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SUMMARY REPORT

FT & KPMG INTERNATIONAL BREXIT BOARDROOM SERIES

Resetting for the future:
A window into the global
Brexit conversation

5 October 2017

Imperial Hotel
Tokyo



An event from FINANCIAL TIMES **LIVE**

AGENDA

Arrivals, networking and breakfast

Welcome and opening remarks

Robin Harding, Tokyo Bureau Chief, *Financial Times*

Hiroshi Miura, Head of Global Japanese Practice, *KPMG in Japan*

EU Presentation

His Excellency Viorel Isticioaia-Budura, European Union Ambassador to Japan

UK Presentation

His Excellency Paul Madden, United Kingdom Ambassador to Japan

KPMG Presentation

Karen Briggs, Head of Brexit, *KPMG in the UK*

Brexit observations

Antony Phillipson, Director of Trade & Partnerships, Dexeu, *UK Government*

Tsukasa Obayashi, Editor-in-chief for Europe, *Nikkei*

Q&A Session

Political risks

- What are the biggest political risks for Japanese businesses in the coming 12 months?
- How are Japanese businesses investing and planning to manage the impact of Brexit?
- How could diplomatic relations between the UK and Japan evolve?

Trade and operating models

- What would be the main objectives of a new UK-EU trade deal?
- Is investment and trade in the UK/EU more or less appealing as a result of Brexit?
- How are businesses transforming operating models in the shifting global trade environment?

People

- What could be the impact of immigration reform on Japanese businesses operating in the UK/EU?
- How can businesses plan for the impact of harder borders on talent acquisition?
- Can relocation, digitization and automation soften the blow?

Closing remarks

Hiroyuki Sakai, Managing Partner, CEO, *KPMG in Japan*

The FT AND KPMG INTERNATIONAL BREXIT BOARDROOM SERIES was designed to canvass the views of business leaders who are mapping their way to tomorrow's opportunities and challenges. The Tokyo event was the third in the global series, which brings together senior business leaders in major markets across the world, including New York, Frankfurt and London, to discuss issues around Brexit as well as other geopolitical developments.

Brexit and other shifts in the geopolitical landscape are back on boardroom agendas. From securing talent and navigating regulatory change to rethinking supply chains, reviewing location strategies and considering data and intellectual property management, businesses are facing a challenging few years. Actively planning potential strategies now is vital to minimize disruption to business as a result of Brexit – and for the most agile and innovative businesses, the UK's departure from the EU can also be a catalyst for change. A roadmap that plots the tasks and timelines will become essential in making decisions before the 2019 exit deadline as well as the transitional period that may follow.

By understanding their options and being clear about their opportunities, as well as their exposure, Brexit can help businesses reset for the future. This report provides a curated summary of the practical insights and original thinking from the event in Tokyo, which was attended by C-level executives from companies with operations and customer bases in the UK, Europe and Japan. There was a diversity of industries and backgrounds represented with delegates from the media, insurance, financial services, automotive, energy and real estate industry, as well as speakers within both the public and private sector.

Highlights of what we heard in Tokyo

- Certainty, clarity and transparency over negotiations and the direction of the UK-EU relationship is top of mind for Japanese businesses
- The UK may have been a gateway to Europe for Japanese companies in the past, but this has been called into doubt as a result of Brexit
- With such uncertainty, it is hard to understand Brexit from the outside in for non-EU / UK companies – whether it be the rhetoric or the practical details - and there are a number of actions that the UK and EU governments could take to provide further details to support these businesses
- Leaders recognize that Brexit is 'not a normal negotiation', and although recent progress is welcomed, the lack of a clear future vision means that businesses need to be planning for the possibility of a cliff-edge scenario
- Brexit is just one of the many challenges that businesses are dealing with, but it can be used as catalyst for planning for the future.

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Brexit from a Tokyo point of view

The discussion with Japanese business leaders in Tokyo covered four key themes:

- 1) Identifying the key opportunities and risks for business
- 2) How businesses are responding to and preparing for Brexit, and what they can do to mitigate uncertainty during the negotiation period
- 3) How Brexit may also present opportunities for businesses and locations
- 4) The future of trade relations between Japan and both the UK and the EU.

From rhetoric to pragmatism – but challenges remain

It was clear that Japanese business leaders welcomed recent progress in negotiations (such as discussions around a transitional period), which was seen to begin to clarify the future direction of the EU-UK relationship. Speakers highlighted the change in the UK government's stance on Brexit, from its rhetoric of 'No deal is better than a bad deal' and 'Brexit means Brexit' when Article 50 was first triggered, to its more conciliatory and pragmatic tone since the Conservatives lost their overall majority in June's snap general election. In recognition of business concerns, representatives from both EU and UK government also spoke to their shared history, shared challenges and shared futures, reiterating that *'whilst the UK was leaving the EU, it is not leaving Europe'*.

However, Brexit was recognized as *'not a normal negotiation'*: the compressed timeframes, discussions of regulatory divergence (rather than convergence), and challenges of untangling the 'divorce' issues (such as the 'exit bill', Irish border and citizens' rights) from the future relationship were all raised. One business leader highlighted that whilst efforts are being made, the question remains of what will happen in the next two years, and that *'a clear future vision is needed'* for businesses to plan appropriately.

Indeed, there were a number of questions that were seen to remain on the minds of business leaders, particularly in relation to what lies ahead in terms of UK politics: how long Theresa May will be able to maintain a sufficiently strong grip on the leadership? If another general election is triggered and Labour Party leader Jeremy Corbyn becomes prime minister, what will this mean for Brexit and business in general?

It can be hard to understand Brexit from the outside in

Representatives from UK and EU government recognized Brexit is a complex, challenging and timely topic, where the one of the top priorities of negotiations is to help businesses avoid disruption.

Resetting for the future: A window into the global Brexit conversation

As the roadmap for the future relationship between the EU and UK is being redrawn, Japanese businesses are seeking insight into what this means in practice for their operations. One leader considered uncertainty as the key concern for business: it is *'not easy'* to make things work within the EU, and Brexit is seen to add to that confusion – they *'discover every day how different it is to operate in such a complex setting'*.

Both the level of complexity and rhetoric is clouding the landscape for non-European business. For example, the interchangeable use of 'interim', 'implementation' and 'transition' was seen to be confusing to outside (third country) investors, particularly for non-native English speakers.

Certainty, clarity and transparency is needed

Government representatives understood that Japanese business leaders are seeking, clarity, certainty and transparency. However, speakers recognized that the future framework will likely remain uncertain for some time, given the process and level of detail required.

One way of providing greater certainty was seen to be a commitment to an implementation timeframe (i.e. effectively extending the 'deadline'), as a critical component of helping business manage the transition. Others requested confirmation that there would be *'ample'* regulatory support available for companies undertaking planning and execution activities in response (such as the conversion of operations and licensing approvals in the financial services sector).

A one-size-fits-all approach will not work

Presenters emphasized that the impact of Brexit will be unique to each sector and business. For example, highly regulated industries will be concerned about access to the EU or UK market, while those with complex supply chains, such as automotive, consumer electronics, food and beverages and pharmaceuticals, may be more concerned about the impact of tariffs and customs and administrative arrangements on supply chains. Access to talent may be more relevant for sectors such as transport, research and education.

Business needs to be prepared for a cliff-edge regardless

Given the level of progress achieved in negotiations to date, presenters urged businesses to remain vigilant and aware of the possibility of a cliff-edge Brexit, where the UK crashes out of the EU and its international trade is governed by WTO rules.

This was echoed by business leaders in attendance, who recognized the importance of being well-prepared for all possible outcomes of Brexit negotiations – particularly given the number of Japanese companies that use the UK as a 'gateway' to Europe. One leader with operations both sides of the Channel commented that they are *'just waiting to see the final settlement and rules of engagement to move either to the EU or the UK'*.

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Will Japan continue to look to the UK?

Many participants commented that the UK has been the historical gateway to Europe for Japanese companies. As heard at previous events in the International Brexit Boardroom Series, the UK was emphasized by one speaker to be an attractive destination to do business in a post-Brexit world for a number of reasons – from the corporate tax rate and ease of doing business to the world-class universities. The unexpected strength of the UK economy was also highlighted, with the devaluation of the currency boosting the export and domestic property markets.

But some business leaders suggested this may be called into doubt as a result of Brexit: *'the UK was seen as main gateway to Europe, but this is now not enough and we need to look beyond it.'* Although Japanese inbound investment has remained steady and companies have continued to announce investment or deals in the UK (such as Nissan, Toyota and Softbank), some leaders commented that they are in fact delaying investment decisions into the UK – and it is unclear when the situation will stabilize enough to progress those decisions. Some participants also feared that the UK is becoming less welcoming to foreign businesses and workers, implying that this may impact on whether companies and jobs move elsewhere in Europe.

It was recognized that the continued attractiveness of the UK may be enhanced by the possibility of bilateral trade relations between the UK and Japan; agreement on a political framework for such an agreement was reached in principle in July.

Brexit as a catalyst for change

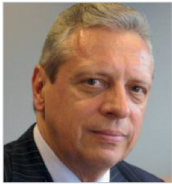
Geopolitical issues are having a significant impact on the macro environment worldwide, and Brexit is just one of many challenges that businesses are having to deal with. Although there are many challenges ahead, presenters highlighted that Brexit can be used as a catalyst for the future – i.e. a chance to rethink the future of supply chains, recruitment and the movement of goods, capital and services.

Business leaders are already looking at how to redesign products and services to mitigate risks and take advantage of the opportunities of Brexit, such as training new workforces, HR transformation, improving logistics and supply chain operational efficiency, and developing new products and entering fresh markets. In short, agility and flexibility will become the new normal.

SPEAKERS

His Excellency Viorel Isticioaia-Budura

European Union Ambassador to Japan



H.E. Viorel Isticioaia-Budura has been a diplomat for several years. He began his career in 1978 as a Diplomat for the Ministry of Foreign Affairs of Romania until 1985, before becoming a Diplomatic Press Officer at the Embassy of Romania in the People's Republic of China, where he served until 1990. From 1990 to 1992, he headed the Staff of the Prime Minister of Romania,

followed by a position as the Minister-Counsellor (DCM) at the Embassy of Romania in Japan until 1996.

From 1996 to 1998 H.E. Isticioaia-Budura became the Deputy Head of Multilateral Affairs Department, Ministry of Foreign Affairs of Romania, from where he moved to the UK to serve as Minister Counsellor (DCM) at the Embassy of Romania. In 2000, he was appointed the Ambassador of Romania to the Republic of Korea until 2002, followed by the same position - this time in China. During his tenure in China he was awarded the Diplomatic Rank of Ambassador by Decree of the President of Romania. He stayed in that position until 2011, when he became the Managing Director and Head of Asia and Pacific Department at European External Action Service. In 2014, H.E. Isticioaia-Budura moved once again to his present post as the Ambassador Extraordinary and Plenipotentiary of the European Union to Japan.

BIOGRAPHIES

SPEAKERS

His Excellency Paul Madden

United Kingdom Ambassador to Japan



H.E. Paul Madden has built a solid career in the British Foreign Service. His experience dates back to 1992 when he served at the Department of the Ministry of Foreign Affairs in charge of expansion and environmental problems of the European Union until 1996. After that, he was appointed First Secretary on Trade Policy at the British Embassy in the USA, where he worked until 2000. In that year until 2003, he served as the UK Deputy High Commissioner to Singapore.

In 2006, Mr Madden took on the role of Managing Director to the Trade and Investment Ministry of International Trade. He was in charge of coordinating and enforcing international trade development strategies to support companies across several sectors. In 2005 he headed a team involved in winning the British Museum at the Aichi Expo, and was two years later appointed as the British High Commissioner to Singapore, where he stayed until 2011. He moved to Australia to serve as the Senior High Commissioner, and left in 2015 as he was appointed as the Asian Pacific Special Administrator from the Foreign Commonwealth Office. Since January 2017, Mr Madden has served as the British Ambassador to Japan.

SPEAKERS

Antony Phillipson

Director of Trade & Partnerships, Dexeu

UK Government



Antony Phillipson is Director of Trade and Partnerships in the Department for Exiting the European Union. His career in the Civil Service started in 1993 at the Department of Trade and Industry, with posts as Private Secretary and then Principal Private Secretary to the Secretary of State.

After four years as a Counsellor (Global Issues) in the UK Embassy in Washington, he was the Prime Minister's Private Secretary for Foreign Affairs (2004–2007). Recently, he was appointed as the Head of the Iran Co-ordination Group in the FCO. In April 2011 he was appointed as High Commissioner to Singapore. Back in London in April 2015, he was appointed as Director (EU External) in the European and Global Issues Secretariat in the Cabinet Office.

BIOGRAPHIES

SPEAKERS

Tsukasa Obayashi

Editor-in-chief for Europe

Nikkei



Mr Obayashi has joined the Nihon Keizai Shimbun (The Japan Times) in 1984. After working as deputy general manager in the Tokyo head office editorial committee, he worked as the editor in the European editorial board, based in London. Soon after that, he was appointed as the European editor-in-chief director in 2016, and from 2017 as the editorial writer for advanced level.

During his tenure in London, he wrote a column on European structural issues on the Nikkei papers and an electronic version, centred on Brexit. Mr Obayashi works as the Editor-in-chief for Nikkei, a leading publication in Asia. His expertise in the European region, a broad network as well as his significant experience have been valuable when conducting analysis on European matters as part of his current position.

SPEAKERS

Karen Briggs

Head of Brexit

KPMG in the UK



Karen Briggs is Head of Brexit and a member of the Executive Committee of the Board for KPMG in the UK. She leads a dedicated team of experts to support clients in mitigating the risks and taking advantage of the opportunities that arise from Brexit. As a partner at KPMG for 18 years, she has built a strong reputation in major complex legal negotiations involving international regulatory issues.

Furthermore, she has held various senior positions at KPMG, and as a Forensic Partner by background, she was seconded for two years to the Bank of England's Special Investigations Unit, becoming Head of Bank Investigations at the Enforcement Division of the FCA. During this time, she was also an advisor to the Board of Banking Supervision. She has been involved in a number of reports to the regulator concerning fraud investigation, money laundering and miss-selling.

BIOGRAPHIES

CHAIRS

Robin Harding

Tokyo Bureau Chief

Financial Times



Robin Harding is Tokyo Bureau Chief for the Financial Times, covering the Japanese economy, politics and foreign relations. He was previously based in Washington DC, where he covered all aspects of the US and international economy, from the Federal Reserve to the IMF.

Mr Harding was born in Durham, in the north of England, and has degrees in economics from the University of Cambridge and Hitotsubashi University. He joined the FT in 2006 and worked as Tokyo correspondent from 2008 to 2010. Before becoming a journalist, he worked in banking, asset management and public policy research.

CHAIRS

Hiroyuki Sakai

Managing Partner, CEO

KPMG in Japan



Hiroyuki Sakai is the Managing Partner and CEO of KPMG Japan from July 2015 as well as serving as the Chairman of the Global Japanese Practice. Prior to taking on this role, he served as the Tokyo Office Managing Partner from July 2013 to June 2015, as well as an Executive Board Member since June 2010.

Mr Sakai has over 25 years of experience providing professional services to large multinational clients and Japan domiciled public companies. He joined Arthur Andersen & Co in 1980, and was elected to the partnership in 2001. He has a Bachelor Degree in Economics from Keio University in 1980 and Certified Public Accountant in 1985 as a member of the Japanese Institute of Certified Public Accountants (JICPA).

BIOGRAPHIES

CHAIRS

Hiroshi Miura

Head of Global Japanese Practice

KPMG in Japan



Hiroshi Miura has 25 years of experience at KPMG, having worked at the Osaka, New York, London and Tokyo offices. In Tokyo, he was appointed as the head of the GJP and Executive Board Member in October 2013.

His work includes advising global manufacturing companies through various projects including designing feasible new organizational structures to fit a multinational business models, building internal control processes in overseas operations, establishing global corporate governance and risk management procedures and providing internal audit for overseas group companies. He has been an ICOFR audit committee & ICOFR QC committee member, as well as a core member of the IFRS advisory service group, and deputy director of IFRS since 2008.

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ORGANIZERS



KPMG is committed to helping businesses transform for tomorrow by bringing innovative approaches and deep expertise to the challenge of Brexit. Given the on-going market uncertainty and potential wide sweeping changes that lie ahead, we believe that businesses need to prepare fully to maximize opportunities and remain agile to secure competitive advantage in a post Brexit world. It is an opportunity for businesses to rethink and reset their futures.

KPMG is a global network of professional services firms operating in 155 countries around the world with more than 190,000 people. Providing audit, tax and advisory services we combine our multi-disciplinary approach with deep industry knowledge to help clients meet challenges and find opportunities each and every day.

KPMG in Japan is a leading provider of audit, tax, consulting and deal advisory services to a broad range of domestic and international entities. Represented by seven KPMG member firms in the Japanese market, KPMG in Japan operates as a joint group with more than 7,000 dedicated employees and partners who deliver integrated solutions to their clients' issues.

Brexit: A catalyst for business to reset their futures.

The clock is ticking, but how can you as a business leader prepare for Brexit while so much uncertainty hangs in the air? From securing talent and navigating regulatory change to rethinking supply chains and reviewing location strategies, Corporate Britain faces a challenging journey ahead which reaches far beyond Britain's shores.

Planning your response early is vital so you can ensure your business is Brexit-ready and you can move forward with confidence. Draw on practical insights and original thinking from KPMG's national, regional and global Brexit experts across industries and find out what Brexit means for your business – please contact us for more insights.

www.kpmg.com/brexit

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