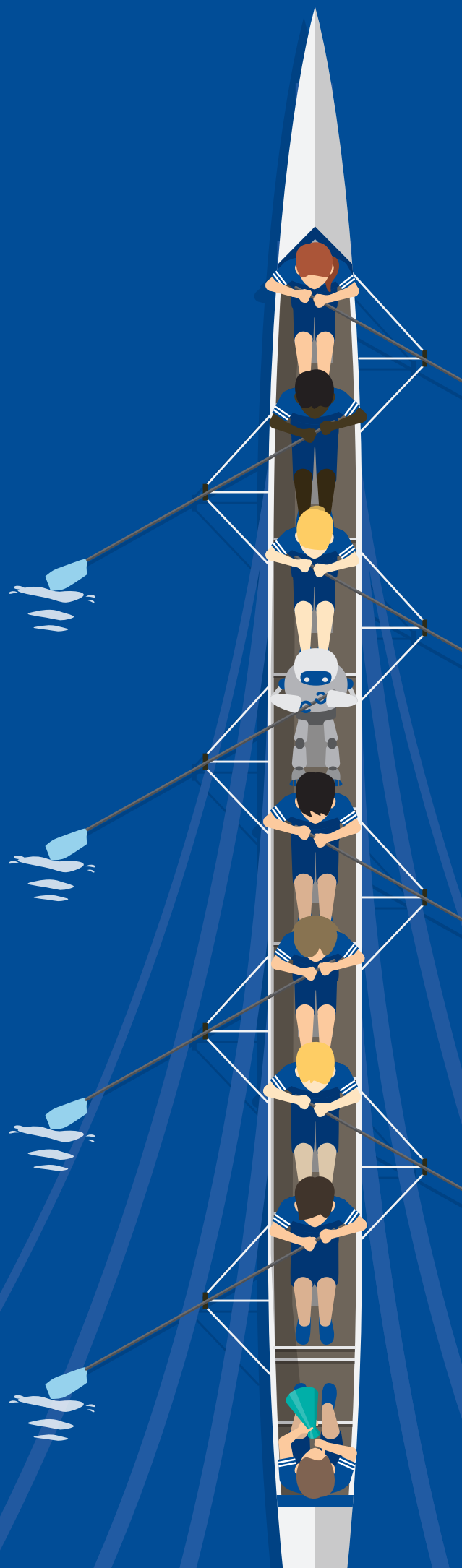




# KPMG Japan Our Story 2016 / 17

KPMG Japan

[kpmg.com/jp](http://kpmg.com/jp)



## Our Purpose

# Inspire Confidence, Empower Change.

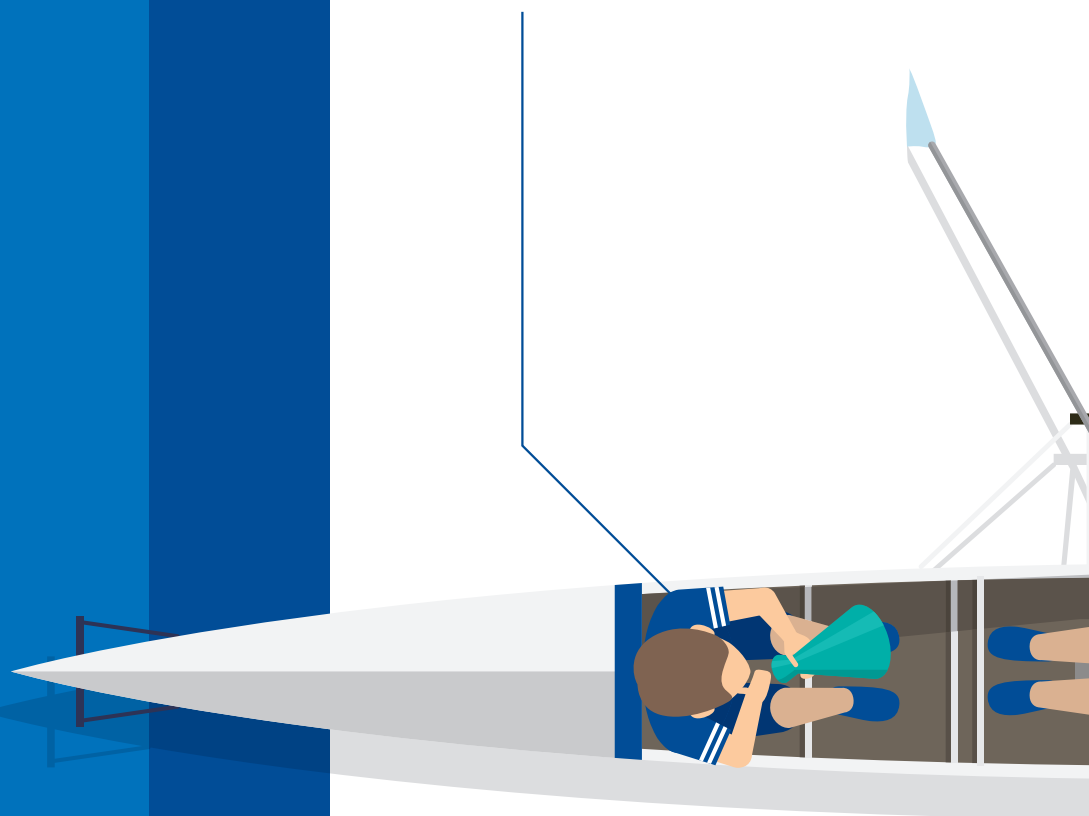
We work to inspire confidence in the economy while empowering clients and society to make positive changes. This is why we are here.

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

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

## KPMG Japan

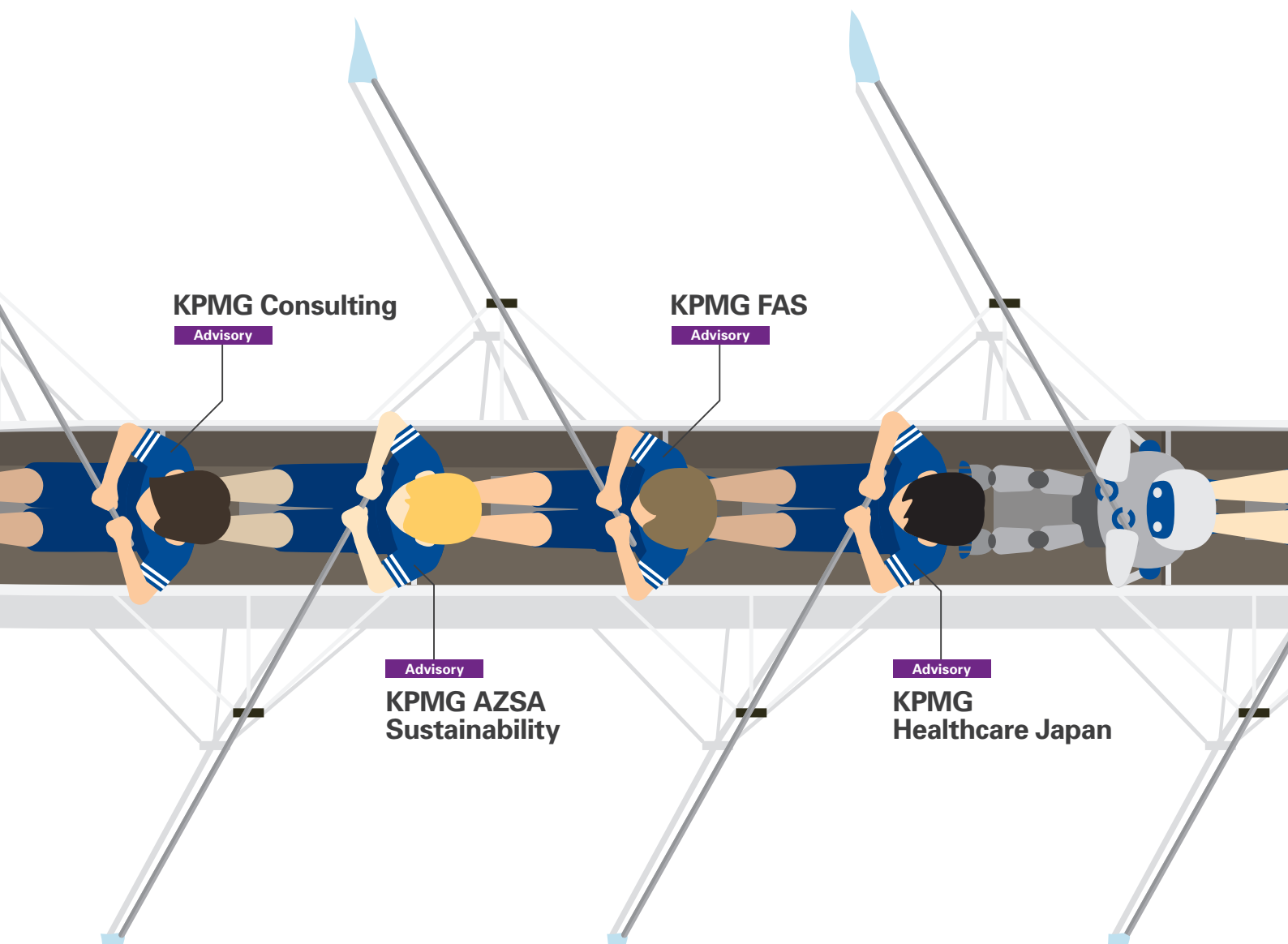
KPMG Japan refers collectively to KPMG International's member firms based in Japan. There are seven member firms; they deliver professional audit, tax, and advisory services.



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# About KPMG

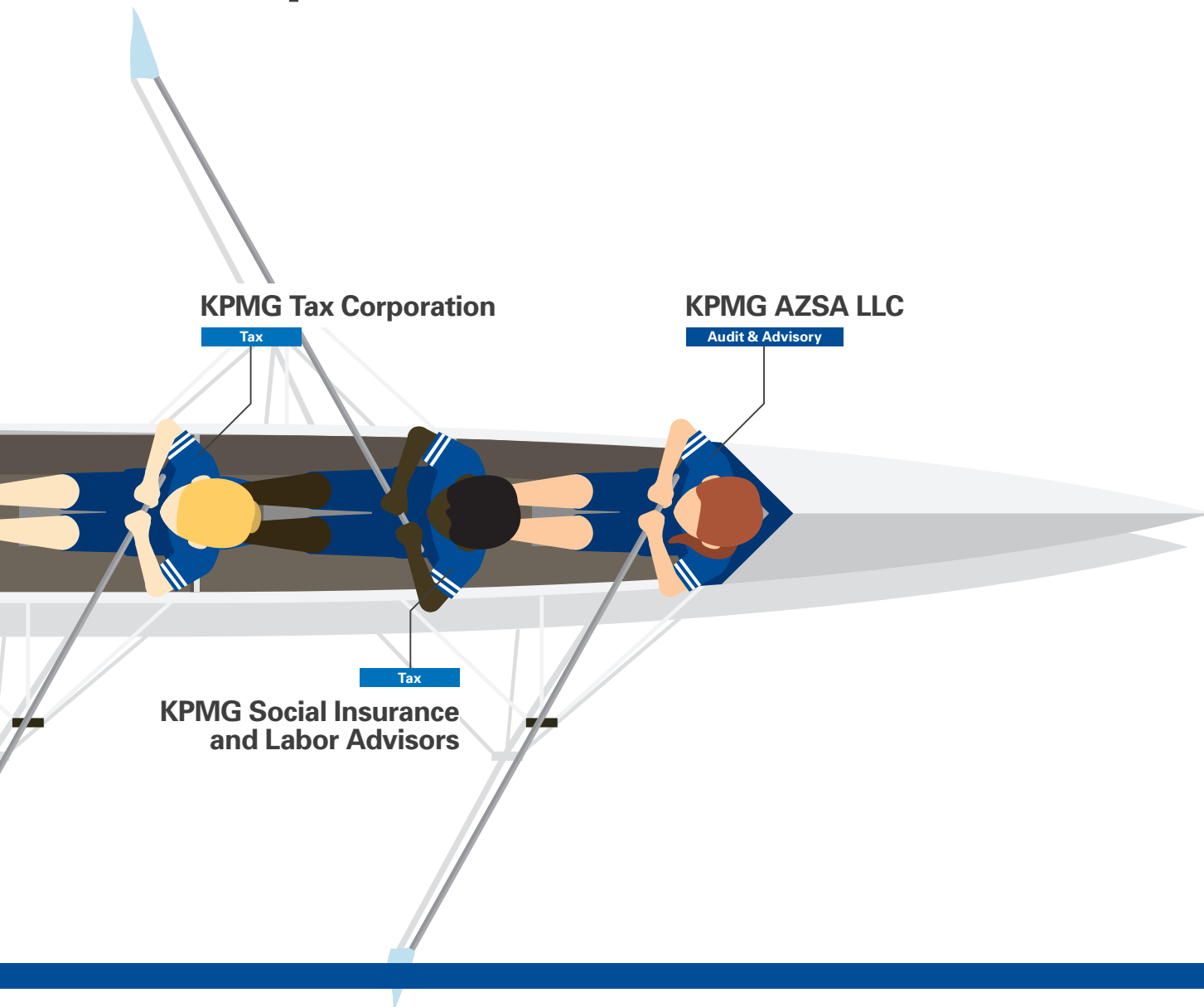


## At a Glance (as of June 30, 2016, unless otherwise stated)

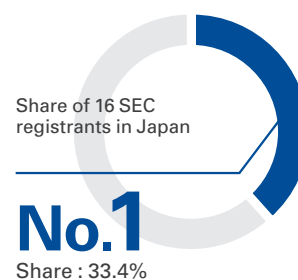
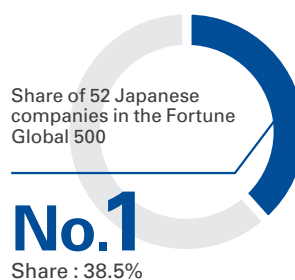
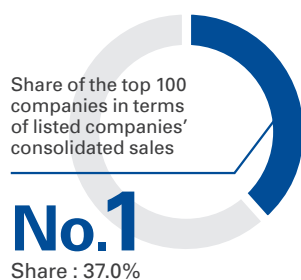
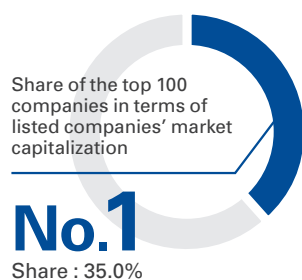
Number of employees	Female employee ratio	Number of certified public accountants	Number of global employees*	KPMG Global Network	
7,248	28.2%	3,185	3,145	Countries 155	Number of employees 173,965 (As of September 30, 2015)
Revenue		Number of audit clients	M&A advisory ranking (including banks, securities companies, and other financial institutions)		
128.1 billion yen		3,402 client companies	<div> Based on publicly-announced deals No.4 </div> <div> Based on In-Out deals (Acquisition of foreign companies by companies based in Japan) No.1 </div>		
Audit and Advisory: July 1, 2015 – June 30, 2016 Tax: October 1, 2015 – September 30, 2016			(January 1, 2015 – December 31, 2015) Source: Thomson Reuters		

\* Global employees are those who have overseas work experience, or have received global skill training courses, or are nationals of countries other than Japan.

# Japan



## Shares in audit assurance market



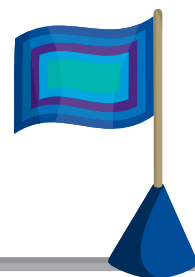
# CEO Message

Hiroyuki SAKAI

CEO, KPMG Japan  
Managing Partner, KPMG AZSA LLC



# KPMG is committed to become “The Clear Choice” for the long-term



My role is to implement the medium-term business plan to fulfill our social responsibility and move us forward into the next generation.

## New Medium-term Business Plan to realize Our Vision

In 2015, we went back to basics. We questioned anew the mission of KPMG, and adopted the philosophy “Inspire Confidence, Empower Change” as Our Purpose. We also established “The Clear Choice” as our “Vision” to achieve this philosophy. In 2016, while I have been serving as CEO for the second year, KPMG Japan has developed a medium-term business plan toward 2020 to realize “The Clear Choice”. In developing this plan, we asked ourselves how to maximize KPMG’s value creation. Through this process, we decided on three strategic conceptual domains: “Quality,” “Cube (representing our multi-dimensional comprehensive strength for growth)” and “Career (human resources as the source of KPMG’s value creation).” As CEO of KPMG Japan, I am

committed to implementing the medium-term business plan to fulfill our social responsibility, and move us forward into the next generation.

## Adopting cutting-edge technology and deploying our global comprehensive strength are critical

The Management Committee, of which I am the head, first discussed the two key aspects of our three strategic domains, in light of our present environment and social conditions.

First, we believe it is important to use cutting-edge technology as one of the dominant factors for value creation. IT advancement, combined with progress in artificial intelligence(AI), is not only lowering barriers, or time durations and spatial distances, but also quickly expanding service domains. I feel strongly that we should integrate AI

and other cutting-edge technology with our expertise and exploit it, as it should enable us to enhance our quality as professionals and to develop the skills and capacity needed to solve more sophisticated, complex challenges faced by society. Second, we are expected to deploy our global comprehensive strength to provide optimal solutions. Looking at the world, we are surrounded by mounting political and economic uncertainties... China’s economic slowdown, effects of the Brexit issue, and high and rising geopolitical risks in the Middle East, to name a few. In such an environment, it is critical to appropriately address these challenges with a global broad-based perspective and accurately ascertain the directions and trends of such factors in the larger environment and match actions to them. We must therefore function with global collaboration to solve problems properly.



# Our talented professionals, equipped with cutting-edge technologies and global comprehensive strength, make us “The Clear Choice”



## KPMG-Quality: Enhancing our professional quality

KPMG Japan recognizes that among the range of highly-specialized services we provide, audit, in particular, is of the highest significance in ensuring the public trust. To contribute to the formation and development of fair and dynamic capital markets, we need to exercise integrity as professionals, so that society and markets will continue to extend their confidence to us. We are thus striving to fulfill our social responsibility through audit services. In addition to audit services, as a part

of social infrastructure, we are also asked to address cross-border sophisticated and complex management issues in all our service domains, including the provision of tax advice and other advisory services. Accordingly, we will make use of cutting-edge information technologies and propose solutions from a global perspective so that we can offer services that are refined by sophisticated expertise.

## KPMG-Cube: Cross-border, cross-function strength

In this uncertain, complex, and volatile

global economy, how can we be “The Clear Choice” of our clients that are struggling to achieve sustainable growth and value creation? How do we see and define ourselves? I believe that we can find one of the answers within our cross-border, cross-functional comprehensive strength, which we denote as KPMG-Cube. I believe the reason why clients will choose us lies within the value we can offer as KPMG, a global firm. I therefore intend to promote initiatives to make the most of our integrated power. Cross-border, seamless collaboration is truly indispensable in realizing Our Vision, “The Clear Choice.”

## Management Advisory Committee to enhance governance as an audit firm

On July 1, 2016, KPMG AZSA LLC established the Management Advisory Committee, which consists of experts from outside KPMG.

By receiving committee members’ diverse opinions based on their wide range of insight, the management of KPMG AZSA intends to strengthen governance of the firm, raise management transparency, and enhance the credibility of our audit and other services. All these initiatives will ultimately contribute to ensuring credibility in the capital market.

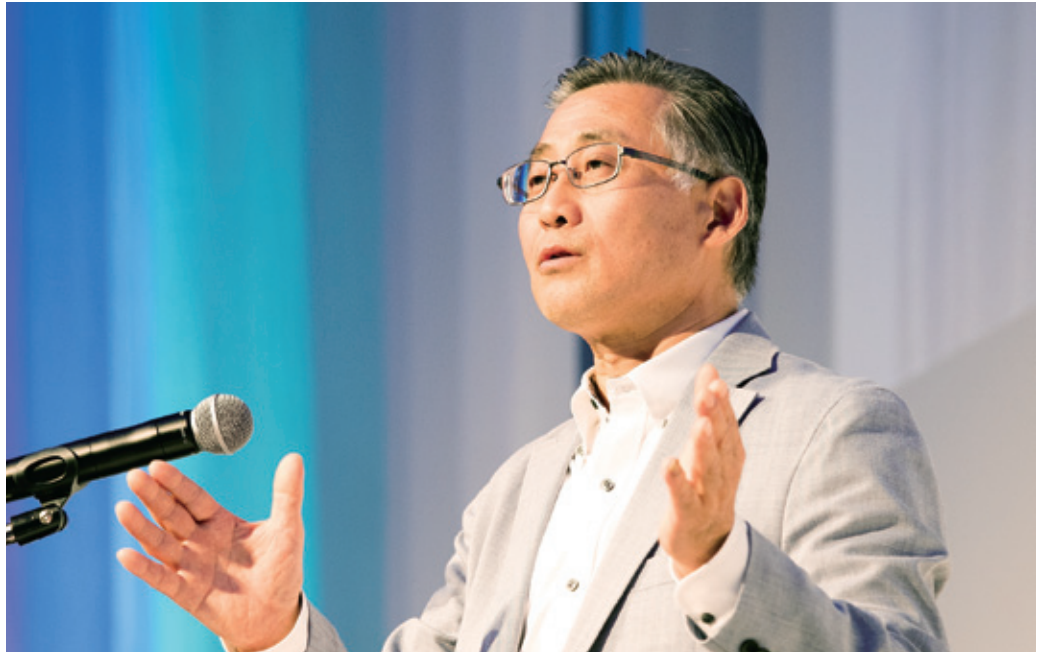
The committee members were selected based on their expertise and experiences that are likely to be relevant to the roles of audit firms, such as corporate management, legal affairs, and the promotion of industrial policy.



Management Advisory Committee Members (from left)

Mitsudo Urano	Advisor of Nichirei Corporation (Former Representative Director and President)
Koji Ishida	Former Member of the Policy Board of the Bank of Japan Former Representative Director and President of Sumitomo Mitsui Finance & Leasing Co., Ltd.
Shinji Fukukawa	Chairman of Toyo University, Former Vice Minister of the Ministry of International Trade and Industry
Masahiro Sakata	Lawyer, Former Director-General of the Cabinet Legislation Bureau





We are speedily evolving to accommodate the needs of our client companies to help solve their complex, sophisticated issues. At the same time, we are actively investing in developing globally-adaptive personnel to function in combination with cutting-edge technology, as one way to enhance our comprehensive strength.

**KPMG-Career:  
Developing a stronger team to  
create higher value**

Let me explain my views on our people, which are the source of our value creation as well as our most important assets.  
I view our primary human resources policy as the development of

professionals who generate and guide the way to higher value for our clients and society. This is also our social responsibility as a firm of professionals. Development of our people cannot be achieved in the short term. No matter how much IT or how many tools with superb functions are developed, it is people who make final judgments, create value, and contribute to society.

**We will inspire confidence in  
our clients and society and  
help them empower change.**

We must enhance our own governance and transparency, in order to provide sophisticated professional services and continue to win the trust of clients and society. We are now

exploring changes that will comprise a new governance system; as part of such efforts, in July 2016 KPMG AZSA established the Management Advisory Committee, which consists of persons outside the firm, with the objective of reflecting outside opinions. We also intend to consider and implement other measures to enhance governance and transparency.

In line with Our Purpose to “Inspire Confidence, Empower Change,” we are determined to implement our new Medium-term Business Plan. I sincerely hope to create our future story, together with our clients, our people, and society.

**We are committed to be innovative  
and trusted in society.**

# The KPMG Story – My Story, Your Story, and Our Story



## Leveraging strength as One KPMG

KPMG launched its global initiative known as “The KPMG Story” in 2015. This coincided with the period when KPMG Japan began to review what we stand for, what values we believe in when taking action, and where we are and should be going in the future. The ultimate objective of these decisions is to respond to the expectations of society and to make steady achievements, in the context of the rapidly changing business environment.

As Chairman of KPMG Japan, I am convinced that, if we are to put One KPMG into practice and use its strength, we need to disseminate and execute Our Purpose, Values, Vision and Strategy, which comprise The KPMG Story. Accordingly, we are taking various initiatives.

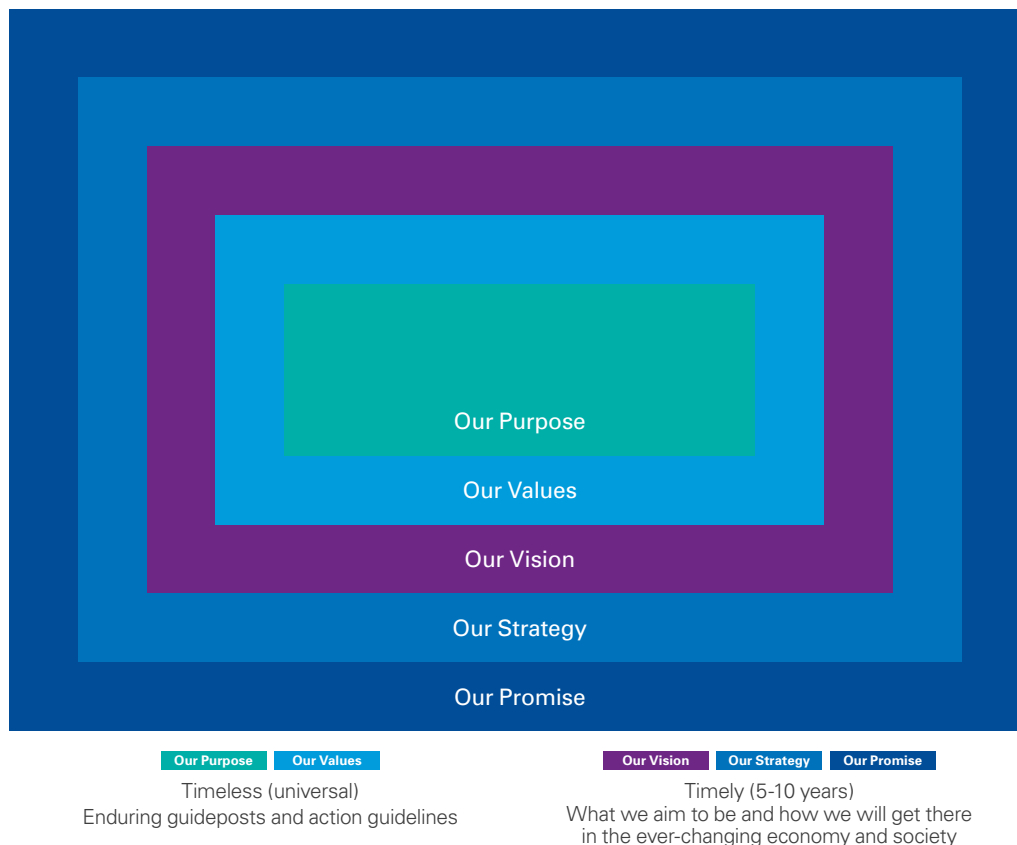
In 2016, we have articulated “Our Promise” as “With passion and purpose, we work shoulder-to-shoulder with you, integrating innovative approach and deep expertise to deliver real results.” We have incorporated this value we can offer in The KPMG Story. We are thus committed to being a trusted entity and fulfilling our social responsibility. In addition to KPMG's Our Story, there

## Chairman's Message

Tsutomu TAKAHASHI

Chairman, KPMG Japan





are the individual stories of our professionals - what we call "My Story". However, it is not good enough just to combine My Story of each of our professionals. We can be truly meaningful only if we go along with Your Story, or the story of all of our clients which try hard, sometimes singly and sometimes with others, to solve challenging issues, and, ultimately, society at large. The implementation of our Medium-term Business Plan to 2020 and the development of initiatives for the future all demonstrate that we at KPMG will continue to evolve together with society.

### KPMG's professionals are capable and ready to help clients solve issues and grow.

The unfolding of Our KPMG Story forms a base that enables our professionals, who have various kinds of experience, knowledge, skills, and abilities, to collaborate and generate synergies.

The above illustration shows the

relationship among Our Purpose (Inspire Confidence, Empower Change.), Our Values (consisting of seven action guidelines, p. 35), Our Vision (The Clear Choice), and the keywords of Our Strategy (KPMG-Quality, KPMG-Cube, and KPMG-Career) to realize Our Vision. With the aim of contributing to the sustainable growth and development of society, each of us shall use his or her strength and expertise to weave My Story, which ultimately will be part of the basis of Our Story, a value-creating story of KPMG. The KPMG Story will be complete only when our clients have chosen KPMG as reliable professionals. Therefore, I truly hope that The KPMG Story will not be one solely of self-realization or self-fulfillment but rather a Story that is shared with clients and society.

### The KPMG Story is a roadmap for a sustainable society

So why do we call our initiatives the

"Story"? I think this is because the KPMG Vision will be realized by accumulating our everyday efforts and results, and this is the story behind it. Our desire to realize value in a long-term sustainable manner, in harmony with society, is incorporated in our naming it the "Story."

We are proud of our history of over 100 years, and 170,000 people sharing the same values and working together in 155 countries. As a part of that organization, we at KPMG Japan will strive to perform our best and prevail as a trusted partner for innovative changes by our clients and society. While sharing My Story, Our Story, and Our Clients' Story, all of which are oriented toward what we believe will be a promising future, I hope that KPMG will be a partner of choice. We are determined to meet all expectations in rendering our services.



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

### KPMG Japan's Management Structure

The KPMG Japan Management Committee comprises representatives from major member firms such as KPMG AZSA LLC, KPMG Tax Corporation, KPMG Consulting, and KPMG FAS. The Committee discusses and decides on the collaborative structure used to manage each KPMG Japan firm as well as material matters pertaining to the business management of the firms, including human resource development, service improvement, and quality control, in order to combine all of the relevant resources of KPMG so as to deliver the best possible services matching clients' management requirements.





## Management Committee Members: Their mottoes and biographies

**1**

**"World-class People"**

**John B. VEIHMEYER**  
Global Chairman, KPMG International

Veihmeyer served as Chairman and CEO of KPMG U.S. from 2010 to 2015 and Global Chairman of KPMG International since 2014. He is based in New York.

**2**

**"Proactive, open, and honest communication"**

**Tsutomu TAKAHASHI**  
Chairman

Takahashi has been a board member of KPMG International since 2013. In his role, he continues to strongly support the globalization of Japanese companies.

**3**

**"Deliver as determined."  
"Remain true to my words."**

**Hiroyuki SAKAI**  
CEO,  
Managing Partner, KPMG AZSA LLC

Sakai has served as CEO of KPMG Japan and Managing Partner of KPMG AZSA LLC since 2015. He has a wide range of experience including China-related business and IT audit, and emphasizes a hands-on approach.

**4**

**"Be passionate!"**

**Masahiro MEKADA**  
COO / CFO

Mekada has extensive experience in working with SEC registrants and global companies in Japan and abroad.

**5**

**"Prove worthy of trust."**

**Takuji KANAI**  
Head of Audit

After accumulating experience as an accountant in Japan and the United States, Kanai has held numerous lead-partner positions for major Japanese audit clients.

**6**

**"Be valuable to others."**

**Yuichi KOMAKINE**  
Head of Tax,  
KPMG Tax Corporation

Komakine was appointed as Head of Tax services in 2016. Having extensive experience in overseas assignments, he is a leader in international tax services.

**7**

**"Act with integrity."**

**Tatsuya ENDOH**  
Deputy head of Tax,  
KPMG Tax Corporation

Endoh has extensive experience in providing tax advisory services to many audit clients, particularly in manufacturing sector.

**8**

**"Believe."  
"Think before you act, act before you keep thinking."**

**Toshiya MORI**  
Head of Advisory  
CEO, KPMG Consulting

Mori has extensive experience in audit and advisory on management issues of global corporations.

**9**

**"Cross border, cross function."**

**Hiroshi MIURA**  
Head of Sales and Markets,  
Head of Global Japanese Practice

Miura has worked in New York and London and has supported Japanese companies' international businesses for many years.

**10**

**"The mind as tabula rasa."  
"Judge according to your ideology, but do so based on full understanding."**

**Hiroyuki TAKANAMI**  
Head of Personnel Affairs and Human Resources  
Tokyo Office Managing Partner, KPMG AZSA LLC

Takanami has extensive experience in financial services through audit of megabanks and financial institutions.

**11**

**"Do things differently from others."**

**Masahiko CHINO**  
Head of Deal Advisory,  
Representative Director, KPMG FAS

Representative Director, KPMG FAS  
Chino has extensive experience in advisory services for domestic and cross-border transaction deals.

**12**

**"Challenge" "Perseverance"**

**Hideaki KOYAMA**  
Head of Quality and Risk Management

Koyama has been in charge of quality control and risk management since 2006. He mainly serves global clients with a majority being SEC registrants.

**13**

**"Sincerity"**

**Eiji MIZUTANI**  
Chairman of Advanced Audit Board

KPMG Mizutani plays an important anchor role in the audit process, as Chairman of the Senior Review Board, where his experience overseas and auditing of SEC-registered companies is invaluable.

**14**

**"Impressed and inspired."  
"Study, stay thrilled and young until you die."  
"You only live once."**

**Yasushi YOKOI**  
Nagoya Office Managing Partner, KPMG AZSA LLC

Yokoi has extensive experience in services for the public sector, and is also in charge of diversity promotion in KPMG Japan.

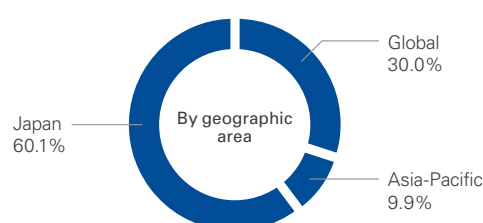
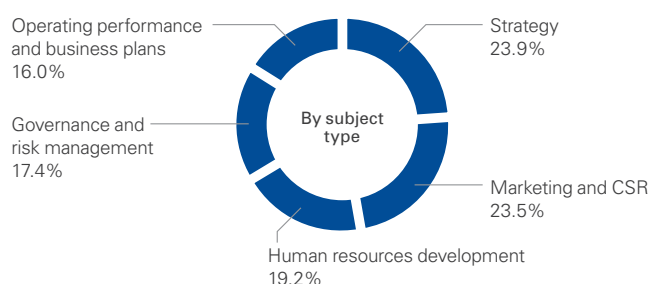
**15**

**"Be responsible."  
"Out of selflessness brings success."**

**Kenryo GOTO**  
Osaka Office Managing Partner, KPMG AZSA LLC

Goto has been engaged in auditing major companies headquartered in Osaka. He also has extensive experience in advisory services.

## KPMG Japan Management Committee's Agenda (July 1, 2015 - June 30, 2016)



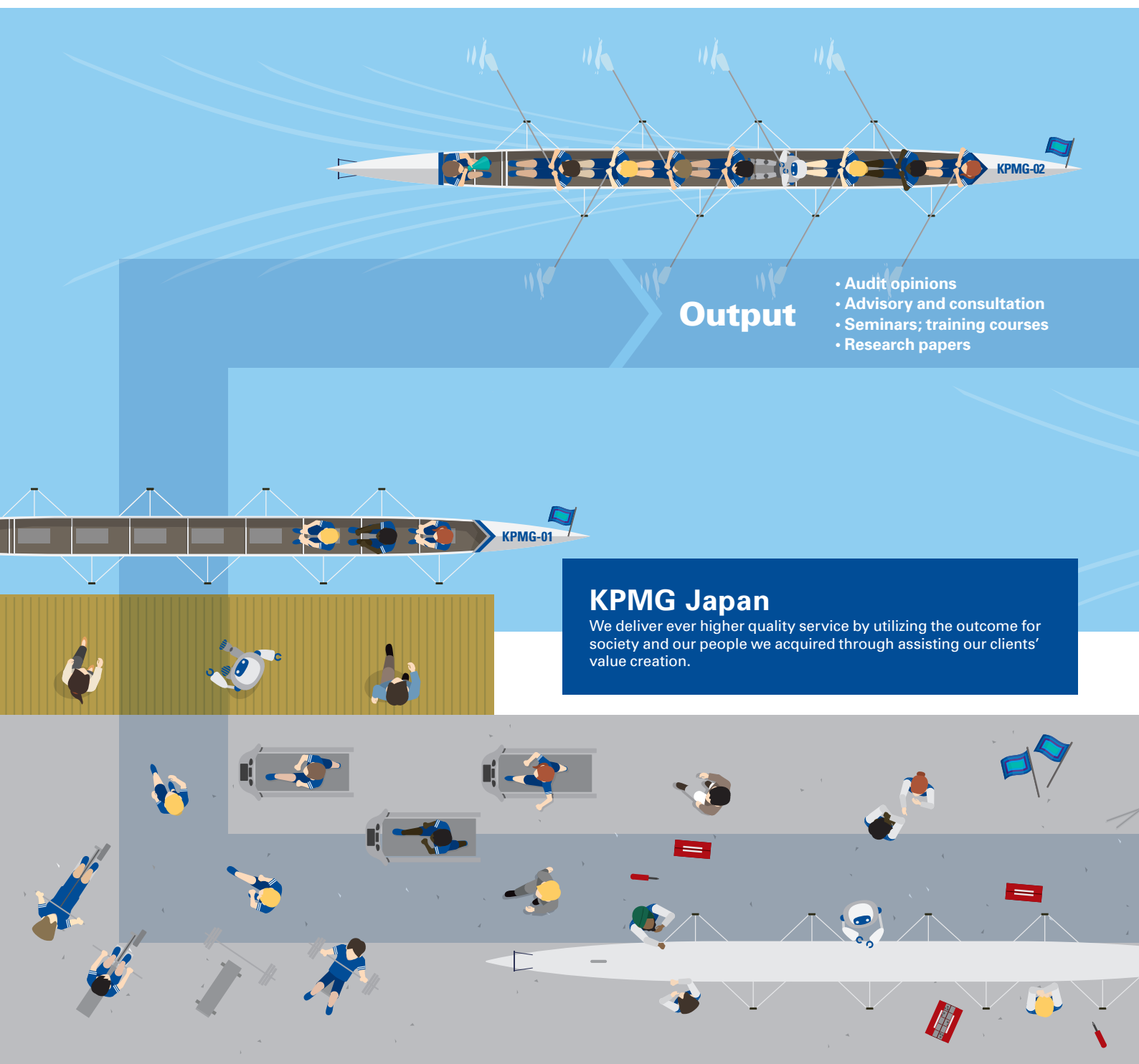
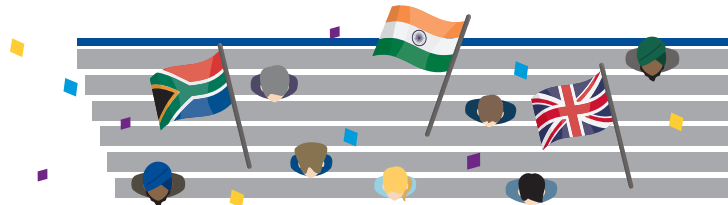
# Our Value Creation Story

By assisting value creation of our clients, KPMG contributes to society, and in turn this creates our own value.

Our capability to support clients in solving challenging issues and the diverse expertise of our people, are the ultimate sources of value of KPMG.

The insight into the economy that we accumulate through working with clients has enabled us to enhance our capability to solve more complex issues.

By continually strengthening our business base, we will keep growing and fulfill our role expected by our clients and society.





**Input**

- Feedback from clients
- Trust extended by society and people
- Our professionals who continue to grow
- Solutions to address a variety of advanced needs
- Our worldwide network



# KPMG Japan's strategy planning policy toward 2020

What do we need in order to contribute to the economy and society and realize our sustainable growth?

How can we assist our clients who are confronting globalization of the competitive landscape and increasingly complex issues?

KPMG Japan's business plan up to 2020 does more than pursue our own outcome.

We developed our medium-term business plan as initiatives for us to keep contributing to the economy and society, and to prevail as a responsible organization.

## Define the significant stakeholders

KPMG Japan is engaged in a variety of relationships with a variety of organizations and people. We have used the opportunity of determining our business plan to redefine who are significant to us for realizing our vision, and have taken this as a pivot point to make decisions on planning and implementation of the plan.

## Analyze the external environment

What are the risks companies are facing and will face in our increasingly complex and uncertain society, with the ongoing globalization of the competitive landscape? What professional expertise will companies need to overcome risks, find growth opportunities, and realize sustainable value creation? What kinds of innovations can be born from the latest technology? We analyzed the external environment from the long-term perspective of such questions.

## Identify the corporate issues we are expected to help address

What are the issues where we can make a difference? We have examined the issues we will need to address, in order to serve clients and society.

- 1 Issues associated with the global competitive landscape
- 2 Issues related to allocation of strategic resources in light of more complexity of challenges to be faced
- 3 Issues related to assuring credibility and transparency in our work, as required by the economy and society

### Reference materials

World Economic Forum. "The Global Risks Report 2016"; Communiqué of the 10th Meeting of the OECD Forum on Tax Administration (May 2016); Communiqué, Meeting of G20 Finance Ministers and Central Bank Governors (Feb. and April 2016); Paris Agreement on climate change. (Dec. 2015); FSA (March 2016). Recommendation of the Advisory Council on the Systems of Accounting and Auditing; FSA (Feb. 2016). Handouts of the joint session of the 36th general meeting of Financial System Council and the 24th meeting of Sectional Committee on Financial System; OECD (Oct. 2015). Base Erosion and Profit Shifting (BEPS) Project Final Reports; Cabinet Office (June 2015). Outline of the Basic Policy on Economic and Fiscal Management and Reform 2015; Financial Reporting Council (FRC), U.K. Audit Firm Governance Code

## Our significant audience and materiality

KPMG Japan's Management Committee members have affirmed that in order to remain the Clear Choice of our clients and society, our most important stakeholders are our present and prospective clients as well as our own people who possess the deep awareness of and professional quality to uphold our social responsibility and meet expectations from society. Based on this premise, we have developed our medium-term business plan as the strategy for the years up to 2020 according to the processes described below. We aim to realize our vision "The Clear Choice" through following this strategy while we share our common purpose and value with our people.

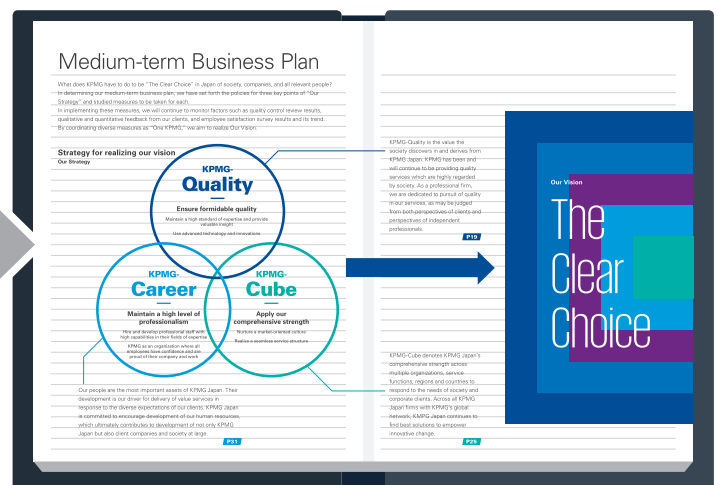


### Define strategy planning policy toward the realization of our vision

We have identified our priority initiatives and policies to be implemented for us to fulfill expectations of companies and society.

- 1 Demonstrate our comprehensive strength to respond to issues associated with the globalization of the economy
- 2 Mobilizing outstanding professionals who work on issues that require advanced expertise
- 3 Adoption of advanced technology to ensure reliability in our operational quality that fulfills expectations of companies and society, and assures transparency

## Medium-term Business Plan P17



# Medium-term Business Plan

What does KPMG have to do to become “The Clear Choice” of society, clients, and all our people?

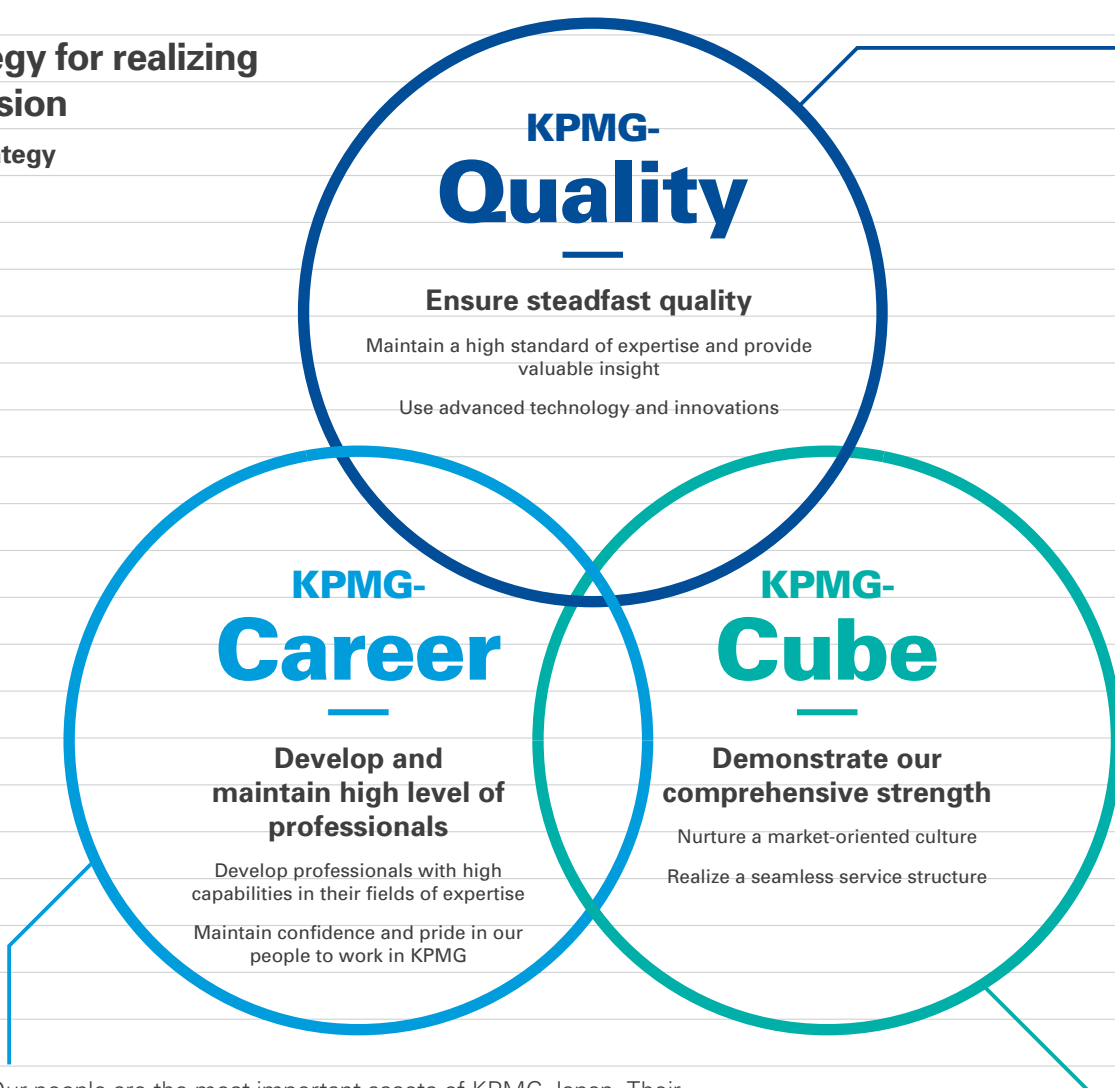
In determining our medium-term business plan, we have set forth the policies for each of three key points of “Our Strategy” and studied measures to be taken.

In implementing these measures, we will continue to monitor factors such as quality control review results, qualitative and quantitative feedback from our clients, and employee satisfaction survey results.

By coordinating diverse measures as “One KPMG,” we aim to realize Our Vision.

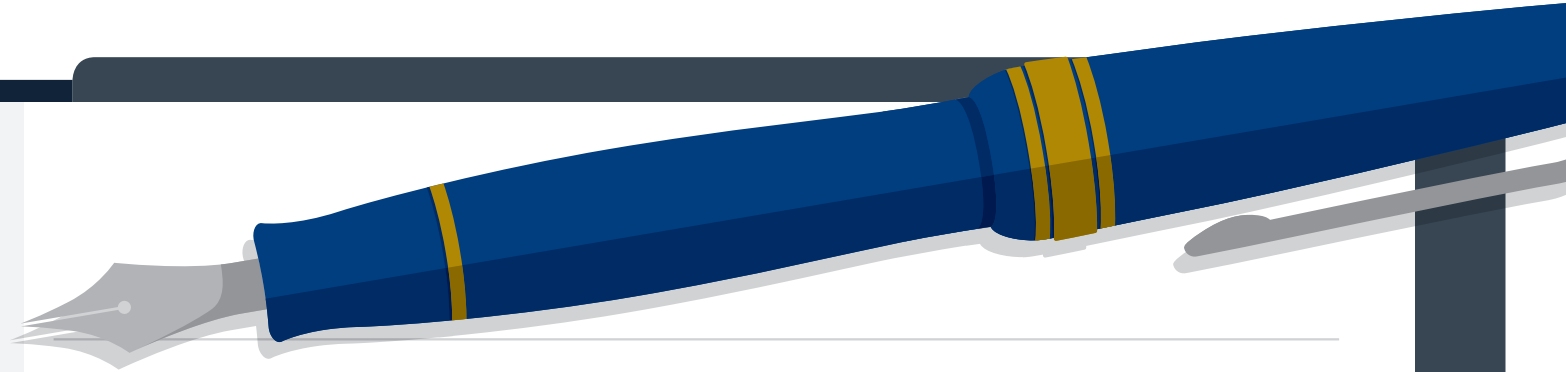
## Strategy for realizing our vision

### Our Strategy



Our people are the most important assets of KPMG Japan. Their development is our driver for delivery of value adding services in response to the diverse expectations of our clients. KPMG Japan is committed to encouraging development of our human resources, which ultimately contributes to development of not only KPMG Japan but also client companies and society at large.

P31



KPMG-Quality is the value society discovers in and derives from KPMG Japan. KPMG has been and will continue to be providing quality services which are highly regarded by society. As a professional firm, we are dedicated to pursuit of quality in our services, as may be judged from both the perspective of clients and independent professionals.

**P19**



KPMG-Cube denotes KPMG Japan's comprehensive strength across multiple organizations, service functions, regions and countries to respond to the needs of society and corporate clients. Across all KPMG Japan firms with KPMG's global network, KPMG Japan continues to find the best solutions to empower innovative change.

**P25**

**Our Vision**

# The Clear Choice



## Ensuring steadfast quality

### Message from the Head of Audit

As a professional firm that puts the public interest first, KPMG Japan's mission is to pursue quality with a focus on two aspects: value to the market economy and society, and value to client companies. To fulfill this mission, we make judgments based on criteria and ethics that society considers fair and reasonable. At the same time, we are both ensuring the independence of audit services and maintaining and enhancing the quality of all services that we provide by observing a high degree of expertise, integrity and rigorous rules. Heading into the future, to continue to ensure high quality, we will actively make use of cutting-edge technology in various services that we provide. As part of this enthusiasm and commitment regarding quality, we will continue to bolster our expertise and integrity.

Takuji KANAI  
Head of Audit





# KPMG Japan's interpretation of quality



## "KPMG-Quality" is rooted in a high degree of expertise as well as ethics and integrity

To ensure that companies achieve sound growth and the economy develops in a sustainable way, it is essential to ensure the credibility and transparency of financial information in capital markets.

KPMG Japan is a professional firm that plays a role in the economic infrastructure by providing financial audit.

Therefore, we are pursuing quality that is rooted in a high degree of expertise as well as ethics and integrity so that we can continue to fulfill the expectations and win the trust of society and companies.

KPMG Japan as a whole and each of the Audit, Tax and Advisory units are undertaking various initiatives to ensure the quality of our work.

In pursuing these initiatives, we regard the continuous improvement of audit quality and the enhancement of governance as the most important management issue. This is because we aim to ensure the credibility of companies' financial information meets the expectations of society.

KPMG AZSA LLC is promoting continuous activities to improve the quality of audits based on a quality management system that clarifies the responsibilities and roles of each organization.

Furthermore, we are developing an advanced audit methodology utilizing Data & Analytics and other information technology. We are also carrying out high-quality audits on a global basis by leveraging our expertise in IFRS and U.S. accounting standards and KPMG's extensive network.

## KPMG Japan's quality initiatives

### Independence and risk evaluation founded on ethics and integrity

KPMG makes comprehensive judgments on whether services can be provided in a way that reflects rules on professional ethics concerning the independence of audit. To ensure this, we use Sentinel, KPMG International's proprietary global conflicts and independence checking system, when initiating all pursuits, irrespective of whether they are audits or non-audit services. In the process of contract procedures, we perform risk evaluation from various viewpoints on prospective clients and the quality of work that should be achieved and deliver services with integrity. We believe that compliance with such strict rules is a lifeline for ensuring our own credibility into the future and providing high-quality professional services.

### Promoting the use of IT based on a high degree of expertise

We expect initiatives that use cutting-edge technologies, namely, big data analysis and artificial intelligence (AI), to expand in society and at companies. With this in mind, we are working towards more sophisticated data analysis utilizing IT and high-level expertise so that we can accurately evaluate clients' business risks and irregularities in financial figures. Specifically, in our audit method, we are promoting a greater use of Data & Analytics, which caters for the sophistication of information processing technology, while we are increasingly applying cutting-edge technology to swiftly and accurately respond to clients' issues.

### Providing consistent standard of services around the world

KPMG has established a system in which KPMG member firms in each country check the quality of each other's services in order to provide consistent standard of services anywhere in the world to global companies. This system ensures that KPMG Japan provides high-quality services that leverage broad expertise and a global network mainly in the areas of accounting and taxation.

# Quality in Audit - The most critical issue for KPMG AZSA LLC -

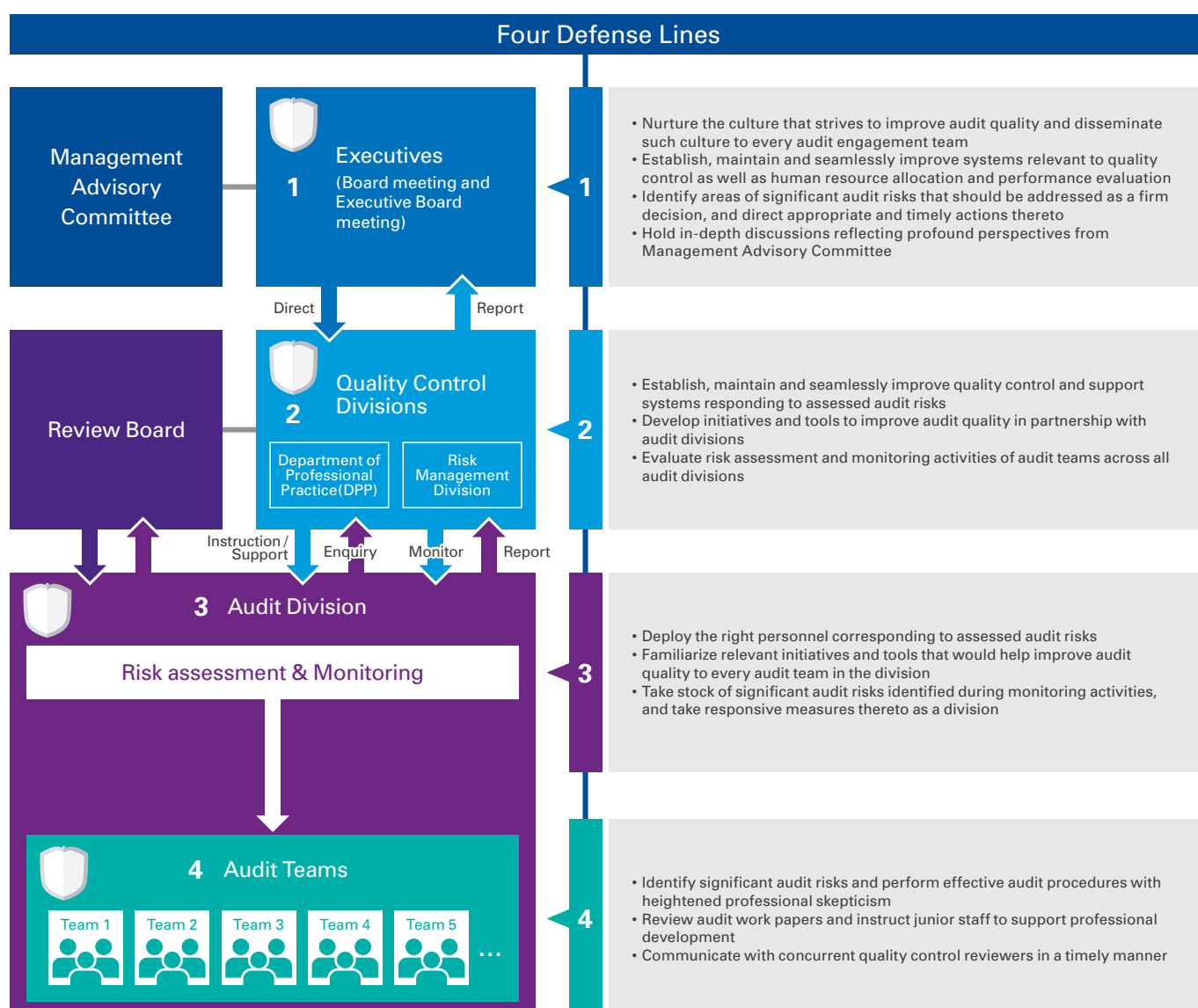
KPMG AZSA regards maintaining and improving audit quality as its most crucial task and is undertaking various initiatives to achieve this. Such initiatives include the establishment of the Four Defense Lines, which constitute a systematic quality management system, the promotion of a systematic response that guarantees high-level expertise relating to IFRS and U.S. accounting standards, and the introduction of an audit method that utilizes Data & Analytics. To promote a better understanding of initiatives to improve audit quality, KPMG AZSA has published AZSA Quality 2016.

[kpmg.com/jp/azsa-quality](http://kpmg.com/jp/azsa-quality)

## The Four Defense Lines to ensure audit quality

KPMG AZSA has established an organizational quality management system called the Four Defense Lines. Its aims are to ensure management's emphasis on audit quality permeates the entire organization and to strive to improve that quality throughout the entire firm. Under this system, (1) management executives, (2) quality assurance

division, (3) audit divisions, and (4) audit teams fulfill their own obligations regarding audit quality and strive to exercise professional skepticism. We will pursue the enhancement of audit quality by continuing such self-disciplinary Kaizen (improvement) activities.





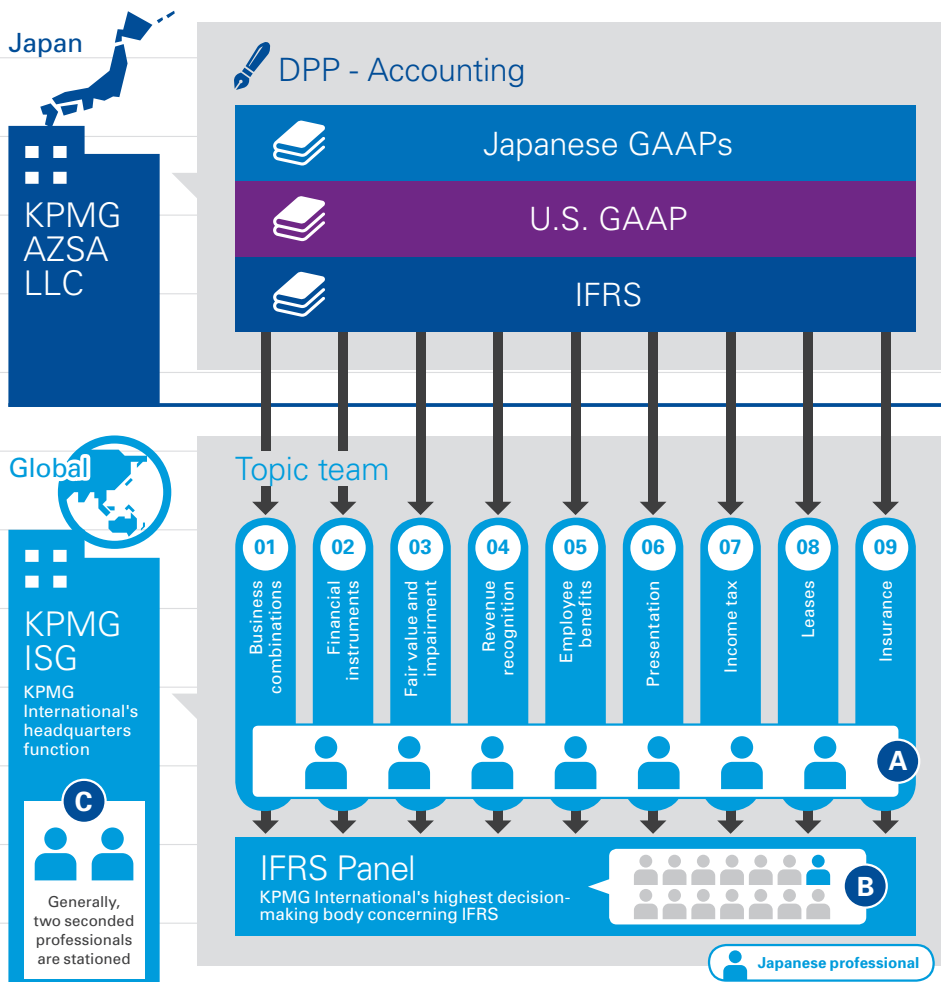


## High-level expertise in IFRS and U.S. GAAP

The number of companies that apply International Financial Reporting Standards (IFRS) in Japan has increased greatly in recent years. At the end of June 2016, 85 Japanese companies were applying IFRS, and 27% or 23 of these companies are audited by KPMG AZSA. KPMG AZSA also provides audit services to companies reporting under U.S. GAAP, such as US SEC registrants.

The Department of Professional Practice for Accounting (DPP-Accounting), which is part of the Quality Assurance Division of KPMG AZSA, is staffed by experts who are capable of handling various accounting standards (IFRS,

Japanese GAAP and U.S. GAAP) seamlessly. For IFRS, DPP-Accounting provides consultation regarding the interpretation and application of IFRS, conducts technical reviews of IFRS financial statements, and manages and operates the IFRS accreditation system within KPMG AZSA LLC. It also conducts surveys and research and provides information. Being the first Japanese accounting firm to perform an audit of IFRS financial statements, KPMG AZSA has a full range quality assurance system in Japan.



### Example of the full range quality assurance system

KPMG International Standard Group (ISG) in London maintains 9 Global Topic Teams under the IFRS Panel. Each topic team covers specific accounting areas and holds meetings periodically. A topic team consists of 10 topic members and Japanese professionals are represented on 7 out of 9 Global Topic Teams. Also, Japan has one representative on the 14-member IFRS Panel which is KPMG International's highest decision-making body for interpretation of IFRS.

The ISG develops guidance on interpretation of IFRS on behalf of KPMG Global. Generally, at least two members of KPMG AZSA (partners or managers) are stationed at the ISG (secondment). Seven professionals have been so far seconded to the ISG, including those who are currently being seconded.

Inquiries raised by audit engagement teams are handled by DPP-Accounting who then liaise with the ISG as considered necessary.

## Evolution of financial audits powered by Data & Analytics

In response to the rapid development of IT and the increased use of big data, KPMG AZSA has set up the Statistical and Technological Audit Research Team to conduct research on cutting-edge technologies, with the focus also directed on AI. The team promotes the implementation and expansion of the latest audit methods in response to major changes in the environment surrounding financial audits and the advancement of information processing technology.

### From sampling to entire population testing method

KPMG AZSA has implemented an entire population testing method using Data & Analytics techniques. This entails obtaining certain financial and non-financial data that is recorded and managed by clients, analyzing the relationships among the data by using analytical tools in relation to all applicable transactions, and verifying whether unusual items are included or not. As the entire population testing method can detect unusual items that conventional audit sampling method could not, we believe it is a particularly effective means to detect transactions that may be fraud.

### Development of next-generation tools in collaboration with KPMG Global

KPMG, of which KPMG AZSA is a member firm, is researching and developing a new audit tool that uses Data & Analytics techniques. We are promoting development of eAAT (Electronic Account Analysis Tool), which automates and visualizes analysis and evaluation of journal entries; KAAP (KPMG Automated Audit Procedures), which



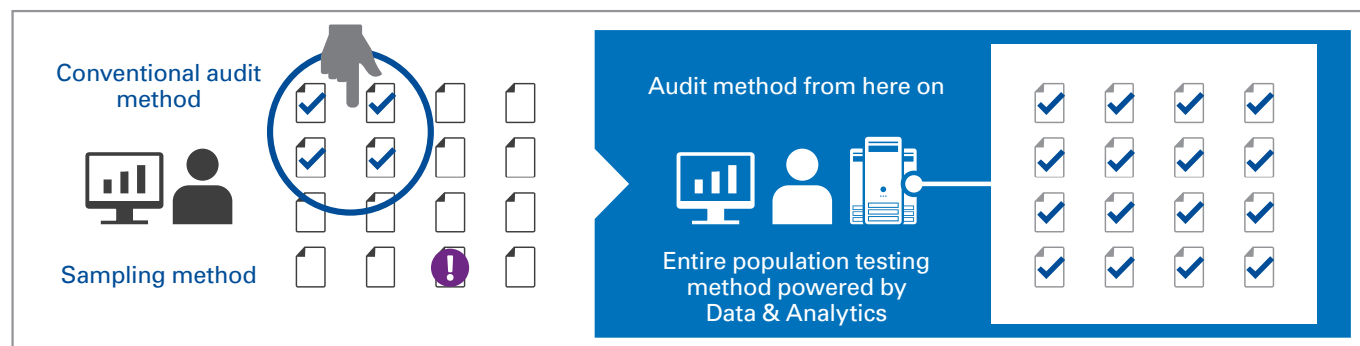
Tsutomu OGAWA

KPMG AZSA LLC  
Head, Statistical and  
Technological Audit Research  
Team

automates regular audit procedures, namely, the detection of unusual transaction data and the preparation of various kinds of analysis materials, by collectively obtaining financial and non-financial data from ERP (Enterprise Resource Planning) systems; and a tool to statistically evaluate audit risk by using financial and non-financial data related companies and the economic environment. KPMG AZSA has participated in the development of these tools by sending staff to the United States, the development base, and has begun to introduce them in Japan.

### Further evolution of financial audits

KPMG Global is actively making business alliances focusing on next-generation audits with companies that have cutting-edge technologies such as cognitive technology. We are also engaging in close cooperation and information exchange with KPMG Global while also investigating the application of cognitive technology to audits.



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## Quality in Tax

Tax issues are becoming more diverse in today's increasingly complex and international business environment.

Addressing the various phases of a dramatically changing corporate system, KPMG Japan's teams of tax specialists, each of which has a field of expertise, offer quality services that fulfill the needs of clients.

To provide higher quality services, besides having sophisticated expertise, we believe it is also crucial to understand the changing business environment, to propose practical solutions to our clients and to provide a response that is based on the client's viewpoint.

Being an advisor who is close to clients' business, collaborates and contributes to building business rapport with clients is also something we value.

KPMG Japan's recent efforts to continually improve our tax services include the following initiatives.

### Reinforcement of tax expertise

As a division of KPMG Tax Corporation, the Tax Technical Center (TTC) was established to provide advanced services. The TTC collects and analyzes the latest information on tax reform, judicial precedents, and various research papers as well as internal information on tax audits and examples of inquiries made to the tax authorities.

Moreover, to develop tax professionals who have specialized knowledge, experience, skills and an international perspective, we have introduced a continuous training scheme conducted by experts with a wide range of experience for our staff from the start of their careers.

These initiatives have helped our people to be abreast of the latest tax-related updates and provide high-quality information to clients in a timely manner.

### Developing professionals

KPMG Tax Corporation believes that client-oriented people with a high degree of expertise are true professionals who are capable of responding to the diversifying needs of clients/society appropriately and exceed expectations with forward-looking value-added services. To develop such experts, KPMG Tax Corporation provides training programs to further enhance tax technical skills and to strengthen client focus and communication skills, based on our vision to be "the Clear Choice" for clients.

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## Quality in Advisory

We have built good working relationships, forged in credibility and trust, with our clients, due to our client-focused attitude, commitment to excellence, and continuous delivery of value through consistent services based on a global perspective. We believe this is highly valued by our clients as KPMG Japan's Quality.

We are implementing the following initiatives to fulfill our clients' expectations.

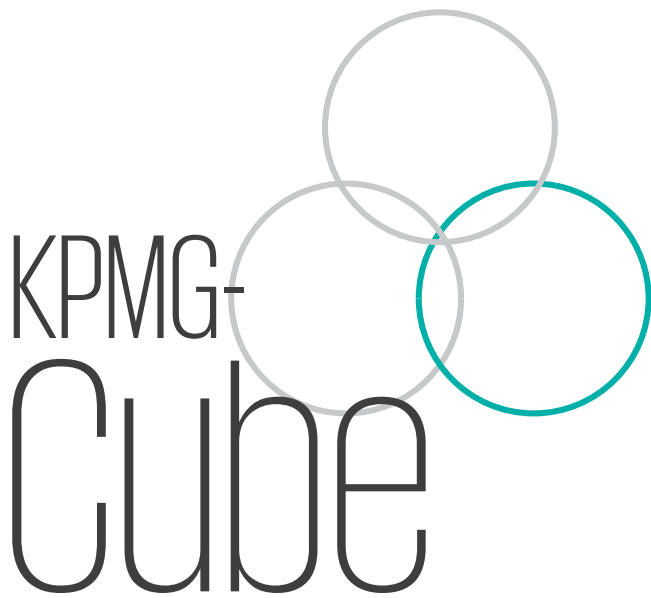
### Quality control for each advisory service

We have developed a system to ensure an operational approach and team formation that correspond to the characteristics of the client company, the complexity of the service operation, and the expertise required.

We have also made it a rule to assign a quality control partner (QCP) who manages operations from a quality perspective, for operations that are of a certain level of difficulty.

### KPMG Japan Advisory Steering Committee (KASC)

Advisory member firms of KPMG Japan and leaders of each division meet regularly to share important issues such as service quality in Advisory as a whole and discuss solutions aimed at enhancing client satisfaction.



## Demonstrating comprehensive strength

### Message from the Head of Advisory

Nowadays, companies are facing an extremely unstable situation, with technology advancing, new business models emerging, and the international situation becoming uncertain. Against this backdrop, we believe that our value lies in providing future-oriented advice, making clear, executable proposals to clients that are confronting global competition, and producing results in line with their strategies. At KPMG Japan, professionals that specialize in areas requiring a high degree of expertise and professionals that are familiar with industry-specific practices and business environments are displaying their comprehensive strength. Moreover, as a part of KPMG which consists of 170,000 people across the globe, we will support our clients' solutions to their challenges at a unified global level.

**Toshiya MORI**

Head of Advisory CEO, KPMG Consulting

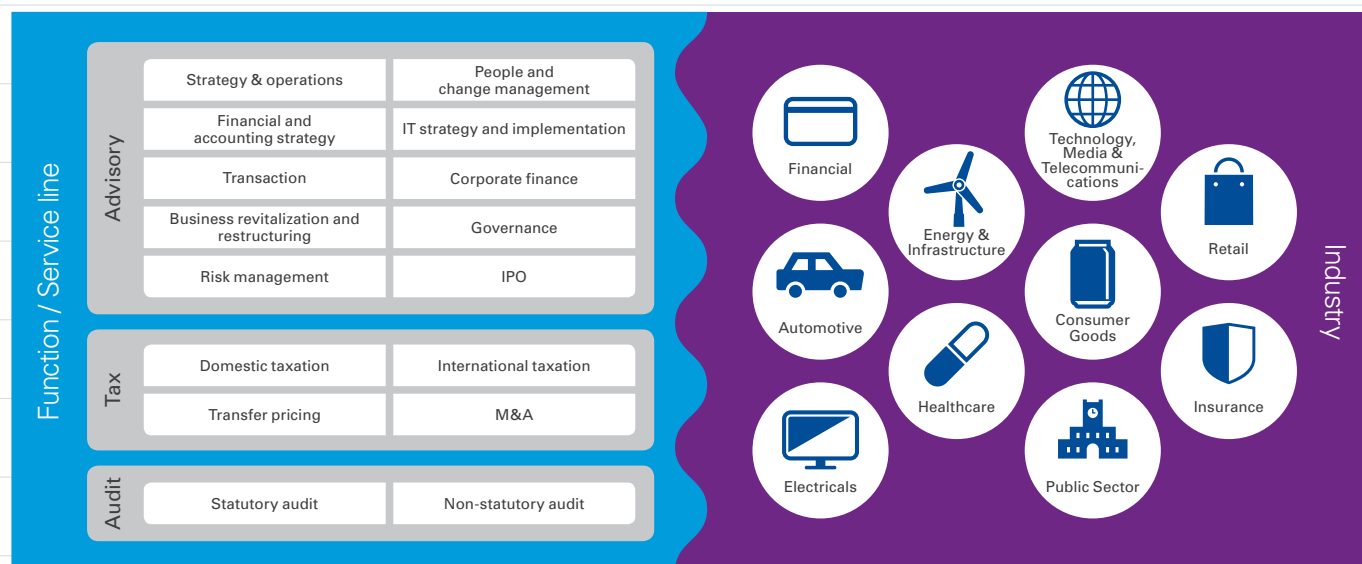


# Comprehensive strength that KPMG Japan is aiming for

We are aiming to realize a virtuous cycle to expand our seamless service, help realize our clients' strategies, and make our professionals grow through this experience.

KPMG Japan will work across its functions and services lines, namely, Audit, Tax and Advisory, and its member firms, concentrate its high degree of knowledge, and realize borderless and seamless collaboration. In addition, by forming the best teams, we will support our clients' development and solutions to their challenges. By

leveraging such experience, we are aiming to create a virtuous cycle where individual professionals increase their knowledge and expertise while KPMG Japan achieves sustainable growth and generates a broader range of opportunities for success.



## KPMG's global network that supports our comprehensive strength

		Europe, the Middle East, and Africa	Asia-Pacific	The Americas	Total
KPMG International As of September 30, 2015	Number of personnel	89,113	35,274	49,578	173,965
	Number of countries	79	36	40	155
Global Japanese Practice (GJP) As of June 30, 2016	Japanese-speaking professionals	Approx. 90	Approx. 220	Approx. 270	Approx. 580
	Number of locations	22 cities 17 countries	29 cities 15 countries	23 cities 4 countries	74 cities 36 countries

### KPMG's network

KPMG's global network has a presence in 155 countries and has around 174,000 people. We have established an organization to provide high-quality unified services anywhere in the world and our professionals coordinate from various aspects across countries and regions, service domains, and industry sectors.

### Global Japanese Practice (GJP)

Global Japanese Practice (GJP) is a global network that supports the overseas operations of Japanese companies expanding abroad. Japanese as well as Japanese-speaking professionals, who are located in 74 major cities within 36 countries, are working in cooperation with member firms in other countries and providing a broad range of services.



## Go to Market

# Developing a market-oriented culture

Technological progress enables what was previously impossible and creates new markets.

On the other hand, this progress impacts competitive conditions and regulations as well as consumer preferences, and leads to changes in the environment that clients face.

We are therefore aiming to develop a market-oriented culture so that we can provide more value by ascertaining these changes.

As part of this strategy, we are establishing cross-functional teams centered on industries and incorporating and promoting new expertise. We believe this will enable us to perform well-balanced thinking and demonstrate greater comprehensive strength to meet the expectations of clients.

## Developing deeper expertise in each industry

To deepen knowledge of various industries and increase the ability to resolve specific issues, KPMG Japan is forming cross-functional teams. As part of this initiative, we would like to introduce the core members of specialist teams for industries where the business environment has altered substantially.



**Energy & Infrastructure**

Partner, KPMG Consulting  
**Shuji MIYASAKA**

Displaying the ability to respond to global dynamism while leveraging Japan's strength

Since the Great East Japan Earthquake in 2011, the energy market has become more global and flatter, while its business environment has changed moment by moment, with various discussions being conducted in Japan and overseas. KPMG has a global network of experts that specialize in energy and infrastructure. We closely collaborate as a team, share the latest debate and knowledge, and provide high-value-added advice to support new value creation and innovation across the entire value chain.



**Financial**

Director, KPMG AZSA  
**Kensuke FUKUNAGA**

Increasingly complex regulations, FinTech and governance reform

Our audit professionals and experts in areas such as IT, financial regulations and business model reform collaborate and work closely with our global network. They aim to meet the needs of clients in the financial industry, which must respond to increasingly complex regulations, transform business models in tandem with technological innovation such as FinTech, and rapidly globalize their operations. In the area of governance reform at financial institutions, where debate is increasing, we intend to support reform that suits the corporate culture of Japan rather than the coercion of western-style debate.

**Automotive**

Director, KPMG Consulting  
**Ryota DOI**

Focusing on the advent of the automated driving age and changes in people's lifestyles



The automotive industry is being forced to reform its business models due to various factors: the optimization of supply chains that cater for the globalization of markets and production bases; technological innovation such as automated driving and fuel cell vehicles; the increasing global population; and changes in the lifestyles of automobile users. We therefore need to think outside the box to satisfy client needs. More specifically, we intend to consider and envision with clients how the relationship between cars, people and society as well as people's lifestyles and brand value will change, and to support them in executing their strategies.

**Public Sector**

Partner, KPMG AZSA  
**Keisuke MURAMATSU**

Support for the public sector that will create a bridge between "public" and "private"



Previously, services in the public sector were limited to audits for public institutions and the support of operating efficiency. However, support and services have now become wide ranging and include the following: the establishment of operating rights at public facilities owned by central governments and other entities (the concession system), assistance provided to government organizations and business operators relating to the growth of agribusiness and the creation of next-generation food and health industries; support for the management of public finance in developing countries via JICA; and assistance in overseas exports of Japanese infrastructure systems. KPMG has a substantial track record of successful services and abundant know-how relating to the public sector at a global level, and is displaying these strengths by engaging in collaboration globally.

## Providing cutting-edge services

KPMG Japan's service teams comprise members with sophisticated expertise and abundant experience in effectively implementing and supporting cutting-edge technologies at clients and assisting with the execution of highly complex services. The teams work in coordination to support clients while sharing a strong awareness of issues.



### Financial Modeling

Senior Manager, KPMG FAS

Ohshi KOTAJIMA

**Elaborate economic evaluation of large-scale investments**

As energy infrastructure projects are often complex and large-scale and involve the use of the PPP/PFI method and project finance, evaluating the economic feasibility of these investments requires elaborate and cautious consideration using financial models. In such situations, we provide clients who are considering taking part in projects with services to construct flexible, accurate financial models and review services that conform to their objectives.

### Digital Labor

Partner, KPMG Consulting

Junichi TANAKA

**Aiming to strengthen market competitiveness through further service automation**



People will concentrate on sophisticated services that only people can carry out, by replacing other work with digital labor, or using robotic process automation (RPA). By introducing RPA companies can automate a large amount of routine office work with use of software robots. They can also automate sophisticated intellectual judgments and language processing by using AI. This means it will be possible to achieve an overwhelming improvement in office work quality and greater efficiency. In addition to conventional business reform, we help clients to boost their market competitiveness by using this kind of RPA.

### Cognitive

Partner, KPMG Consulting

Yasuhiro HAYASHI

**Recognition technology opens up new possibilities**



In the area of recognition, which is a strength of the human brain, initiatives to extend recognition with the use of technology are progressing. There is a broad range of potential applications, including substantial improvements in productivity, the enhancement of accuracy, and the creation of new services. We believe it is important to ascertain the features of the technology, identify areas where those features can be most made use of, and generate effective outcomes in a reliable way. This requires a deep understanding of the technology through practical experience and the ability to discern how to make use of it in management, in our view.



### Cybersecurity

Partner, KPMG Consulting

Atsushi TAGUCHI

**Preparing for significant management risks in the IoT age**

Because of IT, various things are now networked and security has been transformed into countering risks that threaten people's safety. The essence of cybersecurity lies in developing a companywide response system under the command of the management team that recognizes security risks as a significant management risk. We provide a one-stop service extending to the front line of incident monitoring based on the decision-making of management and support clients as a multiprotocol player of security.



### International Services

Partner, KPMG Tax Corporation

Takayuki KOZU

**Understanding tax costs in business restructuring from multiple perspectives**

When companies undertake global business restructuring and integrate businesses after acquisitions, they need to make various changes to existing operations to optimize the value chain. From the perspective of taxation as well, it is necessary to understand not only transfer prices and taxation at corporations in various countries but also various tax costs that are influenced by the reallocation of management resources. To efficiently support cross-organizational initiatives, we provide advice that also focuses on the introduction of taxation IT tools and the establishment of an appropriate taxation governance system.



## Global

# The global network that supports KPMG's comprehensive strength

Now that globalization is advancing in markets, customers, employment and all other areas, clients confront issues that go beyond divisions within organizations and regions.

For us, responding to such changes will become an opportunity to provide value.

KPMG Japan aims to be "The Clear Choice" and the ultimate "comprehensive strength", by providing seamless services, supported by its knowledge and network capability, in addition to the coordination of service lines and industries.



At the annual GJP (Global Japanese Practice) meeting, GJP members in various countries all meet together, share information on topics such as global strategies and overseas business trends, and strengthen cooperation by deepening personal exchanges.



## Developing a system that transcends national borders

KPMG Japan is developing a system that transcends national borders in terms of bases, people and information.

To cater for the expansion of bases, we are increasing the number of local Japan desks through GJP.

In terms of people, we are hiring and nurturing foreign staff with Japanese language ability at local bases and actively promoting the expatriate program. In Japan, we are strengthening cooperation with other countries by setting up country desks for major countries, led by people with overseas expatriate experience.

In the area of information, we are also distributing cross-functional information, including responses to the problem of the United Kingdom leaving the EU (Brexit), in addition to information related to accounting, taxation and legislation as well as management in various countries.

### Brexit

#### Responding to Brexit

Brexit has produced new uncertainty regarding the world economy. For Japanese companies that are developing business in the U.K. and European countries, it has become a major theme. KPMG Japan has therefore set up a "Brexit and EU Response Specialist Team" composed of 60 people in Japan,

the U.K. and Europe. Through collaboration with this team, we will provide the latest, impartial information from a dedicated website that we rapidly launched ([kpmg.com/jp/brexit](http://kpmg.com/jp/brexit)). At the same time, we will provide services related to tariffs, VAT and direct taxes and a multi-perspective advisory service regarding the review of supply chains on a one-stop basis.



#### Message from the Head of Emerging Market Development Division, GJP

As the head of emerging market development division, I am supporting Japanese companies that are setting up businesses in Iran, Cuba, and other emerging markets where Global Japanese Practice (GJP) does not yet have a presence. I also help strengthen their local business once they have started their operations. Although these emerging nations are attractive as markets, there will be issues to confront such as the lack of development of local public infrastructure and systems related to the market entry of Japanese companies as well as geopolitical risks. Consequently, I do not think it will be easy for Japanese companies to move into these markets. Nevertheless, as these emerging markets are also steadily developing, there are business opportunities to capture since the Japanese domestic market is shrinking. Through the GJP Emerging Markets Desk, KPMG Japan will proactively provide such fresh information and support Japanese companies that are expanding into emerging markets.

**Prasanna VATKAR**

Head of Advisory & Emerging Market Development Division  
Managing Director  
Global Japanese Practice





# KPMG+ Career

## Developing and maintaining high level of professionals

### Message from the Head of Personnel Affairs and Human Resources Development

KPMG expects its people to face social and corporate issues in good faith, use their expertise to make appropriate judgments, and be determined and tenacious in solving problems. This means we need to develop personnel who deal with issues powerfully and who can think logically with deep insight and persuasiveness.

KPMG's firm culture encourages frank and open communication. In such an environment, our people try to learn from each other. This is at the heart of our personnel development. We shall strive not only to enrich our human resources development programs and system, but also to deepen our firm culture, where in our people live by Our Values, which are KPMG's common set of values. This is how we develop professionals who are trusted by our clients and society at large.

**Hiroyuki TAKANAMI**

Head of Personnel Affairs and Human Resources Development



\* Details on Our Values on page 35

# Development of professionals has helped us to achieve sustainable growth



As a professional firm, KPMG Japan regards its people as its most important assets. Their development is a driver enabling us to deliver valuable services that fulfill the expectations of our clients and society at large. It also supports the growth of KPMG Japan. Based on this belief, we have used programs to foster the capabilities of our professionals who deliver KPMG-Quality services, as a member of KPMG-Cube.

We serve our clients and we are also a responsible business which benefits society. As it is sometimes difficult to manage the balance between these two roles, our organization needs to have a solid anchor for the provision of our services. At KPMG Japan, we see this anchor as the capacity for well-balanced judgment and we have included it as one of our objectives in personnel development.

The capacity for well-balanced judgment consists of quality and skills. Quality means a certain ideology, mindset, and persistent consideration of others. The skills we require are to understand clearly, think logically, be persuasive, and make judgments. We believe such skills are indispensable in providing deep insight into clients' issues and making a commitment to help solve clients' problems with conviction. Such credentials, however, cannot be acquired in a day. We therefore carry out various relevant measures with a long-term perspective.

In the meantime, the environment surrounding human resources and their functions are changing. In addition to greater mobility in the labor market, competition for talent has intensified and the attractiveness of the workplace has also become critical. This issue is not limited to the personnel system and personnel development measures. In our case, it includes the environment for working with others through friendly rivalry and the corporate culture that our people autonomously form and maintain based on Our Values, which are KPMG's common set of values. By creating an organization endowed with such features, we will continue to develop and retain credible professionals who are useful and valuable to our clients and society. This is how KPMG Japan is fulfilling its aim to be chosen by our clients, society, and people.

## Three Os that foster true professionals

Fostering true professionals with dedication to society is indispensable in order to maintain and enhance our service quality. KPMG Japan has adopted a program called the "Three Os," namely, On-the-job training (OJT), Off-the-job training (Off-JT), and Opportunities to provide a wide range of service assignments.

### Three Os, the pillar supporting personnel development





Department head of People, Performance, and Culture,  
KPMG AZSA LLC

### Kenji TANAKA

Tanaka is engaged in audit spanning a range of global companies as a lead auditor. Based on his experience overseas and past professional practice, he is a key person promoting overall personnel development including development of global talent.



Board member, Partner, KPMG AZSA LLC

### Kanako OGURA

Ogura is engaged in auditing of financial institutions. Specialized in financial product accounting and tax effects, she has served as Vice Chairman of the Senior Review Board since 2006. She has also served as the Board Member of the Japanese Institute of Certified Public Accountants since 2013.

## Discussion

# Prevailing as the Clear Choice

KPMG Japan aims to be a credible organization, and one which promotes advances through social innovation. We also see our role as a player in the economy and society, which means it is important to be favorably accredited by markets, clients, and people.

To achieve this, professionals who provide sophisticated services with integrity are indispensable.

How can we succeed in being trusted and chosen as true professionals?

Some professionals in the Audit, Tax and Advisory Units got together to discuss such themes.

## What it takes to be a true professional

**Tanaka:** The world is changing fast and companies and society are facing increasingly complex issues. It is therefore becoming ever more important that we develop professionals who can cope with these changes. So, let me hear your views on what kind of professionals are desirable in your workplace and what is required of them by our clients and society.

**Kanno:** I believe that the ability to make innovative changes is what clients are expecting in my work area, advisory services. It is crucial for professionals to detect changes in the environment, conduct analysis to obtain an accurate understanding of the true challenges faced by a client, and design solutions based on this and their experience. In addition, the

communication ability to carry out in-depth discussions and to build a relationship of trust is also essential.

**Watanabe:** Deep and broad knowledge and experience are fundamental requirements of professionals, so that they can grasp reasonable analogies that go beyond what is written in tax law, and give appropriate advice to clients, particularly when they are expanding globally or into new business. Moreover, in the Tax Unit, we believe that professionals need to understand the client and keep the client's perspective in mind. This is because their needs may change, depending on their business and financial conditions, phase of growth, in-house tax service talents, and other factors.

**Ford:** It goes without saying that advanced expertise and experience

are indispensable to working at KPMG FAS, which is engaged in all phases of corporate activities, from strategy planning to transactions and post-deal activities. At the same time, we often have to face new issues or challenges and ensure a certain outcome in a limited time. This means that true professionals need the ability to think flexibly and come up with new ideas or solutions and the toughness of mind required to wrestle with problems under pressure.

**Ogura:** The most important duty of an audit firm is to ensure the credibility of disclosed financial information. We may face difficult moments or face pressure at times, such as when we disagree with a client. In such cases, we should bear in mind how to make appropriate judgments and take actions to fulfill our responsibility. In other words, I believe a true





Partner, KPMG Tax Corporation

## Naoto WATANABE

Watanabe provides tax advisory services, making extensive use of his work experience in an operating company. He became in charge of personnel development of the Tax Corporation in 2016.



Partner, KPMG FAS

## Paul FORD

Ford is a partner in deal advisory service by KPMG FAS, an area focused on cross-border M&As. He is a leader in the FAS PE sector and the Digital Technology Initiative.



Director, KPMG AZSA LLC

## Kaori KANNO

Kanno joined KPMG after working in corporate planning section at an operating company. She assists client companies of various sectors in the risk advisory domain.

professional is a person who always acts with unwavering confidence as an auditor.

### Ability to go to the heart of the matter

**Tanaka:** As I see it, KPMG Japan defines a true professional as a person who has a high level of ethics, integrity, and sense of responsibility in addition to specialized knowledge and skills and who solves issues with the capacity to understand and think logically. I am pleased to learn that you also emphasize the importance of factors other than specialized knowledge and skills. In the current increasingly complex, uncertain economic environment, what do you think will make our clients, our people and the communities we work in choose us rather than our competitors?

**Kanno:** What I found important anew, serving as director from this year, is Our Values, which provide an anchorage for KPMG professionals. The strength of the professionals in the Advisory Unit lies in the diversity of their backgrounds. In the meantime, when providing professional services, it is essential to share the value that team members generate in their work. If each member creates value and the

team can amplify that value, I think we can be very powerful.

**Ford:** Because so much information is available and accessible to everyone in today's Internet age, the value of information might appear to have decreased. However, more complex, abundant information has in fact raised the value of authentic advice and proposals designed to lead the client on a successful path. Our clients do not merely expect us to have expert knowledge or rules. They want us to demonstrate the material capacity to ascertain the essence of the issue at hand and show the way to its resolution. In other words, they really want us to provide the optimum solution to move one step forward and explain how to get there.

**Watanabe:** I fully agree that the capacity to ascertain the essence of the issue is critically important, as we are seeing more and more cases that do not fit neatly within current tax laws. We cannot allow our clients to be exposed to risks or, of course, let them be exposed to anything illegal. The ability to see through and surmise the essence of the issue, based on deep knowledge of tax laws, regulations, and practices, is now

required more than ever.

**Ogura:** It is the same in audit.

Undoubtedly, our basic role is to make judgments based on financial standards and other rules. However, at the same time, ascertaining the essence of the business of the client we will audit is crucial. My boss used to frequently tell me not to look for case examples. This is because if you follow the textbook and replicate a precedent case, you cannot solve a difficult emerging issue. I think creative and unique ideas are very high in demand nowadays in this complex economic environment. The capacity to understand the essence of issues and having imaginative power will become more important.

**Tanaka:** I'd like to refer back to the toughness of mind needed to wrestle with a problem while under pressure. I believe that we can grow as professionals and as people by building a range of experience, squarely facing issues, and racking our brains to come up with solutions. Above all, the backbone of KPMG's strength is a strong relationship of trust with clients. Let us all continue to work together to solve problems and increase our value so that we can evolve further.

# Development of global talent

With companies globalizing their operations, we are enhancing the development of global talent -- employees who can assist client companies to expand their overseas businesses.

At KPMG Japan, we second our personnel to KPMG firms outside of Japan and act as a host for people from those firms. We offer a wide range of global opportunities for our professionals. In addition, by expanding opportunities in Japan and abroad for our employees to learn, we are developing capabilities for work on global projects.

## Overseas Assignment Programs

As of June 30, 2016, a total of 171 of our professionals were working on assignments abroad. They were seconded to 59 cities in 33 countries. We thus promote the development of globally-relevant talent.

## KPMG Overseas Training Programs

We assign selected professionals to new manager, new partner, and business skills training programs hosted by KPMG Global. These programs enable the participants to deepen our relationships with KPMG firms outside Japan and to build a personal network for cooperation in future operations.

## Global Skills Training Programs

KPMG Japan defines global talent as "professionals who understand different cultures and diversity, have a certain level of language proficiency, and have the ability to execute operations in global fields." We have many training programs for career orientation, specific work tasks and skills, and English proficiency. The programs include the short-stay training programs in the Philippines, Singapore, New Zealand, Canada, and other countries.

### Our Values: Sharing values with KPMG member firms around the world

Our Values create a sense of shared identity within the KPMG organization, which is a network of member firms in over 155 countries. They define what we stand for and how we do things.

Our Values help us to work together in the most effective and fulfilling way. They bring us closer as a global organization.

<b>We lead by example</b>	At all levels act in a way that exemplifies what we expect of each other and our clients.
<b>We work together</b>	Bring out the best in each other and create strong and successful working relationships.
<b>We respect the individual</b>	Respect people for who they are, and for their knowledge, skills, and experience as individuals and team members.
<b>We seek the facts and provide insight</b>	Challenge assumptions, pursue facts, and strengthen our reputation as trusted and objective business advisors.
<b>We are open and honest in our communication</b>	Share information, insight and advice frequently and constructively and manage tough situations with courage and candor.
<b>We are committed to our communities</b>	Act as responsible corporate citizens and broaden our skills, experience and perspectives through our work in our communities.
<b>Above all, we act with integrity</b>	Constantly strive to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.



# Establishment of a pleasant work environment

We find that a pleasant work environment that facilitates our people's work and brings results is also important for their development.

At KPMG Japan, we are engaged in initiatives to achieve this, including the promotion of diversity and the Global People Survey (GPS).

## Initiatives to promote diversity and inclusion

KPMG Japan embraces professional men and women, some younger and some older, who have diverse expertise and come from various nations to work together. Our people respect each other for who they are, bring out their strength, and contribute to consistently deliver high-quality services as individuals and team members with the aim of achieving a common goal of contributing to clients and society.

## Promote active career advancement of women

Ahead of the enforcement of the "Act to Advance Women's Success in their Working Life" in April 2016, KPMG AZSA adopted Key Performance Indicators (KPI) to gauge our progress in promoting women's success in 2015. We set forth the targets in terms of the ratio of women among partners and the ratio of women among the managers and executives. Along with this measure, career support training programs and mentoring are used to help women prepare for advancement.

### Targets

Women should represent 10% of the partners and 20% of the managers and executives by 2020 (compared to 11.6% of the managers and executives as of June 30, 2016)

## Work-at-home program

KPMG AZSA has had a work-at-home program since August 2016. The primary objectives are to ensure diversity in work style, improve work productivity, and as a result to improve the work-life balance of its employees and ensure success of our business continuity plan. We intend to evolve the program to make it more beneficial to our people and have begun to extend it to staff who need to work at home and for types of work that are more suitable for work at home.

## AZSA Office Mate

KPMG Japan established AZSA Office Mate Co., Ltd., as a Special-purpose subsidiary\* in September 2011, to promote the employment of the disabled. Persons employed by this company are engaged in support work for KPMG professionals and contribute to our client services.

## Global People Survey (GPS)

Global People Survey (GPS) is our periodic survey of all people who work at KPMG member firms around the world, as a part of the efforts aiming for a better organization. We listen to our people give their views on items such as leadership, communication, career development, benefits, and the work environment. We then analyze the results in comparison with those of KPMG in other regions and other professional service providers. Survey results are open to all our people and are used for the head office and other offices and divisions to collaborate and study in order to implement measures aimed at continual organizational improvement and to ensure a pleasant workplace.

\* Special-purpose subsidiary is certified by the Minister of Health, Labour and Welfare as satisfying the conditions specified in the "Act on Employment Promotion, etc., of Persons with Disabilities."

KPMG Japan's Number of Male, Female, and Non-Japanese employees by Rank (as of September 30, 2016)

Rank	Male	Female	Non-Japanese (number included in the total)	Total	Percentage of women	Percentage of non-Japanese
Partner / Director	823	47	17	870	5.4%	2.0%
Senior Manager / Manager	1,366	241	35	1,607	15.0%	2.2%
Non-manager	3,017	1,754	101	4,771	36.8%	2.1%
Total	5,206	2,042	153	7,248	28.2%	2.1%

(Persons)

## Support the Women Corporate Directors Foundation (WCD)

Globally, KPMG supports the Women Corporate Directors Foundation (WCD), a global network of executive women around the world. KPMG Japan has also been supporting the WCD Japan Chapter since its foundation. WCD is a membership organization that provides

opportunities to get together or study, with the aim of enhancing corporate governance. As of June 2016, the Japan Chapter had about 100 women executives, mainly board members and corporate directors and statutory auditors of Japanese listed companies or equivalent. Two partners of KPMG AZSA are members of the Chapter.

# Audit

Revenues

**69.9** Billion yen


KPMG AZSA LLC provides audit services, while both KPMG AZSA LLC and KPMG AZSA Sustainability offer assurance services excluding audit services.

In recent years, the scope of services has been expanding as credibility in non-financial information and IT systems has increased in importance. By providing credible services in such operations which are the prerequisites for smooth economic activities, we contribute to maintaining and developing sound markets.

## Reasons to choose us

- 1 A quality control system (Four Defense Lines) that clarifies roles and responsibilities. This system enables us to provide high quality audit services that meet the expectations of society
- 2 Execution of audit, using expertise and professional skepticism. This enables us to cope with various risks surrounding companies
- 3 Use of KPMG's global network and diversity of professionals who can cope with globalization issues faced by companies

## Our Story – Audit 2016

- 1 Promoted initiatives to enhance audit quality, starting from Root Cause Analysis
- 2 Improved efficiency of audit by adopting Data & Analytic audit methods
- 3 Established the audit practice to allow for judgments to be completed in Japan, by deploying expertise on IFRS, U.S. GAAP, and Japan GAAP

## Service portfolio

### Statutory audit

Audit under the Financial Instruments and Exchange Act

Audit under the Companies Act

Audit of Financial Statements prepared in accordance with the International Financial Reporting Standards (IFRS)

Audit of financial statements under SEC standards

Incorporated administrative agency audit

Incorporated educational institution Audit

Credit union, workers' credit union, credit cooperative audit

Labor union audit

Investment Limited Partnerships (ILPs) audit

Special Purpose Company (SPC) audit

### Non-statutory audit

Financial statement audit of companies to which statutory audit is not applicable

Audit in accordance with the Financial Instruments and Exchange Act for the purpose of public offering

Audit of financial statements prepared in accordance with special purpose framework

Audit of single financial statements and specific elements, accounts, or items of a financial statement

Systems audit/project audit

### Assurance engagements

Audit or assurance engagement of past financial statements

Assurance engagement for internal control concerning fiduciary obligation

Information security verification services

Assurance engagement of sustainability reporting

## KPMG Japan's initiative for social value creation

### Establishment of the Technology Innovation Center:

#### Contributing to development of the economy and society by use of advanced technology

The world's industrial structure is exhibiting a paradigm shift, such as IoT and other activities involving fusion with the Internet, use of big data, leading technology in robotics and artificial intelligence (AI), and bio, medical and other advanced life science. KPMG AZSA established the Technology Innovation Center to promote services specialized in this area.

This explores promising technological seeds that exist in companies and universities and assist their originators to create new businesses, make investment, or form business plans. For ventures at an early stage where there are signs of developing the seeds into a business, we offer one-stop services, including management consultation and facilitation of business tie-ups with larger companies, through our Venture Incubation Center.



KPMG Tax Corporation provides tax services in Japan. The global business landscape is continuing to undergo tremendous change and companies are ever more exposed to new challenges such as measures taken by tax authorities to address aggressive tax avoidance by multinational corporations. By drawing on not only our Japan network but also our tax professionals from KPMG's global network, we are dedicated to helping our clients succeed and are passionate about providing comprehensive advice. Using our understanding of governance and our deep industry knowledge, we help clients stay competitive and compliant.

## Reasons to choose us

- 1 Our capabilities in providing cross-border services by utilizing KPMG's global network
- 2 A wealth of top-class tax professionals with expertise in each specialized area
- 3 Provision of practical tax advice in accordance with the particular needs of clients

## Our Story – Tax 2016

- 1 Growth of M&A related services largely due to the increased In-Out transactions
- 2 Increase in international tax and transfer pricing services to respond to the growing importance for multinationals to address BEPS
- 3 Provided tax cost optimization services in relation to development/re-establishment of a supply chain which takes account of customs duties and other indirect taxes

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

## Service portfolio

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

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

Following the OECD review of global tax rules, multinational companies are required to submit country-by-country reports which could increase the risk of double taxation. While appropriate control of tax-related risks is a key issue, many companies in Japan have difficulties in capturing their overseas subsidiaries' tax status and implementation of a global tax governance policy tends to lag. Going forward, it is only a matter of time before tax authorities set up an information network globally and companies' profit and loss and tax burden in each jurisdiction will become transparent. In such an environment, proper handling of BEPS issues can be a critical challenge for companies to become truly global. At KPMG Japan, we help Japanese companies build a global tax governance system which is spearheaded by the Japan HQs and support clients with enhancing their management process and help them succeed in an intense international competition.

### Message from the Head of Tax

KPMG Tax Corporation approaches our people development by focusing not only on improving technical skills and capabilities as tax professionals but also on being able to identify clients' real challenges and needs and to provide solutions for them. These professionals with cutting-edge experience in various domains team up with colleagues through KPMG's global network to provide sophisticated tax services to fulfill our clients' needs.

Head of Tax of KPMG;  
Representative Partner of KPMG Tax Corporation

Yuichi KOMAKINE



# Advisory

Revenues

# 42.9

 Billion yen


KPMG Japan's advisory services comprise of three domains: risk consulting, deal advisory, and management consulting services. Leveraging KPMG's global network, we provide a wide range of solutions to challenging management issues of our clients and support them to grow.

## Reasons to choose us

- 1 Provision of one-stop advice, through collaboration as specialists with various expertise
- 2 Use of leverage of KPMG's global network and provision of advanced services matching diverse needs of clients
- 3 Provision of quality-focused services by professionals with expertise

## Our Story – Audit 2016

- 1 Undertook initiatives to enhance the credibility and improve the profitability of Corporate Japan, as expected in increasingly globalized capital markets
- 2 Expanded advisory services which reflected a current transition phase of industrial structure and the business structure of our clients
- 3 Carried out advisory services that cope with expanding risks and opportunities by advanced digital technology

## Advisory Service Framework

### Risk consulting

We provide practical knowhow regarding potential risks for clients' smooth business operation. That knowledge is in matters of risk management, compliance, internal control, internal audit, cyber security, human resources management, and so on. We also support clients to build and implement optimal global group management structure.

### Transaction & restructuring service

We provide comprehensive one-stop support needed from pre-deal to post-deal times for M&A advisory and business portfolio restructuring to assist clients to revitalize themselves or their businesses. Advisory services also cover the improvement of financial position, avoidance of operating deterioration, and formulation and implementation of growth strategies.

### Management consulting

We support the implementation of projects related to management, organization, process, technology and operational improvement. They include cross-border operational support utilizing our global network and vast experience in cross-border projects, as well as shared services and business process outsourcing, to be used as a strategic method to reorganize business structure.

### Advisory by industry sector

Our professionals with knowledge and insight in their respective industries satisfy a wide range of client needs, by utilizing global tools which have an ample supply of the latest information accumulated across a wide array of industries.

## KPMG Japan's initiative for social value creation

### Establishment of the Sports Advisory Group:

#### Assist successful management of sport-related organizations and support diversity of values in society

The sports industry in Japan is brimming with excitement over the Tokyo 2020 Olympics and other international sports events scheduled for the coming years, in addition to reflecting the recent heightened trend of health-consciousness and maturing of certain sports leagues. Those teams and associations bring joy and vitality to their members, audience, and supporters and communities. KPMG Japan has newly established the Sports Advisory Group to assist the enhancement of these trends, and help with management and financial control schemes which are indispensable to the success of

these teams and associations. We will use insight accumulated in servicing many companies to provide advice on management issue analysis, long-term business plan development, budget control, and financial transparency. From a professional firm's perspective we also consult on construction of stadiums, a recent highlighted topic in the sports industry. Specific items include concept design, planning, feasibility studies, and examination of management or funding methods.

### KPMG Global CEO Outlook 2016: Providing insight on solving complex challenges confronted by companies

Leveraging our global network, KPMG conducts analyses on corporate trends and opinion surveys of corporate management. In "KPMG Global CEO Outlook 2016," we have surveyed 1,268 chief executive officers of 11 major industries in ten countries. This gave us an enhanced in-depth perspective on major issues of

those companies and expectations of the CEOs for the future. KPMG Japan also conducts studies of the nature of international comparisons or inquiries into the characteristics of Japanese companies so that we can better advise many of our clients, which are taking challenges in a variety of cultures.



# KPMG Japan's Citizenship

There are various types of underlying issues in today's world.

At KPMG Japan, we take those social issues seriously. By using our professional knowledge and experience, we create shared values with society and contribute toward realization of sustainable society.

## Corporate Citizenship Initiative

KPMG Japan is promoting the Corporate Citizenship Initiative, based on the following mission.

"Being aware of our standing as a member of society and a corporate citizen, we fulfill our responsibility as a group of professionals, while at the same time, we stand firmly committed to taking action to make our society and the environment a better place."



Seminars for fostering of women leaders in financing and accounting



Asubito Fukushima's hands-on study



Blind Football Club Championship  
© NPO Japan Blind Football Association

## Managerial talent development

### Endowed chair

KPMG Japan is engaged in activities to present our accumulated expertise and insight to university students, with the aim of developing future managerial talent. One such example is our endowment of chairs in academic institutions, notably at the Graduate School of International Corporate Strategy, Hitotsubashi University, and the Graduate School of Accountancy, Waseda University.

### AZSA accounting classroom for students

AZSA accounting audit classroom sessions are held for high school students as an initiative to increase the number of persons who understand what an accounting audit is.

## Women's empowerment support

### Seminar for fostering of women leaders in finance and accounting

KPMG AZSA hosts the "Seminars for fostering of women leaders in finance and accounting," targeted at women candidates for managerial positions in finance and accounting. We also organize an "Accounting Women Network" for seminar graduates, providing a forum for exchange through study groups and alumnae events.

## Disaster-stricken area support

### Secondment to Asubito Fukushima

A KPMG AZSA accountant was seconded to the non-profit group Asubito Fukushima, which supports the restructuring of disaster-stricken Fukushima Prefecture. Through hands-on study of renewable energy and corporate training courses, he is helping foster personnel to be in charge of restructuring.

### Participation in the "Keiei Mirai Jyuku" (Tutoring school for entrepreneurs)

We participate in the "Keiei Mirai Jyuku" of the Tohoku Future Creation Initiative on a pro bono basis and help prepare business plans for entrepreneurs in the disaster-stricken areas.

## Sport-related initiatives

### Sponsoring the FIT for Charity Run

KPMG Japan is also aiding sport-related initiatives. One example is our participation in the FIT For Charity Run (Financial Industry in Tokyo for Charity Run), a charity event held by companies in financial sectors and related organizations. We continually support NPOs engaged in community-rooted meaningful activities.

### Sponsoring blind football games

We entered into a partnership contract with the NPO Japan Blind Football Association; the Club Championship Meet was held in March 2016.

### Support of Parasports

Some of our professionals provide pro bono services to internal audit of the Nippon Foundation Paralympic Support Center.

## Global issues, environmental initiatives

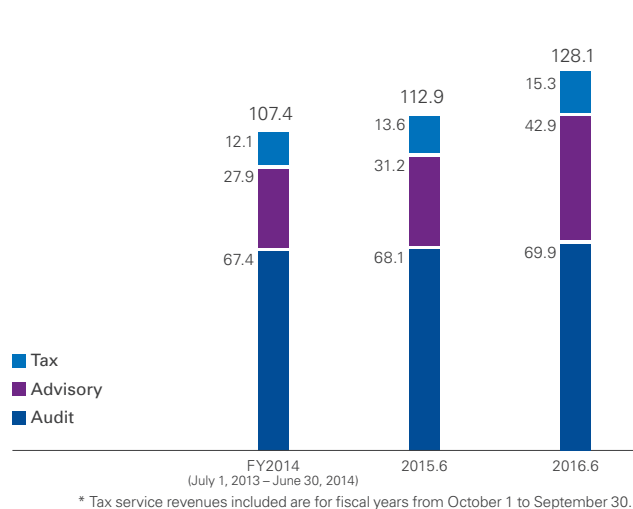
### KPMG Global Green Initiatives

Based on the KPMG's Global Green Initiatives, we take various measures to reduce CO<sub>2</sub> emissions.

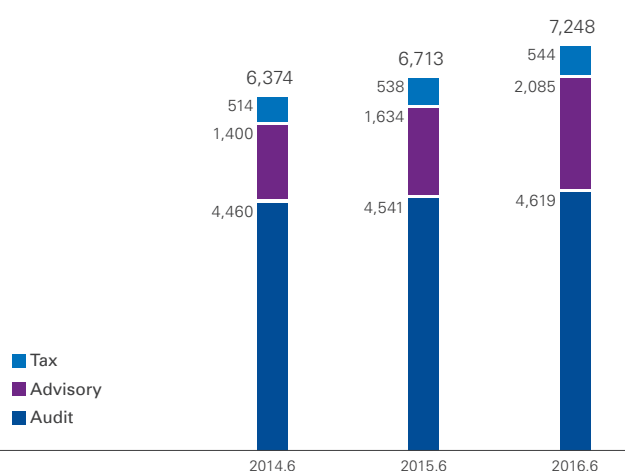
Details of our Citizenship Initiatives are available on KPMG Japan's website:  
[kpmg.com/jp/csr](http://kpmg.com/jp/csr)

# Three-year Performance

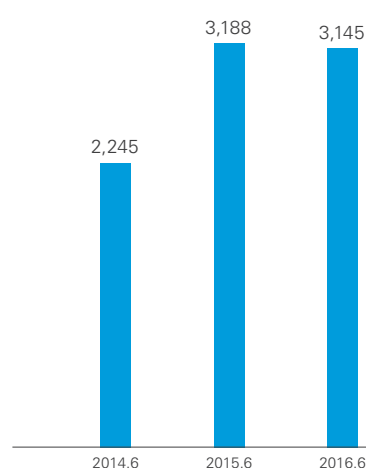
Revenue (billion yen)



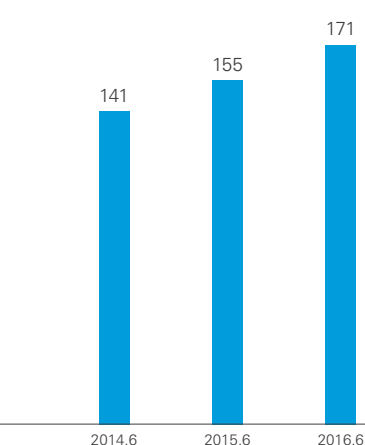
Number of Employees



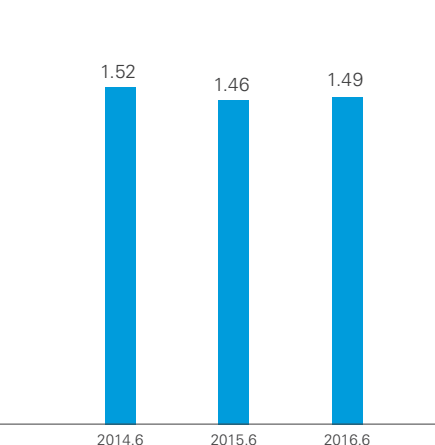
Number of Global Employees\*



Number of Employees Seconded Overseas

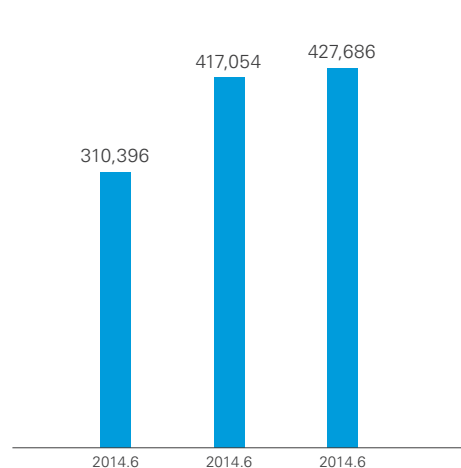


Investment in Human Resource Development (billion yen)



\* Global employees are those who have overseas work experience, or have been in global skill training courses, or are nationals of countries other than Japan.

Aggregate Training Hours

M&A Advisory Ranking  
(including banks, securities companies, and other financial institutions)

	2013	2014	2015
Based on publicly-announced deals	6	6	4
Based on In-Out deals (Acquisition of foreign companies by companies based in Japan)	2	2	1

Source: Thomson Reuters

Pursuant to the provisions of 16.3 of Article 34 of the Certified Public Accountants Acts, KPMG AZSA LLC publishes documents explaining the status of its business operations and assets on the website: <http://kpmg.com/jp/azsa-pi-31>. These documents are also open to the public for inspection at our offices across Japan.

# Member Firms

## About KPMG

KPMG is a global network of professional firms providing Audit, Tax, and Advisory services. In 1987, Peat Marwick International (PMI), Klynveld Main Goerdeler (KMG), and their member firms merged and became KPMG. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

## KPMG International

Revenues	US\$24.44 (Oct. 1, 2014 – Sep. 30, 2015)
Number of personnel	173,965
Number of countries	155
Headquarter	Amstelveen, The Netherlands

(2015.9.30)

## KPMG Japan Member Firms



### KPMG Consulting Co., Ltd.

President & CEO Toshiya MORI

KPMG Consulting assists clients to reinvent their business model or improve their overall management control. Specific advisory services are diverse, including planning of business strategy, improvement in operational efficiency, profit management capability, governance, risk management, planning of IT strategy, assistance in implementation of IT tools, reform of organization and human resource management, and cyber security.



### KPMG FAS Co., Ltd.

Representative Directors  
Masahiko CHINO, Hiroyuki OSHIDA

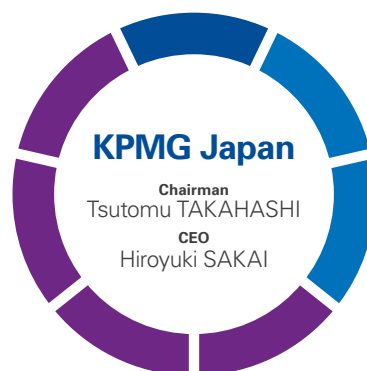
KPMG FAS offers comprehensive support to every phase of corporate activities for value creation, ranging from strategy planning and transactions (such as M&A, business restructuring, and corporate revitalizing) to post-deal issues. Primary services are related to M&A advisory work (feasibility analysis, valuation, due diligence, structuring advice), corporate revitalization advisory work, management strategy consulting, and fraud investigation.



### KPMG AZSA LLC

Managing Partner Hiroyuki SAKAI

KPMG AZSA LLC offers professional services, including audit, assurance, IFRS advisory, accounting advisory, financial advisory, IT advisory, and middle market development. In addition, we deliver expert services, tailored to the sector-specific needs in the financial, information/telecommunication/media, retail, energy, manufacturing, and public sectors.



### KPMG Tax Corporation

Representative Partner Yuichi KOMAKINE

KPMG Tax Corporation's teams of tax practice specialists, with a high degree of expertise in each area, offer appropriate tax advice to Japanese companies, Japanese subsidiaries of foreign companies, and others. Our tax-related services include preparation of tax returns, tax investigation witness appearances, and advice regarding M&A-related work, corporate restructuring and revitalization, consolidated tax return filing, international taxation, transfer pricing, customs and tariffs and charges, and business inheritance.



### KPMG Social Insurance and Labor Advisors Corporation

Representative Mayumi OGAWA

KPMG Social Insurance and Labor Advisors provides outsourcing services to back office administrative operations primarily to foreign corporations which enter Japan and subsidiaries of Japanese companies. Specific services could start from support works at the time of the establishment of a legal entity in Japan. They also include human resources (payroll and social/labor insurance administration) services.



### KPMG Healthcare Japan Co., Ltd.

Representative Director Keiichi OWARI

KPMG Healthcare Japan provides advisory services on business and financial services in the healthcare industry, including medical and nursing care. Advisory services are related to clients' strategies, risk evaluation, M&A, finance, business revitalization, and other issues.



### KPMG AZSA Sustainability Co., Ltd.

Managing Partners  
Kazuhiko SAITOH, Yoshitake FUNAKOSHI

KPMG AZSA Sustainability provides third-party assurance services for companies to raise the credibility of their non-financial information. We assist companies' pursuit of sustainability by supporting corporate performance and risk control in the sustainability field.

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

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

**Reporting Period** Applicable period of performance data is mainly Fiscal Year 2015 (July 2015 – June 2016). In addition to reviewing the past and the latest year the report presents our outlook for 2016 and beyond.

**Publication Information** October 2016

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## Regattas and KPMG Japan Our Story

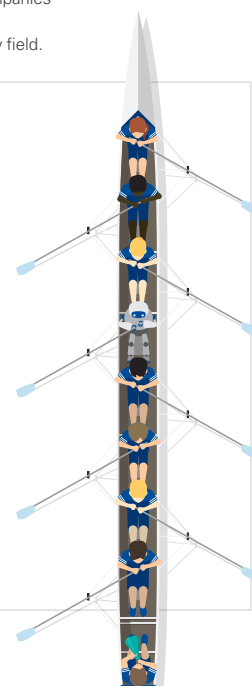
A regatta typically describes a series of boat races, that have been held since the 1800s. The most popular rowing regattas include the Henley Royal Regatta held on the River Thames, England, and, in Japan, the Waseda-Keio Regatta held on the Sumida River.

This year's KPMG Japan Our Story adopted the regatta as a motif to help explain our activities.

In order to win a race, all crew members must strive hard toward the shared goal, in addition to each crew member performing so as to fulfill his or her role. In addition, a regatta often includes social activities and promotional activities which surround the racing event.

We find that a regatta resonates well with our organization – that each of us sincerely performs an assigned role as KPMG professional and uses comprehensive strength aiming at the same target and fulfilling our social role.

Inspired by athletes who endeavor to win a medal at the Tokyo 2020 Olympic games, we at KPMG Japan will make utmost efforts to achieve Our Vision.



# Contact us

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