



AZSA Quality 2022/23

Report on audit quality

October 2022

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Audit Quality Indicator

Our initiatives for audit quality viewed from AQI

Digitalization of society and audit transformation

P.13

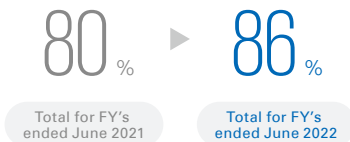
Digital investment amount*



*Figures are for KPMG in Japan and include IT system-related costs

Digital tools usage

Usage rate of KPMG Clara for clients



*Includes same frameworks used before

Usage rate of audit support tools (Listed companies)

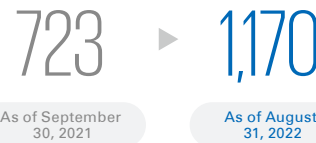


Usage rate of delivery centers for audit teams of listed companies



Digital talent

Digital masters*



Aiming to foster over 2,500 employees in the short term

*Talent at the core of our digital transformation

Digital foundation program* participation rate



*Basic digital training available for KPMG AZSA professionals

Problem solving in global society

P.21

Overseas experience

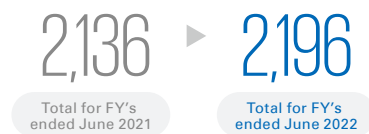
One in every four managers have secondment experience



*Total of six secondees to the IFRS Foundation

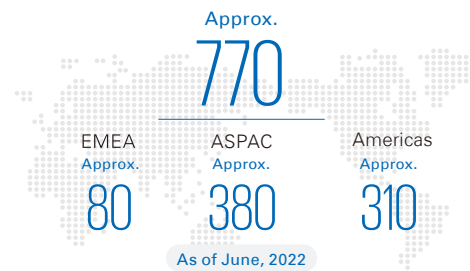
Global talent*

Total



*"Global Talent" is defined as those with a TOEIC score over 730, those with experience working abroad, foreign nationals and those proficient in other foreign languages

Japanese speakers around the world*



*Local Japanese-speaking professionals including secondees from KPMG in Japan

Contributing to the realization of a sustainable society

P.26

Number of members capable of providing sustainability report assurance

500

Aiming by June 30, 2026

Sustainable Value Headquarters (CoE)

30

As of June 30, 2022

*Including those who hold concurrent positions

Number of assurance reports issued

Number of companies for which KPMG AZSA Sustainability submitted assurance reports for fiscal 2020 figures as of the end of June 2022

65

companies
FY2020

KPMG AZSA continually strives to enhance audit quality. As a part of our effort to establish policies and measure outcomes, we refer to certain Audit Quality Indicators (AQI), quantitative information related to factors that are thought to have an impact on audit quality.

Organizational foundation

➤ P.30

Global People Survey (GPS) Trust

Do you feel that you have trust in management and that your superiors embody our Values?

71%

(Percentage of respondents who gave a positive response with a rating of 4 or higher on a five-point scale)

Year ended June, 2022

Global People Survey (GPS) Values, Vision & Strategy

Does management present a clear business strategy and implement necessary transformations?

66%

(Percentage of respondents who gave a positive response with a rating of 4 or higher on a five-point scale)

Year ended June, 2022

Quality control

➤ P.42

Periodic review* results (Year ended June, 2022)

Number of reviews 101 cases

Deficiencies requiring a change in audit opinion 0 cases

Coverage of engagement partners 41%

Percentage of engagements with no significant findings 96%

*All partners are subject to a quality performance review at least every four years.

Global People Survey (GPS) Audit quality

Members' awareness of audit quality

73%

(Percentage of respondents who gave a positive response with a rating of 4 or higher on a five-point scale)

Year ended June, 2022

Number of sanctions (Over past 5 years)

- Administrative penalties by the Financial Services Agency relating to audit services
- Administrative penalties by the JICPA relating to audit services
- Measures based on JICPA review results regarding audit quality

0 cases

Talent

➤ P.65

Global People Survey (GPS) Engagement

Voluntary willingness to serve the firm and satisfaction with the firm

66%

(Ratio of positive responses with a rating of 4 or higher on a five-point scale)

Year ended June, 2022

Percentage of female employees

Professionals



27%

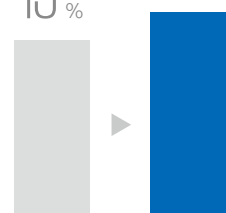
As of June 30, 2021

28%

As of June 30, 2022

Management

13%



As of July 31, 2021

As of July 31, 2022

Average annual training audit hours



67 hours

Year ended June, 2022

Message

from our CEO

KPMG AZSA LLC
CEO

Toshiya Mori

Our Purpose

Our Purpose at KPMG AZSA is “Inspire Confidence. Empower Change.” We aim to be the most trusted and trustworthy firm, one that is the Clear Choice for our clients, our society, our people, and all other stakeholders, by continuing to provide outstanding professional services to our clients as they face rapidly changing challenges. Each and every one of our people will uphold high ethical standards as we continue to implement bold measures and reforms that place trust at the core of all conduct.

Understanding environmental changes and expectations through communication with stakeholders

We are currently in an environment of rapid change – there is heightening interest in sustainability issues, increased uncertainty about the future outlook, new questions about the existing industrial structure, the reorganization of global business, further progress of digitalization, and diversification of work styles and

values. Such changes are leading to increased future risks in various industries and sectors and the rise of sector-specific issues including climate change. In order to enhance our audit quality and continue to provide value-added insights to stakeholders while addressing such changes, it is more important than ever that we develop a deep understanding of environmental changes and expectations of KPMG AZSA through communication with stakeholders. We attach great importance to this communication process and are committed to meeting the expectations of our stakeholders.

Pursuing audit quality is our top priority

Stakeholders have a core expectation that we will place priority on earning the trust of society and the capital markets, and that our audit results can be relied upon at all times. Audit quality is the basis of all trust placed in us as an audit firm. To ensure that no matters arise that surprise the market, our pursuit of enhancing audit quality is a mission without end.



Toshiya
Mori

KPMG AZSA LLC
CEO

AX for Trust® – Audit transformation

Pursuing audit quality as our top priority and meeting the ever-changing expectations of stakeholders will require transformation of both our people and our business as we continue to evolve.

Based on the concept of AX for Trust®, KPMG AZSA is working to meet the new needs of capital markets for the provision of insights and assurance services relating to non-financial information by promoting audit transformation including audit digitalization and further advancing our global capabilities as a particular strength of KPMG AZSA. Through these initiatives, we will constantly transform our audit processes to make them more effective and efficient, and continuously strive to improve the reliability of our clients' financial and non-financial information.

Talent and corporate culture supporting audit quality

It is our people who deliver quality audits and achieve audit transformation. At KPMG AZSA, we provide members with growth opportunities through a process of transformation while supporting their well-being. We also foster an open corporate culture in which our people with diverse values can speak freely and attain their full potential.

Everything we do is to build trust.

KPMG AZSA will continue to earn the trust of our stakeholders as a firm that inspires confidence and empowers change by providing high-quality audit services through audit transformation, thereby contributing to the sound development of capital markets and realization of fair and smooth investment chains.

Why we publish AZSA Quality

We maintain and enhance the quality of audits by meeting expectations of society that we are made aware of through communication with stakeholders. This report serves as a tool for such communication between stakeholders and KPMG AZSA.



Inspire Confidence. Empower Change.

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



This is what we believe in

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.



The Clear Choice

KPMG AZSA aims to be the Clear Choice for society, our clients, and our people by relentlessly pursuing quality in our services.

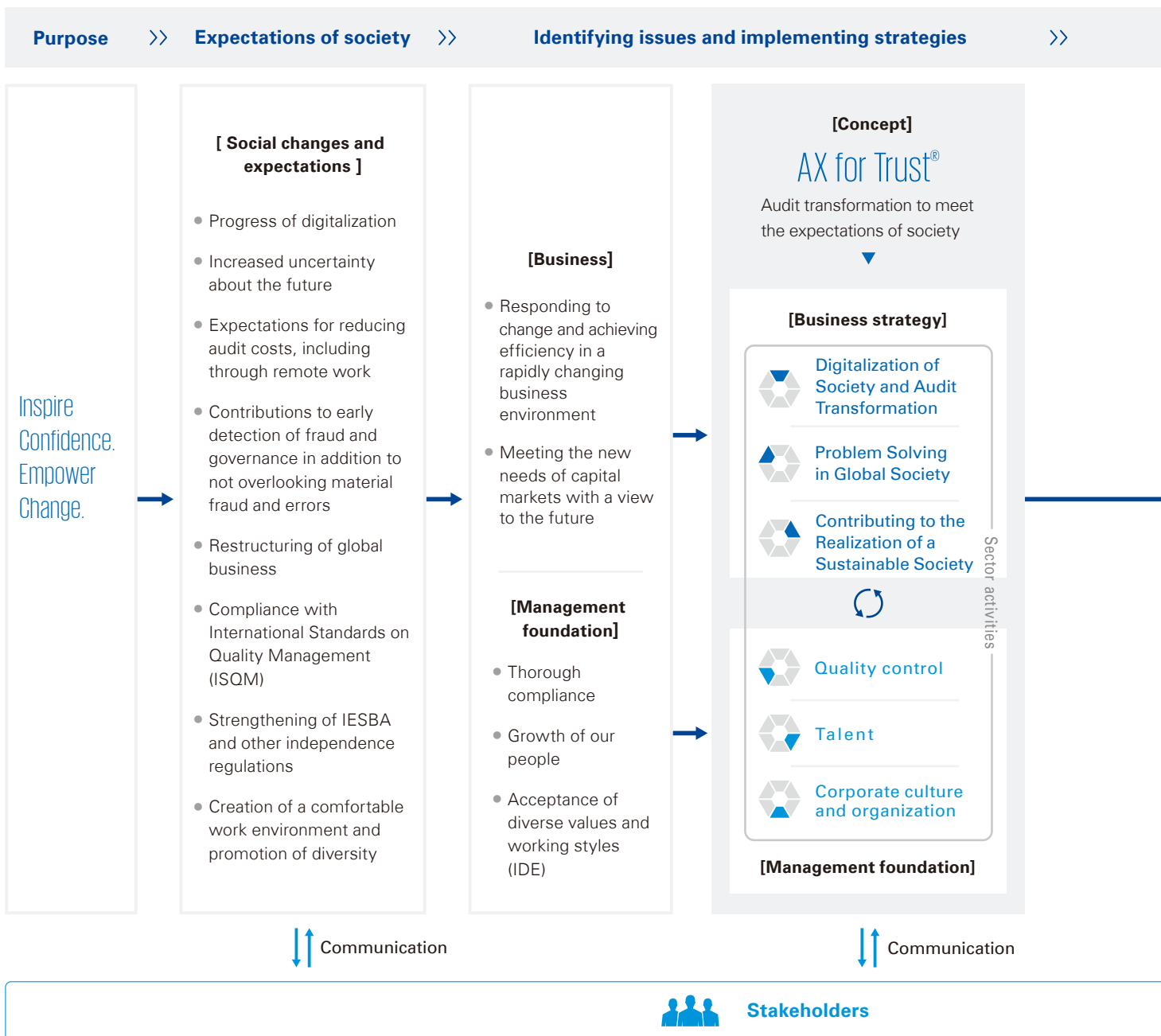
Chapter I

Our audit value creation story

Our audit value creation story

Our Purpose at KPMG AZSA is “Inspire Confidence. Empower Change.”

To achieve this, we communicate with our audit clients, our people and the public to understand expectations of our firm based on changes in the social environment and identify key issues that we need to address. We aim to provide impacts and insights through our services by formulating and implementing strategies based on the concept of AX for Trust®, thereby becoming the Clear Choice.



Value provision



Vision

[The values we provide]

Impacts
&
Insights

To society

- Sound development of the capital markets
- Realization of a fair and smooth investment chain

To our audit clients

- Assuring reliability of their financial and non-financial information
- Enabling effective and efficient audit processes
 - Early detection of fraud and error risk
 - Strengthening internal control and subsidiary management

To our people

- Growth opportunities
- Well-being

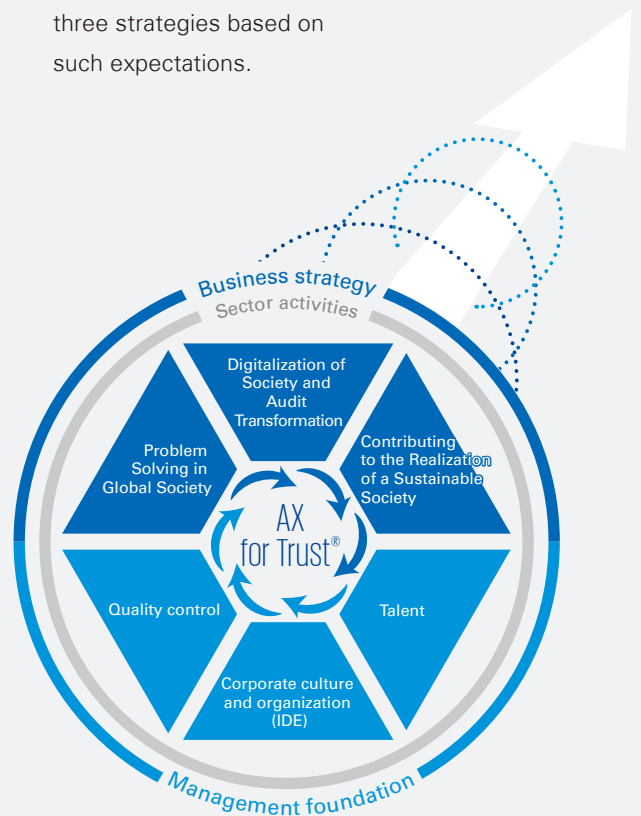
The Clear Choice

To be the Clear Choice, now and in the future

Communication

AX for Trust®
(Audit Transformation for Trust)

KPMG AZSA is committed to implementing continuous audit transformation to achieve high-quality audits that meet the changing expectations of society. We have formulated and have begun implementing three strategies based on such expectations.



Communication with stakeholders

1 Promotion of understanding through communication with management

In a rapidly changing environment, future risks are increasing in a variety of sectors, giving rise to industry-specific issues. As a result, deeper understanding of businesses and communication with management are becoming more important than ever. In order to understand the decisions made by management and the background to the decision-making process, we actively communicate with management and carry out appropriate assessments without overlooking any risk of material misstatement due to fraud or error. We share any issues regarding key matters through prior communication with the goal of preventing any surprises occurring just before the fiscal year-end, while also sharing any governance issues in a timely manner.

2 Two-way communication with those charged with governance

In an ever more complex business environment, two-way communication with those charged with governance who oversee the execution of duties by directors is becoming increasingly important. This is why we carry out two-way communication where we share issues identified in the audit process in a timely manner while receiving information that contributes to the audit from those charged with governance. We continuously share findings that contribute to the improvement of governance and risk management throughout the year.

3 Communication with client’s internal audit department

Collaboration with a client’s internal audit department, which is familiar with the details of the company’s business, is important for performing effective and efficient audits in a business environment where drastic changes occur. KPMG AZSA proactively works on appropriate and timely collaboration with internal audit departments.



4 **Communication with our partners and our people**

To understand the expectations partners and employees have of KPMG AZSA, we provide them with several opportunities to engage in direct dialogue with our CEO. The CEO Agenda is shared weekly by our CEO to all partners with the aim of sharing the latest developments in corporate affairs. The audit managing divisions hold regular partner meetings to discuss issues related to quality control.

Career managers, including HR partners in each department, also engage in in-depth dialogue with all members.

5 **Proactive dialogue with market participants (External experts such as regulators and scholars, institutional investors and analysts)**

We need to have an appropriate understanding of societal changes and needs, and perform audits that meet society's standards of expectation.

An important role as an audit firm is to disseminate information about our activities and initiatives to society.

KPMG AZSA holds meetings to exchange opinions with investors or those involved in the operation of the capital markets. These meetings are used to promote a better understanding of auditing and to achieve further improvements in organizational operations.

June 2022

〈Meeting for exchange of views with market participants〉

We received opinions from outside experts regarding their expectations of our firm based on the themes of accounting fraud and the reorganization of the Tokyo Stock Exchange's market segments. We then explained the current status of our firm's response.

Message

from

Senior Executive Board member (COO)

Meeting the changing expectations
of stakeholders



KPMG AZSA LLC
Senior Executive Board member (COO)
Hiroyuki Yamada

Our transformation strategy

KPMG AZSA is continuously undergoing audit transformation. We have formulated and are implementing three specific strategies.

1. Digitalization of society and audit transformation

The trend of digital transformation in the economy and society will continue to accelerate. This will bring about rapid changes in the business environment, and audits are expected to efficiently address such changes. In order to meet these expectations, we are promoting automation, standardization, and efficiency through digitalizing our audit services centered on KPMG Clara, our audit platform. At the same time, we are actively involving audit assistants in low-risk areas to enable professionals to focus on risk areas. We are also taking steps to maximize the use of data and technology, enhance the sophistication, efficiency, and visibility of audits, and provide value-added insights.

2. Problem solving in global society

Growing geopolitical risks and the impact of the global COVID-19 pandemic are bringing about major changes in the way global businesses operate. In order to respond to the global activities of our clients, we have established centralized group audit teams that implement a consistent audit approach on a global basis and deliver audits with no surprises. In addition, we continue to contribute to the early detection of fraud and strengthening of governance at clients' overseas sites by utilizing KPMG's strong global network and global capabilities.

3. Contributing to the realization of a sustainable society

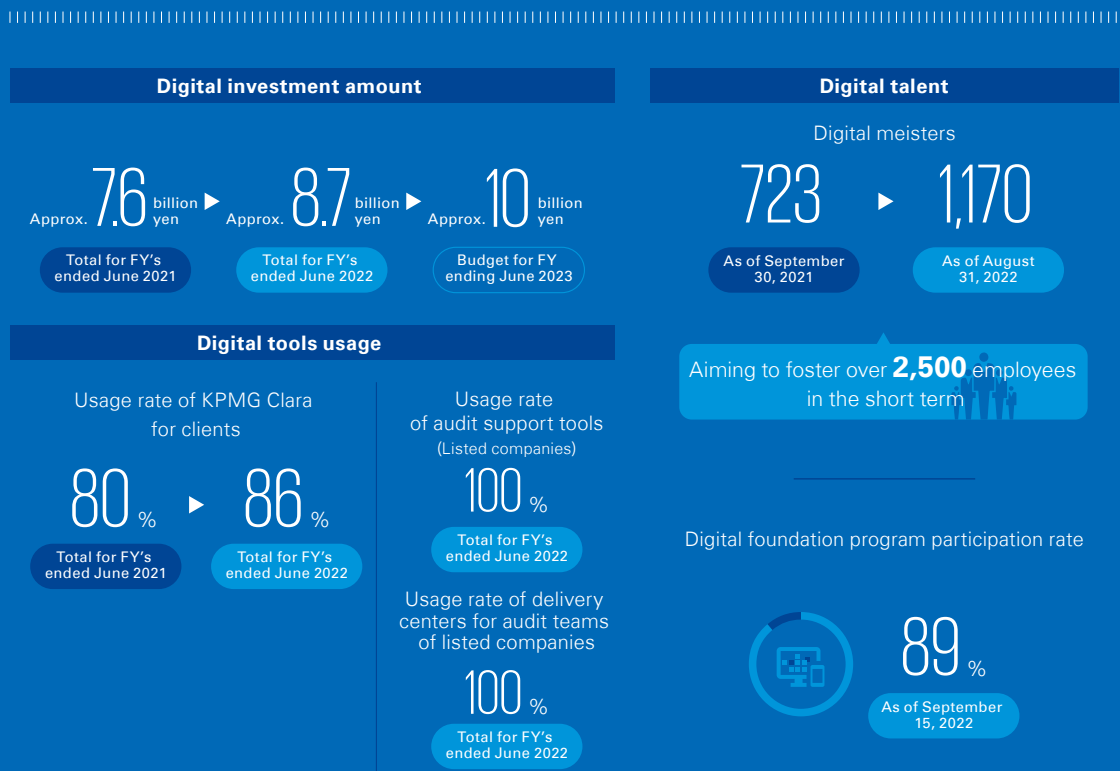
As climate change and ESG initiatives are being promoted globally, companies are required to address stakeholder requests to disclose non-financial information in addition to financial information. We are advancing reforms that make the most of our sector insights to meet the emerging needs of the capital markets for the assurance of non-financial information disclosed by companies. We will also develop groups of professionals in both ESG and sectors, and provide value-added advice and services that promote our clients' sustainability transformation through the accumulation of organizational knowledge.

Organizational foundation that supports change

Our firm is the result of multiple mergers between audit corporations, giving us a history of integrating people with different experience, knowledge and organizational cultures. Our current management comprises individuals who started their careers in different founding firms and who today manage the firm by combining their diverse experiences. This organizational foundation allows for a management team that embodies diversity, with people from different backgrounds coming together to demonstrate their strengths. We believe this serves as a major strength in the face of change.

Chapter II Sustainable value creation strategy

1 Digitalization of society and audit transformation

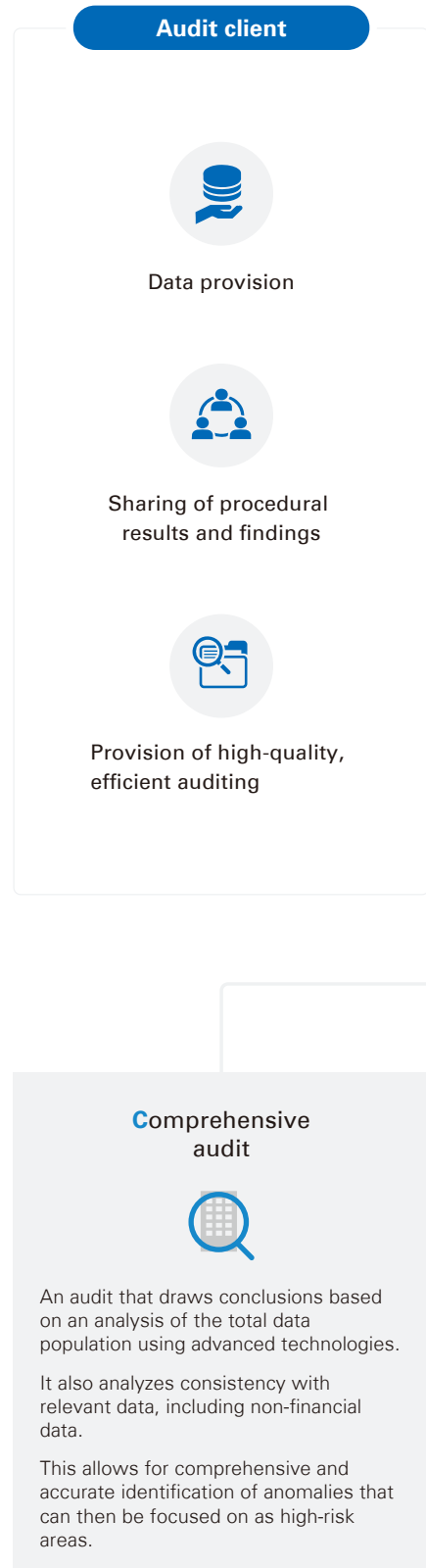


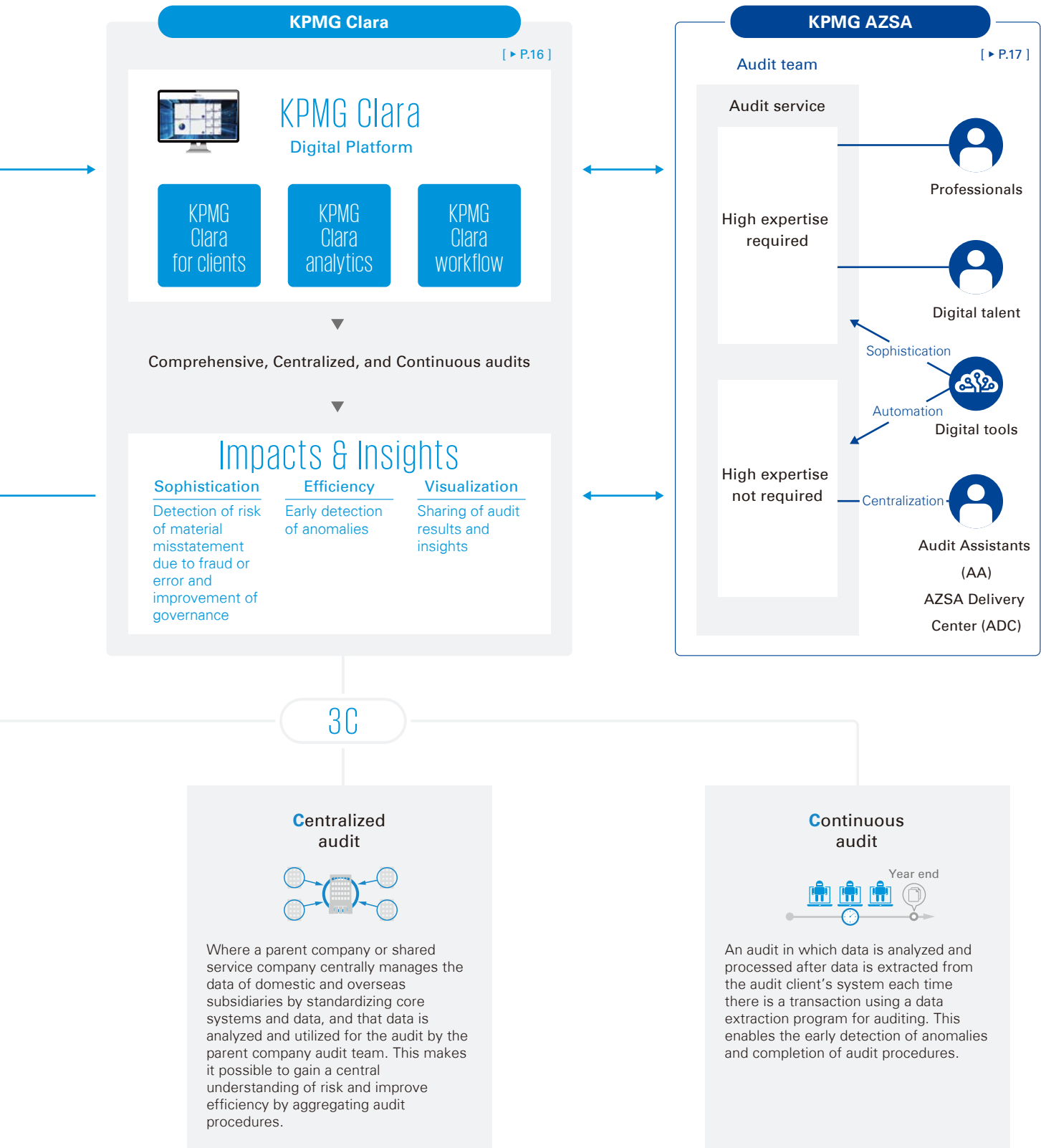
Management's assessment of AQIs

At KPMG AZSA, we obtain data by connecting with our audit clients on KPMG Clara, our digital audit platform. We are strengthening initiatives for the use of this data by various audit support tools, and assessing the extent to which such digital tools are being utilized. We continue to invest in digital technologies—a prerequisite for these initiatives—and to foster digital talent. We also continue to expand the use of centralization, including the AZSA Delivery Center, in low-risk audit areas.

Digitalization of society and audit transformation

We have established a series of mechanisms for obtaining and analyzing audit clients' data and documentary evidence, and for sharing the results of this analysis with our clients. By utilizing a large number of digital tools and centralizing operations at the AZSA Delivery Center (ADC), we are transforming our audit approach to allow professionals to concentrate on tasks that require high expertise. We use KPMG's accumulated sector insights to implement a catalog of accounting and auditing risk points within KPMG Clara that can arise in each sector, as well as sector-focused audits through the development and introduction of digital tools that focus on the business characteristics of each sector. We are laying the foundation for audit transformation by continuing our digital investment (approximately 8.7 billion yen for the fiscal year ended June 2022 and 7.6 billion yen for the fiscal year ended June 2021) and realizing an audit approach based on the 3Cs – Comprehensive, Centralized, Continuous – while cooperating with audit clients through KPMG Clara. We will meet the expectations of society by providing insights that incorporate the impacts of audit process transformation and insights of the audit team.







Digital platform: KPMG Clara

At KPMG AZSA, we use a digital audit platform called KPMG Clara to achieve 3C x I. KPMG Clara comprises three platforms: KPMG Clara for clients is a portal designed to make communication with audit clients efficient and secure; KPMG Clara analytics enables efficient and advanced analysis and audit procedures; and KPMG Clara workflow ensures quality audits based on a consistent risk assessment process.

Full roll-out of KPMG Clara workflow

KPMG has been making major investments in the revision and enhancement of audit methodologies and audit tools. In FY2022, we completed the roll-out of KPMG Clara workflow, an audit platform that applies a more advanced audit methodology called KPMG Audit Execution Guide. The introduction of KPMG Clara workflow will make possible “thinking audits” through which we identify and evaluate risks in a timely manner and come up with appropriate measures according to the degree of risk based on a deeper understanding of the economic environment surrounding companies, the latest sector trends, the state of a company’s internal affairs, and other factors.



Three main platforms on KPMG Clara

KPMG Clara for clients	KPMG Clara analytics	KPMG Clara workflow										
<p>Online collaboration platform for interacting with audit clients. Enables the progress management of issues and To-Dos in addition to the exchange and sharing of materials.</p>	<p>KPMG Clara analytics is an integrated data analytics platform that provides one-stop services from data extraction to analysis. KPMG AZSA has also developed a data analysis and audit procedure automation tool suitable for audit practice in Japan. The tool is stored centrally in AUDIT WORKSPACE for efficient use at audit sites.</p>	<p>KPMG Clara workflow is a platform for audit working papers incorporating an audit methodology that allows central management of audit procedures and their results. This is a new platform based on a new audit methodology called KPMG Audit Execution Guide, which takes a more in-depth risk approach.</p>										
<p>Usage rate</p> <table border="0"> <tr> <td>Total Over</td> <td>Listed companies</td> </tr> <tr> <td>1,500</td> <td>86%</td> </tr> <tr> <td>companies</td> <td></td> </tr> </table> <p><small>*Includes same frameworks used before</small></p>	Total Over	Listed companies	1,500	86%	companies		<table border="0"> <tr> <td>Companies using data analytics (listed):</td> <td>Companies using audit tools (listed):</td> </tr> <tr> <td>100%</td> <td>100%</td> </tr> </table>	Companies using data analytics (listed):	Companies using audit tools (listed):	100%	100%	<p>Rollout of KPMG Clara workflow completed</p>
Total Over	Listed companies											
1,500	86%											
companies												
Companies using data analytics (listed):	Companies using audit tools (listed):											
100%	100%											

Audit client

KPMG Clara

KPMG AZSA

Cooperation between KPMG global network and diverse professionals leading audit transformation

The Digital Innovation Department plays a central role in the planning and development of data analytics and audit tools. The division has many digital specialists including data scientists, data engineers, and IT specialists in addition to CPAs. They work with KPMG Ignition Tokyo, a group of experts in advanced technologies such as AI and blockchain, to transform the audit process and develop audit platform solutions.

As of the end of August 2022, we have 1,170 Digital Meisters in our audit managing divisions where our audit teams sit. Digital Meisters are capable of leading digital transformation, solving problems, and making proposals to audit clients.

We work together with the US, the UK, Germany and other leading countries and have deep involvement in the development process of digital audit platform solutions.

We also continuously send our professionals to KPMG Global Solutions Group (KGSG), KPMG International's research unit, and are actively engaged in information and technology exchange with other countries.

Centralization of operations to promote efficiency and Consistency

At KPMG AZSA, we have established the AZSA Delivery Center (ADC) within the Quality Assurance Headquarters to centralize tasks. At the same time, audit assistants (479 employees as of the end of June 2022) are actively involved at audit sites to continuously create an environment where professionals can concentrate on areas requiring high expertise.

ADC centrally manages routine tasks including sending and collecting balance confirmations, reconciling vouchers, checking financial statements, preparing audit instructions for overseas subsidiaries, and closing out audit files. The ADC is used by all audit teams of listed companies.

We will continue to promote efficiency and consistency by further centralizing operations. We proactively use the Audit Confirmation Center GK (ACC), a joint venture with three major Japanese audit firms, and the ADC to centralize tasks and improve efficiency. As a result, in the fiscal year ended June 2022, we achieved 85% centralization rate for all confirmation letters. ACC is working to digitalize confirmation letters. In the fiscal year ended June 2022, more than 16,000 confirmation letters were digitalized for approximately 1,900 audit clients. We will further promote the use of electronic systems to improve the efficiency of tasks related to confirmation letters.

We leverage data and technology to deliver insights

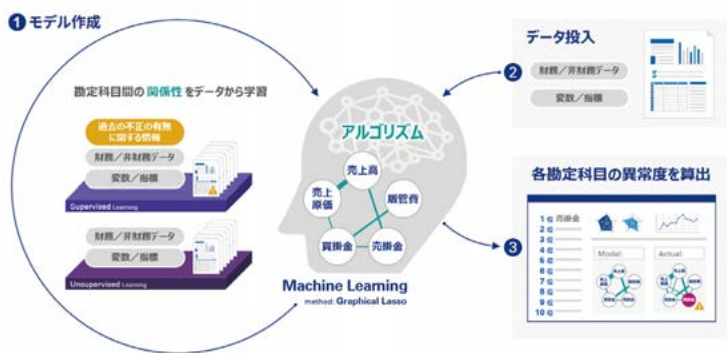
We leverage all relevant data and technology to make audits more sophisticated, efficient and visualized, and to ensure quality audits that meet the expectations of society. As a result, we enhance audit quality by providing added value including early detection and correction of material misstatements due to fraud or error, enhanced governance, improved audit processes and early detection of anomalies (continuous audit).

Early detection and correction of material misstatement due to fraud or error

1 Fraud Risk Scoring_ai

Before: Fraud risk identified based on auditor intuition and experience

After: Accounting fraud risk quantified through machine learning based on past fraud cases and restatements.



Points

- Performs machine learning of over 28,000 disclosed financial statements of listed companies to analyze the characteristics of accounting fraud cases.
- Calculates similarity scores of financial statements and characteristics of accounting fraud cases to identify high-score areas and address risks appropriately (audit procedures).
- Accuracy secured in which the tool calculated high scores for approximately 70% of past accounting fraud cases.

Insights for audit clients

Identifying fraud risks from an objective perspective and taking timely measures to address them, leading to the prevention and early correction of fraud

2 PCM analytics (Percent of completion analysis)

- Identifies risk areas, such as projects with high cost transfer risk, by visualizing cost generation trends for each project.
- Clusters construction projects to identify high-risk projects with characteristics different from those of the corresponding service line.
- Enables understanding risk areas for various long-term projects and developing an overall picture even with an increase in the number of projects for which revenues are recorded according to progress due to the application of the revenue recognition accounting standard.

3 KaizanCheckBot_ai (Voucher tampering risk detection)

- Analyzes PDF image processing and property information to detect signs of tampering and address the risk of tampering with electronic vouchers in remote environments.

4 GPS data analytics

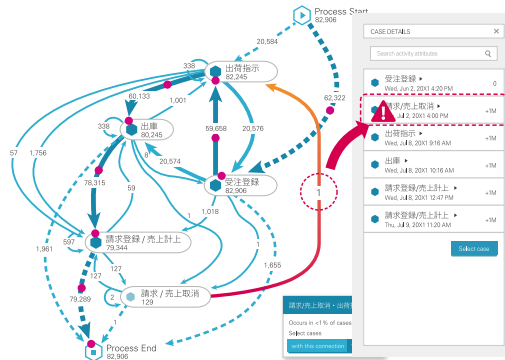
- Utilizes ship positioning information to capture the usage status and navigation progress of all ships owned by audit clients.
- Enables obtaining objective evidence to support revenues and expenses related to ships owned.

Strengthening governance - Improving business processes

1 Process mining (Workflow visualization)

Before: Understanding of the flow of business based on documents and interviews with persons in charge

After: Comprehensive and objective understanding of the flow of business based on actual data



Points

- Generates event logs from the data area of a client’s core business system and visualizes the flow of all transactions
- Visualizes lead times between events in addition to number of events
- Can be implemented even when limited data is available by targeting processes

Insights for audit clients

Identifies processes that rely on human processing and bottleneck processes, and recommends corrections to make processes more efficient and effective. Contributes to strengthening governance by detecting and correcting processes that deviate from internal controls.

2 Journal Entry Analytics_Lift Value

- Leverages statistical methods (lift values) to identify journal entries that have unexpected combinations of accounts and deviate from normal entry patterns.
- Identifies journal entries with unexpected entrants or approvers, or entrant/approver combinations.
- Objectively detects high-risk journal entries from all journal data
- Promptly identifies journal entries with signs of risk in an objective way in addition to risk scenarios based on auditor insights.
- Enables higher quality audits and in-depth communication by contributing not only to early detection of fraud but also to strengthening governance.

Efficiency — Automated audit procedures

1 Disclosure Bot_ai (Automatic verification of disclosure documents)

More than **12,000** cases processed between July 2021 and June 2022



Points

- Automatically verifies the accuracy of disclosed figures, consistency between the main table and notes, and reconciliation of figures from the previous year.
- Applicable to financial statements, quarterly reports and IFRS® Accounting Standards.

Insights for audit clients

Reduces human error, speeds up the provision of disclosure verification results, and enhances efficiency of correction requests and confirmations through the sharing of verification results (ideal for remote environments).



2 KOMEI (Accounting and audit Q&A system)

- Automatically extracts accounting standards, audit standards, guidance, etc. related to various topics (supports Japanese GAAP and IFRS Accounting Standards).
- AI displays search results in order of relevance.
- Past fraud cases can be searched according to method of fraud.

3 PreProcessingBot (Data preprocessing tool)

- Leverages Alteryx® for the automation of pre-processing such as data cleansing necessary for analysis.
- Processes vast amounts of data in a short time frame.

Continuous audit

1 Enterprise data analytics (ERP Analytics)

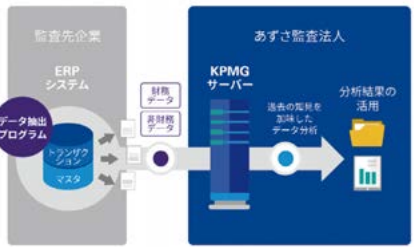


Points

- Large amounts of data extracted in bulk from a client's core business system and processed at high speed
- Data analysis from multiple angles by our analysts with insights into clients' system data

Insights for audit clients

Providing insights on compliance, internal control, business improvement and other topics



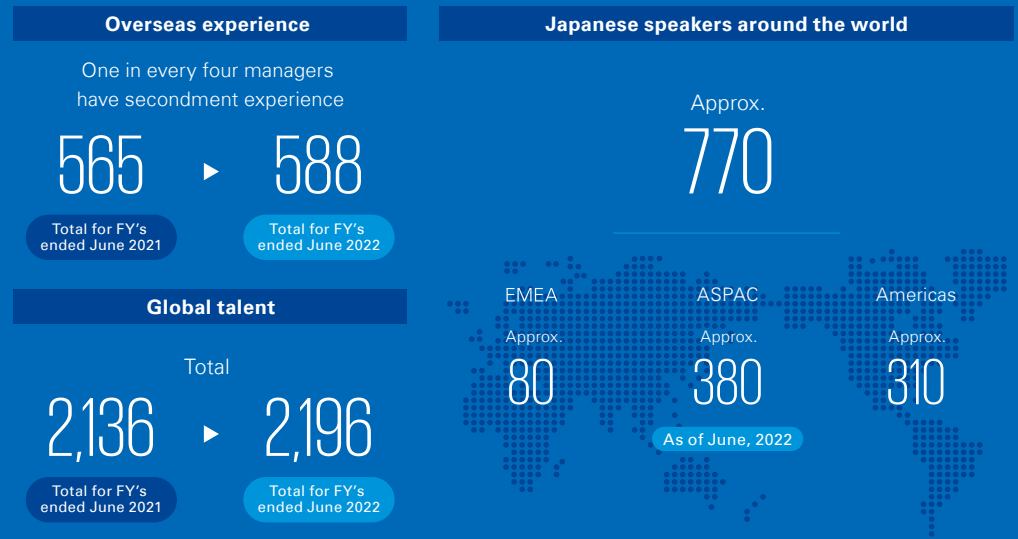
Initiatives for automatic data acquisition and continuous audits

We have developed a series of systems that are linked and wholly contained within KPMG Clara – this includes bulk data extraction from clients' core systems using a program for extracting data for audits, storing the data in KPMG Clara for clients, analyzing the data using KPMG Clara

analytics, and incorporating the results into KPMG Clara workflow. We will aim to achieve continuous audits (real-time audits) by expanding this initiative and increasing the frequency of bulk data acquisition.

Chapter II Sustainable value creation strategy

2 Problem solving in global society



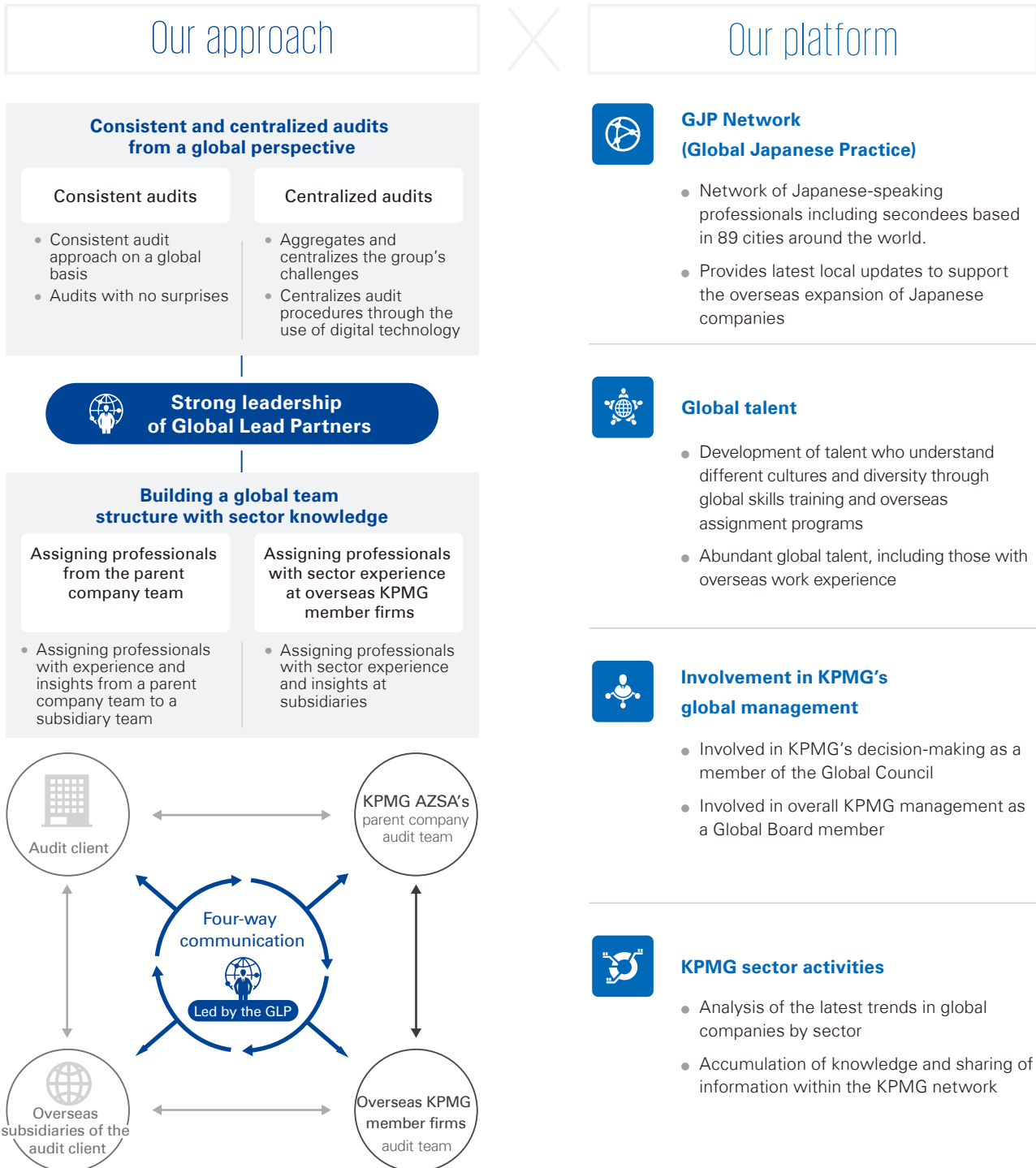
Management's assessment of AQIs

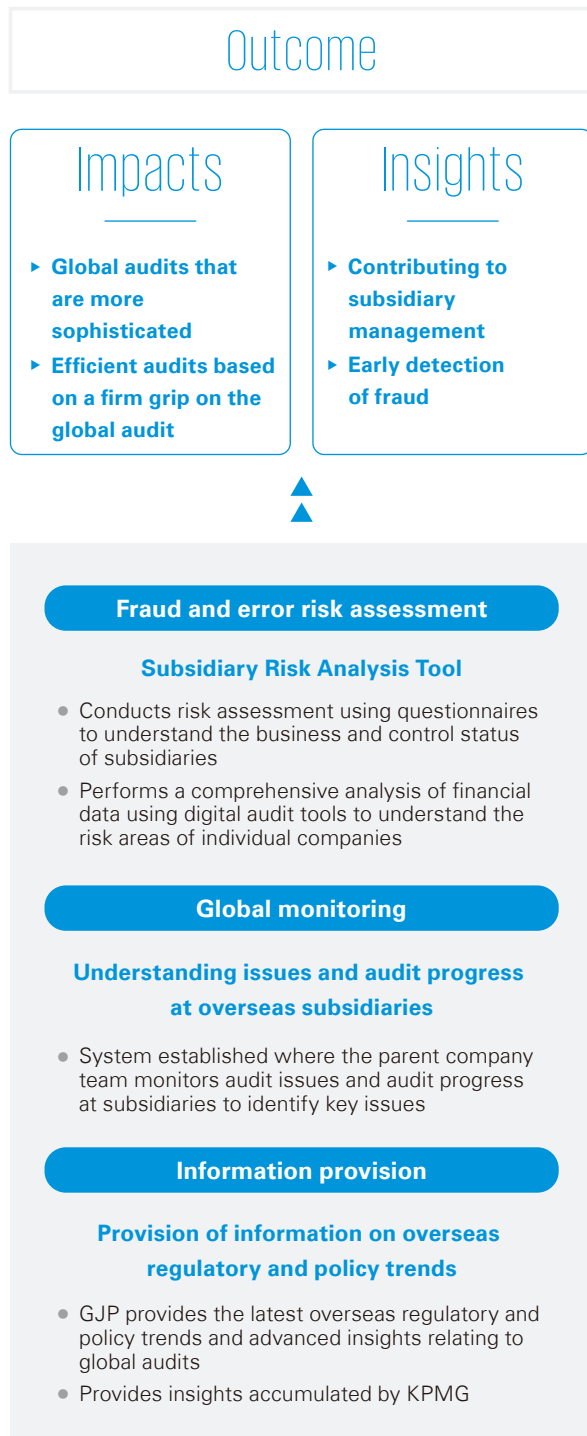
In response to the globalization of audit clients, KPMG AZSA actively promotes global talent development and overseas assignment opportunities.

We assess the number of employees with global capabilities and overseas work experience as an AQI. In order to further contribute to solving our audit clients' global issues, we will increase the number and diversity of employees, including women, with international work experience, and strengthen our people's global capabilities.

Problem solving in global society

At KPMG AZSA, the global lead partner (GLP) of a parent company audit team demonstrates strong leadership over the entire group audit to achieve consistent high-quality audits on a global basis. By establishing a centralized audit system for the group, we provide timely information and insights to our audit clients.

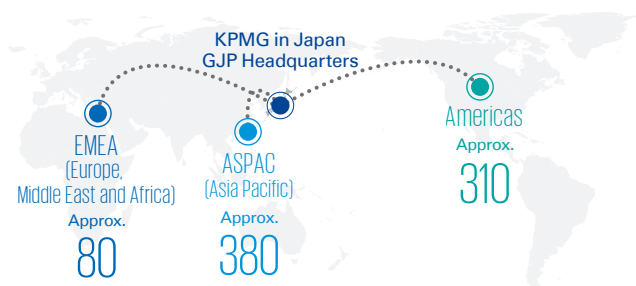




GJP Network

The Global Japanese Practice Network (GJP Network) is an organization supporting the provision of optimal services to Japanese Companies by KPMG member firms.

GJP has established a network of approximately 770 Japanese-speaking professionals including professionals on secondment in 89 cities across each of our regions—Americas, Europe, Middle East and Africa (EMA), and Asia Pacific (ASPAC)—to support the global business of Japanese companies.



Global talent

At KPMG AZSA, we work continuously to foster global talent, which we define as professionals who understand different cultures and diversity, have a certain level of language ability and who can play on a global field. Global talent includes those who have been assigned overseas, those who are proficient in English and other languages, and those who have a TOEIC score of 730 or higher. As of June 2022, we have a global talent headcount of 2,196 people (2,136 people as of the end of June 2021). (See page 72 for details.)

Overseas assignments

KPMG AZSA is actively promoting the secondment of employees to overseas KPMG member firms to foster talent with a global mindset. A total of 588 employees have been assigned overseas through various programs. Partners and managers account for one in every four overseas assignments. (See page 73 for details.)

Involvement in KPMG’s global management

Eight major countries—the United States, United Kingdom, Japan, Germany, Canada, France, Australia, and China—currently lead discussions of KPMG’s operations, and decide investment areas and service offering policies. Through active sharing of the circumstances in Japan, KPMG AZSA has established a system in which KPMG’s various methodologies can be applied to the audit practice in Japan. In addition, the following members of KPMG AZSA participate in the operations of KPMG ASPAC and lead the ASPAC region.

Board Member: Toshiya Mori	CEO, The chairman of KPMG in Japan
Head of Audit & Assurance: Takuji Kanai	Partner
Head of DPP: (Department of Professional Practice) Eiichi Fujita	Head of Accounting Practice Department
Audit Quality Leader: Simon Dobbins	Partner
Accounting Advisory Service Leader: Yoshihiro Kurokawa	Partner
ESG Reporting Leader: Kyoichi Seishi	Partner

Country desks

To support expatriates from Japan, KPMG AZSA has established Business Offices for four regions of high strategic importance for Japanese companies (China, ASEAN, India, Middle East and Africa), as well as Country Desks comprising professionals who have experience working abroad in over 30 countries.

Country Desks utilize online meetings for more timely communication with expatriates at local offices. We strive to contribute to the provision of high-quality services to Japanese companies by further strengthening cooperation with overseas firms and sharing information relating to respective regions more frequently than before the COVID-19 pandemic.

Global monitoring

We have established a framework in which the parent company audit team can monitor the audit progress of subsidiaries across the globe, and have a timely understanding of key issues. Information collected is shared with audit clients as needed through KPMG Clara Client Collaboration to enable a coordinated response to issues.



Subsidiary risk analysis tool

Many companies face the challenge of how best to prevent, or detect and correct, fraud at overseas subsidiaries. KPMG AZSA combines the Subsidiary Risk Assessment Questionnaire, a qualitative analysis, and Group Company Analytics, a quantitative analysis, to identify subsidiaries with issues in a timely manner.

Qualitative analysis - Subsidiary risk assessment questionnaire

We use the Subsidiary Risk Assessment Questionnaire with the aim of understanding a subsidiary's business and the parent company's control over the subsidiary, and discuss any governance matters that may come to light with the audit client.

Quantitative analysis – Group company analytics

This tool conducts a comprehensive analysis of financial data of all group companies to identify high-risk areas for individual companies. It analyzes all financial data and quantifies the risk (scoring) of subsidiaries using statistical methods, thereby objectively exposing any abnormal fluctuations in the financials of a subsidiary. This allows a comprehensive risk assessment including for small subsidiaries not included in consolidated group audits. The monitoring also leads to strengthening the governance of our audit clients.

This analysis is applied to audit engagements with more than a certain number of subsidiaries. As of the end of June 2022, it has been used for over 300 companies, most of which are listed.

Chapter II Sustainable value creation strategy

3

Contributing to the realization of a sustainable society

Number of members capable of providing sustainability report assurance

500

Aiming by June 30, 2026

Sustainable Value Headquarters (CoE)

30

As of June 30, 2022

Number of assurance reports issued

Number of companies for which KPMG AZSA Sustainability submitted assurance reports for fiscal 2020 figures as of the end of June 2022

65

companies

FY2020

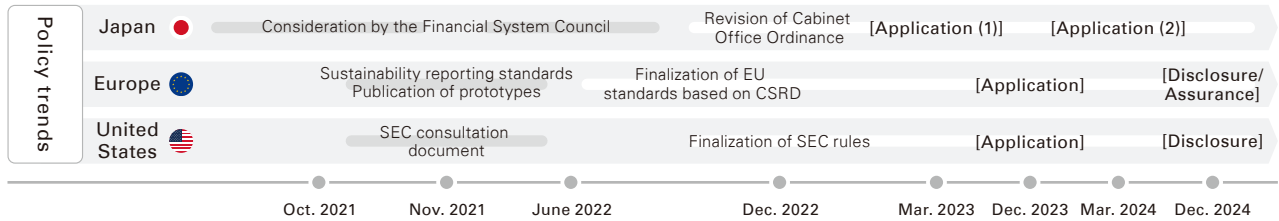
Management's assessment of AQIs

Future assurance of non-financial information will require various methodologies, tool development, insight accumulation, and talent development. KPMG AZSA has a high share of the domestic market based on past assurance of non-financial information provided by KPMG AZSA Sustainability, a KPMG AZSA subsidiary. Based on the insights and experience gained through our assurance services, we have significantly increased the number of employees who concurrently work in the Sustainable Value Headquarters and Audit Managing Divisions. We are accelerating our efforts to increase the number of employees handling the assurance of sustainable reporting to 500.

Contributing to the realization of a sustainable society

We are undertaking reforms of our organization and services by backcasting our vision of the future of business and capital markets in a sustainable society. We will systematically develop professional groups that support the creation of sustainable value for companies, and provide insights to our audit clients by accumulating organizational insights through both our services and research, thereby bringing impacts to society.

Awareness of environmental changes and social issues	▶	Organizational reform (KPMG AZSA's sector program)
<ul style="list-style-type: none"> Increased complexity and uncertainty of the management environment due to the increasing seriousness of social issues such as climate change Need for further transformation to build sustainable business models Increased impact of ESG themes on corporate value 		<ul style="list-style-type: none"> Establishment and operation of an organizational structure to consolidate sector-specific insights and respond to issues in a timely manner in light of the rapidly changing business environment Continuous efforts to improve audit quality by Sector Quality Partners who are familiar with sector-specific accounting and auditing issues Provision of added value to audit clients and talent development led by Sector Assurance Leaders with broad sector insights



Stakeholder expectations

- Transparent sustainability reporting
- Promotion of disclosure of climate-related financial information in particular**
- Provision of insights to help understand complexity and assess uncertainty
- Assurance of non-financial information including sustainability information

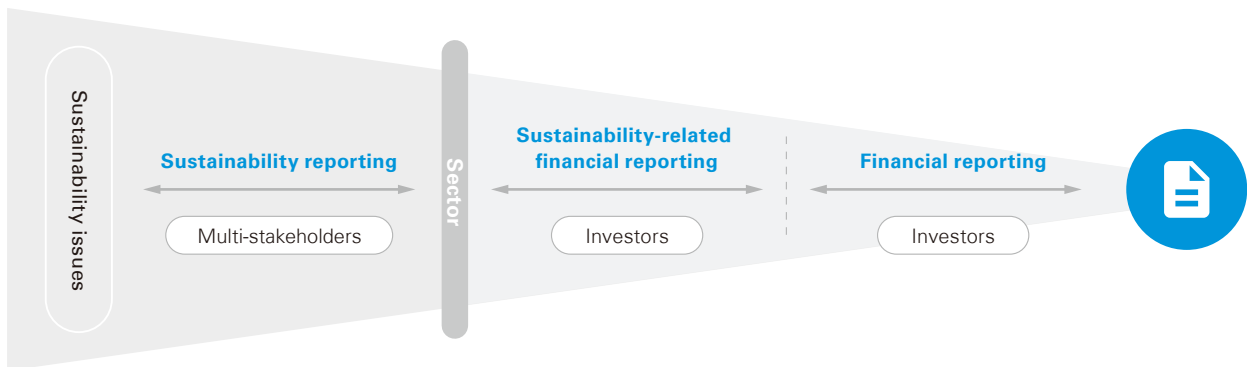
KPMG AZSA	Audit transformation initiatives required from a sustainability perspective	Initiatives to improve the reliability of non-financial information
	[▶ P.28]	[▶ P.29]
	<ul style="list-style-type: none"> Risk assessment Accounting estimates Disclosure of non-financial information Read-through of all other relevant information 	<p style="text-align: center; color: #0056b3;">How?</p> <div style="display: flex; align-items: center; justify-content: center;"> Sector ESG themes </div> <p>KPMG AZSA has started developing a quality control system to provide assurance services. ESG themes, such as climate change, biodiversity, human rights, and supply chain management, cover a wide range of areas, and the impacts brought about by individual themes vary according to sector. Therefore, we are developing talent and accumulating knowledge on the basis of both ESG themes and sectors.</p>
<p>Insights Providing value-added advice and services to promote sustainability transformation (SX)</p>	<p>Impacts Improving the reliability of information to realize sustainable resource allocation in capital markets</p>	







Reflection of sector insights and financial reporting experience in audit approach

Sustainability issues have broader and longer-term financial impacts, including on value chains. The assessment of the impact of sustainability risks and opportunities on corporate value is unique to each sector to which a company belongs, and may vary significantly depending on changes in the business environment and changes in assumptions regarding future prospects.

For this reason, we are addressing the impact of sustainability issues on financial statements by combining our deep understanding of sectors with the knowledge we have accumulated through auditing.



Relevant areas	Action taken
 Risk assessment	Assess the impact on our audit client and comprehensively identify risks based on our deep knowledge of the client’s sector, business model and corporate strategies, and our understanding of the client’s entire value chain.
 Accounting estimate	Identify significant risks based on our expertise and experience, and assess the financial impact of uncertainties in accounting estimates
 Disclosure of non-financial information	Facilitate disclosure of non-financial information through review of disclosure documents against requirements and feedback from case studies.
 Read-through of all other relevant information	Enhance the reliability of non-financial information through comprehensive professional judgment, while maintaining high ethical standards and a deep understanding of business.

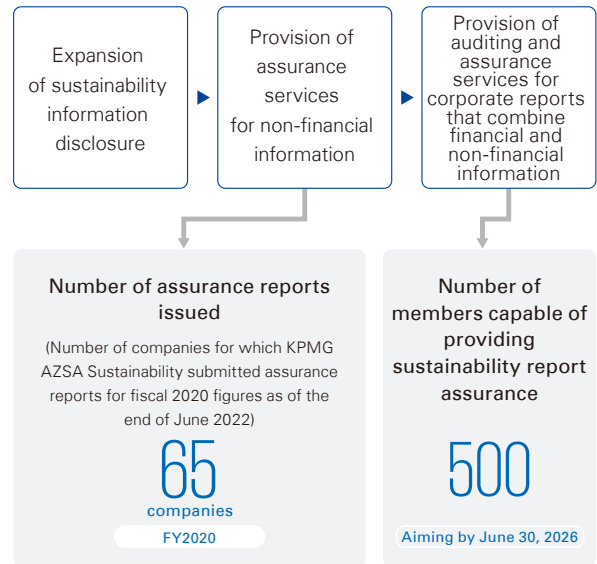
Audit transformation initiatives required from a sustainability perspective

Initiatives to improve the reliability of non-financial information

Contribution to comprehensive financial reporting and assurance services

In response to the call for sustainability-related financial information for comprehensive financial reporting and assurance services, the International Sustainability Standards Board (ISSB) issued an exposure draft of the IFRS Sustainability Disclosure Standards. The draft assumes that sustainability information is used in conjunction with financial reporting. According to a report by the International Federation of Accountants*, 63% of sustainability information assurance services are provided by accounting firms. To meet such external expectations, KPMG AZSA is working toward achieving the ideal form of comprehensive assurance of financial reporting.

* International Federation of Accountants (IFAC) "The State of Play in Sustainability Assurance" (2021/6)



Sector

Our sector activities

- Accumulation of insights from an audit perspective by sector
- Acquisition of insights from an advisory perspective through cooperation within KPMG in Japan
- Development of sector-based talent

ESG theme

Sustainable Value Headquarters

- Assignment of professionals by ESG theme
- Activities toward providing assurance of TCFD disclosure
- Development of sustainability talent

Sustainable Value Headquarters (CoE) 30
*Including those who hold concurrent positions

Research and information dissemination

KPMG AZSA and KPMG in Japan have been continuously conducting research and disseminating information in anticipation of future corporate information disclosure requirements. We have been providing insights to stakeholders mainly through the following initiatives.

- We have been conducting surveys on corporate reporting in Japan since 2015, and disseminating insights obtained through the surveys as well as suggestions for improving the quality of corporate reporting by holding external seminars.

- In May 2021, we invited the CEOs of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) to a panel discussion titled "Building a Reporting Ecosystem" with the aim of promoting collaboration with global leadership in the field of sustainability.

Chapter III Our foundation that supports value creation

1 Organizational foundation

Global People Survey (GPS) Trust

Do you feel that you have trust in management and that your superiors embody our Values?

71 %

Year ended
June, 2022

(Percentage of respondents who gave a positive response with a rating of 4 or higher on a five-point scale)

Global People Survey (GPS) Values, Vision & Strategy

Does management present a clear business strategy and implement necessary transformations?

66 %

Year ended
June, 2022

(Percentage of respondents who gave a positive response with a rating of 4 or higher on a five-point scale)

Management's assessment of AQIs

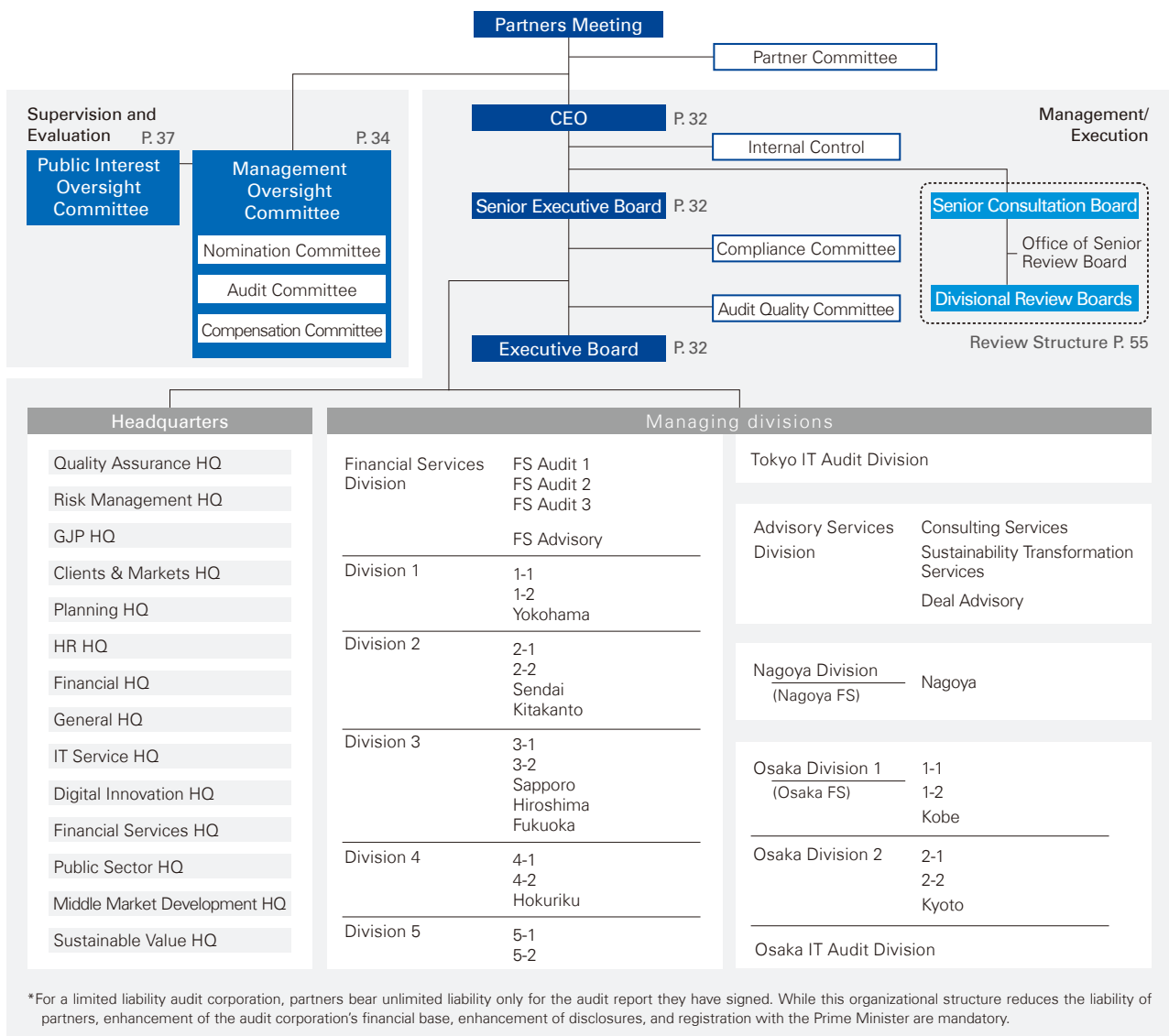
Our management assess GPS–Trust and GPS–Values, Vision & Strategy—indicators of trust in the management of our firm, clear management strategies for transformation, and whether or not partners and supervisors have embodied our values—at a high level. KPMG continues to formulate and implement necessary strategies based on the expectations of stakeholders in line with our purpose.

1. Governance structure

KPMG AZSA is a limited liability audit corporation* managed by partners who are shareholders with authority over operational execution. Our governance structure comprises the Partners Meeting as the supreme decision-making body, the Senior Executive and Executive boards, and a supervisory and evaluation body.

KPMG AZSA LLC organization chart

(July 1, 2022)



In July 2022, the Senior Consultation Board was placed under the supervision of the CEO of KPMG AZSA as the one having ultimate responsibility for the firm's audit quality. As the organization responsible for the implementation of senior reviews and the design and operation of the review system, the Senior Consultation Board continues to maintain and improve audit quality.

1-1. The Partners Meeting

The Partners Meeting comprises all partners and adopts resolutions on important firm matters in addition to matters set forth in laws and regulations and the articles of incorporation, as the supreme decision-making body.

1-2. Management and execution structure

KPMG AZSA operates as a firm with clarity about the respective roles of the Senior Executive Board, a decision-making body for corporate management affairs, and the Executive Board, an executive body.

► Chief Executive Officer (CEO)

The Managing Partner is the Chief Executive Officer of KPMG AZSA and presides over the Senior Executive Board and Executive Board.

► Senior Executive Board

The Senior Executive Board is composed of the CEO and senior executives. It makes decisions on firm management policies and other significant matters, and instructs Executive Board members on the execution of corporate affairs. It also prepares draft candidate lists for members of the Management Oversight Committee and Public Interest Oversight Committee, as well as for the Chairman of the Senior Consultation Board.

(The Senior Executive Board comprises the CEO and 9 Senior Executive Board members)

► Executive Board

The Executive Board is composed of the CEO, a Senior Executive (Chief Operating Officer) and Executives. It is chaired by the CEO in order to execute decision-making matters of the Senior Executive Board appropriately.

(The Executive Board comprises the CEO, 9 Senior Executive Board members, and 20 Executive Board members)

Nomination Committee

The Nomination Committee is composed of the CEO, Senior Executive Board members, and Chairman of the Senior Consultation Board. It is tasked with reviewing partner appointments and with drafting disciplinary actions.

Election system

In order to ensure fair organizational operation, the CEO, Senior Executive Board members and Executive Board members, all of whom are responsible at various levels for firm management and execution, as well as the members of the Management Oversight Committee, who are responsible for supervision and evaluation, are appointed through direct election by all partners.



CEO

Toshiya Mori

The chairman of KPMG in Japan, Chairman of GJP, Head of Digital Innovation

- 1986 Joined KPMG Minato Audit Corporation
- 1990–93 Seconded to the Honolulu office
- 1999 Promoted to partner at KPMG ShinNihon
- 2004 Joined newly established KPMG AZSA as partner
- 2010 Appointed as Executive Board member (current appointment)
- 2015 Appointed as Senior Executive Board member
- 2018 Appointed as The chairman of KPMG in Japan
- 2019 Appointed as Deputy Managing Partner
- 2021 Appointed as CEO



Senior Executive Board member

Hiroyuki Yamada

Chief Operating Officer, Tokyo Office Managing Partner

- 1991 Joined Asahi Shinwa & Co. (currently KPMG AZSA)
- 2004–05 Seconded to London office
- 2006 Promoted to partner
- 2015 Appointed as Executive Board member (current appointment)
- 2019 Appointed as Senior Executive Board member



Senior Executive Board member

Toshihiro Otsuka

Head of Quality Control, Head of Risk Management

- 1987 Joined KPMG Minato Audit Corporation
- 1991–95 Seconded to London office
- 2003 Promoted to partner at KPMG ShinNihon
- 2004 Joined newly established KPMG AZSA as partner
- 2012 Appointed as Executive Board member (current appointment)
- 2017 Appointed as Senior Executive Board member



Senior Executive Board member

Daisuke Harada

Head of Kansai District, Osaka Office Managing Partner, Chief Financial Officer, Head of General Affairs, Head of IPO Support

- 1987 Joined Asahi Shinwa & Co. (currently KPMG AZSA)
- 1997–98 Seconded to Chicago office
- 2008 Promoted to partner
- 2013 Appointed as Executive Board member (current appointment)
- 2019 Appointed as Senior Executive Board member



Senior Executive Board member

Masahiko Chino

Head of Clients & Markets, Head of Public Sector

- 1988 Joined KPMG Minato Audit Corporation
- 1993 Seconded to the Honolulu office
- 1994–97 Seconded to the Los Angeles office
- 2001 Appointed as Representative Director at the time of KPMG FAS establishment
- 2018 Joined KPMG AZSA, appointed as Partner and Senior Executive Board member



Senior Executive Board member

Yoshihide Takehisa

Head of Sustainable Value

- 1990 Joined Asahi Shinwa & Co. (currently KPMG AZSA)
- 2009 Promoted to partner
- 2015 Appointed as Executive Board member (current appointment)
- 2021 Appointed as Senior Executive Board member



Senior Executive Board member

Yutaka Terasawa

Head of Financial Services, Head of ITS

- 1986 Joined Asahi Shinwa & Co. (currently KPMG AZSA)
- 1991–92 Seconded to Nashville office
- 2002–03 Seconded to London office
- 2006 Promoted to partner
- 2017 Appointed as Executive Board member (current appointment)
- 2019 Appointed as Senior Executive Board member



Senior Executive Board member

Kanako Ogura

In charge of JICPA matters and special missions

- 1988 Joined Asahi & Shinwa & Co. (currently KPMG AZSA)
- 2008 Promoted to partner
- 2015 Appointed as Executive Board member (current appointment)
- 2021 Appointed as Senior Executive Board member



Senior Executive Board member

Masakazu Hattori

Head of Planning

- 1991 Joined Asahi Shinwa & Co. (currently KPMG AZSA)
- 2000–02 Seconded to New York office
- 2010 Promoted to partner
- 2017 Appointed as Executive Board member (current appointment)
- 2021 Appointed as Senior Executive Board member



Senior Executive Board member

Michitaka Shishido

Head of Tokai District, Head of HR

- 1986 Joined Asahi Shinwa & Co. (currently KPMG AZSA)
- 1991–96 Seconded to New York office
- 2007 Promoted to partner
- 2015 Appointed as Executive Board member (current appointment)
- 2019 Appointed as Senior Executive Board member

1-3. Oversight and evaluation structure

Management Oversight Committee

The Management Oversight Committee is composed of five members who are not engaged in management or execution, and is tasked with evaluating the effectiveness of initiatives to enhance audit quality. The Management Oversight Committee has three subcommittees to monitor the process of management appointments and compensation decisions.

The committee members also attend meetings of management and executive bodies to present their opinions and periodically report to and exchange opinions with the Public Interest Oversight Committee. The committee members are also vested with the authority to express their opinions to the Partners Meeting and also to request that the Chairman of the Partners Meeting convenes such meetings.

► Nomination Committee

Screens candidates for the Senior Executive Board, the Executive Board, the Chairman, the Chairman of the Senior Consultation Board, members of the Management Oversight Committee and members of the Public Interest Oversight Committee.

► Audit Committee

Performs audits of the firm’s operations and finances (including subsidiaries), liaising with the firm’s external auditors and Office of Internal Control.

► Compensation Committee

Evaluates whether the compensation of the CEO, Senior Executive Board, Chairman and the Chairman of the Senior Consultation Board is decided appropriately in accordance with the firm’s system for determining partner compensation.

Conduct of Management Oversight Committee meetings (including subcommittees)

Held at least twice a month

Attendance of Senior Executive Board and other meetings

- Attendance of major meetings including the Senior Executive Board, Executive Board and KPMG Japan Management Committee
- Attendance of meetings such as the Partner Committee, Managing Division Head Meeting, National Quality Control Partner Council, HR Partner Meeting, Compliance Committee meetings

Other activities of the Management Oversight Committee

- Reporting to and dialogue with the Public Interest Oversight Committee
- Interviewing the CEO, Senior Executive Board members, Chairman and Chairman of the Senior Consultation Board, etc.
- Visiting relevant headquarter departments, managing divisions, regional offices and subsidiaries.
- Reporting the status of the Management Oversight Committee’s activities to the Partners Meeting once a year in principle.

Management Oversight Committee members



Chairman

Junshi Ono

Member of Public Interest Oversight Committee

- 1985 Joined Asahi Shinwa & Co. (currently KPMG AZSA)
- 2007 Promoted to partner
- 2019 Appointed as member of Management Oversight Committee



Vice Chairman

Ayumu Nakajima

Member of Public Interest Oversight Committee

- 1992 Joined Asahi Shinwa & Co. (currently KPMG AZSA)
- 2000-02 Seconded to London Office
- 2013 Promoted to partner
- 2020 Appointed as member of Management Oversight Committee



Manabu Matsumoto

- 1989 Joined Asahi Shinwa & Co. (currently KPMG AZSA)
- 1996-98 Seconded to New York Office
- 2012 Promoted to partner
- 2020 Appointed as member of Management Oversight Committee



Masahiko Kobayashi

- 1987 Joined Asahi Shinwa & Co. (currently KPMG AZSA)
- 2008 Seconded to partner
- 2021 Appointed as member of Management Oversight Committee



Masahiro Sasaki

- 1992 Joined Century Co. (currently KPMG AZSA)
- 1999-03 Seconded to Amsterdam office
- 2013 Promoted to partner
- 2022 Appointed as member of Management Oversight Committee

2. Management oversight and evaluation

Evaluation of effectiveness of management functions

The committee members discuss important issues that our firm should address identified through the activities of the Management Oversight Committee and regularly exchange opinions with the Public Interest Oversight Committee. They are responsible for supervising

and evaluating the management and execution by the CEO and Senior Executive Board members. Results of the supervision and evaluation are shared at the Partners Meeting, and the management and executive bodies will consider improvement measures going forward.

Priority oversight items of the Management Oversight Committee for the fiscal year ended June 2022

- 1 Status of implementation and penetration of measures concerning independence and professional ethics
- 2 Status of responses to significant audit issues
- 3 Status of compliance with revisions to quality control standards concerning audits in Japan and overseas
- 4 Status of the firm's operations after reorganization by sector
- 5 Status of continuous improvement of organizational culture and enhancement of governance
- 6 Status of HR system reform progress (Promotion of inclusion, diversity and equity)
- 7 Status of digital-related investments and information security measures

Effectiveness evaluation by the Management Oversight Committee for the year ended June 2022

The Committee concluded that KPMG AZSA's initiatives are working effectively.

Future management issues closely monitored by the Management Oversight Committee

The Management Oversight Committee recommends further improvements to the firm’s issues.

- | | | |
|---|---|--|
| 1 | Ensuring high ethical standards and compliance | <ul style="list-style-type: none"> • Building awareness so that each member of our firm understands that maintaining high ethical standards and ensuring compliance is the basis for earning the trust of society as accounting professionals • Steadily implementing various initiatives established by the firm to raise ethical awareness and ensure compliance. In particular, conscientiously implementing preventive measures including strengthening the internal control system established in response to compliance issues. |
| 2 | Initiatives for enhancing audit quality | <ul style="list-style-type: none"> • Identifying the root causes and issues of events that continuously occur, and formulating and systematically developing improvement measures • Appropriately preparing for the revision of Japan’s practical guidelines on quality control for audits in response to the application of ISQM1, ISQM 2 and ISA 220 |
| 3 | Audit digitalization | <ul style="list-style-type: none"> • Ensuring the implementation of KPMG Clara workflow to perform appropriate audits according to degree of risk • Promoting automation, standardization, and efficiency through the digitalization of audit operations • Further developing and introducing tools and methods to promote digital audits for all audit engagements • Further enhancing digital knowledge of partners and employees in response to our increasingly digital society and audit environment • Continuing to implement thorough information security measures. |
| 4 | Promoting an audit approach based on sector insights | <ul style="list-style-type: none"> • Based on a quality management system developed through organizational restructuring to consolidate sector insights and enhanced expertise, implementing various firmwide measures to appropriately respond to sector-specific audit risks and significant audit issues. |
| 5 | HR initiatives (Promotion of inclusion, diversity and equity) | <ul style="list-style-type: none"> • In order to enhance competitiveness by accepting diverse values and making extensive use of our talent, promoting the success of women as well as the understanding of inclusion, diversity, and equity from various perspectives, including differences in job type and nationality, age, and qualifications. • In addition to promoting new HR policies from a people-first perspective, improving productivity and creating a sustainable workplace environment that addresses increased workload associated with stricter auditing standards. |

Public Interest Oversight Committee

The Public Interest Oversight Committee is composed of four independent outside members and two internal members (Management Oversight Committee Chair and Vice Chair) who oversee firm management for its sound operation from the standpoint of the public interest.

An outside member chairs committee meetings. The committee receives reports from the CEO, Senior Executive Board members and Management Oversight Committee regarding the firm’s important activities and management matters, while outside committee members also choose themes for consideration and proactively hold discussions with the CEO and Senior Executive Board members.

The committee also monitors the supervision and evaluation processes carried out by the Management Oversight Committee including those of the Nomination Committee, Audit Committee and Compensation Committee.



(From left) Mitsudo Urano, Haruya Urano, Koji Ishida, Masahiro Sakata

Conduct of Public Interest Oversight Committee meetings

- Meetings held once a month in principle
- Make inquiries concerning management issues as appropriate, receive reports from the CEO and Senior Executive Board members and hold discussions

Other activities of outside committee members

- Attending meetings for exchanging opinions with market participants
- Participating in some Audit Committee visits to regional offices
- Attending regular Partner Meetings

Policy for appointing outside committee members

KPMG AZSA believes that we can strengthen our governance and increase our management transparency by receiving various opinions based on a broad outlook.

As outside committee members, we appoint diverse people who understand the viewpoints of capital market participants, who have experience in organizational operations in a company, and/or who have experience as a legal expert.

Outside committee members (In alphabetical order)

Attendance of Public Interest Oversight Committee meetings (July 2021 to June 2022)

Koji Ishida

Former Councilor, Policy Committee, Bank of Japan

Based on his experience and knowledge as a BOJ Policy Board member, we seek advice from Mr. Ishida on the purpose of audit firms as watchdogs of the market and their role in the Japanese economy.

11/11 meetings

Haruya Uehara,

Senior Advisor, Mitsubishi UFJ Trust & Banking Corporation

Based on his experience and knowledge of financial institutions, particularly as the head of a trust bank, we seek advice from Mr. Uehara on our firm’s management with a focus on the viewpoints of capital market expectations and audit quality that ensures “no surprises” for the markets.

11/11 meetings

Mitsudo Urano

Former Advisor, Nichirei Corp.

Based on his experience and knowledge of managing a business company, we seek advice from Mr. Urano on improving the effectiveness of our firm’s organizational operations, as well as advice on the ideal vision of an audit firm providing audit and advisory services.

11/11 meetings

Masahiro Sakata

Attorney-at-Law, Advisor, Anderson Mori & Tomotsune LPC, former Director-General, Cabinet Legislation Bureau

Based on his experience and knowledge as an administrative official in the Ministry of Finance and the Cabinet Legislation Bureau, we seek advice from Mr. Sakata on the governance of KPMG AZSA and the role of professionals as certified public accountants.

11/11 meetings

Comments from outside committee members on KPMG AZSA’s initiatives



Koji Ishida

Former Councilor, Policy Committee,
Bank of Japan



Haruya Uehara

Senior Advisor, Mitsubishi UFJ
Trust & Banking Corporation



Mitsudo Urano

Former Advisor,
Nichirei Corp.



Masahiro Sakata

Attorney-at-Law, Advisor,
Anderson Mori & Tomotsune LPC,
former Director-General, Cabinet Legislation Bureau

Audit transformation

I expect partners to conduct mutual checks and monitoring in order to maintain an open corporate culture, which is a characteristic of KPMG AZSA. I believe that fostering an open relationship where frank opinions can be shared strengthens an organization, and will not only improve audit quality but also serve as a driving force for audit transformation. I would like to see the firm further explore optimization of the workforce and job compositions in light of the impact of AI and digital technologies in the medium- to long-term perspective.

For KPMG AZSA, whose clients include listed companies in which institutional investors as well as individuals invest, and firms that have a wide range of stakeholders, audit quality is equivalent to a public institution. I expect all members of the firm, from partners to employees, to always make every effort to protect the integrity of the social infrastructure. I commend the four defense lines that maintain this approach, as well as the initiatives implemented to improve and reform infrastructure with digital tools. In addition, high value-added audits can be performed by sharing common industry issues and characteristics of sectors. I believe the approach to audits will expand through audit transformation from the perspective of the social and business environment of sectors.

I highly value the firm’s initiatives to utilize digital tools and accumulate sector insights, and I look forward to continuous efforts to provide added value to clients. I also expect digital, sustainability and other experts to be assigned as members of audit teams, in addition to certified public accountants, and for these professionals to engage in discussions on an equal footing. I hope you will commit to audit transformation from the perspective of the formation of an audit team.

I believe the enhancement of audit quality is an issue that must be addressed on a permanent basis. There is no time to wait for digital transformation in audits. The biggest challenge in digital transformation is a well-balanced achievement of the following three objectives: (1) improving productivity and reducing workload; (2) enhancing audit quality by using AI to detect fraud; and (3) creating added value.

Talent development

Audit quality is important above all else, and this is why we develop talent. I appreciate KPMG AZSA's emphasis on quality. I believe initiatives to promote inclusion, where all members with diverse abilities and perspectives merge and form teams based on common values, are extremely important for enhancing audit quality. I also appreciate management's focus on ensuring the wellbeing of firm members, which is a great example of the recent people-first approach. I hope that KPMG AZSA will thoroughly implement people-first HR initiatives in the future, and that this will become the corporate culture of KPMG AZSA.

A major audit firm is an aggregation of talent who, in addition to providing audit services, are a source of consultation for audit clients. Collaboration among professionals who can perform digital, global, and non-financial information analysis is essential in addition to those who focus on advanced audit services. Becoming an audit firm with a diverse group of talent will be a strength for both individual members and the firm. I would like members to take on the challenge of experiencing the wide range of KPMG AZSA's areas of expertise by stepping outside of your usual work zone.

I expect KPMG AZSA to enhance audit quality and provide even more added value by developing diverse talent with a wide range of skills, including specialists in individual areas of expertise such as accounting and auditing standards, sector specialists who are well versed in industry characteristics and trends, and management talent who are specialists capable of maximizing KPMG AZSA's organizational potential by developing individual professionals up to the manager level.

In view of the social role of CPAs, in addition to fostering experts with high ethical standards, I hope you also foster talent who not only have strong expertise and IT adaptability but are also capable of thinking on their own. In order to achieve this, I hope that you will develop versatile talent by providing opportunities for diverse experiences from a long-term perspective.

Addressing sustainability issues

Sustainability-related services are a new field. The quality of services provided by KPMG AZSA will be key, and establishing an organizational structure and creating a corporate culture, while developing talent and accumulating insights on which quality services are based, will be essential. Transforming organizational culture according to the diversification of talent and changes in the labor environment will become a source of vitality for the organization itself. I look forward to KPMG AZSA's initiatives for providing and continuing to develop new services as a sustainable organization.

Strengthening TCFD-based information disclosures in compliance with the revised Corporate Governance Code (June 2021) is a great opportunity. Along with financial information, reliable non-financial information is a powerful investment tool for both institutional investors and individuals. Talent in this field is scarce and takes time to develop, so I hope you will establish a population of talent with insights at an early stage. I expect further initiatives in this field not only from an audit perspective, but also from the perspective of people-first work styles, diversification of work, and dual career paths. I hope KPMG AZSA will lead the industry as an audit firm that is strong in non-financial information.

Assurance of non-financial information may be required in Europe from 2023, which poses a new challenge for audit firms. In addition to hiring talent, I hope that you will work with external experts on sustainable topics to accumulate insights and actively disseminate information on various initiatives in the area of sustainability.

I recognize that the services provided by audit firms and accountants are at a turning point. There are limits to what can be done because of current insights, and the entire industry map may even be redrawn. While there are high expectations for audit firms, I also recognize issues related to the provision of high-quality services and look forward to activities aimed at accumulating new insights. The key is whether current financial statement audits can be standardized and automated through digital transformation to create more resources focused on the area of sustainability.

3. KPMG’s global network

KPMG in Japan represents a group of eight professional firms providing audit, tax, and advisory services and comprising approximately 9,800 personnel. We are committed to providing services to our clients through seamless collaboration, utilizing the expertise and skills of a wide range of professionals, and maximizing the value of KPMG’s global network.

3-1. KPMG in Japan

Organization overview

The KPMG Japan Management Committee comprises representatives from the major firms of KPMG in Japan, including KPMG AZSA, KPMG Tax Corporation, KPMG Consulting and KPMG FAS. The committee discusses the most important topics related to management of KPMG in Japan, including the firms’ collaborative structure, talent development and continual improvement of the quality of our services.

This allows the firm to bring together the best resources KPMG has to offer and deliver the best possible service to address the management issues of our clients. KPMG AZSA’s Senior Executive Board members act as directors on the boards of our advisory subsidiaries, thereby ensuring a consistent approach to operational management. Additionally, these advisory subsidiaries are also subject to monitoring and audit by the Management Oversight Committee and Internal Control office.

KPMG in Japan

CEO: Toshiya Mori

Audit	Tax	Advisory
<div style="background-color: #0056b3; color: white; text-align: center; padding: 5px; margin-bottom: 5px;">KPMG AZSA LLC</div> <p>CEO: Toshiya Mori Professional services including audit, assurance and attestation services, financial advisory and Initial Public Offering support services.</p>	<div style="background-color: #0056b3; color: white; text-align: center; padding: 5px; margin-bottom: 5px;">KPMG Tax Corporation</div> <p>Representative: Yuichi Miyahara A team of tax specialists with expertise in various fields provides accurate tax advice to Japanese companies and Japanese subsidiaries of foreign companies. Tax advice includes preparation of tax returns, domestic and international taxation, transfer pricing, BEPS compliance, customs duties and indirect taxes, M&A, organizational restructuring and corporate revitalization, global mobility and business succession.</p>	<div style="background-color: #0056b3; color: white; text-align: center; padding: 5px; margin-bottom: 5px;">KPMG Consulting Co., Ltd.</div> <p>President and CEO: Masahiro Miyahara Support for overall improvement of management including planning of business strategies, improvement of business efficiency, enhancement of profit management capability, and strengthening governance and risk management.</p>
	<div style="background-color: #0056b3; color: white; text-align: center; padding: 5px; margin-bottom: 5px;">KPMG Social Insurance & Labor Advisors Corporation</div> <p>Representative: Wataru Koshida KPMG Social Insurance & Labor Advisors Corporation provides Japanese and English bilingual HR and labor-related services to multinational Japanese companies and Japanese subsidiaries of foreign companies. Services include support for new social insurance application procedures, payroll calculations, various social insurance procedures, social security agreements, and employment regulations.</p>	<div style="background-color: #0056b3; color: white; text-align: center; padding: 5px; margin-bottom: 5px;">KPMG FAS Co., Ltd.</div> <p>Representative Partners: Masahiko Chino, Osamu Matsushita, Hikaru Okada Services including M&A and business restructuring advisory, management strategy consulting and fraud investigations.</p>
		<div style="background-color: #0056b3; color: white; text-align: center; padding: 5px; margin-bottom: 5px;">KPMG Healthcare Japan Co., Ltd.</div> <p>Managing Partners: Keiichi Ohwari, Jun Matsuda Business and financial services (strategy, risk assessment, M&A, etc.) for the healthcare industry including medical and nursing care facilities.</p>
		<div style="background-color: #0056b3; color: white; text-align: center; padding: 5px; margin-bottom: 5px;">KPMG AZSA Sustainability Co., Ltd.</div> <p>Managing Partners: Junichi Adachi, Kazuhiko Saito Third party assurance services to enhance the reliability of non-financial information.</p>

KPMG Ignition Tokyo, Inc.

President and CEO: Tim Denley
Development of digital technology solutions for KPMG in Japan’s audit, tax and advisory functions.

KPMG is a global organization of independent professional services firms providing Audit, Tax and Advisory services. KPMG firms operate in 143 countries and territories with more than 265,000 partners and employees working in member firms around the world.

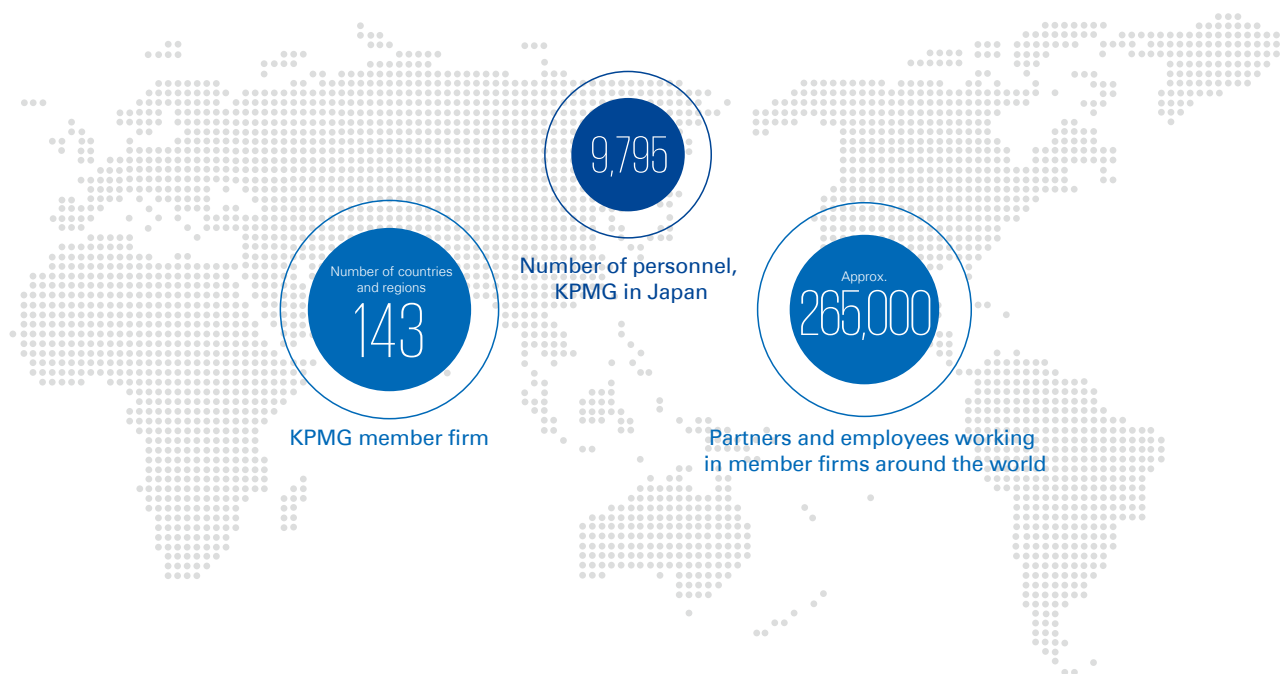
3-2. KPMG International

Organization overview (Member firm structure)

All KPMG member firms are legally independent and separate entities. Each KPMG member firm is responsible for its own obligations and liabilities.

KPMG International* has developed a system for providing consistent services on a global scale, and supports the provision of high-quality audit, tax and advisory services by its member firms.

* KPMG International Limited is a private English company limited by guarantee. KPMG International Limited and its related entities do not provide services to clients. KPMG International Limited and its related entities do not provide services to clients.



KPMG in Japan

Revenues, 185 billion yen

Audit	Tax	Advisory
85.4 billion yen	20.5 billion yen	79.1 billion yen

(As of June 30, 2022)

*Tax revenue as of September 30, 2021

KPMG International

Revenues, US\$ 32.1 in billions

Audit	Tax	Advisory
US\$ 11.4 in billions	US\$ 7 in billions	US\$ 13.7 in billions

(As of September 30, 2021)

Chapter III Our foundation that supports value creation

2 Quality control

Periodic review results (Year ended June, 2022)

Number of reviews 101 cases

Deficiencies requiring a change in audit opinion 0 cases

Coverage of engagement partners 41 %

Percentage of engagements with no significant findings 96 %

Global People Survey (GPS) | Audit quality

Members' awareness of audit quality 73 %

(Percentage of respondents who gave a positive response with a rating of 4 or higher on a five-point scale)

Number of sanctions (Over past 5 years)

0 cases

- Administrative penalties by the Financial Services Agency relating to audit services
- Administrative penalties by the JICPA relating to audit services
- Measures based on JICPA review results regarding audit quality

Management's assessment of AQIs

Our management assesses that GPS – Audit Quality, an indicator of our members' awareness of audit quality, is at a high level. As a result of various internal and external monitoring and inspections, material misstatements requiring the revision of audit opinions were not identified, and audit quality is sufficiently ensured.

Message

from
Our Head of Quality Assurance

Supporting the challenges of society and companies by inspiring confidence in the economy through the realization of high quality



Our Purpose

Our purpose is to inspire confidence and empower change. We must be trusted in order for our purpose to be effective, and the realization of quality audits is an important factor.

Achieving quality audits with AX for Trust®

We ensure quality audits through audit transformation. Key resources for audit transformation are our people, platforms, and methodologies.

The rapidly changing business environment is creating more industry-specific issues and challenges than ever before. In order to respond appropriately to these issues and challenges, we have organized audit managing divisions for each sector to consolidate insights by sector.

Changes in the business environment are also creating issues and challenges for global businesses.

KPMG's global methodology and the global network that has been cultivated over KPMG AZSA's long history enable us to conduct audits of high quality.

In addition, tools developed by KPMG International and KPMG AZSA utilizing AI and digital technology enable information exchange supported by robust information security, accurate and efficient auditing procedures, and in-depth analysis and have contributed significantly to the sophistication of audits.

Finally, the most important factor is our people at KPMG AZSA. We are developing experts with a broad range of insights that go beyond accounting and auditing to make effective use of the sector, global and digital platforms and tools that drive audit transformation.

We input our resources to perform audits and output audit reports regarding capital market information. By obtaining feedback from companies and market participants on the process leading up to this audit report, and by further improving audit quality, we will pursue the realization of a virtuous cycle ecosystem that results in the achievement of trust.

1. Professional ethics

KPMG AZSA is committed to developing and operating a system that ensures compliance.

1-1. Ensuring thorough compliance

Basic principle

KPMG AZSA believes it is essential to embody our purpose of inspiring confidence and empowering change in our compliance activities. We established our Code of Ethics to clearly define our corporate culture based on the basic principles of our purpose, values and vision. The Code of Ethics requires all members to be aware that they are members of an audit firm that bears a public mission, and to act in accordance with strict professional ethics that governs their business activities, in addition to complying with laws and social norms.

Organization structure

1. Management

The CEO of the firm is responsible for all firm activities including compliance activities. Significant matters relating to the areas of responsibility of the Senior Executive Board members are designated as topics for discussion at the Senior Executive Board meeting (pursuant to the Regulations for the CEO and Senior Executive Board meeting), and important compliance matters are reported to the Senior Executive Board for deliberation by management.

2. Compliance Committee

We established the Compliance Committee as a standing committee of the firm. The committee has 15 members, 14 from inside and one from outside the firm (a lawyer). In accordance with the Compliance Committee's operational guidelines, the Committee reviews and implements the following matters, and reports results to the Senior Executive Board in a timely manner.

- Compliance with relevant domestic and overseas laws and regulations, rules set forth by the JICPA, firm regulations and norms, and formulation of various measures to improve professional ethics

- Understanding the status of compliance with and violations of relevant domestic and overseas laws and regulations, rules set forth by the JICPA, firm regulations and norms, and issuing warnings and recommendations in response to violations

- Other compliance matters in our firm

We are also actively working to raise compliance awareness among our members and to ensure compliance with our Code of Conduct through the following activities.

- Revision of the Code of Conduct
- Implementation of ethics and compliance training
- Distribution of email letters to raise awareness
- Establishment of compliance hotline for reporting power harassment and other compliance violations by our members

3. Human Resources Department

The Human Resources Department complies with labor laws and regulations. We have established guidelines for harassment prevention measures, and collect information and address reports via our sexual and maternity harassment consultation hotline.

4. Office of General Counsel

The Office of General Counsel provides support when adherence to laws or compliance becomes a legal matter.

5. Talent Development Department

The Talent Development Department is responsible for matters related to talent development including training. It will work on preparing various training programs to promote an awareness of compliance.

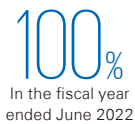
1-2. Initiatives for thorough compliance

Ensuring everyone is informed and aware of “Tone at the Top”

The firm’s senior management periodically communicates messages regarding ethics and compliance. In addition, the Compliance Committee conducts compliance training to ensure that ethical standards are thoroughly understood.



Compliance training attendance rate:



Professional ethics training attendance rate:



Establishment of Compliance Day

In accordance with the Certified Public Accountants Act, CPAs are obligated to continually complete training courses and acquire required credits. In 2020, it became evident that some of our firm’s partners and professionals were involved in inappropriate conduct relating to the completion of e-Learning courses within the firm, and consequently did not satisfy credit requirements.

We believe that the root causes of this incident were a lack of ethical standards expected of CPAs and professionals, together with an inadequate internal control system in our firm. As a preventative measure, we designated September 7 of every year as Compliance Day to create an opportunity to reaffirm the importance of ethical standards and awareness of the compliance that we are expected to maintain as CPAs and professionals.

1-3. Initiatives to establish a whistleblowing system

KPMG AZSA’s internal regulations stipulate specific procedures for reporting internal or external information including matters that may conflict with audit quality such as professional standards, and other compliance-related matters.

To address reports, we have established a contact point via our website and internal intranet. We have also established a team to respond to reports with the involvement of the Office of General Counsel and outside experts (lawyers).

We believe protecting whistleblowers is a top priority and so we have established a system that allows whistleblowers to report without fear, and, more specifically, by taking measures to prevent whistleblowers from being disadvantaged.

Reports are handled by the appropriate department according to content.

2. Maintaining independence

Maintaining the independence of auditors is the foundation of audit services. At KPMG AZSA, we establish rules and policies regarding independence and implement training and monitoring initiatives.

2-1. Basic policies regarding independence

KPMG AZSA stipulates policies and procedures regarding matters including firm independence, independence at an individual level, relationships after retirement, rotation of partners and audit team members, and approvals of audit and non-audit services. Our internal ethics policies regarding the maintenance of independence reflect the requirements of KPMG's independence policies, the Certified Public Accountants Act and other Relevant Ordinances, and the JICPA's Code of Ethics and Independence Guidelines.

In addition, the following matters are implemented for all of our partners and employees.

- The completion of training programs regarding independence and affidavits is mandatory, and thoroughly disseminated.
- Investigations on the economic independence of individuals are conducted, and the compliance status of independence monitored.

The independence of firms from clients also needs to be assured for all services provided by KPMG globally. At KPMG, the engagement partners responsible for audits therefore confirm whether or not services can be provided by cross-checking against the regulations of professional ethics regarding independence for all audit and non-audit service contracts.

2-2. Rotation rules

There is a limitation as to the number of years KPMG AZSA partners can be involved with the same client (this includes years before being appointed as the engagement partner for Public Interest Entities).

This limitation complies with the Certified Public Accountants Act and other Relevant Ordinances, the JICPA's Code of Ethics and related regulations, and our firm's policy, "Limitations on the Maximum Period of Involvement of Partners in Audit and Attestation Engagements," which reflects KPMG International's policies in this area.

There is a risk of impaired independence due to familiarity arising from long-term and consecutive involvement with clients that are Public Interest Entities. Additional rules regarding the independence of partners, audit team members and the audit team as a whole have been established in order to prevent this.

To ensure compliance with the above rules, we have assigned partners in charge of rotation and have established a process for rotation management. This process is monitored by the Risk Management Department.



Submission rate of written affidavits of independence

100%

FY ended June 2022



Number of violations identified

3 cases

FY ended June 2022

- Total number of cases resulting in a violation of independence regulations. (All cases are related to financial interests.)
- We confirmed that there was no impact on our objectivity and fairness as auditor by carrying out additional procedures immediately after the violation came to light. We are implementing necessary measures to ensure the prevention of similar violations.

2-3. Policy for providing non-audit services

When providing non-audit services to our clients, we comply with the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA) and the Code of Ethics of the Japanese Institute of Certified Public Accountants and limit our services to those that allow us to retain our independence as auditors without assuming management responsibilities or performing work that we would go on to audit (i.e., self-audit).

Governance of group companies

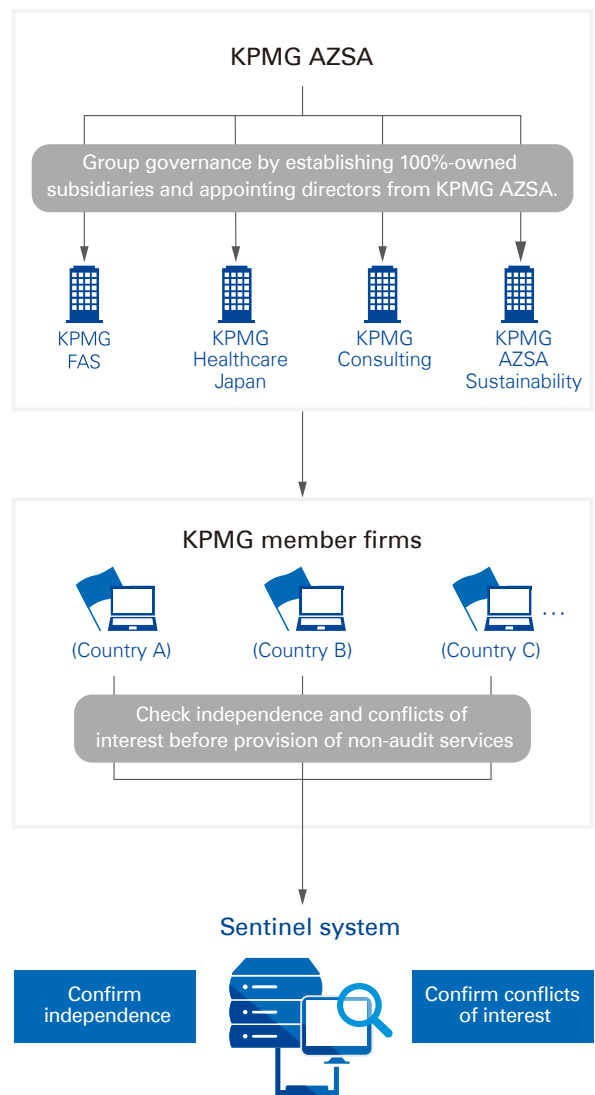
KPMG AZSA manages group companies that provide advisory services as 100%-owned subsidiaries. Senior Executive Board members of the firm act as directors of group companies and participate in their management in order to reinforce governance of the group by KPMG AZSA.

Checking independence and conflicts of interest

KPMG member firms are required to register proposed audit and non-audit services prior to commencing work within Sentinel, a system that checks independence and identifies conflicts of interest.

The verification process within Sentinel enables audit engagement partners, who are responsible for managing client relationships, to determine which services are provided. The firm's Risk Management department further confirms that the proposed service does not present a conflict of interest. This process prevents the acceptance of engagements for services that may impair the firm's independence or cause a conflict of interest.

Group governance and system for confirming independence and conflicts of interest



3. Information security system

With the digitalization of society, ensuring information security is becoming increasingly important. KPMG AZSA is committed to the development and operation of an information security system.

3-1. Information security system and policy

Audit firms that handle confidential information of clients are strongly required to maintain information security. KPMG in Japan set up an Information Security Committee to establish a basic policy on information security. In addition, KPMG AZSA established the Information Security Department within the Risk Management Headquarters and stipulated clear policies in a wide range of information security areas.

- Regarding the handling of audit files and other work-related records, we established a policy regarding the period and method of storing records in accordance with relevant ethical regulations, standards of other regulatory bodies, laws and regulations, etc.
- The data privacy policy governing the handling of personal information is established in compliance with the Personal Information Protection Law.

3-2. Physical security

In addition to restricting access to the audit room using security cards, physical security measures are implemented for audit files and materials obtained from audit clients, such as limiting the number of people allowed to enter the storage room.

3-3. Protection of data used for services

Due to the nature of audit work, personal computers are often carried outside company premises. The firm therefore introduced PC storage limited to ROM so that data cannot be stored on a PC as a security measure. As a result, client data is stored on a server in a data center managed by KPMG AZSA, rather than on the hard drive of a firm-issued PC, thereby further enhancing information security.

3-4. Cybersecurity measures

The Security Operation Center run by KPMG International and the Japan firm monitors internal and external communications in real time 24 hours a day as a cybersecurity measure for our internal network.

3-5. Thorough information security measures

The importance of handling confidential client information is communicated to all partners and employees by providing training on the Code of Conduct and annual processes including a compliance affidavit.

4. Quality control based on our four defense lines

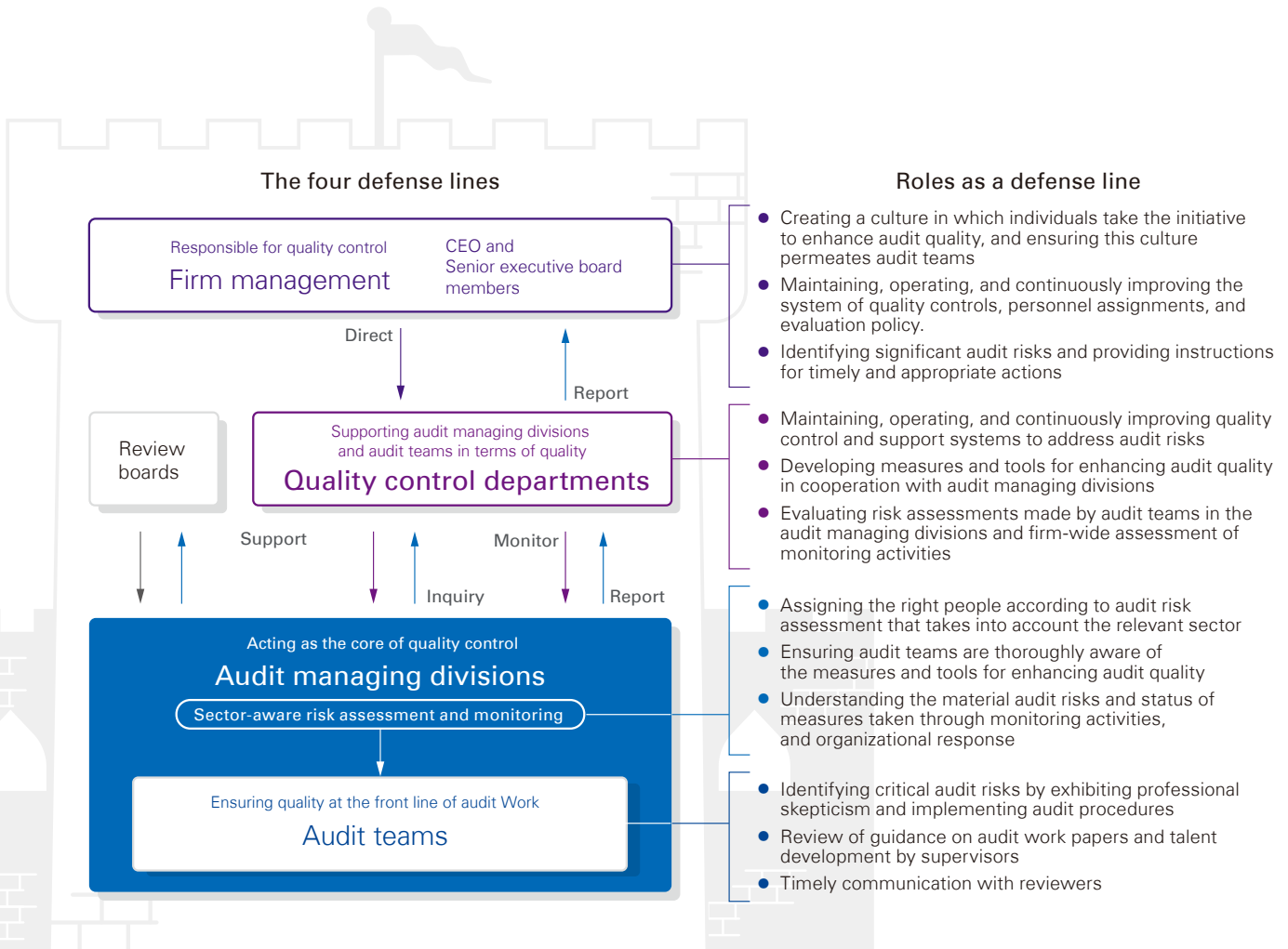
In order to provide high-quality audits that meet the expectations of stakeholders, KPMG AZSA carries out quality control systematically based on our four defense lines.

4-1. An organizational control framework

The four defense lines refer to a system in which the four layers – management (CEO and Senior Executive Board members), quality control departments, audit managing divisions and audit teams – each fulfill their respective duties in regard to audit quality. We can ensure audit quality by building an organizational control system, and consequently, effectively realize

high-quality audits that ensure that no matters arise that may surprise the market.

The four defense lines also serve the purpose of disseminating the management policies of the CEO and Senior Executive Board members down to the audit teams and sharing information with management at audit work sites.



4-2. The CEO bears final responsibility for audit quality

The final responsibility for quality control rests with the CEO. The Senior Executive Board member appointed by the CEO to oversee quality control is responsible for developing overall quality control policies and for monitoring how such quality control policies are followed.

4-3. 2 Quality control department comprising two HQ functions

The quality control department which functions as the second defense line consists of the Quality Assurance Headquarters and Risk Management Headquarters. The Quality Assurance Headquarters oversees matters regarding the quality control of audits and accounting treatments and disclosures. The Risk Management Headquarters oversees matters regarding professional ethics and independence, the supervision of quality control as well as information security.

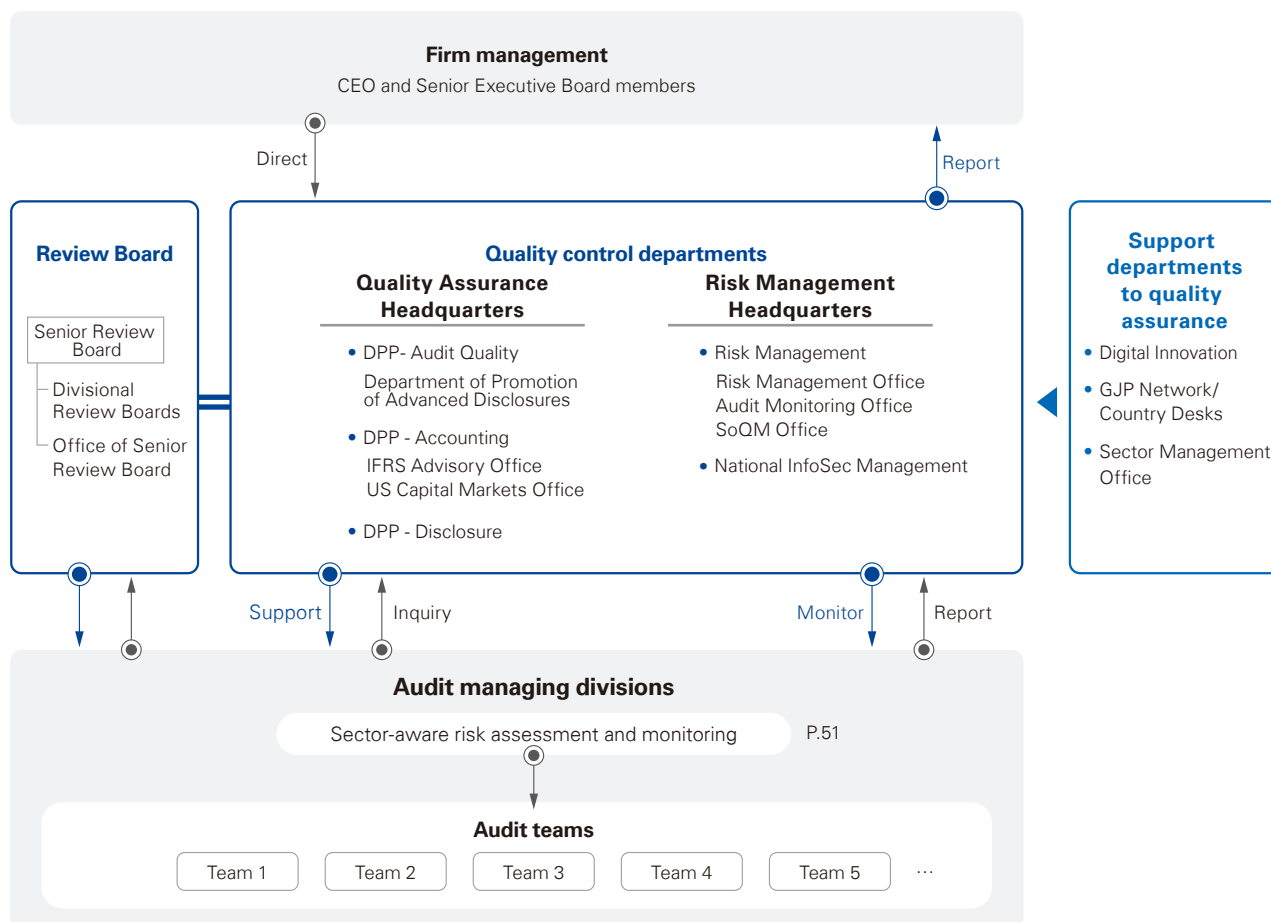
Both headquarters comprise partners and professionals with experience in the relevant field, and provide appropriate support to audit managing divisions and audit teams.

In addition to the quality control department, we have also established the Senior Consultation Board, Divisional Review Boards for implementing quality control reviews from a standpoint independent of management, as well as the Review Support Office for supporting operations.

Headcount of quality control departments (including those with concurrent roles)

	As of June, 2021	As of June, 2022
Quality Assurance Headquarters	169	180
Risk Management Headquarters	112	109
Total	281	289

Quality control departments



4-4. Restructuring with audit managing divisions to make better use of sector insights

The audit managing divisions serve as our third defense line and play a central role in quality control. The audit managing divisions are organized by sector and support timely responses to sector-specific issues, as well as the consolidation of sector insights. We also assigned a SQP (Sector Quality Partner) and SL (Sector

Assurance Leader) for each sector. The SQP aims to enhance audit quality based on sector-specific issues while the SL aims to provide value-added information to audit clients and foster talent for strengthening sector insights.

We have introduced a structure in which multiple divisions are established under a managing division, thereby creating a firewall for assigning competing audit clients to separate divisions.



Industry (Sector)	TMT	General trading companies	Technology	Entertainment	Services	Government and public
Chemicals	Consumer goods and retails	Tourism and leisure	Transportation and logistics	Energy	Life Science	
Automobile	Steel, nonferrous and metal products	Heavy industry, machinery, materials	Banks, securities, insurance and other financing business	Construction		

4-5. Our audit teams ensure audit quality

Our audit teams, which serve as our fourth defense line, communicate internally and externally at the front line to maintain high-quality audits throughout the year.

4-5-1. Appropriate team formation

Appropriate assignment of partners

To ensure high-quality audits are provided to all of our clients, the managing division head holds discussions with all engagement partners to verify the status of respective clients. The capabilities, qualities and qualifications of an engagement partner, and the industry, characteristics and risks of clients, are taken into account in the verification process.

Formation of audit teams according to skills and experience

We have a talent management system comprising a database of skills required for various tasks and scope of experience in the industry and sector to which an audit client belongs. We utilize this system to identify candidates and form an audit team.

4-5-2. Appropriate implementation of audits

Appropriate involvement of partners

Audit partners are in a position to bear responsibility regarding all processes and results of an audit. Based on a sufficient understanding of a client, partners will be appropriately involved and exert their leadership in each stage of assessing risk, addressing risk procedures and coordinating audits.

Full participation by the engagement partner is indispensable in identifying critical audit matters, such as areas requiring judgment and significant risks. Full involvement of engagement partners allows for effective and efficient audits.

When multiple partners are involved, the partners clarify the roles they have within an audit team to foster a strong sense of ownership and responsibility. We will work to enhance audit quality by securing appropriate partner resources.

Securing working hours for audit team members

The assignment of audit team members is decided in such a way as to ensure that sufficient time is allowed for completing essential tasks such as assessing risks and procedures for addressing risks. The streamlining of audit tasks will also be driven through the automation and centralization of various tasks.

Average annual audit hours
of auditors*

*Audit hours are calculated based on auditors
who were active throughout the year.

2,034 hours
Year ended June
2022

Involvement of specialists

Where an audit involves complex IT processes, transactions requiring expertise related to tax, finance or pensions, or fraud, experts will be involved.

Specialists belonging to KPMG AZSA or another KPMG member firm, or a specialist from Global, may be involved depending on the risk assessment.

KPMG AZSA's policy is to include IT specialists with expertise in information technology and system audits in audit teams in order to address the increasingly sophisticated and complex information systems of clients.

5. Annual audits

We demonstrate a high level of expertise throughout the entire audit process, and all audit engagements are subject to review.

5-1. Thorough risk assessment in engagement acceptance and continuance

We verify compliance with independence requirements before proceeding with an acceptance or continuance of audit contracts. We also conduct a background check of prospective clients in accordance with our risk assessment policy, including consideration for management's integrity, governance status, and that officers and other key figures do not belong to antisocial forces. We then analyze and evaluate audit risks before considering the feasibility of addressing such risks, including securing talent for providing high-quality audits. A contract will then be entered into after completing an approval process.

We promptly reassess risks if there are signs of change in the risk factors of a client, such as a change in management or shareholders or the emergence of a material incident.

Information related to risk assessment is centrally managed in a database, and we have established a framework to ensure that significant issues are appropriately handed over to successor partners when there is a change in engagement partners.

5-2. Change of auditors

When there is a change of audit firm, departments responsible for quality control will issue instructions and attend meetings between the predecessor and successor auditors, as necessary, to reasonably ensure that the transfer of audit work is appropriately conducted.

5-3. Global audit methodology

KPMG AZSA conducts audits in accordance with the KPMG Audit Manual, which is the manual used in common by KPMG member firms. The KPMG Audit Manual contains KPMG's audit methodology and audit policies that must be complied with, meeting international audit requirements while including additional requirements for the maintenance and enhancement of audit quality.

KPMG AZSA has added to the KPMG Audit Manual criteria required of professionals that are unique to Japan, as well as applicable laws,

regulations, guidelines and other norms. KPMG AZSA also maintains the Combined Audit Manual (CAM) based on the KPMG Audit Manual for audits of internal control, allowing efficient integrated audits of financial statements and internal controls.

5-4. Our strong expertise

Ensuring a sufficient audit structure for companies adopting IFRS Accounting Standards

KPMG AZSA has continuously seconded our employees to the IFRS-setting body IASB and to KPMG's International Standards Group based in London, an organization that formulates IFRS interpretations and application guidelines, and has accumulated insights regarding audits for Japanese companies centering on our partners with a wealth of IFRS experience. We have developed a system for making judgments for ourselves on issues regarding the interpretation and application of IFRS Accounting Standards in account closing and audits for Japanese companies based on such insights, and have the capability to provide interpretations and judgments appropriate to the practice of Japanese companies in a timely and appropriate manner.

We have also established the IFRS Advisory Office for analyzing topics specific to Japan, and collect and share information relating to recent IFRS trends, while also writing articles or books for publication, and holding seminars.

We have prepared a structure for responding to IFRS Accounting standards through practice and training for the continuous growth of talent in anticipation of a further increase in companies adopting IFRS Accounting standards.

Structure for addressing IFRS adoption

Companies that have adopted or plan to adopt IFRS Accounting Standards:	78
Professionals that have completed the IFRS Update training:	1,372
Professionals seconded to the IFRS Foundation:	Total 6

Expertise regarding US standards

The Department of Professional Practice collects and shares information on the latest trends and developments in IFRS Accounting standards, US and Japanese standards.

Audit teams need to make judgments related to various issues of interpretation and application of US GAAP/GAAS at Japanese clients that arise during the closing of accounts and during the audit. KPMG AZSA's US Capital Markets Group, established within the Department of Professional Practice, supports audit teams by interpreting US GAAP/GAAS in the context of business practices of Japanese corporations.

The US Capital Markets Group is organized around those who have experience in the US member firm's quality control department, US Department of Professional Practice (US-DPP, New York), thereby providing a high degree of expertise in US standards.

The head of the US Capital Markets Group also concurrently serves as the Leader of DPP for the ASPAC (Asia Pacific) region, and has a high degree of knowledge and expertise enabling appropriate judgments to be made that suit the actual practices of Japanese companies conducting business globally.

Portal for professional opinions

We have established a portal for receiving professional opinions related to individual engagements in order to assist audit engagement professionals in addressing difficult or contentious matters. If a consultation requires a high level of expertise the Senior Consultation Board may be involved.

Engagement teams are required to report to the Senior Consultation Board through the portal for professional opinions when material misstatements due to suspected fraud are identified.

Moreover, we are also progressing with the utilization of our accounting and audit Q&A system (KOMEI) that accumulates and shares insights within the firm through the utilization of AI technologies, in addition to releasing an FAQ page on our website based on a classification of inquiries received from audit teams.

5-5. Reviews

Reviews implemented for all audits

When audit reports are issued for all audit services, it is mandatory that a partner with the experience and capabilities required to conduct a review and who is in a position independent of the audit team conducts a quality control review.

For the audits of listed companies in particular, a timely review is implemented at every stage of an audit, from preparing an audit plan to forming an audit opinion.

The design and operation of the review system is carried out by partners who perform audits of individual engagements, as well as by divisional review boards which bring together all engagements, and the Senior Consultation Board, which has final responsibility for design and operation.

Roles of the Divisional Review Boards

The main roles of the Divisional Review Boards are as follows.

- Appointing and guiding review board members
- Addressing engagement partner consultations
- Understanding audit risks and monitoring divisional reviews
- Reporting review results to the Senior Consultation Board

If reviews for listed companies are for a company with a March year-end, schedule (left below) will be implemented.

Additional reviews will be conducted as necessary if audit risk is high or there are significant issues for consideration.

For audits of listed companies, hearings are conducted with audit teams and review board members after the Divisional Review Boards review the engagement risk survey forms to comprehensively understand audit risk information.

Risks are reported to the Senior Consultation Board and Risk Management Headquarters, and a review by the Senior Consultation Board is conducted if deemed necessary.

Roles of the Senior Consultation Board

The Senior Consultation Board comprises a Chairman who is appointed by a vote of confidence by partners, and a Vice Chairman appointed by the Chairman.

- Designing and operating the review system
 - The Senior Consultation Board establishes the basic policies for quality control reviews, appoints the Chairman and Vice Chairmen for Divisional Review Boards, and monitors the status of divisional reviews.
- Making final judgments on significant audit issues

In situations where the audit team and reviewer have a difference of opinion, or significant audit judgments are involved, a review is conducted by the Senior Consultation Board. The Senior Consultation Board renders the final and binding judgment regarding the audit from a position independent of the audit team.

Smooth and timely communication

KPMG AZSA considers our open corporate culture which encourages smooth and timely communication as a particular strength.

We accept consultations as needed when audit teams are confronted with difficult audit and accounting issues, and encourage early consultation and review.

We mitigate the risk of new issues, unexpected outcomes, or surprises occurring near the account closing date by providing such support in advance.

Quality control review schedule

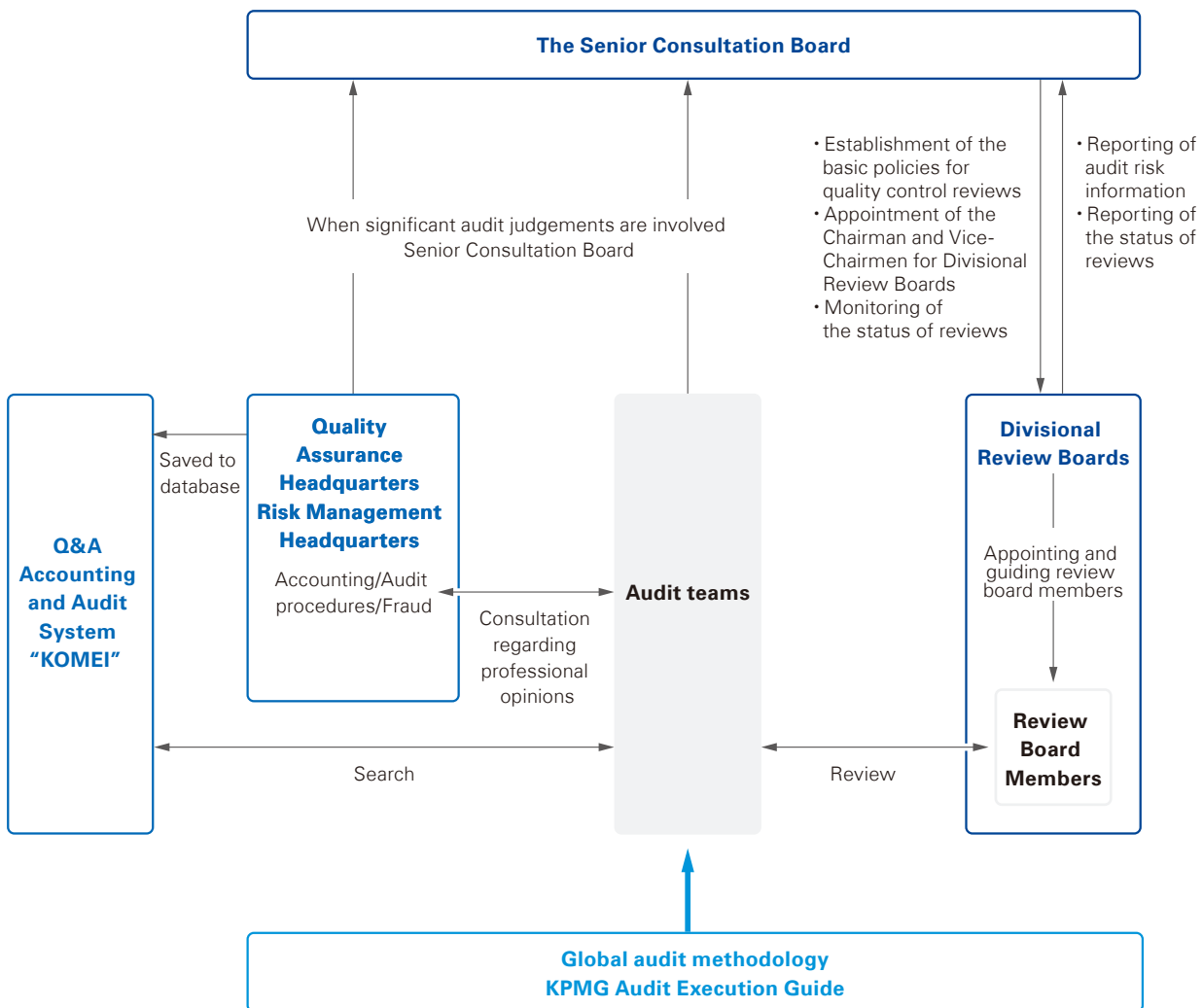
Timing	Review Subject	Details
Early Aug	Q1 review	Review plan and conclusions for the first quarter
End of Sept	Action plan review ①	Basic approach for the annual audit
Early Nov	Q2 review	Review plan and conclusions for the second quarter
End of Dec	Action plan review ②	Detailed plan for the annual audit
Early Feb	Q3 review	Review plan and conclusions for the third quarter
Mar to Early Apr	Review prior to the year-end audit	Discussion regarding key audit issues prior to the year-end audit
Early May	Companies Act Audit	Opinion on the Companies Act Audit
Mid June	Fin Inst & Exchange Act Audit	Opinion on the Financial Instruments & Exchange Act Audit

Allocation of reviewers with expertise on IFRS and US Accounting Standards

Audits of companies that have adopted IFRS or US accounting standards are subject to a divisional review by reviewers who have experience auditing clients that use these standards and are fully competent in conducting reviews.

For SEC filings, Japanese SEC reviewing partners review and approve related documents, and audits are completed within the firm. For audits involving highly sensitive matters, reviewing partners consult with KPMG US-DPP as necessary and take prompt action.

Our system for realizing high-quality audits



Message

Message from the Chairman of the Senior Consultation Board**KPMG AZSA audit system pursues quality audits**

KPMG AZSA has established the Divisional Review Boards to which individual reviewers belong, and the superior Senior Consultation Board, from the viewpoint of pursuing audit quality through a sound and effective function of review boards.

The basis of a review is to objectively and critically evaluate whether an engagement partner has obtained sufficient and appropriate audit evidence from a standpoint independent of the engagement partner based on the audit work papers. Reviewers need to work side by side with the audit team in order to fulfill this role. They review the procedures drawn up by the audit team and the results of their evaluations in a timely manner from the audit planning stage. The reviewers and the audit team work on building consensus while performing an audit.

In order to prevent a lack of audit procedures and errors in audit decisions in areas that require high expertise, the Senior Consultation Board renders final judgments on audit opinions as a firm from an objective standpoint that takes into account the circumstances of a company.

KPMG AZSA will continue to work to maintain and improve audit quality through the development and operation of its audit system in order to earn the trust of the public and to be Clear Choice of the market.



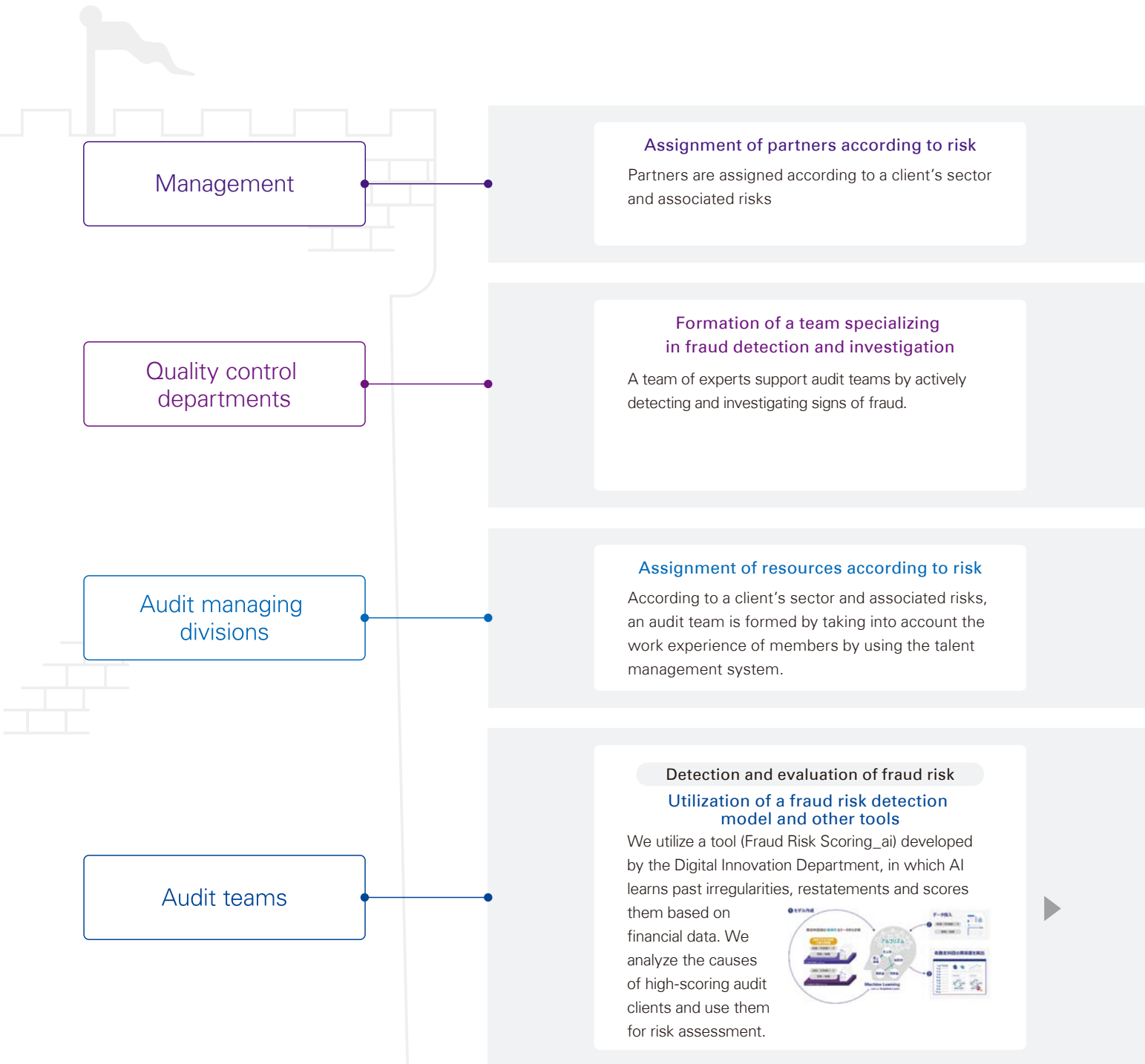
The Chairman of The Senior Consultation Board

Ryoji Fujii

6. Addressing risks

At KPMG AZSA, the four defense lines work together to detect fraud risks and take necessary audit measures according to the type of risk. We are working to accumulate insights relating to fraud.

6-1. Initiatives to strengthen fraud risk measures



Examples of fraud risk handled by audit teams

Risk type	Risk assessment
Risk related to round-tripping	Carry out scenario analysis taking into account non-financial data and past cases to assess the possibility of round-tripping fraud risk
Overseas subsidiaries	Assess fraud risk by analyzing both qualitative and quantitative information of overseas subsidiaries
Risk related to remote environments	Assess fraud risk taking into account risk of tampering with PDF and other electronic files
Post-IPO companies	Assess fraud risk by focusing on performance maintenance and pressure to achieve targets for companies that have just completed an IPO

We conduct in-depth fraud risk assessments by using advanced digital technologies and sector insights to identify and evaluate fraud factors from multiple angles. When a fraud risk factor is identified, the Quality Assurance Headquarters takes the initiative in forming a special response team and implements audit procedures that focus on the respective fraud risk in cooperation with audit managing divisions and audit teams.

Establishment of a hotline
 KPMG AZSA has established a hotline on its website. Based on the information collected, we evaluate the possibility of fraud and instruct necessary measures.

Actions to be taken in the event of a significant fraud case
 The top management will also be involved in handling a significant fraud case.

Risk analysis based on fraud cases
 We conduct factor analysis by utilizing past cases of fraud in the database, and provide audit teams with useful information on the analysis and evaluation of fraud risks of audit clients.

Development of tools
 We are developing various tools such as a fraud risk detection model that can be used to identify signs of fraud based on past fraud cases.

Mandatory training on fraud
 Every year, all partners and managers involved in audit engagements receive mandatory training that covers specific fraud cases and audit considerations. Completing training provided by outside instructors is also mandatory.

Assignment of fraud specialists
 When signs of fraud are identified, specialists familiar with fraud cases will be involved in the audit team and provide assistance from an objective perspective in responding to fraud risk in the audit procedures.

Sharing of sector insights
 Audit managing divisions provide audit teams with information on business and audit risks specific to each sector.

Examples of fraud risk

- Fraud risk from round-tripping
- Fraud risk associated with overseas subsidiaries
- Fraud risk associated with remote environments
- Fraud risk in post-IPO companies

(See above for details.)

Example of measures to address fraud risk

- Examining abnormal journal entries**
 Analyzing journal data obtained to identify abnormal entries with unexpected account combinations (utilizing lift value).
- Verifying the reliability of data obtained**
 We use a tool (KaizanCheckBot_ai) that processes images to reveal traces of edits based on the assumption of the risk of tampering with PDF and other electronic files.

7. Transparency of audit reports (KAM)

KPMG AZSA has been continuing efforts to make KAM descriptions more meaningful.

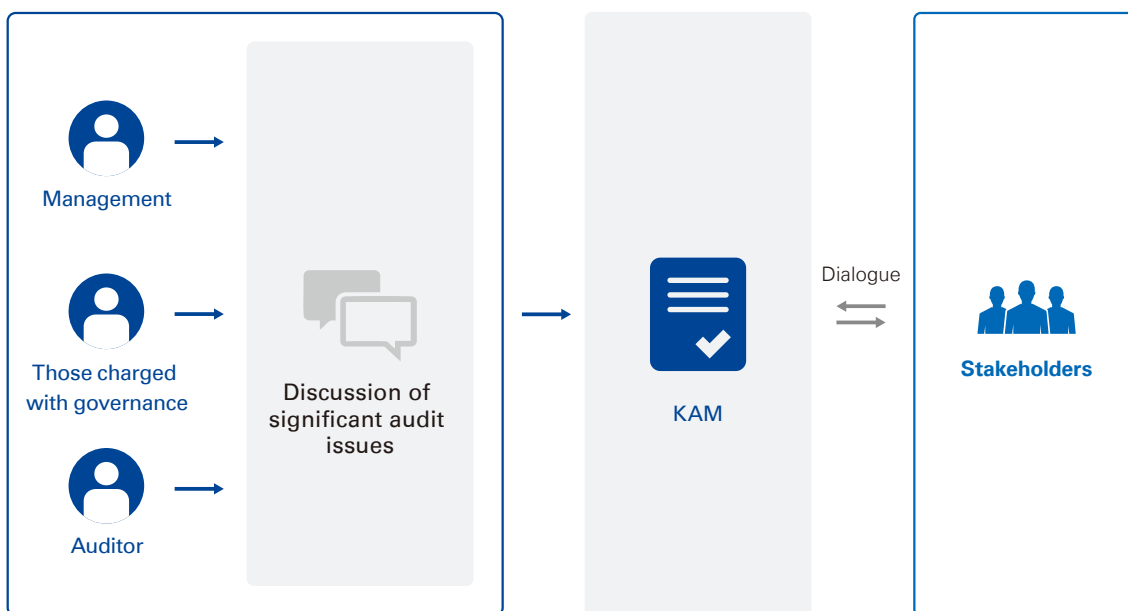
7-1. Initiatives and achievements of KPMG AZSA

The fiscal year ended March 2022 marked the second year since the introduction of Key Audit Matters (KAM).

KAM is intended to enhance the information value of audit reports for market participants. This has led to expectations of further improvements in the quality of audits and financial statements based on a shared understanding and appropriate discussion of key audit issues and responses among management, those charged with governance, and auditors.

KPMG AZSA believes that KAM is extremely important for strengthening audit responses to matters that fall under KAM and enhancing audit quality, while ensuring that those charged with governance and other stakeholders appropriately evaluate audit quality.

On February 2, 2022, the Securities Analysts Association of Japan introduced 26 companies with good KAM examples useful to analysts. KPMG AZSA prepared the audit reports for 11 of these 26 companies (approximately 42%). We believe this is a result of our initiatives in this area.

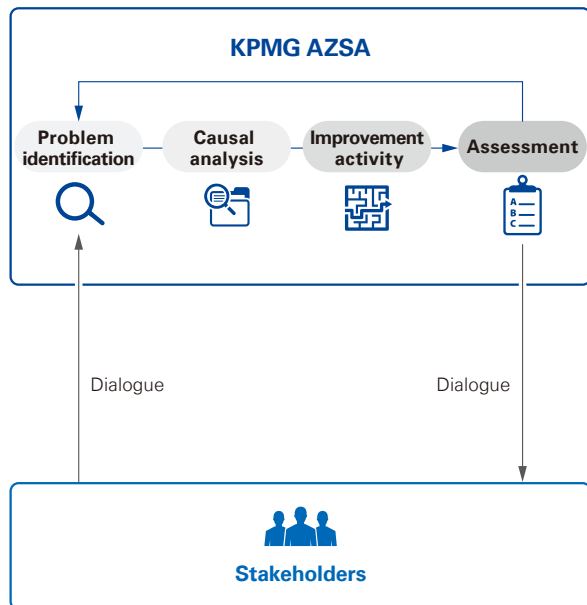


8. Continual improvement of audit quality

KPMG AZSA is committed to the maintenance and enhancement of audit quality by utilizing the results of both our firm’s voluntary quality monitoring program and inspections conducted by external institutions to continually improve quality.

8-1. Overview of improvement activities

KPMG AZSA continuously carries out activities to enhance audit quality by analyzing the root causes of issues identified through the results of our firm’s voluntary quality monitoring program and feedback from our clients (ACCESS) under the leadership of our management, including the CEO.



8-2. Monitoring of audit tasks by the audit managing divisions and headquarters

Our audit managing divisions and Risk Management Headquarters monitor audit tasks with the aim of maintaining and enhancing the quality of all audit tasks.

Audit managing divisions select companies subject to monitoring taking into account overall risks of audits that the division oversees, and inherent accounting and audit topics of the respective financial year.

Audit tasks are monitored from the viewpoints of whether the planning and audit procedures performed are necessary and sufficient together with the progress of the audit, and whether descriptions in audit work papers are sufficient and clear.

The Risk Management Department continuously monitors key audit areas according to themes across all audit divisions, serving the purpose of making audit managing divisions aware of matters that need to be addressed or issues common to many audit engagements in response to changes in the outside environment.



Companies subject to audit monitoring

69

For the year ended June 2022

8-3. Voluntary quality monitoring programs for quality improvement

KPMG requires all member firms to undergo an integrated monitoring program regarding quality control.

Quality performance reviews

KPMG AZSA conducts annual quality performance reviews to maintain and improve the quality of individual engagements.

All engagement partners are subject to a quality performance review at least once every four years.

The results are subject to a second round of reviews by partners from other KPMG member firms before ratings are finalized.

Results of this review for the past two years are given below. None of the review results included cases that required a revision of audit opinion.

Monitoring overview

	Year ended June 2021	Year ended June 2022
Audit engagements reviewed	112	101
Partner coverage	49%	41%

Monitoring results

	Year ended June 2021	Year ended June 2022
Cases that required a revision of audit opinion	0	0
Percentage of audit engagements with no significant findings	95%	96%
Percentage of audit engagements with significant findings	5%	4%

Risk compliance review

KPMG AZSA annually self-assesses the status of its compliance with quality control requirements.

KPMG International's Global Compliance Review team reviews KPMG AZSA's self-assessment, in principle, once every four years in order to achieve consistency of procedures and judgment criteria at a global level.

The most recent review resulted in no objections to KPMG AZSA's self-assessment results.

The need for improvements identified through quality control and risk compliance reviews are reported to the Senior Executive Board and necessary actions are taken.

8-4. Inspection by external bodies

The Japanese Institute of Certified Public Accountants (JICPA), the Certified Public Accountants and Auditing Oversight Board (CPAFOB) and the Public Company Accounting Oversight Board (PCAOB) conduct external inspections of KPMG AZSA.

We have a structure in place for conducting root cause analysis and taking corrective measures for any deficiencies that are identified in our audits.

Review by the Japan Institute of Certified Public Accountants (JICPA)

Quality control reviews by the JICPA are performed for audit firms that audit listed companies and other designated entities. Quality control reviews of the largest audit firms are normally undertaken once every two years. Additionally, where circumstances are identified that could damage the public's trust in audits, special reviews are conducted, for example reviews of a limited population of audit firms.

The results of the regular quality control reviews are reported to audit firms as a conclusion of the quality control review. Depending on the conclusion of the quality control review or the progress of improvement relating to any improvement orders, the JICPA may take actions including issuing a warning, a strict warning, or a recommendation to resign from an audit engagement. Depending on the nature of such actions, the JICPA may additionally add a disclosure to the Register of Listed Company Audit Firms* explaining any qualifications or may have the firm in question removed from the register.

KPMG AZSA has not been subject to any such actions resulting from quality control reviews made in the past – neither disclosure of qualifications to the Register of Listed Company Audit Firms nor removal from the register.

*The JICPA operates a registration system for audit firms that conduct audits of listed companies and publishes on its website the Register of Listed Company Audit Firms including an overview of firm systems of quality control.

Certified Public Accountants and Auditing Oversight Board (CPAFOB)

The CPAFOB receives reports from the JICPA on quality control reviews and examines, from a public interest standpoint independent of the JICPA, whether the quality control review system is operating appropriately and whether audits by audit firms are being conducted appropriately. The CPAFOB also conducts on-site inspections of audit firms as necessary.

If it becomes clear that a quality control review by the JICPA was not conducted appropriately, an audit firm's quality control was found to be materially insufficient, or audit work did not comply with a law

or regulation, the CPAAOB will recommend to the Commissioner of the Financial Services Agency administrative sanctions necessary to ensure the proper operation of the JICPA and audit firms.

In response to such a recommendation made by the CPAAOB, the Financial Services Agency may impose administrative sanctions (disciplinary actions), including issuing an order to improve business operations, whole or partial suspension of business, or a fine.

Inspection by the Public Company Accounting Oversight Board (PCAOB)

It is mandatory for accounting firms performing audits of publicly listed companies in the US to register with the PCAOB.

The PCAOB conducts a regular inspection of both the systems of quality control and quality of individual audit engagements of registered accounting firms in accordance with PCAOB standards.

Inspection reports that have been conducted by the PCAOB to date are available on its website.

Action required based on JICPA results

0 cases
In the past five years:

Administrative sanctions from the JICPA resulting from audit engagements

0 cases
In the past five years:

Administrative sanctions from the Financial Services Agency

0 cases
In the past five years:

8-5. Improvement through feedback from clients (ACCESS)

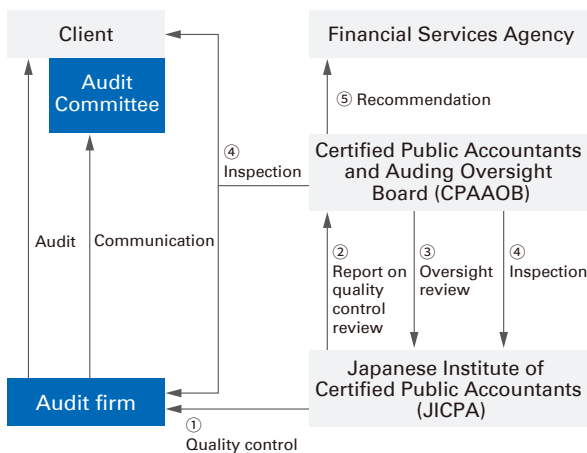
The firm has established the ACCESS (AZSA Client Relationship Continuous Enhancement Process) program, which seeks client feedback on the quality of services provided. ACCESS is intended to provide an understanding of the client’s expectations and any areas of dissatisfaction, as well as areas in need of improvement, all with the objective of enhancing audit quality.

While there was no significant change in the survey results, we take the evaluations and comments of our clients seriously, and will reflect the feedback in future audits and strive to make firmwide improvements and provide further information of value.

	Participating companies	Response rate	Overall evaluation*	
			2020	2021
ACCESS for Finance and accounting departments	673	94%	3.96	3.98
ACCESS for Those Charged with Governance	678	95%	4.08	4.13

*Grading is on a 5-point scale. In addition, ACCESS for overseas subsidiaries is gradually being rolled out, and activities are being promoted to seek feedback from overseas subsidiaries on the quality of work performed by their respective KPMG offices.

Quality Control Review by JICPA and Inspection by CPAAOB



- ① Quality control review: JICPA examines the state of operations of an audit firm.
- ② Report on quality control review: JICPA reports the results of a review to the CPAAOB.
- ③ Oversight review: CPAAOB conducts an oversight review primarily on the appropriate operation of the quality control review system and of the audit work of the audit firm.
- ④ Inspection: CPAAOB inspects the JICPA, the audit firm or the audit client.
- ⑤ Recommendation: CPAAOB recommends administrative sanctions or other measures to the Financial Services Agency.

9. Addressing new quality management standards

There is demand for further improvement of quality management in audits. KPMG AZSA has been working to meet international standards prior to the introduction of standards in Japan.

9-1. Publication of international standards demanding enhancement of quality management

It is extremely important that appropriate action is taken at the firm level in addition to actions taken by the audit team at the engagement level in order to ensure the quality of audits.

From this perspective, the International Auditing and Assurance Standards Board (IAASB) published the following three new standards on quality management for audit firms in December 2020. The Quality Control Standards for Audits have also been revised in Japan based on these standards

	Standard	Scope
ISQM 1	Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements	Firm Level
ISQM 2	Engagement Quality Reviews	Firm and engagement level
ISA 220	Quality Management for an Audit of Financial Statements	Engagement level

9-2. KPMG network response

The KPMG network sees the application of ISQM1 as an opportunity and has been proactively implementing the following measures. KPMG AZSA has also been implementing measures without waiting for the finalization of revisions to the quality control standards in Japan.

Global	<ul style="list-style-type: none"> Establishment of controls at the network level Consideration and approval of controls that member firms should establish and operate
ASPAC	<ul style="list-style-type: none"> Exchange of information on method of building specific controls in each region Consideration of whether controls can be tested at a regional level
KPMG AZSA	<ul style="list-style-type: none"> Establishing controls based on three components determined at the global level (process description, detailed control description and flowchart) Consideration of additional measures based on the laws and standards of each country

Chapter III Our foundation that supports value creation

3 Talent

Global People Survey (GPS) | Engagement

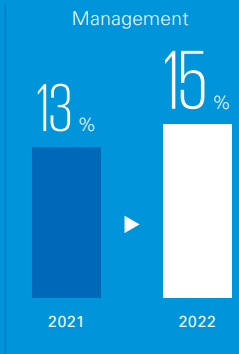
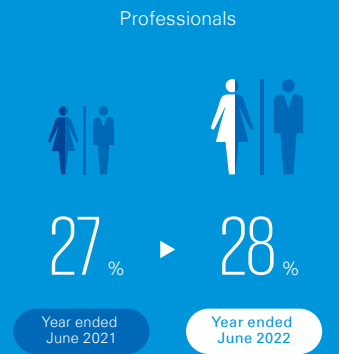
Voluntary willingness to serve the firm and satisfaction with the firm
 (Ratio of positive responses with a rating of 4 or higher on a five-point scale)



Average annual training hours per trainee



Percentage of female employees



Our initiatives for audit quality viewed through AQIs

At KPMG AZSA, we place top priority on the GPS-Engagement indicator, which measures the degree of voluntary willingness to serve the firm and satisfaction with the firm. Since there has been a decline in the GPS-Engagement indicator compared to the previous year, we have analyzed the root cause of the decline and are taking serious measures to address this matter. We are also promoting inclusion, diversity and equity, as represented by the ratio of women, and we believe the current year’s figures show steady progress toward our medium-term targets. We are working to foster a corporate culture that places importance on securing training hours for employees to ensure that they are capable of providing insights at all times.

Message

from
Senior Executive Board member
 – **Head of People**

Contributing to society
 by expanding and developing the
 abilities of professionals and creating
 an environment in which they can
 demonstrate their abilities



Professionals are the core of our human capital

At KPMG AZSA, our professionals who are capable of providing multi-faceted support for our clients in fulfilling their roles and accountability in a changing society are the core of our human capital.

In an era of change, the scope of audits is expanding rapidly. KPMG AZSA has been developing global talent capable of supporting the global businesses of our audit clients. We are also working to develop digital talent through the ADA (AZSA Digital Academy) to achieve the digital transformation of audits and to provide added value to society and clients. We are also acquiring and developing talent in the area of sustainability as companies are increasingly required to disclose non-financial information.

We will achieve high-quality audits from a specialized and diversified perspective by collaborating with accounting professionals with knowledge and experience in expanding areas and specialists in the areas of digital and sustainability.

An environment in which diverse talent can demonstrate their abilities

Our people at KPMG AZSA are our most important management asset and are also a key stakeholder.

While we work to enhance individual abilities, we recognize the need to develop a work environment in which our diverse workforce can fully demonstrate its abilities and to increase employee engagement.

We have developed the “AZSA Work Style” to exemplify a work style of professional awareness, productivity and communication. We have positioned inclusion, diversity and equity as one of our management strategies, and have been promoting the success of women and providing career development support for members in relation to childbirth, child rearing and nursing care.

In the current year, we will further promote this initiative, nurturing an open organizational culture through two-way communication, and implementing HR policies based on a people-first approach that ensures fair treatment of a diverse range of employees. This will create an environment in which professionals with diverse expertise, values, and work styles can play an active role.

Contributing to society as a professional firm

KPMG AZSA is committed to contributing to society by promoting growth of individual professionals through active investment in human capital, as well as by maintaining and continuously improving a work environment in which employees can make the most of their abilities.

1. Composition of our human capital

Our professionals with strong expertise make up our capital for providing quality audits. We are working to increase the diversity of our talent and their expertise in order to respond to changes in the business environment.

1-1. Our talent philosophy

In order to realize our purpose of inspiring confidence and empowering change, it is important not only for highly skilled talent who can ensure reliability to pursue high-quality services, but also for all members to respect one other and turn diversity into a strength.

KPMG AZSA hires and trains highly specialized professionals in a variety of fields and creates an environment in which diverse talent contribute voluntarily to the firm from diverse perspectives.

1-2. Our recruitment policy

At KPMG AZSA, we employ professional staff based on the firm's management policy and in accordance with a workforce plan.

We actively recruit talent with diverse expertise and backgrounds in addition to regular recruitment of individuals who have passed the CPA exam.

Our partners interview applicants directly in the final stage of recruitment, following a document screening and selection of candidates based on competence and professional aptitude tests. We are committed to identifying talent who are capable of executing tasks appropriately in accordance with KPMG AZSA's management policy.

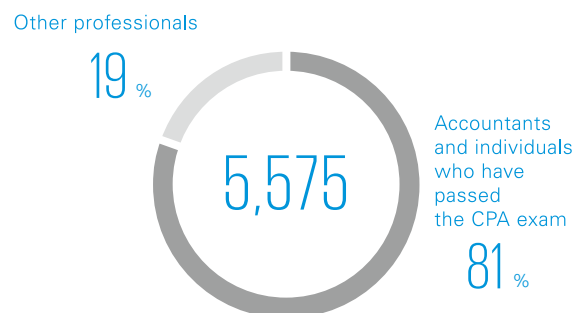
Composition of professional workforce

(As of June, 2022)



Composition of professional workforce

(As of June, 2022)



Number of regular and mid-career hires

(Total for FY's ended June 2022)

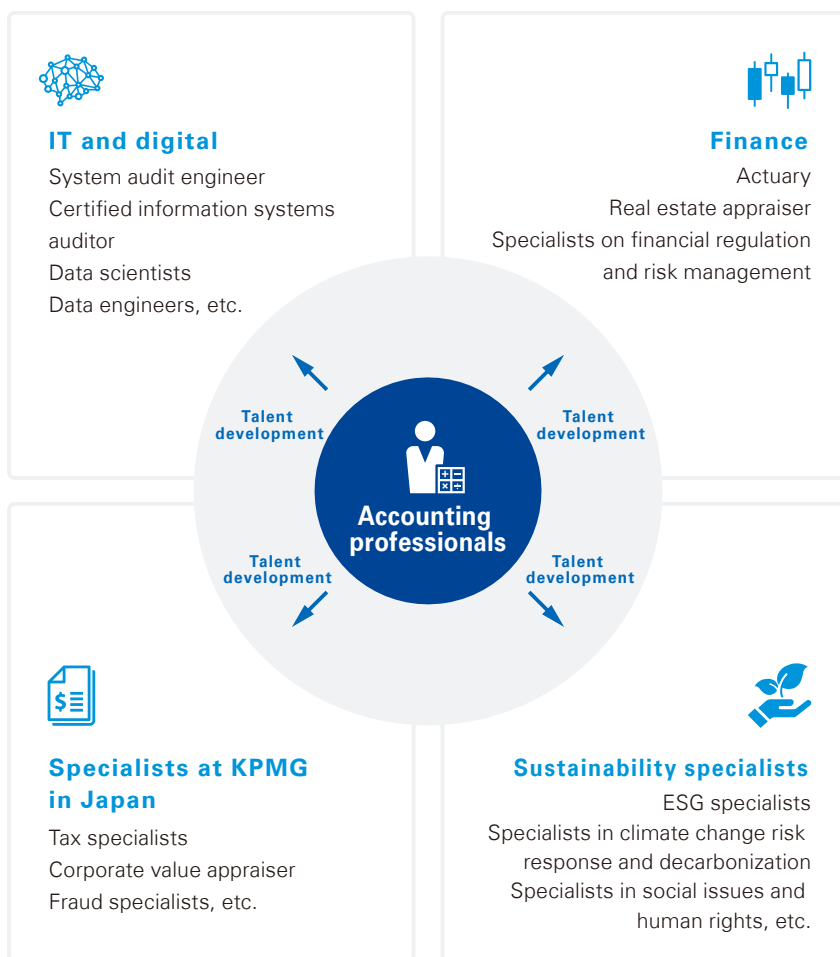
	Accountants and individuals who have passed the CPA exam	Other professionals	
		Professional staff other than accountants	Audit assistant
Regular hires*	349	—	—
Mid-career hires	23	142	212
Total	372	142	212

*Includes regular part-time (student) employment

1-3. Professionals in various fields

In addition to certified public accountants and other accounting professionals, KPMG AZSA has specialists in various fields including IT, digital, cyber, and finance. We believe that it is important for accounting professionals and specialists in all fields to work together to provide audit services that address the expanding scope of audits.

Collaboration with various specialists



2. Talent development

At KPMG AZSA, we foster true professionals through the “Three O’s,” an organizational talent development system. In order to respond to the changing environment with a sense of speed, we are working on developing digital, global, sustainability and sector talent.

2-1. Talent development philosophy at KPMG AZSA

KPMG AZSA understands that the basis of audit quality is the quality of our people, and we have set our Human Resource Development Principle as follows.

“In order for KPMG AZSA to realize the firm’s basic principles and to fulfill its responsibilities as a public institution, we must develop true professionals who make a contribution to society by systematically building and maintaining an environment that allows our people to acquire the expertise and skills necessary to provide high-quality services.”

2-2. Human resource development by means of the “Three O’s”

We have established the “Three O’s” as an organizational talent development system. The “Three O’s” refer to Off-JT, OJT, and Opportunities. We measure the effectiveness of talent development through the “Three O’s” through questionnaires.

Off-JT | Providing practical and pragmatic training

We provide training on professional ethics, compliance, technical, and business skills according to class.

Of the Off-JT we offer, our headquarters hosts training regarding mandatory knowledge for those involved in audit engagements, as well as training for addressing firm issues. In responding to the needs at audit sites, our divisions also implement training in line with professional knowledge and practice as training to supplement OJT.

In addition to training on global and digital skills, we expanded the scope of our sustainability training in the current year.

Conceptual diagram of human resource development



Questionnaire on talent development

- ① Does the firm have an adequate talent development system?
- ② Do you feel that you have grown through the “Three O’s”?

3.5 / 5 points

3.7 / 5 points

Average annual training hours per trainee

67 hours

Year ended June 2022

CPE completion rate

100%

Year ended March 2022

OJT | Improving skills and abilities through practical experience

OJT is the most important element of talent development through which professional skills and abilities are acquired through practical experiences including communication with supervisors and clients.

KPMG AZSA has been providing planned and consistent OJT at both the firm and managing division levels. We created a “Human Skill Book” that summarizes the basic policies of and skills acquired through OJT. We seek to foster a growth mindset through discussions regarding OJT and an introduction of successful cases, and provide guidance to junior staff based on a tutoring system.

Opportunity | Providing wide-ranging work opportunities

In order to become audit professionals, our talent need to deepen their insights for specific tasks while also expanding the range of their insights by engaging in a variety of tasks, thereby improving their objectivity and problem-solving skills.

We seek to develop true professionals with diverse experience by periodically providing staff members with the opportunity to transfer to audit teams of a different scale or sector. Staff members are transferred not only between managing divisions but also to departments responsible for quality control, to our advisory divisions and among different offices. Staff members are actively seconded to external public institutions and corporations, and we also provide overseas work experience opportunities through our overseas secondment programs(See page 72).

We are working to develop true professionals by providing a wide range of work experience.

Number of persons transferred within KPMG AZSA

Transfer to	Year ended June, 2022
HQ (Quality Assurance Headquarters etc.)	89
Other audit divisions and offices	124
Advisory divisions	80
Total	293

Number of persons loaned to external public institutions and corporations

Loan to	As of June, 2022
JICPA, FASF etc.	32
Other (corporations)	39
Total	71

2-3. Digital talent

Development of digital talent

KPMG AZSA has been focusing on improving the digital skills of audit professionals in order to achieve audit transformation centered on digital, and has introduced the AZSA Digital Academy (ADA) and the Future Auditor Initiative (FAI).

Digital talent who leverage technology and data for audits

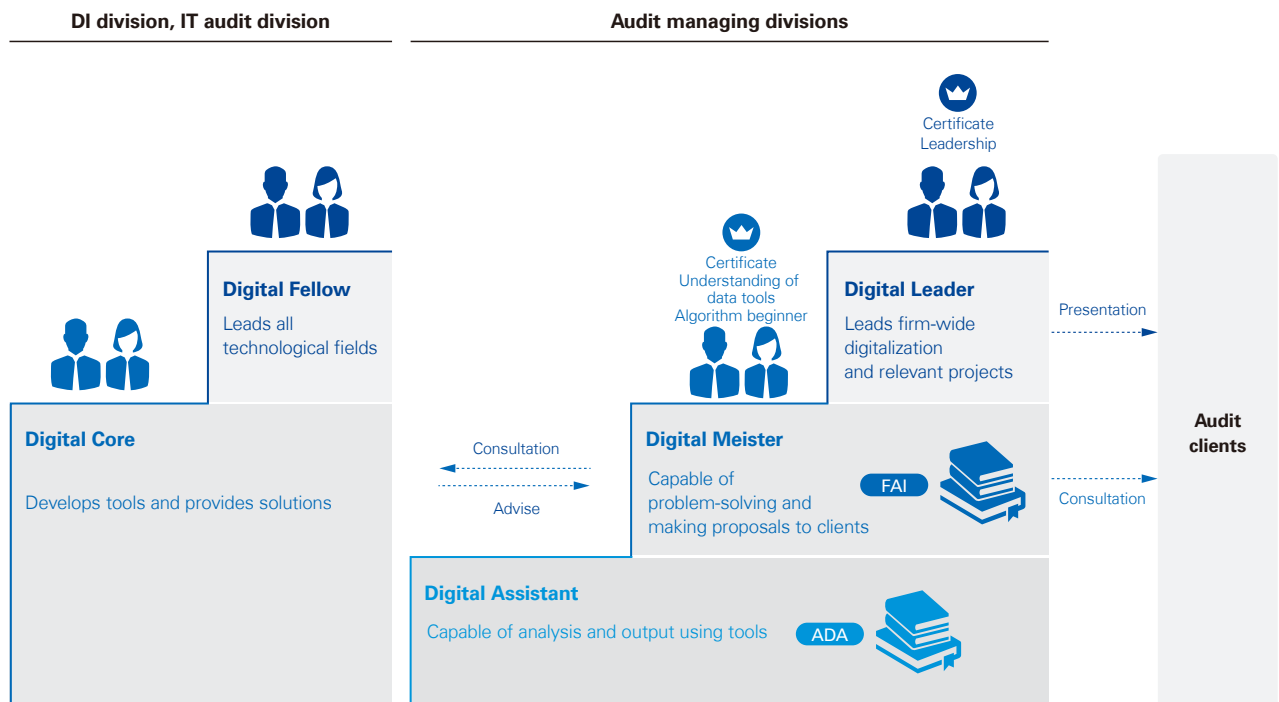
The ADA provides training to all members with the aim of providing them with a digital foundation. Members are certified as Digital Assistants upon completion of the training. We are also focusing on the development of Digital Meisters who will be at the core of our digital audit transformation. Digital Meisters will utilize the skills they acquired through sector-based practical workshops to enhance efficiency and sophistication according to the needs of each sector. As of the end of August 2022, 1,170 employees have been certified as Digital Meisters. Through this program, we aim to train over 2,500 Digital Meisters and Digital Core talent in the short term.

The FAI is working to further improve digital skills by conducting OJT in which members are selected from among Digital Meisters and through intensive practice, learn processes from the viewpoint of data, data analysis, and audit automation promotion.

KPMG AZSA creates opportunities to acquire digital skills that can be put into practice at audit sites, and focuses on developing digital talent who can lead 3C x Impacts & Insights for our clients.

Digital skills study hours	Year ended June, 2022
Digital training hours	37,816 hours
Study hours for online courses such as digital skills (excluding training)	31,418 hours

Classes and roles of digital talents



2-4. Global talent

Global talent who understand different cultures

At KPMG AZSA, we define global talent as “professionals who understand different cultures and diversity, who have a certain level of linguistic ability and who perform work on the global playing field.” Global talent is fostered through the global skills training which includes language training and short-term study-abroad opportunities, as well as the overseas secondment programs.

The cumulative number of globally capable professionals* we have developed is 2,196.

Due to difficulties in realizing study-abroad and overseas secondment programs due to COVID-19 in 2022, we have enhanced our online training.

*Members with a TOEIC score of 730 or more and overseas work experience who are proficient in English and other languages

Global skills training

As a basis for overseas secondments and for working in Japan on international audit work, KPMG AZSA is implementing various programs, such as English training in Japan, short-term study-abroad opportunities and new manager training programs held by KPMG in other countries to develop wide-ranging global skills, in addition to English as a linguistic skill.

Global skill training

	Year ended June, 2021	Year ended June, 2022
English training in Japan	839	807
Training at overseas	23	21 ^{*1}
Training hosted by overseas KPMG firms	27 ^{*2}	35 ^{*2}
Total	889	863

*1 Online training as an alternative to short-term study abroad.

*2 Online training as an alternative to hosted by overseas KPMG firms.

Overseas secondment program

KPMG AZSA is developing global professionals who have a global mindset and actively promotes the assignment of its personnel to other KPMG member firms.

KPMG AZSA has two primary overseas secondment programs, the Global Japanese Practice (GJP) program and the Senior Development Program.

Overseas secondment program

	Target	Period
GJP (Global Japanese Practice)	Above the manager level	Principle 3years
JUMP (Junior Upskill Mobility Program)	Assistant manager, Senior, Staff	18 - 24 months
STAR (Short-Term Assignment Resources)	Senior, Staff	3 - 6 months
HIT (Highly-motivated Internship Program)	Staff year 1, Part-time student	1 month

We have additionally been sending many personnel who are managers or above to KPMG Global Solutions Group (KGSG), a research institution of KPMG International, as well as to International Standards Group (ISG) in the UK and Department of Professional Practice (DPP) in the US, both of which formulate interpretations and application guidelines for accounting standards.

The cumulative number of participants in these programs is 644. Partners and managers account for 30% of overseas secondment experience, with one in every four partners and managers having secondment experience.

Number of participants in overseas secondment programs

	Year ended June, 2021	Year ended June, 2022
GJP (Global Japanese Practice)	101	98
JUMP (Junior Upskill Mobility Program)	44	41
STAR (Short-Term Assignment Resources)	1	7
Secondments to KPMG International	8	13
Total	154	159

*The HIT (Highly-motivated Internship Program) which had been suspended since 2020 due to the impact of COVID-19, resumed in August 2022.

Partners and managers with overseas secondment experience

(As of June, 2022)

	Number	Ratio
Partner, Director	275	40%
Senior Manager, Manager	313	25%
Total	588	30%

Next generation leader development program

The annual Chairman's 75 Program hosted by KPMG brings together successful partners across the globe and provides leaders from individual countries and regions the opportunity to interact directly with the Chairman of KPMG International and members of global management. Many partners from KPMG in Japan also participate in the annual Chairman's 25 Program which is held in the Americas, EMA, and ASPAC regions, to stimulate the development of a global mindset through exposure to the thinking of global leadership, while strengthening relationships with the regions.

*Face-to-face meetings scheduled to resume in 2022

Global New Partners' Conference

KPMG holds the Global New Partners' Conference on an annual basis in principle for those promoted to the partnership in member firms around the world that year. KPMG in Japan sends many young partners to the conference as a valuable opportunity for building a network within KPMG and meeting new partners from around the world. In addition to partners who have just been promoted, many management and senior partners from Japan and other major countries also attend the conference, providing an opportunity to interact with different generations of partners.

*Face-to-face meetings scheduled to resume in 2022

2-5. Sustainability talent

Development of sustainability talent

Through the disclosure and assurance of non-financial information, we are working to develop talent who can support companies solve sustainability issues and increase corporate value.

Training for the development of sustainability talent

Sustainability themes cover a wide range of topics, including climate change, water, biodiversity, and human rights. KPMG in Japan has long promoted the development of professionals at KPMG AZSA Sustainability, a subsidiary of KPMG AZSA. We are committed to having all professionals at KPMG in Japan acquire a certain level of sustainability insights, as well as the development of talent in all service areas related to sustainability, including reporting, governance, and assurance, in addition to sustainability themes.

Classification	Contents
Basic training	Training for the acquisition of basic concepts and latest trends related to sustainability, as well as knowledge and ideas that are considered to be the minimum necessary for sustainability talent.
Training by theme	Based on the contents of KPMG International's training, training for the acquisition of the latest and in-depth knowledge of major sustainability themes such as climate change and human rights.
Training by service area	Training for learning a wide range of content that is useful for the provision of services in each engagement, in addition to trends in relevant standards and regulations.

2-6. Sector talent

Development of sector talent for solving sustainability issues

While management decisions and strategies based on the impacts of climate change and other sustainability issues have important impacts on the assumptions used in accounting estimates, such impacts vary widely by sector. Sustainability issues affect not only financial statements and disclosure, but also business processes such as procurement, sales, and R&D.

By appropriately analyzing and evaluating these impacts, we are working to develop sector talent who can provide added value to our clients.

Cooperation with various bodies and organizations

Many standard-setting bodies and organizations that disseminate information are involved in the area of sustainability. KPMG in Japan engages in personnel exchanges with these organizations and actively promotes knowledge sharing and collaboration. We believe that these activities contribute to a better society while fostering talent.



3. Activities of our diverse talent

KPMG AZSA aims to be an organization that is chosen by our people. We have created a work environment in which professionals with diverse specialties, values, and work styles can fully demonstrate their abilities, respect each other, and work with high motivation.

3-1. Focus on Inclusion, Diversity & Equity

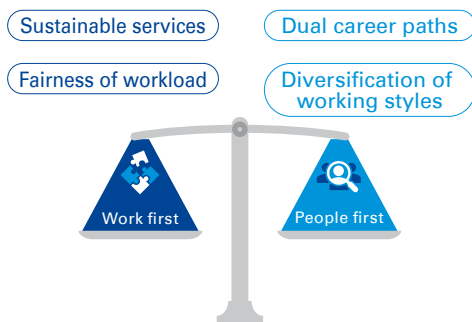
KPMG AZSA regards the promotion of inclusion, diversity, and equity as an important management strategy in which top management is actively involved. With the aim to achieve the common goal of contributing to companies and society by providing quality services, each and every one of our people with unique characteristics accepts the diversity of one another and aims to demonstrate their individual strengths while making the most of each other's diverse skills.

Our focus on equity reflects our belief that we all need to be more aware of our responsibility to do the right thing as a member of society.

3-2. Operation of people-first HR policies

KPMG AZSA has developed the "KPMG AZSA Work Style" to exemplify a work style of professional awareness, productivity and communication. In order to create an environment in which members with diverse expertise and values can play an active role, KPMG AZSA has been promoting an open organizational culture through two-way communication, and has implemented people-first HR measures that emphasize the fair and equitable treatment of diverse members. Specifically, we are expanding the role of Technical Directors with a high level of expertise, and creating opportunities to make full use of individual aptitudes and expertise in areas such as sectors and quality control. We are also promoting a flexible work style that enables members to continue their career development in the face of various life events such as childbirth, childcare, and nursing care.

Implementing measures that take into account the diversity perspective of "people first"



People-first concepts

In a people-first system, individual employees select their position and role according to their aptitude and environment.

Three pillars of people-first policies



Assignments that cater to various career and work styles



Expanding the roles of positions (Technical Directors and Managers) that cater to diverse careers



New operation policy for evaluation and promotion that caters to diverse careers

3-3. Career communication

Career manager system

Career managers, a role that is usually taken on by the HR partner in each department, hold meetings to share the firm's Purpose and support the career of individual members.

Feedback is provided regarding what individual members value, their medium-to long-term career plans and short-term goals at career manager interviews held mid-year and at the year end. We also confirm that training opportunities provided by the "Three O's" are in line with members' desired career plans, and provide appropriate support.

Engagement 101

As part of OJT training for audit teams, we conduct Engagement 101 to have regular communication and to provide continuous feedback. This is an opportunity to support the growth of team members by aligning team goals with individual team members' goals through one-on-one interviews between supervisors and subordinates, and by identifying and providing feedback on the challenges they face in a timely manner.

3-4. Evaluation system that emphasizes audit quality

We believe that appropriate evaluation and feedback of performance will promote individual growth and improve audit quality.

When evaluating members, it is important to be able to make appropriate judgments based on ethics and integrity, making full use of understanding, logical composition, problem-solving skills, and specialized skills.

We also place the highest priority on quality control when evaluating partners involved in engagements.

3-5. Initiatives for becoming a better firm

We have been continuously conducting the Global People Survey (GPS), an awareness survey of all our members.

66 percent responded positively to the Engagement Index, the most important GPS indicator, down 3 percentage points from the previous year*. This is mainly due to a shortage of personnel, an increase in the amount of workload per employee, and long working hours. We are increasing the number of employees and implementing measures to deal with diverse careers and work styles, while also working to control, diversify and improve efficiency in our business operations.

*After adjustment due to change of response choices

Main Inclusion, Diversity and Equity initiatives

- Established Key Performance Indicators (KPI) for promoting the success of women(15% of women in management roles as of July 1, 2022.)
- Activities of the Working Women's Network (WWN) as a network of female staff working at KPMG AZSA
- Supporting career development through regular interviews with employees relating to childbirth, child rearing and nursing care
- Clarifying in the firm's Code of Ethics that any kind of human rights violations will not be tolerated, including discrimination based on sexual orientation and gender identity
- Acquired the "Platinum Kurumin," a certification for companies with high standards of providing support to families raising children, the first of its kind for a large audit firm
- Signed a sponsorship contract with the Japan men's national blind soccer team
- As part of our support for marriage equality, revised the definition of spouses in our HR system and in some of our welfare programs



Platinum Kurumin

Corporate overview

1. Corporate overview

As of June 30, 2022

CEO	Toshiya Mori	
Offices	Headquarters 1-2 Tsukudo-cho, Shinjuku-ku, Tokyo Supervising Offices: Tokyo, Osaka, Nagoya Regional Offices: Sapporo, Sendai, Hokuriku, Kita-Kanto, Yokohama, Kyoto, Kobe, Hiroshima, Fukuoka	12 offices
Number of employees (Full-time)	CPAs 2,960 (Includes 30 Representative Partners and 527 Partners) Passed the CPA exam 1,331 Professionals 1,296 (Includes 37 Specified Partners and 2 Representative Partner) Administration Staff 730	6,317 people
Audit engagements	Number of clients 3,482 Financial Instruments and Exchange Act and Companies Act: 724 / Financial Instruments and Exchange Act: 30 Companies Act: 1,351 / Incorporated educational institutions: 41 / Labor unions: 13 / Other statutory audits: 588 / Other voluntary audits: 735 Other engagements: 1,999 (the number of clients with other engagement contracts for the year ended June 2022)	
History	July 1969 Asahi & Co. was established July 1985 Asahi & Co. and Shinwa Audit Corporation merged to form Asahi Shinwa & Co. October 1993 Asahi Shinwa & Co. merged with Inoue Saito Eiwa Audit Corporation to form Asahi & Co. February 2003 KPMG audit division spun off from Shin Nihon & Co. to form AZSA & Co. April 2003 Asahi & Co. became a member firm of KPMG January 2004 Asahi & Co. merged with AZSA & Co. to form KPMG AZSA & Co. July 2010 KPMG AZSA & Co. became limited liability company and changed its name to KPMG AZSA LLC	

2. Financial information

The financial status of KPMG AZSA LLC for the years ended June 2021 and June 2022 is summarized below.

The financial statements of KPMG AZSA are subject to audit by another audit corporation.

Summary income statement

(Million yen)

	Year ended June, 2021	Year ended June, 2022
Revenue	105,281	111,098
Operating expense	102,483	109,746
Operating income	2,798	1,352
Ordinary income	2,300	745
Current net income before tax citation	2,300	745
Net income	1,305	311

Summary balance sheet

(Million yen)

	As of June, 2021	As of June, 2022
Current assets	57,833	62,595
Non-current assets	23,591	25,823
Total assets	81,425	88,419
Current liabilities	32,380	37,414
Non-current liabilities	19,734	21,533
Total liabilities	52,115	58,950
Partners' capital	29,310	29,468
Valuation and translation adjustments	△0	0
Total net assets	29,309	29,468
Total liabilities and net assets	81,425	88,419

3. Principal clients

The clients of KPMG AZSA include the following listed companies, national universities, and local governments.

Fishery, agriculture & forestry/Mining

- Maruha Nichiro Corporation
- SAKATA SEED CORPORATION
- K&O Energy Group Inc.

Construction

- MIRAIT ONE Corporation
- Nippon Aqua Co.,Ltd.
- Besterra Co.,LTD.
- Daiseki Eco. Solution Co.,Ltd.
- Hazama Ando Corporation
- Takamatsu Construction Group Co., Ltd.
- KAWASAKI SETSUBI KOGYO CO.,LTD.
- Oriental Shiraishi Corporation
- Nakabohtec Corrosion Protecting Co.,Ltd.
- Taisei Corp.
- Fudo Tetra Corporation
- TEKKEN CORPORATION
- DAIHO CORPORATION
- TOTETSU KOGYO CO.,LTD.
- Nankai Tatsumura Construction Co.,Ltd.
- Mori-Gumi Co.,Ltd.
- P.S. Mitsubishi Construction Co., Ltd.
- WAKACHIKU CONSTRUCTION CO., LTD
- TENOX CORPORATION
- NIPPON RIETEC CO., LTD.
- TOENEC CORPORATION
- The Kodensha, Co., Ltd.
- SUMITOMO DENSETSU CO.,LTD.
- JGC HOLDINGS CORPORATION
- Takasago Thermal Engineering Co.,Ltd.
- SANKO METAL INDUSTRIAL CO., LTD.
- DAI-DAN CO., LTD.
- HIBIYA ENGINEERING, LTD.
- DRAFT Inc.
- NOVAC CO.,LTD.
- Takenaka Corporation

Foods

- Toyo Sugar Refining Co., Ltd.
- Nippon Beet Sugar Manufacturing Co.,Ltd.
- Meito Sangyo Co., Ltd.
- CALBEE, Inc.
- Marudai Food Co.,Ltd.
- S Foods Inc.
- Itoham Yonekyu Holdings Inc.
- Asahi Group Holdings, Ltd.
- Kirin Holdings Company, Limited
- DyDo GROUP HOLDINGS, INC.
- ITO EN,LTD.
- Japan Foods Co., Ltd.
- FUJI OIL HOLDINGS INC.
- AJINOMOTO CO., INC
- TOYO SUISAN KAISHA LTD.
- DAIREI.CO.,LTD.
- AHJIKAN CO.,LTD
- KENKO Mayonnaise Co., Ltd.
- Riken Vitamin Co., Ltd.

Textiles and apparels/Pulp and paper

- TOYOBO CO.,LTD.
- TEIJIN LIMITED
- SUMINOE TEXTILE CO., LTD.
- NIPPON FELT CO., LTD.
- DYNIC CORPORATION
- SOTOH CO.,LTD.
- KOMATSU MATERE CO.,LTD.
- KAWAMOTO CORPORATION
- TSI HOLDINGS CO., LTD.
- Sanyo Shokai Ltd.
- DESCENTE,LTD.
- Tokushu Tokai Paper Co.,Ltd.
- Hokuetsu Corporation
- Tomoegawa Co., Ltd.
- RENGO CO.,LTD.

Chemicals

- Showa Denko K.K.
- SUMITOMO CHEMICAL COMPANY, LIMITED
- Sumitomo Seika Chemicals Company,
- TOSOH CORPORATION
- TANAKA CHEMICAL CORPORATION
- AIR WATER INC.
- Toho Acetylene Co., Ltd.
- TODA KOGYO CORP.
- ISE CHEMICALS CORPORATION
- TAOKA CHEMICAL COMPANY, LIMITED
- KANEKA CORPORATION
- Sugai Chemical Industry Co.,LTD.
- SANWAYUKA INDUSTRY CORPORATION
- JSR Corporation
- Sumitomo Bakelite Co.,Ltd.
- Sekisui Chemical Co.,Ltd.
- TAKAGI SEIKO CORPORATION
- DaikyoNishikawa Corporation
- MORIROKU HOLDINGS COMPANY , LTD.
- KOEI CHEMICAL COMPANY, LIMITED
- DKS Co. Ltd.
- NICCA CHEMICAL CO., LTD.
- Dai Nippon Toryo Company,Limited
- Nippon Paint Holdings Co., Ltd.
- Kansai Paint Co.,Ltd.
- SHINTO PAINT COMPANY, LIMITED
- NATOCO Co.,Ltd.
- SAKATA INX CORPORATION
- TOKYO PRINTING INK MFG. CO., LTD.
- FUJIFILM Holdings Corporation
- Shiseido Company, Limited
- TAKASAGO INTERNATIONAL CORPORATION
- I-ne co.,Ltd.
- KONISHI CO.,LTD.
- CHEMIPRO KASEI KAISHA, LTD.
- OAT Agro Co.,Ltd.
- Taisei Lamick Co.,Ltd.
- FUMAKILLA LIMITED
- NITTO DENKO CORPORATION
- Maruto Sangyo Co.,Ltd

- TOLI Corporation
- Nifco Inc.

Pharmaceutical

- Kyowa Kirin Co., Ltd.
- Takeda Pharmaceutical Company Limited
- Sumitomo Pharma Co., Ltd.
- Chugai Pharmaceutical Co., Ltd.
- HISAMITSU PHARMACEUTICAL CO.,INC.
- SANTEN PHARMACEUTICAL CO., LTD.
- Nichi-Iko Pharmaceutical Co.,Ltd.
- Fuji Pharma Co.,Ltd.
- Zeria Pharmaceutical Co., Ltd.
- DAIICHI SANKYO COMPANY,LTD
- Taiko Pharmaceutical Co.,Ltd.
- Daito Pharmaceutical Co., Ltd.
- OTSUKA HOLDINGS CO., LTD.
- PeptiDream Inc.
- Perseus Proteomics Inc.
- Modalis Therapeutics Corporation
- SAWAI GROUP HOLDINGS CO., Ltd.
- Tsubota Laboratory, Inc.

Oil and coal/Rubber/ Glass and ceramics products

- Fuji Oil Company, Ltd.
- Cosmo Energy Holdings Co., Ltd.
- Toyo Tire Corporation
- Sumitomo Rubber Industries, Ltd.
- NISHIKAWA RUBBER CO.,LTD.
- Sumitomo Riko Company Limited
- BANDO CHEMICAL INDUSTRIES, LTD.
- KONOSHIMA CHEMICAL CO.,LTD.
- AGC Inc.
- Nihon Yamamura Glass Co.,Ltd.
- Nippon Electric Glass Co., Ltd.
- TAIHEIYO CEMENT CORPORATION
- GEOSTR CORPORATION
- TOKAI CARBON CO., LTD.
- NORITAKE CO.,LIMITED
- NGK SPARK PLUG CO., LTD.
- Janis Ltd.
- NIKKO COMPANY
- MARUWA CO., LTD.
- SHINAGAWA REFRACTORIES CO.,LTD.
- KROSAKI HARIMA CORPORATION
- JAPAN INSULATION CO.,LTD.
- NICHIIHA CORPORATION

Iron and steel

- NIPPON STEEL CORPORATION
- Kobe Steel,Ltd.
- NAKAYAMA STEEL WORKS LTD.
- Godo Steel, Ltd.
- TOKYO STEEL MANUFACTURING CO.,LTD.
- KYOEI STEEL LTD.
- TOKYO TEKKO CO.,LTD.
- OSAKA STEEL CO., LTD.
- Chubu Steel Plate Co.,Ltd.

As of June 30, 2022

- MARUICHI STEEL TUBE Ltd.
- Nippon Koshuha Steel Co., Ltd.
- Sanyo Special Steel Co., Ltd.
- Tohoku Steel Co., Ltd.
- Pacific Metals Co., Ltd.
- NICHIA STEEL WORKS, LTD.
- KOBELCO WIRE COMPANY, Ltd.
- Powdertech Co., Ltd.
- SANYU CO., LTD.
- IBOKIN Co., LTD.

Nonferrous metals/Metal products

- JMC Corporation
- Mitsui Mining and Smelting Company,
- Mitsubishi Materials Corporation
- Sumitomo Metal Mining Co., Ltd.
- Sumitomo Electric Industries, Ltd.
- ALPHA Corporation
- SANNO CO., LTD.
- KIKUCHI SEISAKUSHO Co., Ltd.
- Shinwa Co., Ltd
- SHINPO CO., LTD
- CORONA CORPORATION
- TAKADAKIKO Co., Ltd.
- Sankyo Tateyama , Inc.
- ALINCO INCORPORATED
- NORITZ CORPORATION
- SANYO INDUSTRIES, LTD.
- CHITA KOGYO CO., LTD.

Machinery

- Takuma Co., Ltd.
- TAKISAWA MACHINE TOOL CO., LTD.
- Okamoto Machine Tool Works, Ltd.
- FUJI CORPORATION
- FUJI SEIKO LIMITED
- DISCO CORPORATION
- TAKAMATSU MACHINERY CO., LTD.
- NC Holdings Co., Ltd.
- IWAKI CO., LTD.
- HIRATA Corporation
- Nabtesco Corporation
- MODEC, Inc.
- HOSOKAWA MICRON CORPORATION
- SATO HOLDINGS CORPORATION
- GIKEN LTD.
- OKADA AIYON CORPORATION
- FUJI HENSOKUKI CO., LTD.
- Komatsu Ltd.
- Sumitomo Heavy Industries, Ltd.
- NIKKO CO., LTD.
- Kitagawa Corporation
- TAKAKITA CO., LTD.
- TESEC Corporation
- Organo Corporation
- DAIDO KOGYO CO., LTD.
- SAMCO Inc.
- RISO KAGAKU CORPORATION
- DAIKOKU DENKI CO., LTD.
- MAX CO., LTD.

- SEGA SAMMY HOLDINGS INC.
- TSUBAKI NAKASHIMA CO., LTD
- MAEZAWA KYUSO INDUSTRIES CO., LTD.
- NIPPON PILLAR PACKING CO., LTD.
- Makita Corporation
- Mitsui E&S Holdings
- Hitachi Zosen Corporation
- MITSUBISHI HEAVY INDUSTRIES LTD.

Electric appliances

- IBIDEN CO., LTD.
- KONICA MINOLTA, INC.
- MinebeaMitsumi Inc.
- MITSUBISHI ELECTRIC CORPORATION
- SINFONIA TECHNOLOGY Co., Ltd
- Meidensha Corporation
- PHC Holdings Corporation
- TOREX SEMICONDUCTOR LTD.
- DAIHEN Corporation
- TECHNO HORIZON CO., LTD.
- YA-MAN LTD.
- TERASAKI ELECTRIC CO., LTD.
- Nissin Electric Co., Ltd.
- NITTO KOGYO CORPORATION
- Ubiteq, INC.
- GS Yuasa Corporation
- NEC CORPORATION
- Iwatsu Electric Co., Ltd.
- Japan Display Inc.
- NOHMI BOSAI LTD.
- Panasonic Holdings Corporation
- ANRITSU CORPORATION
- TDK Corporation
- SANTEC CORPORATION
- Meiko Electronics Co., Ltd.
- NIHON TRIM CO., LTD.
- YOKOWO CO., LTD.
- HIROSE ELECTRIC CO., LTD.
- SUMIDA CORPORATION
- HORIBA, Ltd.
- MegaChips Corporation
- Sansha Electric Manufacturing Co., Ltd.
- COSEL CO., LTD.
- Stanley Electric Co., Ltd.
- OKAYA ELECTRIC INDUSTRIES CO., LTD.
- Zuken Inc.
- CASIO COMPUTER CO., LTD.
- FUKUDA DENSHI CO., LTD.
- TAIYO YUDEN CO., LTD.
- SCREEN Holdings Co., Ltd
- ZOJIRUSHI CORPORATION
- TOKYO ELECTRON LIMITED

Transportation equipment

- Kawasaki Heavy Industries, Ltd.
- Naikai Zosen Corporation
- THE KINKI SHARYO CO., LTD.
- F-TECH INC.
- Lecip Holdings Corporation
- TANAKA SEIMITSU KOGYO CO., LTD

- YUTAKA GIKEN CO., LTD.
- PRESS KOGYO CO., LTD.
- UNIVANCE CORPORATION
- Mazda Motor Corporation
- IMASEN ELECTRIC INDUSTRIAL CO., LTD.
- Honda Motor Co., Ltd.
- SUBARU CORPORATION
- TBK Co., Ltd.
- HI-LEX CORPORATION
- MEIWA INDUSTRY CO., LTD.
- NIHON PLAST CO., LTD.
- CAR MATE MFG. CO., LTD.
- Yachiyo Industry Co., Ltd.
- TS TECH CO., LTD.

Precision instruments

- TERUMO CORPORATION
- CREATE MEDIC CO., LTD.
- JMS Co., Ltd.
- Mani, Inc.
- A&D Holon Holdings Company, Limited
- Japan Tissue Engineering Co., Ltd.
- DAIKEN MEDICAL Co., LTD.
- Seiko Holdings Corporation

Other products

- Asaka Industrial Co., Ltd.
- Dream Bed Co. Ltd.
- Colan Totte Co., Ltd.
- Amifa Co., Ltd.
- Transaction Co. Ltd
- Eidai Co., Ltd.
- ORVIS CORPORATION
- BANDAI NAMCO Holdings Inc.
- People Co., Ltd.
- TOMY COMPANY, LTD.
- TAKEDA PRINTING CO., LTD.
- NODA CORPORATION
- TOPPAN INC.
- TSUTSUMI JEWELRY CO., LTD.
- COMANY INC.
- KING JIM CO., LTD.
- ITOKI CORPORATION
- Mitsubishi Pencil Co., Ltd.
- KOKUYO CO., LTD.
- OKAMURA CORPORATION

Electric power and gas

- Chubu Electric Power
- The Chugoku Electric Power Company,
- RENOVA, Inc.
- Tokyo Gas Co., Ltd.
- OSAKA GAS CO., LTD.
- TOHO GAS CO., LTD.
- HIROSHIMA GAS CO., LTD.

Land/Marine/Air transportation

- TOBU RAILWAY CO.,LTD.
- Sotetsu Holdings, Inc.
- Keio Corporation
- Chichibu Railway Co.,Ltd.
- East Japan Railway Company
- ZERO CO., LTD.
- Hiroshima Electric Railway Co., Ltd.
- TAIHO TRANSPORTATION CO., LTD.
- Kintetsu Group Holdings Co.,Ltd.
- HANKYU HANSHIN HOLDINGS, INC.
- Nankai Electric Railway Co.,Ltd.
- Kobe Electric Railway Co., Ltd.
- Nagoya Railroad Co.,Ltd.
- ENSHU TRUCK CO., LTD.
- Kanda Holdings Co.,Ltd
- NIKKON Holdings CO.,LTD.
- JAPAN OIL TRANSPORTATION CO.,LTD.
- FUKUYAMA TRANSPORTING CO.,LTD.
- SEINO HOLDINGS CO., LTD.
- S LINE CO.,LTD.
- Being Holdings Co., Ltd.
- Mitsui O.S.K. Lines, Ltd.
- IINO KAIJUN KAISHA, LTD.
- Japan Airlines Co., Ltd.
- Star Flyer Inc.
- Pasco Corporation
- Asia Air Survey Co.,Ltd.

Warehousing and harbor transportation

- NISSIN CORPORATION
- Tokyo Kisen Co.,Ltd.
- MITSUBISHI LOGISTICS CORPORATION
- Mitsui-Soko Holdings Co., Ltd.
- The Sumitomo Warehouse Co.,Ltd.
- Toyo Logistics Co.,Ltd.
- JAPAN TRANCITY CORPORATION
- MEIKO TRANS CO., LTD.
- SANRITSU CORPORATION
- Kintetsu World Express, Inc.
- Azuma Shipping Co.,Ltd.

Information and communication

- NEC Networks and System Integration
- Systema Corporation
- NS Solutions Corporation.
- WOW WORLD Inc.
- Netyear Group Corporation
- Techfirm Holdings Inc.
- DATA HORIZON CO.,LTD.
- KOEI TECMO HOLDINGS CO., LTD.
- Broadleaf Co., Ltd.
- SYSTEM INFORMATION CO.,LTD
- MEDIA DO Co., Ltd.
- Encourage Technologies Co.,Ltd.
- Fixstars Corporation
- CARTA HOLDINGS,INC.
- TechMatrix Corporation
- SYSTEMS DESIGN Co.,Ltd.
- ZAPPALLAS,INC.
- Internet Initiative Japan Inc.
- Media Kobo,Inc.
- PACIFIC SYSTEMS CORPORATION
- Data Applications Company, Limited
- NTT DATA INTRAMART CORPORATION
- ILL INC
- Aiming Inc.
- TERRASKY CO.,LTD.
- PiPEDO HD, Inc.
- Internetworking & Broadband Consulting
- NEOJAPAN.Inc
- RAKUS Co.,Ltd.
- Hatena Co.,Ltd
- Akatsuki Inc.
- Kanamic Network Co.,LTD
- ORO Co., Ltd.
- SHARINGTECHNOLOGY.INC
- PKSHA Technology Inc.
- Signpost Corporation
- Kinjiro Co., Ltd.
- PLAID, Inc.
- Yappli, Inc.
- ENECHANGE Ltd.
- Appirits Inc.
- i-plugin, KK
- Beex Inc.
- PROTO CORPORATION
- INFOCOM CORPORATION
- YMIRLINK Inc.
- Safie Inc.
- Photosynth Inc.
- SIG Group Co.,LTD.
- AI, Inc.
- Logizard Co.,Ltd
- D.I.System Co.,Ltd.
- Ricksoft Co., Ltd.
- Serverworks Co., Ltd.
- gooddays holdings Inc.
- VALTES CO.,LTD.
- Sansan, Inc.
- BASE,Inc.
- freee K.K.
- JTOWER Inc.
- Payroll Inc.
- Computer Management Co.,Ltd
- Speee, Inc.
- Trend Micro Incorporated
- Toukei Computer Co.,Ltd
- SAKURA KCS Corporation
- XNET Corporation
- Cybozu, Inc.
- Information Services Intl - Dentsu
- ACCESS CO., LTD.
- Computer Institute of Japan, Ltd.
- Space Shower Networks Inc.
- Tripleize Co., Ltd.
- Marvelous Inc.
- TBS HOLDINGS, INC.
- TV Asahi Holdings
- Vision Inc.

- CROPS CORPORATION
- NIPPON TELEGRAPH AND TELEPHONE
- HIKARI TSUSHIN,INC.
- Bell-Park Co., Ltd.
- Fibergate.Inc
- NTT DATA CORPORATION
- PCA CORPORATION
- KSK CO., LTD.
- CAPCOM CO., LTD.
- SCSK Corporation
- IX Knowledge Inc.
- NSD CO.,LTD.
- JBCC Holdings Inc.
- NTT DOCOMO, INC.
- The Asahi Shimbun Company

Wholesale trade

- OLBA HEALTHCARE HOLDINGS, INC.
- TOKYO ELECTRON DEVICE LIMITED
- Sojitz Corporation
- ALFRESA HOLDINGS CORPORATION
- SHINYEI KAISHA
- O'will Corporation
- gremz,Inc.
- Yashima Denki Co., Ltd.
- JUTEC Holdings Corporation
- Cominix CO.,LTD
- WIN-Partners Co.,Ltd.
- SHIP HEALTHCARE HOLDINGS Co.,Ltd
- MEIJI ELECTRIC INDUSTRIES CO.,LTD.
- INEST, Inc.
- C.I. MEDICAL CO.,LTD.
- FUJI KOSAN COMPANY,LTD.
- SATORI ELECTRIC CO.,LTD.
- HAKUTO CO.,LTD.
- MEDIPAL HOLDINGS CORPORATION
- HAGIWARA ELECTRIC HOLDINGS CO., LTD.
- Toba Inc.
- SUZUDEN CORPORATION
- DOSHISHA CO.,LTD.
- OKAYA & CO.,LTD.
- MANSEI CORPORATION
- HASHIMOTO SOGYO HOLDINGS CO.,LTD.
- SIIX CORPORATION
- Naito&Co.,Ltd.
- O-WELL CORPORATION
- TAKASHIMA & CO.,LTD.
- TSUBAKIMOTO KOGYO CO.,LTD.
- SUMITOMO CORPORATION
- Uchida Yoko Co.,Ltd.
- SATO SHOJI CORPORATION
- Tokyo Sangyo Co.,Ltd.
- Shinsho Corporation
- HANWA CO.,LTD.
- IWATANI CORPORATION
- Kyokuto Boeki Kaisha, Ltd.
- SAN-AI OBBLI CO.,LTD.
- Inabata Co.,Ltd.
- CENTRAL AUTOMOTIVE PRODUCTS LTD.
- Mitsuuroko Group Holdings Co.,Ltd.

As of June 30, 2022

- ZETT CORPORATION
- MOS FOOD SERVICES, INC.
- SODA NIKKA CO.,LTD.
- TECHNO ASSOCIE CO., LTD.
- PALTAC Corporation
- MITANI SANGYO CO., LTD.
- KOA Shoji Holdings corporation
- KATO SANGYO CO.,LTD.
- NIPPO LTD.
- ZAOH COMPANY, LTD.

Retail trade

- ASKUL Corporation
- PAL GROUP HOLDINGS CO.LTD
- Halows CO.,LTD.
- Alpen Co.,Ltd.
- Qol Holdings Co., Ltd.
- DOUTOR NICHIRE Holdings Co.,Ltd.
- BRONCO BILLY CO.,LTD.
- Treasure Factory Co.,LTD.
- MarketEnterprise Co.,LTD
- Fundely Co., Ltd.
- Torikizoku Holdings Co.,Ltd.
- Yossix Holdings Co., Ltd.
- ASAHI CO.,LTD.
- Seven & i Holdings Co., Ltd.
- TSURUHA HOLDINGS INC.
- TORIDOLL Holdings Corporation
- FOOD & LIFE COMPANIES LTD.
- UNIFORM NEXT CO., LTD.
- RIGHT-ON CORPORATION
- Ryohin Keikaku Co.,Ltd.
- G-7 HOLDINGS Inc.
- OM2 NETWORK CO.,LTD.
- WA.INC.
- SRS HOLDINGS CO.,LTD.
- Totenko Co., Ltd.
- LIFE CORPORATION
- TEN ALLIED CO.,LTD.
- AOYAMA TRADING CO., LTD.
- SHIMAMURA CO.,Ltd.
- Takashimaya Company,Limited
- H2O RETAILING CORPORATION
- Kintetsu Department Store Co.,Ltd.
- IZUMI CO. LTD.
- K'S HOLDINGS CORPORATION
- YAMADA HOLDINGS CO.,LTD.
- JUNTENDO CO. LTD.
- AIGAN CO.,LTD.
- Sagami Holdings Corporation
- KANSAI FOOD MARKET LTD.
- SAC'S BAR HOLDINGS INC.

Banks

- The Shimane Bank,Ltd.
- JAPAN POST BANK Co., Ltd.
- San ju San Financial Group, Inc.
- Daishi Hokuetsu Financial Group, Inc.
- Hirogin Holdings, Inc.
- Sumitomo Mitsui Trust Holdings, Inc.

- Sumitomo Mitsui Financial Group,Inc.
- Tsukuba Bank, Ltd
- The Bank of Iwate,Ltd.
- The Ogaki Kyoritsu Bank, Ltd.
- The Fukui Bank, Ltd.
- THE SHIMIZU BANK,LTD
- THE NANTO BANK,LTD.
- The Hyakugo Bank, Ltd.
- The Kiyo Bank,Ltd.
- The Chugoku Bank, Limited
- The Iyo Bank, Ltd.
- THE AWA BANK, LTD.
- Seven Bank, Ltd.
- THE BANK OF KOCHI,LTD.
- Yamaguchi Financial Group, Inc.
- The Bank of Nagoya, Ltd.
- North Pacific Bank,Ltd.
- The Aichi Bank,Ltd.

Securities and commodities futures/ Insurance/Other financing business

- THE IMAMURA SECURITIES CO.,LTD.
- WealthNavi Inc.
- Mercuria Holdings, Inc.
- Daiwa Securities Group Inc.
- TOYO SECURITIES CO.,LTD.
- TOKAI TOKYO FINANCIAL HOLDINGS, INC.
- THE KOSEI SECURITIES CO., LTD.
- Monex Group,Inc.
- AIZAWA SECURITIES GROUP CO., LTD.
- LIFENET INSURANCE COMPANY
- NFC Holdings, Inc.
- Japan Post Insurance Co.,Ltd.
- IRRC Corporation
- MS&AD Insurance Group Holdings, Inc.
- Dai-ichi Life Holdings, Inc.
- JACCS CO.,LTD.
- ORIX CORPORATION
- NEC Capital Solution Limited
- Aflac Life Insurance Japan Ltd.
- SUMITOMO LIFE INSURANCE COMPANY
- Meiji Yasuda Life Insurance Company

Real estate

- Star Mica Holdings Co., Ltd.
- LANDIX Co., Ltd.
- Choei Co., Ltd.
- URBANET CORPORATION CO., LTD.
- Sansei Landic Co.,Ltd
- Tenpo Innovation CO.,LTD.
- Koryojyuhan Co.,Ltd.
- AZoom Co., Ltd.
- Mitsui Fudosan Co.,Ltd.
- HEIWA REAL ESTATE CO.,LTD.
- Sumitomo Realty & Development Co.,Ltd.
- The Japan Living Service Co., LTD.
- Century 21 Real Estate Of Japan Ltd.
- WADAKOHSAN CO.,LTD.
- SUNNEXTA GROUP Inc.

Services

- CHUCO CO.,LTD.
- EJ Holdings Inc.
- nms Holdings Corporation
- Artner Co.,Ltd
- Cookpad Inc.
- CSS HOLDINGS,Ltd
- SAINT-CARE HOLDING CORPORATION
- DIP Corporation
- DIGITAL HOLDINGS, INC.
- SHIN NIPPON BIOMEDICAL LABORATORIES,
- Brass Corporation
- Hakuodo DY Holdings Inc.
- Gurunavi, Inc.
- PRAP Japan, Inc.
- F@N Communications Inc.
- LIKE,Inc.
- Advways Inc.
- SEPTENI HOLDINGS CO.,LTD.
- Dentsu Group Inc.
- SHL-Japan Ltd.
- Nippon Air Conditioning Services
- ORIENTAL LAND CO.,LTD.
- RESORTTRUST,INC.
- USS CO., LTD.
- SHIDAX CORPORATION
- Interworks,Inc.
- KeePer Technical Laboratory Co.,Ltd
- SANKI SERVICE CORPORATION
- JAPAN MATERIAL Co.,Ltd.
- Emergency Assistance Japan Co., Ltd.
- CAREERLINK Co., Ltd.
- ERI HOLDINGS CO.,LTD.
- WILL GROUP,INC.
- Escrow AgentJapan,Inc.
- JAPAN POST HOLDINGS Co., Ltd.
- Phoenix Bio Co.,Ltd.
- Strike Co., Ltd.
- Solasto Corporation
- GameWith, Inc.
- SUS Co.,Ltd
- SERIO CORPORATION
- KNC laboratories co.,Ltd
- RPA Holdings, Inc.
- SPRIX co.,Ltd.
- Frontier Management Inc.
- SUN·LIFE HOLDING CO., LTD.
- CRG Holdings, KK
- Alue Co., Ltd.
- PIALA INC.
- Copro Holdings, KK
- Peers Co.,Ltd.
- Intimate Merger, Inc.
- meinan M&A co.,Ltd.
- Jimoty, Inc.
- WILLTEC Co., Ltd.
- Forum Engineering Inc.
- STEM CELL INSTITUTE Inc.
- ONDECK Co.,Ltd.
- Meiho Holdings Inc.

As of June 30, 2022

- Confidence Inc.
- BCC Co., Ltd.
- Green Earth Institute Co.,Ltd.
- FULUHASHI EPO CORPORATION
- DIGITALIFT Inc.
- TRE HOLDINGS CORPORATION
- OS CO.,LTD.
- IMPERIAL HOTEL, LTD.
- THE ROYAL HOTEL,LIMITED
- NOMURA Co.,Ltd.
- HOTEL NEWGRAND CO.,LTD.
- KNT-CT Holdings Co., Ltd.
- Kabushiki Kaisha Seiyoken
- Secom Co. Ltd.
- Daiseki Co.,Ltd.

National universities

- HOKKAIDO UNIVERSITY
- Hirosaki University
- Miyagi University of Education
- Ibaraki University
- University of Tsukuba
- Utsunomiya University
- SAITAMA UNIVERSITY
- Niigata University
- Shizuoka University
- Hamamatsu University School of Medicine
- Aichi University of Education
- TOYOHASHI UNIVERSITY of TECHNOLOGY
- Mie University
- Kyoto University
- Kyoto University of Education
- KYOTO INSTITUTE OF TECHNOLOGY
- Osaka Kyoiku University
- Hyogo University of Teacher Education
- Kobe University
- Wakayama University
- HIROSHIMA UNIVERSITY
- UNIVERSITY OF TOKUSHIMA
- Naruto University of Education
- Kochi University
- Kyushu Institute of Technology
- University of Miyazaki
- Kagoshima University
- Tokai National Higher Education and Research System
- Nara National Institute of Higher Education and Research
- National Institutes for the Humanities
- Research Organization of Information and Systems
- National Institute of Natural Sciences

Incorporated administrative agencies etc.

- National Printing Bureau
- Japan Mint
- National Institute of Technology and Communication Technology
- Organization for Postal Savings, Postal Life Insurance and Post Office Network
- Japan Atomic Energy Agency
- RIKEN Institute of Physical and Chemical Research
- National Institutes for Quantum Science and Technology
- The Japan Agency for Marine-Earth Science and Technology (JAMSTEC)
- Japan Arts Council
- Japan Student Services Organization
- The National Institute of Advanced Industrial Science and Technology
- New Energy and Industrial Technology Development Organization
- Organization for Small & Medium Enterprises and Regional Innovation, JAPAN
- Japan External Trade Organization
- Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers
- Japan Organization of Occupational Health and Safety
- Organization for Workers' Retirement Allowance Mutual Aid
- The National Center for Geriatrics and Gerontology
- Japan Railway Construction, Transport and Technology Agency
- Japan Water Agency
- Organization for Environment Improvement around International Airport
- Environmental Restoration and Conservation Agency
- Northern Territories Issue Association
- Agriculture, Forestry and Fisheries Credit Foundations
- Agriculture & Livestock Industries Corporation
- Japanese Red Cross Society

* The listed companies are presented in the order of securities code.

* The name of principal clients are as of October 1, 2022.

Compliance with the Audit Firm Governance Code

KPMG AZSA has adopted the Audit Firm Governance Code. We are implementing further improvements to our governance in order to fulfill our social responsibility of supporting the capital markets and continuously enhance audit quality.

[The role of the audit firm]

	Principle and guidance	Status of action taken	AZSA Quality 2022/23
Principle 1	An audit firm has the public interest role to ensure the credibility of corporate financial information through the audits, seek to protect stakeholders such as participants in the capital market and thereby contribute to the sound development of the national economy. In order to accomplish this role, the audit firm should encourage its personnel to have frank and openminded dialogue, enhance mutual development, promote their full competence, and continuously enhance the audit quality on a firm-wide basis.		
Guidance 1-1	An audit firm should recognize its public interest role and clearly express the tone at the top so that the top management and the firm personnel will proactively accomplish their respective roles, as well as so that all partners of the firm duly undertake their responsibilities to develop the operational structure of the firm.	In order to fulfill our social mission to support the capital market, we have set "high-quality audits that do not cause any surprises in the market" as our most important quality control issue. CEO repeatedly issues messages on continuous activities to maintain and enhance audit quality. An organizational system of quality control is in place wherein each hierarchical layer of the Four Defense Lines carries out its respective responsibility for audit quality.	P.11 P.49 Communication with our partners and our people Quality control based on our four defense lines
Guidance 1-2	An audit firm should define the values to be commonly maintained by its personnel and also develop the code of conduct to put these values into practice.	A sense of oneness as an organization is established by sharing our firm's basic principles of Purpose, Values, Vision and Strategy. ▶ Point for further reinforcement We ensure that all individual members of the firm are aware that the maintenance of high ethical standards and compliance as professionals is the basis of the trust placed in our firm. We also steadily implement various measures for compliance with the firm's Code of Ethics. In particular, we are conscientiously working on recurrence prevention measures including the strengthening of our internal control system established in light of the compliance incident.	P.6 P.44 Why we publish AZSA Quality Professional ethics
Guidance 1-3	An audit firm should appropriately motivate its personnel in order to raise their morale and help them to fully maintain and demonstrate their professional competence and skepticism.	The firm fosters true professionals in accordance with our Human Resource Development Principles and conducts appropriate evaluations with a focus on performance and efforts related to audit quality. For partner evaluations the most important evaluation areas are quality and quality control. Provision of non-audit services to audit clients is excluded from evaluation.	P.65 Talent
Guidance 1-4	An audit firm should develop an organizational culture of openness which encourages its personnel to share issues, knowledge and experiences related to audits and proactively participate in a dialogue and discussion.	Through repeated reorganizations an open organizational culture is created, sharing the firm's principles regardless of former affiliation. Fostering an organizational culture of openness among all of the organization's people and making it stick is an ongoing challenge. We are working as an organization to address this through internal communications and more sophisticated knowledge sharing techniques.	P.4 P.11 Message from our CEO Communication with our partners and our people
Guidance 1-5	An audit firm should clarify its stance toward non-audit services (provided by the firm and its group organizations).	With respect to the provision of non-audit services, the firm maintains a system to strengthen governance of not only KPMG AZSA but also the entire group including subsidiaries that provide advisory services, as well as a mechanism to appropriately monitor independence and conflicts of interest.	P.47 P.40 Policy for providing non-audit services KPMG in Japan

[Organizational structure]

	Principle and guidance	Status of action taken	AZSA Quality 2022/23
Principle 2	An audit firm should have effective management in order to develop its organizational operations as a whole for the continuous enhancement of the audit quality.		
Guidance 2-1	<p>An audit firm should establish an effective management structure to ensure its effective management and operations.</p>	<p>The firm clarified responsibility for management by designating its Senior Executive Board and Executive Board as the decision-making and executive bodies respectively.</p> <p>We are working to strengthen the firm’s organizational management foundation in order to respond to the challenges represented by the firm’s increasing size and changes in the external environment.</p> <p>▶ Point for further reinforcement In response to the revision of practical guidelines on quality management for audits in Japan, we are making appropriate preparations while enhancing our firm’s governance.</p>	<p>P.32 Management and execution structure</p> <p>P.64 Addressing new quality management standards</p>
	<p>An audit firm should clarify the role of the management in important operations, including the following matters, in order to meet the public expectations of audits and ensure its effective management and operations:</p> <ul style="list-style-type: none"> Development of organizational structure to ensure appropriate judgments of the audit firm on important issues that potentially have a significant influence on the reliability of audit quality from the capital market, and proactive involvement in those significant issues by utilizing the structure mentioned above; 	<p>An organizational system of quality control is in place wherein each hierarchical layer of the Four Defense Lines carries out its respective responsibility for audit quality. The final responsibility for quality control rests with the CEO; however, the Senior Executive Board member appointed by the CEO to oversee quality control is responsible for developing overall quality control policies and for monitoring how such quality control policies are followed.</p> <p>▶ Point for further reinforcement We are making appropriate preparations in response to the revision of practical guidelines on quality management for audits in Japan.</p>	<p>P.49 Quality control based on our four defense lines</p> <p>P.50 The CEO bears final responsibility for audit quality</p> <p>P.64 Addressing new quality management standards</p>
	<ul style="list-style-type: none"> The development of an environment that allows audit teams to conduct a macroscopic analysis based on an understanding of the economic environment and frank and in-depth dialogue with audited companies in order to identify the risks of material misstatements and to respond to the assessed risks appropriately; 	<p>Frank and in-depth exchanges of opinions are enabled through two-way communication with audit committees and by receiving feedback from clients on the quality of services provided.</p>	<p>P.10 Communication with stakeholders</p> <p>P.63 Improvement through feedback from clients</p>
Guidance 2-2	<ul style="list-style-type: none"> Setting an appropriate environment for people development, human resources management and performance evaluation in order to raise the morale of the firm personnel and help them to maintain and demonstrate their professional competence; and 	<p>We believe our people are at the core of audit quality, and have created an environment in which members can acquire specialized knowledge and skills to provide high-quality professional services. We promote the growth of individual employees by appropriately evaluating and providing feedback on engagement results, which in turn leads to the enhancement of audit quality.</p>	<p>P.65 Talent</p>
	<ul style="list-style-type: none"> Consideration and development of the effective utilization of information technology (IT) in order to enhance the efficiency and effectiveness of audits, with a view to accommodating the anticipated advanced utilization of IT by audited companies. 	<p>We are continuously transforming our audits in order to realize quality audits that meet the changing expectations of society. In addition to introducing electronic audit tools, we are working to develop and introduce audit methods that utilize cutting-edge digital technologies such as advanced statistical analysis, AI/RPA, and infrastructure technology. We are also continuing to develop IT infrastructure for remote working.</p> <p>▶ Point for further reinforcement We will support the further introduction of tools and methods to promote digital audits in all audit engagements by using a platform that has been built to realize comprehensive, centralized, and continuous audits. We will also continue efforts for robust implementation of information security measures.</p>	<p>P.13 Digitalization of society and audit transformation</p> <p>P.48 Information security system</p>
Guidance 2-3	<p>An audit firm should appoint members of its management team not only by taking into account their thorough knowledge and experience of audit practice but also by ensuring the effectiveness of the management function for its organizational operations as the team.</p>	<p>All officers including the CEO, Senior Executive Board members and Executive Board members are selected through direct election by all partners thereby ensuring the firm’s organizational operation.</p>	<p>P.32 Election system</p>

[Organizational structure] Continued

	Principle and guidance	Status of action taken	AZSA Quality 2022/23
Principle 3	An audit firm should have a function to supervise and evaluate the effectiveness of its management from the independent viewpoint and thereby support to enhance the effectiveness of the management.		
Guidance 3-1	An audit firm should establish a function to supervise and evaluate the effectiveness of its management and thereby support to enhance its effectiveness, and clarify the role of the function.	The firm established the Management Oversight Committee comprising partners who are not involved in firm management.	P.34 Oversight and evaluation structure P.35 Management oversight and evaluation
Guidance 3-2	An audit firm should appoint independent third persons as the members of the function responsible for the supervision and evaluation, and effectively utilize their knowledge and experience to deal with the issues recognized by the firm from the perspective to ensure the effective management and organizational operations and accomplish its public interest role.	The firm established the Public Interest Oversight Committee as an independent supervisory body.	P.37 Public Interest Oversight Committee
Guidance 3-3	An audit firm should clarify the role of independent third persons to participate in the supervision and evaluation structure within the firm considering that those persons are expected to be involved in the following matters, for example: <ul style="list-style-type: none"> • Oversight of the evaluation of the effectiveness of the management; • Oversight of the process of the election or appointment, retirement, evaluation and remuneration of the management team members; • Oversight of developing the policies for people development, human resources management, performance evaluation and remuneration; • Oversight of the evaluation of the status of development of policies and procedures regarding whistle-blowing from within the audit firm and external sources, and the status of verification and utilization of provided information; and • In fulfilling their oversight role, independent third persons should also be involved in dialogue with audited companies, shareholders and other participants in the capital market. 	The Public Interest Oversight Committee receives reports from the Management Oversight Committee on important firm activities and projects and engages CEO or Senior Executive Board members in discussion. The Committee also supervises from a public interest standpoint whether or not the supervisory and evaluation processes of the Nomination Committee and Compensation Committee are appropriately carried out.	P.35 Management oversight and evaluation P.37 Public Interest Oversight Committee
Guidance 3-4	An audit firm should develop an environment in which necessary information is provided to the members of the function responsible for supervision and evaluation in a timely and appropriate manner, and in which assistance is provided in the execution of its operations so that the members can effectively fulfill their responsibilities.	The firm established a secretariat to assist the effective execution of the activities of the Management Oversight Committee and Public Interest Oversight Committee and maintains an environment to support its smooth operation including the provision of any necessary information.	P.34 Oversight and evaluation structure

[Operation]

	Principle and guidance	Status of action taken	AZSA Quality 2022/23
Principle 4	An audit firm should develop an operational structure to effectively manage its organizational operations. The audit firm should also strengthen its people retention and development and proactively engage, in dialogue and discussion within the firm and with audited companies about the possible enhancement of audit quality.		
Guidance 4-1	<p>An audit firm should develop a structure that allows its management to share necessary information from each audit team in a timely manner and also disseminate their philosophy and defined values throughout the organization.</p> <p>The management should effectively utilize such a structure in the operations of the firm. In addition, a proactive dialogue and discussion for improvement of the audit quality should be encouraged within the firm.</p>	<p>Management policies are disseminated and information shared at audit work sites through two-way internal communication facilitated by the Four Defense Lines. We are also working to provide a timely and detailed explanation to each partner of the environment and the background leading to the necessity of management measures, and to ensure that management policies are disseminated throughout the organization by strengthening the cascading function at all levels.</p> <p>▶ Point for further reinforcement We identify issues, formulate improvement measures and systematically implement these measures for enhancing audit quality. In order to appropriately respond to sector-specific audit risks and important audit matters, we implement various firmwide measures based on the quality management structure established through the organizational restructuring to consolidate sector insights and enhance expertise. Furthermore, we are committed to developing an audit platform that applies a more advanced audit methodology in order to realize appropriate audits according to the degree of risk.</p>	P.49 Quality control based on our four defense lines
Guidance 4-2	<p>An audit firm should develop and operate policies for managing people development, human resources management and performance evaluation in order to raise the motivation of the firm personnel and help them to maintain and demonstrate their professional competence. In doing so, whether the firm personnel sufficiently exercised their professional skepticism should be fully taken into consideration.</p>	<p>Our systematic talent development system fosters true professionals. We are creating a work environment in which diverse talent can fully demonstrate their abilities, while developing individual capabilities. By further promoting the "AZSA Work Style," we have introduced flexible systems that respond to various career and work styles from a people-first perspective in addition to a work perspective. Members are evaluated based on ethics and integrity, and partners involved in audit engagements are evaluated by placing priority on evaluation items relating to quality control.</p> <p>▶ Point for further reinforcement In addition to promoting new HR policies that consider a people-first perspective, we are striving to improve productivity and create a sustainable workplace environment to address the increased workload resulting from stricter audit standards. We also promote automation, standardization, and efficiency through the digitalization of audit engagements, while continuing to promote efficiency and consistency through the centralization of tasks.</p>	P.65 Talent
Guidance 4-3	<p>An audit firm should pay particular attention to the following points:</p> <ul style="list-style-type: none"> Well-balanced assignment of the firm personnel to respective teams in terms of the extensive knowledge and experience to allow the teams to exercise their professional skepticism; Providing the firm personnel with opportunities to gain extensive knowledge and experience relevant to audit, such as experience in non-audit service and/or temporary transfer to companies outside the audit industry; and Appropriate evaluation and well-planned utilization of the firm personnel with extensive knowledge and experience. 	<p>An organizational system of quality control is in place wherein each hierarchical layer of the Four Defense Lines carries out its respective responsibility for audit quality. The audit divisions are responsible for appropriately assigning personnel.</p> <p>▶ Point for further reinforcement We will aim to further promote diversity from various viewpoints such as gender, job type, nationality and age, in order to increase our competitive-edge through the acceptance of a diversity of values and broad-based utilization of our people.</p> <p>We aim to foster true professionals with diverse experiences by providing a wide range of work opportunities. We actively promote assignments not only between Managing Divisions but also to departments responsible for quality control, to our advisory divisions and among different offices, as well as to public external organizations and operating companies. We also provide overseas work experience opportunities through our overseas secondment programs.</p> <p>▶ Point for further reinforcement We are aiming to further expand the digital knowledge of our partners and employees to address the advanced digitalization occurring in society and in our audit environment. We are also promoting and strengthening measures to improve the quality of our audit services by utilizing our experiences of secondment to external organizations and non-assurance services.</p>	<p>P.49 Quality control based on our four defense lines</p> <p>P.65 Talent</p> <p>P.65 Talent</p>

[Operation]Continued

Guidance 4-4	An audit firm should make efforts for audit teams to have candid and in-depth dialogue about audit risks with the top management of audited companies, such as the CEO and CFO, and those charged with governance including the members of the audit and supervisory board as well. It should also ensure to have sufficient dialogue and discussion with audited companies at each audit team level.	Sufficient opportunities for discussion with client management and audit committees are provided.	P.10	Communication with stakeholders
Guidance 4-5	An audit firm should develop and disclose policies and procedures regarding whistleblowing from within the firm and external sources, and appropriately make use of the provided information. In doing so, the audit firm should pay particular attention to ensure that a whistleblower does not have to be concerned about the risk of disadvantage.	The firm has established compliance hotlines both internally and at an external law firm and has released contact information and reporting methods on its website. Our firm regulations stipulate that whistleblowers shall not be treated disadvantageously or discriminated against.	P.44 P.45	Ensuring thorough compliance Initiatives to establish a whistleblowing system

[Ensuring transparency]

Principle and guidance		Status of action taken	AZSA Quality 2022/23	
Principle 5	An audit firm should ensure such transparency as to allow stakeholders in the capital market to appropriately assess its audit quality, by explaining the status of the Code's implementation. The audit firm should also effectively utilize the internal and external assessment of its initiatives for improvement in its management and operations.			
Guidance 5-1	An audit firm should explain the status of the Code's implementation and its initiatives for the enhancement of audit quality in plain language, in the form of publicly available documents such as "Transparency Report," to allow audited companies, shareholders and other stakeholders in the capital market to appropriately assess its audit quality.	The firm issues AZSA Quality annually to introduce our initiatives for enhancing audit quality.		AZSA Quality 2022/23
Guidance 5-2	An audit firm should explain the following matters as well: <ul style="list-style-type: none"> • The tone at the top toward the continuous enhancement of the audit quality in order for the management and the firm personnel of the firm proactively fulfill their respective roles; • The defined values to be commonly maintained by the firm personnel, and way of thinking and code of conduct to put these values into practice; • The stance toward non-audit services (provided by the firm and its group organizations); • The composition and role of the management; • The composition and role of the function to supervise and evaluate the effectiveness of the management and organizational operations, as well as the reasons for the appointment, role and contribution of independent third persons appointed as the members of the function; and • The assessment with respect to the effectiveness of the initiatives for the enhancement of the audit quality, which is carried out by the firm including the members of the function responsible for the supervision and evaluation. 	The following items are explained in the AZSA Quality issued annually. <ul style="list-style-type: none"> • Management's responsibilities and approach relating to quality control • Basic principles underlying audit quality: Our Purpose, Values, and Vision • Clarification of policies for providing non-assurance services • Our firms's organizational and governance structure, and the roles of each entity • Members, roles, and activities of the Management Oversight Committee and the Public Interest Oversight Committee • Results of the evaluation of the effectiveness of management functions conducted by the Management Oversight Committee 	P.49 P.50 P.6 P.47 P.32 P.34 P.35	Quality control based on our four defense lines The CEO bears final responsibility for audit quality Why we publish AZSA Quality Policy for providing non-audit services Management and execution structure Oversight and evaluation structure Management oversight and evaluation
Guidance 5-3	An audit firm should strive for proactive dialogue about its initiatives for enhancement of the audit quality with audited companies, shareholders and other stakeholders in the capital market. In doing so, the audit firm should effectively utilize the knowledge and experience of independent third persons.	The firm seeks to enhance communication with audited companies by sharing information through marketing activities and seminars, and by periodically holding stakeholder dialogues. The Public Interest Oversight Committee (independent members) attend such events, providing management with feedback from the perspective of an independent third party.	P.10	Communication with stakeholders
Guidance 5-4	An audit firm should periodically assess the Code's implementation and the effectiveness of its initiatives for enhancement of the audit quality.	The Management Oversight Committee are responsible for supervising and evaluating the management and execution by CEO and the Senior Executive Board members. Results of the supervision and evaluation are reported to the Partners Meeting, and beginning next year our management and executive bodies will consider improvement measures.	P.34 P.35	Oversight and evaluation structure Management oversight and evaluation
Guidance 5-5	An audit firm should effectively utilize the useful information obtained through the dialogue with stakeholders such as participants in the capital market and the results of the assessment of the Code's implementation for improving its effective management and organizational operations.	We periodically hold stakeholder dialogues. Through these events we received feedback on the capital markets' expectations for audit firms, and we are making use of this information to improve our organizational operations. Going forward we will strive to continue this active exchange of opinions with participants in the capital markets.	P.11	Meeting for exchange of views with market participants

AZSA quality and related publications

In addition to AZSA Quality: Initiatives for Enhancing Audit Quality, KPMG AZSA also issues a Transparency Report publication to explain KPMG's audit quality framework.



AZSA Quality 2022/23

Intended to deepen readers' understanding of the current state of our firm's audit quality by describing the initiatives underway to enhance audit quality.

home.kpmg/jp/azsa-quality
Issued | October 2022



Transparency Report 2022/23

Describes the audit quality framework of KPMG, which serves as a basis for our firm's audit quality.

home.kpmg/jp/transparency-report
Issued | October 2022



Scope of reporting

Data for the period July 2021 to June 2022 are reported as results and achievements for the year ended June 2022. The report includes certain data arising before or after this period as well as descriptions of the firm's planned approaches and activities.

Issued

October 2022

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