is significantly changing not only the business model of companies and the way people work, but also society as a whole in its traditional form. KPMG Japan is promoting initiatives to take advantage of the latest IT technologies to enhance quality in each of our audit, tax and advisory functions, and consistently ensure high quality even in these times of rapid changes. To address such new changes, we will provide high-quality insights in anticipation of the future to our clients and society. We believe our passion for and commitment to quality will contribute to the robust future growth of clients and sustainable development of the economy.

**Audit Quality is the source of public trust at KPMG AZSA**

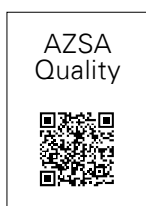
At KPMG AZSA, we regard maintaining audit quality as our top priority. We relentlessly seek to enhance audit quality in order to meet the expectations of society. Audit teams provide high-quality audit services that are responsive to advances in information systems, globalization and other challenges faced by Japanese companies.

**Management’s approach to addressing risks**

COVID-19 has not only had significant impact on the business environment for companies, but has also brought about major changes in our social structure. In addition to potential risks that had previously been acknowledged, companies are now required to address new risks. We will perform audits taking into consideration how management assesses the impact of such risks on the future of the company.

**Addressing changing audit needs**

With the acceleration of borderless and digitalized businesses, there are never-ceasing cases of fraud by companies, and the demands required of audits are increasing. We will promote the digitalization of audits, and work on providing audits with Insights that identify at the earliest stage not only accounting risks but also business risks and issues relating to internal control by utilizing our knowledge and experience gained as accounting and audit professionals.



KPMG AZSA periodically issues a report, AZSA Quality, to explain our management’s thoughts on enhancing audit quality and other initiatives so that our stakeholders, including participants in the capital markets, can better understand us.

**Tax Quality**

Topics and issues relating to tax are changing significantly in line with the increasing complexity and internationalization of the business environment, as well as the impact of COVID-19 on businesses and performance. At KPMG Tax Corporation, our tax professional teams, each of which has its own field of expertise, address various aspects of corporate management that undergoes dramatic changes and offer high

quality services tailored to clients’ needs. To foster true professionals and ensure we continue to be the Clear Choice for our clients, KPMG Tax Corporation provides training on technical skills and English as well as various soft skill trainings to strengthen client focus and communication skills. In addition to tax consulting, KPMG Tax Corporation aims to provide high-quality compliance services including preparation

of tax returns. KPMG does not merely perform clerical work in preparing tax returns. We engage in in-depth dialogues with clients to identify potential tax-related risks, and tax planning options, with the ultimate aim of raising clients’ corporate value.

**Advisory Quality**

We prioritize building trusted relationships with our clients through the consistent delivery of fair and high-quality services, in order to be the Clear Choice at all times. We believe our stance of working closely with our clients to provide optimal solutions to their challenges, even during the unprecedented crisis of COVID-19, is part of the Value that KPMG Japan is known for.

**Commitment to enhancing clients’ corporate value**

KPMG Japan will support the sustainable growth of our clients by developing solutions that address the New Normal brought about by COVID-19, while maintaining investments in cutting-edge technology, the development of relevant experts, and a structure for providing consistent services on a global scale. In order to provide services with high added-value even in an environment of uncertainty in markets and in business due to COVID-19, we explore service provision approaches according to client attributes and the scope and complexity of the engagement,

forming teams that comprise professionals who have the necessary expertise and experience. For engagements of a certain scale, we appoint a quality control review partner, and for complex and sophisticated services an engagement partner is assigned based on KPMG’s internal accreditation system. To be the Clear Choice for clients at all times, our professionals ask themselves: “Am I contributing to enhancing client value? What is necessary for the client to continue growing in the mid- to long-term?” By constantly asking these questions, we ensure that our people are committed to providing high-quality services.



Head of People, Performance and Culture

Hiroyuki YAMADA

### Message

## Developing professional talent

KPMG's Vision is to be the Clear Choice; in other words, to be chosen by our stakeholders, now and in the future, by having each and every one of our people provide outstanding services as true professionals.

In order to achieve this, our people need to accurately identify the changes our clients are facing and come up with appropriate solutions on their own initiative.

We focus on the "Three O's" – On-the-Job Training (OJT), Off-JT and Opportunities – and evolve the knowledge of our professionals from simple information into wisdom that can be used to find solutions.

The trend of digitalization is expected to accelerate due to the spread of COVID-19, making the collection, analysis and advanced use of data possible. We are in an era where insights gained from utilizing such data create new added value. We have assembled diverse talent with the digital literacy

needed to address such developments and will continue to strengthen the latest digital capabilities among our professionals, while pursuing strategic investments in technology development.

With remote working becoming more widely established due to COVID-19, there has been a significant change in the attitude of our people toward productivity and the variety of ways of using one's time. In an increasingly diversified work environment, we will further develop previously established systems and mechanisms, improve the work environment, and implement initiatives for realizing diversity so that our people can work with a sense of security and high motivation.

As management, we are determined to implement various measures on a systematic and continuous basis to achieve our Vision to be the Clear Choice.

### Human Resource Development Principles and the “Three O’s”

KPMG AZSA has established basic principles for the systematic creation and maintenance of an environment that enables personnel to acquire the expertise and skills necessary to provide high-quality services, thereby fostering the development of true professionals. At KPMG AZSA, true professionals are developed through the “Three O’s,” namely: OJT (on-the-job training), Off-JT (off-the-job training; practical and pragmatic training), and Opportunities (providing a wide range of work opportunities).



Conceptual Diagram of Human Resource Development

### Fostering a growth mindset and effective engagement conduct among audit teams through OJT

The pillars of the OJT basic policy are (1) engagement conduct that enables the active and appropriate communication with clients that is necessary to identify and solve issues, and (2) audit work paper review, discussion, and feedback for training purposes. We believe that fostering a talent development mindset in our people is essential to achieve these goals.

### Fusion of OJT and Off-JT in a remote working environment

In order to address decreasing face-to-face OJT opportunities as a result of remote working becoming more common in response to COVID-19, we have been implementing Off-JT initiatives to supplement OJT, such as devising training that utilizes actual examples. In addition, we hold team management discussions to think about engagement operations in a remote working environment, while revising our “OJT mindset” to illustrate OJT guidelines in a remote working environment, and implementing human resource development measures such as introducing best practices.

## Tax Career

### Hiring and fostering top talent

At KPMG Tax Corporation, we are implementing initiatives to actively recruit top talent regardless of whether someone is already a Certified Public Tax Accountant or not. Specifically, we offer university internship programs for students to get a real sense of the advanced expertise and international nature of KPMG’s tax-related work. Prospective employees also attend multiple trainings before and after formally joining the firm and are well-supported to develop the expertise required as tax professionals.

### Providing opportunities to grow as a professional

We hold training on a regular basis that strengthens our technical tax knowledge and language ability in order to be able to tackle any tax challenges faced by our clients. In addition, we provide the opportunity for each professional to attend KPMG Tax Professional Camp where they discuss awareness and their understanding of tax-related matters through various tangible scenarios that allows us to further hone our technical expertise, client focus, and ability to work as a team.

We are also working to enhance the training programs we offer in an online environment in response to the New Normal era, combining them optimally with OJT and constantly evolving the environment for fostering tax professionals.

## Advisory Career

### Enhancing training systems according to areas of expertise and initiatives for career advancement

COVID-19 has led to further uncertainty and complexity in clients’ businesses, and transformations are required in line with such changes. In order to provide optimal solutions to clients, we are enhancing the curriculum and training for each advisory service, in addition to strengthening training by industry and on the latest trends such as digital. We also provide advisory-related training to professionals engaging in audit work in order to address new advisory needs, and have further improved the training we provide for soft skills to help individuals achieve growth at an individual level.

### Keeping up with technology and improving digital literacy

Digital transformation (DX), a priority theme for many companies regardless of industry, will be further accelerated in the New Normal. Given the essential need for a basic understanding of digital technologies such as AI, the cloud, big data, and blockchain, we have created an original curriculum introducing a program developed by KPMG International for all advisory professionals.

### Developing global talent for the long-term

There is an urgent need for professionals who not only have language skills but also the ability to adapt to different cultures and communicate with the people of these cultures, in order to support our clients doing business globally. We also promote talent development from a long-term perspective for new grad hires, fostering not only expertise but also soft skills. We are also promoting opportunities for our people to be assigned to global projects or sent on assignment overseas, while giving utmost consideration to safety, in order to foster talent capable of executing cross-border projects.



Head of Advisory, Head of Clients & Markets  
Masahiko CHINO

# Collaboration

## Message

Collaboration

## Demonstrate our collective strength

COVID-19 is an unprecedented crisis that has had a dramatic impact not only on politics, socio-economics and culture, but also on people's work styles, lifestyles and values. For many companies, the utilization of technologies and big data is an urgent issue for their survival and sustainable growth in the New Normal era. In an environment of constant changes and great uncertainty, we need to understand industry and other key trends in addition to macro trends and provide solutions to challenges and obstacles through scenario analysis and hypothesis testing in order to achieve a competitive edge while observing market growth potential, the company's

capabilities and trends in markets and competition. KPMG Japan combines the expertise of its audit, tax and advisory functions with the digital technologies and platforms of KPMG Ignition Tokyo to support our clients in surviving global competition and achieving sustainable growth, including addressing geopolitical risks in the New Normal and the tightening of regulations both in and outside of Japan. Collectively, KPMG Japan will respond to the trust placed in us by society and our clients through continually providing solutions that match the needs of the times and our clients at a global level by utilizing our KPMG network.



## Integrated service for development of a New Normal SCM system

In the past year, the expectations companies have for supply chains have changed drastically. They suddenly find themselves faced with the major mission of managing a company in a “with corona” environment, with increasing geopolitical risks including tense US-China relations, revisions being made on a daily basis to regulations and tax systems somewhere in the world, and challenges including BCP, security, and ESG/SDGs. For many companies, rebuilding “SCM (supply chain management) in a New Normal world” is a top priority management issue. KPMG Japan integrates the various expertise of each group company in operations, governance risk, finance, tax, M&A, and business revitalization to support the development of a New Normal SCM system for companies, as One Team. We will elevate the issues that have been individually considered with the CSO, CFO, COO, and CIO/CTO to the CEO agenda, and design integrated solutions to support rapid implementation on a global scale.

## Building global tax governance

Due to a global response to BEPS, including a new documentation system for transfer pricing, anti-tax haven measures, and the introduction and strengthening of a tax system applied to an entire corporate group including its overseas subsidiaries, there are demands for corporate activities to be made more transparent in Japan and abroad. As a result, companies are required to undergo transformations of an unprecedented scale in order to implement global tax management and respond to tax risks. Also, with the trend of strengthened taxation on overseas companies such as the introduction of digital taxation, global tax measures are becoming more important not only in rapidly growing emerging countries but also in an environment where major tax reforms are expected in countries worldwide. At KPMG, our tax experts in Japan and offices around the world, who have experience cultivated through the provision of various tax management and international tax services, work together to respond to tax risks on a global scale, while contributing to achieving an effective tax rate for an entire corporate group that is internationally competitive.

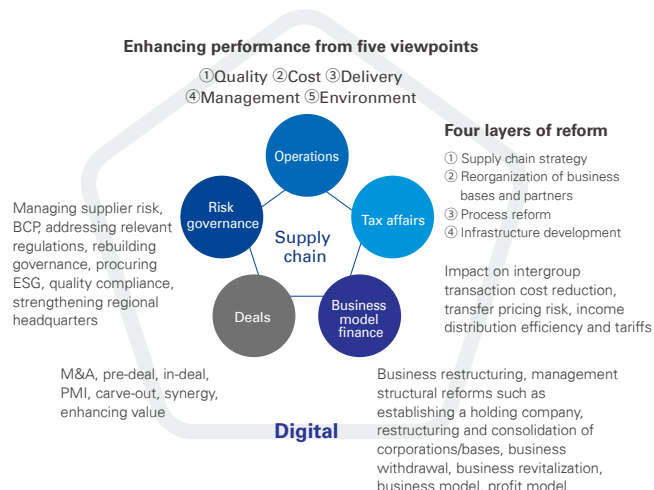
## Incident and risk response

Companies may face a variety of incidents, including epidemics such as COVID-19, which has led to an unprecedented crisis, natural disasters such as earthquakes and floods, cyberattacks, fraud and scandals. In order to overcome crises caused by such incidents and realize resilience management, KPMG Japan has established a comprehensive support system that brings together the high level of expertise its group companies have in each field. We will use this system to provide support according to each stage of a crisis, from the initial response in the event of an incident, to an analysis of constantly changing crisis events, through to management decision-making, restructuring, and rebuilding operations.

## Comprehensive services for mitigating and adapting to climate change

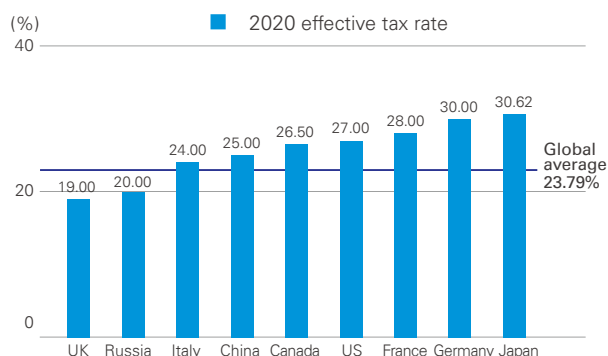
KPMG Consulting and the Japan Weather Association will collaborate in providing a comprehensive consulting service based on advanced forecast analysis towards realizing both the mitigation of greenhouse gas emissions that are a cause of climate change, and adaptation aimed at reducing risks caused by climate change. By utilizing the know-how cultivated by each party in our respective fields, we are able to provide a broad range of consulting services including business plan and model transformations towards the realization of both mitigation against climate change and adaptation aimed at reducing risks, and the advancement of risk management systems, and we will provide practical support to clients.

## Five viewpoints to understand supply chain

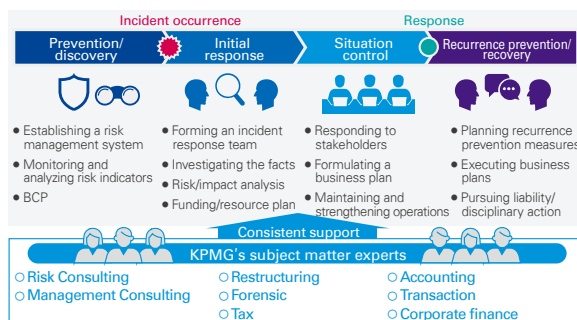


## Effective tax rates for major countries

(Source: KPMG International)



## Incident and risk response according to stage



## KPMG’s collective strength combined with diverse expertise and global capability helps empower change.



Professionals in specialized areas across KPMG Japan’s member firms work together and share industry-specific knowledge across sectors as each client engagement demands a unique set of abilities spanning various fields of expertise and requires us to reach across organizational boundaries.

Only by collaborating can we support our clients in creating value and tackling the issues they face. At the same time, this diversity of experience enriches our people and contributes to the growth of our organization as a whole.

### Industry

#### Contributing with industry knowledge and deep insights

In order to contribute to the problem-solving of managements’ challenges in the uncertain world of COVID-19, we will accumulate and deliver industry insights in anticipation of the New Normal, by understanding major changes in industry trends. KPMG Japan is accelerating such efforts as One Team by having our sector functions undergo major renewal. We will enhance the quality of services we provide to audit and non-audit clients by strengthening our knowledge of each sector, and fostering talent who are familiar with the industry. With each and every one of our professionals contributing to clients through their industry knowledge and deep insights, we will become a firm known for the strength of our industry knowledge.



### Corridor

#### Provision of advisory services while working with overseas firms as one team

The challenges faced by Japanese companies expanding their overseas operations are becoming increasingly complex. KPMG Japan has launched a corridor scheme with overseas KPMG firms to support clients with global operations. We use the term “corridor” as a reflection of our desire to support clients by connecting Japan seamlessly with other countries and regions in a timely manner. Currently we have established corridors with Thailand, Singapore, Vietnam, the Philippines, Taiwan and India, and support local Japanese companies while strengthening the development of global talent within KPMG.



### Thought Leadership

KPMG publishes timely reports on emerging business issues as a global initiative, incorporating the results of surveys and research on such issues.



2020 Global CEO Outlook COVID-19 Special Edition



The global energy transformation



The road to everywhere: The future of supply chain

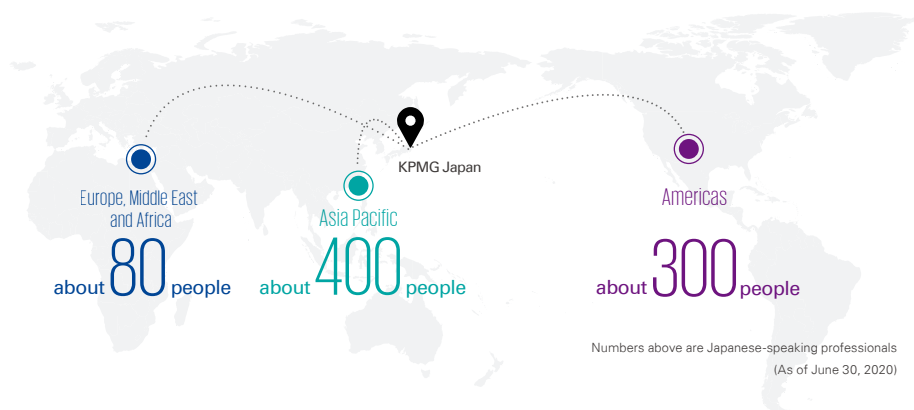


Key cyber security considerations for 2020



## Global Japanese Practice as the core of our global capabilities

KPMG does not work in silos; Audit, Tax and Advisory achieve borderless and seamless collaboration across functions and services. By organizing the best teams we can send on the field, we mobilize for each client our collective strength based on various areas of expertise and global capabilities. We support and catalyze our clients' value creation and deliver solutions to their challenges.



The Global Japanese Practice (GJP) is our global network that assists Japanese companies to expand and succeed overseas. Expats from KPMG Japan as well as Japanese-speaking professionals based in 38 countries and in 91 cities provide a wide range of services in cooperation with other KPMG member firms.

### Europe, Middle East and Africa

GJP in this region has its head in London and manages services to subsidiaries of Japanese companies in the United Kingdom, Germany and other major countries in Europe, as well as in the Eastern Europe, the Middle East and Africa regions. Concerning the ongoing challenges of Brexit, the KPMG Brexit and EU response team, with members based in Japan, the UK and Belgium, are in close touch with the people and organizations behind this change, which has significance for all our clients. Sub-region heads are assigned to cover the Middle East and Africa, Central and Eastern Europe, and CIS for delivering assistance specific to the sub-region.

### Asia Pacific

For the rapidly growing ASEAN, China and India economies, a sub-region head has been appointed for each. In Oceania, East Asia (other than Japan) and South India (including Bangladesh and Sri Lanka), we are expanding our range of services to subsidiaries of Japanese companies. These services include entry into new markets and expansion of existing business lines.

### The Americas

The Americas region includes the United States, Canada, Mexico, Chile, and Brazil. The head of the Americas GJP is based in New York. KPMG has worked for over 40 years as a pioneer supporting Japanese companies in the United States, where more than 280 Japanese professionals are currently located. The head of GJP for Latin America is based in Brazil and provides assistance to business development of subsidiaries of Japanese companies within the sub-region.

#### KPMG's global network

KPMG is a global organization of independent professional services firms providing Audit, Tax and Advisory services. We operate in 146 countries and territories and in FY20 had close to 227,000 people working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

		Europe, Middle East and Africa	Asia Pacific	The Americas	Total
KPMG International As of September 30, 2020	Personnel	114,725	47,542	64,615	226,882
	Locations	106	20	20	146
Global Japanese Practice (GJP) As of June 30, 2020	Japanese speakers	80	400	300	780
	Locations	24cities, 17countries	39cities, 16countries	28cities, 5countries	91cities, 38countries

## Governance Structure

KPMG Japan stands on the foundation formed by an audit firm and a tax accounting firm. Our audit firm is committed to contributing to the sound development of the economy by ensuring the credibility of financial information from an independent point of view, thus ensuring fair corporate activities and the protection of stakeholders. Our tax accounting firm's mission is to live up to the trust placed in us by taxpayers and ensure, from an independent and fair-minded position, that tax obligations are fulfilled appropriately. As a professional firm that bears this social responsibility, member firms of KPMG Japan provide advisory services to satisfy the needs of clients and society and achieve Our Vision of being the Clear Choice.

### Management policies of the KPMG Japan Management Committee

The KPMG Japan Management Committee comprises representatives from the major member firms of KPMG Japan including KPMG AZSA LLC, KPMG Tax Corporation, KPMG Consulting, and KPMG FAS. The Committee discusses and decides on the collaborative structure used by KPMG Japan as well as material matters pertaining to the management of the firms, including talent development, service improvement, and quality control. In this way, we are able to pool all of the available resources of KPMG to deliver the best possible services that meet our clients' management requirements.

### KPMG Japan's governance

As an accounting firm with a public interest mission, it is our policy not to simply seek profit but to provide services that contribute to the sound growth of clients and live up to the trust placed in us by society. This policy is not limited to audit and tax compliance, but applies to all of our services.

In order to live up to the high expectations for our firm in this constantly changing environment, we are continually seeking the ideal group governance model.

Provision of non-audit services may cause a breach of independence where we also provide audit services or a conflict of interest between non-audit services. To avoid these situations, we continue to strengthen firm governance and use Sentinel, KPMG International's proprietary global conflicts and independence checking system.



Chairman, KPMG Japan  
Chairman, Global Japanese Practice

#### Toshiya MORI

A board member of KPMG International since 2018, Toshiya has extensive experience in advisory services related to various management issues and audits of global companies.



CEO, KPMG Japan  
CEO, KPMG AZSA LLC

#### Hiroyuki TAKANAMI

Hiroyuki has many years of involvement in audits and providing problem-solving support for megabanks and financial companies.



Head of Audit

#### Takuji KANAI

Takuji has extensive experience as an accountant in both Japan and the United States, and has successively served as an engagement partner for a leading global company in Japan. Also serves as Head of Audit, KPMG Asia Pacific.



In charge of Advisory  
President, KPMG Consulting

#### Masahiro MIYAHARA

Masahiro serves in his current role since July 2017, having provided consulting in a wide range of fields including business transformation for global companies in Japan and overseas, and ERP/IFRS, and internal control implementations.



Head of People,  
Performance and Culture

#### Hiroyuki YAMADA

Hiroyuki engaged in audits of various industries including real estate and automobile manufacturers, in addition to financial institutions such as mega banks and major insurance companies. Representative of Asia and Japan on the Global Public Policy Committee.



Head of Financial Services

#### Yutaka TERASAWA

Yutaka is responsible for audits for a wide range of financial institutions, including megabanks, major securities companies, life insurance companies, non-banks, and regional financial institutions.



Head of Quality and Risk Management

#### Hideaki KOYAMA

Hideaki has been responsible for quality control since 2006, while concurrently serving as an engagement partner for the audits of a global company.



Chairman of the Senior Review Board,  
KPMG AZSA LLC

#### Eiji MIZUTANI

Based on his experience working overseas and auditing SEC-registered companies, Eiji plays an important role in our audit firm as Chairman of the Senior Review Board.

# Management Committee



CFO

**Toshihiro OTSUKA**

Involved in audit engagements for global companies both in Japan and overseas, Toshihiro has successively served as a steering committee member of KPMG International and KPMG Asia Pacific.



COO

**Mitsugu DOI**

Mitsugu provides IT advisory to many major clients utilizing his experience of working at an international financial institution and foreign system consulting company. Currently serves as Head of ITS.



Head of Tax, Senior Partner, KPMG Tax Corporation

**Yuichi KOMAKINE**

Yuichi was appointed as the Head of Tax in 2016. A leader in international tax services with extensive overseas work experience.



Head of Advisory, Senior Executive Board Member in charge of Clients & Markets Representative Partner, KPMG FAS

**Masahiko CHINO**

Masahiko has a wealth of experience in various advisory services relating to domestic and cross-border deals.



Deputy Head of Tax, KPMG Tax Corporation

**Yuichi MIYAHARA**

Yuichi has experience with cross-border transactions of multi-national companies, and currently provides tax advisory services to HR departments in multinational companies.



Head of Deal Advisory Representative Partner, KPMG FAS

**Hikaru OKADA**

Hikaru has many achievements in advisory, business valuations and structuring services as a financial advisor relating to M&A deals both in Japan and overseas.



Head of Kansai Area and Osaka Office Managing Partner, KPMG AZSA LLC

**Daisuke HARADA**

Daisuke has extensive experience providing consulting services relating to IPO, M&A, and corporate revitalization, and is currently involved in audit engagements for leading Japanese companies headquartered in the Kansai area.

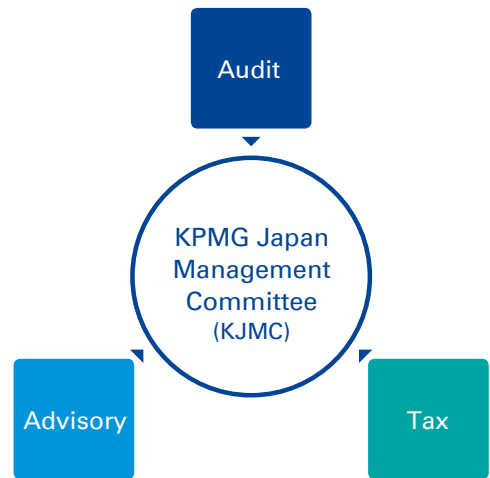


Head of Tokai Area, KPMG AZSA LLC

**Michitaka SHISHIDO**

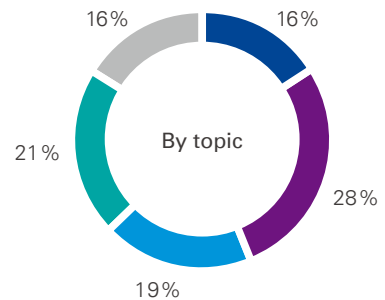
In addition to being involved in audits including global and group audits for various industries such as manufacturing, pharmaceuticals, and retail, Michitaka is also engaged in M&A deal advisory.

**KPMG Japan Management Committee (KJMC)**

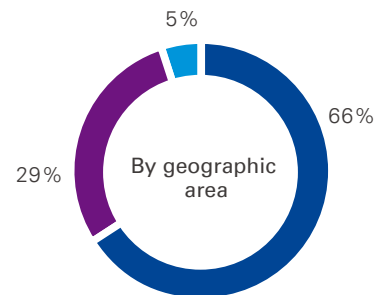


**Agenda of the KPMG Japan Management Committee**

July 1, 2019 – June 30, 2020



- Developing talent
- Marketing, CSR
- Strategy
- Performance and business planning
- Governance and risk management



- Japan
- Global
- Asia Pacific

**Members**

KPMG Japan provides services in the three areas of Audit, Tax, and Advisory, with member firms working in harmony as one, under an efficient and disciplined management structure.

# Service Line

Promotion of information technologies within the business has eliminated restrictions of time and space on economic activities and taken corporate activities to a new level. Connecting all information in a network has sharply reduced the cost of information necessary for decision-making, thus making accurate information and credible insights more valuable than ever.

KPMG Japan provides audit services to ensure the credibility of financial information, tax services to promote fair tax practices and contribute to trust in society, and advisory services based on credible insights to clear a way forward in an increasingly complex society.

## Index Map

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- 31 Tax
- 32 Advisory

# Audit

KPMG AZSA LLC

In recent years, society has come to expect not only financial information, but also credibility and transparency from corporations regarding their activities. The scope of assurance engagements has therefore been expanding. With KPMG AZSA's financial audit services at our core, KPMG Japan also provides assurance services for areas including internal control, IT systems and sustainability related information. By providing credible services related to financial and nonfinancial information, we contribute to the growth of clients and the economy.



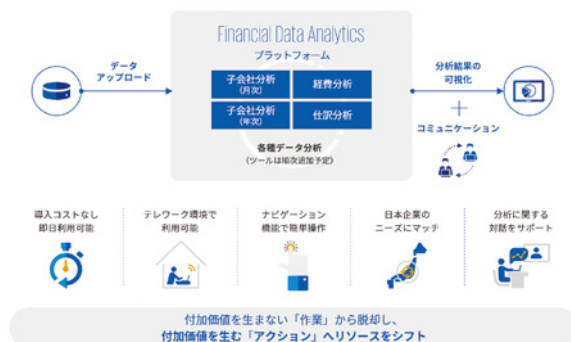
## Development of digital talent\*

\*Professionals at the core of promoting digital technologies in audit engagements

### KPMG Japan's initiative for social value creation

#### Advanced data analytics and use in advisory services

KPMG AZSA is expanding the introduction of data analytics in our advisory services based on technologies and insights gained through the digital transformation of our audit services. We have launched a SaaS (Software as a Service) financial data analysis service called "Financial Data Analytics (FDA)" in July 2020 as a first step. The "subsidiary analysis," "journal analysis" and "expense analysis" modules currently released identify signs of abnormal transactions based on financial data analytics, and can be used to strengthen control functions or supplement check functions. The provision of objective judgments and insights gained through data analytics can also lead to initiatives for enhancing efficiency and making other improvements in operations. We will support an increasingly sophisticated accounting and finance function through the utilization of our FDA service.



### Our Strength

- 01 A quality control system that clarifies roles and responsibilities and enables dissemination of management policies throughout the organization (Four Defense Lines).
- 02 Initiatives centered around KPMG Ignition Tokyo with the objective of using cutting-edge technology for advanced data analysis.
- 03 Use of KPMG's global network and diverse professionals who can support the globalization of our clients.

### Service Portfolio

Statutory Audit	Audit under the Financial Instruments and Exchange Act
	Audit under the Companies Act
	Audit of Financial Statements prepared in accordance with the International Financial Reporting Standards (IFRS)
	Audit of financial statements under SEC standards
	Incorporated administrative agency audit
	Incorporated educational institution audit
Non-statutory Audit	Credit union, workers' credit union, credit cooperative audit
	Labor union audit
	Investment Limited Partnerships (ILPs) audit
	Special Purpose Company (SPC) audit
	Financial statement audit of companies to which statutory audit is not applicable
	Audit in accordance with the Financial Instruments and Exchange Act for the purpose of public offering
Assurance	Audit of financial statements prepared in accordance with special purpose framework
	Audit of single financial statements and specific elements, accounts or items of a financial statement
	Systems audit/project audit
	Assurance engagement other than auditor review of historical financial information
	Assurance engagement for internal control concerning fiduciary obligation
	Information security verification services
Assurance engagement for sustainability reporting	

### Our Story – Audit 2020

- 01 Delivered audit services and demonstrated expertise and professional skepticism to respond to various risks that companies face.
- 02 Improved the effectiveness and efficiency of audit operations by adopting audit methods driven by Data & Analytics.
- 03 Established necessary audit infrastructure to allow judgments to be made within Japan, which includes expertise on IFRS, US GAAP and Japan GAAP.

# Tax

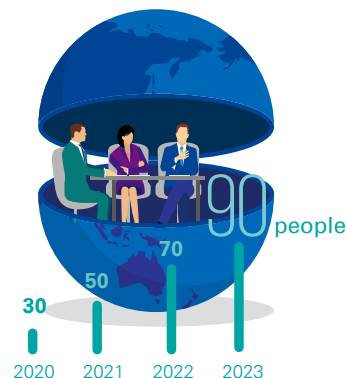
KPMG Tax Corporation  
KPMG Social Insurance and Labor Advisor Corporation

The global business landscape is continuing to undergo tremendous change and companies are ever more exposed to new challenges such as measures taken by tax authorities to address aggressive tax avoidance by multinational corporations. In addition, the impact of COVID-19 has driven many companies to review their supply chains and restructure their businesses.

By drawing on not only our Japan network but also our tax professionals from KPMG's global network, we are dedicated to helping our clients succeed and are passionate about providing comprehensive advice. Using our understanding of governance and our deep industry knowledge, we help clients stay competitive and compliant.

## Tax Reimagined Services\*

Talent expansion plan



\*Refers to the reconsideration and restructuring of the tax function, an essential part of creating a global tax management structure in Japanese companies.

### KPMG Japan's initiative for social value creation

#### Ten Things to Do to Achieve Global Tax Management guidelines for Japanese companies to solve challenges in the global tax environment

For Japanese companies accelerating the expansion of their business overseas, the establishment of a global tax management system is an important and ongoing management issue. KPMG Tax Corporation regularly publishes an online newsletter titled "Ten Things to Do to Achieve Global Tax Management" which provides guidelines for headquarters regarding tax planning, tax risk management, and other tax issues to help support the tax departments of Japanese multinationals understand what they need to address in the current environment.

Furthermore, KPMG International publishes the Global Tax Benchmarking Survey report assessing the current status and future outlook of tax departments worldwide, which offers useful information regarding the challenges and opportunities, such as the scope of duties, structure and budget of the tax department.



### Service Portfolio

#### Addressing BEPS\* issues through KPMG's international tax and transfer pricing services

Following the OECD's fundamental review of global tax rules, multinational companies are required to submit country-by-country reports, which could increase the risk of double taxation. While the appropriate control of tax-related risks is a key issue, many companies in Japan do not have a clear understanding of their overseas subsidiaries' tax status resulting in a lag in the implementation of a global tax governance policy. Going forward, it is only a matter of time before tax authorities set up an information network globally and companies' profit and loss and tax burden in each jurisdiction becomes transparent. In such an environment, the proper handling of BEPS issues will present a critical challenge for companies to become truly global. At KPMG Japan, we help Japanese companies build a global tax governance system which is spearheaded by their headquarters in Japan. We support clients to enhance their management process and help them succeed amidst intense international competition.

International tax	Transfer pricing
Domestic tax	M&A
Real estate transactions	Global mobility
Finance & technology	Outsourcing

\*BEPS: BEPS or Base Erosion and Profit Shifting refers to multinational companies' tax avoidance strategies on the basis of national taxation. As BEPS is regarded as a factor that could threaten the credibility of tax schemes, international measures are being carried out to prevent it.

### Our Strength

- 01 Our capabilities in providing cross-border services by utilizing KPMG's global network.
- 02 A wealth of top-class tax professionals with expertise in each specialized area.
- 03 Provision of practical tax advice with cutting-edge IT technology in accordance with the particular needs of clients.

### Our Story – Tax 2020

- 01 Expanded M&A related services in line with an increase in overseas expansions and cross-border transactions by Japanese companies.
- 02 Increased international tax and transfer pricing services to respond to the growing importance for multinationals to address BEPS.
- 03 Provided tax cost optimization services in relation to development/reorganization of a supply chain which takes account of customs duties and other indirect taxes.

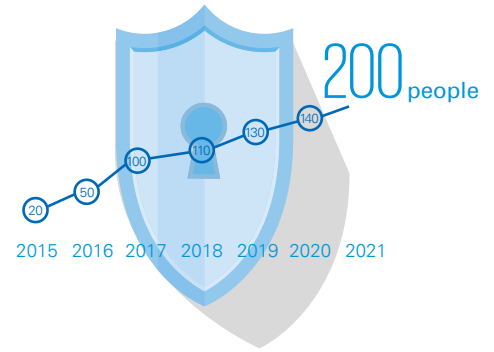


# Advisory

KPMG AZSA LLC  
KPMG Consulting Co., Ltd.  
KPMG FAS Co., Ltd.  
KPMG AZSA Sustainability Co., Ltd.  
KPMG Healthcare Japan Co., Ltd.

## Cyber Security Service

Headcount growth and future expansion plan



KPMG Japan’s advisory services comprise three service groups: Risk Consulting, Deal Advisory and Management Consulting. As our clients face challenges and the need for transformation in the face of an unprecedented crisis for humankind brought about by COVID-19, our experts across various fields work as one in providing optimal solutions through our global KPMG network to support the sustainable growth of our clients.

### KPMG Japan’s initiative for social value creation

#### Introducing our incubation division supporting university-initiated startups

The trend in recent years of many young and talented people aspiring to start their own business is expected to bring about major changes in the structure of corporate society in the future. The demand is increasing for universities, which have been responsible for higher education and basic research, to support “social implementation” for students to apply the seeds sown by their education and research to the solution of social issues. University-initiated startups are on the rise year by year through the establishment of an organization for utilizing industry-academia collaboration, entrepreneurship funds and intellectual property. Universities have many entrepreneurial students and researchers, revolutionary technologies, and seeds of innovation, and there are expectations for university-initiated startup companies to solve social issues as a driving force for the future of Japan’s economy. Fostering startup companies and promoting open innovation are also positioned as important national policies. We have established an “incubation division” to respond to the societal requirement of supporting the creation of social value through innovative technologies, using the trust society has placed in us as a foundation to gain the confidence of startup companies by supporting their management and operations.

### Advisory Service Framework

#### Deal Advisory

We provide comprehensive one-stop support needed from pre-deal to post-deal for M&A advisory and business portfolio restructuring to assist clients in revitalizing their businesses. We also provide services relating to the formulation and implementation of growth strategies.

#### Management Consulting

We utilize the latest technologies to support the digital transformation of our clients’ business models and operations. We also provide comprehensive support covering a wide range of client needs – from planning business operations, digital strategies, and business transformations including supply chain optimization, to designing organizational and personnel systems that support the rebuilding of business management systems to suit new workstyles, and proposals on how to use IT and systems to achieve the optimal effect of each of these services.

#### Risk Consulting

We provide practical know-how regarding potential risks to growth and the smooth operation of clients’ business. This includes challenges related to the increasingly complex financial accounting function, risk management, compliance, internal control and audits, cybersecurity and BCP. We also support clients in building and implementing optimal global group management structures.

## Our Strength

- 01 We provide one-stop support to address our clients’ issues based on an organic collaboration by our experts in relevant service fields and industries and through utilizing our KPMG global network.
- 02 We utilize the latest digital technologies to provide comprehensive support for promoting our clients’ real digital transformation.
- 03 Our expert professionals provide services offering high added value.

## Our Story – Advisory 2020

- 01 Our initiatives responded to the various needs of clients expanding their business globally even during COVID-19.
- 02 We made active investments in cutting-edge digital technologies such as AI, big data, the Cloud, and blockchain, which we utilized to develop digital solutions and introduce services.
- 03 We utilized digital technologies to provide advisory services addressing opportunities and risks clients face in the COVID and post-COVID eras.

# KPMG IMPACT

Launch of **KPMG IMPACT** to provide comprehensive support for corporate transformations in the era of sustainability

Many countries and regions view sustainability as a measure for revitalizing the sluggish economy caused by COVID-19, and there have been dramatic efforts by corporations on a global scale towards realizing a sustainable society.

Incorporating sustainability into management is now a core element of corporate strategy beyond the framework of CSR, and is indispensable for enhancing corporate value, securing finance and competent talent, and promoting the value of products and services.

KPMG IMPACT unites solutions for strategically high-priority areas by creating an organization that brings together professionals with diverse expertise across countries, firms and sectors, in order to support the sustainability management of global companies.

## Leader Message

Geopolitical risk, digitalization, and sustainability efforts are three key elements that will shape the way business is done in the post-COVID era. In particular, sustainability needs to be addressed on a global scale, and is a serious issue that raises the

question of what will remain for future generations. KPMG IMPACT is our response to the drastic changes in values that accompany this issue — a declaration that KPMG will work together as a global organization to resolve relevant issues. KPMG IMPACT will be a platform to bring together solutions scattered over a wide range of functions and regions. We will classify solutions into five categories by issue and bring them to the market as an effort to address the vital theme of sustainability.

Together with our clients, we will think about the impacts that the tide of sustainability flowing beneath all companies will have on their businesses, and support our clients from multiple directions by steering a future course with these impacts in mind. Like our clients, we will embed sustainability awareness in our own services through KPMG IMPACT. Sustainability is at the root of all the services KPMG offers.



**Masahiko CHINO** Partner

KPMG Japan  
Head of Advisory/  
Head of Clients & Markets



**Junichi Adachi** Partner

Managing Partner,  
KPMG AZSA Sustainability, Co., Ltd.  
Division Head of Accounting Advisory Services (AAS),  
KPMG AZSA LLC



**Mina Sekiguchi** Managing Director

Head of Energy and Infrastructure,  
Advisory Planning Department, KPMG AZSA LLC  
KPMG IMPACT Project Leader, KPMG Japan

# KPMG IMPACT Five Pillars Overview

Five pillars of sustainability-related solutions provided by KPMG IMPACT

1



## ESG and sustainability

Facilitating clients' understanding and application of new changes in the business environment. Supporting the development of responsible and sustainable strategies, business models, operations and investments.

- ESG strategy
- ESG risk management
- Ethical supply chain  
(Including human rights, e.g. conflict minerals)
- Circular economy

2



## Economic and social development

Collaborating with the government, multinational corporations, private companies and other development agencies. Supporting growth of society by measuring impact, reducing vulnerabilities, and allowing economies to prosper.

- Modeling target investments
- Providing public services  
(Healthcare, education system, sustainable infrastructure)
- Resilient supply chain and logistics management

3



## Sustainable finance

Integrating ESG (Environment, Society, Governance) KPIs into responsible investment, fund procurement, insurance and corporate finance strategies and processes.

- Responsible investment
- Responsible banking and capital markets
- Responsible insurance
- Responsible corporate finance
- Responsible public finance

4



## Climate change and decarbonization

Driving business models, products and services that address climate change and to help clients reduce carbon emissions.

- Climate risk
- Renewables
- Carbon and green house gas emissions
- Climate and green finance
- Policy and regulation

5



## IMPACT measurement, assurance and reporting

Providing methodologies, tools and frameworks for improved tracking and measurement of non-financial information.

- True Value
- Impact measurement and reporting
- TCFD and climate risk reporting
- Sustainability assurance

# Citizenship

KPMG Japan contributes towards the realization of a sustainable society as a corporate citizen with the aim of enriching our society and environment that support us, while utilizing the knowledge and experience we have cultivated through the provision of services as a professional firm.

## Initiatives for the next generation in the educational field

By placing emphasis on the fourth UN Sustainable Development Goal (SDG), quality education, KPMG AZSA provides pro bono activities aimed at fostering the next generation of leaders from among university students and high school, junior high and elementary school students. To date, we have provided accounting and audit classes which allow students to understand the way in which accounting knowledge is useful in society, as well as entrepreneur classes to support members of the younger generation who wish to solve social issues through business. We also collaborate with global to hold "Global CyberDay," a cyber security awareness campaign.



"Entrepreneur class" held in June 2019

## Initiatives in the social field

KPMG Japan signed a partnership agreement with the Japan Blind Football Association, and with the aim of helping to raise awareness about blind soccer, has been holding the KPMG Cup Blind Soccer Club Team Championship since 2016. In addition to our special sponsorship of national competitions thus far, since January 2020 we have also been supporting the strengthening of the Japan Men's National Team aiming to win medals in various international competitions.

As an initiative for the next generation, we have also been making year-end donations since 2011 to support the future of children in areas affected by the Great East Japan Earthquake. We regularly make donations to funds set up in Iwate, Miyagi, and Fukushima prefectures for children who lost their parents to earthquakes and other disasters.



AXA x KPMG Blind Soccer 2020 Cup

## Initiatives to address environmental issues

KPMG is tackling climate change on a global basis both by supporting clients in their efforts to reduce CO<sub>2</sub> emissions and by implementing similar methods at KPMG member firms worldwide.

KPMG Japan also provides sustainability-related services, and is making an effort to understand of the CO<sub>2</sub> emissions created by our own business and working to reduce emissions. We also hold educational activities for employees to raise their awareness of various environmental issues including climate change.



Efforts to conserve World Heritage "Kumano Kodo"

# Inclusion & Diversity

At KPMG Japan, the promotion of Inclusion and Diversity (I&D) is an important management strategy for strengthening our core business competitiveness and supporting our growth.

Based on our common goal of contributing to clients and society by having each and every one of our diverse professionals provide high-quality services, it is our aim for our people to achieve their full potential while accepting and benefiting from each other's differences.

We believe that ensuring diverse perspectives in an inclusive environment will be the basis for building a team that can provide innovative and valuable services to clients and society, and developing our organization into one that is more sustainable and robust, which will lead to the growth of our people as individuals.

## Diversity workshop for organizational reform

As part of the annual KPMG Japan Diversity Fair (an internal event for learning and experiencing diversity), we held the Diversity Workshop for Organizational Reform for management who are also in a position of promoting I&D in December 2019.

Thirty-five members of management from KPMG Japan firms attended the event and experienced differences in position from the perspectives of majority and minority through games and discussion.

Participants commented that they were reminded of the importance of thinking about confronting diversity not only as an issue of individuals or organizations, but also as a structural issue of society, and that they would like to apply this approach to organizational management in the future.



## A workplace that demonstrates the individuality of our diverse people Supporting social independence and self-actualization

In 2011, KPMG Japan established AZSA Office Mate (AZOM, see P.38) with the purpose of providing a workplace that matched the abilities and aptitudes of individual persons with disabilities with their motivation to work, and supporting their social independence by realizing stable employment through which they can experience the joy of working and individual growth. Our staff at AZOM are working daily to assist with administrative tasks at KPMG AZSA and affiliated companies. There are many staff members who enjoy sports, including some who participate in the National Sports Festival for People with Disabilities, competing in sports such as swimming and athletics. Some athletes with disabilities have been selected as Japanese national team players, and AZOM staff Yuki Iwata was commended as a Meritorious Athlete in 2020 as a strong team player in the Japanese national team for T20 (intellectual disability) long-distance events.



## "Eruboshi" certification

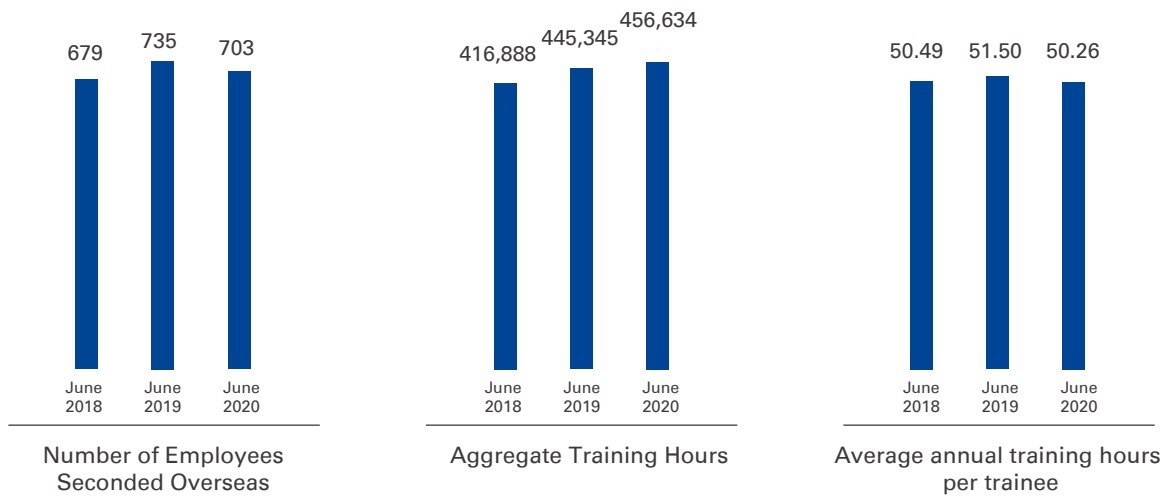
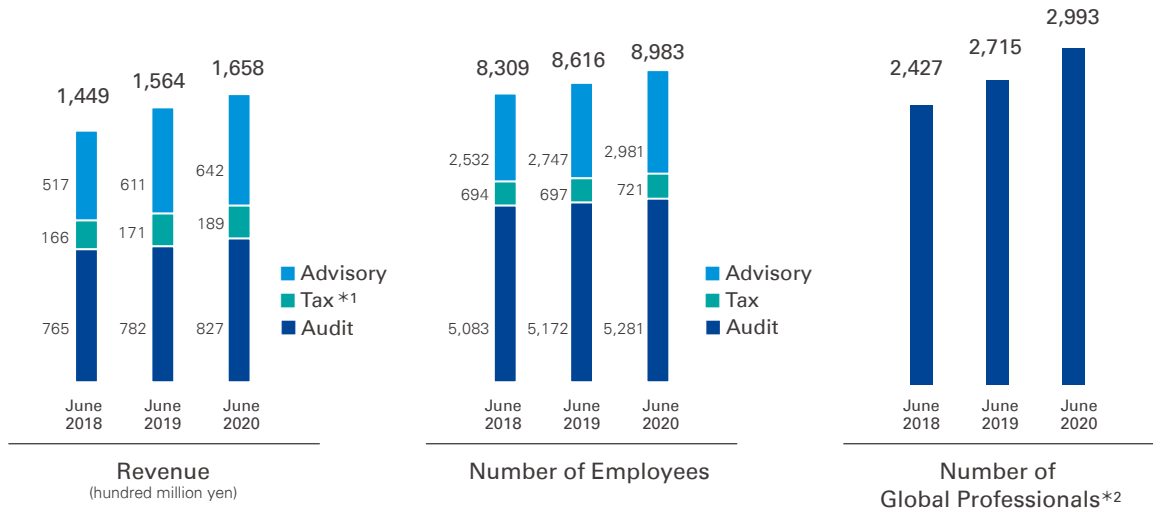


KPMG Japan actively promotes training for fostering an inclusive corporate culture, as well as the recruitment of talent with high aspirations and potential regardless of gender.

In recognition of these efforts, KPMG AZSA, KPMG Consulting, KPMG FAS, and KPMG Tax Corporation have been certified by the Minister of Health, Labor and Welfare as an "Eruboshi" company with three stars, as firms that implement effective initiatives to promote the further success of women.

We will continue to promote not only the success of women, but also the realization of a workplace in which each and every one of our people accept and make full use of individual characteristics, and can achieve their full potential.

# Our Performance



\*1 : Tax service revenues included are for fiscal years from October 1 to September 30.

\*2 : Global professionals are those who have overseas work experience, have been in global skill training courses, or are foreign nationals.

# Overview of Member Firms

**About KPMG** KPMG is a global organization of independent professional services firms providing Audit, Tax and Advisory services. We operate in 146 countries and territories and in FY20 had close to 227,000 people working in member firms around the world. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

## KPMG International

(As of September 2020)

Revenues \$US 29.22 billion

Number of personnel 226,882

Number of countries and territories 146

Registration in London, U.K.

## KPMG Japan

Chairman  
Toshiya MORI

CEO  
Hiroyuki TAKANAMI

## KPMG Japan Member Firms

### KPMG AZSA LLC

CEO Hiroyuki TAKANAMI

With approximately 6,000 employees based in major cities nationwide, we offer professional services, including audit, various assurance services, finance-related advisory services, and IPO support. We also deliver services requiring a high level of expertise tailored to sector-specific needs, including those for the financial, information/telecommunication/media, manufacturing and public sectors.

### KPMG Tax Corporation

Representative Partner Yuichi KOMAKINE

Our tax professional teams offer bespoke tax advice according to various business activities (corporate acquisition, restructuring, overseas expansion, international tax, transfer pricing, BEPS compliance, customs duty/indirect tax, business succession, etc.), preparation of various tax declarations, bookkeeping and payroll calculations, to Japanese companies and Japanese subsidiaries of foreign companies.

### KPMG Consulting Co., Ltd.

President & CEO Masahiro MIYAHARA

We assist clients to transform business models or improve overall management operations. Specifically, we provide services related to business strategy planning, improvement in operational efficiency, profit management capability, governance, risk management, IT strategy planning, IT system and tool implementation support, organization and human resource management reform, among others.

### KPMG FAS Co., Ltd.

Representative Directors  
Hikaru OKADA  
Osamu MATSUSHITA  
Masahiko CHINO

We support clients on their journey to achieving sustainable growth through the enhancement of management operations and increasing enterprise value by providing services related to corporate strategy planning, business restructuring and M&A for the optimization of business portfolios, revitalization of underperforming businesses and advice relating to addressing corporate scandals.

### KPMG Healthcare Japan Co., Ltd.

Managing Partners Keiichi OHWARI  
Jun MATSUDA

We provide business and financial services to the healthcare industry, including the medical and nursing care fields. Advisory services are related to strategy, risk assessment, M&A, finance and business revitalization.

### KPMG AZSA Sustainability Co., Ltd.

Managing Partners Junichi ADACHI  
Kazuhiko SAITO

We provide third-party assurance services for companies to raise the credibility of their non-financial information. We assist companies' pursuit of sustainability by supporting corporate performance and risk control in the sustainability field as well as enhancement of non-financial disclosures.

### KPMG Social Insurance and Labor Advisors Corporation

Representative Mayumi OGAWA

We provide advisory services such as those related to labor and social insurance procedures, application procedures for social security agreements, and creation and review of labor rules to Japanese companies expanding their business globally and Japanese subsidiaries of foreign companies. Our services are bilingual, offered in both Japanese and English.

### KPMG Ignition Tokyo Inc.

CEO Masayuki CHATANI

Our mission is to combine the knowledge of our professionals cultivated through our audit, tax and advisory services with the latest digital technologies, and together with all entities of KPMG Japan to support the business transformation of companies accompanying digitalization through developing common foundations and solutions.

### AZSA Office Mate Co., Ltd.

President Michitaka SHISHIDO

In order to assist individuals with disabilities achieve independence, AZSA Office Mate employs individuals with primarily intellectual disabilities as "office mates." These employees are responsible for work including preparation for external seminars, printing and binding materials, sorting and filing accounting documents, sorting and shipping of stationery for reuse, business card printing and restocking of stationery.

**Editorial Policy** Since 2015, we have been issuing KPMG Japan Our Story, which reports on KPMG Japan's shared principles and philosophy, as well as initiatives whereby we can consistently respond to social and client expectations to provide more value as a group of professional firms dedicated to delivering outstanding service. This report is prepared and edited with the principles of integrated reporting in mind.

**Scope of the Report** In principle, the Report focuses on KPMG Japan's member firms. Information and performance data of specific organizations are individually described. KPMG Japan's member firms are listed above.

**Reporting Period** Performance data is provided for primarily the period of July 2019–June 2020. In addition to reviewing the current state of the firm, the report also presents our outlook for the years to come.

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