



Chairman's Column

Remote work – how it fits into our business model

According to KMPG International's survey, over 80% of global companies have answered that "employees will be fully back in the office within 3 years". They say that employees will be given promotions and other perks. Among them is one of the world's biggest IT firms, Amazon, which is mandating return-to-office 5 days a week (from September 27 Nikkei). I was born in the Showa era (before 1989), so it is understandable that desk work is associated with being in the office. That norm has long been established.

Obviously, Co-vid changed things. Our firm was in fact experimenting with remote work to avoid traffic jams during the Tokyo Olympics. The pandemic accelerated this idea. Our firm has obtained ISO27001, which makes print-outs unavailable when working from home, but we have sent out additional monitors to enable our employees with a similar work environment. The benefits of working at home include doing laundry and receiving packages, but the one concern is the alienation and isolation felt by our staff. It is often said that casual conversations are great for communication and sharing ideas. I know first-hand that online meetings often end with just the agenda and no small talk happens. Our groups often hold 5-minute morning meetings and group chats, but attendance varies.

There is a need to continue improving the work environment. ASA currently has nearly 70 employees that work fully remote. They are a valuable part of our workforce. We tell our clients that we have "remote workers all the way from Hokkaido (North) to Okinawa (South)" and this workstyle will likely continue. When recruiting new employees, job descriptions that include "fully remote" have gotten a big response. Surprisingly, we received interest and applications from a wide range of age groups, not just younger workers.



As for our clients, those located further away from the city seem less inclined to remote work. Some say that remote work is reserved for big companies in the city, but it seems to differ according to industry. For our company, getting rid of remote work is not an option at the moment. In fact, we are looking to recruit even more talented individuals from remote locations. I hope this can indirectly contribute to regional revitalization as well.

As announced on our website and notices, our company just had its 25th anniversary and is changing our company name in November. Aoyama Sogo Accounting Firm will change to ASA Accounting. The group will be called ASA Group which will fortify services catered to alternative fund management. With our core SPC services intact, ASA Group will become a more information-centric company, by combining our IT resources to provide a wider range of services upstream and downstream. Our directors and employees will strive for a vibrant and sustainable company. We will notify you of our upcoming anniversary seminar as well. We hope to continue serving you in the upcoming years.

by Kazuhiro Matsuzawa, Chairman



Japan REIT

What is an Equity Story?

A while ago, when I was working at the REIT division of a global investment company, my Australian boss stressed the importance of the "equity story".

"The equity story" is delivered when a company is fund-raising. The story is meant to explain company value and future growth. This story is vital to attracting investors and raising funds through stock issuance. To convince investors, topics include company vision, mission, growth opportunity, competitive advantage, KPI, and leadership capabilities.

For REITs, this equity story has a distinct quality. For one, a REIT is a financial instrument that generates income from real estate. The stable cashflow and high dividend payout ratio are among the incentives for investors. Emphasizing portfolio diversification and quality, macroeconomic impact, and asset management performance is key to gaining investor trust that stable returns and long-term growth are feasible.

During equity fund-raising, the "roadshow" is crucial to tell the equity story directly to investors. The investment company (the underwriter) plans the road show for REIT asset management firms, which is presented by management to investors. The asset management firm gains trust from investors by answering in-depth questions about the REIT's growth potential, profitability and risk management strategies.



After the roadshow, investor demands are collected through "book building" to finalize the stock issuance price. The equity story again has a tremendous effect on investor feedback, issuance price, and ultimately success in fund-raising.

By the way, as a graduate of film school, I was told time and time again about the importance of the script.

Just like the script of a movie draws the audience in, the equity story has the power to draw in investors. If there is a compelling story, investors will relate to a company's potential growth and provide funds. In a way, the equity story is the "script" that plays a vital role in portraying the company's future.

by Shigeru Hirai, Fund Services Division



Japan Tax

National Tax Agency: Basis for selecting companies for a tax audit.

The truth is that most companies would prefer to avoid a tax audit even if no fraudulent transactions have occurred. As a former National Tax Agency employee, I have outlined some criteria for selecting companies for a tax audit.

- *Insider tip* (former employees or other business partners filed a report. It is said that many reports are inaccurate and made from spite or resentment)
- *Information from the media* (TV and other programs that feature celebrities, and popular stores are likely being checked)
- *Collected information* (tax agents are continuously collecting numerous anonymous information from transacted parties and banks for transaction information and bank accounts off the books)
- *Past tax audit results* (For companies that had fraudulent transactions uncovered during its last audit, it is said that a subsequent audit comes quickly)
- *Descriptions on Details of Accounts* (if any disclosures in the outline for details raises a flag or if any big transactions are identified in the details for extraordinary losses)
- *Unusual changes in profit or specific accounts* (gross profit or operating income have significantly changed or specific operating expenses have significantly changed)



- *Consecutive years of taxable income* (From a tax agency perspective, companies that have net operating losses may not have tax payable even after a revision is required. Thus, companies with taxable income are often selected as a priority. However, actual audits sometimes reveal that companies with taxable income were falsifying records)
- *Consumption tax refund filing* (Consumption tax is a tax type that the authorities perform a close inspection on. Unlike corporate tax, which is unaffected in case of a tax loss, a consumption tax refund should be filed with care)

According to the National Tax Agency's documents, AI is being used in statistical analysis to efficiently select companies for audit, but as taxpayers, if proper accounting records are regularly kept, there should not be concern.

by Ikuo Tamagawa, Corporate Advisory Division



Tax Update

2023 Tax Revenue breaks record for fourth year in a row

According to the 2023 national annual report announced by the Ministry of Finance, tax revenue was 72.76 trillion yen, an all-time high for the fourth straight year.

Corporate tax revenue grew the most with 15.86 trillion yen, which was a 920-billion-yen increase (+6.2% YOY). It does not seem like the economy is better off, but as the yen became cheaper, companies that rely on exports had strong financial results. As corporate taxable income increases, our role in tax preparation seems even more important.

Other tax revenue was 11.7 trillion yen, which increased by 470 billion yen (+4.4% YOY). Inheritance tax was about 3.56 trillion yen (+20.1% YOY), likely resulting from a rise in stock prices and land values. Another source of tax revenue was the international tourist tax of 1,000 yen when visitors leave Japan. It grew to 40 billion yen (+300% YOY).

While it seems that tax revenue is being effectively collected, Japan may assess even more taxes, based on comments made by the new leader of the Liberal Democratic Party about more tax on financial instruments, and news of increasing taxes for a bigger defense budget. As a citizen, I am skeptical about whether additional taxes are necessary. Since overall tax revenue is growing, perhaps tax policy will combine measures that increase and decrease tax. It will be a point of focus for the year-end tax reform.

by Sachie Aoki, Corporate Advisory Division

(Unit: hundred million yen)

Year	Total tax revenue (under general accounting)	Income tax revenue	Corporate tax revenue	Consumption tax revenue	Other tax revenue
2020	608,216	191,898	112,346	209,714	94,258
2021	670,379	213,822	136,428	218,886	101,243
2022	711,374	225,217	149,398	230,793	105,966
2023	720,761	220,530	158,606	230,923	110,702

(Ministry of Finance website: Data from tax revenue document)





From the Editor

“Perseverance is strength”

Years ago, a survey was conducted by Harvard University about "Goal setting and results at graduation and 10 years after". At the time of graduation, 3% of graduates replied that they wrote down clear goals and plans on paper. 13% replied that they have set goals but didn't write them on paper. 84% had not set clear goals. After 10 years, the 13% of graduates that replied that they had set goals but hadn't written them down on paper, had earned twice as much as the 84% of graduates that had not set any clear goals. The 3% of graduates that had written down their goals on paper had earned 10 times as much compared to the other 97%.

It is certainly difficult to set goals, prepare a plan, and follow through everyday with intention. I think the key is to incorporate as much into your routine as possible and be consistent.

by Jun Murata, Editor-in-chief

