

Where do you start if you
want to co-create a future
for the next generation
and beyond?

EY Japan Integrated Report 2021



The better the question. The better the answer. The better the world works.



Building a better
working world

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*Long-term value
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Editorial policy

Building a better working world

We established our purpose of Building a better working world in 2013. Now that eight years have passed, EY people base their decisions on this purpose. In the spring of 2020, when the pandemic forced cities into lockdown and companies to slow business activities, Carmine Di Sibio, EY Global Chairman and CEO, was one of the first to send a message to the world that EY will protect its people's jobs. At EY, our purpose firmly anchors a people-first professional culture. As EY people, united across the globe by our purpose, we will strive to make a positive impact on society in an uncertain and changing world.

To create long-term value (LTV)*¹

In 2017, we identified the value drivers to help companies measure long-term value with The Embankment Project for Inclusive Capitalism (EPIC), a joint initiative with the Coalition for Inclusive Capitalism.*² It was a natural next step to create our own LTV and communicate it to our stakeholders with our first integrated report as EY Japan. This report tries to objectively review how EY people work toward activating their own purpose. We appreciate the unreserved feedback of our clients and many other stakeholders as we aspire to better ourselves and forge a foundation of trust.

*1 Long-term value (LTV) framework
*2 www.inc-cap.com

Setsuko Takahashi

EY Japan Chief Branding Officer

Entities covered in this report

EY Japan

EY Japan refers to the member firms of EY in Japan. EY Japan includes Ernst & Young ShinNihon LLC, Ernst & Young Tax Co., and EY Strategy and Consulting Co., Ltd. Each of these firms is a separate legal entity. For more information, please visit ey.com

Period covered

FY21 (July 2020 through June 2021)

Where appropriate, includes periods before or after the above to exemplify historical facts, data or recent events.

Notes on forward-looking statements

Performance forecasts and other forward-looking statements in this report include forecasts and plans based on assumptions and projections as of the date of publication of this report, and EY Japan does not guarantee their achievement. Actual results may differ materially from these statements due to various factors in the future.

Fiscal year

EY's fiscal year begins in July and ends in June of the following year e.g., FY22 covers the period from July 2021 to June 2022.

Message from the CEO



Building a better working world

Moriaki Kida
EY Japan Chairperson & CEO
Japan Regional Managing Partner

A handwritten signature in black ink, appearing to read 'Moriaki Kida'.

Japan, a driving force for global transformation Creating long-term value (LTV) for the next generation

Today, the world is teeming with challenges that include globalization, digitalization, climate crisis, demographic change and the COVID-19 pandemic. This has triggered a huge shift in values towards stakeholder capitalism, where sustainable growth and value creation are long-term goals for corporations, citizens, political leaders, and investors alike. Since 2013, EY has looked to the long term and set a goal of making the world a better place with its purpose of *Building a better working world*.

EY's distinctive purpose has led all of our people around the world to question what they should achieve in the long term and act accordingly on a daily basis. The same purpose underpins the NextWave strategy, which EY rolled out globally in 2018, and has been evolving ever since. Corporations and nations are now accelerating their response to climate change and other issues highlighted as major Environmental, Social and Governance (ESG) themes. Japan

already has an aging society and a rapidly-declining population, with corresponding issues in medicine and nursing care, and is uniquely positioned to show the world what may lie ahead. The COVID-19 pandemic and economic turbulence have also disrupted supply chains and boosted digital transformation (DX). Against this background, there is a call for transformation of not only the work styles of individuals, but also the structure of industry.

With the increasing risk of existing business models becoming obsolete, Japan is a precursor in addressing these issues. Some Japanese companies are thriving by including not only shareholders but also society as a whole in a definition of their stakeholders and constantly creating LTV by solving social issues through their business.

As Japan is one step ahead in confronting these difficulties, it is also beginning to gradually overcome these mounting challenges. As a

consequence, Japan has the potential to become a forerunner in *solving* issues. However, there is always the risk of a misstep, with both the initiatives and the solutions being specific to Japan, and falling behind wider global trends. EY will use its long-term perspective and global insight to support Japan and its companies to drive change around the world, to set global standards for future generations, and to help build a new, prosperous and progressive society. This is my renewed vision of EY's purpose.

Working with clients to solve society's problems Driven by our people's dreams

Clients

Our clients are always at the center of everything we do at EY. Our professionals operate in Japan and over 150 countries globally across our four service lines: Strategy and Transactions; Assurance; Tax; and Consulting (see page 26). Their respective insight is put to work in collaborating with each other to address issues facing clients and provide comprehensive support. We assist companies as they venture into overseas markets, with EY Japan and local EY teams acting as one, and overcoming differences in language or culture. We provide global perspectives essential for corporate management. For example, we support organizations to establish purpose-oriented businesses, set up Talent policies and career paths. All EY people around the world share a purpose: *Building a better working world*. This allows us to provide optimal solutions compatible with the culture and commercial practices of the destination country. It is the norm at EY to collaborate globally to solve issues facing our clients and society. This professional culture is the key to EY's strength.

To support the shift from shareholder capitalism to stakeholder capitalism

that includes a wide range of stakeholders, we have developed our LTV Promotional Office. It frames the comprehensive client services that we provide for Assurance, Tax, Consulting, and Strategy and Transactions. To accelerate this initiative, we established the EY Japan SDGs Carbon Neutral Office in January 2021. The office selects experts well versed in carbon neutrality and sets up a team that goes beyond the boundaries of the four service lines of Strategy and Transactions, Assurance, Tax, and Consulting. It aims to be a one-stop solution provider covering a broad area from strategy to the disclosure of non-financial information.

Society

Our actions for society center on supporting the creation of new industries that serve as the foundation for sustainable economic and social systems, as well as creating a platform to support them. As part of our efforts to create new industries, we host the EY Entrepreneur Of The Year™ Award, an annual international award program. It recognizes the achievements of innovative entrepreneurs in new business domains with the spirit of building a

better working world. In 2001, we launched the **EY Entrepreneur Of The Year™ Japan** program to promote the activities of entrepreneurs who are pioneering Japan's future, and to help develop their successors. We also host the **EY Entrepreneurial Winning Women™** program to celebrate the accomplishments of women entrepreneurs. We support public-private sector cooperation as a member of the Japan Hydrogen Association, an organization that promotes decarbonization through global collaboration around hydrogen and the formation of a hydrogen supply chain for the creation of a hydrogen-based society. We have also joined the **ESG Disclosure Study Group**, a forum for businesses and institutional investors who are studying the ideal form for ESG disclosure. We also work with other companies by taking part in the Japan Well-being Initiative which aims to create metrics for well-being and explores a new management approach centered on well-being. These are examples of our efforts to create a platform to support sustainable social systems. I also participate in and contribute opinions to the Cabinet Office's Male Leaders Coalition for the Empowerment of Women.

We will stand beside stakeholders who empathize with EY's purpose to co-create transformation, and to pass a better society to the next generation. We believe that this is the mission of EY in Japan.

People working at EY

Fostering awareness in all of our EY people is paramount in putting our purpose into practice. In Japan, it has been the practice that companies give directions to employees, who just follow instructions and do the jobs that they are given. At EY, we believe what drives innovation and solves problems is the power of each

individual to realize their own dreams and goals (My purpose) at a personal level that can be shared with family and friends. On taking office as CEO, I launched an initiative to help our people identify their individual purpose and connect it with EY's purpose. For individuals to achieve their dreams and goals, they first need to understand that others may have different views. Secondly, they need to develop a culture of encouraging those with more (relative) power e.g., in terms of job rank, gender, absence of disability, to listen to and adopt opinions that differ from their own. Thirdly, they must have the

psychological safety that allows them to share with other team members, even when their own background or opinion are different. EY seeks to become an organization shaped by *diversity*, i.e. the understanding that there are diverse people and perspectives; a *culture of inclusiveness*, where differences meet and reach mutual respect while recognizing some disagreement; and *equity*, where those in power rise above their advantage and provide support to others. With a worldwide network of over 330,000 people, EY is in a unique position to offer a variety of opportunities and a system of mutual



Message from the CEO



support that cuts across borders and organizations. I hope that EY can serve as a stage for our people to realize their dreams. By spurring EY members into action to achieve their individual purpose, we will encourage them to drive transformation, not only at EY but in broader society as well.

Technology and data

We use the same technology for our own operations and technology services as we do to support client DX in the more than 150 countries where we operate. This is testament to the strength and consistency of EY's global collaboration, a foundation which allows EY people around the world to work together

seamlessly across borders, and the engine that provides support for our clients. I believe this is another of EY's strengths.

EY plans to invest US\$10 billion in technology in FY22-FY24, and to leverage it for enhancing the prosperity of companies and society and the associated LTV. As the Japanese vector for this initiative, we established EY Digital Hub Fukuoka in October 2021. From its base in Fukuoka, it collaborates with local companies, recruits tech talent and offers solutions to benefit companies and society across all of Japan.

As technology evolves, data increases in importance. Handling data requires analysis, authenticity and confidentiality, which poses a

challenge to companies in terms of reliability and safe use, particularly in a borderless society. Based on *trust*, and values which only EY can offer, we aim to leverage our knowledge and global insights for the prosperity of business and society.

Becoming a sustainable corporate citizen Setting an example

We at EY Japan will be taking action as a sustainable corporate citizen so that we can serve as a role model for society.

In July 2021, EY Japan formulated its own LTV vision, which reflects EY's purpose. We have set key performance indicators (KPIs) for the four themes of governance principles, protecting the global environment (planet), best talent, and creating social value as we evolve into an LTV-oriented organization. In addition to providing clients with assistance in calculating and

reducing their CO₂ emissions, we are also stepping up our efforts within EY. We will cut our absolute annual CO₂ emissions and offset or remove any carbon emissions that exceed the target to **become carbon negative**, and then achieve net zero by 2025. We also operate EY Ripples (see page 16), a corporate responsibility program in which over 330,000 EY people worldwide share the objectives of contributing to society. Our goal is to positively impact 1 billion lives worldwide by 2030 through EY Ripples. By leveraging EY's assets,

namely our global collaboration and our professional expertise, skills, and experience, we will *support the next generation, work with impact entrepreneurs, and accelerate environmental sustainability*, to positively impact lives across the world. In Japan, EY professionals mentor students and young people who aspire to become impact entrepreneurs and offer business skills training and other support that only EY can provide. This is another way in which we can contribute to society.

Our purpose as a compass

Despite the seeming slowdown in Japanese society, we believe that with our clients and partners we can and will unleash the true potential of Japanese society and rebuild the country as a driver of world development.

We use our purpose of *Building a better working world* as the compass to navigate that process. Our aspiration is that Japan will once again lead the world in five to ten years from now. We want to *Build a better working world*, not only for the

current generation but for those who follow, and not only for Japan, but for the whole world. We would like EY to be central to tackling the world's pressing issues, offering a new perspective and pushing forward to a hope-filled future.

Our model

Today, the world has to address ESG themes, namely climate change, and a plethora of issues, and nations and business are trying to establish ways for solving them. We need to take transformation seriously and enact it, all the more because we live in an uncertain world. Ultimately, EY's mission is to be a hub of wisdom and capabilities across the world to pioneer new paths in an uncertain age and build a better working world.

The increasing pace of climate change and a rise in health awareness triggered by the COVID-19 pandemic are driving major changes in people's values and the structure of society. These circumstances require companies to think both about how to survive today and how to create tomorrow. At EY, we understand and cherish our role of helping our clients achieve sustainable success. We will further strengthen our efforts in the three areas to accelerate the cycle of helping

our clients achieve sustainable success, and eventually, building a better working world not only for EY people but also for people around the world. Firstly, we will continue to support our people who provide EY's services through world-class talent development programs such as EY Badges (our globally-standardized system of EY qualifications) and EY Tech MBA (a virtual learning program launched in association with Hult International Business School).

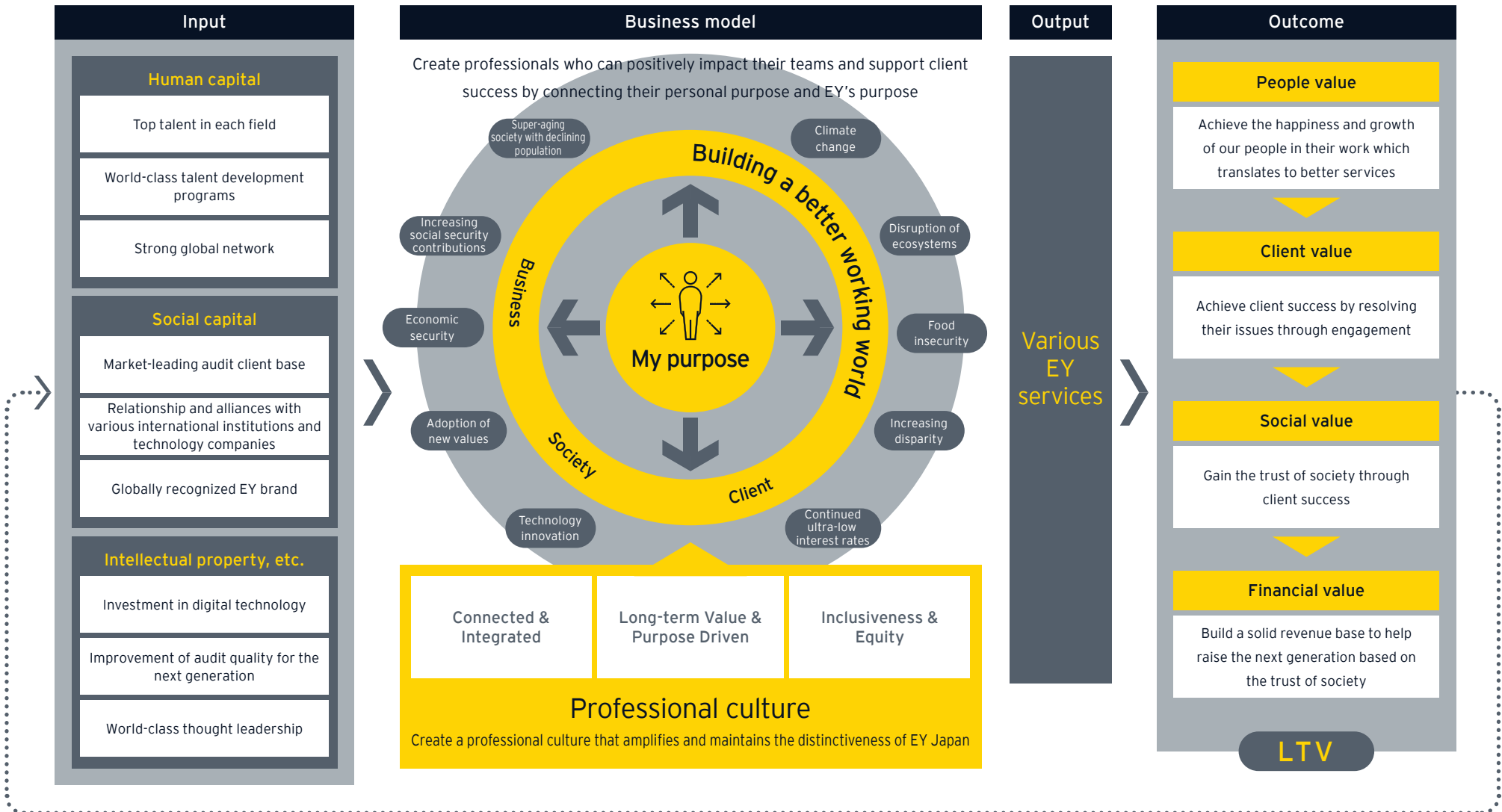
Secondly, in an uncertain business environment, clients are struggling to formulate broad strategies for their company or business units. EY will support them in this process, from creating strategies to executing them by leveraging our diverse global network and insight which span the globe. Thirdly, we will continue to invest and evolve to stay at the forefront of digitalization and data aggregation in order to provide the most sophisticated and comprehensive set of

transformation and compliance services, which are the core business of EY. At EY Japan, we have a professional culture that values Connected & Integrated (strong relationships among our people), Long-term Value & Purpose Driven (pursuit of LTV based on our purpose), and Inclusiveness & Equity (embodiment of diversity and equity). It forms the basis of our assessment criteria and conduct, transforms the services we provide to our clients and is the source of EY Japan's distinctive initiatives.

EY's various services will raise the four value dimensions: people value, client value, social value and financial value. In turn, it will enhance EY's own capital as well as improve our professional services that help companies and industries transform themselves. Ultimately, we envision tackling the transformation and streamlining of economic and social systems *per se*, escalating it to value creation for society as a whole.

We will stand by stakeholders who empathize with our purpose to initiate transformation, and advance toward *Building a better working world*.

Our purpose Building a better working world



Our strategy

Building a better working world

Building a better working world through the growth of our clients and the actions of all EY people. This is our purpose. To fulfil our purpose, we create four value dimensions: client value; people value; social value; and financial value. EY's business model starts with the *people* who provide services. By motivating the people who work at EY Japan and attracting talented people who find EY appealing, we provide better services to our clients. Through the success of our clients, we aim to make the world a better place. Whether our services are technology- or data-driven, the *people* who utilize that data remain at the center of our services.

NextWave is our global strategy that defines our ambition to create long-term value. By implementing our priorities worldwide, allocating investment to maximize profit at the organizational level, and organically combining our culture, systems and processes, we will enhance the 'whole of the EY organization,' which spans the globe. What sits at the core is our purpose, which is to maximize people value, refine our responsiveness to client needs, and thereby create long-term value for all stakeholders. We will transform ourselves into an organization that can fulfill our purpose.

The elements of our ambition

The Embankment Project's Long-Term Value framework is built on four value dimensions: consumer/client value, human/people value, social value and financial value. We have aligned the elements of our ambition to these categories, and this is a major evolution of how we measure our success. We no longer define our success primarily by the value we create for ourselves (financial value); our own financial performance is measured alongside the value we create for clients, for EY people and for society.

Client value: To help clients grow, optimize and protect value.

A major emphasis of the NextWave strategy is client centricity. By harnessing the power of the whole of the EY organization and meeting the needs of clients, we aim to provide them with an exceptional experience.

People value: To create an exceptional experience for EY people.

Whenever people join EY, and regardless of how long they stay, we want them to have an exceptional experience that lasts their entire life. We measure the success of our people value by asking EY people if they believe that we are delivering on this promise. We also measure if this ambition translates into us being the preferred employer among university students across the globe.

Social value: To build trust in the capital markets and have a positive impact on communities and the planet.

The insights and quality services that we provide help build trust and confidence in the capital markets and in economies around the world. We develop outstanding leaders –both internally and externally– who team to deliver on our promises to all our stakeholders. Our new ambition explicitly measures the trust and confidence that we are building among regulators and the number of lives that we impact. EY Ripples, our new global corporate responsibility program, will enable more EY people to apply their skills and knowledge; it will help the next generation workforce to develop the skills, mindsets and transferable skills that they need to find and sustain meaningful work and will help impact entrepreneurs to scale their businesses to drive inclusive, sustainable growth.

Financial value: To be the long-term growth leader.

Our ability to achieve our ambition and fulfil our purpose depends on our sustained and sustainable financial success. Our financial ambition is to be the profession's long-term growth leader and ensure that we adapt and find new ways to grow in our ever-evolving landscape. However, we want to be clear that we do not aspire to grow just for growth's sake. We must ensure that our growth is profitable and responsible – we will measure both top and bottom line growth as our metrics for financial success.





Two overarching ambitions: our Brand and our commitment to Diversity & Inclusiveness

We believe our Brand and our DE&I commitments both impact and benefit from our activities under all four value dimensions. By delivering on our ambitions under Client, People, Social and Financial value, we will achieve our goals for our Brand and for DE&I.

Our strategy

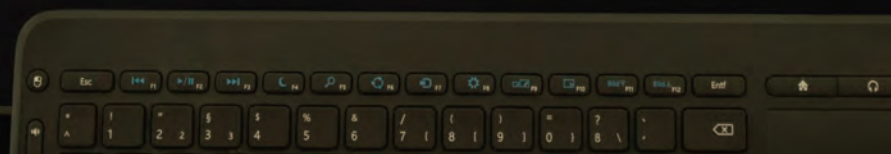
Measuring ourselves

To measure and accelerate our progress against the four value dimensions that EY creates to deliver long-term value, we have developed a set of 11 metrics. Using this framework, we will measure our progress across EY and in Areas, Regions, Service Lines and Function to transform ourselves.

Create long-term value as the world's most trusted, distinctive professional services organization				
Four long-term values	Ambition metrics			
 <p>Client value To support client growth by maximizing their value</p>	<p>Client experience To improve our customer experience (CX) score, a comprehensive metric for customer satisfaction</p>	<p>Account teaming Increase the average number of fields of play (FoP) per client group</p>		<p>Diversity & Inclusiveness Improve our score on the DE&I Index, a comprehensive metric on the balance, Diversity, Equity and Inclusiveness (DE&I) of our people</p>
 <p>People value To create an exceptional experience for EY people</p>	<p>Employee experience Increase responses in internal surveys where our people describe their EY experience as "exceptional"</p>	<p>Favored employer Rank highly in recruiting surveys of business, science, technology, engineering and mathematics (STEM) graduates</p>		
 <p>Social value To build trust in capital markets and have a positive impact on society and the planet</p>	<p>Trust Minimize the number of amended auditor's reports for audit services where EY ranks highly for "trust" in a brand survey of clients and non-clients</p>	<p>Carbon Reduce EY's CO₂ emissions relative to 2019 levels</p>	<p>Lives impacted Positively impact many lives by having more people participate in EY Ripples</p>	<p>Brand Rank highly for "favorability" and "distinctiveness" in our brand survey of clients and non-clients</p>
 <p>Financial value To be a long-term growth leader</p>	<p>Revenue growth Become a growth leader in the market with strong revenue growth</p>	<p>Income growth Make investments and achieve appropriate returns through high income growth</p>		

01 / People

EY Japan recognizes that talent is vital for a professional services firm to accurately identify client issues and respond quickly to changes. By leveraging the skills and individuality of our diverse talent and deepening our professional culture of Diversity, Equity and Inclusiveness (DE&I), we will develop strong teams that deliver value. As a *people-first* organization, we will enhance the value of our people, which will improve the corporate value of our clients and allow us to contribute to society. This will in turn lead to the enhancement of our own corporate value, completing a value cycle to activate our own purpose: *Building a better working world.*



Key driver

DE&I

Takashi Ouchida
EY Japan Chief Talent and Wellbeing Officer

T. Ouchida



Create value for clients and society with a people-first approach

Megumi Umeda
EY Japan DE&I Leader

Megumi Umeda



Intangible services are built on the foundation of people

— How does EY Japan value the importance of people?

Ouchida As a professional services firm, EY Japan provides clients with intangible services that are fundamentally people-driven. The challenges facing clients are changing rapidly due to social conditions and other factors. To thrive in a creative setting where one needs to quickly respond to these changes and create new solutions, each of us needs to demonstrate excellent professional abilities as well as human excellence. In this context, words cannot adequately express the importance placed on people at EY. In the firm, each person always considers the other's needs, and builds a relationship of mutual respect and trust. I

believe that EY's distinctive strength lies in the fact that there is an underlying spirit of supporting others and a professional culture that allows people to work with peace of mind.

Umeda A DE&I mindset is integral when thinking about the importance of people. DE&I is generally considered to stand for *Diversity, Equity and Inclusion (DE&I)* but at EY, we intentionally use the term *Diversity, Equity and Inclusiveness (DE&I)*. This shows our commitment to building a culture of accepting various differences in attributes such as gender, sexuality, nationality, and disability in an equitable manner.

Assembling the best team of diverse professionals with

different skills and personalities and providing services to our clients through the whole of EY, that is EY's style. Mutually recognizing and drawing on each other's abilities will lead to enhancing EY's competitiveness. This is why more emphasis is placed on inclusiveness. EY's business is based on 'building relationships', and we grow together with our clients, business partners and subcontractors through friendly competition while respecting each other, which is precisely in line with the idea of DE&I.

Roles with responsibilities are more valuable

— What is EY Japan's approach to talent management?

Ouchida We manage talent based on a people-first *value cycle*. By increasing the value of our people, we raise the value of our clients and

ultimately the value of society. As a result, the value of EY itself increases and naturally attracts talented people. It is our mission as EY Japan to ensure that this cycle continues with an emphasis on our people.

The cycle is driven by the special experience that our people gain through their work. We offer a variety of services, enabling our people to engage with a wide range of clients, where they may serve a large global company or gain experience of a niche or public sector. Each one of our people is given a responsible role, a unique experience accessible only at EY, so their knowledge and experience will be an asset. This is a key pillar of our talent development. To create opportunities for our people to gain experience, we consider what kind of work and assignment are a good match for them through on-the-job training (OJT). We pay attention to the combination of work/assignments and feedback from them.

Umeda EY promotes management that places individuals at the center. Our purpose, *Building a better working world*, features the words *building* and *better* to encourage growth while allowing for growth in progress. I believe this shows our stance of cherishing our people. The growth of diverse individuals striving toward their personal (“My purpose”) and the firm’s purposes will make the team more resilient, and the process and outcomes that return to society. This flow is built into our management policy. To implement DE&I in the true sense of the word, we focus on achieving equity now more than ever. Although internal systems are in place and the environment for achieving equality has been developed,

unconscious bias is still causing various real disparities. Turning a blind eye to this situation encourages discrimination, even if unintended. As D&I cannot be achieved without equity (E), more companies are incorporating “E” in DE&I and referring to it as DE&I. EY has issued a statement to show its commitment to DE&I signed by all members of the firm’s global leadership team. To promote

DE&I, it is vital that the leaders commit to it. The fact that the statement was signed and announced not only by the CEO but also the entire global team speaks volumes about EY’s style and its resolve.



Key driver: DE&I



Rethinking work styles to enhance happiness

— What is the focus for talent management?

Ouchida We are currently promoting a Transformative Leadership model, in which our people lead themselves while responding properly to the drastically changing social environment. The model advocates the idea that individuals should first exercise leadership to activate My

purpose which they have created themselves, instead of a conventional top-down approach. In particular, I get the impression that many people in their early 30s or younger, commonly known as Generation Z, believe that My purpose is highly important and think deeply about social contribution and the meaning of life. First, clarify your own

purpose, and then align it with EY's purpose. If you find your calling in a role, it will lead to delivering proactive service where you try to identify issues facing clients before being asked. You may also discover greater meaning to your own life.

We are also rolling out EY Flex & Remote, a distinctive work style for the post COVID-19 era. Recently, we have seen a surge in our engagement index. We believe that we have been able to meet each person's wish to work comfortably, and it has translated into figures showing a positive impact which exceeds expectations. While remote working comes with its own challenges such as training and care for mental health, the EY Flex & Remote program is in place to respond flexibly.

Last but not least, well-being is essential. Going beyond maintaining a minimum level of health and safety, how can we achieve happiness from work itself? This is our focus. As an

example, we are already engaged in activities such as exchanging opinions with external parties to gain their knowledge, and involving the younger generation to make proposals from the bottom up. Through these activities, we will strive to increase people value by leveraging better well-being.

Umeda Diversity is like inviting all sorts of people to a party. You cannot fully enjoy a party as a wallflower, who only watches other people on the dance floor. You also want to dance. Inclusiveness is where people can reach out to each other and enjoy dancing in their own way, regardless of disabilities, nationality, or gender. A woman can dance with a woman, and a man can dance with a man. We have employee communities such as WindS, a network for all women working at EY Japan; and Unity, a network for LGBT+ people and their allies at EY. This is a testimony to how EY staff can take the initiative and

invite each other to enjoy "the dancing". This is one of our strengths. In addition, we have been organizing DE&I corporate responsibility programs for many years. We have the Women Athletes Business Network (WABN), a program to support professional women athletes in a transition to a second career in business; and EY Entrepreneurial Winning Women (EWW), a program designed to support women entrepreneurs, to name just a few. My role is to clarify the meaning and purpose of the existing systems and programs that respect diversity, maximize their impact, and make them more accessible to more people. The themes related to DE&I are also changing as society changes. Equity is one example, but we are going to launch initiatives in new areas not only inside the firm but also in collaboration with external communities, to create more opportunities and venues for EY to demonstrate leadership

in the field of DE&I. We determine the capacity of each of our people appropriately and give them the environment in which they can give their best performance, because we are an organization where each individual can lead and act independently on matters in the first person. We don't want to forget people in managerial positions who support their teams. They need supporting as well, and we are going to strengthen our efforts in that area. Going forward, and speaking personally, I also want to keep growing as a professional. I would like to live out the Better Me/Better Us* and fulfill the purpose of *Building a better working world*.

* Better Me/Better Us: EY's initiative for each of our people to set their growth goals based on their ideal self (Better Me) and then translate them into action goals to improve the organization (Better Us).

Talent



At EY Japan, every professional is a valuable asset to the firm. To achieve *Building a better working world*, we believe that it is necessary to create an attractive workplace where each professional can reach their full potential and achieve the highest possible standards.

We will further strengthen our Diversity, Equity and Inclusiveness (DE&I) initiatives to develop systems in which diverse EY people can contribute to value creation. More specifically, we will enhance our support for women, our non-Japanese colleagues and the inclusion of LGBT+ people in the workplace. In addition, we will continue our efforts to create a welcoming work environment for a diverse workforce, such as flexible work hours, remote work, childcare leave, support for returning to work after childcare leave, and a nursing care leave system.

We will design a new talent evaluation system that accurately assesses our people based on demonstrable abilities and achievements, rather than age, attributes or length of hours worked.

We will foster a professional culture that encourages ongoing personal development and will design talent systems to support this.

EY Badges is a program through which EY people earn digital credentials in future-focused skills and then apply those new skills in practice. EY Badges is a portable and shareable global internal qualification system. Any EY person can earn a badge if they participate in required learning and gain new experience.

In FY20, we also launched EY Tech MBA across EY globally, offered in association with Hult International Business School. It is a virtual learning program that is available regardless of role or position and entirely cost free to all of our 330,000 plus employees in over 150 countries. Through its innovative virtual learning model, this MBA allows our people to develop the

technology, leadership and business skills that they need wherever they are in the world, in a way that truly suits them.

For occupational health and safety, a theme that has become more important due to the pandemic, we have introduced various measures to enhance wellbeing with the launch of the Well-being Promotion Office. We have set goals and Key Performance Indicators (KPIs) in this field regarding engagement, absence rate, and regular health checkup rates to promote mental health measures.

We are working on *EY Flex & Remote* as an example of new work styles that can also serve as models for our

clients and suppliers. Currently, about 30 of our people are working remotely in locations across Japan under the *EY Flex & Remote Relocation Program*. We will develop the labor management and personnel systems needed for full implementation and roll out the system in FY22.

We will also strengthen our efforts to improve supplier diversity, not just within EY Japan. We aim to register 20 suppliers including female entrepreneurs as DE&I preferred suppliers by 2025.

10.2%	100%	20 suppliers
Current female PPAPD* ratio	Flexible working hours and remote work adoption rate	Number of DE&I preferred suppliers target by 2025

*PPAPD: Partner, principal, associate partner, and director.

02 / Society

EY Japan views the concept of Long-term value (LTV) not only as a guideline for developing corporate management strategies, but also as a compass that sets the direction for society as a whole to follow. We will create a platform for supporting sustainable economic and social systems by protecting the environment through efforts to address climate change and resource recycling; engaging in community activities to assist next generations; improving audit quality to build the trust required by capital markets; and working to develop governance principles that respect human rights and prevent fraud. We will also develop new performance metrics for the challenge of reforming or streamlining the rule-making process.



Planet



Climate change is one of the defining issues of our time. We face significant human-made changes to the climate. We know action is urgently needed. If we protect the planet for future generations, EY is tackling this issue by setting these objectives.

EY's offices are now LEED-certified.*¹ The new Stockholm and New York offices opened in 2021 are rated LEED Platinum and Gold, respectively. We are working to have all EY offices powered by 100% renewable energy by 2025.

Zero
Achieve net zero by 2025

↓ 40%
Reduction in CO₂ emissions by FY25 (compared to FY19)

- ▶ We will reduce CO₂ emissions in line with the Science Based Targets (SBT)*² to achieve net zero*³ by 2025.
- ▶ EY teams are equipped with tools to track and reduce CO₂ emissions arising from client services.

Circular office

- ▶ **80%** recycling rate for paper and general waste in Tokyo office (by FY24)
- ▶ **Zero** single-use plastic in the Tokyo office's in-house café (achieved in FY22)
- ▶ **100%** furniture recycling rate for Tokyo office (achieved in FY22)

Green procurement

- ▶ Requiring **75%** of EY suppliers, to set SBT (by FY25)
- ▶ Requiring **54** suppliers to set SBT (by FY23)

1 LEED: Leadership in Energy and Environmental Design is a green rating system for built environments (buildings and cityscapes), developed and operated by the NPO USGBC and reviewed by GBCI** for certification.

USGBC*: U.S. Green Building Council; GBCI**: Green Business Certification Inc.

*2 Science Based Targets (SBT): Targets to reduce greenhouse gas emissions. Aims to reduce CO₂ emissions by organizations based on climate science, in line with the goals of the Paris Agreement and limit the global temperature rise to 1.5°C above pre-industrial levels.

*3 Net zero: The point at which an organization has achieved SBT's 1.5°C target as well as removed its residual emissions from the atmosphere.



We are focusing on supporting the next generation workforce, working with impact entrepreneurs, and accelerating environmental sustainability.

The Japanese government announced its policy direction for regional revitalization in 2014, and the World Economic Forum (WEF) released *Stakeholder Capitalism Metrics* in 2020. Through EY Ripples established in 2018, we have built a framework to revitalize local communities by drawing on our people's professional skills and experience to help solve social issues.

Meanwhile, our efforts include supporting the training of science, technology, engineering and mathematics (STEM) talent and certified public accountants, promoting DE&I, as well as the EY Tech MBA and EY Badge programs. Ongoing initiatives to develop the next generation of Japan's business leaders include programs such as EY Entrepreneur Of The Year™ *1, EY Entrepreneurial Winning Women™ *2, and Women Athletes Business Network.*3

EY Ripples

EY Ripples is a corporate responsibility program that brings greater scale and sharper focus to our efforts for the community. EY Ripples has three areas of focus: Supporting the next generation workforce; Working with impact entrepreneurs; Accelerating environmental sustainability. Our goal is to contribute to achieving Sustainable Development Goals (SDGs) adopted by the United Nations in 2015, as well as positively impacting people's lives around the world. We strive to create new value by leveraging the knowledge, skills and experience of our professionals. EY Ripples offers exciting new ways to do this as it brings together the global EY network in an effort to achieve one shared vision: to positively impact one billion lives by 2030.

Sustainable Development Goals (SDGs)

Examples of our initiatives

Supporting the next generation workforce EY Junior Board (an educational project for junior-high and high school students)

Education support project to provide classes on accounting and consulting mainly for junior and senior high school students and help them think about future careers

Examples of classes offered

- ▶ Accounting courses
- ▶ Project management courses (to develop consulting skills)
- ▶ Introduction to professional services roles (including certified public accountant, certified public tax accountant, lawyer, and consultant)
- ▶ Welcome Office tours of EY Japan for junior high and high school students

* Other programs include a year long entrepreneurship program for high school students.

Educational project for junior high and high school students (Japan)

*1 EY Entrepreneur Of The Year™
EY Entrepreneur Of The Year™ is an international award program founded by EY in 1986 which recognizes entrepreneurs who create the products and services that keep our worldwide economy moving forward. We support the next generation of entrepreneurs through helping them expand their business globally and build networks and communities. The program is currently held in more than 60 countries and recognized as one of the world's most prestigious business awards.

*2 EY Entrepreneurial Winning Women™
EY Entrepreneurial Winning Women™ was launched in the U.S. in 2008 as a program to support women entrepreneurs who have built profitable companies, but have not yet found the essential tools needed to scale sustainably and gain a worldwide presence. The program has built a network spanning 65 countries with over 500 women entrepreneurs.

*3 Women Athletes Business Network
Women Athletes Business Network was established by EY in 2016. Women who have played sport are uniquely positioned to lead in the corporate world. To support their success in the business world and harness their leadership potential, we offer programs to help them transition to a career in business including entrepreneurship after their time as an athlete.

Audit Quality



The insights and quality services that we provide help build trust and confidence in the capital markets and in economies around the world. We develop outstanding leaders –both internally and externally– who team to deliver on our promises to all our stakeholders. Our new ambition explicitly measures the trust and confidence that we are building among regulators and the number of lives that we impact. EY Ripples, our new global corporate responsibility program, will enable more EY people to apply their skills and knowledge to help the next generation workforce to develop the skills, mindsets and transferable skills that they need to find and sustain meaningful work and to help impact entrepreneurs scale

their businesses to drive inclusive, sustainable growth. In recent years, we have become a more globally connected organization, with a strong culture of teaming. It is a real advantage that allows us to differentiate ourselves from competitors and to deliver high value to all stakeholders. Global integration enables us to bring the power of EY to clients locally and globally, connecting one another and across our different ecosystems. Our global approach to governance and investment brings scale and improves decision-making and speed to market. We can deliver consistent quality standards, mobilize talent, and leverage the collective experience of all EY member firms.

Ernst & Young ShinNihon LLC (“EY ShinNihon”) (Chiyoda-ku, Tokyo; Masami Katakura, Chairperson & CEO), an EY member firm, publishes an Audit Quality Report each year (including a recently published 2021 edition). The report compiles our efforts to pursue audit quality, including management and governance systems, quality management, and talent development. We aim to proactively address stakeholder needs and strengthen audit quality for building trust in the capital markets in order to contribute to the creation of Long-term value (LTV), for society and business. We strive to maintain our presence as an innovative audit firm with the motto “Innovating EY ShinNihon, changing the future” to always be one step ahead.

Audit Quality Report 2021



Scan the QR code to access the report, or go to the link



Operating responsibly




EY believes that implementing a quality improvement process that aims for consistently high standards throughout the world will eventually create Long-term value (LTV) for society.

To address governance issues, we have an EY ethics hotline and mandatory anti-corruption and fraud-prevention training programs for all of our people.

With our mainstay being audit services, EY's commitment to quality is that of continuous improvement. As such, our goal is to be the most trusted auditor.

We measure this based on external inspection rates by the International Forum of Independent Audit Regulators (IFIAR) whose members include the Global Audit Quality (GAQ) working group.* The external inspection rates are based on deficiency rates, as defined by the respective regulator, of the most recently completed inspections for public-interest entities (PIE).



100%
Percentage of employees who endorsed the EY Global Code of Conduct

100%
Percentage of employees taking anti-corruption and independence training

External inspections

In 2015, the IFIAR issued a challenge to the global audit networks, calling on them to achieve a 25% reduction in 'deficient audits' – audits with at least one significant inspection finding – by 2019 for listed PIEs. EY achieved this goal in 2019. The IFIAR has issued a new challenge to the global audit networks, calling for a further 25% reduction in deficient audits by 2023 for listed PIEs across 25 countries. EY is currently on track to meet that reduction. However, that metric is a point in time measurement and outcomes may change.

Internal inspections

Internal inspections are also performed on engagements each year. EY leadership conducts the annual Audit Quality Review (AQR) program as an important element of assessing the system of quality control at the member firm, regional and global level. The results of the AQR process are summarized globally (including for Areas and Regions), along with any key areas where the results suggest that continued improvements are required.

Adhering to the highest ethical standards

EY strives to adhere to the highest ethical standards, including in relation to protecting human rights, upholding international labor standards, protecting the environment, and opposing bribery and corruption in all its forms. We are committed to integrating the United Nations Global Compact (UNGC) Ten Principles and the UN Sustainable Development Goals (SDGs) into EY strategy, culture and operations.

* Currently composed of 10 country regulators: Australia, Canada, France, Germany, Japan, Netherlands, Singapore, Switzerland, UK and USA.

03 / Clients

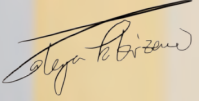
Various social issues such as the shrinking labor force and the need to tackle climate change are intensifying, requiring companies to change. EY Japan reviews the fundamental purpose of clients as a corporation and offers future solutions from the viewpoint of creating LTV. Non-financial evaluation and assurance are critical to management strategies for long-term growth, and we support them with consistent integrity while ensuring independence. The service lines that share the EY purpose collaborate to maximize the client's corporate value with the aim of building a better working world.



Key driver Client centricity

Tokuya Takizawa

EY Japan Managing Partner - Markets and
EY Japan Chief Sustainability Officer



We support our clients from every direction
to build a better working world.

Masami Katakura

EY Japan Managing Partner - Assurance
Chairwoman & CEO, Ernst & Young ShinNihon LLC



Think long-term value first

— What is the strength of EY Japan in supporting your clients?

Takizawa Solving client issues requires access to services, knowledge and other global resources beyond Japan. Although there are other professional firms out there that are active on a global basis, EY is unique: we are 330,000 people spanning the globe, acting like one family group, with a well-established professional culture. When our clients venture into countries or regions which are new to them, we refer them to our member firms that offer local coverage. Even when we send an email to someone we have never spoken to or met

previously, they are happy to help us, and vice versa. This is the norm at EY. It is only possible because of our culture of helping each other regardless of how we might benefit from it. On the other hand, as a private firm, we are in the realm of economic rationality. However, in pursuing profit, our focus is not short-term revenue but Long-term value. Through years of experience, we understand that even if we don't see immediate results, we will be rewarded by significant success if we take a long-term perspective and continue to give full support to our clients. This brings long-term value to both parties.

Katakura Our purpose is *Building a better working world*. Although cultures and work styles may differ from country to country, EY people from around the world are like-minded and aiming to build a better working world. It is natural for us to work together to achieve this goal.

Key driver: Client centricity

Support wherever it's needed

— EY Japan established the LTV Promotional Office in 2020. How are the four service lines collaborating with each other in Japan?

Takizawa EY Japan has four service lines: Assurance, Tax, Consulting, and Strategy and Transactions. They support our clients from each angle.

Regardless of service line, all clients share the same vital management issues of incorporating Environmental, Social and Governance (ESG) perspectives and sustainability into management strategies and enhancing corporate value. To respond to these issues, we launched the LTV Promotional Office which can

provide our clients with integrated services across service lines. As the leader of the LTV Promotional Office, I have frequent discussions with the professionals from each service line to understand client needs, provide services that are more helpful and deliver information attuned to those needs. With experts from various fields such as tax, accounting or M&A, we provide team support from every angle, placing clients at the center of our response.

Katakura Sustainability efforts have now gained recognition as an indispensable element of corporate management strategies to enhance corporate value, backed by the popularity of ESG investment. EY has a range of professionals

specialized in supporting each step of the process which includes how to incorporate sustainability in management strategies (upstream), setting and measuring KPIs, disclosure through integrated reports and securities reports, and assurance on disclosure (downstream). This is *Building a better working world* in action. In particular, EY Assurance already has a third-party assurance framework such as independence standards and quality control systems cultivated through auditing financial statements for clients. Proper disclosure of corporate sustainability initiatives and their outcomes backed by our professional assurance will exponentially enhance the reliability of the information. This allows investors and other

stakeholders to make decisions with confidence. Auditing corporate financial statements requires complex areas of expertise such as international taxation or assessing the right price for corporate acquisitions. We are able to provide high quality audits through the collaboration of professionals from each country or service

line, and the same applies to sustainability audits. One of our biggest strengths is that our professionals share the EY purpose, and are therefore well-equipped to collaborate in a more profound and sophisticated way.



Key driver: Client centricity



Revisiting a company's purpose

— The issue of climate change and other societal changes are accelerating now more than ever. Companies need to change. What kind of future does EY Japan present to clients?

Takizawa Let's say a client asks for help in reducing CO₂ emissions. We will not respond with a simple numerical target. Instead, we ask questions. Why do you want to reduce them? How does that relate to your corporate philosophy? We suggest that our clients take a step back and review the fundamentals of the issue. In short, we begin with setting their purpose. So, what starts as a project of the IR division may evolve into helping clients formulate management plans, and eventually escalate to helping set the client's corporate philosophy. We engage in a dialogue with the

client about why they exist and examine corporate activities beginning with purpose. It is a very fulfilling journey.

Katakura More and more companies are disclosing non-financial information such as the impact of climate change, but this is only the beginning. Some clients request standardized criteria for assessment, while others want to freely express their uniqueness, thinking outside the box. However, in each case, the bottom line is how investors and the vast range of stakeholders perceive the information. Disclosure requires comparability and comprehensibility, in addition to the client's message. More investors may want some attestation about the reliability of the information. This will naturally raise the significance of assurance in non-financial

information. Today, increasing weight is attached to companies' initiatives on sustainability. By supporting clients through EY's mainstay business, we help clients take a step forward and, in turn,

contribute to protecting the global environment or solving social issues. This is a virtuous cycle where our business will lead to changing society and enriching people's lives, and it is EY Japan's ultimate mission.



Side story



Using technology to not only offer value to clients but also transform ourselves

Tatsuya Matsunaga
EY Japan Chief Innovation Officer

Offering value to clients through technology and EY's mission

All of EY's four service lines share the same function of analyzing a variety of internal and external data, including client data, to derive insights and provide feedback to clients on emerging issues involving management and business, as well as consulting and M&A recommendations. We believe that our ability to anticipate future change, measured by the quality of our analysis and depth of insights, is the key to building a long-term competitive advantage for EY. Our analytical capabilities make use of advanced information technology such as artificial intelligence (AI). Collecting mass data in real time, managing it with good governance

and security, and leveraging AI and various algorithms raise the analytical ability exponentially. Fully harnessing this technology enables us as human beings to scale our analytical capabilities. A survey suggests that most auditing and tax work will be replaced by AI and automated software in the future. Even today, technology-driven solutions already enable information gathering and routine research and analysis to be automated and accelerated. Likewise, the use of technology impacts how work is done in various industries, and therefore EY needs to change its work style as well. Our service lines such as Consulting, and Strategy and Transactions are no exception. It is imperative that we provide professional services in strategy formation and business reform and other engagements which reflect the

latest trends in technology. From the perspective of EY's purpose of *Building a better working world*, EY will first apply technology to itself and, backed by its own experience, show the world how professional services can be delivered. In that sense, EY's mission is to self-innovate.

What technology means to EY Japan

In July 2021, following the appointment of a new Regional Managing Partner (RMP) at EY Japan, we defined our focus areas for the next three years. One of these is how to strengthen our data technology capabilities and be an exemplary user of technology. By embedding our people's experience

and know-how gained through EY's professional services in the technology assets that we develop, we are able to scale our people's skills, empowered by IT. This will enable us to further increase the value and quality of our services. This self-transformation will be innovation made real by and for EY. EY promotes this innovation by reinforcing the organization for developing and operating technology assets on a global basis. We are setting up Regional Technology Hubs (RTH) at various locations around the world. In the Asia-Pacific region, we opened a RTH in Tokyo in July 2020 where professionals are working in areas such as full stack engineering and user interface development. On a global basis, EY has invested over 150 billion yen in the development of technology assets in the past three years. EY assets developed anywhere in the world will be accessible in Japan, giving access to EY's global experience and know-how from technology. As Japan has its own domestic rules and unique business practices, the RTH will act as the bridge for this. Travel in the other direction is also possible. We may deploy assets internationally that were originally developed for clients in Japan, as an example of global trends initiated in Japan.

Current initiatives to strengthen technology

EY Japan focuses on the following five areas:

1. Launching an innovation fund

We have launched an innovation fund to attract global assets to Japan and develop and promote the assets that meet the needs of our clients in Japan.

2. Establishing a framework for development and operation

We reinforced the team in the RTH charged with a mission to develop and operate assets. They have collaborated with Global Delivery Services (GDS), which is an EY internal shared services organization, and established an onshore center in Fukuoka in October 2021. The center engages in the development, maintenance and operation of the assets.

3. Developing data technology talent

- As developers of assets
We recruit professionals both internally and externally to EY, integrate them in the RTH and provide training for them.
- As users of assets
AI, Big data analytics, and Customer experience design ("ABC" skills) are regarded as the essential tech skills for the business people of tomorrow. We plan to develop and introduce related training programs.

4. Promoting alliances and building ecosystems

We roll out EY's global alliances with technology companies such as Microsoft and IBM in Japan and, in turn, build an ecosystem through collaboration with startups and venture companies from Japan.

5. Expanding EY wavespace™ Tokyo as an innovation hub

EY wavespace Tokyo expanded in July 2021 to become an innovation hub that provides a venue to envision the future of society and business with clients, plan the roadmap for change to activate visions of the future and experience demos of technology-driven solutions which bring it to life. At EY wavespace, clients and EY people collaborate for innovation.

Technology



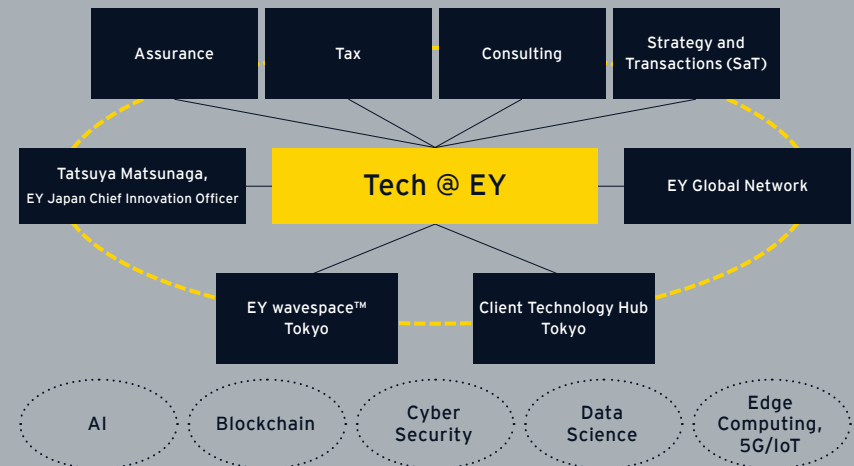
Technology and data are transforming everything from how to create and deliver value to the way EY people interact with each other and our clients. In the past, technology was a tool for improving an existing situation or accelerating and streamlining a process. Going forward, we will deliver services with sustainable, long-term value for clients through services and new capabilities enabled only by deploying technology. To harness this data-powered technology, we will differentiate our solutions and services by exploiting data. Currently, trust gaps have emerged between what data and technology can do and what people are willing to let it do due to the lack of transparency in how algorithms process data. Trusted Intelligence is created to fill this gap and is generating huge opportunities in the market. We aim to lead at this new frontier.

Our ongoing focus

- ▶ Invest US\$1 billion over the next two years in the development of technology for clients
- ▶ Build shared data assets using Trusted Data Fabric (TDF) - activating a new data-driven EY experience that improves existing services by leveraging new solutions
- ▶ Work on our own capabilities and targets as well as create and grow a new ecosystem and alliance going beyond existing ones
- ▶ Pursue targeted acquisitions to strengthen our capabilities and expand our scope of activity

Regional Technology Hub (established in July 2020)

EY Japan established a virtual organization consisting of asset development engineers, UI/UX designers, data scientists and others in the four service lines of Assurance, Tax, Strategy and Transactions, and Consulting. The Regional Technology Hub will develop technology assets based on EY's experience and expertise, which will be available not only in Japan but also throughout EY.



Technology

EY wavespace™ Tokyo (Opened in July 2021)

An innovation hub compatible with the new normal standard. An existing facility has been scaled up as a venue for co-creation where people can experience cutting-edge technology and discuss future business. EY wavespace™ Tokyo has a new type of studio which acts as an information hub where seminars can be held both remotely and on-site. Workshops and technology demos can be held in a relaxed atmosphere (which also respects any social distancing needs).



Innovation Fund

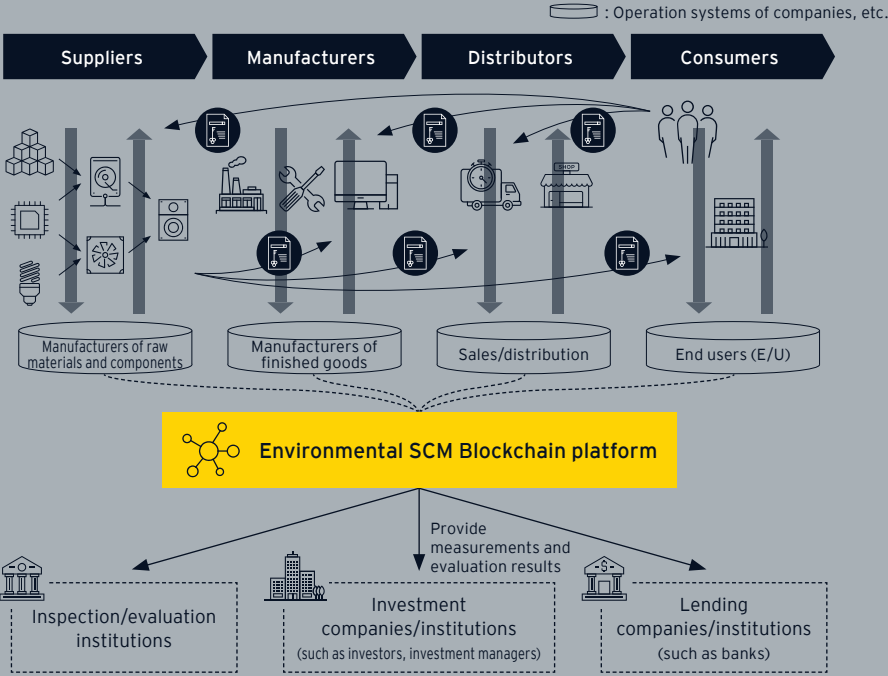
We have launched an innovation fund to promote the development and implementation of cross-service line assets.

Blockchain-driven sustainability

We are working on Environmental SCM Blockchain, a platform that visualizes with extreme precision the amount of CO₂ generated and energy consumed in the entire supply chain.

Information on the platform

- Greenhouse gas emissions
- Waste emissions
- Energy consumption
- Water use/discharge
- Chemical use/emissions, etc.



Service lines

Service

Assurance

EY ShinNihon is the largest audit firm in Japan. We provide audit, assurance, financial advisory and a variety of other services to clients from offices located across the country.

- ▶ Audit and assurance services
- ▶ Supporting corporate growth
- ▶ Financial Accounting Advisory Services (FAAS)
- ▶ Forensics (Forensic & Integrity Services)
- ▶ Climate Change and Sustainability Services (CCaSS)



Masami Katakura
EY Japan
Managing Partner
- Assurance

Tax

EY is deliberate in the use of its extensive experience and technological capabilities to provide its clients – individuals and national/international corporations – with the tax advisory and compliance services they desire, in fields ranging from international taxation, M&A and reorganizations to transfer pricing.

- ▶ Corporate tax advisory and tax compliance
- ▶ International tax strategies and M&A/reorganizations
- ▶ Indirect tax strategies
- ▶ Global talent management



Kazuhiro Ebina
EY Japan
Managing Partner
- Tax

Consulting

Sector teams that have comprehensive industry-specific knowledge; Cross sector teams that engage in solving social issues, aligning management strategies with M&A, and overseas expansions; and Competency teams that specialize in business transformation, operational transformation, risk management, technology, and organizational human capital. These teams work closely to help clients solve large-scale, complex and global issues involving society and management.

- ▶ Business Consulting
- ▶ Technology Consulting
- ▶ People Advisory Services
- ▶ Cross Sector



Masami Koike
EY Japan
Managing Partner
- Consulting

Strategy and Transactions

Our solutions support clients with their business needs in regards to Strategy, Buy & Integrate, Sell & Separate, Reshape Results, and Corporate Finance.

- ▶ EY-Parthenon
- ▶ Transactions and Corporate Finance
- ▶ International Corporate Tax Advisory



Hidekazu Umemura
EY Japan
Managing Partner
- Strategy and Transactions

04 /
Leadership



Leadership team

Takashi Ouchida

EY Japan Chief Talent and Wellbeing Officer

Masami Koike

EY Japan Managing Partner - Consulting

Kazuhiro Ebina

EY Japan Managing Partner - Tax

Takao Kamiya

EY Japan Chief Risk Officer

Hiroki Matsumura

EY Japan Financial Services Leader

Tatsuya Matsunaga

EY Japan Chief Innovation Officer

Tatsuya Hiramoto

EY Japan Consumer Products and Retail Leader

Yuriko Sato

EY Japan General Counsel

Peter Wesp

EY Japan Chief Finance Officer



Masahiko Tsukahara

EY Japan Regional Director of Operations

Tomoko Tanabe

EY Japan Partner in Rotation

Moriaki Kida

EY Japan Chairperson & CEO,
EY Japan Regional Managing Partner

Megumi Umeda

EY Japan DE&I Leader

Setsuko Takahashi

EY Japan Chief Branding Officer

Tokuya Takizawa

EY Japan Managing Partner - Markets,
EY Japan Chief Sustainability Officer

Masami Katakura

EY Japan Managing Partner - Assurance

Akira Kondo

EY Japan Managing Partner - Strategy

Hidekazu Umemura

EY Japan Managing Partner - Strategy
and Transactions

05 /
LTV metrics



LTV metrics

Our KPIs based on *Stakeholder Capitalism Metrics*

EY Japan is the first among its peers to disclose KPIs (LTV metrics) based on *Stakeholder Capitalism Metrics* developed by the World Economic Forum (WEF) International Business Council (IBC), to devote ourselves to creating value from a long-term perspective (LTV) and to be fully accountable to our stakeholders.

Principles of Governance

Aspiring to be the world's most trusted provider of specialized professional services, creating long-term value is an integral part of EY's LTV vision goals. EY believes that implementing quality improvement activities that consistently aim for high standards anywhere in the world will eventually create long-term value for society.

- Purpose management that revisits 'why we exist'
 - ▶ Activating our purpose, *Building a better working world*
- Initiatives to prevent corruption, fraud and unethical behavior
 - ▶ **100%** Percentage of employees taking anti-corruption and independence training (achieved and ongoing)
 - ▶ **100%** Percentage of employees endorsing the EY Global Code of Conduct (achieved and ongoing)



Protecting the global environment

Climate change is one of the defining issues of our time. The science is conclusive: we face significant and irreversible human-made changes to the climate. We know action is urgently needed if we are to protect the planet for future generations.

Net zero (by FY25)

- ▶ The point at which an organization has achieved its **1.5°C** Science Based Targets (SBT)¹ and removed and offset its residual emissions from the atmosphere.

100%² renewable energy in EY offices (by FY25)

Reducing business travel emissions by **35%**² by FY25 against a FY19 baseline

- ▶ Firm-wide introduction and use of a tool to track CO₂ emissions from business travel for client services

Circular office

- ▶ **80%** recycling rate for paper and general waste in Tokyo office (by FY24)
- ▶ **Zero** single-use plastic in the Tokyo office's in-house café (achieved in FY22)
- ▶ **100%** furniture recycling rate for Tokyo office (achieved in FY22)

Green procurement

- ▶ Requiring **75%** of EY suppliers, by spend, to set SBT (by FY25)
- ▶ Requiring **54** suppliers to set SBT (by FY23)

1 Science Based Targets (SBT): Targets to reduce greenhouse gas emissions. Aims to reduce CO₂ emissions by organizations based on climate science, in line with the goals of the Paris Agreement and limit the global temperature rise to 1.5°C above pre-industrial levels.

2 EY commits to a 40% reduction in Scope 1, 2 and 3 CO₂ emissions in aggregate by FY25 compared to FY19. We have set KPIs for the goals of 1) achieving a 100% reduction of CO₂ emissions from office-use energy by introducing renewable energy, and 2) reducing CO₂ emissions from business travel by 35%.

EY's SBT: We are committed to a 40% reduction in Scope 1, 2, and 3 greenhouse gas emissions in aggregate by FY25 compared to FY19. We are committed to achieving a 93% reduction of Scope 1 and 2 and a 31% reduction in Scope 3, by reducing emissions from business travel, commuting, transportation, logistics, etc. and emissions from waste, as well as procuring renewable energy. The targets for Scope 1 and 2 are consistent with the reductions necessary to limit the global temperature rise to 1.5°C above pre-industrial levels.

Best talent

At EY Japan, every professional is a valuable asset to the firm. To achieve *Building a better working world*, we believe that it is necessary to create an attractive workplace where each professional can reach their full potential and perform at their best.

<p>Diversity, Equity and Inclusiveness (DE&I)</p>	<ul style="list-style-type: none"> ▶ Women in leadership: women to be 15% of both PPAPD³ and manager or higher roles (by FY25) ▶ Target number for DE&I preferred suppliers⁴ (by FY25): 20 ▶ Be awarded <i>Rainbow</i>⁵ on the PRIDE Index⁶, an index by the voluntary organization, <i>work with Pride (wwP)</i> to measure LGBTQ and other sexual minority initiatives at companies and organizations, (achieved in FY22) 	<ul style="list-style-type: none"> ▶ Inclusive Culture Items Score⁷ of 77 (by FY25) ▶ Launch a EY Diverse Abilities Center⁸ (by FY23) EY Japan is taking its first steps to launch a Neurodiversity Center in Japan, which has been promoted globally since 2016.
<p>Occupational Health, and Safety</p>	<ul style="list-style-type: none"> ▶ More than 2,000 participants in Well-being activities (FY22) ▶ More than 6 collaborations per year, with experts and external initiatives as well as other internal EY initiatives such as DE&I (FY22) ▶ Introduce a subjective well-being metric (FY23) 	<ul style="list-style-type: none"> ▶ Implement and practice Comprehensive Health Care Index⁹: limit the risk of each item to level 3 or less and overall risk to 21 points or less across the service lines (FY23) ▶ Obtain certification as a White 500¹⁰, Certified Health & Productivity Management Outstanding Organizations (Large Enterprise Category) (by FY25)
<p>Education and training</p>	<ul style="list-style-type: none"> ▶ More than 250 participants in purpose training program per year (FY22) 	<ul style="list-style-type: none"> ▶ 500 EY Badges¹¹ (FY22), a cumulative total of 3,000 EY Badges (by FY25) ▶ 60 credits (hours) training per person (FY22)
<p>Developing a good working environment</p>	<ul style="list-style-type: none"> ▶ Ratio of eligible people who take paternity leave and partner's maternity leave¹² of 70% (FY22) and 90%, respectively (by FY25) 	<ul style="list-style-type: none"> ▶ Maintain 100% back-to-work rate from childcare and nursing care (FY22) ▶ Engagement Index Score¹³ of 70 (by FY25)

3 PPAPD: Partner, principal, associate partner, and director.

4 DE&I Preferred Supplier: Registers female entrepreneurs to promote diversity among suppliers.

5 PRIDE Index: The index was created by a nonprofit group, *work with Pride (wwP)* as an indicator of how companies have implemented initiatives to promote LGBT+ inclusion in the workplace. The index is composed of the following five categories:

- | | |
|-------------------|---------------------------|
| 1. Policy | 4. Development |
| 2. Representation | 5. Engagement/Empowerment |
| 3. Inspiration | |

6 Rainbow award: The Rainbow award recognizes companies that have promoted initiatives with collective impact based on a mid- to long-term commitment to creating a workplace and society where LGBTQ people can work with pride, along with other stakeholders.

7 Inclusive Culture Items Score: EY tracks people's perceptions and experiences of EY regularly, based on the idea that inclusiveness is a combination of factors. The results are combined into an 'Inclusive Culture Items Score.'

8 EY Diverse Abilities Center: A CoE that recruits neurodivergent individuals with developmental disabilities, Asperger's syndrome, autism, etc.

9 Comprehensive Health Care Index: EY Japan's unique index calculated as follows:

Absence rate due to mental health issues × 4 + Risks related to a brain disorders and heart disease (long work hours × high risk indicated by a health checkup × 2 + Stress check score × 1)

10 Certified Health & Productivity Management Outstanding Organization: The Certified Health & Productivity Management Outstanding Organizations Recognition Program was established by the Ministry of Economy, Trade and Industry and accredited by Nippon Kenko Kaigi (an organization that takes practical community- and workplace-based actions, as collaboration between private organizations and with full governmental and administrative support, to extend the healthy lifespan and to provide appropriate medical care, targeting individual persons in Japan, a country facing a dramatically advancing aging society with fewer children). The program offers recognition to large enterprises, SMEs and other organizations for excelling in health and productivity management.

11 EY Badges: A program through which EY people earn credentials in future-focused skills such as data science, AI, and leadership and then share those skills with other EY people and the market at large. EY Badges may be deemed as portable credentials - awarded based on the same standards around the world and can be kept throughout one's career.

12 Take-up of paternity leave and partner's maternity leave (to be recalibrated against planned regulatory revision in coming year)

13 Engagement Index Score: EY tracks people's perceptions and experiences of EY regularly, based on the idea that engagement is a combination of factors. The results are combined in an 'engagement index.'

Creating social value

We focus on supporting the next generation workforce, working with impact entrepreneurs, and accelerating environmental sustainability. In each of these areas, we apply our skills where they can make the biggest difference. We extend the value of EY knowledge to people and places we might not otherwise reach.

Number of EY Japan people participating in EY Ripples¹⁴ **1,600** (FY22)

Number of lives EY Japan will positively impact through EY Ripples
500,000 (FY22)

¹⁴ EY Ripples: A program that leverages EY people's professional skills and experience to make a difference in society. EY Ripples focuses on supporting the next generation workforce, working with impact entrepreneurs, and accelerating environmental sustainability.



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Facts and figures



Facts and figures

People value

We are committed to delivering on our promise to all EY people: “The exceptional EY experience - it’s yours to build.” We do that by providing the support, experiences and opportunities that our people need to build their careers in EY and beyond.

Learning hours delivered (FY19-FY21)		FY19	FY20	FY21
Total learning hours delivered	Global	14m	16m	18m
	Japan	0.2m	3.7m	5.1m
Learning hours per person	Global	54	54	59
	Japan	24	42	49

People by gender (FY19-FY21) Women%/Men% [Total number]		FY19	FY20	FY21
Leadership groups	Global executive	31%/69% [16]	33%/67% [18]	33%/67% [18]
	Japan Regional Leadership Team	7%/93% [14]	14%/86% [15]	14%/86% [15]
Governance Council	Global Governance Council	25%/75% [41]	28%/72% [40]	33%/67% [48]
	Japan Regional Partner Forum	33%/67% [12]	33%/67% [12]	25%/75% [12]
PPEDD <small>*Partners/Principals/Executive Directors/Directors</small>	Global	25%/75% [18,868]	26%/74% [19,663]	27%/73% [20,666]
	Japan	10%/90% [850]	10%/90% [918]	10%/90% [935]
Total people	Global	48%/52% [284,018]	48%/52% [298,965]	48%/52% [312,250]
	Japan	33%/67% (8,145)	34%/66% (8,780)	35%/65% (9,477)

Societal value

EY Ripples, the EY corporate responsibility program, is anchored in a long-term goal to positively impact one billion lives by 2030 in line with the United Nations Sustainable Development Goals (SDGs). Our survey shows that since EY Ripples was launched in 2018, we have positively impacted 55 million lives.

Lives impacted (000's) (FY20/FY21)			FY19	FY20	FY21
Total	Global		-	15,520	20,343
	Japan		-	-	415

"Lives impacted" figures encompass evaluation of both direct and indirect beneficiaries of EY Ripples initiatives- for example, both the leaders of impact enterprises and the customer base they serve - and are weighted according to the depth and breadth of impact that can be attributed to EY support.

Greenhouse gas emissions (FY19-FY21)			FY19	FY20	FY21
Total emissions (tCO ₂ e)	Global		1,354,000	976,000	394,000
	Japan		15,461	13,864	4,596
Emissions per employee (tCO ₂ e/FTE)	Global		4.8	3.3	1.3
	Japan		1.9	1.6	0.5

EY member firms play the role of a major global employer, providing stable, high-quality jobs to a combined number of more than 312,000 people (as of the end of June 2021).

Number of people (FY19-FY21)			FY19	FY20	FY21
Global			284,018	298,965	312,250
Asia-Pacific			56,253	58,960	58,953
Japan	Total		8,145	8,780	9,477
	Ernst & Young ShinNihon LLC		5,492	5,554	5,686
	EY Strategy and Consulting Co., Ltd.		-	-	2,739
	Other		-	-	1,052

Client value

We help clients grow, optimize and protect value.

Fortune Global 500 – percentage of companies in index served (FY19-FY21)			FY19	FY20	FY21
Fortune Global 500 – percentage of companies in index served (FY19-FY21)	Audit client	Global	23%	23%	24%
	Non-audit client		61%	61%	60%
	Other		16%	16%	16%
	Total		100%	100%	100%

Forbes Global 2000 – percentage of companies in index served (FY19-FY21)			FY19	FY20	FY21
Forbes Global 2000 – percentage of companies in index served (FY19-FY21)	Audit client	Global	27%	27%	27%
	Non-audit client		45%	46%	46%
	Other		28%	27%	27%
	Total		100%	100%	100%

EY audit market share of IPOs (2018-2020)			2018	2019	2020
EY ranking by deal numbers	Global	#1	#1	#1	
	Japan	#1	#1	#1	

To measure how EY is delivering an exceptional experience to clients, we conduct the Global Brand Survey every two years. For the latest survey, more than 4,400 clients and non-clients across the world were interviewed. In FY21, we established a clear lead as the most favored global professional services brand.

Brand favorability (FY17, FY19, FY21)			FY17	FY19	FY21
Ranking*	Global	Tied 1	Tied 1	#1	
	Japan	Tied 3	#3	#3	
Best brand in EY Regions	Global	15 (54% of 28 Regions)	15 (63% of 24 Regions)	16 (67% of 24 Regions)	

* Of six global professional services firms

Financial value

The scale of our ability to fulfill our purpose of *Building a better working world*, capable of impacting more lives, depends on sustainable financial success.

Revenue (FY19-FY21)		FY19	FY20	FY21
	Global (US\$b)	36.4	37.2	40.0
	Asia-Pacific (US\$b)	5.5	5.8	6.6
	Japan (JP¥m)	128,947	140,251	154,215

7-year CAGR (FY14-FY21)	Global	7.3%
	Japan	5.3%

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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