KPMG あずさ監査法人

Transparency Report 2026/27

October 2026

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KPMG Values

KPMG is committed to quality and service excellence in all that we do, helping to bring our best to clients and earning the public's trust through our actions and behaviors both professionally and personally.

Our Values guide our behaviors day-to-day, informing how we act, the decisions we make, and how we work with each other, our clients and all of our stakeholders.

Our Values are:

Integrity
We do what is right.

Excellence
We never stop learning and improving.

Courage
We think and act boldly.

Together
We respect each other and draw strength from our differences.

For Better
We do what matters.

Message from the Country Senior Partner

As a member of the KPMG network, KPMG AZSA shares a common Purpose "Inspire Confidence. Empower Change." - with member firms around the globe.

With this Purpose in our mind, we seek to establish the reliability of information through auditing and accounting services and support the transformational efforts of companies and society towards sustainable growth.

Consistent with the previous year, this report focuses on efforts at KPMG AZSA to improve audit quality, based on KPMG's globally consistent quality management framework.

Furthermore, this report details how we strive to meet expectations of stakeholders and promote our audit quality, building on the measures taken to meet the requirements recently introduced, including strengthened requirements of the CPA Act of Japan, refreshed principles of the Audit Firm Governance Code, and enhanced requirements of System of Quality Management.



September 30, 2026

Hiroyuki Yamada

Chief Executive Officer

KPMG AZSA LLC

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Audit quality

Audit quality is fundamental to maintaining public trust and is the key measure on which our professional reputation stands.

We define "audit quality" as the outcome when audits are executed consistently, in line with the requirements and intent of applicable professional standards, within a strong system of quality management.

All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

1. A system of quality management as the foundation of quality

Consistent and strong controls within our firm's system of quality management (SoQM) help reduce quality issues, drive operational efficiencies, and enhance transparency and accountability. We are committed to continually strengthening the consistency and robustness of our SoQM.

Across the global organization, KPMG firms have strengthened the consistency and robustness of their SoQM to meet the requirements of the International Standard on Quality Management (ISQM) 1, issued by the International Auditing and Assurance Standards Board (IAASB).

KPMG International's global approach to SoQM

	Establishes consistent **policies, procedures and controls** designed to respond to **SoQM** risks, supporting KPMG firms' effective SoQM.
	Provides KPMG firms with a globally consistent **iterative risk assessment framework** that they have agreed to use in identifying incremental KPMG firm specific quality objectives, risks and controls.
	Supports KPMG firms with **guidance, tools and training** to drive consistent and effective firm SoQM operation and annual evaluation.
	Includes **monitoring activities** over KPMG firms' SoQM to drive global consistency.

The globally consistent approach to SoQM is used by all KPMG firms across the global organization to drive the consistency, robustness and accountability of responses to risks within KPMG firms' processes.

KPMG Global Quality Framework

To provide more transparency on what drives KPMG audit and assurance quality, this report is structured around the KPMG Global Quality Framework. For KPMG, the Global Quality Framework outlines how we deliver quality and how every KPMG professional contributes to its delivery. The drivers outlined in the Global Quality Framework align with the 10 components of KPMG firms' SoQM and ISQM 1.

In line with ISQM 1, our SoQM also aligns with the International Code of Ethics for Professional Accountants (including International Independence Standards), issued by the International Ethics Standards Board for Accountants (IESBA Code of Ethics).

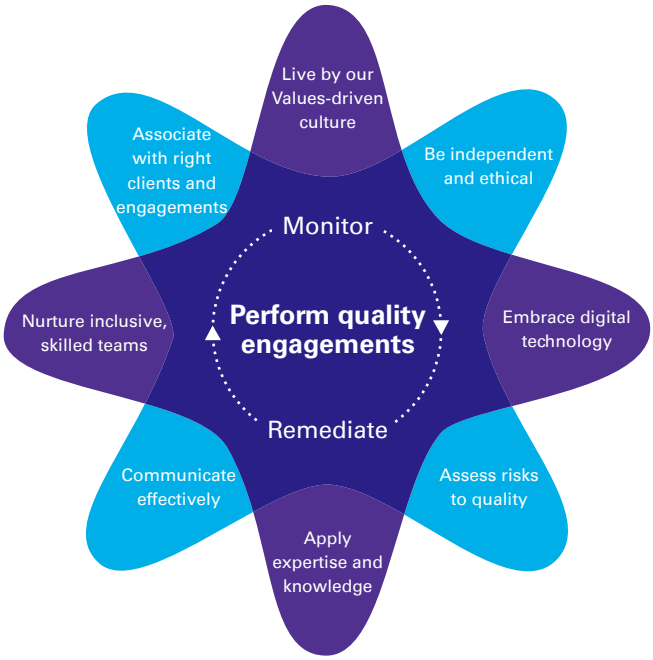
KPMG AZSA is required to implement KPMG International policies and procedures and KPMG AZSA also adopts additional policies and procedures that are designed to address rules and standards issued by the Business Accounting Council of the Financial Service Agency, Japanese Government and the Japanese Institute of Certified Public Accountants (JICPA), and other regulators as well as local laws, such as the Certified Public Accountants Act, Companies Act, Financial Instruments and Exchange Act, other applicable related regulations, the Auditing Standards and Quality Control Standards related auditing by laws of the JICPA, and the Code of Ethics and practical guidance on auditing from the JICPA.

At the center of the framework is the performance of high-quality engagements, supported by ongoing monitoring and remediation. Driving continual improvement of KPMG firms' SoQM, integrated monitoring and remediation programs help enable firms to identify deficiencies, perform root cause analyses, and implement targeted remediation plans, both at the engagement-level and across the broader SoQM.

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The following 10 sections of the Transparency Report describe how we operate each driver in the Global Quality Framework, aligned with the SoQM components. Combined with our firm's SoQM Statement of Effectiveness, this Transparency Report summarizes how our SoQM supports the consistent performance of quality engagements. This report may also be useful for stakeholders interested in KPMG firms' Tax and Advisory services, as certain aspects of our firm's SoQM are cross-functional and apply equally as the foundation of quality for all services offered.

KPMG's Global Quality Framework



1.1. Statement on the effectiveness of the System of Quality Management of KPMG AZSA as at 30 September 2025

As required by the International Auditing and Assurance Standards Board (IAASB) 's, International Standard on Quality Management (ISQM1), relevant local law, regulation or professional standards, and KPMG International Limited Policy, KPMG AZSA LLC (the "Firm" and/or "KPMG AZSA LLC") has responsibility to design, implement and operate a System of Quality Management for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm. The objectives of the System of Quality Management are to provide the Firm with reasonable assurance that:

(a) The Firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and

(b) Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

KPMG AZSA LLC outlines how its System of Quality Management supports the consistent performance of quality engagements in the Transparency Report issued in September 2025. Integrated quality monitoring and compliance programs enable KPMG AZSA LLC to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Management.

If deficiencies are identified when KPMG AZSA LLC performs its annual evaluation of the System of Quality Management, KPMG AZSA LLC evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Management, with consideration of remedial actions taken as of the date of the evaluation.

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2025, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Hiroyuki Yamada
Chief Executive Officer
KPMG AZSA LLC
November 28, 2025

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2. Live by our Values-driven culture

- Foster the right culture, starting with tone at the top
- Clearly articulate strategy focused on quality, consistency, trust and growth
- Define accountabilities, roles and responsibilities related to quality and risk management
- Promote robust governance structures

It's not just what we do at KPMG that matters, we also pay attention to how we do it. Our Values are our core beliefs, guiding and unifying our actions and behaviors. Shared across all personnel, they are the foundation of our unique culture.

2.1. Foster the right culture, starting with tone at the top

2.1.1. Tone at the top

Our firm's leadership, working with regional and KPMG International leadership, plays a critical role in establishing our commitment to quality and the highest standards of professional excellence and ethics. A culture based on integrity, accountability, quality, objectivity, independence and ethics is essential in an organization that carries out audit, assurance and other professional services on which stakeholders rely.

Clear Values and a strong Code of Conduct

At KPMG, our Values lie at the heart of the way we do things. To do the right thing, the right way, at the right time. They form the foundation of a resilient and ethical culture ready to meet challenge with integrity, so we do not lose sight of our principal responsibility to serve the public interest.

We are committed to the highest standards of professional behavior in everything we do. Ethics and integrity are core to who we are and within our Global Code of Conduct (the Code) we outline the responsibilities all KPMG people have to each other, our clients and the public. It shows how our Values and Purpose inspire our greatest aspirations and guide our behaviors and actions. It defines what it means to work at and be part of the KPMG organization, as well as our individual and collective responsibilities.

Everyone at KPMG can expect to be held accountable for their behavior consistent with the Code and is required to confirm their compliance with it. Individuals are strongly encouraged to speak up if they see something that makes them uncomfortable or that is not in compliance with the Code or our Values. Everyone at KPMG is required to report any activity that could potentially be illegal or in violation of our Values, KPMG policies, professional standards and applicable laws or regulations.

KPMG AZSA Code of Conduct

In addition, the KPMG AZSA Code of Conduct lays out the expectations of ethical behavior for all partners and employees at KPMG AZSA and is built on the foundation of the KPMG values. The KPMG AZSA Code of Conduct emphasizes that each partner and employee is personally responsible for following the legal, professional, and ethical standards that apply to his or her job function and level of responsibility. The KPMG AZSA Code of Conduct sets out our commitments and includes provisions that require KPMG AZSA partners and employees, in summary to:

- comply with all applicable laws, regulations, professional standards and KPMG AZSA policies;
- work with the right clients and third parties;
- focus on quality;
- maintain our objectivity and independence;
- not tolerate any illegal or unethical acts, committed within KPMG AZSA, by clients or suppliers, or public officials with whom we deal;
- protect information;
- compete fairly;
- help our people to be extraordinary;
- be responsible corporate citizens;
- build public trust; and
- confirm their compliance with the Code.

Compliance Day

To commemorate the critical importance of compliance, KPMG AZSA has designated September 7 of each year as "Compliance Day", to provide opportunities to reflect on the importance of maintaining high ethical standards.

KPMG AZSA seeks to foster the mindset of its personnel to appreciate the importance of compliance of its partners and employees by periodically referring to the past

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conducts including inappropriate use of the internal e-learning system and misrepresentation of Certified Public Accountant qualification.

To safeguard this principle of holding each other accountable, each KPMG firm has agreed to establish, communicate and maintain clearly defined channels to allow KPMG personnel and third parties to make inquiries about, raise concerns in relation to, provide feedback on and notify reportable matters, without fear of reprisal, in accordance with applicable laws or regulations.

The KPMG International hotline is a mechanism for KPMG personnel, clients and other third parties to confidentially report concerns they have relating to KPMG International, activities of KPMG firms or KPMG personnel. KPMG International considers how to respond to each report received through the hotline and where necessary, investigates and takes appropriate Action.

All KPMG firms and personnel are prohibited from retaliating against individuals who have the courage to speak up in good faith. Retaliation is a serious violation of the Code, and any person who takes retaliatory action will be subject to their firm's disciplinary policy.

In addition to the processes outlined above, the Global People Survey provides our leadership and KPMG International leadership with key insights into how KPMG Values are being lived. It also provides valuable information on the attitudes of employees and partners regarding quality, leadership and tone at the top.

KPMG's Global Values Week – Building a values-driven firm of the future

In May of 2025, countries and territories in the KPMG global organization came together to celebrate Our Values during a week-long series of events. Through the activities, stories and conversations throughout Global Values Week, our people engaged in dialogue around our five Values and the role they play in our everyday work, with a focus on strengthening trust through ethical behavior. This organization-wide celebration was supported by a Values Immersion initiative in our firm that included leader-led group sessions focused on living our Values under pressure.

2.1.2. The KPMG multidisciplinary model

The KPMG global organization is at its strongest when its over 276,000 people across 138 countries and territories, aligned behind a common set of values, are working together to provide quality services to some of the most important organizations in the world, from the public sector to finance to healthcare. Regardless of the sector or industry they operate in, KPMG's people leverage multidisciplinary knowledge and experience from across the organization to deliver audit and assurance, tax and consulting services to clients and stakeholders, earning their trust by meeting our commitment to deliver professional excellence. We firmly believe that our multidisciplinary model is the best way to serve clients and is essential to delivering high quality.

2.2. Clearly articulate strategy focused on quality, consistency, trust and growth

2.2.1. Our business

KPMG AZSA LLC, a member firm of KPMG International, comprises approximately 7,000 partners and employees in major cities in Japan, and provides audit, other assurance, and advisory services. The advisory services span across various matters, which include those relating to accounting, CFO support, governance, risk-compliance, internal controls, sustainability, digital, financial services, public sector, IPO support and startup support.

We also offer highly specialized professional services that address the unique needs of sectors such as finance, media and telecommunications, technology, government and public, consumer and retail, life science, automotive etc. As a member firm of KPMG International, KPMG AZSA provides clients with a consistent set of professional services globally through a network in more than 138 countries and regions.

2.2.2. Our strategy

KPMG AZSA believes that it is our unchanging mission to ensure the reliability of information through our audit and accounting services, and to support transformation that supports sustainable corporate growth.

To fulfill this mission, we aim to be an audit firm that is always chosen by society, clients and relevant people (The Clear Choice) and establish strategies to realize this aim.

Our strategy is set by our Board and demonstrates a commitment to quality and trust. Our focus is to invest significantly in priorities that form part of a global strategy execution.

2.2.3. KPMG member firms in Japan

Under the CPA Act of Japan, the scope of services that can be provided by audit firms is limited to audit and advisory services that relate to financial matters. Due to the restrictions created by such provisions, KPMG in Japan consists of several entities with different business lines.

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Specifically, KPMG AZSA has the following seven subsidiaries.

- KPMG Advisory Holdings Co., Ltd.
- KPMG Consulting Co., Ltd.
- KPMG FAS Co., Ltd.
- KPMG Forensic & Risk Advisory Co., Ltd.
- KPMG AZSA Sustainability Co., Ltd.
- KPMG Healthcare Japan Co., Ltd.
- KPMG Ignition Tokyo, Inc.

Establishment of a new company overseeing advisory business

KPMG Japan has established KPMG Advisory Holdings Co., Ltd. as the holding company overseeing its advisory business, and began operations on December 1, 2025.

As the holding company for KPMG Japan's leading advisory firms and the central hub for delivering integrated solutions, it plays a pivotal role in accelerating collaboration across KPMG Japan. The mission is to drive strategic investments and initiatives that harness cutting-edge technologies and support the expansion of business scale.

The following entities are also KPMG member firms in Japan.

- KPMG Tax Corporation
- KPMG Social Insurance and Labor Advisors Corporation
- KPMG Immigration Corporation (established on September 1, 2026)

KPMG AZSA, its seven subsidiaries and three entities listed above operate together as KPMG in Japan. A list of the entities which form KPMG in Japan, together with details of their legal structure, regulatory status, the nature of their business and area of operation is set out in Appendix 1.

2.2.4. Ensuring quality across KPMG member firms in Japan

The eleven entities shown in the previous section share the KPMG's core values, and cooperate to ensure and promote quality services across KPMG in Japan.

KPMG AZSA as the parent company of the seven entities, holds the majority of seats on the board of directors and board of corporate auditors of these entities, thereby ensuring that conflict of interests would not arise between KPMG AZSA and its group entities. Through such involvements in the governance bodies, KPMG AZSA also ensures that services rendered by its group entities satisfy the level of quality that KPMG in Japan strives to achieve collectively. In addition, KPMG AZSA periodically confirms that its group entities provide sufficient resources in a timely manner and meet the level of quality that KPMG AZSA seeks to meet, when the group entities are involved in performance of audit of financial statements.

2.3. Defined accountabilities, roles and responsibilities related to quality and risk management

2.3.1. Leadership responsibilities for quality and risk management

Our leadership team is committed to building a culture based on integrity, quality, objectivity, independence and ethics, demonstrated through their actions.

Our firm has agreed to seek input from the chair of the relevant Global Steering Group or their delegee on the performance of certain leaders within the firm whose role most closely aligns with the activities of the Global Steering Group. Input is sought as part of the annual performance process and is based on an assessment of the leader's performance, which includes matters of public interest, quality and risk management activities.

(Further detail on Global Steering Group can be found in section: "Governance and leadership" of the KPMG International Transparency Report.)

The following individuals have leadership responsibilities for quality and risk management in our firm.

Senior Partner

In accordance with the principles in ISQM 1, our Senior Partner Hiroyuki Yamada is the leader who has ultimate responsibility for our SoQM.

Details of some of the measures Senior Partner and the rest of the Board have taken to ensure that a culture of quality prevails within our firm are set out in section 2.4.1, Our legal and governance structure.

Senior Executive Board member in charge of Quality Management

Responsibility regarding design, implementation and operation of the system of quality control was delegated to the Senior Executive Board member in charge of Quality Management.

Senior Partner and the Senior Executive Board member in charge of Quality Management communicate our internal

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policy about our system of quality management, and behavior and message prioritizing audit quality to professionals, through internal meetings and newsletters.

An engagement partner is responsible for quality of each engagement involved.

Risk Management Partner

Our firm's Risk Management Partner (RMP) is responsible for the firm's direction and execution of risk and compliance and participates in the Senior Executive Board which is the decision-making body for the firm's management.

The RMP consults, as appropriate, with the Senior Partner, the Regional Risk Management Partner, Global Risk Management resources, and the general counsel or external counsel. The RMP is supported by a team of partners and professionals in each of the functions.

Ethics and Independence Partner

Our firm's Ethics and Independence Partner (EIP) has primary responsibility for the direction and execution of ethics and independence policies and procedures in our firm and reports on ethics and independence issues to the RMP.

The Audit and Advisory functions – Function heads

The heads of the client service functions (Audit and Advisory) are accountable to the Senior Partner for the quality of service delivered in their respective functions. They are responsible for the execution of the risk management and quality management procedures for their specific functions within the framework set by the Risk Management Partner. These procedures make it clear that, at the engagement-level, risk management and quality management is ultimately the responsibility of all professionals in the firm.

Our Head of Audit is responsible for the effective management and control of the Audit Function. This includes:

- Setting a strong tone and culture supporting audit quality through communication, engagement support and commitment to the highest standards of professional excellence, including professional skepticism, objectivity, and ethics and integrity;
- Developing and implementing an audit that is aligned with the firm's quality requirements;
- Working with the RMP to monitor and address quality and risk matters as they relate to the Audit practice.

2.4. Promote robust governance structures

2.4.1. Our legal and governance structure

KPMG AZSA is a limited liability audit firm in accordance with Article 1-3, paragraph 4 of the Certified Public Accountants Act in Japan and is wholly owned by its affiliated partners. A list of the entities which form KPMG in Japan, together with details of their legal structure, regulatory status, the nature of their business and area of operation is set out in Appendix 1.

KPMG AZSA's key governance bodies include the Partners' Meeting, which is the highest decision-making body, Supervisory Board, as the body responsible for approving the matters that require the most significant management decisions, the Senior Executive Board, which makes decisions concerning firm management as an executive body. In addition, the Senior Consultation Board renders the firm's judgment on significant audit matters as necessary.

Furthermore, in order to monitor the firm management, we have established the Management Oversight Committee and the Public Interest Oversight Committee, which is an independent supervisory body.

The CEO, Senior Executive Board members, and Management Executive Officers, all of whom are responsible variously for firm management and execution, as well as the members of the Management Oversight Committee, who are responsible for supervision and evaluation, are selected through direct election or a vote of confidence by all partners.

Details of key governance bodies are given below (As of July 1, 2026).

Partners Meeting

The Partners Meeting makes decisions on significant matters related to management (such as, matters requiring management decision and matters relevant to organization and high-level HR matters). It comprises all partners with capital contributions. Regular meetings are held four times a year.

The Supervisory Board

The Supervisory Board comprises four non-executive members (Management Oversight Committee) and three executive members (the CEO, SEB member in charge of Quality Management and RMP).

The Supervisory Board has authority to approve certain matters that require the most significant management decisions.

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Senior Executive Board

The Senior Executive Board (SEB) makes decisions on matters related to management. It comprises the CEO, Risk Management Partner / the Chair of the Senior Consultation Board and Senior Executive Board members. Please refer to Appendix 2 (Composition of the SEB at KPMG AZSA). More complex issues (which might require amendments to KPMG's global audit methodology or audit tools) are raised with KPMG International Global Audit groups for consideration and potential development of solutions by the KPMG Global Solutions Group (KGSG), Global Audit Methodology Group (GAMG) and the International Standards Group (ISG). For more information about the KGSG, the GAMG and ISG, please refer to section 8.1.2 (Technical consultation and global resources) of this report.

Audit Quality Committee

The Audit Quality Committee considers matters related to maintaining and enhancing audit quality. Specifically, the Audit Quality Committee considers current and emerging audit quality issues arising from external and internal quality review processes, questions received from audit teams, evaluations of the system of quality management, root cause analysis, other audit quality matters identified from various sources, reviews by external regulatory authorities, detailed findings from the internal Quality Performance Review (QPR) program and other quality management programs, including related initiatives, and a broad range of issues requiring action in various aspects of audit quality and improvement activities.

Four Defense Lines

At KPMG AZSA, we have developed a structure which clarifies responsibilities of each of our four functions relevant to our performance of quality audit. This structure (called the four defense lines in our firm) ensures the effective communication and dissemination of information throughout the firm or each division, as it allows on-site information to be fed into management in a timely manner. At the same time, management provide detailed explanations of the background and reasons why specific measures are considered necessary in a timely manner.

Senior Consultation Committee

The Senior Consultation Committee comprises the chair selected through a vote of confidence by all partners considering his/her special knowledge and expertise, and vice-chairs who are nominated by the chair of the Senior Consultation Committee.

The Senior Consultation Committee renders the firm's judgment on audit opinions in an objective manner, where there are significant audit matters for the firm among the matters considered by the Quality Assurance Headquarters as requiring careful judgement. The Risk Management Partner also serves as the chair of the Senior Review Committee.

Management Oversight Committee

The Management Oversight Committee (MOC) is composed of members who are not engaged in management or execution and is tasked with supervising and evaluating the effectiveness of initiatives to enhance audit quality.

The following sub-committees are established within the committee to oversee the processes of selecting management and determination of compensation.

- Nomination Committee

  The committee screens candidates for members of the SEB, members of the Management Executive Board, the Chair, the Chair of the Senior Consultation Board, members of the MOC and members of the Public Interest Oversight Committee.

- Audit Committee

  The committee performs an audit of the firm's operations and finances (including subsidiaries), liaising with the firm's external auditors and Office of Internal Audit.

- Compensation Committee

  The committee evaluates whether the compensation of the CEO, members of SEB, Chair and the Chair of the Senior Consultation Board is decided appropriately in accordance with the firm's system for determining partner compensation.

The members of the committee attend meetings covering management and execution and express their opinions, and regularly report to and exchange opinions with Public Interest Oversight Committee. They are empowered to request to hold a Partner Meeting.

Public Interest Oversight Committee

The Public Interest Oversight Committee (PIOC) regularly receives information from the MOC on the firm's management and holds discussions with the CEO and SEB members. The Committee is comprised of three independent external members and two internal members. The external members are required to comply with relevant independence requirements. For example, they must not have been a firm's personnel, and they must maintain relevant provisions including insider trading prohibitions.

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The Committee is chaired by an outside member. The members receive reports from the MOC on important firm activities and projects and discuss them with the CEO and SEB members. The Committee members also oversee the supervision and evaluation by the MOC of the appropriate conduct of the Nomination Committee, Audit Committee, and Compensation Committee.

Receiving different perspectives from persons with deep knowledge and experiences is expected to improve our governance quality and help us fulfil our accountability. Hence, we selected a person with perspectives of capital market participants, persons with running business as top managements and a person with expertise in legal matters as external members of the PIOC.

Risk and Compliance Committee

KPMG AZSA maintains the Risk and Compliance Committee as a standing committee of the firm. The Committee consists of 10 internal members, including the Chairman, Senior Executive Board members, and the Risk Management Partner. In accordance with the Risk and Compliance Committee's operational guidelines, the Committee oversees and reviews compliance matters relevant to firm's services and firm-wide risk management matters.

KPMG AZSA established Compliance Division charged with seeking to raise the compliance mindset of our personnel and promoting compliance with our Code of Conduct through the following activities:

- Revising the Code of Conduct;
- Holding ethics and compliance training;
- Awareness activities such as distribution of educational videos on compliance;
- Seeking to identify potential risk through ACSA (AZSA Compliance Self-Assessment) activities; and
- Establishing the compliance hotline for reporting power harassment and other compliance violations or matters that may breach compliance by our members.

See section 14.1 for information on the KPMG legal structure and 14.4 for information on the KPMG International Governance structure.

3. Apply expertise and knowledge

- Methodology aligned with professional standards, laws and regulations
- Technology-enabled standardized methodology and guidance
- Deep technical expertise and knowledge
- Policies on applicable requirements, standards and laws

We are committed to continuing to build on our technical expertise and knowledge recognizing its fundamental role in delivering quality services.

3.1. Methodology aligned with professional standards, laws and regulations

3.1.1. Consistent audit and assurance methodology and tools

We use KPMG International's audit and assurance methodologies, tools and guidance to drive a consistent approach to planning, performing and documenting audit and assurance procedures. Key elements include:

- Meeting applicable standards, including standards issued by the International Auditing and Assurance Standards Board (IAASB), the Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA), as well as auditing and assurance standards, laws and regulations applicable in Japan;
- Identifying risks of material misstatements and designing and performing procedures to respond to these risks;
- Usage by our audit and assurance professionals to drive consistent interpretation on the application of the applicable standards.

Our audit and assurance methodologies emphasize applying appropriate professional skepticism in the execution of procedures and drive compliance with relevant ethical requirements, including independence. The methodologies evolve to reflect new and revised audit standards and requirements as well as to keep pace with innovative and technological advances that drive quality and efficiency.

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3.2. Technology-enabled standardized methodology and guidance

KPMG is redefining the audit and assurance process through the use of leading technology, including AI, to facilitate risk-based and data-informed engagements. This digital strategy is supported by KPMG Clara, a scalable and user-friendly cloud-based platform that facilitates consistent execution across KPMG firms worldwide. KPMG Clara delivers KPMG's audit and assurance standardized methodologies through data-driven workflows that adhere to relevant audit and assurance standards, and assist our engagement teams in meeting the ever-changing landscape of corporate reporting and related audit and assurance requirements.

3.2.1. Driving consistency and quality through the KPMG Delivery Network

The KPMG Delivery Network (KDN) is a network of global delivery centers offering additional resources and specialist capacity and capability to some KPMG firms. Expanded in 2025 to increase capacity, KDN leverages technology in its delivery of consistent and standardized procedures and solutions to support some KPMG firms in their audit and assurance engagements.

3.3. Deep technical expertise and knowledge

3.3.1. Access to specialists

Specialist experience is an increasingly important part of modern audit and assurance engagements and is a key feature of our multidisciplinary model. Our engagement teams have access to a network of KPMG specialists to consult – either within their firm or in other KPMG firms. These specialists receive the training they need to help ensure they have the competencies, capabilities and objectivity to appropriately fulfil their role on our audit and assurance engagements.

The need for specialists to be assigned to an engagement in areas such as information, technology, tax, treasury, actuarial, forensic, valuations and various sustainability topics is considered as part of the engagement acceptance and continuance process, as well as during the planning and conduct of the engagement.

3.3.2. Our commitment to audit and assurance quality by responding to significant external events and conditions

Significant external events and conditions, such as the impacts arising from geopolitical shifts, natural disasters, climate effects and inflationary pressures may give rise to business risks that can have significant implications for financial statements. These potential financial statement implications may include increased complexity, subjectivity and uncertainty when making accounting estimates and key judgments, such as asset impairments, asset valuations and management's going concern assessment. Guidance is available to assist engagement teams in our firm to respond to the potential impacts arising from these significant external events and conditions.

We have access to an online financial reporting resource center maintained on behalf of KPMG that highlights the potential financial statement implications of matters that may arise from significant external events and conditions, as well as an audit quality toolkit that addresses the potential audit and reporting implications. This guidance is updated as new significant accounting, auditing and reporting issues emerge.

3.3.3. Licensing and requirements for IFRS® Accounting Standards and US GAAP engagements

Licensing

All KPMG professionals in our firm are required to comply with applicable professional license rules and satisfy the Continuing Professional Development requirements in the jurisdiction where they practice. KPMG International and KPMG AZSA's policies and procedures are designed to facilitate compliance with license requirements. We are responsible for ensuring that audit professionals working on engagements have appropriate audit, accounting and industry knowledge, and experience in the local predominant financial reporting framework – Japanese GAAP.

Requirements – IFRS Accounting Standards and US GAAP engagements

In addition, KPMG International has specific requirements for engagement partners*, managers and Engagement Quality Control (EQC) reviewers working on IFRS Accounting Standards engagements in countries where IFRS Accounting Standards are not the predominant financial reporting framework.

Similar policies apply to engagements performed outside the US to report on financial statements or financial information prepared in accordance with US GAAP and/or audited in accordance with US auditing standards, including reporting on the effectiveness of the entity's internal control over financial reporting (ICOFR).

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These provide that at a minimum, all engagement partners, managers and, if appointed, the EQC reviewers (and for engagements conducted in accordance with US GAAP and/or US auditing standards engagements, the engagement partner, engagement manager, engagement in-charge and, if appointed, the EQC reviewers assigned to the engagement have completed relevant training and that the engagement team, collectively, has sufficient experience to perform the engagement or has implemented appropriate safeguards to address any shortfalls.

3.3.4. ESG Assurance quality

KPMG is committed to fulfilling our public interest role in providing assurance that supports investor confidence and stakeholder trust.

Key developments included:

- Updated methodology suitable for providing assurance on all sustainability reporting standards, including Corporate Sustainability Reporting Directive (CSRD), European Sustainability Reporting Standards (ESRS) and EU Taxonomy disclosure requirements.
- Expanded training programs for our engagement teams focused on the latest ISSB™ standards and ESRS standards, integrated into the KPMG Clara workflow to help ensure consistency and quality.
- Strengthened global expertise through investments in ESG talent and increased access to subject matter professionals across the KPMG organization.

Shared insights from the ESG Assurance Maturity Index 2025, based on a survey of 1,320 senior executives and board members with ESG reporting and assurance knowledge. The findings emphasized the importance of readiness, transparency, and continuous improvement.

3.4. Policies on applicable requirements, standards and laws

At our firm, all personnel are expected to adhere to KPMG International and our firm's policies and procedures, including independence policies, and are provided with a range of tools and guidance to support them. Our policies and procedures for audit and assurance engagements incorporate the relevant requirements of accounting, auditing, assurance, ethical, quality and risk management standards that are consistent with ISQM 1, and other relevant laws and regulations.

*Engagement partner (in the context of the ISAs, defined in ISA 220 (Revised) paragraph 12)

The partner or other individual, appointed by the firm, who is responsible for the engagement and its performance, and for the auditor's report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

Engagement partner (in the context of ISAE 3000 (Revised) paragraph 13)

The partner or other individual, appointed by the firm, who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

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4. Embrace digital technology

- KPMG Clara
- Intelligent, standards-driven audit and assurance workflows
- AI, data and evolving technologies

At KPMG, our mission is clear: to lead boldly, move fast, and act responsibly as we are anticipating the technologies that will shape our near future and are driving an ambitious innovation agenda. We continue to transform the audit and assurance experience for our professionals and clients. Leading technologies used across the KPMG global organization are enhancing audit quality by increasing our ability to identify and respond to the issues that matter.

4.1. KPMG Clara

KPMG's commitment to continuously evolving quality drives our investment in technology and innovation. In 2025, AI integration into KPMG Clara, our global smart audit and assurance platform, was expanded and accelerated to help our auditors respond more effectively to risks and deliver deeper insights.

KPMG Clara serves as the cloud-based digital foundation for globally consistent, high-quality audits that leverage the latest technologies and innovations, such as AI and other emerging technologies.

4.2. Intelligent, standards-driven audit and assurance workflows

As a scalable, intuitive cloud-based platform, KPMG Clara drives globally consistent execution across all KPMG firms. It enables delivery of KPMG audit and assurance methodologies through data-enabled workflows, which are aligned with the applicable standards, providing an empowered and seamless experience to auditors.

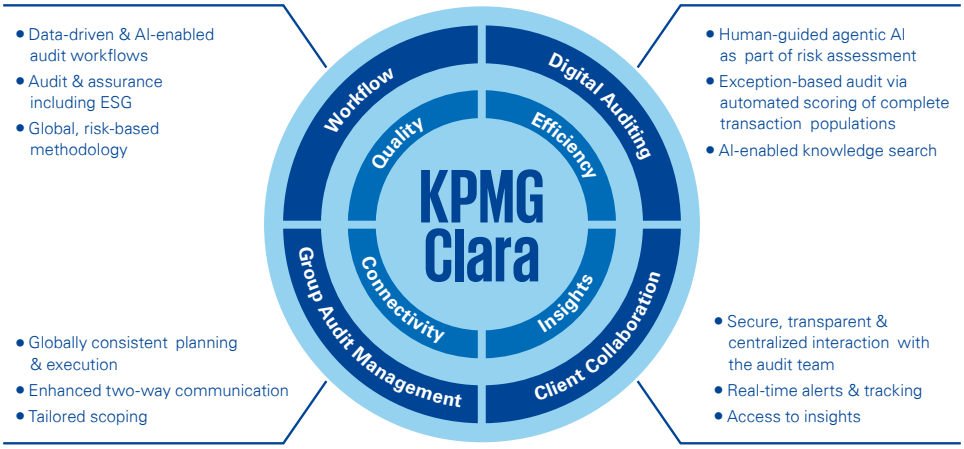
4.3. AI, data and evolving technologies

AI in the audit now and in the future

Building trust in the capital markets is central to KPMG's public interest role. In 2025, the use of AI within KPMG Clara was expanded to further enhance quality, consistency and responsiveness as part of our forward-thinking, digital-first audit and assurance vision.

We are continuing the deployment of generative AI and AI agents, which perform audit tasks in concert with human review. AI agents can now assist audit and assurance teams by reviewing engagement documentation, flagging potential fraud risks, and designing and performing substantive testing procedures aligned with KPMG's methodology. Additionally, through transaction scoring, KPMG's auditors are able to leverage advanced automated algorithms to analyze and risk-score complete populations of transactions (rather than sample), identifying outliers and areas requiring further investigation. These enhancements enable over 95,000 auditors globally to focus on high-risk areas, exercise professional judgement and skepticism where it matters most, and strengthen audit quality.

All AI capabilities within KPMG Clara are developed under KPMG's Trusted AI framework, ensuring a human-in-the-loop approach that helps safeguard quality, data integrity, accuracy, reliability, security and ethical standards.



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These capabilities are integral to our vision of a transformed AI-first, human-centric audit that delivers deeper insights and reinforces trust in the integrity of financial and non-financial information.

Looking ahead, we remain committed to responsibly deploying emerging technologies to support our professionals, enhance audit quality, and meet the evolving needs of the capital markets.

4.3.1. Client confidentiality, information security, and data privacy

The importance of maintaining client confidentiality is emphasized through a variety of mechanisms, including the KPMG Global and KPMG AZSA Code of Conduct.

We have policies on information security, confidentiality, personal information and data privacy. We have a document retention policy concerning the retention period for audit documentation and other records relevant to an engagement in accordance with applicable laws, regulations, and professional standards.

KPMG provides training on confidentiality, information protection and data privacy requirements to all KPMG personnel annually.

5. Nurture inclusive, skilled teams

- Recruit appropriately qualified individuals who bring diverse skills, perspectives and experiences
- Assign an appropriately qualified team
- Role profiles to drive quality
- Investing in AI and data-centric skills
- Focus learning and development on technical expertise, professional acumen and leadership skills
- Recognize quality

Our people make the real difference and are instrumental in shaping the future of audit and assurance at KPMG. We put quality and integrity at the core of our practice. Our engagement teams have diverse skills and capabilities to address complex problems.

5.1. Recruit appropriately qualified individuals who bring diverse skills, perspectives and experiences

One of the key drivers of quality is ensuring that KPMG professionals have the appropriate skills and experience, motivation and purpose to deliver high-quality audit and assurance services. This requires the right recruitment, development, reward, promotion, retention and assignment of professionals.

5.1.1. Recruitment

Our recruitment strategy is mainly focused on individuals who have successfully passed the Certified Public Accountant examination. Additionally, we are also hiring mid-career professionals with expertise in accounting and other specialized skills.

All candidates apply and are employed following a variety of selection processes, which may include application screening, competency-based interviews, psychometric and ability testing (if necessary), and qualification checks. These leverage fair and job-related criteria to ensure that candidates possess the appropriate skills and experience to perform competently, are suitable and best placed for their roles.

We recruited 282 new graduates in the year ended 30 June 2026 (the year ended 30 June 2025: 424).

5.1.2. Inclusion and access to equal opportunity

KPMG is committed to fostering a culture that welcomes everyone. This commitment has been core to our culture for many years and aligns with our Values and business strategy. We will continue to reflect the diverse communities we work within, while fostering a sense of belonging, and harnessing the collective power of our different perspectives and experiences to better serve our people, clients and society.

Learn more about the KPMG commitment to have an inclusive culture built on trust in the KPMG International: Our Impact Plan.

5.1.3. Health and well-being

In our firm, we are committed to protecting the health of our people, both physically and mentally, and providing an environment of empathy and support that allows our people to thrive and deliver high-quality work to our clients. Professional services can be a fast-paced and demanding environment, so we are creating a culture where people can

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be open about their well-being — and reach out for support when they need it.

5.1.4. Reward and promotion

Reward

We have compensation and promotion policies that are informed by market data and are clear, simple, fair and linked to the performance review process. This helps our partners and employees understand what is expected of them, including audit quality accountabilities outlined in role profiles and the audit quality goal issued globally by KPMG International. The connection between performance and reward is achieved by assessing performance across a peer group to inform reward decisions.

Reward decisions are based on consideration of both personal and individual firm performance.

The extent to which our people feel their performance has been reflected in their reward is measured through the annual Global People Survey, with action plans developed as required.

Promotion

The results of performance evaluations directly affect the promotion and remuneration of partners and employees and, in some cases, their continued association with KPMG.

5.2. Assign an appropriately qualified team

A critical driver of quality management is the selection of the engagement team to deliver effective and high-quality audit and assurance services. At KPMG, we have policies, procedures and controls in place to assign engagement partners and other professionals to a specific engagement on the basis of their skill sets, relevant professional and industry experience, and the nature of the assignment or engagement.

Function heads are responsible for the engagement partner assignment process. Key considerations include engagement partner experience and capacity — based on an annual engagement partner portfolio review — to perform the engagement considering the size, complexity and risk profile of the engagement and the type of support to be provided (i.e. the engagement team composition and specialist involvement).

Audit and assurance engagement partners are responsible for determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the audit or assurance engagement, KPMG policies and procedures, professional standards and applicable legal and regulatory requirements and any changes that may arise during the engagement. This may include involving specialists from our own firm, other KPMG firms or external experts.

Where the right resource is not available in our firm, we have access to a network of highly skilled KPMG professionals in other KPMG firms. At the same time, policies require all KPMG audit and assurance professionals to have the appropriate knowledge and experience for their assigned engagements.

When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner's considerations may include the following:

- Understanding of, and practical experience with, audit and assurance engagements of a similar nature and complexity through appropriate training and participation;
- Understanding of professional standards and legal and regulatory requirements;
- Appropriate technical skills, including those related to relevant information technology and specialized areas of accounting, auditing or assurance;
- Knowledge of relevant industries in which the client operates;
- Ability to apply professional skepticism;
- Understanding of KPMG's quality control policies and procedures; and
- Quality Performance Review (QPR) results and results of regulatory inspections.

5.3. Role profiles to drive quality

Driving a consistent approach to accountability for quality, we have a set of role profiles, issued by KPMG International, articulating the technical and behavioral competencies, and individual levels of accountability for contributing to audit quality and the SoQM. Reviewed annually to support the focus on continuous improvement, the role profiles offer KPMG personnel involved in audit delivery a clear articulation of their role and responsibilities. To connect the role profiles to goal setting, a mandatory audit quality goal is in place for those covered by the role profiles.

5.4. Investing in AI and data-centric skills

The KPMG organization is strategically investing in prospective talent by collaborating with leading learning

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institutions, while investing in building a future-enabled workforce equipped with the skills needed to thrive in a data-driven, AI-enabled audit environment.

In our firm, we are recruiting and training professionals who specialize in software, cloud capabilities and AI and who can bring leading technology capabilities to the smart audit and assurance platform that we use. We provide training on a wide range of technologies to help ensure that field professionals not only meet the highest professional standards but are also educated in new technology. With this approach we are bringing together the right people with the right skills and the right technology to perform exceptional audits.

5.5. Focus learning and development on technical expertise, professional acumen and leadership skills

5.5.1. Commitment to technical excellence and quality service delivery

All our professionals are provided with the technical training and support they need to perform their roles. This includes access to internal specialists and the professional practice department for consultation.

Driving efficiency and homogenization through centralization of operations

KPMG AZSA established the Operational Excellence Department (OED) within AX Headquarters on January 1, 2025 to further accelerate and expand centralization of operations from the predecessor, AZSA Delivery Center (ADC). In this way, KPMG AZSA continues to create environments in which our professionals can concentrate on areas requiring greater expertise.

5.5.2. Lifetime learning strategy

In our firm, we are committed to developing a culture of continuous learning in line with our desire to provide access to learning for a lifetime — where KPMG partners and employees can continually enhance their competencies and skills through functional, ethical and accelerated learning. With a focus on enabling excellence, our continuous learning culture helps our people make the difference for both clients and themselves.

Formal training

Rapid advances in technology have made education and reskilling more important than ever. Providing our people with opportunities to learn and develop their careers is a key pillar of KPMG's Global People strategy.

Annual training priorities for development and delivery are identified by the Audit Learning and Development groups at global, regional and, where applicable, KPMG firm level.

Minimum learning requirements for audit and assurance professionals across the KPMG organization are established annually. Training is delivered using a blend of learning approaches and performance support.

Ongoing mentoring and on-the-job coaching

Learning is not confined to a single approach — rich learning experiences are available when needed through coaching and just-in-time learning and aligned with job-specific role profiles and learning paths.

Mentoring and on-the-job experience play key roles in developing the personal qualities important for successful careers in audit and assurance, including professional judgment, technical excellence and instinct.

We support a continuous learning environment where KPMG partners and employees contribute to building the team capacity, coaching other team members and sharing experiences.

5.6. Recognize quality

5.6.1. Personal development

KPMG AZSA has been nurturing the authentic professionals under the HRD philosophy in line with 'The Everyone a Leader performance principles' of KPMG.

In relation to audit, opportunities are provided for professionals to develop the skills, behaviors, and personal qualities that form the foundations of a career in auditing. Courses are available to enhance personal effectiveness and develop technical, leadership, and business skills.

In addition, training sessions are successively provided for each partner and employee to ensure the importance of enhancing, keeping and exhibiting professional skepticism throughout the audit and also to provide members with the appropriate opportunities of instruction and training about fraud.

KPMG AZSA professionals are also developed for high performance through access to coaching on the job, stretch assignments, and country rotational and global mobility opportunities.

Furthermore, KPMG AZSA has been making relentless efforts to enhance the audit quality by introducing the goal setting and performance evaluation scheme consistent with our Values, both of which include the items relating to audit quality, and by clearly and constantly outlining the code of

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behavior to attain success as each individual and an organization then by rewarding all the constituent members who act up to the code.

KPMG AZSA considers quality and compliance metrics in assessing the overall evaluation, promotion, and remuneration of partners and employees. These evaluations are conducted by performance managers and partners who are able to assess performance.

6. Associate with the right clients and engagements

- Global client and engagement acceptance and continuance policies
- Accept appropriate clients and engagements
- Manage portfolio of clients

Rigorous global client and engagement acceptance and continuance policies are vital to being able to provide high-quality professional services.

6.1. Global client and engagement acceptance and continuance policies

KPMG International's global client and engagement acceptance and continuance policies and processes are designed to help our firm and all other KPMG firms identify and evaluate potential risks prior to accepting or continuing a client relationship or performing a specific engagement.

Each KPMG firm evaluates whether to accept or continue a client relationship or perform a specific engagement. KPMG's client and engagement principles, ACCEPT, aid in the decision-making process as to which clients we accept and what work we will do for them. The ACCEPT principles are available to KPMG firms and can support them in identifying, assessing, and managing client and engagement-related risks. ACCEPT enables ethical decision-making and complements our global CARE ethical decision-making framework. Where client/engagement acceptance (or continuance) decisions pose significant risks, additional approvals are required.

Each letter of ACCEPT guides KPMG firms to consider:

A **All stakeholders are important:**
Could the client (or entity) and/or engagement erode stakeholder trust?

C **Conflicts of interest and objectivity:**
Are there any objectivity or independence concerns or any potential conflicts?

C **Client (or entity) considerations:**
Do we want to work with them?

E **Engagement considerations:**
Can we successfully deliver the product or service?

P **Public interest:**
Is the client (or entity) and/or engagement consistent with protecting the public interest?

T **Terms and commercial considerations:**
Can we comply with contractual obligations and manage financial outcomes?

6.2. Accept appropriate clients and engagements

6.2.1. Client evaluation

Our evaluation of a prospective client includes an assessment of the client's risk profile and background information on the client, its key management, directors and owners. If necessary, the evaluation includes obtaining and assessing additional information required to satisfy applicable legal/ regulatory requirements.

6.2.2. Engagement evaluation

We consider a range of factors when we are evaluating each prospective engagement including:

- Potential independence and conflict of interest issues.
- Intended purpose and use of engagement deliverables.
- Public perception.
- Whether the services would be unethical or inconsistent with our Values.

In addition, the evaluation of an audit and assurance engagement includes an assessment of the competence of the client's financial management team and the skills, experience and capacity of KPMG professionals. Where we are providing audit services for the first time, additional independence evaluation procedures are performed, including a review of any non-audit services provided to the client and of other relevant business, financial and personal relationships.

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Similar independence evaluations are performed when an existing audit and assurance client becomes a public interest entity or additional independence restrictions apply following a change in the circumstances of the client.

Any potential independence or conflict of interest issues are required to be documented and resolved prior to acceptance.

A prospective client or engagement will be declined if a potential independence or conflict issue cannot be resolved satisfactorily in accordance with professional standards and our policies, or if there are other quality and risk issues that cannot be appropriately mitigated.

6.2.3. Continuance process

We undertake regular re-evaluations of all audit and assurance clients to identify risks in relation to continuing our association and mitigating procedures that need to be put in place.

In addition, clients and engagements are required to be re-evaluated when there is an indication that there may be a change to the risk profile.

6.2.4. Withdrawal process

When we come to a preliminary conclusion that indicates we should withdraw from an engagement or client relationship, we must consult internally and identify any required legal, professional and regulatory responsibilities with respect to that relationship. We also consider further communications with those charged with governance and any other appropriate authority as required under its professional obligations.

6.3. Manage portfolio of clients

We have policies and procedures to enable our firm to monitor the workload and availability of engagement partners, managers and staff and personnel to provide sufficient time to complete their responsibilities.

Our firm's engagement partners are responsible for determining that members of the engagement team collectively have the appropriate competence and capabilities, including sufficient time, to successfully perform the engagement in accordance with professional standards and regulatory and legal requirements. See section Assigning an appropriately qualified team for more information.

7. Be independent and ethical

- Act with integrity and live our Values
- Maintain objectivity, independence and ethical behavior, in line with our Code and policies
- Have zero tolerance of bribery and corruption

Auditor independence is a cornerstone of international professional standards and regulatory requirements.

7.1. Act with integrity and live our Values

We know that trust is earned by doing the right thing. We are committed to the highest standards of professional behavior throughout our firm in everything we do. Ethics and integrity are core to who we are. Within our KPMG AZSA Code of Conduct, we outline the responsibilities KPMG people have to each other, our clients and the public. It shows how our Values inspire our greatest aspirations and guide all of our behaviors and actions. At our firm, we provide annual training to all partners and employees on KPMG AZSA's Code of Conduct, anti-bribery and corruption, and compliance with laws, regulations and professional standards.

7.1.1. Driving an ethical culture

A culture based on integrity, accountability, quality, objectivity, independence and ethics is essential in a firm that carries out audit, assurance and other professional services on which stakeholders rely. Consistent foundational elements of ethical behavior at KPMG support an ethical culture and strengthen trust. Our firm has agreed to establish and maintain a foundation for ethical behavior, including monitoring training assessments and adopting and maintaining an ethical decision-making framework.

Our ethical decision-making framework, CARE (Consider, Assess, Respond, Evolve), is centered on building and reinforcing trust, and supports our Purpose, Values and Code of Conduct. A model shared across the organization, CARE helps our people to make ethical decisions, especially when faced with a challenging situation or ethical dilemma, and it also reminds them that they do not have to make these decisions alone.

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CARE
Ethical decision-making framework



7.2. Maintain objectivity, independence and ethical behavior, in line with our Code and policies

KPMG International's independence policies and procedures incorporate the IESBA Code of Ethics, covering areas such as firm and personal independence, firm financial relationships, employment relationships, partner rotation and approval of audit and non-audit services.

Policies are supplemented to help ensure compliance with the standards issued by the Certified Public Accountant Act and Code of Ethics issued by the JICPA.

Our Ethics and Independence Partner (EIP) is responsible for communicating and implementing KPMG policies and procedures and ensuring that any additional local independence policies and procedures, including relevant controls, are established and effectively implemented.

Automated tools identify potential independence and conflict of interest issues and facilitate compliance with these requirements. KPMG firm compliance with independence requirements is part of the KPMG Quality & Compliance Evaluation (KQCE) program.

7.2.1. Personal financial independence

KPMG firms and KPMG personnel are required to be free from prohibited financial interests in, and prohibited financial relationships with, KPMG firm audit and assurance clients (by definition, 'audit client' includes its related entities or affiliates), their management, directors and, where required, significant owners. All KPMG partners — irrespective of their firm or function — are generally prohibited from owning securities of any audit client of any KPMG firm.

KPMG firms use a web-based independence compliance system to assist KPMG professionals in complying with personal independence investment policies. The system facilitates monitoring by identifying and reporting impermissible investments and other non-compliant activity (i.e. late reporting of an investment acquisition).

We monitor partner and manager compliance with this requirement as part of our program of independence compliance audits of professionals. KPMG International provides guidance and required procedures relating to the audit and inspection by KPMG firms of personal compliance with KPMG independence policies. This includes sample criteria including the minimum number of professionals to be audited annually.

7.2.2. Employment relationships

KPMG AZSA partners and personnel are required to notify the firm EIP if they intend to enter into employment negotiations with that client. Specific prohibitions and, in some instances, cooling off periods apply to accepting certain roles at audit and assurance clients.

7.2.3. Firm financial independence

KPMG firms are also required to be free from prohibited interests in, and prohibited relationships with, audit clients, their management, directors and, where required, significant owners. KPMG's independence compliance system records direct and material indirect investments in publicly traded entities and funds (or similar investment vehicles) as well as in non-publicly traded entities and funds. This includes investments held in associated pension and employee benefit plans.

KPMG firms' borrowing and capital financing relationships, as well as custodial, trust and brokerage accounts that hold member firm assets must also be recorded.

On an annual basis, we confirm compliance with independence requirements as part of the KQCE program.

7.2.4. Business relationships/suppliers

We have policies and procedures in place to ensure our business relationships with audit and assurance clients are maintained in accordance with the IESBA Code of Ethics and other applicable independence requirements, such as those promulgated by the SEC.

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7.2.5. Independence training and confirmations

All KPMG partners and client-facing professionals, as well as certain other individuals, are required to complete independence training upon joining KPMG and on an annual basis thereafter and must sign a confirmation of compliance annually.

7.2.6. Non-audit services

All KPMG firms have agreed, at a minimum, to comply with the IESBA Code of Ethics and applicable laws and regulations related to the scope of services that can be provided to audit clients.

KPMG's mandatory conflicts and independence checking system supports our compliance with independence requirements. Certain information on all prospective engagements, including detailed service descriptions, deliverables and estimated fees, are required to be entered into the system as part of the engagement acceptance process. When the engagement is for an audit client, an evaluation of potential independence threats and safeguards is also required to be included in the submission.

Lead audit engagement partners are required to maintain group structures for their public interest entity and certain other audit clients including their related entities/affiliates. They are also responsible for identifying and evaluating any independence threats that may arise from the provision of a proposed non-audit service and the safeguards available to address those threats.

KPMG firms are prohibited from evaluating or compensating audit partners on selling non-audit services to their audit clients.

7.2.7. Fee dependency

KPMG firms are required to monitor total fees from public interest entity audit clients and follow consultation, communication and disclosure requirements should such fees exceed established thresholds.

7.2.8. Avoiding conflicts of interest

All KPMG firms and personnel are responsible for identifying and managing conflicts of interest, which are circumstances or situations that may have, or may be perceived to have, an impact on a firm's and/or its partners' or employees' ability to be objective or otherwise act without bias.

KPMG firms use the mandatory conflicts and independence checking system for potential conflict identification so that these can be addressed in accordance with legal and professional requirements.

KPMG personnel and KPMG firms are prohibited from offering or accepting inducements, including gifts and hospitality, to or from audit and assurance clients, unless the value is trivial and inconsequential.

7.2.9. Independence breaches

KPMG personnel are required to report an independence breach to our firm's EIP as soon as they become aware of it. Breaches of independence requirements of the IESBA Code of Ethics or other external independence requirements are required to be reported to those charged with governance as soon as possible, except where alternative timing for less significant breaches has been agreed with those charged with governance.

We have a disciplinary policy in relation to breaches of independence policies, incorporating incremental sanctions reflecting the seriousness of any violations.

7.2.10. Partner rotation

KPMG AZSA's rotation policies are consistent with the Certified Public Accountant Act and JICPA Code of Ethics. Some of our local policies are stricter than IESBA Code of Ethics.

KPMG AZSA partners are subject to periodic rotation of their responsibilities for audit clients. Requirements place limits on the number of cumulative years that partners in certain roles may provide audit services to a client, followed by a 'time-out' period during which time these partners are restricted in the roles they can perform.

KPMG AZSA established an additional policy regarding long association related to audits of public interest entities with significant impact to the capital market based on guidance issued by the JICPA in 2020.

In addition, we evaluate whether threats to independence can be reduced to an acceptable level based on the period of other members' association with an audit engagement.

KPMG AZSA monitors the rotation of audit engagement leaders (such as the engagement partner, the engagement quality control reviewer and any other key audit partner role, where there is a rotation requirement) and develops transition plans to enable allocation of partners with the necessary competence and capability to deliver a consistent quality of service to clients.

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7.2.11. Insider trading prevention

In order to prevent insider trading, KPMG AZSA has internal rules and procedures that aim to establish information credibility in the capital markets.

These include the prohibition of holding or trading in the securities of audited entities and registration on a web-based independence tracking system to monitor personal investments in publicly traded companies in Japan.

All partners and employees are required to understand our insider trading policy through appropriate training and provide an annual confirmation that they have remained in compliance with applicable policies throughout the period.

7.3. Have zero tolerance of bribery and corruption

We have zero tolerance of bribery and corruption.

Our people are required to take training covering compliance with laws, regulations and professional standards relating to anti-bribery and corruption, including the reporting of suspected or actual non-compliance.

Further information on KPMG International's anti-bribery and corruption policies can be found on the anti-bribery and corruption site.

8. Perform quality engagements

- Consult when appropriate
- Critically assess audit evidence, using professional judgment and skepticism
- Direct, coach, supervise and review
- Appropriately support and document conclusions

How an audit is conducted is as important as the result. Everyone at KPMG is expected to demonstrate behaviors consistent with our Values and follow all policies and procedures in the performance of effective and efficient audits.

8.1. Consult when appropriate

8.1.1. Encouraging a culture of consultation

KPMG encourages a culture of consultation that supports engagement teams in KPMG firms throughout their decision-making processes and is a fundamental contributor to audit and assurance quality. In our firm, engagement teams are required to consult when difficult or contentious matters arise on an engagement.

To help with this, our firm has established protocols for consultation and documentation of significant matters, including procedures to facilitate resolution of differences of opinion on engagement issues. In addition, KPMG audit, assurance, reporting and risk management manuals also include specific consultation requirements on certain matters.

8.1.2. Technical consultation and global resources

Technical accounting, auditing and assurance support is available to all KPMG firms through a number of subject matter expert global teams.

Global Audit Methodology Group (GAMG): Develops the KPMG organization's audit and assurance methodology based on the requirements of the applicable audit and assurance standards of the IAASB, PCAOB, and AICPA.

KPMG Global Solutions Group (KGSG): Develops and deploys global audit and assurance solutions, including new technology and automation innovations.

The GAMG and KGSG teams bring diverse experience and innovative ways of thinking to further evolve KPMG firms' audit and assurance capabilities.

More information about KPMG's global audit and assurance methodology and technology-based tools is included in the Embrace Digital Technology section of this report.

International Standards Group (ISG): Develops global guidance to promote consistency of interpretation and application of IFRS Accounting Standards, IFRS Sustainability Disclosure Standards and European Sustainability Reporting Standards by KPMG firms, and to promote a consistent response to emerging accounting and audit issues.

PCAOB Standards Group (PSG): Promotes consistency in the interpretation of PCAOB auditing standards in KPMG firms' audits of non-US SEC issuers and non-US components of SEC issuers, as defined by SEC regulations.

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The PSG also provides input into the development of training for auditors who work on PCAOB audit engagements and, where practicable, facilitates delivery of such training.

Member firm professional practice resources: Provide consultation support on auditing, assurance and technical accounting matters to their audit professionals involving regional or global teams when required.

KPMG AZSA proactively sends secondees to KPMG's global organizations (such as, KGSG and ISG), so that it maintains access to the leading practices and contributes to the global activities of KPMG network.

8.2. Critically assess audit evidence, using professional judgment and skepticism

On all KPMG audits, we design and perform audit procedures whose nature, timing and extent are based on and responsive to the assessed risks. We consider all relevant audit evidence obtained during the course of the audit, including contradictory or inconsistent audit evidence.

Each team member needs to exercise professional judgement and maintain professional skepticism throughout the audit engagement. Professional skepticism involves a questioning mind and remaining alert to contradictory, or inconsistencies in, audit evidence. Professional judgment encompasses the need to be aware of and alert to biases that may pose threats to sound judgments.

As several fraudulent financial reporting incidents have recently come to light in the Japanese capital markets, maintaining robust professional skepticism and exercising sound professional judgment have become more important than ever. To reinforce the importance of these principles, KPMG AZSA emphasized such principles by taking various measures including a two-day training program for audit partners dedicated to addressing audit responses to fraud risks. In addition, KPMG AZSA holds weekly meetings of the Audit Quality Committee (see Section 2.4.1, Our Legal and Governance Structure) to determine and implement appropriate actions on audit-related incidents in a timely manner.

8.3. Direct, coach, supervise and review

8.3.1. Embedding ongoing coaching, supervision and review

We promote a coaching culture as part of enabling our professionals to achieve their full potential. Coaching fundamentals are embedded in the audit training curriculum, and we support a continuous learning environment where KPMG partners and professionals contribute to building the capacity of the team, coaching other team members and sharing experiences while directing, supervising and reviewing their work.

8.3.2. Engagement quality control (EQC)

The EQC review is an important part of our approach to quality management. We have agreed to appoint an EQC reviewer for each audit engagement, including any related review(s) of interim financial information, of all listed entities, non-listed entities with a high public profile, engagements that require an EQC review under applicable laws or regulations, and other engagements, including certain assurance engagements, as designated by our RMP or our Head of Audit.

An EQC review is an objective evaluation of the significant judgments made by the engagement team and its related conclusions, performed by the EQC reviewer, and completed on or before the date of the report. The EQC reviewer's evaluation of significant judgements includes an evaluation of the engagement team's assessment of significant risks, including fraud risks, the related responses and whether the related conclusions are appropriate. The EQC review is completed only after the EQC reviewer is satisfied that all significant matters they raised have been resolved.

8.4. Appropriately support and document conclusions

8.4.1. Reporting

Engagement partners form all opinions and conclusions for audit, assurance and review engagements based on the work performed and evidence obtained.

In preparing auditors' and assurance reports, engagement partners have access to reporting guidance and technical support through consultations with our Department of Professional Practice.

8.4.2. Engagement documentation

Our firm's documentation is completed and assembled in accordance with KPMG International policy and applicable auditing and assurance standards. We have implemented safeguards to protect the confidentiality and integrity of client and firm information, and we have reduced the time period permitted to assemble documentation.

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9. Assess risks to quality

Identify and understand risks to quality and implement effective responses
Audit Quality Indicators

The quality of KPMG audit and assurance services rests on our foundational SoQM. Our approach to SoQM, including ISQM 1, emphasizes global consistency and robustness of controls to respond to risks within our processes

9.1. Identify and understand risks to quality and implement effective responses

KPMG International performs an annual iterative risk assessment process (I-RAP) to determine the baseline expected quality objectives, quality risks, process risk points (responses to those risks, including controls) that all KPMG firms agree to implement and operate. In recognition that we are responsible for our SoQM being in compliance with ISQM 1, and any locally applicable standards or regulations, we also perform our own annual I-RAP, taking into account our firm's facts and circumstances in determining whether there are any incremental quality objectives, quality risks, process risk points or responses to those risks, including controls.

This consistent global approach:

- Sets the minimum controls to be implemented within all KPMG firms' SoQM processes in response to globally identified risks to achieving SoQM quality objectives.
- Defines the SoQM methodology used by KPMG firms in their annual SoQM evaluation to evaluate whether the SoQM controls are operating effectively in response to the related risks and in support of achieving the SoQM quality objectives.

9.2. Audit Quality Indicators

Audit quality is our number one priority, and we are committed to delivering consistently high-quality audits.

Although audit quality is inherently difficult to measure, the following indicators (commonly referred to as "Audit Quality Indicators") could shed light on the state of our audit quality. We selected these indicators, considering the common indicators shown in the publication Research Report on Audit Quality Indicator issued by the Japanese Institute of Certified Public Accountants (November 2018).

(State of the Firm)

(1) Composition of professionals classified by job titles within the firm

(2) Ratio of partners, managers and other professionals involved in audit engagements

(3) Number of professionals charged with quality management of the audit function

(4) Hours incurred by partners and other professionals involved in audit engagements

(5) Result of our people survey

(Investments in Human Resources)

(6) CPD completion status of partners and other professionals

(7) Employee survey on satisfaction with training

(8) Diverse experiences

(Audit Results)

(9) Inspections by external organizations

(10) Internal quality performance reviews

(11) Review of compliance with independence rules

(12) Disciplinary actions against the firm

Details for respective indicators are shown below.

State of the Firm

(1) Composition of professionals classified by job titles within the firm

An audit engagement is conducted by an audit team consisting of multiple professional members with different job titles.

The composition of our professionals classified by job title is as follows:

Composition of partners, managers and other professionals at audit engagements

Category	June 2025		June 2026	
	Number	Ratio	Number	Ratio
Partners	707	10.8%	702	10.9%
Managers	1,485	22.7%	1,546	24.1%
Other professionals	4,361	66.5%	4,177	65.0%
Total	6,553	100%	6,425	100%

(Note 1) In this AQI section, we have used the following definitions throughout.

- "Partners" include partners, associate partners, managing directors and directors as referred to in KPMG AZSA.
- "Managers" include technical directors, associate directors, senior managers and managers as referred to in KPMG AZSA.
- "Other professionals" include senior professionals, staff and assistants as referred to in KPMG AZSA.

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(2) Ratio of partners, managers and other professionals involved in audit engagements

Engagement partners have ultimate responsibility for the performance of audit engagements. In fulfilling the role, engagement partners delegate the work to other partners and managers, while they are responsible for reviewing the work of managers. Managers delegate work to other professionals, while they maintain responsibility to review the work of other professionals.

At KPMG AZSA, the relative composition of partners, managers and other professionals of an audit engagement is shown below.

Ratio of partners, managers and other professionals at audit engagements

Category	June 2025	June 2026
	Ratio	Ratio
Partners	1.0	1.0
Managers	1.9	2.0
Other professionals	8.0	7.9

(Note 2) The percentages of respective categories are calculated with a ratio of a partner being set at 1.0.

(3) Number of professionals charged with quality management of the audit function

Ensuring quality is critical for audit firms. To ensure audit quality, the Quality Assurance and Risk Management Department lead a quality management system for areas such as, ethical and independence matters as well as implementation and interpretations of professional standards.

Number of professionals working for Quality Assurance and Risk Management Headquarters

Category	July 1, 2025	June 30, 2026
Quality Assurance HQ	220	261
Risk Management Department	45	45
Total	265	306

(4) Hours incurred by partners and other professionals involved in audit engagements

Maintaining a sound working environment is critical to ensure audit quality, because imposing an excessive amount of work could pose challenges in ensuring sufficient time for performing audit work and reduce the level of professional skepticism in performing their work.

At KPMG AZSA, the average annual working hours of audit partners are 2,247 and other audit professionals are 1,935 (June 2025), 2,362 and 1,993 (June 2026).

(Note 3) The hourly figure above includes hours directly attributable to audit engagements and time spent on other purposes such as training and administration. In addition, the figures are based on the persons who were enrolled in the firm throughout the year.

(5) Result of our people survey

Audit quality is supported by all of the professionals in the audit firm. Gaining the employee confidence is critical to ensure audit quality.

The KPMG network conducts an annual Global People Survey (GPS) to confirm whether what they are doing is considered right from the perspective of individuals throughout the network. Among other factors, a sense of personal growth and a professional's confidence in their work are critical to support audit quality.

At KPMG AZSA, the following are the results of the Global People Survey relevant to such matters.

Relevant results of Global People Survey

Question items	Survey-2025	Survey-2026
Confidence in management	74%	77%
Commitment to high quality audit	81%	84%
Open and two-way dialogue	70%	71%
Sense of motivation through engagement	71%	72%

(Note 4) Global People Survey is explained below:

- KPMG conducts GPS in autumn every year. The percentages in the table reflect our professionals who indicated they agree or strongly agree with items stated in respective question items. The GPS provides an opportunity for our people to feed back to us how they are feeling about their experience at KPMG and measure their levels of engagement. Gaining these insights from our people is critical to building the world class experience our people want and helping us become the Clear Choice. We use the responses to gather insight and identify issues that affect colleagues both locally and globally.
- For example, by referring to the figures, we launched a platform to have an open and two-way dialogue between the leadership and other professionals, scheduled to take place every week (normally, Friday). The leadership believes that such an open two-way dialogue together with timely response to the comments received will help fill the gap that may exist between the leadership and our people. We expect that these figures will eventually improve based on such steps.

Investments in Human Resources

(6) CPD completion status of partners and other professionals

Maintaining and nurturing professional skills is critically important, especially where business activities are changing dynamically and relevant laws, regulation and standards are constantly evolving.

Training is a critical component to maintain and nurture professional skills in this dynamically changing environment.

KPMG AZSA provides training courses covering various areas. The following metrics are the CPD (Continuing Professional Development) course progress of Certified Public Accountants affiliated with KPMG AZSA LLC.

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Metrics relevant to CPD

Category	March 2025	March 2026
CPD Credits per person	62 credits	61 credits

Category	March 2025	March 2026
Ratio of meeting CPE requirements	100%	100%

(7) Employee survey on satisfaction with training

As stated in the section (5) Result of people survey, the KPMG network conducts global people survey to confirm whether what they are doing is considered right from the perspective of individuals throughout the network. Among other factors, a sense of personal growth and confidence in their work are critical to support audit quality.

At KPMG AZSA, the following are the results of the survey conducted by KPMG AZSA relevant to training and related areas during respective years.

Survey results (in 5-point scale)

Questions	FY ended June 2025	FY ended June 2026
Does the firm provide sufficient system for human development?	3.8	3.7
Are you feeling the sense of growth with the three Os?	3.8	3.8

(Note 5) This survey is conducted by KPMG AZSA LLC. The term "three Os" represents the OJT, Off-JT, and Opportunities, which we believe are the key drivers to promote professional growth.

(8) Diverse experiences

Maintaining diversity is important to ensure audit quality collectively as a firm. At the same time, diverse experience at the individual level is critically important to ensure individuals can perform their work with refreshed perspectives.

To promote diversity, KPMG AZSA regularly rotates individuals within the firm. Rotation includes the transfer of people between different audit divisions, and between headquarters and audit divisions, including those divisions performing advisory functions. In addition, we send individuals to external organizations in order to contribute to society and gain unique experiences.

The following tables provide data relevant to understand how diverse experiences can be gained.

Internal rotation

Classification	FY ended June 2025	FY ended June 2026
Transfer between audit divisions	183	277
Transfer between headquarter and audit divisions	50	721 (Note6)
Transfer to digital-related department	53	79
Transfer to and from advisory functions other than below	229	152 (Note6)
Transfer to and from sustainability-related function	132	82 (Note6)
Total	647	1,311

(Note 6)

- Headquarters: 721 members: of which OED: 584 members
- Advisory Division: 152 members

  Breakdown of previous departments: Non-audit: 121 members / Audit: 31 members

  Breakdown of new departments: Advisory Services Division: 124 members / KPMG FAS Co., Ltd.: 15 members / KPMG Forensic & Risk Advisory Co., Ltd.: 12 members / KPMG Advisory Holdings Co., Ltd.: 1 member
- Sustainability Division: 82 members: of which KPMG AZSA Sustainability Co., Ltd.: 5 members

Secondment to external organizations

Classification	FY ended June 2025	FY ended June 2026
JICPA and The Financial Accounting Standards Foundation (FASF)	14	16
Others	34	29
Total	48	45

Number of partners and managers having experience working overseas

Category	June 2025		June 2026	
	Number	Number	Number	Ratio
Partners	289	40%	315	44%
Managers	339	23%	334	22%
Total	628	29%	649	29%

Audit Results

(9) Inspections by external organizations

In Japan, external inspection of large audit firms is performed by the CPAAOB every two years, and quality assurance review is regularly performed by the JICPA every three years. Between each inspection and review, the CPAAOB and JICPA monitor if remedial actions are appropriately conducted based on their inspection or review results.

In July 2026, the CPAAOB announced its policy for revising its approach to monitoring audit firms; hence, changes are expected in the future.

The results of CPAAOB inspection and JICPA review are helpful for stakeholders to understand the state of quality management of audit firms, because they review engagement files on a selected basis and assess aspects of overall quality management. When referring to the results of such inspection and review, it would be important to understand what remedial actions are planned to be taken (or have been taken), because audit quality is improved through an iterative cycle of root cause analysis and remedial actions.

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Result of JICPA's Quality Control Review

Year of Quality Control Review	FY2024
Date of the latest report	December, 2024
Conclusion	No significant deficiency

We do not disclose the information related to CPAAOB inspection, because we are not allowed to disclose the information to a third party.

(10) Internal quality performance reviews

A quality performance review is conducted within the audit firms as well as within the network to which the firm belongs.

As with the inspection and reviews by external organizations, these internal quality performance reviews do not intend to rate the quality management of firms, but the result provides relevant information regarding the state of the firm's quality management system.

The KPMG network has established the quality performance review (QPR) program for internal quality performance review. Results of our internal quality performance reviews are shown in the table below:

Result of KPMG's internal quality performance reviews

Classification	ended June 2025	ended June 2026
Number of audit engagements selected for QPR program	95	83
Number of audit engagements that would require modifications to audit opinions	0	0
Number of audit engagements rated "Not Compliant - severe" (see the Note 7 below)	0	0
Coverage of engagement partners	40%	37%

(Note 7)

- Under KPMG's quality performance review program, engagements are reviewed to conclude on the quality of the engagement and compliance by the engagement team with applicable professional standards and the firm's policies and procedures. In reaching the conclusion on the results of the engagement review, there are three possible ratings: (a) Compliant, (b) Compliant – Improvement Needed, and (c) Not Compliant (NC).
- An engagement is classified NC when a review finds that relevant auditing, assurance, accounting, and professional standards were not complied with in respect of a significant matter(s), and remediation of the engagement file subject to review related to the significant matter(s) is required. The NC category is further classified into NC-Limited and NC-Severe, depending on whether the number, nature and extent of issues driving the "NC" rating are deemed to be severe.
- Although engagements are classified according to the rating categories which include NC-Limited, we focus on the category "NC-severe" whose degree of severity is greater in relative terms.

(11) Review of compliance with independence rules

Compliance with independence requirements is the cornerstone for audit to be trusted by the society. Hence, compliance with relevant rules is critically important for audit firms.

KPMG AZSA requires all professionals to submit a confirmation of compliance with independence rules for a given period. During the year ended June 2025 and June 2026, we received 100% positive confirmations.

However, subsequently we discovered six cases where there was non-compliance with independence rules (see Note 8 below). In these cases, we investigated the causes and took follow on actions and determined that the objectivity of audits was not impaired.

(Note 8) The six cases (Year ended June 2025: 3, Year ended June 2026: 3) shown above are cases where non-compliance with independence rules (such as, bank deposit amount exceeding national insured limit) were discovered. This figure does not include violation of our internal rules (such as, our requirements to provide timely updates onto KICS database).

(12) Disciplinary actions against the firm

If serious irregularities are found, the FSA or the JICPA would impose disciplinary actions against the firms.

The following are the key relevant indicators for the year ended June 2025 and June 2026.

- Disciplinary actions by the FSA regarding irregularities from audit engagements: None
- Disciplinary actions by the JICPA regarding irregularities from audit engagements: None

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10. Monitor and remediate

- Rigorously monitor and measure quality
- Obtain evaluations and act on stakeholder feedback
- Perform root cause analysis and design and implement remedial action plans

Integrated quality monitoring and compliance programs enable KPMG firms to identify quality deficiencies, perform root cause analysis and develop, implement, and report remedial action plans, both in respect of individual audit engagements and the overall SoQM.

10.1. Rigorously monitor and measure quality

10.1.1. Commitment to continuous improvement

KPMG firms have committed to continually improving the quality, consistency and efficiency of their audits. The quality monitoring and compliance programs are globally consistent in their approach across all KPMG firms, including the nature and extent of testing and reporting. In our firm, we compare the results of our internal monitoring programs with the results of any external inspection programs and take appropriate action.

10.1.2. Internal monitoring and compliance programs

KPMG firms have agreed to use quality monitoring and compliance programs that are developed by KPMG International to identify quality issues, perform root cause analysis and develop remedial action plans, both for individual audits and for their overall SoQM.

The programs evaluate:

- Engagement performance in compliance with the applicable professional standards, applicable laws and regulations and key KPMG International policies and procedures.
- Our firm's compliance with KPMG International key policies and procedures and the relevance, adequacy and effective operation of key quality control policies and procedures.

The internal monitoring and compliance programs also contribute to the evaluation of our SoQM operating effectiveness. These programs include:

- Audit Quality Performance Review (QPR).
- KPMG Quality & Compliance Evaluation (KQCE).
- Global Quality & Compliance Review (GQCR).

Audit Quality Performance Review (QPR) program

The Audit QPR program assesses engagement-level performance and identifies opportunities to improve engagement quality.

Risk-based approach

Each engagement partner in every KPMG firm is reviewed at least once in a four-year cycle (three years for engagement partners involved in PCAOB engagements). A risk-based approach is used to select engagements.

The Audit QPR Program is designed by Global Quality & Risk Management. We conduct the annual QPR program in accordance with KPMG International QPR instructions, which promote consistency across the KPMG organization. Reviews are overseen by an independent experienced lead reviewer from another KPMG firm. QPR results are reported to KPMG International.

Evaluations from Audit QPR

Across the global organization, consistent criteria are used to determine engagement ratings and KPMG firm Audit practice evaluations.

Audit engagements selected for review are rated as 'Compliant', 'Compliant-Improvement Needed' or 'Not Compliant'.

KPMG Quality & Compliance Evaluation (KQCE) program

The KQCE program encompasses the testing and evaluation requirements of a KPMG firm's SoQM, which are necessary to provide a basis for each KPMG firm's conclusion as to the effectiveness of its SoQM under ISQM 1, and compliance with quality and risk management policies. KQCE program requirements are to be completed by all KPMG firms.

The annual KQCE program covers the period from 1 October to 30 September and helps support our conclusion on the operating effectiveness of our SoQM as of 30 September and compliance with quality and risk management policies.

Global Quality & Compliance Review (GQCR) program

The GQCR program is a KPMG International monitoring program. The objective of the GQCR program is to assess a firm's compliance with selected KPMG International policies, including those related to governance and SoQM.

Firms are selected for review using a risk-based approach, which considers a number of factors, including financial

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conditions, country risks, results of monitoring programs and people surveys, with each firm subject to a GQCR at least once in a four-year cycle.

The GQCR team comprises partners and managers who are independent of the firm subject to review.

Internal monitoring and compliance program reporting

Results from the monitoring and compliance programs are disseminated to our professionals through written communications, internal training tools, and periodic meetings with leadership.

Issues identified are also emphasized in subsequent monitoring and compliance programs to gauge the extent of continuous improvement.

Lead audit engagement partners are notified of Audit QPR not compliant ratings if relevant to their respective cross-border engagements.

Remediation and monitoring

In our firm, we develop remedial action plans to respond to issues identified through our monitoring and compliance programs. Progress on action plans is tracked and results are reported, as appropriate, to regional and global leadership.

10.2. Obtain evaluations and act on stakeholder feedback

10.2.1. Regulators

JICPA

The Japanese Institute of Certified Public Accountants (JICPA), as a self-regulatory organization, conducts quality control reviews of the status of the development and operation of quality control systems for audit conducted by audit firms in order to maintain and ensure the public trust in audits.

JICPA periodically conducts quality control reviews of major audit firms, including KPMG AZSA, once every three years in principle. When JICPA finds any matters that needed to be improved by audit firms, JICPA recommends improvements and takes necessary measures to them, depending on the conclusion of the quality control review and the status of improvement.

In addition, JICPA also decides on the necessary measures for relevant matters, such as instruction and supervision of specific cases, investigation and deliberation of cases that may result in disciplinary actions, taking disciplinary measures on individual incidents, and operates the Registration System for Audit Firms that Engage in Audits of Listed Companies.

KPMG AZSA LLC is a registered auditor of listed companies and similar companies. In the regular review of registered auditors of listed companies and similar companies, the implementation results of the review of the design of the operational quality control system are also presented as to whether or not extremely significant deficiencies or significant deficiencies are identified that are deemed to be non-compliant with applicable laws and regulations at the end of the review period as a system to fairly and appropriately perform audit engagements related to financial statements of listed companies and similar companies as set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act and other operational control systems. There is no fact that KPMG AZSA was punished by the JICPA for the past two years.

CPAAOB

The Certified Public Accountants and Auditing Oversight Board (CPAAOB), as a regulator, monitors the quality control reviews performed by the JICPA to ascertain fairness, neutrality, and effectiveness of the JICPA. The CPAAOB reviews and examines reports of quality control reviews by the JICPA and, if deemed necessary, conducts on-site inspections of the JICPA, audit firms, etc. As a result, if it becomes clear that the quality control of audits is significantly insufficient or that audits are not in compliance with laws and regulations, the CPAAOB recommends the Commissioner of the Financial Services Agency to conduct administrative actions or other measures to ensure appropriate business operations.

There is no fact that KPMG AZSA was punished by the Financial Services Agency upon on-site inspections by CPAAOB for the past two years.

PCAOB

KPMG AZSA is also registered with the Public Company Accounting Oversight Board (US PCAOB). The US PCAOB periodically inspects KPMG AZSA.

IFIAR

KPMG International has regular two-way communication with the International Forum of Independent Audit Regulators (IFIAR), principally through IFIAR's Global Audit Quality Working Group (GAQWG), to discuss thematic audit quality issues along with targeted strategies for improvement. We value the open, honest and transparent dialogue that IFIAR facilitates on global audit quality issues.

Every KPMG firm is expected to maintain professional and

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respectful relationships with applicable regulators, including proactively engaging, responding to questions in a timely manner and taking appropriate remedial actions.

10.2.2. Client feedback

Client feedback is also important. We proactively seek feedback from clients through in-person conversations and third-party surveys.

10.2.3. Monitoring of complaints

We have procedures in place for monitoring and addressing complaints received relating to the quality of our work. These procedures are detailed in KPMG AZSA's internal rules.

10.3. Perform root cause analysis and design and implement remedial action plans

In our firm, our SoQM provides the foundation for consistent delivery of quality engagements. A key element of our firm's SoQM is the Root Cause Analysis (RCA) program that supports our firm to effectively remediate quality issues by enabling the issue identification and addressing of the underlying causes of these issues. Leveraging inputs from internal monitoring programs, external inspections and other relevant activities, we identify audit quality issues and undertake RCA corresponding to the nature and severity of the issues.

We continue to strengthen our RCA program, leveraging globally developed RCA methodology, training, guidance and tools from KPMG International.

We design and implement remedial actions that respond to the identified root causes of the audit quality issues and subsequently monitor the effectiveness of such actions. Our RCA projects, status of the projects and remedial actions are reported to KPMG International.

Senior Executive Board member in charge of Quality Management is responsible for audit quality, including supporting the effective remediation of audit quality issues, and monitors the remediation plans' implementation and completion.

11. Communicating effectively

- Provide insights, and maintain open and honest two-way communication
- Communications between predecessor auditor and successor auditor
- Conduct and follow up on the Global People Survey (GPS)
- Communication with market participants

We recognize that another important contributor to upholding audit and assurance quality is to obtain and promptly act upon feedback from key stakeholders.

11.1. Provide insights, and maintain open and honest two-way communication

11.1.1. Communicate with those charged with governance

We stress the importance of keeping those charged with governance informed of issues arising throughout the audit through guidance and supporting resources. We achieve this through a combination of reports and presentations, attendance at audit committee or board meetings, and ongoing discussions with management and members of the audit committee.

The role of audit committees is key in supporting quality auditing by overseeing the relationship between company and auditor and challenging what auditors do and how they do it.

Audit Committee Institute

In recognition of the demanding and important role that audit committees play for the capital markets and of the challenges that they face in meeting their responsibilities, the Audit Committee Institute (ACI) aims to help audit committee members enhance their commitment and ability to implement effective audit committee processes.

Global Corporate Reporting Institute

The KPMG Global Corporate Reporting Institute provides information and resources to help board and audit committee members, executives, management, stakeholders and government representatives gain insight and access thought leadership about the evolving global financial and sustainability reporting frameworks.

11.2. Communications between predecessor auditor and successor auditor

KPMG AZSA has established policies and procedures about communications between predecessor auditor and successor auditor when there is a change of auditors.

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These communications are monitored at the firm level.

11.3. Conduct and follow up on the Global People Survey (GPS)

Only with engaged, talented people can we deliver audit and assurance engagements in line with our audit quality expectations from the foundation of an effective SoQM. As we strive to continually improve, our personnel are invited annually to participate in KPMG's Global People Survey (GPS) to share their perception on their experience of working at KPMG. Results can be analyzed by several factors, including functional or geographic area, grade and demographics to provide additional focus for action.

Through the GPS, our firm measures our people's engagement and gains additional insight about what drives engagement for KPMG people. The GPS includes specific audit quality questions for those individuals who participated in an audit, assurance, review or attestation engagement in the previous 12 months, giving us a particular data set for audit quality-related matters.

The survey also provides our leadership and KPMG International leadership with key insights into how KPMG Values are being lived. It also provides valuable information on the attitudes of employees and partners regarding quality, leadership and tone at the top.

We participate in the GPS, monitor results and take appropriate actions to communicate and respond to the findings of the survey. The results of the GPS, and the appropriate follow-up actions, are also aggregated for the entire global organization and are presented to the Global Board each year.

Audit-specific analysis of GPS results is also undertaken, with a particular focus on audit quality. Results and key themes are presented to the Global Audit Steering Group on an annual basis for discussion of appropriate remedial action, if needed. A global GPS action plan for audit is also communicated annually.

11.4. Communication with market participants

The Audit Firm Governance Code of Japan (revised in March 2023) encourages audit firms to promote effective communications with market participants. Considering this provision, we hold periodic meetings with market participants annually.

For the most recent period, we held a meeting with market participants (representatives from audit committee members, securities exchanges and investors) to discuss matters relevant to recent fraudulent accounting cases as well as actions taken by the accounting profession and us to prevent recurrence of similar cases.

Based on the inputs received, we will continue to further explore ways to deepen communication with stakeholders and enhance the delivery of value-added services.

12. Financial Information

The following financial information relates to KPMG AZSA's fiscal year ended June 30, 2025 and 2026.

(Million JPY)

	FY2024 ended June 30, 2025	FY2025 ended June 30, 2026
Total turnover	131,431	147,988
Audit	99,047	106,021
Other non-audit services	32,384	41,966

For more detailed information, please refer to the audited financial statements for the year ended June 30, 2026 included as part of the Explanatory Document published in accordance with the provision under the CPA Act of Japan.

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13. Partner remuneration

KPMG AZSA has compensation policies that are clear, simple, and linked to the performance evaluation process so that partners know what is expected of them and what they can expect to receive in return. KPMG AZSA's policy prohibits audit partners from being evaluated on or compensated based on their success in selling non-assurance services to audit clients.

Partner remuneration is determined by the discussion at the Senior Executive Board based on the points granted for the results of performance evaluation and the competence assessments, following the consideration by the sub-committee. Points are adjusted in a range of a band that is determined by the partner's position, role, skills, etc.

The Nomination Committee, a sub-committee of the Management Oversight Committee, oversees the processes of determination of compensation for the Senior Partner, the Senior Executive Board members, the Chairman of KPMG AZSA and the Chair of the Senior Consultation Board.

The basic policy concerning remuneration for Partners, etc. and the upper limit of the total amount of remuneration for Directors, etc. shall be approved by the Supervisory Committee, and then reported to the General Meeting of Partners.

14. Network arrangements

- Legal structure
- Responsibilities of KPMG firms
- Professional Indemnity Insurance
- Governance structure
- Purpose of being a member of the KPMG network

14.1. Legal structure

In many parts of the world, regulated businesses (such as audit and legal firms) are required by law to be locally owned and independent. KPMG member firms do not, and cannot, operate as a corporate multinational. KPMG member firms are generally locally owned and managed. Each KPMG member firm is responsible for its own obligations and liabilities. KPMG International and other member firms are not responsible for a member firm's obligations or liabilities.

Member firms may consist of more than one separate legal entity. If this is the case, each separate legal entity will be responsible only for its own obligations and liabilities, unless it has expressly agreed otherwise.

Our firm and all other KPMG firms are party to membership and associated documents, the key impact of which is that all KPMG member firms in the KPMG global organization are members in, or have other legal connections to, KPMG International Limited, an English private company limited by guarantee.

KPMG International Limited acts as the coordinating entity for the overall benefit of the KPMG member firms. It does not provide professional services to clients, directly or indirectly. Professional services to clients are exclusively provided by member firms who remain solely responsible and liable in respect of these services.

Each firm is part of one of three regions (the Americas, ASPAC and EMA). Each region has a Regional Board comprising a regional chairman, regional chief operating officer, representation from any sub-regions, and other members as appropriate. Each Regional Board focuses specifically on the needs of member firms within their region and assists in the implementation of KPMG International's policies and processes within the region.

KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International. KPMG International and the KPMG member firms are not a global partnership, single firm, multinational corporation, joint venture, or in a principal or agent relationship or partnership with each other. No member firm has any authority to obligate or bind KPMG International, any of its related entities or any other member firm vis-à-vis third parties, nor does KPMG International or any of its related entities have any such authority to obligate or bind any member firm.

Further detail on the legal and governance arrangements for the KPMG global organization can be found on the About Us

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14.2. Responsibilities of KPMG firms

Member firms have agreed with KPMG International to comply with KPMG International's policies, including quality standards governing how they operate and how they provide services to clients to compete effectively. This includes being professionally and financially stable, having an ownership, governance and management structure that ensures continuity, stability and long-term success, and being able to comply with policies issued by KPMG International, adopt global strategies, share resources (incoming and outgoing), service multinational clients, manage risk, and deploy global methodologies and tools.

Each KPMG firm takes responsibility for its management and the quality of its work. Member firms commit to a common set of KPMG Values.

A firm's status as a KPMG member firm and its participation in the KPMG global organization may be terminated if, among other things, it has not complied with the policies set by KPMG International or any of its agreements with KPMG International.

14.3. Professional Indemnity Insurance

Insurance cover is maintained in respect of professional negligence claims. The cover provides a territorial coverage on a worldwide basis.

14.4. Governance structure

The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Management Team.

Further details on KPMG International's governance structure can be found in the KPMG International Transparency Report.

14.5. Purpose of being a member of the KPMG network

As explained throughout this report, the KPMG network maintains a robust system to ensure and promote audit quality. As a member firm of the KPMG network, KPMG AZSA benefits from the network's robust global governance and system of quality management (including monitoring and remediation process), which is critically important to ensuring quality group audits.

However, there is also a risk that network policy may not be fully consistent with Japanese regulatory requirements as well as expectations of Japanese stakeholders. To address this risk, management of KPMG AZSA proactively participate in policy discussions of the KPMG network, and ensure that KPMG network policy is fully aligned with relevant regulatory requirements and stakeholders' expectations.

In addition, where KPMG's network policy does not fully address such requirements and expectations, we establish additional policies locally to ensure that we are fully compliant with both KPMG network policy as well as Japanese regulatory requirements and stakeholders' expectations.

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Appendix 1. Key legal entities and areas of operation

Name of Entity	Legal Structure	Regulatory Status	Nature of Business	Area of Operation
KPMG AZSA LLC	Limited Liability Company	Japan Registered Auditor	Audit and Advisory Services	Japan
KPMG Advisory Holdings Co., Ltd.	Corporation	None	Advisory Service	Japan
KPMG Consulting Co., Ltd.	Corporation	None	Advisory Service	Japan
KPMG FAS Co., Ltd.	Corporation	None	Advisory Service	Japan
KPMG AZSA Sustainability Co., Ltd.	Corporation	None	Sustainability related assurance / advisory	Japan
KPMG Healthcare Japan Co., Ltd.	Corporation	None	Advisory Service	Japan
KPMG Forensic & Risk Advisory Co., Ltd.	Corporation	None	Advisory Service	Japan
KPMG Ignition Tokyo, Inc.	Corporation	None	Development and construction of a common digital platform for KPMG Japan	Japan
KPMG Tax Corporation	Tax Corporation	None Incorporated under the Certified Tax Accountants Act in Japan	Tax Services	Japan
KPMG Social Insurance and Labor Advisors Corporation	Non-limited liability company	Social Insurance and Labor Consultant Act in Japan	Services on social security law related to payroll	Japan
KPMG Immigration Corporation * Established on September 1, 2026	Immigration Corporation	Certified Administrative Procedures Legal Specialist Act	Immigration services	Japan

Appendix 2. Composition of the Leadership Team at KPMG AZSA

(As of July 1, 2026)

CEO	Hiroyuki Yamada	KPMG Japan Chairman
Senior Executive Board Member,	Kanako Ogura	Partner in charge of JICPA
Senior Executive Board Member,	Isao Kamizuka	Head of Corporate
Senior Executive Board Member,	Masako Kanno	Head of Clients & Markets
Senior Executive Board Member,	Takashi Kondo	Chief Operating Officer, Head of Audit Transformation
Senior Executive Board Member,	Kenji Tanaka	Head of Quality Assurance, Head of Audit
Senior Executive Board Member,	Hirotaka Tanaka	Head of Sustainable Value, Head of Digital
Senior Executive Board Member,	Masakazu Hattori	Head of Planning, Partner in charge of KPMG entities in Japan
Senior Executive Board Member,	Kentaro Maruta	Head of Advisory
Risk Management Partner	Hiroto Kawase	Partner in charge of Risk Management

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Appendix 3. What we do in response to the Audit Firm Governance Code of Japan

The Audit Firm Governance Code of Japan was published in March 2017, and subsequently revised in March 2023. Article 96 of Ordinance for Enforcement of the CPA Act of Japan requires an entity to "comply" with or "explain" its positions regarding the principles set forth in the Code. The following table explains how KPMG AZSA complies with each of the principles.

Principle 1 Role of Audit Firms

An audit firm has the public interest role to ensure the credibility of corporate financial information through the audits, seek to protect stakeholders such as participants in the capital market and thereby contribute to the sound development of the national economy. In order to accomplish this role, the audit firm should encourage its personnel to have frank and open-minded dialogue, enhance mutual development, promote their full competence, and continuously enhance the audit quality on a firm-wide basis.

	Principles	How we respond
1-1	An audit firm should recognize its public interest role and clearly express the tone at the top so that the top management and the firm personnel will proactively accomplish their respective roles, as well as so that all partners of the firm duly undertake their responsibilities to develop the operational structure of the firm.	We give the highest priority to the delivery of quality audit in order to fulfil the public interest mandate to support the integrity of capital markets. For us to constantly meet the mandate, our CEO regularly communicates messages to urge our personnel to maintain and improve audit quality by various measures such as holding events and disseminating e-mails.
1-2	An audit firm should define the values to be commonly maintained by its personnel and also develop the code of conduct to put these values into practice.	We define our purpose, values and vision as our core principles, so that all partners and employees share a common goal. We also developed a Code of Ethics which we maintain and communicate to all partners and employees to put our values into practice.
1-3	An audit firm should appropriately motivate its personnel in order to raise their morale and help them to fully maintain and demonstrate their professional competence and skepticism.	We perform our personnel evaluation giving greater weight to audit-quality related initiatives and performance in a way to incentivize improving professional competence and demonstrating skepticism in performing audits. Our evaluation mechanism does not appraise non-audit services provided to audit clients.
1-4	An audit firm should develop an organizational culture of openness which encourages its personnel to share issues, knowledge and experiences related to audits and proactively participate in a dialogue and discussion.	We have developed an organizational culture with openness that shares our core principles regardless of pre-merger entities, through a series of large-scale reorganizations across functions. Within audit engagements, we undertake firm-wide initiatives to stimulate team discussions on professional judgment and communication skills under the leadership of engagement partners. We also seek to cultivate an open culture by gathering feedback from personnel through town hall meetings between management and personnel and through a feedback submission system called VOICE.

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	Principles	How we respond
1-5	An audit firm should clarify not only its stance toward non-audit services (provided by the firm and its group organizations), but also what specific measures are being taken, based on the size and characteristics etc. of the firm, to address concerns related to conflicts of interest or independence. Furthermore, if employees of the audit firm are allowed to hold concurrent or secondary jobs, the firm should clarify what specific measures are being taken to address concerns related to conflicts of interest or independence, including the firm's approach to the people retention and development.	We provide non-audit services in so far as necessary resources are available to perform quality audit. In addition, the provision of non-audit services is limited to the extent that independence is maintained in the performance of audit. We maintain a mechanism to safeguard risks of conflicts of interest at the onset of an engagement, regardless of whether an engagement is to provide audit or non-audit service. Furthermore, we do not allow our personnel to hold concurrent or secondary jobs, to strictly ensure compliance with non-compete obligation and independence requirements. However, we permit limited cases such as accepting public roles or activities contributing to social welfare, provided that independence requirements are not breached.
1-6	In the event that an audit firm participates in a global network or conducts group management through comprehensive business alliances with other firms etc., such an audit firm should clarify how it seeks to manage its business with regard to its relationship to and positioning within the global network or its group.	We maintain a robust audit quality platform based on the quality management program developed by the KPMG network, through participating in its global network arrangement. In addition, we ensure the same level of engagement quality in our group entities by having our management personnel be involved in the governance bodies of these entities.

Principle 2 Organizational Structure #1

An audit firm should have effective management in order to develop its organizational operations as a whole for the continuous enhancement of the audit quality.

	Principles	How we respond
2-1	An audit firm should establish an effective management structure to ensure its effective management and operations. Furthermore, in the event that an audit firm decides not to establish a management structure in view of its size and characteristics etc., the firm should ensure it has effective management functions.	The Senior Executive Board (SEB) is charged with making significant management decisions of the firm. Based on the SEB's decisions, management executive officers make operating decisions. This mechanism enables us to respond more effectively to the increasing scale of our firm and changing environments.
2-2	An audit firm should clarify the role of the management in important operations, in order to meet the public expectations of audits and ensure its effective management and operations	
	• Development of organizational structure to ensure appropriate judgments of the audit firm on important issues that potentially have a significant influence on the reliability of audit quality from the capital market, and proactive involvement in those significant issues by utilizing the structure mentioned above;	• We maintain an organizational quality management system by ensuring that each of the firm's layers fulfils respective responsibilities to ensure audit quality. While the CEO has the ultimate responsibility to ensure the audit quality within the firm, he delegates his role to the SEB member in charge of quality management, so that he is responsible for designing, implementing, and operating a system of quality management to ensure and promote the audit quality. In addition, the Audit Quality Committee, which comprises the Chairman, Senior Executive Board members, audit division, and the Head of the Quality Management Division, meets regularly to hold timely discussions on preventing inappropriate financial reporting practices and addressing any such matters that arise.

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	Principles	How we respond
2-2	• The development of an environment that allows audit teams to conduct a macroscopic analysis based on an understanding of the economic environment and frank and in-depth dialogue with audited companies in order to identify the risks of material misstatements and to respond to the assessed risks appropriately;	• The Quality Management and Risk Management divisions are responsible for consultations on important issues so that audit engagements are performed in compliance with laws, regulations and professional standards. In case of audit engagements of listed entities, our audit teams hold periodic communications with the management and those charged with governance of the entities. In addition, during interviews with management, we seek to ask questions about how an entity can adapt to changing environments. We also receive feedback on our services from them and hold frank interactions.
	• Setting an appropriate environment for people development, human resources management and performance evaluation in order to raise the morale of the firm personnel and help them to maintain and demonstrate their professional competence; and	• With the recognition that human capital is the key element to ensure our quality audit, we have designed and implemented a measure that encourages our personnel to obtain greater professional knowledge and skills of personnel involved in audit engagements. For example, we provide training courses, on-the-job training opportunities, and other opportunities to engage in various types of work. The mechanism of our engagement performance evaluation and timely feedback also promote growth of our personnel as professionals, thereby promoting audit quality.
	• Consideration and development related to the implementation of IT infrastructure (including the proactive and effective utilization of technology) in order to enhance the efficiency and effectiveness of audits, in consideration of the improvement of the efficiency of audit-related operations and the advancement of technologies, including digitalization, at audited companies.	• We seek to go through audit transformation (such as, through greater use of technology), to promote quality of audit performance in line with the changing expectations from our stakeholders. Virtually, all our audit engagements are performed on a digital audit platform, and we seek to improve the quality and efficiency of our audit procedures by introducing various audit tools utilizing AI. In addition, we foster specialized talent, including the "Digital Meisters" who lead the digital transformation of audit engagements, and professionals dedicated to the development of audit tools as well as innovative technology-enabled solutions.
2-3	An audit firm should appoint people who can perform the management functions not only by taking into account their thorough knowledge and experience of audit practice but also by ensuring the effectiveness of the management functions for its organizational operations of the firm.	Our CEO, the SEB members and management executive officers are selected through direct election from all partners. They are assigned to respective roles, taking into account their knowledge and experience of the audit practice as well as competence necessary to carry out the management function.

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Principle 3 Organizational Structure #2

An audit firm should have a function to supervise and evaluate the effectiveness of its management from the independent viewpoint and thereby support to enhance the effectiveness of the management.

	Principles	How we respond
3-1	An audit firm should establish a structure to supervise and evaluate the effectiveness of its management etc. and thereby support to enhance its effectiveness, and clarify the role of the structure. In the event that an audit firm decides not to establish a structure responsible for supervision and evaluation in view of its size and characteristics etc., the firm should ensure the function of supervising and evaluating the effectiveness of its management functions and thereby supporting the enhancement of its effectiveness.	The Supervisory Board, comprising members of the Management Oversight Committee (MOC), the CEO, the SEB in charge of the quality management function and the Risk Management Partner, is charged with providing oversight over the management of the firm. A majority of the Supervisory Board members are individuals who are not involved in the management of the firm. In parallel, we maintain the MOC, consisting solely of partners who are not involved in the management of the firm. The MOC monitors the firm's management and evaluates the effectiveness of its management functions.
3-2	An audit firm should appoint independent third persons as the members of the function responsible for the supervision and evaluation, and effectively utilize their knowledge and experience to deal with the issues recognized by the firm from the perspective to ensure the effective management and organizational operations and accomplish its public interest role.	In our firm, the Public Interest Oversight Committee (PIOC) is in place as an independent oversight body. The PIOC is comprised of three independent external members and two internal members. The external members are required to comply with relevant independence requirements. For example, they must not have been a firm's personnel, and they must maintain relevant provisions including insider trading prohibitions. The PIOC meets, in principle, on a monthly basis and receives information from the MOC on the firm's management. It also receives direct reports from the CEO or SEB members regarding management policies and other significant matters relating to the management of the firm. It also holds discussions on these matters. Through such interactions, the PIOC monitors if our operation maintains soundness from the public interest perspectives.

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	Principles	How we respond
3-3	An audit firm should clarify the role of independent third persons to participate in the supervision and evaluation structure within the firm considering that those persons are expected to be involved in the following matters. • Advice and recommendations that contribute to improving the effectiveness of its management functions; • Oversight of the evaluation of the effectiveness of the management; • Oversight of the process of the election or appointment, retirement, evaluation and remuneration of the people who can perform the management functions or independent third persons; • Oversight of developing the policies for people development, human resources management, performance evaluation and remuneration; • Oversight of the evaluation of the status of development of policies and procedures regarding whistle-blowing from within the audit firm and external sources, and the status of verification and utilization of provided information; and • In fulfilling their oversight role, independent third persons should also be involved in dialogue with audited companies, shareholders and other participants in the capital market.	As stipulated under our internal rules, the PIOC receives information about major activities and incidents (if any) of the firm from the MOC, and holds discussions with the CEO and the SEB members. In addition, the PIOC is responsible for providing recommendations regarding the management of the firm from a public interest perspective. Such recommendations include, for example, the following matters: • Effectiveness of the management function; • Appointment and evaluation of the management via the oversight of the Nomination and Compensation Committees; • Development of HR-related policies for key management; and • Addressal of irregularities found through internal and external channels. The PIOC members are also involved in a dialogue between our management and capital market participants.
3-4	An audit firm should develop an environment in which necessary information is provided to the members of the structure responsible for supervision and evaluation or independent third persons in a timely and appropriate manner, and in which assistance is provided in the execution of their operations so that the supervision and evaluation structure etc. can effectively fulfill their responsibilities.	The secretariat supports the proper functioning of the Supervisory Board, MOC and PIOC. It also supports effective operation of the committees by providing necessary information in a timely manner.

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Principle 4 Operation

An audit firm should, based on the size and characteristics etc., develop an operational structure to effectively manage its organizational operations. The audit firm should also strengthen its people retention and development and proactively engage, in dialogue and discussion within the firm and with audited companies about the possible enhancement of audit quality.

	Principles	How we respond
4-1	An audit firm should develop a structure that allows its management etc. to share necessary information from each audit team in a timely manner and also pervade their philosophy and defined values throughout the organization. The management should effectively utilize such a structure in the operations of the firm. In addition, a proactive dialogue and discussion for improvement of the audit quality should be encouraged within the firm.	We have developed a structure which clarifies the responsibilities of each function relevant to our performance of quality audit. This structure (called the "four defence lines" in our firm) ensures the effective communication and dissemination of information throughout the organization, as it allows on-site information to be fed into the management in a timely manner. At the same time, the management provide detailed explanations of the background and reasons of why specific measures are considered necessary in a timely manner. In addition, audit quality committee and periodic meetings of persons responsible for quality management take place, seeking further improvement of the audit quality.
4-2	An audit firm should develop and operate policies for managing people development, human resources management and performance evaluation in order to raise the motivation of the firm personnel and help them to maintain and demonstrate their professional competence. In doing so, whether the firm personnel sufficiently exercised their professional skepticism should be fully taken into consideration.	We maintain policies relevant to training, evaluation, and compensation of our personnel, to improve their professional competence. We encourage exercising professional skepticism by giving priority to ethical mindset and integrity in performing evaluations.
4-3	An audit firm should pay particular attention to the following points:	
	• Well-balanced assignment of the firm personnel to respective teams in terms of the extensive knowledge and experience to allow the teams to exercise their professional skepticism;	• In designing audit teams, we consider the skills required and relevant industry and sector experience to assign appropriate personnel in response to the assessed audit risks. Typically, audit teams are composed primarily of qualified certified public accountants and also include specialists in areas such as IT and tax.
	• Providing the firm personnel with opportunities to gain extensive knowledge and experience relevant to audit, such as experience in non-audit service and/or temporary transfer to companies outside the audit industry; • Appropriate evaluation and well-planned utilization of the firm personnel with extensive knowledge and experience; and	• We provide our personnel with opportunities to build knowledge and experience of matters necessary to perform quality audit. Such opportunities include working at the quality and risk management functions, secondments to external organizations, as well as working at KPMG member firms overseas. • We ensure that the knowledge and expertise of our personnel are effectively considered in planning personnel allocation by referring to a database of personnel information.
4-3	• Developing an environment in which the firm personnel can fully engage in capacity building alongside their work.	• We have developed a training curriculum that specifies subjects that our personnel should learn. We reserve a period of time during which our personnel can prioritize spending their time on taking training courses and ensure that our personnel can devote sufficient time to taking training courses. Through such measures, we have developed an environment in which our personnel can fully engage in capacity building alongside their work.

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	Principles	How we respond
4-4	An audit firm should make efforts for audit teams to have candid and in-depth dialogue about audit risks with the top management of audited companies, such as the CEO and CFO, and those charged with governance including the members of the audit and supervisory board as well. It should also ensure to have sufficient dialogue and discussion with audited companies at each audit team level.	We conduct frank, insightful, and effective dialogues on audit risks with the top management and those charged with governance of audited entities. This is enabled, for example, by ensuring sufficient time for discussions and improving discussion agenda materials.
4-5	An audit firm should develop and disclose policies and procedures regarding whistleblowing from within the firm and external sources, and appropriately make use of the provided information. In doing so, the audit firm should pay particular attention to ensure that a whistleblower does not have to be concerned about the risk of disadvantage.	We develop and disclose our policies and procedures relevant to whistleblowing, whether information is received internally or externally. We ensure the privacy and secrecy of whistleblowers, as we have established a compliance hotline both internally and through the web-site of a third party attorney at law. In addition, we dismiss any detrimental or discriminatory treatments against whistleblowers.

Principle 5 Ensuring Transparency

An audit firm should ensure such transparency as to allow stakeholders in the capital market to appropriately assess its audit quality, by explaining the status of the Code's implementation. The audit firm should also effectively utilize the internal and external assessment of its initiatives for improvement in its management and operations.

	Principles	How we respond
5-1	An audit firm should explain the status of the Code's implementation and its initiatives for the enhancement of audit quality in plain language, in publicly available documents etc., to allow audited companies, shareholders and other stakeholders in the capital market to appropriately assess its audit quality.	We publish this report annually to provide relevant information of how we comply with the principles of the Code and relevant audit quality related measures.

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	Principles	How we respond
5-2	An audit firm should explain the following matters in terms of quality management, governance, IT and digitalization, human resources, finances, and international response, based on the firm's size and characteristics etc.: • The tone at the top toward the continuous enhancement of the audit quality in order for the management and the firm personnel of the firm proactively fulfill their respective roles; • The defined values to be commonly maintained by the firm personnel, and way of thinking and code of conduct to put these values into practice; • Information that contributes to assessments by the capital market participants, including the audit firm's medium to long-term goals, audit quality indicators (AQI) that specify the firm's direction toward those goals, or its initiatives for the improvement of audit quality; • The status of quality management systems at the audit firm; • The composition and role of the management etc.; • The composition and role of the structure etc. to supervise and evaluate the effectiveness of the management and organizational operations, as well as the reasons for the appointment, the role, contribution and the approach to independence of independent third persons; • The stance toward non-audit services (provided by the firm and its group organizations), and the response to concerns related to conflicts of interest or independence; • The status of efforts to implement IT infrastructure (including the proactive and effective utilization of technology, fraud detection, and cybersecurity countermeasures) in order to enhance the efficiency and effectiveness of audits, in consideration of the improvement of the efficiency of audit-related operations and the advancement of technologies at audited companies; • Status of securing diverse and necessary personnel at the firm in view of its size and characteristics etc., and people development policies, including training and education; • Status of securing a financial base that is not dependent on compensation from any particular audited companies; • The status of response to audits of companies with overseas subsidiaries etc.; and • The assessment with respect to the effectiveness of the initiatives for the enhancement of the audit quality, which is carried out by the firm including the members of the structure etc. responsible for the supervision and evaluation.	In this report, we provide an explanation of our tone at the top for better audit quality, our shared values, our organizational and governance structure, the state of quality management, our use of IT and digital technology in our audit, and our policy of human capital development. We also explain our policy of how we provide non-audit services as well as our policy of human capital development, along with our financial standing. Furthermore, we provide quantitative audit-related information in the section of Audit Quality Indicators. For details, please see the following explanations in the respective sections in this report (the number in parenthesis denotes a relevant section in this report.) • Responsibility and attitude of our management to quality management (see "Message from the Country Senior Partner" and 2.3.1.) • Our values, which are the foundational ground to promote quality audit (see section 2.) • Audit quality indicators (see section 9.2) • Our framework of design, implementation and operation of our quality management system (see section 1.); • Our organizational and governance structure, as well as responsibilities of each body (see section 2.4); • Composition, roles, and independence of the Supervisory Board, the MOC, and the PIOC (see section 2.4); • Our policy of delivery of non-audit services (see 7.2.6); • Audit platform, workflow, and methodology that respond to today's digitalized environment (see section 4); • Our strategy of recruiting and consistent developments of human capital to ensure diverse perspectives, experiences, competence, and skillsets (see sections 5.1. and 5.5.); • Our financial strength that would not be influenced by revenue source of specific audited entities (see section 7.2.7); • Support of the global network in the performance of audit (see section 8.1.2); and • Our evaluation on the effectiveness of our measures to comply with the principles of the Code for the improvement of audit quality (see section 1.1.).

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	Principles	How we respond
5-3	An audit firm that participates in a global network or conducts its management on a group basis through comprehensive business alliances with other firms should explain the following matters. • A broad outline of the global network or group and its organizational structure, and the status of the audit firm's participation in the global network or group's decision-making; • The significance and purpose of participation in the global network or of conducting management on a group basis (including an overview of benefits and risks that affect ensuring and continuously enhancing the audit quality); • Measures taken to mitigate risks posed by the relationship with the global network or group with regard to ensuring and continuously improving audit quality, and their evaluation; and • An overview of contracts and others with global network or group that has a significant impact on ensuring and continuously improving the audit quality.	In this report, we provide an explanation of our global network arrangement and our domestic group structure (including how we are involved in their decision-making process). We also explain the purpose and reasons of our membership of the global network as well as our domestic group management. We further explain the benefits and risks arising from such arrangement and structure. For details, please see the following explanations in respective sections in this report (the number in parenthesis denotes a relevant section in this report.) • Network arrangement of the KPMG global organization, as well as responsibilities and obligations of member firms (see sections 14.1 and 14.2); • Participation in key governance and management bodies of KPMG International (see section 14.4); • Purpose of being a member of the KPMG network (see section 14.5.); • KPMG's mechanism that ensures compliance with the standards of auditing and quality management of its member firms (see section 2.3); • Our participation in the governance arrangement of domestic group entities (see section 2.2.4); and • Benefits and risks associated with operating as 'KPMG in Japan' (see sections 2.2.3 and 2.2.4)
5-4	An audit firm should strive for proactive dialogue about its initiatives for enhancement of the audit quality with audited companies, shareholders and other stakeholders in the capital market. In doing so, the audit firm should effectively utilize the knowledge and experience of independent third persons.	We hold periodic dialogue with capital market stakeholders. Specific themes of the dialogue include emerging issues for audit firms as well as management and governance arrangements of audit firms. The PIOC members are also present at dialogues. (See section "11.4. Communication with market participants".)
5-5	An audit firm should periodically assess the Code's implementation and the effectiveness of its initiatives for enhancement of the audit quality	We assessed our status of implementing the principles of the Code and concluded that our initiatives for the enhancement of audit quality was effective. (See section "1.1. Statement of effectiveness of the System of Quality Management of KPMG AZSA as at 30 September 2025".)
5-6	An audit firm should effectively utilize the useful information obtained through the dialogue with stakeholders such as participants in the capital market and the results of the assessment of the Code's implementation for improving its effective management and organizational operations.	We convene dialogue with the capital market participants. We utilize advice obtained through the dialogue in considering further improvements to our operation as an organization. (See section "11.4. Communication with market participants".)

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