Annual Securities Report

(Report based on Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Fiscal year	Started October 1, 2016
(51st Term)	Ended September 30, 2017

TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi

(E04807)

This report (from the Cover onward) is a print out of the (electronic) disclosure document filed with EDINET.

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[Company name]	株式会社TKC (Kabushiki Kaisha TKC)
[Company name in English]	TKC Corporation
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Section 1 [Information on the Company]

Part 1 [Overview of the Company]

1 [Key Financial Data]

(1) Consolidated Financial Data, etc.

Fiscal year		47th Term	48th Term	49th Term	50th Term	51st Term
Year end		September 2013	September 2014	September 2015	September 2016	September 2017
Net Sales	(millions of yen)	53,115	54,502	54,928	57,750	59,705
Ordinary income	(millions of yen)	6,186	6,401	7,042	7,604	8,792
Profit attributable to owners of parent	(millions of yen)	3,685	3,604	4,011	4,770	6,071
Comprehensive income	(millions of yen)	4,674	3,827	4,149	3,958	7,097
Total net assets	(millions of yen)	57,421	59,906	62,630	64,556	68,892
Total assets	(millions of yen)	72,723	75,266	76,836	81,116	85,428
Net assets per share	(yen)	2,106.23	2,205.39	2,304.38	2,374.07	2,551.70
Earnings per share	(yen)	138.44	135.55	151.18	179.65	229.13
Diluted earnings per share	(yen)	138.19	135.15	150.63	178.88	228.16
Equity ratio	(%)	77.1	77.7	79.6	77.7	78.8
Return on equity	(%)	6.8	6.3	6.7	7.7	9.3
Price earnings ratio	(times)	12.2	16.0	20.3	17.5	15.1
Cash flows from operating activities	(millions of yen)	3,926	4,402	6,485	9,181	8,123
Cash flows from investing activities	(millions of yen)	(2,026)	(2,873)	(4,558)	(7,022)	(4,617)
Cash flows from financing activities	(millions of yen)	(1,291)	(1,125)	(1,333)	(2,225)	(3,019)
Cash and cash equivalents at end of year	(millions of yen)	15,622	16,025	16,619	16,552	17,039
No. of employees	(no. of people)	2,521	2,503	2,500	2,547	2,588

(Note) Net Sales do not include consumption taxes, (consumption tax and local consumption tax; hereinafter the same).

(2) Financial Data, etc. of the Company

Fiscal year		47th Term	48th Term	49th Term	50th Term	51st Term
Year end		September 2013	September 2014	September 2015	September 2016	September 2017
Net Sales	(millions of yen)	49,355	50,616	50,957	53,361	55,175
Ordinary income	(millions of yen)	6,056	6,367	7,032	7,665	8,473
Profit	(millions of yen)	3,626	3,581	4,073	4,542	5,900
Capital	(millions of yen)	5,700	5,700	5,700	5,700	5,700
Total number of shares issued	(hundreds of shares)	267,310	267,310	267,310	267,310	267,310
Total net assets	(millions of yen)	54,479	56,934	59,694	61,370	65,466
Total assets	(millions of yen)	67,819	69,882	71,234	75,030	79,034
Net assets per share	(yen)	2,044.87	2,142.76	2,243.29	2,304.61	2,474.82
Dividend per share (Of the above interim dividends per share)	(yen)	44 22	44 22	71 33	80 40	100 40
Earnings per share	(yen)	136.22	134.68	153.50	171.08	222.67
Diluted earnings per share	(yen)	135.98	134.28	152.94	170.34	221.73
Equity ratio	(%)	80.2	81.3	83.6	81.6	82.6
Return on equity	(%)	6.9	6.4	7.0	7.5	9.3
Price earnings ratio	(times)	12.4	16.1	20.0	18.3	15.5
Dividend payout ratio	(%)	32.30	32.67	46.25	46.76	44.91
No. of employees	(no. of people)	2,231	2,203	2,201	2,234	2,269

(Notes) 1. Net sales do not include consumption taxes.

2. Dividends per share for the 49th term and the 50th term include a dividend of 5 yen and 10 yen in commemoration of the Company's 50th anniversary, respectively.

2 [History]

Date	Company History
October 1966	The Company was established in Utsunomiya City, Tochigi Prefecture on October 22, 1966, as a data processing center to defend the business domains and maintain control over the fate of accounting firms, and to improve the administrative efficiency of local governments. Established Kabushiki Kaisha Tochigi-ken Keisan Center.
August 1971	Established TKC Tokyo Keisan Center and deployed data processing centers nationwide.
September 1972	Established TKC Tokyo Yohin Center K.K. (a subsidiary, changed name to TKC Tokyo Supply Center K.K. in December 1993). [Merged and absorbed into the Company in January 2000] Established TKC Osaka Keisan Center K.K. (a subsidiary, changed name to TKC Osaka Yohin Center K.K. in July 1987, and to TKC Osaka Supply Center K.K. in December 1993). [Merged and absorbed into the Company in January 2000] Established TKC Okayama Keisan Center K.K. (a subsidiary, changed name to TKC Chushikoku Yohin Center K.K. in July 1987, and to TKC Chushikoku Supply Center K.K. in December 1993). [Merged and absorbed into the Company in January 2000]
November 1972	Changed corporate name to Kabushiki Kaisha TKC. Established TKC Tohoku Keisan Center K.K. (a subsidiary, changed name to TKC Tohoku Yohin Center K.K. in July 1987, and to TKC Tohoku Supply Center K.K. in December 1993). [Merged and absorbed into the Company in January 2000]
December 1972	Established TKC Nagoya Keisan Center K.K. (a subsidiary, changed name to TKC Chubu Yohin Center K.K. in July 1987, and to TKC Chubu Supply Center K.K. in December 1993). [Merged and absorbed into the Company in January 2000]
November 1973	Established TKC Kyushu Keisan Center K.K. (a subsidiary, changed name to TKC Kyushu Yohin Center K.K. in July 1987, and to TKC Kyushu Supply Center K.K. in December 1993). [Merged and absorbed into the Company in January 2000]
August 1975	Established Tokyo Line Printer Company K.K. (currently a consolidated subsidiary).
February 1976	Established TKC Saitama Keisan Center K.K. (a subsidiary, changed name to TKC Kanshin Yohin Center K.K. in July 1987, and to TKC Kanshin Supply Center K.K. in December 1993). [Merged and absorbed into the Company in January 2000]
January 1978	Opened TKC Systems Development Research Center.
October 1982	Established TKC Security Services K.K. (currently a consolidated subsidiary).
October 1984	Opened TKC Tax Research Center.
February 1985	Established TKC Management Consulting K.K. (a subsidiary). [Merged and absorbed into the Company in May 2011]
April 1985	Opened TKC Okinawa Information Service Center and thereafter deployed information service centers nationwide.
August 1985	Opened OA Technology Development Center.
December 1986	Changed corporate name in the Articles of Incorporation to TKC Corporation.
June 1987	Changed names of Keisan Centers to Information Centers.
July 1987	Listed on the Second Section of the Tokyo Stock Exchange.
September 1987	Opened TASK Technology Development Center.

Date	Company History
March 1990	Integrated the information processing service divisions of TKC Tokyo Second Information Center, TKC Shinjuku-Minami Information Center and TKC Ikebukuro Information Center to form TKC Tokyo Consolidated Information Center.
April 1990	Established TKC Corporation Strategic Management Research Center. [Merged and absorbed into the Company in October 2000]
June 1991	Opened TKC Data Entry Center.
January 1992	Opened TKC Precedent Retrieval Service Center.
November 1992	Integrated the information processing service divisions of TKC Osaka Information Center, TKC Kyoto Information Center and TKC Hyogo Information Center to form TKC Kansai Consolidated Information Center.
February 1994	Opened Systems Development Center.
March 1996	Listed on the First Section of the Tokyo Stock Exchange.
January 1998	Integrated the information processing service divisions of TKC Nagoya Information Center, TKC Shizuoka Information Center and TKC Nagano Information Center to form TKC Chubu Consolidated Information Center.
June 1998	Opened New Systems Development Center.
June 1999	Acquired shares in SKYCOM Corporation (currently a consolidated subsidiary).
July 1999	The systems development division obtained ISO9001 quality management systems certification.
March 2001	Integrated the information processing service division of TKC Kyushu Information Center, TKC Kumamoto Information Center and TKC Kagoshima Information Center to form TKC Kyushu Consolidated Information Center.
November 2002	Changed the company name in the company registry to TKC Corporation to match the corporate name in the Articles of Incorporation.
March 2003	Tokyo Line Printer Company obtained "PrivacyMark" accreditation from the Japan Information Processing Development Center (JIPDEC).
July 2003	Integrated the information processing service divisions of TKC Okayama Information Center, TKC Hiroshima Information Center and TKC Shikoku Information Center to form TKC Chushikoku Consolidated Information Center.
October 2003	Reorganized the information processing service divisions of TKC Hokkaido Information Center, TKC Tohoku Information Center, TKC Tochigi Information Center and TKC Okinawa Information Center into TKC Consolidated Information Center, and their SCG departments into TKCSCG Service Center. Changed the name of TKC Information Service Center (Accounting Firm BD) to TKCSCG Service Center. Opened TKC Internet Service Center (TISC). Became the first private company to pass the LGWAN (Local Government Wide Area Network) - ASP connection qualification test.
April 2004	Obtained PrivacyMark accreditation from JIPDEC (Local Governments BD).
June 2005	Obtained PrivacyMark accreditation from JIPDEC (company-wide).
December 2008	Obtained a report on the effectiveness of the implementation and operation of internal controls related to ASP services prepared by Ernst & Young ShinNihon LLC based on JICPA Auditing Standards Committee Report 18, "Assessment of Control Risks relating to an Entity using Service Organizations" (currently, Auditing and Assurance Practice Committee Practical Guideline No. 86, "Assurance Reports on Controls at a Service Organization").
September 2010	Opened Innovation & Technology Center (I&TC).
October 2015	Became the first company in Japan to obtain third party accreditation for ISO/IEC 27018:2014, "Code of practice for protection of personally identifiable information (PII) in public cloud acting as PII processors" (October 12).
April 2016	Opened System Engineering Center (SEC) Building.

3 [Description of Business]

The TKC Group (TKC Corporation and affiliated companies) consists of the Company, four subsidiaries and two affiliated companies. The Group is engaged in business activities including accounting firm business (information processing services, software and consulting services, and sales of office equipment and supplies), local governments business (information processing services, software and consulting services, and sales of office equipment), and printing business.

The positioning of each company in each business segment is as follows.

Note that the three business divisions below are the same as the categories in the segment information set forth in the Notes to Consolidated Financial Statements under Part 5 Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements.

1 Accounting Firm Business

Main services/products	Positioning of the Company and affiliated companies
1. Information processing services (i) Computer services by the TKC Consolidated Information Centers (ii) Computer services by the TKC Internet Service Center (TISC) 2. Software and consulting services (i) Development and provision of software to be installed on system devices for information service applications	(Services and sales) The Company provides information processing services, software and consulting services, and sales of office equipment and office supplies for computer-based accounting to customers including accounting firms and their clients. (Manufacturing and production) 1. Tokyo Line Printer Company, a subsidiary of the Company, offers printed continuous business forms for TKC's computer-based accounting for information processing service applications, and manufacturing of office supplies for use with TKC's computer-based accounting systems. 2. SKYCOM Corporation, a subsidiary of the Company, is engaged in the development and sales of software. 3. TKC Shuppan Corporation, an affiliated company, publishes books and monthly magazines on business management, taxing and accounting to provide useful business information to TKC member accounting firms and their clients. 4. iMobile Inc., an affiliated company, is engaged in the development and maintenance of website services.
(ii) Systems consulting services by specialized staff 3. Sales of office equipment Sales of system devices for information service applications 4. Sales of supplies Sales of office supplies for computer-based accounting	(Others) TKC Security Services K.K., a subsidiary of the Company, provides security, maintenance and repair services for buildings owned by the Company.

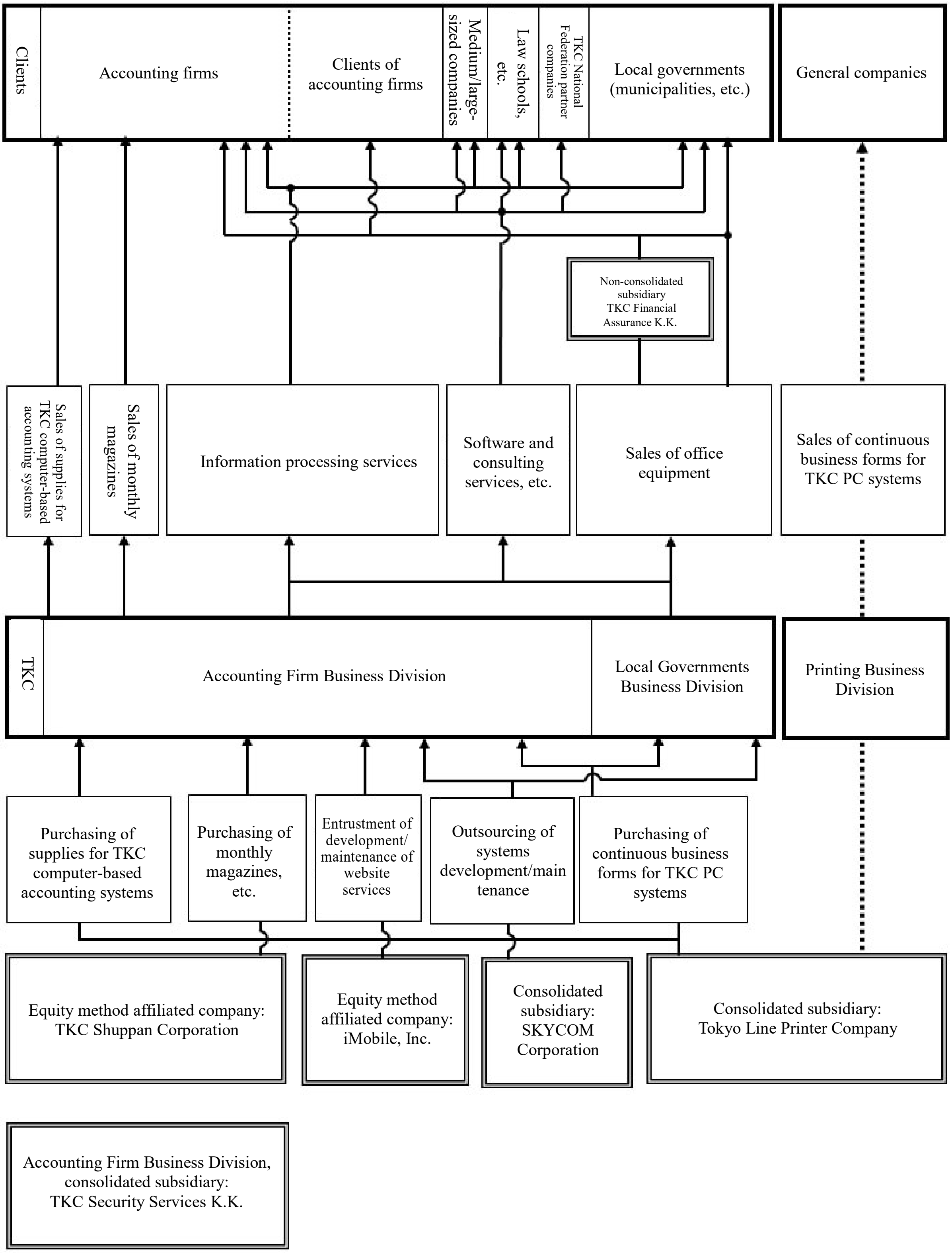
2 Local Governments Business

Main services/products	Positioning of the Company and affiliated companies
1. Information processing services (i) Computer services by the TKC Consolidated Information Centers (ii) Computer services by the TKC Internet Service Center (TISC) 2. Software and consulting services (i) Development and provision of software to be installed on system devices for information service applications (ii) Systems consulting services by specialized staff 3. Sales of office equipment Sales of system devices for information service applications	(Services and sales) The Company provides information processing services, software and consulting services, and sales of office equipment and office supplies to local governments (local municipalities, etc.). (Manufacturing) 1. Tokyo Line Printer Company, a subsidiary of the Company, offers printed continuous business forms for TKC's computer-based accounting for information processing service applications. 2. SKYCOM Corporation, a subsidiary of the Company, is engaged in the development and sales of software.

3 Printing Business

Main products	Positioning of the Company and affiliated companies
Continuous business forms for PCs, general office forms, data printing services, brochures, etc.	(Manufacturing and sales) Tokyo Line Printer Company, a subsidiary of the Company, is engaged in the manufacturing and sales of continuous business forms for PCs, general office forms and data printing services (DPS).

A structural diagram of the Group's business activities is as follows:



4 [Information on Affiliates]

(1) Consolidated subsidiaries

Name	Address	Capital (millions of yen)	Principal line of business	Percentage of voting rights (%)	Related activities
Tokyo Line Printer Company	Itabashi-ku, Tokyo	100	Printing business, manufacture and sales of continuous business forms for PCs	55.0	Purchasing of printed continuous business forms for PCs; lease of office spaces. Executive positions are held concurrently.
TKC Security Services K.K.	Utsunomiya-shi, Tochigi	10	Security, maintenance & repairs, and cleaning services	100.0	Security, maintenance & repairs, packaging and shipping services. Executive positions are held concurrently.
SKYCOM Corporation	Taito-ku, Tokyo	100	Development and sales of systems	100.0	Outsourcing of systems development. Executive positions are held concurrently.

(Notes) 1. Tokyo Line Printer Company is a specified subsidiary.
2. None of the companies currently submit Securities Registration Statements or Annual Securities Reports.

(2) Equity Method Affiliated Companies

Name	Address	Capital (millions of yen)	Principal line of business	Percentage of voting rights (%)	Related activities
TKC Shuppan Corporation	Chiyoda-ku, Tokyo	166	Production of monthly magazines, etc.	32.8	Purchasing of monthly magazines, etc. Executive positions are held concurrently.
iMobile, Inc.	Chiyoda-ku, Tokyo	100	Development and maintenance of website services	30.0	Outsourcing of development and maintenance of website services. Executive positions are held concurrently.

(Note) None of the companies currently submit Securities Registration Statements or Annual Securities Reports.

5 [Employees]

(1) Consolidated Basis

As of September 30, 2017

Name of Segment	Number of employees
Accounting Firm Business Division	1,610
Local Governments Business Division	556
Printing Business Division	187
Corporate (shared)	235
Total	2,588

(Notes) 1. Number of employees represents the number of working persons.
2. .Number of employees listed under Corporate (shared) belongs to the management division.

(2) Status of the Company

As of September 30, 2017

Number of employees	Average age (years of age)	Average years of service (years)	Average annual salary (yen)
2,269	39.3	16.0	7,013,841

Name of segment	Number of employees
Accounting Firm Business Division	1,500
Local Governments Business Division	556
Corporate (shared)	213
Total	2,269

(Notes) 1. Number of employees represents the number of working persons.
2. Average annual salary includes bonuses and extra wages.
3. Number of employees listed under Corporate (shared) belongs to the management division.

(3) Status of Labor Unions

There are no labor unions.

Part 2 [Business Overview]

1 [Summary of Business Results]

I Operating Results

The consolidated TKC group comprising of TKC Corporation and its five consolidated subsidiaries recorded net sales of 59,705 million yen (increased 3.4% year-on-year), operating income of 8,567 million yen (increased 12.1% year-on-year), ordinary income of 8,792 million yen (increased 15.6% year-on-year), and profit attributable to owners of parent of 6,071 million yen (increased 27.3% year-on-year).

The Group's net sales, operating income, ordinary income and profit attributable to owners of parent all exceeded the previous fiscal year's performance with record-breaking figures. The main reasons for the growth include the steady growth in orders for cloud services in both the Accounting Firm and Local Governments Business Divisions (BDs), as well as the new orders with respect to the strengthening of information security measures surpassing the estimates due to the commencement of the My Number system (measures for hardening security of the internal network within municipalities) in the Local Governments BD.

Net sales by business division are shown below.

1. Results of Operation of the Group for the Fiscal Year

(1) Net sales of the Accounting Firm Business Division

(i) Net sales of the Accounting Firm BD were 42,325 million yen (increased 4.2% year-on-year); operating income was 7,818 million yen (increased 20.7% year-on-year).

(ii) Sales from computer services increased 4.1% year-on-year. The growth was driven by the increasing number of users of the company's cloud services as in the previous fiscal year, such as PX My Portal providing support for the appropriate management of the My Numbers, and Tax Accountants Office Management System (OMS), in addition to FX4 Cloud, an Integrated Accounting Information System for mid-sized companies.

(iii) Software sales increased by 5.2% year-on-year. This increase was the result of the fact that increasing number of users has also occurred in the FX4 Cloud and e21-Meister.

(iv) Sales from consulting services decreased 7.2% year-on-year. This was due to the decrease in revenue from client/server system launch support services and the hardware maintenance business as a result of increasing number of users of FX4 Cloud system, etc.

(v) Hardware sales increased by 1.7% year-on-year. This was because we started dealing in file servers for accounting firms as equipment for storing administrative documents.

(2) Net sales of the Local Governments Business Division

(i) Net sales of the Local Governments BD were 13,717 million yen (increased 1.9% year-on-year); operating income was 576 million yen (decreased 43.3% year-on-year).

(ii) Sales from computer services increased 3.6% year-on-year. This was driven by the increase in the number of users of such systems as New Generation TASK Cloud and Convenience Store Certificate Issuing System.

(iii) Software sales decreased by 9.1% year-on-year. This was due to the absence of the last year's large-scale projects for legal reforms such as system renovation for the last fiscal year's introduction of the My Number system, despite the increase in system renovation projects in response to the transfer of the administrative responsibilities for National Health Insurance to prefectures.

(iv) Sales from consulting services decreased 3.6% year-on-year. This was due to the absence of the last fiscal year's sales from the renewal of the inspection system for the inspection service for electronic filing of local taxes, despite that sales related to on-site installation and calibration services increased due to an increase in hardware sales.

(v) Hardware sales increased by 76.6% year-on-year. This growth was driven by the increase in the sales units of servers and network devices surpassing the estimates due to the need for strengthening the information security systems (measures for hardening information security of the internal network within municipalities) where the My Number system was put into use.

(3) Net sales of the Printing Business Division (Subsidiary: Tokyo Line Printer Company)

(i) Net sales of the Printing BD were 3,662 million yen (increased 0.1% year-on-year); operating income was 166 million yen (increased 15.8% year-on-year).

(ii) Sales from data printing service increased slightly by 1.9% year-on-year. This was due to an increase in sales from large bidding projects from government agencies and their associate organizations, election related orders and related products.

(iii) Business form-related sales decreased by 1.6% year-on-year. This was due to continuing decline in the demands for business forms.

2.Important Matters with Respect to the Company as a Whole

(1) Transfer of shares without charge by Masaharu Iizuka, Chairman Emeritus of the Company, to TKC Members

Masaharu Iizuka, the Chairman Emeritus, announced in July 2017 that he would transfer the common shares owned by himself without charge to the members of TKC National Federation, customers of the Company. In this transfer, Chairman Emeritus Iizuka will transfer the shares in person without charge commemorating the centennial of the birth of Dr. Takeshi Iizuka, the founder of the Company, in July 2018. It is also a token of his gratitude for the TKC Members, who put in practice the Shomen-tempu (tax audit report) pursuant to Article 33-2 of the Certified Public Tax Accountant Act with an aim to "realize the justice in taxation", a business purpose of TKC National Federation. This transfer without charge will be made by Chairman Emeritus Iizuka in person up to one million shares in five years between 2018 and 2022.

(2) Construction of Customer Support Center

In order to strengthen the support system for our users, the Company is constructing a new office building TKC Customer Support Center (TCSS) in Kanuma City, Tochigi Prefecture, with the plan to start business in April 2018. Along with this, we plan to increase the number of telephone support staff from 100 to 300 in stages.

In order to enhance the expertise of help desk operations more than ever and to ensure our customers use our service with a peace of mind, we established on October 5, 2017 TKC Customer Support Service Co., Ltd., our wholly-owned subsidiary.

(3) Acquisition of ISO27017 certification

TKC Internet Service Center acquired third-party accreditation for ISO/IEC27017, the international standards for security in cloud services, with the accreditation registration on June 19, 2017. This is the international standards for information security in cloud services. We are striving to strengthen our management system of information security in our cloud services through the acquisition of ISO/IEC27017, in addition to ISO/IEC27001, the standards for management systems with respect to information security as a whole.

(4) Establishment of Information Security Strategy Office

We established on June 1 Information Security Strategy Office with an aim to further strengthen the management system of information security. This organization is responsible for carrying out measures for information security in the TKC group, in line with the Cybersecurity Management Guidelines formulated by the Ministry of Economy, Trade and Industry and the Information-technology Promotion Agency, Japan.

(5) Establishment of AI Research Center

In order to collect and analyze the latest trends of AI and to utilize it for in-house use and our products and services, on April 1, we established the AI Research Center under the direct control of the President. In the autumn of last year, we launched the Big Data/AI Utilization Discussion Project led by the system development departments and have been studying the possibility of utilizing the AI. Based on these results, the Center conducts research on cutting-edge technologies and products, and is working on the creation and evaluation of their prototype versions and technical support for implementation of such functions, with a view to place them in market in one or two years to come.

3. Business Activities and Operating Results of the Accounting Firm Business Division

The Accounting Firm BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 1: "Management of electronic data processing centers to defend the business domain and maintain control over the fate of accounting firms") and works under close ties with the TKC National Federation, which consists of certified public tax accountants and certified public accountants that are customers of TKC (hereinafter, "TKC Members").

(Note) For more information on the TKC National Federation, see "All About the TKC National Federation" or visit the TKC Group website (http://www.tkc.jp/).

(1) Activities of TKC National Federation ("TKCNF")

(i) Basic principles for the activities of TKCNF

TKCNF added its new purpose of "providing support for the business continuity and prosperity of SMEs" at the TKC National Federation Policy Presentation Meeting held in January 2014 and is making proactive efforts to accomplish the purposes. In its first stage (January 2014 through December 2016), TKCNF had been conducting campaigns on the theme of "enhancing the comprehensive strength of TKC member firms and increasing the number of members". Following this, and in its second stage (January 2017 through December 2018), it has set the following two focus activities and is actively taking actions to accomplish them.

Focus activity 1: Commit ourselves to three major themes and fulfill our roles in society!

1) Prepare highly reliable financial statements in compliance with "Chusho Kaikei Yoryo (Guidelines for SME accounting)", and make it widely known to financial institutions as well as raising their awareness to the guideline.

2) Promote the "Shomen-tempu (tax audit report)" (Ensure that tax accounting practices adhere to the principle of "no taxation without law.")

3) Promote the "self-accounting practices" (support for the business continuity and prosperity of SMEs)

Focus activity 2: Achieve the maximum use of the overall capability of accounting firms and build up the system that creates high added value!

Actively extend following three services to their clients in collaboration with local financial institutions.

1) "TKC Monitoring Information Service"
2) "Support for business improvement" (support for the quick drafting of business improvement plans)
3) "Founding of business", "succession of business", "support for overseas expansion", etc.

Such activities of TKCNF utilize the systems and services provided by the Company. The Company supports the activities of TKCNF and is actively engaged in the development and provision of computer services and software that are to the benefit of the prosperity and success of SMEs.

(2) Support for the focus activities of TKCNF

In order to support the activities of TKCNF, we are engaging in the activities setting our focus themes of; "promotion of self-accounting by the TKC methods (promotion of FX series)", "retention of good-standing clients (promotion of FX4 Cloud)", "soliciting new members (promotion of newly joining firms into TKCNF)", and "promoting the Use of Tax Accountants Office Management System (OMS)".

(i) Promotion of self-accounting by the TKC methods (promotion of FX series)

1) Assisting TKC member firms to realize high value-added office work through hosting Self-accounting Promotion Meeting

In the fiscal year under review, we provided support to focus accounting firms in their hosting of Self-accounting Promotion Meeting so as to enable TKC member firms to engage independently in the "promotion of self-accounting by the TKC methods".

At this meeting, we provided information about realizing high value-added services provided by TKC member firms to their clients and enhancing customer benefits brought by the FX series, through conducting seminars about the effective use of such services as; TKC FinTech Services including Data Receiving Functionality from

Banks and Credit Card Companies (provided in June 2016) and TKC Monitoring Information Service (started providing in October 2016); TKC Documented Evidence Storage Service (started providing in April 2017); and Profit and Loss Statement that Changes 365 Days a Year.

2) Strengthening support for companies using the FX series

We launched the TKC System My Support on June 1 to provide a smooth system operation of companies using the FX series and an environment where TKC member firms can promote self-accounting with a peace of mind. This system support was previously done mainly by TKC member firms themselves for their clients. However, the evolution of ICT and popularization of cloud computing have made the system operation environment in SMEs increasingly complicated, and, as such, it is now conducted by our employees who have received specialized education, upon request by TKC member firms.

Thanks to these activities, the number of FX series users has reached approximately 250,000 as of September 30, 2017.

(ii) Retention of good-standing clients (promotion of FX4 Cloud)

The Company offers an integrated accounting information system, FX4 Cloud, designed for medium-scale corporations (with annual turnover of 500 million to 5 billion yen) to support TKC Members in their effort to retain their good-standing clients and expand their client base.

1) Support activities to strengthen the proposal capability of the TKC member firms

In the fiscal year under review, the Company was engaged in various activities on the concepts of "more efficient accounting work by utilizing the Data Receiving Functionality from Banks and Credit Card Companies", "more efficient accounting work through utilizing the coordinated journal entries functionality with business systems of other companies", and "effective use of performance management by division/hierarchy and management report design tools". We also conducted training on consulting utilizing "bird's eye view of business models" to discover issues of companies, and supported the strengthening of proposal capability of TKC member firms.

2) Management support activities for corporate groups

The Company is conducting support activities for corporate groups such as franchise chains and voluntary chains, including "establishing monthly settlement system" and "establishing management plans" to strengthen their management capabilities. In the fiscal year under review, we collaborated with Lotus, Inc. and Az-com Maruwa-Shien Network to launch such consulting services by TKC member firms as seminars and individual consultation for the member shops of the corporate groups.

These activities helped the Company to increase the number of users of FX4 Cloud as of September 30, 2017 over 10,000, and to get the award of "No. 1 Installation" for fiscal year 2016 as a cloud accounting software for medium-scale corporations with annual turnover of 500 million yen or more and less than 10 billion yen. This award was given based on the "Survey on Cloud Accounting System" (monthly magazine *BT* in its September 2017 issue), conducted by Fuji Chimera Research Institute, Inc., a major research company.

(iii) Activities to achieve "Over 10,000 TKC Member Firms"

TKCNF is actively working on its activities to increase TKC membership to over 10,000 offices by the end of December 2020. The Company is working closely with TKCNF in soliciting new members to achieve this.

In the fiscal year under review, we held various seminars such as "TKC New Members' Forum 2016" (held in November 2016), for middle and large-scale non-member firms, newly opened accountants, and certified public accountants planning to start an independent business. For non-member certified public tax accountant and others who participated in these seminars, we made proposals for complying with the "electronic filing of corporation tax becoming mandatory" and "support for the quick drafting of business improvement plan", soliciting their entry into the TKCNF.

These activities brought the number of TKC members totaling 9,500 firms and 11,000 accountants as of

September 30, 2017.

(iv) Promotion of Tax Accountants Office Management System (OMS)

We are providing the Tax Accountants Office Management System (OMS) with an aim to enhance productivity and quality of work at TKC member firms.
In the fiscal year under review, we promoted the use of OMS highlighting its capabilities for the My Number system, achieving the management of accounting firms in compliance with laws (including "automatic preparation of operation handling records" and "complete performance of obligation to supervise employees, etc." in accordance with the Certified Public Tax Accountant Act), electronic filing of corporation tax becoming mandatory, and information security.
As a result of these activities, the number of accounting firms using the OMS has reached approximately 6,700 as of September 30, 2017.

(3) Activities for FinTech

(i) FinTech service for TKC member firms' clients
Our FinTech service, Data Receiving Functionality from Banks and Credit Card Companies launched in June 2016 for TKC member firms' clients, is one of the functions of the FX series that automatically receives transaction data such as internet banking service from more than 99% of financial institutions (corporate accounts)* and details of major credit cards, and facilitates accurate journal entries in accordance with preset journal entry rules.

In this fiscal year under review, we promoted the use of the FX series, highlighting the benefit of utilizing the functionality for making journal entry more efficient, and collaborated with Joyo Bank and other banks for the development of API interactions for further enhancing the usefulness of the functionality.
*City banks, regional banks, second regional banks, and shinkin banks

(ii) FinTech service for financial institutions

1) Promotion of the TKC Monitoring Information Service
TKC Monitoring Information Service, our FinTech service for financial institutions launched in October 2016, is a cloud-based service. In this service, the TKC member firms provide financial data, the correctness, existence, and comprehensiveness of which is secured by the monthly Field Audits by the TKC member firms, to financial institutions upon request by the management of their clients.
The high reliability of the monthly trial balance sheet and financial statements provided by this service has received good reputation, and its utilization is spreading to financial institutions nationwide.
In the fiscal year under review, we conducted a campaign to propose the use of this service to regional financial institutions in collaboration with 20 TKC Regional Associations nationwide. These activities produced approximately 280 financial institutions and 10,000 companies using the service as of September 30, 2017.

2) Provision of the TKC Local Benchmark Cloud
On June 1, we started providing the TKC Local Benchmark Cloud which generates "Local Benchmark" material promoted by the Ministry of Economy, Trade and Industry.
Upon request by the management, the local benchmark prepared by this service can be provided to financial institutions from the TKC member firms through monitoring information services, strengthening the relationship of trust between clients and financial institutions.

(4) Activities for the "support for the quick drafting of business improvement plans"

The Small and Medium Enterprise Agency announced on May 10, 2017 the support for the quick drafting of business improvement plans as part of its project for supporting business improvement planning by the authorized supporting organizations.
This project is "to provide support for enabling SMEs and small-scale enterprises to conduct cash flow management

and profit management from normal times, through raising their awareness for improving their management and promoting their early response, which can be achieved through utilizing the scheme in the project for supporting business improvement planning carried out by the authorized supporting organizations, and by such SMEs and enterprises making efforts to improve basic issues of management (quick drafting of business improvement plans)". The TKCNF actively promotes this project as being consistent with the purpose of its focus activity themes, and the Company is working on system revision and holding workshops to support this.

(5) Promotional activities taking the opportunity of the "project for supporting the introduction of IT for improving the productivity in services"

"Project for supporting the introduction of IT for improving the productivity in services", the application for which can be made to the Ministry of Economy, Trade and Industry since January 27, 2017, is a system aiming at "enabling SMEs and small-scale enterprises to improve their productivity through government subsidies to partially compensate them for the expenses for introducing IT tools (software, service, etc.).
Taking this opportunity, we suggested that TKC member firms promote the use of the FX series, OMS, etc. that utilize this project, launched a consortium as an IT introduction support business operator, and supported the TKC member firms for the utilization of the system.

(6) Activities to "support the preparation of highly reliable financial statements based on timely and accurate bookkeeping"

(i) Issuance of a Certificate of Bookkeeping Timeliness
The Company issues a Certificate of Bookkeeping Timeliness with an aim to increase reliability of financial statements prepared by TKC Members and to provide a passport for smooth financing to the clients of TKC Members. This utilizes the features of the Company's financial accounting processing at TKC data centers, which prohibits any retroactive insertions, deletions and corrections to past data, and TKC Corporation proves, as a third party, that TKC Members have visited their clients on a monthly basis to provide guidance on accurate bookkeeping (monthly Field Audits), and that all work processes from monthly settlements to the final settlement of accounts and electronic tax filings have been completed in a timely manner.

The Certificate of Bookkeeping Timeliness has been highly acclaimed by financial institutions across Japan, and it is used to make judgments about loan plans and preferential interest rates for financial products such as "Kiwame" introduced by The Bank of Tokyo-Mitsubishi UFJ and "Taikoban" offered by The Chukyo Bank, and other financial products of many other financial institutions in Japan.

(ii) Support activities for disseminating Chusho Kaikei Yoryo (Guidelines for SME accounting)
TKCNF recommends the "Basic guidelines with respect to the accounting procedures at small- and medium-sized enterprises" (Chusho Kaikei Yoryo (Guidelines for SME accounting)) with which the clients should comply in their accounting procedures. These guidelines have been formulated based on the principles; "accounting that helps to grasp the company's business situation", "accounting that contributes to providing information to stakeholders (financial institutions, etc.)", "accounting that complies with the Ordinance on Company Accounting while achieving harmony between accounting and taxation system", and "accounting that does not to place an excessive burden on small- and medium-sized enterprises".

In order to support the activities of the TKCNF towards the dissemination and utilization of the guidelines, we are striving to promote the development of relevant environments and collaboration with other SME-supporting organizations.

(7) Expansion into large-scale enterprise market

The Company develops markets for large-scale enterprises, contributes to the rationalization of tax and accounting operations by utilizing the TKC system, and is actively working to make these companies clients of TKC Members. Publicly listed companies and other large-scale enterprises are continuously required to comply with and adapt to the revisions of laws and systems implemented one after another, such as the government's move towards mandatory electronic filing of corporation tax or other tax, preparation for complying with the "Exposure Drafts of Accounting Standard for Revenue Recognition, etc.", measures for adapting to the revision of consumption tax, and the reporting systems (submissions of reports by country and the master files now becoming mandatory) with respect to information about multi-national enterprises that are introduced along with the system for documenting requirements for the transfer pricing taxation, and increasing needs for storing the evidence documents electrically due to the relaxation in the system of storing the electrically scanned documents relating to national taxes. In addition, companies that have already expanded abroad as part of their group's growth strategies are facing issues on securing the adequateness, accuracy and timely procurement of financial information from its overseas subsidiaries, along with the new issue of managing risks of wrongdoing. They have pressing needs to strengthen the group's global performance management structures.

In light of these environmental changes, the Company actively promotes the TKC Consolidated Group Solution package for large-size companies, which includes: the eCA-DRIVER consolidated accounting system; the eConsoliTax consolidated tax payment system, the eTaxEffect tax effect accounting system, the ASP1000R electronic tax filing system for corporations, the FX5 integrated accounting information system, the e-TAX Series electronic tax filing system, the FAManager non-current assets management system, and the OBMonitor overseas business monitoring system.

In the fiscal year under review, we held seminars on "tax reforms", "up-to-date accounting systems", "improving the productivity of accounting work", and "accounting and taxation systems in foreign countries", as well as the seminar introducing a case study on utilizing the TKC Consolidated Group Solutions, in collaboration with the TKCNF's Medium and Large-size Support Research Committee (consisting of nearly 1,270 members as of September 30, 2017) and TKCNF's Overseas Deployment Support Research Committee (consisting of nearly 520 members as of September 30, 2017), in order to enhance the awareness and brand power of the system for the purpose of acquiring new customers. In addition, following the indication by the Cabinet Office Council for the Promotion of Regulatory Reform, Administrative Procedure Committee of the mandatory electronic tax filing to be imposed on large-scale enterprises, we have held the "Your First Electronic Filing (Corporate Tax/Local Tax) Seminar" in Tokyo, Osaka, and Nagoya on a monthly basis from May. We also held in August a large-scale seminar on the theme of "electronic tax filing". For existing customers, we leveraged the strengths in our company's systems that encompass all aspects of account settlements and tax declaration on corporate group level, and worked on multiplexing our services and promoting multiple systems.

As a result, the number of companies using the TKC Consolidated Group Solution counted approximately 2,700 corporate groups (or about 18,600 companies) as of September 30, 2017, adopted by approximately 80% of the 100 largest Japanese listed companies by sales amount. To these companies, about 900 TKC Members are appointed as system consultants.

(8) Expansion of market for legal information database services

The LEX/DB Internet legal information database maintains an archive of over 290,000 judicial precedents, etc. (as of September 30, 2017) covering all legal fields from precedents set in the former Supreme Court dating back to 1875 to those most recently announced, as well as those collected from our own sources, making it the largest database of all in Japan. The TKC Law Library is a comprehensive legal information database which uses the LEX/DB Internet as its core content and contains over 910,000 bibliographic information references with links to 51 of the Databases of Professional Journals, with total items of information now exceeding 2,360,000. As of September 30, 2017, the Library is used by over 16,600 institutions with more than 50,000 IDs, including TKC member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments.

In the fiscal year under review, we continued to focus on sales promotions for the databases, highlighting their usefulness in business operations, through putting the contents in the TKC Law Library that are useful for business practices into customer-specific packages (Law Office Pack for law firms, Corporate Legal Pack for corporate legal departments). Our portal site related to labor laws Labor Law EX+, which was jointly developed with a partner company Roudou Kaihatsu Kenkyukai Co., Ltd., was launched in March 2017, and it will be promoted to members of the Labor Law Study Group and offered as an optional content in the TKC Law Library as part of our efforts to explore new sales channels for further expansion of use.

In the academic market, we proposed the introduction of an early learning support system to the 56 law schools using the TKC Law School Educational Support System, which is the basis of the proposed system. We are supporting such schools to apply for the Public Support Program for Law Schools Concerning the Revision of Budget Distribution initiative by the Ministry of Education, Culture, Sports, Science and Technology. In addition, the system has the exercise systems to aid students in self-study (Basic Skill Tests, Study Drills of Short Answer Questions from Past Exams, and the Essay Writing Seminar), as well as Learning Support NAVI and Study Drills of Judicial Precedents, the effective use of which provides new functions enabling more students to create study plans, check their progress and study the essential judicial precedents for the bar exam, leading to its good reputation and increasing number of users year by year.

As for the sales of TKC Law Library (Overseas Edition) through agents, we have received inquiries from courts, governmental agencies, universities and law firms in South Korea, Taiwan, China and other Asian countries as well as other countries including Germany, the U.K. and the U.S. A., and, as of September 30, 2017, over 60 licenses are in use worldwide, with further growth anticipated in the future, particularly in the Asian region.

4. Business Activities and Operating Results of the Local Governments Business Division

The Local Governments BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 2: "Management of electronic data processing centers to improve the administrative efficiency of local governments") and offers specialized information services in order to help promote the welfare of residents by improving administrative efficiency.

(1) Development and provision of cloud services designed for local municipalities

The Company provides the TKC Government Cloud Service to municipalities (mainly for cities, wards and towns) nationwide. This Cloud Service consists of the TASK Cloud Service which supports a range of services for residents, mission-critical functions and information services within agencies, and the TASK Outsourcing Service which supports massive batch output and processing of tax papers and other documents.

In particular, the TASK Cloud Service is a common platform package system operated at TKC data centers and shared by all municipalities across Japan (offered both for individual use and shared use by multiple organizations), and attracts considerable attention from the viewpoint of "local government cloud systems" that the Japanese government seeks to establish.

In the fiscal year under review, we worked on the enhancement of the New Generation TASK Cloud (compatible with My Number system)* mission-critical operation system (such as Basic Resident Register System, taxation and welfare), and its phase-two development (12 systems). We also supported preparations for comprehensive operational tests at our client agencies. These activities are targeted to the successful information collaboration between central and local governments, of which full-fledged operation was scheduled to start in the fall of 2017. Approximately 1,400 people from about 400 municipalities, the largest number of all time, participated in the TASK Cloud Fair 2017 held in 19 cities nationwide, where we introduced our latest solution, including prototype version system now under research and development.

As a result, there have been new orders such as the one from Kanagawa Prefecture Collective Business Partnership for Information Systems in Municipalities (consisting of 14 municipalities), and the New Generation TASK Cloud is adopted by approximately 150 municipalities nationwide as of September 30, 2017.
* New Generation TASK Cloud (compatible with My Number system) is the brand name of the mission-critical operation system of the TASK Cloud Service.

(2) Expansion of cloud services for residents

In response to the notice issued in September 2016 by the Minister of Internal Affairs and Communications, "Review regarding improvement of services for residents utilizing My Number Cards and vitalization of regions (request)", there has been a sharp increase in the number of municipalities examining the possibility of introducing the Issuance of Certificates at Convenience Store service.

In response, the Company provides the TASK Cloud Convenience Store Certificate Issuing System as the system to realize this service. The extensive track record of the system as the first cloud service for municipalities across Japan has attracted a number of requests for quotation from local governments including government ordinance-designated cities.

In the fiscal year under review, we worked on the "low-priced cloud" initiated by the government as a means of promoting the use by 928 municipalities where introduction of the service is not progressing as it should, as well as enhancing and expanding various functions of the service. This led to more than 60 local governments having adopted the TASK Cloud Convenience Store Certificate Issuing System as of September 30, 2017.

(3) Support for electronic filing of local taxes

The Company is an authorized contractor of the Council for the Digitization of Local Taxes, and provides cloud-based service for electronic filing of local taxes and the electronic tax payment offered by the Council. We also develop and provide data connection services to connect the individual tax systems of various municipalities with the Council's platform.
These services are proposed in collaboration with 46 system vendors with whom we have signed alliance partner agreements, and the Support Service for TASK Cloud Electronic Filing of Local Taxes is currently used by 740 agencies (as of September 30, 2017), which accounts for more than 40% of all municipalities.

Our TASK Cloud Taxation Document Image Management Service is drawing attention as means of preventing information leakage caused by paper media, as well as streamlining taxation-related affairs and reducing associated costs. This service is adopted by more than 90 municipalities as of September 30, 2017.

In the fiscal year under review, we engaged in a new development of TASK Cloud e-Tax Collaboration Service (tentative name) that can directly transmit the data of the final tax return form to the e-Tax (national tax electronic declaration/payment system) via the Local Government Wide Area Network (LGWAN). We also conducted survey and research activities on the unified tax payment system for local taxes, which is expected to start operation in two years.

(4) Support for the development of standardized local public accounting

Municipalities are required to complete the "accrued basis accounting" (double entry bookkeeping) as a mechanism to complement the existing "cash basis accounting" (single entry bookkeeping) by, as a general rule, fiscal year 2017, and to prepare and disclose financial documents making use of it.
The Company provides the TASK Cloud Public Accounting System which complies with this requirement, and its related system, TASK Cloud Fixed Assets Control System. In particular, the TASK Cloud Public Accounting System is widely recognized as providing ease of use because it is a package system compatible with "daily journalizing system" and achieves "highly accurate automatic journalizing" by patented technology, attracting a number of requests for quotation nationwide.
In the fiscal year under review, we promoted the new development of useful functionalities for management support in addition to enhancing and expanding various functions, and worked to develop new customers by leveraging our strong track record of introducing daily journal functions to more than 90 municipalities. As a result, there have been new orders such as the one from Kanagawa Prefecture Collective Business Partnership for Information Systems in Municipalities (consisting of 14 municipalities) and the TASK Cloud Public Accounting System is adopted by more than 170 municipalities as of September 30, 2017.

(5) Compliance with other laws and revisions of governmental systems

Municipalities are required to achieve "enhancement in the convenience of citizens" and "more efficiency in administrative work" by making the effective use of My Number Cards and others, as well as to comply with the Act Partially Amending the Long-Term Care Insurance Act for Strengthening Regional General Care System expected to take effect in next spring.

In order to support this, in the fiscal year under review, we conducted the survey, research and development of new products and services (including Easy-to-use Reception System, One-stop Child-rearing Support Service, and Welfare Consultation Support System) that utilize state-of-the-art ICT such as My Number Card, Myna Portal and AI, under the leadership by the New Product Planning Promotion Office established on October 1, 2016.

On March 1, 2017, we became the first operator certified by the Minister of Internal Affairs and Communications as a "Use Case of My Number Card at Private Business Operator". And from this autumn, we started working on the preparation for "Validation of Authority/Permission to Enter Security Room", "Validation of Authority/Permission to Use Terminal Device Handling Personal Information" so as to make full use of them.

5. Business Activities and Operating Results of the Printing Business Division

The Group's Printing BD is committed to "contributing to the general public and customers through printing services that surely convey messages you want to communicate to the people you want to communicate with" and conducts its manufacturing and sales activities with the main focus on data printing services (DPS) and business forms printing.

In the DPS field, there has been an increase in large-lot orders from government agencies, orders related to the election of the Tokyo Metropolitan Assembly, and other related products, which offset the decline in orders for large-lot DM businesses from private enterprises, leading to a slight increase in overall DPS business as a whole.

In the field of business form printing, regular orders from large-scale customers for business forms mitigated the general downward trends in market demand of business forms, and sales are making just a small decline.

II. Cash Flows

The balance of cash and cash equivalents as of the end of the current consolidated fiscal year increased by 486 million yen from the end of the previous consolidated fiscal year amounting to 17,039 million yen.

The overview of cash flows for the current fiscal year and major factors contributing to the results are as follows:

1. Cash Flows from Operating Activities

Cash flows from operating activities increased by 8,123 million yen (1,058 million yen decrease in revenue year-on-year). Major factors include the recognition of 8,798 million yen in profit before taxes and adjustments.

2. Cash Flows from Investing Activities

Cash flows from investing activities decreased by 4,617 million yen (2,405 million yen decrease in spending year-on-year). Major factors include the payment of 2,561 million yen for the acquisition of investment securities, and of 2,124 million yen for the purchase of tangible non-current assets.

3. Cash Flows from Financing Activities

Cash flows from financing activities decreased by 3,019 million yen (794 million yen increase in spending year-on-year). Major factors include the payment of 2,119 million yen for year-end dividends as of end of September 2016 and for interim dividends for the period ended September 2017, as well as the payment of 677 million yen for the acquisition of treasury stocks.

2 Production, Orders Received and Sales

(1) Production

Not applicable.

(2) Orders Received

Not applicable.

(3) Sales Results

Sales results by segment for the current consolidated fiscal year were as follows:

Segment name	Amount (millions of yen)	Year-on-year rate (%)
Accounting Firm Business Division	42,325	104.2
Local Governments Business Division	13,717	101.9
Printing Business Division	3,662	100.1
Total	59,705	103.4

(Notes) 1. Transactions between segments have been offset.
2. Figures shown do not include consumption taxes.

3 [Management Policies, Management Environment, and Challenges Facing the Company]

The core value of the Company is "To benefit oneself is to benefit others". With its key management principle of "contributing to our customers", the Company is engaged in management with an aim to achieve the following two business objectives as stipulated in the Articles of Incorporation (Article 2).

1. Management of a data processing center to defend the business domains and maintain control over the fate of accounting firms;

2. Management of a data processing center to improve the administrative efficiency of local governments.
The basic policy stipulated in the Company's Articles of Incorporation has been in place ever since its establishment (October 22, 1966). Some other business objectives that have been added due to the subsequent expansion of business only complement the two business objectives; the basic management policy has not changed.

I. Target Management Indicators

The Company maintains the principle of attributing the source of dividend for each fiscal year to the profit earned in the same fiscal year, on the premise of a company as going concern. Accordingly, we believe it necessary to simultaneously manage our medium-term management indicators to maintain sustainable growth and short-term management indicators to ensure appropriate net profit for each year.
From the perspective of short-term management indicators, we classify all expenses into variable costs and fixed costs, and then focus on trends of marginal profits, which are calculated by deducting variable costs from net sales. While the marginal profits tend to fluctuate due to different product mixes, we set the target of achieving 60% and above for overall marginal profits. In addition, we consider the percentage of personnel expenses in the marginal profits as the labor share ratio, for which we aim to achieve 50%. Our target for ordinary income to net sales ratio is 8% and above. As for the long-term management indicators, we focus on ratio to the previous year sales (3% and above), shareholders' equity ratio (70% and above) and shareholders' equity ratio (8% and above).

II. Challenges Faced by Each Division

1. Challenges Faced by the Accounting Firm Business Division

The Accounting Firm BD considers contributing to the prosperity of accounting firms and their clients the business challenge with the highest priority, and will continue to collaborate closely with TKCNF on the various TKCNF activities as well as develop and provide systems and services to support the operation of TKC Members.

(1) Strengthen the competitive power of the systems we provide

We will take the following actions to increase competitiveness of its systems and differentiate ourselves from other companies by appealing the advantages of our systems.

(i) The strengths of the Company's systems lie in the one-stop support from tax affairs to accounting. The advantage is the capability to provide a one-stop, full line of accounting, tax affairs and electronic tax filing with links to related tax returns while maintaining complete compliance with laws, regulations and accounting standards. Looking ahead, the Company will continue to respond promptly and accurately to revisions of laws/regulations and system modifications, and strive to enhance these strengths.

(ii) The most important feature of the Company's systems is that they are not merely offering of systems and services. Our systems come with the meticulous support, from implementation to operation, by TKC Members that have extensive experience in tax- and accounting-related practices, to enable clients to perform legitimate and appropriate tax and accounting. The Company will provide enhanced support for such TKC Members to assist them in offering greater added-value services.

(2) Self-accounting promotion activities

In order to support the achievement of the TKCNF's strategic targets, the Company will enhance and expand functions that support corporate executives' quick decision making, and carry out promotional activities taking advantage of the strengths of systems that prevent retroactive insertions, deletions and corrections.

(3) Provide support to achieve the target of over 10,000 TKC Member firms

The Company will solicit membership in cooperation with TKC Members to contribute to the achievement of TKCNF's strategic target of more than 10,000 TKC member firms.

(4) Increase the use base of TKC Law Library

The Company will continue to provide support to law firms by increasing the use base of the TKC Law Library, enhancing the functions of LEX/DB Internet and other major contents, expanding the databases for law practitioners and creating new databases of professional journals and other useful contents, and providing the Legal Tech Service.

2. Challenges Faced by the Local Governments Business Division

The Local Governments BD considers providing support for improving resident convenience and improving the efficiency of local governments a vital business challenge, to be achieved through the development and provision of innovative products and services that leverage the latest in ICT, and will implement the following six key initiatives to this end.

(i) Development of new customers with the New Generation TASK Cloud
(ii) Development of new customers with the Public Accounting System
(iii) Expansion of eLTAX businesses with unified tax payment system for local taxes, etc.
(iv) Promotion of new services for residents by utilizing My Number Cards
(v) Provision of new types of cloud services utilizing cutting-edge technology

(vi) Promotion of alliance strategies

3. Challenges Faced by the Printing Business Division

The Group's Printing BD will address the following actions for sales expansion, focusing on data printing service (DPS) and business process outsourcing (BPO).

(i) We will focus on promoting sales of products related to data printing services through the acquisition of new customers.

(ii) We will submit proposals combining our analog and digital printing technologies to customers to achieve direct communication with such customers.

(iii) We will handle back-office operations of customers in the form of BPO, and contribute to streamlining the customers' business operations by enhancing work efficiency and reducing costs and information security risks while maintaining high quality.

(iv) We will strengthen ties with existing customers to increase market share.

(v) We will continue to respond to customer needs, submit unique proposals to differentiate ourselves from competitors, and develop new technologies to reduce production costs.

(vi) We will make proposals for ensuring accuracy by mechanizing the manufacturing process and for reducing the delivery time by improving production efficiency, thereby expanding the share of government projects.

(vii) We will strengthen the quality checking systems by manufacturing process of all products, in order to improve and maintain consistent quality, and to prevent quality defects.

(viii) We will increase self-manufacturing and reduce the percentage of subcontracting in order to save costs.

(ix) We will further strengthen the information security system based on Privacy Mark and ISMS in order to win trust from customers and business partners and to ensure My Number management.

(x) As an ISO14001-certified, environmentally-friendly company, we will further our efforts to reduce the consumption of energy through reducing wasted paper, purifying used paste, and enhancing productivity and efficiency.

4. Challenges Faced by the Entire Company

(1) Providing systems in complete compliance with laws and regulations

The business operations of the Company are to provide support for works performed by certified public tax accountants, certified public accountants and local public officers, all bearing high levels of social accountability, by engaging deeply in the legal areas related to Tax Code, the Companies Act, the Civil Code, the Financial Instruments and Exchange Act, and the Local Autonomy Act, and drawing upon the latest ICT. The Company will continue to pursue system developments that will enable us to promptly respond to revisions to such laws and regulations.

(2) Establishing the Group governance system

The Company will establish an internal controls system in compliance with the requirements of the Companies Act as well as the Financial Instruments and Exchange Act, compile the Company's management philosophy, various board structures and corporate rules and regulations in a systematic manner to improve the Group governance system.

(3) Fostering an organizational culture that bolsters job satisfaction

The Company will promote the fostering of an organizational culture that bolsters job satisfaction in accordance with the Company's Management Principles, develop a workplace that respects individuals and team work, and actively develop the capabilities of employees necessary to deliver value to our customers.

(4) Ensuring business continuity

The Company will continue to strengthen and expand existing services to ensure the continuity or early recovery of the business operations of all of our customers in the event of large-scale natural disaster and other unforeseen circumstances.

(5) Efforts toward information security

As a provider of information services for accounting firms and their clients and local governments through the use of latest ICT, ensuring information security is our highest priority and also a social responsibility in conducting our business activities.

With the introduction of the My Number system in October 2015, the personal information entrusted to the Company from our customers now includes individual numbers used for identifying individuals. Further, as the Amended Act on the Protection of Personal Information was fully enforced in May 30, 2017, reducing the risk of personal information leakage is all the more important.

It is with this awareness that the Group acquired third party accreditations including the Information Security Management System (ISMS) Conformity Assessment Scheme and JIS Q 15001 Personal Information Protection Management Systems - Requirements (Privacy Mark) for the cloud services offered by the Company, so that our customers can use our cloud services with a peace of mind.

TKC Internet Service Center acquired on October 12, 2015 ISO/IEC27018 certification, the international standards specialized for the protection of personal information in the cloud service, and on June 19, 2017, ISO/IEC27017 certification, the international standards for security in cloud services.
The Group will continue to strive to provide environments where customers can use cloud services safely, securely and conveniently.

4 [Risk Factors]

Major risks pertaining to the business operations of the Company and the Group, in reference to the sections "Business Overview" and "Financial Information" in this Annual Securities Reports, that we consider are worth informing our investors are described below. It is also our policy to disclose information on other risk factors that may be deemed material to investors.

The Company is aware of the possibility that these risks may occur and strives to prevent them in advance or respond promptly should they occur. However, we feel it necessary that investment decisions concerning the Company securities should be made after thorough review in light of this section and also in reference to the contents of this entire report. Note that this section does not cover all risk factors related to investment in the Company securities.

Statements with regards the future are based on the Group's decision made as of the end of the current consolidated fiscal year (September 30, 2017).

1. Retirement Benefit Obligations

Retirement benefit obligations and related costs for employees of the Group are recognized based on certain assumptions (base rates) used in actuarial discount rate calculations. Fluctuation in these base rates may affect the financial standing and operating results of the Group. While the Group implements measures to minimize the effects of such fluctuation, for example, moving parts of the retirement plan to a defined contribution pension management scheme, the impact of these changes cannot be completely eliminated. Base rate changes may affect the financial standing and operating results of the Group.

2. Decline in value of non-current assets

The Accounting Standard for the Impairment of Non-current assets has been applicable since the fiscal year started September 2006 in accordance with the Financial Instruments and Exchange Act.

The application of fixed asset impairment accounting may affect the financial standing and operating results of the Group.

3. Fluctuations in raw material procurement costs for Printing BD

Direct purchasing of base paper from paper manufacturers' accounts for the bulk of raw material procurement by the Printing BD, and the division strives to ensure the stable provision of raw materials and to maintain optimal pricing. However, there are concerns for possible imbalance in demand and supply due to oil price increases and tightening of supply and demand in international markets. Should such circumstances prevail, the Group will aim to respond through price negotiations with its customers. However, such circumstances may still affect the financial standing and operating results of the Group in the event the procurement of raw materials becomes extremely difficult, or when purchase prices rise significantly.

4. Protection of personal information

The Group is entrusted with a large amount of information on companies and individuals held by our customers (accounting firms, local governments) as well as internal information for the execution of its business.

In order to ensure that such information is managed properly, the Company will review its policies and procedures related to information management on an on-going basis, and educate its directors and employees, disseminate the importance of information management and implement system-based security measures.

The Company shall also strengthen its information protection management systems by obtaining accreditations such as Information Security Management System (ISMS) Conformity Assessment Scheme and JIS Q 15001 Personal Information Protection Management Systems - Requirements (Privacy Mark), and acquiring ISO/IEC27018 certification, an international standard specializing in the protecting of personal information in relation to cloud services.

However, the potential for such information leaking due to unforeseen circumstances cannot be eliminated completely, such an event could have negative impacts on the Company's social standing and may require enormous costs in response or reduce the brand value which could affect the financial standing and operating results of the Group.

5. Contentious Cases

While there are no contentious cases that could affect the financial standing and operating results of the Group, such contentious cases could occur in the future.

5 [Material Agreements, etc.]

Not applicable.

6 [Research and Development Activities]

The Group conducts research and development of software to provide innovative information and management tools to accounting firms and their clients, and to promote the streamlining, standardization and networking of administrative affairs performed by local governments.

Divisions involved in R&D acquired Quality Management Systems - Model for Quality Assurance in Design, Development, Production, Installation and Servicing (ISO9001) certification—an international quality assurance standard—in July 1999 for the purpose of establishing and strengthening quality control and quality assurance systems within our system development operations. Additionally, the certificate's scope of application was expanded in September 2010 to include the system development headquarters of our Local Governments BD.

An amount of 106 million yen was spent on R&D in the current consolidated fiscal year, yielding the following results:

(1) Accounting Firm BD

For our clients using the FX2/FX4 cloud and corporate/continuing MAS system, we are developing a "Departmental Budget Compilation System (Cloud System)" in which they can use the cloud system for preparing tax applications/notices and for making applications in an electronic form, which is designed for corporate group adopting the consolidated tax payment and enterprises with a large number of facilities and offices. Using the system and with assistance from an accounting firm, such companies have their budgets compiled through discussions between its president and heads of division.

Total research and development cost associated with this BU was 92 million yen.

(2) Local Governments BD

Not applicable.

7 [Analysis of Consolidated Financial Conditions, Operating Results, and Cash Flows]

(1) Analysis of Consolidated Financial Conditions

1. Assets

Total assets as of the end of the current consolidated fiscal year amounted to 85,428 million yen, a 4,312 million yen increase compared to 81,116 million yen as of the previous consolidated fiscal year.

(i) Current assets

Current assets as of the end of the current consolidated fiscal year amounted to 30,545 million yen, a 991 million yen increase from 29,554 million yen of the previous consolidated fiscal year.

This was mainly attributable to an increase of 486 million yen in cash and deposits, 219 million yen in notes and accounts receivable, 176 million yen in work in progress, and 88 million yen in deferred tax assets in others.

(ii) Non-current assets

Non-current assets as of the end of the current consolidated fiscal year amounted to 54,883 million yen, a 3,320 million yen increase compared to 51,562 million yen as of the previous consolidated fiscal year.

This was mainly attributable to an increase of 3,442 million yen in investment securities, 569 million yen in construction in progress, 314 million yen in land, and 213 million yen in lease assets (net amount), against a decrease of 1,000 million yen in long-term deposits and 237 million yen in deferred tax assets.

2. Liabilities

Total liabilities as of the end of the current consolidated fiscal year amounted to 16,536 million yen, a 22 million yen decrease compared to 16,559 million yen as of the previous consolidated fiscal year.

(i) Current liabilities

Current liabilities as of the end of the current consolidated fiscal year amounted to 13,345 million yen, a 74 million yen decrease from13,419 million yen of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 757 million yen in income taxes payable and 452 million yen in accounts payable, against an increase of 897 million yen in electronically recorded obligations, 174 million yen in provisions for bonuses, and 62 million yen in lease obligations.

(ii) Fixed liabilities

Fixed liabilities as of the end of the current consolidated fiscal year amounted to 3,191 million yen, a 51 million yen increase from 3,140 million yen of the previous consolidated fiscal year.

This was mainly attributable to an increase of 85 million yen in retirement benefit liabilities.

3. Net assets

Total net assets as of the end of the current consolidated fiscal year amounted to 68,892 million yen, a 4,335 million yen increase from 64,556 million yen of the previous consolidated fiscal year.

This was mainly attributable to an increase of 617 million yen in treasury stock, 3,943 million yen in retained earnings, and 961 million yen in valuation difference on available-for-sale securities.

Capital-to-asset ratio as of the end of the current consolidated fiscal year was 78.8%, a 1.1% increase compared to the ratio of 77.7% as of the end of the previous consolidated fiscal year.

(2) Analysis of Operating Results

Refer to "Part 2 Business Overview, 1. Summary of Business Results, I. Operating Results."

(3) Analysis of Cash Flows

Refer to "Part 2 Business Overview, 1. Summary of Business Results, II. Cash Flows."

Part 3 [Property, Plants and Equipment]

1 [Summary of Capital Investments]

The Group (the Company and its consolidated subsidiaries) makes capital investments on an ongoing basis in both software development and information processing services.

Capital investments (including intangible assets and adjustments) of 4,162 million yen were made in the current consolidated fiscal year.

(1) Accounting Firm BD

Capital investment of 1,855 million yen was made for reinforcement of the common cloud infrastructure to enhance the cloud environment for the Company's systems, and in the development of software for sale.

(2) Local Governments BD

Capital investment of 1,753 million yen was made for the development of software to provide services over the cloud system.

(3) Printing BD

Capital investment of 553 million yen was made for the purchase of film printers, lease of ink jet printers, etc.

2 [Major Property, Plants and Equipment]

(1) The Company

As of September 30, 2017

Name of office (address)	Segment	Facilities	Book values (millions of yen)						No. of employees (no. of people)
			Buildings and structures	Machinery, equipment and vehicles	Land (area in m2)	Tools, furniture and fixtures	Other	Total	
TKC Tochigi Head Office TKC Systems Development Research Center TKC Internet Service Center (TISC) TKC Tochigi Consolidated Information Center (Utsunomiya City, Tochigi, etc.) *1	Accounting Firm Business Local Governments Business	Development facilities, information communication service facilities, Information processing facilities	4,467	0	2,696 29,418.00	947	4,206	12,317	1,085
TKC Tokyo Head Office TKC Systems Development Research Center Tokyo Branch (Shinjuku-ku, Tokyo, etc.)	Accounting Firm Business Local Governments Business	Office facilities	120	－	－	92	－	212	355
TKC Tokyo Consolidated Information Center (Nerima-ku, Tokyo)	Accounting Firm Business	Information processing facilities	229	－	2,224 1,447.44	6	－	2,460	23
TKC Chubu Consolidated Information Center (Kasugai City, Aichi)	Accounting Firm Business	Information processing facilities	53	－	196 3,017.47	6	－	256	20
TKC Kansai Consolidated Information Center	Accounting Firm	Information processing	450	－	314	8	－	774	36

(Ibaraki City, Osaka)	Business Local Governments Business	facilities Office facilities			817.30				
TKC Chushikoku Consolidated Information Center (Kita-ku, Okayama City, Okayama)	Accounting Firm Business	Information processing facilities	18	―	―	3	―	22	10
TKC Kyushu Consolidated Information Center (Koga City, Fukuoka)	Accounting Firm Business	Information processing facilities	174	―	203 2,341.48	5	―	384	11
TKC Hokkaido Consolidated Information Center TKC Hokkaido SCG Service Center (Chuo-ku, Sapporo City, Hokkaido)	Accounting Firm Business	Information processing facilities	27	―	―	10	―	38	35
TKC Tohoku Consolidated Information Center TKC Tohoku SCG Service Center (Aoba-ku, Sendai City, Miyagi)	Accounting Firm Business	Information processing facilities	7	―	―	7	―	15	28

As of September 30, 2017

Name of office (address)	Segment	Facilities	Book values (millions of yen)						No. of employees (no. of people)
			Buildings and structures	Machinery, equipment and vehicles	Land (area in m2)	Tools, furniture and fixtures	Other	Total	
TKC Okinawa Consolidated Information Center TKC Okinawa SCG Service Center (Naha City, Okinawa)	Accounting Firm Business	Information processing facilities	6	－	－	2	－	9	11
TKC Ibaraki SCG Service Center (Tsukuba City, Ibaraki)	Accounting Firm Business Local Governments Business	Office facilities	29	－	147 1,120.00	1	－	178	19
TKC Yamaguchi SCG Service Center (Yamaguchi City, Yamaguchi)	Accounting Firm Business	Office facilities	22	－	197 814.00	0	－	220	6
Dormitories, company housing (Utsunomiya-shi, Tochigi)	Accounting Firm Business Local Governments Business	Welfare facilities	247	－	391 5,326.69	3	－	642	－

(2) Domestic subsidiaries

As of September 30, 2017

Company name	Name of office (address)	Segment	Facilities	Book values (millions of yen)						No. of employees (no. of people)
				Buildings and structures	Machinery, equipment and vehicles	Land (area in m2)	Tools, furniture and fixtures	Other	Total	
Tokyo Line Printer Company	Hanyu Plant (Hanyu-shi, Saitama)	Printing Business	Printing equipment	71	100	145 7,275.17	7	34	358	67
Tokyo Line Printer Company	DPS Solution Center (Hanyu-shi, Saitama)	Printing Business	Printing equipment	493	240	110 5,776.00	12	305	1,161	42

(Notes) 1. The figures above do not include consumption taxes.
2. The status of equipment and facilities held by consolidated companies other than those described above are small in scale and have been omitted.
3. The "Other" field under book value represents leased assets and software (including work in progress).
4. *1 includes some of the welfare facilities.
5. Major leased facilities and equipment other than those described above are as follows.

(The Company)

Annual office rent 737 million yen

3 [Plans for Capital Investments, Disposals of Property, Plants and Equipment]

Capital investments of the Group are planned based on comprehensive review of economic forecast, industry trends, investment efficiencies and other factors.

While, in principle, capital projects are formulated individually by each consolidated company, the Company takes initiative in making Group-wide adjustments.

Plans for the establishment or disposal of major facilities and equipment as of the end of the current consolidated fiscal year (September 30, 2017)—excluding routine updates of facilities and equipment—were as follows.

Establishment of major facilities and equipment

Company name Name of office	Address	Segment	Facilities	Planned investments		Financing method	Planned start and completion dates		Floor area
				Total amount (millions of yen)	Amount invested (millions of yen)		Start	Completion	
TKC Corporation Customer Support Center	Kanuma-shi, Tochigi	Accounting Firm Business	Acquisition of office building	1,736	1,092	Self-funded	March 2017	March 2018	4,969㎡

(Note) The figures above do not include consumption taxes.

Part 4 [Information on the Company]

1 [Information on the Company's Stock]

(1) Total number of shares, etc.

(i) [Total number of shares]

Class	Total number shares authorized to be issued (shares)
Common stock	60,000,000
Total	60,000,000

(ii) [Issued shares]

Class	As of end of current fiscal year Number of shares issued (shares) (September 30, 2017)	Number of shares issued as of the filing date Number of shares issued (shares) (December 25, 2017)	Name of stock exchange on which the Company is listed, or name of Authorized Financial Instruments Firms Association	Description
Common stock	26,731,033	26,731,033	First Section of the Tokyo Stock Exchange	Number of shares consisting a unit is 100 shares.
Total	26,731,033	26,731,033	—	—

(2) [Information on Share Subscription Rights]

Share subscription rights issued based on the Companies Act are as follows:

(i) First Stock Option (Resolution of the Board of Directors on February 10, 2012)

	As of end of current fiscal year (September 30, 2017)	As of the end of the month prior to the filing date (November 30, 2017)
Number of subscription rights to shares	122	122
Number of own subscription rights to shares among all subscription rights to shares	—	—
Class of shares to be issued upon exercise subscription rights to shares	Common stock	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	12,200 (Notes) 1	12,200 (Notes) 1
Amount to be paid in upon exercise of subscription rights to shares (in yen)	1	Same as left
Period to exercise subscription rights to shares	From March 13, 2012 To March 12, 2047	Same as left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	The price of issuing shares 1,146 Amount of capitalization 573 (Notes) 2	Same as left
Conditions for exercise of subscription rights to shares	(Notes) 3	Same as left
Matters concerning the transfer of subscription rights to shares	Acquisition of subscription rights to shares through transfers shall be subject to approval by resolution of the Board of Directors.	Same as left
Matters concerning substitute payments	—	—
Matters concerning the grant of subscription rights to shares upon reorganization	(Notes) 4	Same as left

(Notes) 1. When performing a share split (including gratis allotment of common shares of the Company; the same shall apply to all share splits described hereinafter) or share consolidation with respect to common shares of the Company after the allotment date of subscription rights to shares, the number of shares granted will be adjusted using the following formula:

Number of shares granted after adjustment = Number of shares granted before adjustment × ratio of share split or share consolidation

Fractions of less than one share resulting from the foregoing adjustment shall be disregarded.

In addition, when the number of shares granted needs to be adjusted after the allotment date due to reasons other than those listed above, such as when the Company is engaged in a merger, a company split, a share exchange, or for any other reason where such an adjustment is required, the Company may adjust the number of shares granted as deemed necessary by the Board of Directors.

2. The price of issuing shares is the sum of the amount to be paid upon subscription and the amount to be paid in upon exercise of subscription rights to shares.

3. Conditions for exercise of subscription rights to shares

(1) A holder of subscription rights to may only exercise the share option rights within 10 days (or the next business day if the 10th day falls on a holiday) from the date following the day such holder loses his/her position as a Director or Auditor of the Company.

(2) Notwithstanding (1) above, should a proposal for the approval of a merger agreement where the Company would become dissolved, a proposal for the approval of a company split agreement or a company split plan where the Company

would become a split company, or a proposal for the approval of a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary were to be approved at a General Meeting of Shareholders of the Company (or if a Board of Directors resolution is passed in case a resolution of General Meeting of Shareholders is not required), subscription rights to shares may be exercised within 30 days from the date following the date of such approval or resolution. However, this shall exclude cases where subscription rights to shares of a restructured company are to be issued in accordance with the matters concerning the issuing of subscription rights to shares upon reorganization.

(3) All other applicable conditions shall be as set forth in the "Stock Option Allocation Agreement" concluded between the Company and holders of subscription rights to shares.

4. If the Company is to engage in a merger with another (limited to cases where the Company is to be dissolved as a result of the merger), an absorption-type split or incorporation-type split (both limited to cases where the Company is to be a split company), or a share exchange or a share transfer (both limited to cases where the Company is to be a wholly owned subsidiary) (hereinafter jointly referred to as a "restructuring transaction"), subscription rights to shares in the entity set forth in Article 236, Paragraph 1, Item 8 (a) to (e) of the Companies Act (hereinafter, the "restructured company") shall be issued to the holders of the subscription rights to shares remaining in effect at a time immediately before the effective date of the restructuring transaction (hereinafter respectively referring to the date an absorption-type merger comes into effect, the date the new corporation is incorporated following a consolidation-type merger, the date an absorption-type split comes into effect, the date the new corporation is incorporated following an incorporation-type company split, the date a share exchange comes into effect, or the date the new joint-stock corporation is incorporated following a share transfer) (hereinafter the "remaining subscription rights to shares"). However, such rights may be granted only if provisions for issuing the subscription rights to shares of the restructured company in accordance with the items described below are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type split agreement, an incorporation-type split plan, a share exchange agreement or a share transfer plan.

(1) The number of subscription rights to shares of the restructured company to be issued
The same number of subscription rights to shares as the number of remaining subscription rights to shares held by respective holders of subscription rights to shares.

(2) Class of shares of the restructured company shares to be issued upon exercise of subscription rights to shares
Common shares of the restructured company.

(3) The number of shares of the restructured company shares to be issued upon exercise of subscription rights to shares
To be determined in proportion to the class and number of shares to be issued upon exercise of subscription rights to shares defined in (Notes) 1 above upon considering the conditions, etc. of the restructuring transactions.

(4) The amount of assets to be contributed upon exercise of subscription rights to shares
The amount shall be obtained by multiplying the amount to be paid in after restructuring as prescribed below by the number of shares of the restructured company to be issued upon exercise of each subscription right to shares as determined in accordance with (3) above. The amount to be paid in after restructuring shall be 1 yen per share of the restructured company to be issued upon exercise of each subscription rights to shares to be issued.

(5) Period in which subscription rights to shares can be exercised
The period shall start on the start date of the exercise period listed in the "Period to exercise subscription rights to shares" in the table above, or the date the restructuring transactions come into effect, whichever the later, and shall last until the expiration date of the period in which subscription rights to shares can be exercised.

(6) Matters concerning increases in capital stock and capital reserve occurring when issuing shares upon exercise of subscription rights to shares:
To be determined in conformity with the matters concerning increases in capital stock and capital reserve occurring when issuing shares upon exercise of subscription of rights to shares as set forth in the "Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares" in the table above.

(7) Restrictions on the acquisition of subscription rights to shares through transfers
Acquisition of subscription rights to shares through transfers shall require the approval by resolution of the Board of Directors of the restructured company.

(8) Other conditions for exercise of subscription rights to shares
To be determined in conformity with (Notes) 3 above.

(9) Provisions for the acquisition of subscription rights to shares
Subscription rights to shares may be acquired without compensation on a date separately specified by the Board of Directors should the following resolutions (i), (ii), (iii), (iv) or (v) be approved at a General Meeting of Shareholders of the Company (or through a resolution by the Board of Directors of the Company, or upon the decision of an executive officer entrusted with such a matter pursuant to the provisions set forth in Article 416, Paragraph 4 of the Companies Act in case a resolution of the General Meeting of Shareholders is not required):
(i) Resolution approving a merger agreement where the Company would become a dissolved company;
(ii) Resolution approving a company split agreement or a company split plan where the Company would become a split company;
(iii) Resolution approving a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary;

(iv) Resolution approving an amendment to the Articles of Incorporation to establish a provision requiring the approval of the Company for the acquisition of all shares issued by the Company through a transfer;

(v) Resolution approving an amendment to the Articles of Incorporation to establish a provision requiring the approval of the Company for the acquisition of the class of shares to be issued upon exercise of subscription rights to shares, or a provision to acquire all of such class of shares by resolution of the General Meeting of Shareholders of the Company.

(ii) Second Stock Option (Resolution of the Board of Directors on November 5, 2012)

	As of end of current fiscal year (September 30, 2017)	As of the end of the month prior to the filing date (November 30, 2017)
Number of subscription rights to shares	200	200
Number of own subscription rights to shares among all subscription rights to shares	—	—
Class of shares to be issued upon exercise of subscription rights to shares	Common stock	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	20,000 (Notes) 1	20,000 (Notes) 1
Amount to be paid in upon exercise of subscription rights to shares (in yen)	1	Same as left
Period to exercise subscription rights to shares	From December 8, 2012 To December 7, 2047	Same as left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	The price of issuing shares 1,033 Amount of capitalization 517 (Notes) 2	Same as left
Conditions for exercise of subscription rights to shares	(Notes) 3	Same as left
Matters concerning the transfer of subscription rights to shares	Acquisition of subscription rights to shares through transfers shall be subject to approval by resolution of the Board of Directors.	Same as left
Matters concerning substitute payments	—	—
Matters concerning the grant of subscription rights to shares upon reorganization	(Notes) 4	Same as left

(Notes) 1 Refer to (Notes) 1 under the section, "First Stock Option."

2 Refer to (Notes) 2 under the section, "First Stock Option."

3 Conditions for exercise of subscription rights to shares

(1) A holder of subscription rights may only exercise the share option rights within 10 days (or the next business day if the 10th day falls on a holiday) from the date following the day such holder loses his/her position as a Director or Auditor, or as an Executive Officer of the Company.

(2) Notwithstanding (1) above, should a proposal for the approval of a merger agreement where the Company would become dissolved, a proposal for the approval of a company split agreement or a company split plan where the Company would become a split company, or a proposal for the approval of a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary were to be approved at a General Meeting of Shareholders of the Company (or if a Board of Directors resolution is passed in case a resolution of General Meeting of Shareholders is not required), subscription rights to shares may be exercised within 30 days from the date following the date of such approval or resolution. However, this shall exclude cases where subscription rights to shares of a restructured company are to be issued in accordance with the matters concerning the issuing of subscription rights to shares upon reorganization.

(3) All other applicable conditions shall be as set forth in the "Stock Option Allocation Agreement" concluded between the Company and holders of subscription rights to shares.

4 Refer to (Notes) 4 under the section, "First Stock Option."

(iii) Third Stock Option (Resolution of the Board of Directors on November 12, 2013)

	As of end of current fiscal year (September 30, 2017)	As of the end of the month prior to the filing date (November 30, 2017)
Number of subscription rights to shares (shares)	224	224
Number of own subscription rights to shares among all subscription rights to shares	—	—
Class of shares to be issued upon exercise of subscription rights to shares	Common stock	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	22,400 (Notes) 1	22,400 (Notes) 1
Amount to be paid in upon exercise of subscription rights to shares (in yen)	1	Same as left
Period to exercise subscription rights to shares	From December 10, 2013 to December 9, 2048	Same as left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	The price of issuing shares 1,324 Amount of capitalization 662 (Notes) 2	Same as left
Conditions for exercise of subscription rights to shares	(Notes) 3	Same as left
Matters concerning the transfer of subscription rights to shares	Acquisition of subscription rights to shares through transfers shall be subject to approval by resolution of the Board of Directors.	Same as left
Matters concerning substitute payments	—	—
Matters concerning the grant of subscription rights to shares upon reorganization	(Notes) 4	Same as left

(Notes) 1. When performing a share split (including gratis allotment of common shares of the Company; the same shall apply to all share splits described hereinafter) or share consolidation with respect to common shares of the Company after the allotment date of subscription rights to shares, the number of shares granted will be adjusted using the following formula:
Number of shares granted after adjustment = Number of shares granted before adjustment × ratio of share split or share consolidation
Fractions of less than one share resulting from the foregoing adjustment shall be disregarded.
In addition, when the number of shares granted needs to be adjusted after the allotment date due to reasons other than those listed above, such as when the Company is engaged in a merger, a company split, a share exchange, or for any other reason where such an adjustment is required, the Company may adjust the number of shares granted as deemed necessary by the Board of Directors.

2. The price of issuing shares is the sum of the amount to be paid upon subscription and the amount to be paid in upon exercise of subscription rights to shares.

3. Conditions for exercise of subscription rights to shares

(1) A holder of subscription rights to shares may only exercise the share option rights within 10 days (or the next business day if the 10th day falls on a holiday) from the date following the day such holder loses his/her position as a Director or Auditor or as an employee of the Company. However, if a person who has lost his/her position as

Director or Auditor or as an employee of the Company is appointed Director of the Company or employed by the Company with certain or specific entrustment within 10 days of having lost his/her original position, such person shall not be entitled to exercise the subscription rights to shares.

(2) Notwithstanding (1) above, should a proposal for the approval of a merger agreement where the Company would become dissolved, a proposal for the approval of a company split agreement or a company split plan where the Company would become a split company, or a proposal for the approval of a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary were to be approved at a General Meeting of Shareholders of the Company (or if a Board of Directors resolution is passed in case a resolution of General Meeting of Shareholders is not required), subscription rights to shares may be exercised within 30 days from the date following the date of such approval or resolution. However, this shall exclude cases where subscription rights to shares of a restructured company are to be issued in accordance with the matters concerning the issuing of subscription rights to shares upon reorganization.

(3) All other applicable conditions shall be as set forth in the "Stock Option Allocation Agreement" concluded between the Company and holders of subscription rights to shares.

4. If the Company is to engage in a merger with another (limited to cases where the Company is to be dissolved as a result of the merger), an absorption-type split or incorporation-type split (both limited to cases where the Company is to be a split company), or a share exchange or a share transfer (both limited to cases where the Company is to be a wholly owned subsidiary) (hereinafter jointly referred to as a "restructuring transaction"), subscription rights to shares in the entity set forth in Article 236, Paragraph 1, Item 8 (a) to (e) of the Companies Act (hereinafter, the "restructured company") shall be issued to the holders of the subscription rights to shares remaining in effect at a time immediately before the effective date of the restructuring transaction (hereinafter respectively referring to the date an absorption-type merger comes into effect, the date the new corporation is incorporated following a consolidation-type merger, the date an absorption-type split comes into effect, the date the new corporation is incorporated following an incorporation-type company split, the date a share exchange comes into effect, or the date the new joint-stock corporation is incorporated following a share transfer) (hereinafter the "remaining subscription rights to shares"). However, such rights may be granted only if provisions for issuing the subscription rights to shares of the restructured company in accordance with the items described below are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type split agreement, an incorporation-type split plan, a share exchange agreement or a share transfer plan.

(1) The number of subscription rights to shares of the restructured company to be issued
The same number of subscription rights to shares as the number of remaining subscription rights to shares held by respective holders of subscription rights to shares.

(2) Class of shares of the restructured company shares to be issued upon exercise of subscription rights to shares
Common shares of the restructured company.

(3) The number of shares of the restructured company shares to be issued upon exercise of subscription rights to shares
To be determined in proportion to the class and number of shares to be issued upon exercise of subscription rights to shares defined in (Notes) 1 above upon considering the conditions, etc. of the restructuring transactions.

(4) The amount of assets to be contributed upon exercise of subscription rights to shares
The amount shall be obtained by multiplying the amount to be paid in after restructuring as prescribed below by the number of shares of the restructured company to be issued upon exercise of each subscription right to shares as determined in accordance with (3) above. The amount to be paid in after restructuring shall be 1 yen per share of the restructured company to be issued upon exercise of each subscription rights to shares to be issued.

(5) Period in which subscription rights to shares can be exercised
The period shall start on the start date of the exercise period listed in the "Period to exercise subscription rights to shares" in the table above, or the date the restructuring transactions come into effect, whichever the later, and shall last until the expiration date of the period in which subscription rights to shares can be exercised.

(6) Matters concerning increases in capital stock and capital reserve occurring when issuing shares upon exercise of subscription rights to shares:

(i) The amount of capital to be increased shall be one half of the amount of the maximum increase in capital calculated in accordance with the provisions of Article 17, Paragraph 1 of the Ordinance on Company Accounting. Fractions under 1 yen resulting from these calculations shall be rounded up.

(ii) The amount of capital reserve to be increased shall be the amount calculated by subtracting the amount of capital increase stipulated in (i) above from the amount of maximum increase in capital described in (i) above.

(7) Restrictions on the acquisition of subscription rights to shares through transfers
Acquisition of subscription rights to shares through transfers shall require the approval by resolution of the Board of Directors of the restructured company.

(8) Other conditions for exercise of subscription rights to shares
To be determined in conformity with (Notes) 3 above.

(9) Provisions for the acquisition of subscription rights to shares
Subscription rights to shares may be acquired without compensation on a date separately specified by the Board of Directors should the following resolutions (i), (ii), (iii), (iv) or (v) be approved at a General Meeting of Shareholders of the Company (or through a resolution by the Board of Directors of the Company, or upon the

decision of an executive officer entrusted with such a matter pursuant to the provisions set forth in Article 416, Paragraph 4 of the Companies Act in case a resolution of the General Meeting of Shareholders is not required):

(i) Resolution approving a merger agreement where the Company would become a dissolved company;

(ii) Resolution approving a company split agreement or a company split plan where the Company would become a split company;

(iii) Resolution approving a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary;

(iv) Resolution approving an amendment to the Articles of Incorporation to establish a provision requiring the approval of the Company for the acquisition of all shares issued by the Company through a transfer;

(v) Resolution approving an amendment to the Articles of Incorporation to establish a provision requiring the approval of the Company for the acquisition of the class of shares to be issued upon exercise of subscription rights to shares, or a provision to acquire all of such class of shares by resolution of the General Meeting of Shareholders of the Company.

(iv) Fourth Stock Option (Resolution of the Board of Directors on November 11, 2014)

	As of end of current fiscal year (September 30, 2017)	As of the end of the month prior to the filing date (November 30, 2017)
Number of subscription rights to shares (shares)	191	191
Number of own subscription rights to shares among all subscription rights to shares	—	—
Class of shares to be issued upon exercise of subscription rights to shares	Common stock	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	19,100 (Notes) 1	19,100 (Notes) 1
Amount to be paid in upon exercise of subscription rights to shares (in yen)	1	Same as left
Period to exercise subscription rights to shares	From December 13, 2014 to December 12, 2049	Same as left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	The price of issuing shares 1,570 Amount of capitalization 785 (Notes) 2	Same as left
Conditions for exercise of subscription rights to shares	(Notes) 3	Same as left
Matters concerning the transfer of subscription rights to shares	Acquisition of subscription rights to shares through transfers shall be subject to approval by resolution of the Board of Directors.	Same as left
Matters concerning substitute payments	—	—
Matters concerning the grant of subscription rights to shares upon reorganization	(Notes) 4	Same as left

(Notes)
1. Refer to (Notes) 1 under the section, "Third Stock Option."
2. Refer to (Notes) 2 under the section, "Third Stock Option."
3. Refer to (Notes) 3 under the section, "Third Stock Option."
4. Refer to (Notes) 4 under the section, "Third Stock Option."

(v) Fifth Stock Option (Resolution of the Board of Directors on November 10, 2015)

	As of end of current fiscal year (September 30, 2017)	As of the end of the month prior to the filing date (November 30, 2017)
Number of subscription rights to shares (shares)	162	162
Number of own subscription rights to shares among all subscription rights to shares	—	—
Class of shares to be issued upon exercise of subscription rights to shares	Common stock	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	16,200 (Notes) 1	16,200 (Notes) 1
Amount to be paid in upon exercise of subscription rights to shares (in yen)	1	Same as left
Period to exercise subscription rights to shares	From December 12, 2015 To December 11, 2050	Same as left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	The price of issuing shares 2,671 Amount of capitalization 1,336 (Notes) 2	Same as left
Conditions for exercise of subscription rights to shares	(Notes) 3	Same as left
Matters concerning the transfer of subscription rights to shares	Acquisition of subscription rights to shares through transfers shall be subject to approval by resolution of the Board of Directors.	Same as left
Matters concerning substitute payments	—	—
Matters concerning the grant of subscription rights to shares upon reorganization	(Notes) 4	Same as left

(Notes) 1. Refer to (Notes) 1 under the section, "Third Stock Option."
2. Refer to (Notes) 2 under the section, "Third Stock Option."
3. Refer to (Notes) 3 under the section, "Third Stock Option."
4. Refer to (Notes) 4 under the section, "Third Stock Option."

(v) Sixth Stock Option (Resolution of the Board of Directors on November 8, 2016)

	As of end of current fiscal year (September 30, 2017)	As of the end of the month prior to the filing date (November 30, 2017)
Number of subscription rights to shares (shares)	160	160
Number of own subscription rights to shares among all subscription rights to shares	—	—
Class of shares to be issued upon exercise of subscription rights to shares	Common stock	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	16,000 (Notes) 1	16,000 (Notes) 1
Amount to be paid in upon exercise of subscription rights to shares (in yen)	1	Same as left
Period to exercise subscription rights to shares	From December 13, 2016 to December 12, 2051	Same as left
Price of issuing shares and amount of capitalization upon exercise of subscription rights to shares	The price of issuing shares 2,558 Amount of capitalization 1279 (Notes) 2	Same as left
Conditions for exercise of subscription rights to shares	(Notes) 3	Same as left
Matters concerning the transfer of subscription rights to shares	Acquisition of subscription rights to shares through transfers shall be subject to approval by resolution of the Board of Directors.	Same as left
Matters concerning substitute payments	—	—
Matters concerning the grant of subscription rights to shares upon reorganization	(Notes) 4	Same as left

(Notes) 1. Refer to (Notes) 1 under the section, "Third Stock Option."
2. Refer to (Notes) 2 under the section, "Third Stock Option."
3. Refer to (Notes) 3 under the section, "Third Stock Option."
4. Refer to (Notes) 4 under the section, "Third Stock Option."

(3) [Exercise of Corporate Bonds with Share Subscription Rights Containing a Clause for Exercise Price Adjustment]

Not applicable.

(4) [Rights Plan]

Not applicable.

(5) [Changes in Total Number of Issued Shares, Common Stock, etc.]

Date	Increase or decrease in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Increase or decrease in capital stock (millions of yen)	Balance of capital stock (millions of yen)	Increase or decrease in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
(November 30, 2009) (Note)	(1,185,800)	26,731,033	—	5,700	—	5,409

(Note) Decrease caused by cancellation of treasury stock.

(6) [Shareholders Composition]

As of September 30, 2017

Classification	Status of shares (100 shares in one unit of shares)								Number of shares less than one unit (shares)
	Government & municipalities	Financial institutions	Financial Instruments business operators	Other corporation	Foreign corporate bodies, etc.		Other individuals	Total	
					Non-individuals	Individuals			
Number of shareholders	—	30	24	110	136	3	7,766	8,069	—
Number of shares held (share units)	—	81,822	4,345	61,708	35,003	7	84,037	266,922	38,833
Percentage of shares held (%)	—	30.7	1.6	23.1	13.1	0.0	31.5	100.0	—

(Notes)1. Of the 349,981 shares held as treasury stock, 3,499 share units are included in "individuals and others" and 81 shares are included in "Number of shares less than one unit."

2. Of the shares registered under the name of Japan Securities Depository Center, Inc., 6 units are included in "Other corporate bodies" and 87 shares are included in "Number of shares less than one unit."

(7) [Major Shareholders]

As of September 30, 2017

Names of shareholders	Address	Number of shares held (share units) (hundreds of shares)	Percentage of shares held to the total number of issued shares (%)
Iizuka Takeshi Scholarship Foundation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	36,524	13.7
Daido Life Insurance Company	1-2-1 Edobori, Nishi-ku, Osaka-shi, Osaka	25,690	9.6
TKC Employee Shareholding Association	2-1 Ageba-cho, Shinjuku-ku, Tokyo	16,339	6.1
Sozeishiryokan (Institute of Tax Research and Literature)	3-45-13 Minamidai, Nakano-ku, Tokyo	12,465	4.7
Masaharu Iizuka	Utsunomiya-shi, Tochigi	11,282	4.2
The Hongkong and Shanghai Banking Corporation, Tokyo Branch, standing proxy of the State Street Bank and Trust Company	3-11-1 Nihonbashi, Chuo-ku, Tokyo	8,978	3.4
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	7,827	2.9
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-2-1 Marunouchi, Chiyoda-ku, Tokyo	6,664	2.5
Aioi Nissay Dowa Insurance Co., Ltd.	1-28-1 Ebisu, Shibuya-ku, Tokyo	5,983	2.2
Sompo Japan Nipponkoa Insurance Inc.	1-26-1 Nishishinjuku, Shinjuku-ku, Tokyo	5,983	2.2
Total	—	137,737	51.5

(8) [Status of Voting Rights]

(i) [Shares Issued]

As of September 30, 2017

Category	Number of shares (shares)	Number of voting rights (units)	Description
Shares without voting right	—	—	—
Shares with restricted voting right (treasury stock, etc.)	—	—	—
Shares with restricted voting right (others)	—	—	—
Shares with full voting right (treasury stock, etc.)	Common stock 355,400	—	—
Shares with full voting right (others)	Common stock 26,336,800	263,368	—
Shares less than one unit	Common stock 38,833	—	—
Total number of shares issued	26,731,033	—	—
Total voting rights held by all shareholders	—	263,368	—

(Note) "Shares with full voting right (others)" includes 600 shares registered in the name of Japan Securities Depository Center, Inc.
"Number of voting rights" includes 6 units of voting rights held under the name of Japan Securities Depository Center, Inc.

(ii) [Treasury Stock, etc.]

As of September 30, 2017

Name of shareholder	Address of shareholder	Number of shares held under own name (shares)	Number of shares held under other names (shares)	Total shares held (shares)	Percentage of shares held to the total number of issued shares (%)
TKC Corporation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	349,900	—	349,900	1.31
TKC Shuppan Corporation	4-8-8 Kudanminami, Chiyoda-ku, Tokyo	5,500	—	5,500	0.02
Total	—	355,400	—	355,400	1.33

(9) [Stock Option Scheme]

The Company has adopted a stock-based compensation stock option scheme that issues subscription rights to shares in accordance with the provisions of the Companies Act.

The contents of the scheme are as follows:

First Stock Option (Resolution of the Board of Directors on February 10, 2012)

Date of Resolution	February 10, 2012
Class and number of persons eligible for subscription rights to shares	9 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors)
Class of shares to be issued upon exercise of subscription rights to shares	As described in (2) Information on Share Subscription Rights
Number of shares	Same as above
Amount to be paid in upon exercise of subscription rights to shares	Same as above
Period to exercise subscription rights to shares	Same as above
Conditions for exercise of subscription rights to shares	Same as above
Matters concerning the transfer of subscription rights to shares	Same as above
Matters concerning substitute payments	Same as above
Matters concerning the grant of subscription rights to shares upon reorganization	Same as above

Second Stock Option (Resolution of the Board of Directors on November 5, 2012)

Date of Resolution	November 5, 2012
Class and number of persons eligible for subscription rights to shares	10 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 13 Executive Officers of the Company
Class of shares to be issued upon exercise of subscription rights to shares	As described in (2) Information on Share Subscription Rights
Number of shares	Same as above
Amount to be paid in upon exercise of subscription rights to shares	Same as above
Period to exercise subscription rights to shares	Same as above
Conditions for exercise of subscription rights to shares	Same as above
Matters concerning the transfer of subscription rights to shares	Same as above
Matters concerning substitute payments	Same as above
Matters concerning the grant of subscription rights to shares upon reorganization	Same as above

Third Stock Option (Resolution of the Board of Directors on November 12, 2013)

Date of Resolution	November 12, 2013
Class and number of persons eligible for subscription rights to shares	10 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 13 Executive Officers of the Company
Class of shares to be issued upon exercise of subscription rights to shares	As described in (2) Information on Share Subscription Rights
Number of shares	Same as above
Amount to be paid in upon exercise of subscription rights to shares	Same as above
Period to exercise subscription rights to shares	Same as above
Conditions for exercise of subscription rights to shares	Same as above
Matters concerning the transfer of subscription rights to shares	Same as above
Matters concerning substitute payments	Same as above
Matters concerning the grant of subscription rights to shares upon reorganization	Same as above

Fourth Stock Option (Resolution of the Board of Directors on November 11, 2014)

Date of Resolution	November 11, 2014
Class and number of persons eligible for subscription rights to shares	11 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 17 Executive Officers of the Company
Class of shares to be issued upon exercise of subscription rights to shares	As described in (2) Information on Share Subscription Rights
Number of shares	Same as above
Amount to be paid in upon exercise of subscription rights to shares	Same as above
Period to exercise subscription rights to shares	Same as above
Conditions for exercise of subscription rights to shares	Same as above
Matters concerning the transfer of subscription rights to shares	Same as above
Matters concerning substitute payments	Same as above
Matters concerning the grant of subscription rights to shares upon reorganization	Same as above

Fifth Stock Option (Resolution of the Board of Directors on November 10, 2015)

Date of Resolution	November 10, 2015
Class and number of persons eligible for subscription rights to shares	9 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 21 Executive Officers of the Company
Class of shares to be issued upon exercise of subscription rights to shares	As described in (2) Information on Share Subscription Rights
Number of shares	Same as above
Amount to be paid in upon exercise of subscription rights to shares	Same as above
Period to exercise subscription rights to shares	Same as above
Conditions for exercise of subscription rights to shares	Same as above
Matters concerning the transfer of subscription rights to shares	Same as above
Matters concerning substitute payments	Same as above
Matters concerning the grant of subscription rights to shares upon reorganization	Same as above

Sixth Stock Option (Resolution of the Board of Directors on November 8, 2016)

Date of Resolution	November 8, 2016
Class and number of persons eligible for subscription rights to shares	9 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 22 Executive Officers of the Company
Class of shares to be issued upon exercise of subscription rights to shares	As described in (2) Information on Share Subscription Rights
Number of shares	Same as above
Amount to be paid in upon exercise of subscription rights to shares	Same as above
Period to exercise subscription rights to shares	Same as above
Conditions for exercise of subscription rights to shares	Same as above
Matters concerning the transfer of subscription rights to shares	Same as above
Matters concerning substitute payments	Same as above
Matters concerning the grant of subscription rights to shares upon reorganization	Same as above

Seventh Stock Option (Resolution of the Board of Directors on November 7, 2017)

Date of Resolution	November 7, 2017
Class and number of persons eligible for subscription rights to shares	9 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 21 Executive Officers of the Company
Class of shares to be issued upon exercise of subscription rights to shares	Common stock
Number of shares	Common stocks: 16,500 shares (Note) 1 The number of shares per one unit of subscription right of shares (hereafter, the "number of shares granted") shall be 100 shares. The number of shares described above is the prescribed number to be allotted, and if the total number of allotted subscription rights to shares should decrease due to absence of applications for subscriptions, the total number of common stocks to be issued shall be 100 times the total number of subscription rights to shares to be allotted.
Amount to be paid in upon exercise of subscription rights to shares	The amount of assets to be contributed upon exercise of subscription rights to shares shall be the amount determined by multiplying the amount of 1 yen per share to be paid in to have such shares issued upon exercise of each subscription right to shares, by the number of shares granted.
Period to exercise subscription rights to shares	From December 11, 2017 To December 10, 2052
Conditions for exercise of subscription rights to shares	(Note) 2
Matters concerning the transfer of subscription rights to shares	The acquisition of subscription rights to shares through transfers shall require the approval of the Board of Directors of the Company.
Matters concerning substitute payments	—
Matters concerning the grant of subscription rights to shares upon reorganization	(Note) 3

(Notes) 1. When performing a share split (including gratis allotment of common shares of the Company; the same shall apply to all share splits described hereinafter) or share consolidation with respect to common shares of the Company after the allotment date of subscription rights to shares, the number of shares granted will be adjusted using the following formula:

Number of shares granted after adjustment = Number of shares granted before adjustment × ratio of share split or share consolidation

Fractions of less than one share resulting from the foregoing adjustment shall be disregarded.

In addition, when the number of shares granted needs to be adjusted after the allotment date due to reasons other than those listed above, such as when the Company is engaged in a merger, a company split, a share exchange, or for any other reason where such an adjustment is required, the Company may adjust the number of shares granted as deemed necessary by the Board of Directors.

2. Conditions for exercise of subscription rights to shares

(1) A holder of subscription rights to shares may only exercise the share option rights within 10 days (or the next business day if the 10th day falls on a holiday) from the date following the day such holder loses his/her position as a Director or Auditor or as an employee of the Company. However, if a person who has lost his/her position as Director or Auditor or as an employee of the Company is appointed Director of the Company or employed by the Company with certain or specific entrustment within 10 days of having lost his/her original position, such person shall not be entitled to exercise the subscription rights to shares.

(2) Notwithstanding (1) above, should a proposal for the approval of a merger agreement where the Company would become dissolved, a proposal for the approval of a company split agreement or a company split plan where the Company would become a split company, or a proposal for the approval of a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary were to be approved at a General Meeting

of Shareholders of the Company (or if a Board of Directors resolution is passed in case a resolution of General Meeting of Shareholders is not required), subscription rights to shares may be exercised within 30 days from the date following the date of such approval or resolution. However, this shall exclude cases where subscription rights to shares of a restructured company are to be issued in accordance with the matters concerning the issuing of subscription rights to shares upon reorganization.

(3) All other applicable conditions shall be as set forth in the "Stock Option Allocation Agreement" concluded between the Company and holders of subscription rights to shares.

3. If the Company is to engage in a merger with another (limited to cases where the Company is to be dissolved as a result of the merger), an absorption-type split or incorporation-type split (both limited to cases where the Company is to be a split company), or a share exchange or a share transfer (both limited to cases where the Company is to be a wholly owned subsidiary) (hereinafter jointly referred to as a "restructuring transaction"), subscription rights to shares in the entity set forth in Article 236, Paragraph 1, Item 8 (a) to (e) of the Companies Act (hereinafter, the "restructured company") shall be issued to the holders of the subscription rights to shares remaining in effect at a time immediately before the effective date of the restructuring transaction (hereinafter respectively referring to the date an absorption-type merger comes into effect, the date the new corporation is incorporated following a consolidation-type merger, the date an absorption-type split comes into effect, the date the new corporation is incorporated following an incorporation-type company split, the date a share exchange comes into effect, or the date the new joint-stock corporation is incorporated following a share transfer) (hereinafter the "remaining subscription rights to shares"). However, such rights may be granted only if provisions for issuing the subscription rights to shares of the restructured company in accordance with the items described below are included in an absorption-type merger agreement, a consolidation-type merger agreement, an absorption-type split agreement, an incorporation-type split plan, a share exchange agreement or a share transfer plan.

(1) The number of subscription rights to shares of the restructured company to be issued
The same number of subscription rights to shares as the number of remaining subscription rights to shares held by respective holders of subscription rights to shares.

(2) Class of shares of the restructured company shares to be issued upon exercise of subscription rights to shares
Common shares of the restructured company.

(3) The number of shares of the restructured company shares to be issued upon exercise of subscription rights to shares
To be determined in proportion to the class and number of shares to be issued upon exercise of subscription rights to shares defined in (Notes) 1 above upon considering the conditions, etc. of the restructuring transactions.

(4) The amount of assets to be contributed upon exercise of subscription rights to shares
The amount shall be obtained by multiplying the amount to be paid in after restructuring as prescribed below by the number of shares of the restructured company to be issued upon exercise of each subscription right to shares as determined in accordance with (3) above. The amount to be paid in after restructuring shall be 1 yen per share of the restructured company to be issued upon exercise of each subscription rights to shares to be issued.

(5) Period in which subscription rights to shares can be exercised
The period shall start on the start date of the exercise period listed in the "Period to exercise subscription rights to shares" in the table above, or the date the restructuring transactions come into effect, whichever the later, and shall last until the expiration date of the period in which subscription rights to shares can be exercised.

(6) Matters concerning increases in capital stock and capital reserve occurring when issuing shares upon exercise of subscription rights to shares:
(i) The amount of capital to be increased shall be one half of the amount of the maximum increase in capital calculated in accordance with the provisions of Article 17, Paragraph 1 of the Ordinance on Company Accounting. Fractions under 1 yen resulting from these calculations shall be rounded up.
(ii) The amount of capital reserve to be increased shall be the amount calculated by subtracting the amount of capital increase stipulated in (i) above from the amount of maximum increase in capital described in (i) above.

(7) Restrictions on the acquisition of subscription rights to shares through transfers
Acquisition of subscription rights to shares through transfers shall require the approval by resolution of the Board of Directors of the restructured company.

(8) Other conditions for exercise of subscription rights to shares
To be determined in conformity with (Notes) 2 above.

(9) Provisions for the acquisition of subscription rights to shares
Subscription rights to shares may be acquired without compensation on a date separately specified by the Board of Directors should the following resolutions (i), (ii), (iii), (iv) or (v) be approved at a General Meeting of Shareholders of the Company (or through a resolution by the Board of Directors of the Company, or upon the decision of an executive officer entrusted with such a matter pursuant to the provisions set forth in Article 416, Paragraph 4 of the Companies Act in case a resolution of the General Meeting of Shareholders is not required):
(i) Resolution approving a merger agreement where the Company would become a dissolved company;
(ii) Resolution approving a company split agreement or a company split plan where the Company would become a split company;
(iii) Resolution approving a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary;

(iv) Resolution approving an amendment to the Articles of Incorporation to establish a provision requiring the approval of the Company for the acquisition of all shares issued by the Company through a transfer;

(v) Resolution approving an amendment to the Articles of Incorporation to establish a provision requiring the approval of the Company for the acquisition of the class of shares to be issued upon exercise of subscription rights to shares, or a provision to acquire all of such class of shares by resolution of the General Meeting of Shareholders of the Company.

2 [Acquisition, etc. of Treasury Stock]

[Class of shares] Acquisition of shares of common stock under Article 155, Items 3 and 7 of the Companies Act

(1) [Acquisition of Treasury Stock Based on Resolution at the General Meeting of Shareholders]

Not applicable.

(2) [Acquisition of Treasury Stock Based on Resolution of the Board of Directors]

Classification	Number of shares (shares)	Total amount (yen)
Status of resolution of Board of Directors (February 10, 2017) (Period of acquisition: February 14, 2017 to February 28, 2017)	100,000	355,000,000
Treasury stock acquired prior to the current fiscal year	—	—
Treasury stock acquired during the current fiscal year	76,700	266,532,500
Total number and value of remaining shares with voting rights	23,300	88,467,500
Percentage of the unexercised as at the end of the current fiscal year (%)	23.3	24.9
Treasury shares acquired during the period	—	—
Percentage of the unexercised as of the filing date (%)	23.3	24.9

Classification	Number of shares (shares)	Total amount (yen)
Status of resolution of Board of Directors (June 28, 2017) (Period of acquisition: June 29, 2017)	150,000	510,000,000
Treasury stock acquired prior to the current fiscal year	—	—
Treasury stock acquired during the current fiscal year	125,000	408,125,000
Total number and value of remaining shares with voting rights	25,000	101,875,000
Percentage of the unexercised as at the end of the current fiscal year (%)	16.7	20.0
Treasury shares acquired during the period	—	—
Percentage of the unexercised as of the filing date (%)	16.7	20.0

(3) [Acquisitions of Treasury Stock Not Based on Resolutions of General Meeting of Shareholders or Board of Directors]

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the current fiscal year	739	2,380,241
Treasury stock acquired during the current period for acquisition	159	577,435

(Note) Treasury stock acquired during the current period of acquisition does not include shares constituting less than one unit purchased during the period from December 1, 2017 up to the date on which this Annual Securities Report was filed.

(4) [Disposition and Holding of Acquired Treasury Stock]

Category	Current fiscal year		Current period for acquisition	
	Number of shares (shares)	Total amount disposed (yen)	Number of shares (shares)	Total amount disposed (yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock canceled	—	—	—	—
Acquired treasury stock transferred due to merger, share exchange, or company split	—	—	—	—
Other (Transferred by the exercise of subscription rights to shares) (Sold due to demand for sales of fractional unit shares)	30,500 —	59,504,585 —	— —	— —
Number of shares of treasury stock held	349,981	—	350,140	—

(Note) The disposition and holding of treasury stock acquired during the current period does not include shares transferred through the exercise of subscription rights to shares, shares obtained through the purchase of shares constituting less than one unit, and shares sold through demand for sales during the period from December 1, 2017 up to the date on which this Annual Securities Report was filed.

3 [Dividend Policy]

The basic policy of the Company is to pay out dividends that exceed the industry average in accordance with the medium-term management plan set forth by the Board of Directors while continuing to maintain optimal profit each fiscal year in order to meet the expectation of our shareholders. With the rapid advancement of Information and Communication Technology (ICT) and major changes in social systems, it is essential to make advance investments in research and development efforts and to actively pursue other capital investments to enhance customer support to accounting firms and local governments and lead them to success while remaining competitive in the marketplace.

Thus, dividends to be paid to shareholders are determined by taking into full consideration such factors as the Company's financial standing, operating results and payout ratios as we seek to maintain a balance between strengthening our capital base to provide adequate funding in R&D and making funds available for stable dividend payouts over the long-term.

In order to live up to the expectations of shareholders, the Company announced on November 8, 2016 that the estimated dividend amount for interim and year-end dividends for its 51st term would be 40 yen each as ordinary dividends (for the 50th term, 35 yen ordinary dividends for both interim and year-end dividends, and 5 yen of dividend in commemoration of the Company's 50th anniversary), the 40-yen interim dividend of which has been paid after the resolution of the Board of Directors.

The basic policy of the Company is to pay two annual dividends of retained earnings, an interim dividend and a year-end dividend. Year-end dividends are resolved at the General Meeting of Shareholders and interim dividends by resolution of the Board of Directors.

Further, the Company provides in its Articles of Incorporation that interim dividends as set forth in Article 454, Paragraph5 of the Companies Act as of March 31 each year may be paid by resolution of the Board of Directors.

The dividends of retained earnings for the current fiscal year were as follows. As a result, the annual payout ratio was 44.9%.

Date of Resolution	Total amount of cash dividends (millions of yen)	Dividend per share (yen)
May 10, 2017 Meeting of the Board of Directors	1,060	40
December 22, 2017 Ordinary General Meeting of Shareholders	1,582	60

4 [Changes in Share Prices]

(1) [Highest and Lowest Prices for the Past Five Fiscal Years]

Fiscal year	47th Term	48th Term	49th Term	50th Term	51st Term
Year end	September 2013	September 2014	September 2015	September 2016	September 2017
Highest (yen)	1,800	2,359	3,690	3,365	3,530
Lowest (yen)	1,390	1,576	1,841	2,393	2,716

(Note) The highest and lowest share prices are based on the market prices on the First Section of the Tokyo Stock Exchange.

(2) [Highest and Lowest Prices by Month for the Past Six Months]

Month	April 2017	May 2017	June 2017	July 2017	August 2017	September 2017
Highest (yen)	3,305	3,240	3,325	3,345	3,270	3,475
Lowest (yen)	2,946	3,040	3,105	3,170	3,040	3,075

(Note) The highest and lowest share prices are based on the market prices on the First Section of the Tokyo Stock Exchange.

5 [Board of Directors]

15 male and 0 female Directors (Percentage of female directors: 0%)

Official title	Position	Name	Date of Birth	Brief biography		Term of office	Number of shares held (share units) (hundreds of shares)
Representative Director	President and Executive Officer,	Kazuyuki Sumi	September 28, 1948	March 1972	Joined TKC	(Notes) 6	216
				December 1990	Director, Deputy Chief Director of Sales		
				April 1997	Director, Deputy Director of Local Governments Business Division		
				May 1997	Managing Director, Deputy Director of Local Governments Business Division		
				December 1998	Managing Director, Director of Local Governments Business Division		
				July 2001	Representative Director, President, TKC Security Services K.K. (current position)		
				December 2001	Senior Managing Director, Director of Local Governments Business Division		
				December 2006	Director, Senior Managing Director and Executive Officer, Director of Local Governments Business Division		
				December 2008	Representative Director, Vice President and Executive Officer, Director of Local Governments Business Division		
				December 2011	Representative Director, President and Executive Officer, Director of Accounting Firm Business Division (current position)		
				June 2012	Representative Director, Chairman, SKYCOM Corporation (current position)		
				October 2016	Representative Director, President and Executive Officer (current position)		
Representative Director	Vice President and Executive Officer, Chief Director of Business Administration	Hitoshi Iwata	March 31, 1957	April 1980	Joined TKC	(Notes) 6	63
				December 2000	Director, Chief Director of General Affairs		
				September 2004	Director, Chief Director of Business Administration		
				December 2005	Managing Director, Chief Director of Business Administration		
				December 2006	Director, Managing Director and Executive Officer, Chief Director of the Business Administration		
				December 2008	Representative Director, Vice President and Executive Officer, Chief Director of Business Administration (current position)		
				August 2014	Representative Director, Vice President, TKC Financial Assurance K.K. (current position)		
Representative Director	Senior Managing Director and Executive Officer, Director of Accounting Firm Business Division	Masanori Iizuka	March 12, 1975	April 2002	Joined TKC	(Notes) 6	70
				December 2010	Director, Executive Officer, Sales of Corporate Information Systems, Chief Director of G Project of Sales, Corporate Information Systems, Accounting Firm Business Division		
				October 2012	Director, Executive Officer, Chief Director of Sales of Corporate Information Systems, Accounting Firm Business Division		
				December 2012	Director, Managing Director and Executive Officer, Chief Director of Sales, Corporate Information Systems, Accounting Firm Business Division		

				April 2014 Director, Managing Director and Executive Officer, Chief Director of Sales, Accounting Firm Business Division December 2014 Representative Director, Senior Managing Director and Executive Officer, Chief Director of Sales, Accounting Firm Business Division October 2016 Representative Director, Senior Managing Director and Executive Officer, Director of Accounting Firm Business Division (current position)		

Official title	Position	Name	Date of Birth	Brief biography		Term of office	Number of shares held (share units) (hundreds of shares)
Director	Managing Director and Executive Officer, Chief of the Tax Research Center	Makoto Ito	September 2, 1956	April 1979 June 2013 July 2014 September 2014 December 2014	Joined National Tax Agency Deputy Commissioner (Collection), National Tax Agency Resigns from National Tax Agency Joined TKC, Deputy Chief, Tax Research Center Director, Managing Director and Executive Officer, Chief of Tax Research Center (current position)	(Notes) 6	10
Director	Managing Director and Executive Officer, Director of Local Governments Business Division	Masao Yuzawa	January 16, 1959	April 1979 December 2006 December 2011 January 2012 December 2014	Joined TKC Executive Officer, Local Governments Business Division Chief Director of Sales Planning Director, Executive Officer, Local Governments Business Division Director, Executive Officer, Director of Local Governments Business Division Director, Managing Director and Executive Officer, Director of Local Governments Business Division (current position)	(Notes) 6	43
Director	Managing Director and Executive Officer, Chief of Systems Development Research Center, Accounting Firm Business Division	Yasuo Igarashi	January 4, 1967	April 1989 August 2012 October 2012 January 2015 December 2016 December 2017	Joined TKC Executive Officer, Chief of Accounting Information Systems Development Center, Systems Development Research Center, Accounting Firm Business Division Executive Officer, Chief of Financial Host System Development Center, Systems Development Research Center, Accounting Firm Business Division Executive Officer, Chief of Accounting Information Systems Design Center, Systems Development Research Center, Accounting Firm Business Division Director, Executive Officer, Director of Sales Planning, Sales, Accounting Firm Business Division Director, Managing Director and Executive Officer, Chief of Systems Development Research Center, Accounting Firm Business Division (current position)	(Notes) 6	26
Director	Executive Officer, Deputy Chief of Systems Development Research Center, Accounting Firm Business Division	Hitoshi Uotani	August 3, 1967	April 1991 June 2012 October 2012 December 2012 December 2014 December 2016 December 2017	Joined TKC Executive Officer, Chief of Corporate Information Systems Development Center, Systems Development Research Center Executive Officer, Chief of Systems Development Research Center, Accounting Firm Business Division Director, Executive Officer, Chief of Systems Development Research Center, Accounting Firm Business Division Director, Managing Director and Executive Officer, Chief of Systems Development Research Center, Accounting Firm Business Division Director, Executive Officer, Chief of Systems Development Research Center, Accounting Firm Business Division Director, Executive Officer, Deputy Chief of Systems Development Research Center, Accounting Firm Business Division (current position)	(Notes) 6	21
Director	Executive Officer, Chief of Cloud Business	Satoshi Hitaka	January 19, 1971	April 2003 December 2010 December 2011	Joined TKC Executive Officer, Director of ASP Service Promotion, Sales Planning, Local Governments Business Division Director, Executive Officer, New Business	(Notes) 6	19

	Promotion, Local Governments Business Division			 January 2012	Strategy, Local Governments Business Division Director, Executive Officer, Chief Director of Cloud Business Promotion, Local Governments Business Division (current position)		
Director	Executive Officer, Director of Local Governments Business Division, Chief Director of System Development Division	Hiroshi Nakamura	March 2, 1961	April 1983 January 2009 December 2016	Joined TKC Executive Officer, Director of Local Governments Business Division, Chief Director of System Development Division Director, Executive Officer, Director of Local Governments Business Division, Chief Director of System Development Division (current position)	(Notes) 6	30
Director	―	Hiroshi Ashikawa	October 17, 1960	July 1986 July 1986 December 2014	Registered as certified tax accountant Started business as certified tax accountant Chief of Ashikawa Accounting Firm (current position) Representative Director, K.K. MACOS (current position) Director of the Company (current position)	(Notes) 6	10

Official title	Position	Name	Date of Birth	Brief biography	Term of office	Number of shares held (hundreds of shares)
Director	—	Misao Taguchi	June 15, 1960	October 1990 Registered as certified public tax accountant November 1990 Started business as certified public tax accountant June 2011 Representative Partner, certified public tax accounting firm Taguchi Partners Kaikei (current position) December 2016 Director, TKC (current position)	(Notes) 6	10
Auditor (full-time)	—	Masataka Iida	December 8, 1954	April 1979 Joined TKC April 2004 Section Chief of Internal Audit Department October 2005 Deputy Director of Internal Audit Department January 2011 Director of Internal Audit Department December 2014 Full-time Auditor (current position)	(Notes) 4	40
Auditor (full-time)	—	Tsuneo Miyashita	May 28, 1949	March 1975 Joined TKC December 2006 Executive Officer, Director of TKCNF Research Committee Support Division October 2010 Director of Chairman's Office December 2016 Full-time Auditor (current position)	(Notes) 7	98
Auditor	—	Kenji Matsumoto	March 10, 1947	September 1986 Registered as certified public tax accountant September 1986 Started business as certified public tax accountant November 2010 Representative Partner and Certified Public Tax Accountant, Aoyama Accounting Firm (current position) December 2015 Auditor (current position)	(Notes) 5	10
Auditor	—	Yoshiki Takashima	April 18, 1959	April 1990 Registered as attorney January 2003 Partner, Shibata, Yamaguchi & Takashima Law Firm (current position) December 2008 Auditor (current position) September 2015 Outside Auditor, Atomlivintech Co., Ltd. (current position)	(Notes) 7	—
Total						666

(Notes) 1. Director Satoshi Hitaka is the spouse of the elder sister of Masanori Iizuka, Representative Director, Senior Managing Director and Executive Officer.
2. Directors Hiroshi Ashikawa and Misao Taguchi are Outside Directors.
3. Auditors Kenji Matsumoto and Yoshiki Takashima are Outside Auditors.
4. Four years from the close of the Ordinary General Meeting of Shareholders held December 19, 2014.
5. Four years from the close of the Ordinary General Meeting of Shareholders held December 22, 2015.
6. Two years from the close of the Ordinary General Meeting of Shareholders held December 22, 2016.
7. Four years from the close of the Ordinary General Meeting of Shareholders held December 22, 2016.

6 [Corporate Governance]

(1) [Corporate Governance]

I Basic Approach to Corporate Governance

The core of the Group, TKC Corporation, was established on October 22, 1966 listing the following two charters in Article 2 of the Articles of Incorporation:

1. Management of electronic data processing centers to defend the business domains and maintain control over the fate of accounting firms;

2. Management of electronic data processing centers to improve the administrative efficiency of local governments.

While other business objectives were later added as business operations expanded, our management policy of focusing our target on accounting firms and local governments and specializing in the field of ICT (information and communication technology) to guide our customers' business to success remains unchanged, and this has led the Group to occupy a unique position in Japan's IT industries.

The Group (excluding the Printing BD) has a unique customer base – the Accounting Firm BD serves certified public tax accountants, certified public accountants, tax accounting firms and audit corporations while the Local Governments BD provides services to prefectural and municipal offices and affiliated public service corporations. So from a compliance perspective, our customers are required by vocation-based laws (Certified Public Tax Accountant Act or Certified Public Accountants Act) or administrative laws (Local Autonomy Act or the Local Public Service Act) to follow much stricter levels of compliance than other business categories in performing their business activities.

Thus, it is our utmost priority to ensure that all software products and services designed, produced and sold by the Group are in full compliance with the laws and regulations pertaining to our customer's business, and the Group strives diligently to ensure total compliance in managing each Group companies as well as the Group as a whole in order to earn the trust of such customers.

As such, the Group understands corporate governance as follows:

1. in order to achieve the business objectives of the Company in compliance with the laws and regulations, the Articles of Incorporation and the resolutions of the General Meetings of Shareholders;

2. the Group shall formulate strategic medium-term management plans and foster competent human resources that will enable us to develop and supply software products and services that can drive our customers' business to success;

3. strive to earn the gratitude, trust, and hopefully the respect of our customers;

4. and as a result, secure good operating results and sound financial standing so that we can return the fruits to the original owners of the Group, our shareholders.

Through such corporate governance process, we aim to improve the transparency of our decision-making and business processes, implement effective risk management measures, undertake information disclosure and accountability in a timely manner to continue enhancing our corporate values.

II Corporate Governance System

1. Reasons for Selecting the Current Corporate Governance System

The Company implements an auditor system and also appoints Outside Directors. Outside Directors are appointed and installed from the perspective of improving the transparency of the Board of Directors and enhancing its supervisory functions. This ensures the legality, appropriateness, and validity of the decision-making processes and resolutions by the Board of Directors.

Outside Auditors primarily give advice and make suggestions in order to ensure the legality, appropriateness, and validity of the decision-making processes and resolutions by the Board of Directors by expressing their opinions on compliance issues and whether the resolutions of the Board of Directors are in violation of laws and regulations.

We also have two Outside Directors and two Outside Auditors, all four of whom meet the requirements of independent directors/auditors and are notified to the Tokyo Stock Exchange.

Through the implementation of these measures, the Company ensures objectivity and neutrality of the supervision over the management of the Company.

Therefore, we feel that the functions to supervise the management activities are in place, which enables us to institute a highly efficient, highly transparent management system that the Company aims for.

2. Execution of Business, Auditing and Supervision, Nominations, Decisions on Remuneration and Other Functions (Overview of the Current Corporate Governance System)

(i) Execution of business

The Representative Director & President chairs the meetings of the Board of Directors, which are held at least once a month and attended by other Directors where they share information and make decisions in a prompt manner.

The Board of Directors currently consists of 11 members and, with the exception of 2 Outside Directors, each Director represents a business unit as operating officer in charge and participates in deliberations and express their opinions. The Company adopts an executive officer system since December 22, 2006.

(ii) Supervision

The Board of Directors oversees the operations of the Company and supervises the execution of business by each Director by receiving monthly business reports from the executive officers and heads of the major business units of the Head Office.

(iii) Auditing

Auditors attend monthly meetings of the Board of Directors and other major internal meetings and express their opinions on general managerial or individual issues. The Board of Auditors audits the performance of duties by Directors in accordance with the Company's audit policy and annual audit plans established in reference to the "Code of Kansayaku Auditing Standards" by the Japan Audit & Supervisory Members Association.

Accounting Auditors perform accounting audits based on the annual audit plan, and report to the Auditors and Representative Directors and exchange opinions on methods and results of accounting audit.

(iv) Nomination

When submitting proposals on the appointment of Directors, a temporary Directors Nomination Committee, consisting of the Representative Directors and Outside Directors and chaired by the President, shall take into consideration such factors as the candidates' records on business planning, contributions to past business performances, personalities and depth of knowledge, and propose the promotions and reappointments of Directors to be resolved at General Meetings of Shareholders.

(v) Remuneration

The Company implements a performance-based compensation scheme. Director compensation consists of two parts: fixed-amount compensation and performance-based compensation. Fixed-amount compensation is determined in January each year based on the level of achievement of the Company's performance goals in previous fiscal year and the performance targets for the current fiscal year; performance-based compensation is determined based on the level of achievement of the Company's performance goals in previous fiscal year, and the level of achievement of performance goals by each business unit that each Director oversaw during previous fiscal year. Proposals on remuneration are developed at the meeting of Representative Directors and approved by resolution of the Board of Directors. Compensation for Auditors consists of fixed amount compensation and is determined by consultation among Auditors.

3. Outline of Limited Liability Agreement

The Company concludes agreements with Outside Directors and Outside Auditors in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, limiting their liabilities to the amounts set forth by law if they are without knowledge and not grossly negligent with regards to their responsibilities set forth in Article 423, Paragraph 1.

4. The Company consults with company attorneys concerning important legal issues and compliance-related matters, and conducts reviews as necessary. The Company consults with the Accounting Auditors and reviews important accounting issues from time to time in addition to the regular accounting audits, and hold discussions promptly after quarterly and annual financial settlements.

5. Outline of Resolutions on the Development of Systems to Ensure the Appropriateness of Operations

The Company establishes a basic policy by resolution of the Board of Directors concerning "the development of systems necessary to ensure that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and other systems prescribed by the applicable Ordinance of the Ministry of Justice as systems necessary to ensure the properness of operations of a Stock Company" as stipulated in Article 362, Paragraph 5 of the Companies Act. The outline of the policy is summarized below.

[1] Basic policy concerning the development of systems necessary to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation (in relation to the first half of Article 362, Paragraph 4, Item 6 of the Companies Act)

(i) Directors must comply with all laws and regulations, the Articles of Incorporation, and the Resolutions of General Meetings of Shareholders (hereinafter "laws and regulations"), keep in mind at all times that the business objectives of the Company are as set forth in Article 2 of our Articles of Incorporation, namely the "management of electronic data processing centers to defend the business domains and maintain control over the fate of accounting firms," and the "management of electronic data processing centers to improve the administrative efficiency of local governments," and perform their duties to achieve these objectives.

(ii) Directors must perform their duties based on the Company's Rules of Administrative Authority and Dividing the Duties of Directors established by the Board of Directors, and cooperate with other Directors in improving corporate performance.

(iii) In the event a Director finds that his/her decision (including approvals given to proposals made by subordinates) may be in violation of the laws and regulations, he/she must, without delay, consult with the Director in charge of legal affairs and act based on said Director's decision to prevent the occurrence of any illegal conduct. If such matter is of significant importance, the Director in charge of legal affairs shall immediately report to the Representative Director and President (hereinafter, the "President"), and full-time Auditors and outside company attorneys and receive their guidance as well as report the particulars to the Board of Directors.

(iv) In the event a Director finds that an act or a plan of another Director or an employee may be in violation of the laws and regulations, he/she must, without delay, give warning to such Director or employee as joint bearer of managerial responsibilities. If such matter is of significant importance, said Director must immediately report to the President and receive guidance.

(v) Prior to attending any meetings of the Board of Directors, Directors must review the matters to be deliberated, reported and/or discussed at the next meeting of the Board of Directors (hereinafter, "matters to be deliberated") to make sure that there are no omissions in view of the scope of matters to be deliberated under the regulations concerning the duties of the Board of Directors (Article 362) and authority of Directors (Article 363) as stipulated in the Companies Act and the Company's Rules of the Board of Directors. If there are other matters to be deliberated, they must be brought to the Director(s) in charge of the meetings of the Board of Directors without delay.

(vi) Directors must attend the meetings of the Board of Directors and voice their opinions and exercise their voting rights on all matters to be deliberated based on their conscience and responsibility. Directors must give a true account of the execution of their duties, speak frankly of any anticipated strategic risks and operational risks, and give the opportunity and time for the Board of Directors to review countermeasures for such issues in advance.

(vii) The entire process of deliberations at the meetings of the Board of Directors shall be recorded in accordance with the Company's Rules on Management of Information Concerning the Decision-making Process of the Board of Directors. The recordings must be kept in the form of electromagnetic records as specified in Article 371 of the Companies Act along with any materials used for explanations and the minutes of meeting of the Board of Directors.

(viii) Directors must attend the General Meeting of Shareholders, and provide answers in a sincere manner to any questions pertaining to the execution of their duties when asked by shareholders and instructed by the Chairman to provide such answers.

(ix) Upon deliberations at the meetings of the Board of Directors, the Chairman of the Board of Directors must seek the opinions of Auditors in attendance as to whether any resolution may be in violation of laws and regulations. In the event an Auditor finds in the course of sitting in the meetings of the Board of Directors, that any resolution may be in violation of the laws and regulations, he/she must, without delay, give warning to the Chairman of the Board.

(x) As the highest authority of the Company, Directors are obliged to be acutely aware of the social responsibilities of the Company under the principles set forth in the "TKC Charter of Corporate Code 2006," work to improve their characters and insight, strictly observe all laws and regulations and company rules, eliminate ego and put aside personal affairs, exhibit discerning judgments to achieve business objectives, take lead in setting good examples, and strive to gain utmost trust of employees under their charge.

(xi) It is the basic policy of the Company to have no involvement with antisocial forces, bodies and individuals, and to not comply with unjust and unlawful requests. The Company shall develop and disseminate this policy among all Directors and employees, and shall establish systems to share all pertinent information within the TKC Group and to develop appropriate countermeasures. Further, the Company shall collaborate closely with the police and other external expert organizations, and with legal advisors and company attorneys.

[2] Basic policy concerning the development of systems ensuring the appropriateness of the Company's operations (in relation to the latter half of Article 362, Paragraph 4, Item 6 of the Companies Act)

(1) Development of systems for the storage and management of information relating to the execution of Directors' duties of the Company (in relation to Article 100, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Companies Act)

(i) Of the information relating to the execution of duties by Directors (hereinafter, "information on Directors' duty"), information pertaining to the minutes of General Meetings of Shareholders shall be stored and managed in accordance with the Company's Rules of Management of Information Concerning the Minutes of General Meetings of Shareholders.

(ii) Of the information on Directors' duty, information pertaining to deliberations at the meetings of the Board of Directors shall be stored and managed in accordance with the Company's Rules of Management of Information Concerning Decision-making Processes of the Board of Directors as described in [1] (vii) above.

(iii) Of the information on Directors' duty, information submitted to or received from government authorities and information sent to or received from outside parties in relation to legal affairs shall be stored and managed based on the Company's Rules of Management of Information Concerning Legal Affairs.

(iv) Information on Directors' duty not included above shall be divided into the following three categories and stored and managed based on the Company's Rules of Management of Information Concerning the Daily Operations of Directors:

1. of the meetings called by a Director (excluding the General Meetings of Shareholders and meetings of the Board of Directors), minutes and relevant documents of meetings in which matters that may have significant impact on the Company's operation are deliberated, and meeting in which matters directly related to the interest of specific customers, clients or employees are deliberated;

2. written applications for approval and relevant documents settled by the Directors based on the Company's Rules Concerning Requests for Decisions;

3. other important information pertaining to the execution of duties by Directors.

(v) All information on Directors' duty set forth in the preceding four items shall be stored in a database so that their presence or absence and contents are immediately searchable. The operating status of said database shall be verified and rules shall be revised as necessary and reported to the Board of Directors.

(2) Regulations and other systems for the management of risks of loss for the Company (in relation to Article 100, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Companies Act)

(2-1) Regulations for the management of strategic risks

(i) Strategic risks are risks related to business opportunities that arise out of uncertainties of strategic managerial decision-making. In light of the current situation of the Company, the objective of managing such strategic risks shall be limited for the time being to "preventing the loss of business opportunities" and to "appointment of Directors" to be submitted to the General Meetings of Shareholders.

(ii) In order to prevent the loss of business opportunities, all Directors must actively gather information and retain unrelenting spirit of inquiry to capture business opportunities that contribute to our customers' success ahead of others, exhibit outstanding intuition to make the best of such business opportunities, and develop timely and optimal schematic plans and propose the execution to the President.

(iii) Upon receiving such proposals from Directors (including employees) as set forth above, the President must evaluate the contents from the following perspectives, and if it is determined that a proposal should be executed, he/she shall report to the Board of Directors and cause for the Director (including employees) in charge to announce an implementation plan at the meetings of the Board of Directors:

1. Conformances with the management philosophy of the Company;
2. Compliances;

3. Expected degree of contributions to customers' business;
4. Anticipated feedback from customers;
5. Technical feasibilities;
6. Funds and costs necessary;
7. Other matters, such as the principle of good faith with business partners.

(iv) When submitting proposals on the appointment of Directors, a temporary Directors Nomination Committee, consisting of the Representative Directors and Outside Directors and chaired by the President, shall take into consideration such factors as the candidates' records on the preceding two items, contributions to past business performances, personalities and depth of knowledge, and propose the promotions and reappointments of Directors to be resolved at General Meetings of Shareholders.

(v) Promotion of a Director to an executive position of managing director or above or demotion of an executive director to a Director shall be determined by the Representative Director & President through discussion with other Representative Directors and finally decided by approval of the Board of Directors.

(2-2) Regulations for the management of operational risks

(2-2-1) Regulations for the management of operational risks that may occur across all divisions

(i) Operational risks are risks related to the performance of business activities that arise out of uncertainties of the performance of appropriate and efficient operations. These risks shall be divided and controlled under the following two categories:

1. risks that may occur across all divisions (hereinafter, "common risks");
2. risks that may occur in specific divisions (hereinafter, "division-specific risks").

This section provides for regulations for the management of common risks.

(ii) The Board of Directors shall elect a Director in charge of risk management, who shall be in charge of investigating and identifying the following common risks from among all employees of the Company:

1. Risks that have high degree of urgency;
2. Risks associated with compliance;
3. Risks associated with confidentiality obligations of the Company;
4. Risks associated with the preservation of assets and accounting;
5. Risks associated with the preparation of regulations and manuals for operation of business;
6. Risks associated with the workplace environment and labor management;
7. Other risks deemed necessary.

(iii) In the event the Director in charge finds, as a result of the inspections in the preceding paragraph, that there are measures to completely eliminate any of the common risks, he/she shall promptly report such findings to the President and discuss the actions to be taken.

(iv) The Director in charge shall sort and classify unresolved risks and formulate a basic policy on how to handle such risks, and submit it to the Board of Directors as Regulations for the Prevention of Operational Risks (hereinafter referred to as "Regulations" in this section) for approval by the Board of Directors. The approved Regulations shall be announced and distributed to all employees as guidelines from the President.

(v) In the event a major risk becomes apparent, the Director in charge shall immediately take actions to prevent and minimize the spread of damages in accordance with the Regulations.

(vi) The Director in charge shall, within one month of completing the actions in the preceding item, investigate the true cause of the risk and formulate measures to prevent recurrence, and report to the Board of

Directors within two months and undertake any revisions to the Regulations.

(vii) All heads of business units shall verify the compliance with the Regulations within their own business units either on a daily or regular basis in accordance with the Regulations and report to the Director in charge.

(viii) The Director in charge shall submit to the President applications for special award money to those uncovering major common risks that were previously unnoticed or those proposing effective measures to prevent recurrence of apparent risks.

(2-2-2) Regulations for the management of operational risks that may occur in specific divisions

(i) Division-specific risks include cases in which division-specific operational risks need to be controlled and cases in which highly advanced, specialized knowledge is required to control certain common risks. The following committees (including committees to be newly established) shall be in charge controlling risks involving multiple divisions, and the relevant division shall be responsible for controlling any risk involving that single division:

1. Systems Development Research Center Operation Improvement Committee;
2. Municipality Systems Development & Operations Division Operation Improvement Committee;
3. Consolidated Information Centers Operation Improvement Committee;
4. SCG Service Centers Operation Improvement Committee;
5. Municipality Sales Division Operation Improvement Committee;
6. Supplier Business Operation Improvement Committee;
7. Tokyo Head Office Operation Improvement Committee;
8. Personnel & Salary Systems Improvement Committee;
9. Risk Management Committee;
10. Other committees that the Board of Directors deems necessary to establish.

(ii) The committees listed in the preceding item shall serve as assisting body to the President or the Director in charge of the division, the executive officer heading each committee with a fixed number of committee members as determined by the Board of Directors. The Director in charge or the head of committee shall attend the meeting of the Board of Directors and report on the matters to be reported by the committee, and may request deliberations as necessary by the Board of Directors.

(iii) Division-specific risks involving an individual committee or a specific division shall be controlled in the same manner as controlling common risks as prescribed in (2-2-1). Division-specific risks shall be identified by each committee and reported to the Board of Directors.

(2-2-3) Regulations for the management of hazard and other risks

(i) In the event of large-scale earthquakes, flood damages, fire and other disasters, or long power outage, water stoppage, the disconnection of communication lines and other circumstances that may cause substantial damage, the Company will immediately set up an emergency response headquarter headed by the President, and form an information communication team responsible for contacting customers, employees and their families, shareholders, clients and external press, and an external advisory team including the company attorneys and to establish a system to respond promptly, prevent and minimize the spread of damages.

(ii) In the event of any matters that may be in violation of the laws and regulations, the Business Administration Headquarters under the responsibility of the Director in charge of legal affairs shall become the supervising division to take actions. Any legal compliance issue of significant importance shall be consulted with outside attorneys as external legal advisors.

(3) Systems to ensure the efficient execution of Directors' duties of the Company (in relation to Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Companies Act)

(i) The Company holds regular meetings of the Board of Directors generally on the 10th day of every month, as well as ad hoc meetings when necessary. The date and time of meetings of the Board of Directors called for the disclosure of financial statements or in relation to the General Meetings of Shareholders shall be planned at least six months in advance.

(ii) At the meetings of the Board of Directors held at the end of each fiscal year, a management policy for the upcoming fiscal year formulated in light of the management philosophy of the Company and a medium-term management plan covering the next three years starting from the upcoming fiscal year shall be submitted by the President, and the Board of Directors shall deliberate upon their strategic rationalities in accordance with the Company's Rules of the Board of Directors.

(iii) At the meetings of the Board of Directors held on the second month of each new fiscal year, the targeted profit and loss statements for the entire company and each business unit for the new fiscal year, and a proposed list of dividing duties of Directors and strategic goals shall be submitted by the President, and the Board of Directors shall deliberate upon their feasibilities in accordance with the Company's Rules of the Board of Directors.

(iv) At the monthly regular meetings of the Board of Directors, the targeted and actual P/L statements for the entire company and each business unit as of the end of the previous month shall be reported, and the Board of Directors shall analyze the differences in target and actual results, and discuss actions to be taken to achieve the targeted sales and current profits for the fiscal year.

(v) In executing his/her daily duties, the President shall inspect the details of individual projects planned by the Directors in charge of each business unit and coordinate to maximize the effect of the projects in light of the current management policy, and approve the use of president's strategic reserve funds to the extent approved by the Board of Director.

(vi) In executing his/her daily duties, Directors in charge of each business unit shall provide instructions to the executive officers and managers under his/her immediate control to ensure that they have correct awareness of the fiscal management policy and strategic goals for their division and that the PDCA cycle is thoroughly implemented to achieve these goals, and shall monitor the progress and achievements of the entire division at all times and strive to achieve the sales and profit goals for the fiscal year.

(vii) In managing the business unit under his/her charge, Directors in charge of each business unit shall strive to reduce unnecessary expenses, improve work quality and productivity, and keep the workplace organized, and must exhibit leadership to create a workplace environment in which all employees are safe and comfortable, inspired and satisfied.

(4) Systems to ensure that performance of duties by employees of the Company is in conformance with laws and regulations and the Articles of Incorporation (in relation to Article 100, Paragraph 1, Item 4 of the Ordinance for Enforcement of the Companies Act)

(i) In order to ensure compliance with laws and regulations by employees, the Internal Audit Department under the direct control of the President shall prepare drafts of Compliance Regulations and Compliance Manual based on guidance provided by Auditors and outside company attorneys and, upon obtaining the approval of the Board of Directors, distribute them to all employees as guidelines from the President.

(ii) Regular training sessions for all employees of the Company to further understanding of the Compliance Regulations and Compliance Manual as set forth above shall be conducted in accordance with the plans of the Internal Audit Department.

(iii) When performing an internal audit on internal business units, the Internal Audit Department must always inspect the awareness on Compliance Regulations and implementation of Compliance Manual among employees of the business unit being audited, and submit an Internal Audit Report to the President within one week after the completion of the audit.

(iv) Directors in charge of each division shall appoint a compliance manager within each business unit in accordance with the Compliance Regulations, and conduct training on the Compliance Manual for employees within the business unit in a timely and appropriate manner.

(v) In order to prevent the leaking of customer information and other confidential information, the body text and attached files of all electronic mails sent from internal PCs to outside the Company shall be stored for a certain period of time.

(vi) In preparation for the unlikely event that a Company employee violates any laws or regulations, the Company shall establish a system whereby the Internal Audit Department or the employee that first learns of such information gives emergency notification to the President or the Director in charge of legal affairs informing them of the facts and other relevant information.

(5) Other systems to ensure the appropriateness of operations of the Group consisting of the Company and its subsidiaries (in relation to Article 100, Paragraph 1, Item 5 of the Ordinance for Enforcement of the Companies Act)

(A) Systems concerning reports to the Company on matters pertaining to the execution of duties by directors, executive officers, employees executing operations, persons performing the duties under Article 598, Paragraph 1 of the Companies Act, and those equivalent (hereinafter "Directors, etc." in items (C) and (D) below) of the Company's subsidiaries (in relation to Article 100, Paragraph 1, Item 5(a) of the Ordinance for Enforcement of the Companies Act)

(i) In order for the Company to perform quarterly audits on the presence or absence of risk information pertaining to its subsidiary companies and affiliated companies (hereinafter, "Subsidiaries"), the Company shall conclude an internal audit agreement with its Subsidiaries and establish a Group Audit Office headed by the chief of the Business Administration Headquarters.

(ii) The Group Audit Office shall establish a system whereby, upon identifying any incidents that may cause significant damage to the Subsidiaries, the President, the Business Administration Headquarters and the heads of relevant business divisions are notified of the risks causing such incident, the degree of damage expected and impacts on the Company.

(iii) The Group Audit Office shall periodically and thoroughly exchange information with the Subsidiaries' divisions in charge of internal audits on a regular basis to prevent any inappropriate transactions (including using corporate expenses for private entertainment purposes) or inappropriate accounting between the Company and Subsidiaries.

(iv) The Company shall assign Directors or employees of Deputy Manager or higher to the Subsidiaries to serve as Directors in order to communicate the management policy and requests of the Company in writing to the Subsidiaries' Board of Directors. The Company shall request the presidents of the subsidiaries to submit monthly reports on the latest business results, business forecast and risk management issues.

(B) Regulations and other systems for the management of risks of loss for the Subsidiaries (in relation to Article 100, Paragraph 1, Item 5(b) of the Ordinance for Enforcement of the Companies Act)

Efforts shall be made to raise awareness on risks which may impact the Company's operation, and to promote early discovery, preventive measures, and prompt and appropriate responses in the event of an emergency in accordance with the separate Compliance Regulations, Compliance Manual and other internal rules.

(C) Systems to ensure the efficient execution of Directors' duties of Subsidiaries (in relation to Article 100, Paragraph 1, Item 5(c) of the Ordinance for Enforcement of the Companies Act)

(i) The Board of Directors of Subsidiaries (referred to as "Board of Directors" in this section) shall hold regular meetings of the Board of Directors generally on a given day of every month, as well as ad hoc meetings when necessary. The date and time of meetings of the Board of Directors called for the approval of financial statements or in relation to the General Meetings of Shareholders shall be planned at least six months in advance.

(ii) At the meetings of the Board of Directors held at the end of each fiscal year, a management policy for the upcoming fiscal year formulated in light of the management philosophy of the Subsidiaries and a medium-term management plan covering the next three years starting from the upcoming fiscal year shall be submitted by the president of the Subsidiaries (referred to as "President" in this section and the next section), and the Board of Directors shall deliberate upon their strategic rationalities in accordance with the Company's Rules on the Board of Directors.

(iii) At the meetings of the Board of Directors held on the second month of each new fiscal year, the targeted profit and loss statements for the entire company and each business unit for the new fiscal year, and a proposed list of dividing duties of Directors and strategic goals shall be submitted by the President, and the Board of Directors shall deliberate upon their feasibilities in accordance with the Company's Rules of the Board of Directors.

(iv) At the monthly regular meetings of the Board of Directors, the targeted and actual P/L statements for the entire company and each business unit as of the end of the previous month shall be reported, and the Board of Directors shall analyze the differences in target and actual results, and discuss actions to be taken to achieve the targeted sales and current profits for the fiscal year.

(v) In executing his/her daily duties, the President shall inspect the details of individual projects planned by the Directors in charge of each business unit and coordinate to maximize the effect of the projects in light of the current management policy.

(vi) In executing his/her daily duties, Directors in charge of each business unit shall provide instructions to the executive officers or managers under his/her immediate control to ensure that they have correct awareness of the fiscal management policy and strategic goals for their division and that the PDCA cycle is thoroughly implemented to achieve these goals, and shall monitor the progress and achievements of the entire division at all times and strive to achieve the sales and profit goals for the fiscal year.

(vii) In managing the business unit under his/her charge, Directors in charge of each business unit shall strive to reduce unnecessary expenses, improve work quality and productivity, and keep the workplace organized, and must exhibit leadership to create a workplace environment in which all employees are safe and comfortable, inspired and satisfied.

(D) Systems to ensure that performance of duties by directors and employees of the Subsidiaries is in conformance with laws and regulations and the Articles of Incorporation (in relation to Article 100, Paragraph 1, Item 5(d) of the Ordinance for Enforcement of the Companies Act)

(i) In order to ensure compliance with laws and regulations by the directors and employees of the Subsidiaries (referred to as "Directors and employees" in this section), the division in charge of internal audit under the direct control of the President shall develop Compliance Regulations and Compliance Manual based on guidance provided by Auditors and outside company attorneys.

(ii) Regular training sessions for all Directors and employees to further understanding on the Compliance Regulations and Compliance Manual as set forth above shall be conducted in accordance with the plans of the division in charge of internal audit.

(iii) When performing an internal audit on internal business units, the division in charge of internal audit must always inspect the awareness on Compliance Regulations and implementation of Compliance Manual among employees of the business unit being audited, and submit an Internal Audit Report to the President within one week after the completion of the audit.

(iv) Directors in charge of each division shall appoint a compliance manager within each business unit in accordance with the Compliance Regulations, and conduct training on the Compliance Manual for employees within the business unit in a timely and appropriate manner.

(v) In order to prevent the leaking of customer information and other confidential information, the body text and attached files of all electronic mails sent from internal PCs to outside the Company shall be stored for a certain period of time.

(vi) In preparation for the unlikely event that a Director or employee violates any laws or regulations, Subsidiaries shall establish a system whereby the division in charge of internal audit or the Director or employee that first learns of such information gives emergency notification to the President informing him/her of the facts and other relevant information.

(6) Assignment of employees to assist the duties of Auditors of a company with company auditors (in relation to Article 100, Paragraph 3, Item 1 of the Ordinance for Enforcement of the Companies Act)

(i) The Company shall establish an Auditor Office to assist the duties of the Auditors and assign one or more dedicated employees.

(ii) In determining the specific details pertaining to the preceding item, the Company shall respect the opinions of the Board of Auditors and take into consideration the opinions of the Director in charge of human resources and other relevant personnel.

(7) Independence of employees assisting duties of Auditors from Directors of a company with company auditors (in relation to Article 100, Paragraph 3, Item 2 of the Ordinance for Enforcement of the Companies Act)

(i) The appointment, transfer, personnel evaluation and disciplinary punishment of employees assisting the duties of Auditors shall be subject to prior consent of the Board of Auditors.

(ii) Employees assisting the duties of Auditors shall not hold concurrent posts that involve the execution of the Company's business, and shall perform their duties under the direct command of the Board of Auditors, and their performance shall be evaluated by the Board of Auditors.

(iii) Business units executing the Company's business shall cooperate with employees assisting the duties of Auditors and allow attendance of such employees at the necessary meetings for them to conduct necessary investigations and gather necessary information.

(8) Ensuring effectiveness of directions to employees assisting duties of Auditors of a company with company auditors (in relation to Article 100, Paragraph 3, Item 3 of the Ordinance for Enforcement of the Companies Act)

Employees assisting the duties of Auditors shall report to Auditors as appropriate on the status of duties performed in accordance with the directions and commands given by Auditors.

(9-1) Systems for reporting to Auditors of a company with company auditors including the systems stipulated below (in relation to Article 100, Paragraph 3, Item 4 of the Ordinance for Enforcement of the Companies Act)

(A) Systems for reporting to Auditors of a company with company auditors by the Directors, accounting advisors and employees in a company with company auditors (in relation to Article 100, Paragraph 3, Item 4(a) of the Ordinance for Enforcement of the Companies Act)

(i) All Directors and employees of the Company shall promptly submit the necessary reports and information requested by Auditors as established by the Board of Auditors.

(ii) The reports and information to be submitted as set forth in the preceding item shall mainly include the following:

1. Status of activities of business units involved in the risk management of the Company;
2. Status of activities pertaining to audits and internal audits of the Subsidiaries of the Company;
3. Important accounting policies and accounting standards of the Company and any changes thereto;
4. Contents of announcements and important disclosure documents on the Company's latest business results and earnings forecasts announcements on both non-consolidated and consolidated basis;
5. Circulation of internal approval documents and meeting minutes requested by Auditors.

(iii) In the event a Director or employee learns of any fact of violations of laws and regulations or any fact that could cause significant damage to the Company, such Director or employee shall immediately report matters pertaining to such fact to Auditors.

(iv) Auditors shall attend all the meetings of the Board of Directors and other important meetings, and are expected to voice their opinions freely without being requested to do so by the chairman or caller of such meetings.

(B) Systems for reporting to Auditors of a company with company auditors by the directors, accounting advisors, auditors, executive officers, employees executing operations, persons performing the duties under Article 598, Paragraph 1 of the Companies Act and other persons equivalent to the above, employees or any persons receiving reports from the above in the Subsidiaries of a company with company auditors (in relation to Article 100, Paragraph 3, Item 4(b) of the Ordinance for Enforcement of the Companies Act)

(i) All directors, auditors and employees of Subsidiaries shall promptly submit the necessary reports and information requested by each Auditor of the Company as established by the Board of Auditors of the Company.

(ii) The reports and information to be submitted as set forth in the preceding item shall mainly include the following:

1. Status of activities of business units involved in the risk management of the Subsidiaries;
2. Status of activities pertaining to the audits by auditors of the Subsidiaries;
3. Important accounting policies and accounting standards of the Subsidiaries and any changes thereto;
4. Circulation of internal approval documents and meeting minutes of Subsidiaries requested by Auditors.

(iii) In the event a director, auditor or employee learns of any fact of violations of laws and regulations or any fact that could cause significant damage to the Company, such director, auditor or employee shall immediately report matters pertaining to such fact to the Auditors of the Company.

(iv) The Company's Auditors shall attend all the meetings of the Board of Directors and other important meetings of Subsidiaries, and are expected to voice their opinions freely without being requested to do so by the chairman or caller of such meetings.

(9-2) Systems to ensure that persons making reports as stated in the preceding item do not receive disadvantageous treatment for providing such reports (in relation to Article 100, Paragraph 3, Item 5 of the Ordinance for Enforcement of the Companies Act)

The Company and Subsidiaries must not treat any persons making reports stated in the preceding item in a disadvantageous manner due to grounds of providing such reports to the Board of Auditors of the Company.

(9-3) Policy on prepayment or reimbursement of expenses arising from the execution of duties of Auditors of a company with company auditors and the processing of expenses or debts arising from the performance of other duties (in relation to Article 100, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act)

The Company shall bear sufficient amounts to cover the procedures on prepayment or reimbursement of expenses arising from the execution of duties of Auditors and for the processing of expenses or debts arising from the performance of other duties so as to allow Auditors to sufficiently achieve the execution of the Auditors' duties.

(i) Ordinary auditing expenses shall be budgeted in the current fiscal year based on the business plan of the Company and the audit plan of the Board of Auditors.

(ii) Other emergency auditing expenses and contingency expenses shall be estimated in advance by the Board of Auditors and establish a policy on such expenses. The Board of Directors shall execute the measures under said determined policy as notified by the Board of Auditors after deliberation and review of such measures in light of the status of execution of the budget for the fiscal year.

(10) Other systems to ensure that audits by the Auditors of a company with company auditors are implemented effectively (in relation to Article 100, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act)

(i) Auditors shall receive explanations in advance on the annual internal auditing plan to be performed by the Internal Audit Department and express their opinions to the President if they deem that the plan needs to be corrected or changed, and the President must respect such opinions.

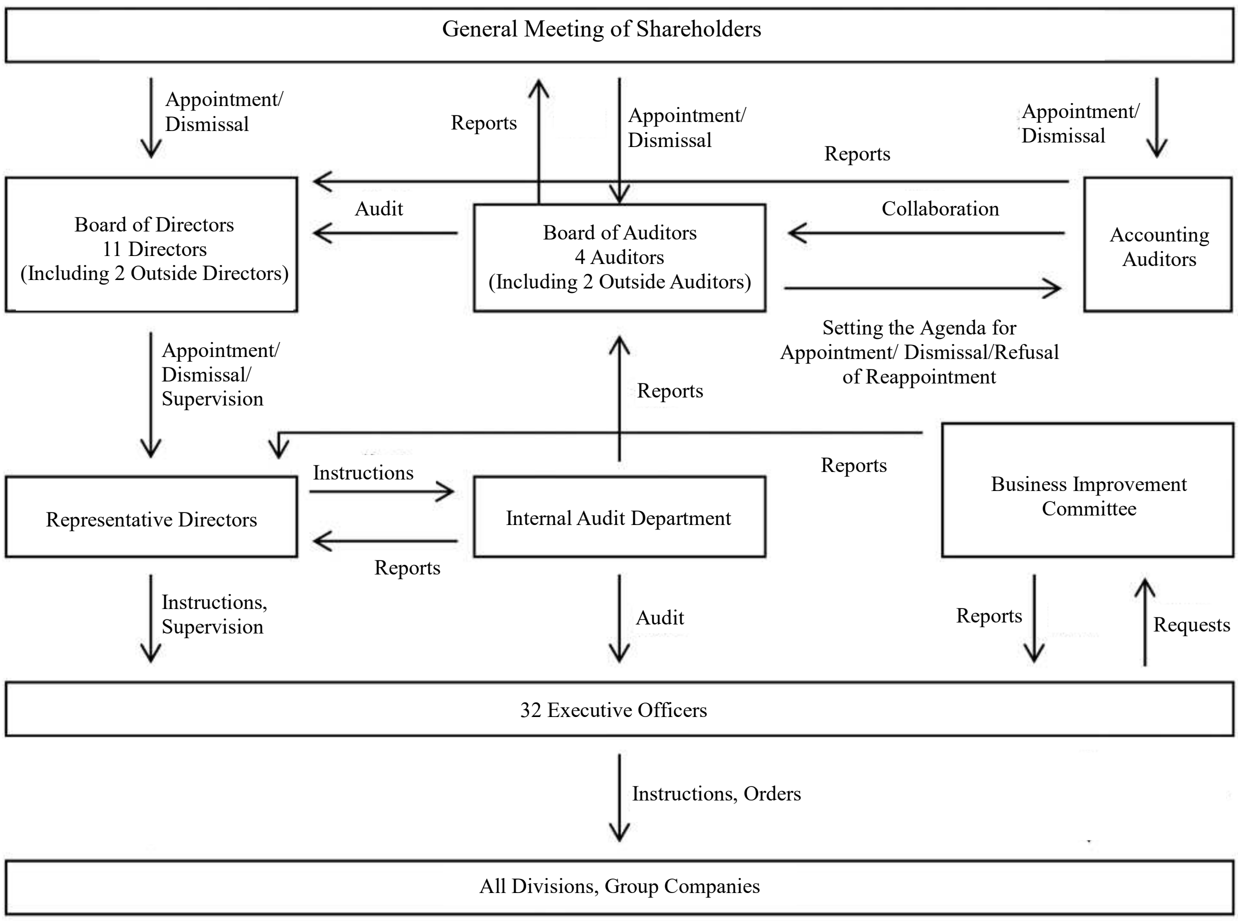
(ii) Auditors shall receive reports, as appropriate, on the status of implementation of internal audits, and express their opinions to the President if they deem necessary that additional audits be implemented or operation improvement measures be developed. The President must respect such opinions.

(iii) Auditors shall receive explanations in advance on the auditing plans from Accounting Auditors, and receive reports on auditing methods and audit results and have the exchange of opinions whenever audits on quarterly settlements and audits on full year settlements are performed.

(iv) For the purpose of increasing the effectiveness of the Company's auditing system by achieving coordination between the Company's auditing system and the risk management system, the Company shall establish an Audit System Improvement Committee headed by the Director in charge of Business Administration Headquarters and consisting of the head of the Internal Audit Department and deputy managers or higher nominated by said Director and Auditors. The Committee is expected to prepare reports on the auditing systems that should be created by the Company in the future, and to submit such reports to the Board of Directors.

6. Basic Policy on the Control of the Company

The Company has no particular policy on matters concerning the persons controlling the decisions on the financial and business policies of the Company. A schematic diagram of the Company's internal control system is shown below:


General Meeting of Shareholders
Appointment/ Dismissal
Reports
Appointment/ Dismissal
Appointment/ Dismissal
Reports
Board of Directors
11 Directors
(Including 2 Outside Directors)
Audit
Board of Auditors
4 Auditors
(Including 2 Outside Auditors)
Collaboration
Accounting Auditors
Setting the Agenda for Appointment/ Dismissal/Refusal of Reappointment
Appointment/ Dismissal/ Supervision
Reports
Reports
Representative Directors
Instructions
Reports
Internal Audit Department
Business Improvement Committee
Instructions, Supervision
Audit
Reports
Requests
32 Executive Officers
Instructions, Orders
All Divisions, Group Companies

III Internal Audits and Audits by Auditors

The Company has four Auditors, one of which, Kenji Matsumoto, an Auditor, is a qualified public tax accountant and has extensive expertise in the areas of finance and accounting. Yoshiki Takashima, an Auditor, is a qualified attorney, and has extensive expertise in the areas of finance and accounting.

The Internal Audit Department, coordinating closely with the Auditors, audits the operation of all business units in a systematic manner to assess the effectiveness of internal controls and the actual business operations, and reports the results of auditing directly to the President. Highly effective internal audits are implemented by providing the business divisions indication and guidance on items required to be improved based on the auditing results, and requiring them to report the progress of improvements after the auditing. As a department under the direct control of the President, the Internal Audit Department audits the operation of each business units within the Company from the perspectives of appropriateness of operation and compliance in accordance with the laws and regulations, the Articles of Incorporation, guidelines from the President, and work regulations and other internal rules and regulations. Auditors receive reports on internal audit plans for the fiscal year and reports on internal audit methods and results for the first and second half-years from the Internal Audit Department and exchanges opinions on relevant matters.

The Company conducts evaluations on the internal auditing systems to ensure the appropriateness of financial reporting documents and related information in accordance with Article 24-4-4, Paragraph 1of the Financial Instruments and Exchange Act, and holds discussions regularly and as-needed on the three auditing functions—internal audits, audits by Auditors and accounting audits by accounting auditors—to improve the reliability of our financial reporting. Information on the respective audit plans and audit results are shared and closely coordinated to achieve highly efficient and effective auditing.

IV Basic Approach and Countermeasures to Eliminate Anti-social Forces

1. Basic Approach to Eliminate Anti-social Forces

The basic policy of the Company is to have absolutely no engagement with anti-social forces under "Strict Implementation of Compliance Management" as stated in the TKC Charter of Corporate Code. The Company fully disseminates that it will maintain a resolute, organization-wide response against any and all unreasonable demands and approaches from anti-social forces and bodies.

2. Countermeasures to Eliminate Anti-social Forces

(i) Establishment of a Response Control Division and appointment of managers in charge of preventing unreasonable demands

The Company has established a division to control responses to anti-social forces (the Response Control Division) and appointed managers in charge of preventing unreasonable demands within its Tochigi and Tokyo Head Offices.

The Company has also established a system for immediate reporting and consultation with the Response Control Division on matters concerning unreasonable demands, organized violence, and criminal acts by anti-social forces.

(ii) Coordination with external expert organizations

The Company maintains close ties with external expert organizations, for example, by taking part in liaison groups organized by the police and receiving guidance on how to deal with anti-social forces.

(iii) Collecting and managing information on anti-social forces

The Response Control Division coordinates with experts and the police in sharing the latest information pertaining to anti-social forces and using such information to give warning to the employees within the Company.

(iv) Preparation of response manuals3

The Company has prepared training materials on compliance-related case studies including topics on how to deal with anti-social forces, which are distributed and used in compliance training sessions.

(v) Training activities

The Company promotes activities to prevent damages from anti-social forces before they occur by sharing information on anti-social forces within the Company and conducting compliance training sessions with the Company and at Group companies.

V Outside Directors and Outside Auditors

1. Status and Reasons for Appointment of Outside Directors and Outside Auditors

Category	Name	Functions, roles and appointment
Director	Misao Taguchi	Mr. Taguchi is a representative partner of a certified public tax accounting firm Taguchi Partners Kaikei, and has been appointed as Outside Director so that the Company's Accounting Firm Business can benefit from his extensive experience and insights in the management of accounting firms. From an independent standpoint, he is expected to enhance the supervisory functions of the Board of Directors in order to increase transparency, and provide valuable input to ensure the legality and validity of decisions made and resolved by the Board of Directors. While Taguchi Partners Kaikei is engaged in a business relationship with the Company, transactions are based on the same terms and conditions as with other third parties. Therefore, it is not likely that any conflict of interest shall occur between Mr. Taguchi and general shareholders, and the Company deems that this would not affect the independence of Mr. Taguchi. Mr. Taguchi has no special interest in the Company.
Director	Hiroshi Ashikawa	Mr. Ashikawa is the head of Ashikawa Accounting Firm and representative director of K.K. MACOS, and has been appointed as Outside Director so that the Company's Accounting Firm Business can benefit from his extensive experience and insights in the management of accounting firms. From an independent standpoint, he is expected to enhance the supervisory functions of the Board of Directors in order to increase transparency, and provide valuable input to ensure the legality and validity of decisions made and resolved by the Board of Directors. While Ashikawa Accounting Firm and MACOS are engaged in a business relationship with the Company, transactions are based on the same terms and conditions as with other third parties. Therefore, it is not likely that any conflict of interest shall occur between Mr. Ashikawa and general shareholders, and the Company deems that this would not affect the independence of Mr. Ashikawa. Mr. Ashikawa has no special interest in the Company.
Auditor	Kenji Matsumoto	Mr. Matsumoto has been appointed to enhance the supervisory functions of the Board of Directors in order to increase transparency, and to give opinions on compliance issues and as to whether the resolutions of the Board of Directors may be in violation of laws and regulations, and to provide opinions, advice and suggestions in order to ensure the legality, appropriateness, and validity of the decisions made and resolved by the Board of Directors. While Mr. Matsumoto and the certified public tax accounting firm, Aoyama Accounting Firm where Mr. Matsumoto serves as Representative Partner and Certified Public Tax Accountant are engaged in a business relationship with the Company, transactions are based on the same terms and conditions as with other third parties. Therefore, it is not likely that any conflict of interest should occur between Mr. Matsumoto and general shareholders, and the Company deems that this would not affect the independence of Mr. Matsumoto. Mr. Matsumoto has no special interest in the Company.
Auditor	Yoshiki Takashima	Mr. Takashima is a certified attorney and has been appointed to provide compliance-related audits and advise from a legal perspective on the execution of duties by the Directors of the Company. Mr. Takashima has no special interest in the Company.

2. Support Systems for Outside Directors and Outside Auditors

(i) The Company appoints the head of the Business Administration Headquarters, General Affairs Department as a point of liaison to provide assistance to Outside Directors and Outside Auditors. The head of General Affairs Department notifies the Outside Directors and Outside Auditors of the schedule of the meetings of the Board of Directors or meetings of the Board of Auditors and send any related materials thereto, and if necessary, provides explanations in advance on such materials.

(ii) Outside Directors attend any major meetings of TKCNF, the customer organization of the Accounting Firm BD.

(iii) Once a month, Outside Auditors review the approval request documents, accounting books and major evidence documents, and receive reports from the heads of Departments and give their opinions.

(iv) Remunerations for Auditors shall be determined each January upon discussion among Auditors based on the business results for the preceding fiscal year.

3. Standards Concerning the Independence of Outside Directors and Outside Auditors of the Company

(1) For the Board of Directors of the Company to recognize the independence of Outside Directors or Outside Auditors of the Company (hereinafter, "outside executives"), he/she must maintain a neutral stance, independent of the Company's management without falling under any of the following (independent outside executives shall be referred to as "independent executives" hereinafter):

(i) executive member of the Company or the Company's affiliate companies (hereinafter, "the Group");

(ii) an important trade partner of the Group or its executing member;

(iii) a major shareholder of the Company (holding voting rights in excess of 10% of the total voting rights, directly or indirectly) or its executing member;

(iv) an executing member of an entity in which the Group is a major investor (holding voting rights in excess of 10% of the total voting rights, directly or indirectly);

(v) certified public accountant, certified public tax accountant or other accounting specialists, an attorney or other legal specialist receiving large sums of money or other assets from the Group other than director compensation (or, any person affiliated with the corporation, association or other bodies receiving such monies or assets);

(vi) a person belonging to an audit firm that performs accounting audits for the Company, or a certified public tax accountant or person belonging to a tax firm that performs tax audits for the Company;

(vii) any person falling under items (i) to (vi) within the last three years;

(viii) near relatives of the following:

1) Persons falling under items (ii) to (vi) above (provided that an "executing member" in items (ii) to (iv) shall be limited to a person executing important duties, and "person affiliated with the corporation, association or other bodies" in item (v) shall be limited to a person executing important duties, or in case of an audit firm, a tax accounting firm, law firm or other organization of accounting and legal specialists, only certified public accountants, certified public tax accountants or attorneys and persons with specialized qualifications, and "persons belonging to an audit firm" and "persons belonging to a tax firm" in item (vi) shall be limited to persons executing important duties and certified public accountants, certified public tax accountants and other persons with specialized qualifications);

2) Persons executing important duties of the Group;

3) Persons falling under item (ii) above within the last three years.

(2) In addition to the criteria in the preceding item, independent executives shall not have any condition that could be reasonably interpreted as his/her inability to perform the duties of an independent outside executive.

(3) Independent executives shall strive to maintain the independence set forth in these standards until their resignation, and shall immediately notify the Company if said independence as defined in these standards is lost.

Note 1: An Outside Director refers to Outside Directors as defined in Article 2, Item 15 of the Companies Act. "An Outside Director means a director of any stock company who is neither an executive director (hereinafter referring to a director of a stock company listed in any item of Article 363(1), and any other director who has executed operation of such stock company) nor an executive officer, nor an employee, including a manager, of such stock company or any of its subsidiaries, and who has neither ever served in the past as an executive director nor executive officer, nor as an employee, including a manager, of such sock company or any of its subsidiaries."

Note 2: An Outside Auditor refers to Outside Company Auditors as defined in Article 2, Item 16 of the Companies Act.
"An Outside Company Auditor means an auditor of any stock company who has neither ever served in the past as a director, accounting advisor (or, in cases where the accounting advisor is a juridical person, any member thereof who was in charge of its advisory affairs) or executive officer, nor as an employee, including a manager, of such stock company or any of its Subsidiaries."

Note 3: An executing member refers to Directors (excluding Outside Directors), executive officers as defined in Article 418 of the Companies Act (hereinafter "executive officers"), and corporate executive officers and employees executing the operation.

Note 4: Persons for which the Group is an important trade partner refers to those falling under either of the following:

(i) a trade partner group that provides products or services to the Group (referring to companies belonging to consolidated groups to which the direct trade partner is affiliated, hereinafter the same) that has received from the Group in the immediately preceding fiscal year an amount in excess of 100 million yen or 2% of the consolidated net sales of said trade partner group, whichever the higher;

(ii) a trade partner group to which the Group is indebted to and owed in the immediately preceding fiscal year a total amount in excess of 100 million yen or 2% of the consolidated total assets of the trade partner group, whichever the higher.

Note 5: Important trade partners for the Group refers to those falling under either of the following:

(i) a trade partner group to which the Group provides products and services from which the Group has received in the immediately preceding fiscal year an amount in excess of 100 million yen or 2% of the consolidated net sales of said trade partner group, whichever the higher;

(ii) a trade partner group indebted to the Group, that owed the Group in the immediately preceding fiscal year a total amount in excess of 100 million yen or 2% of the consolidated total assets of the trade partner group, whichever the higher;

(iii) a financial institution group from which the Group is borrowing (referring to companies belonging to consolidated groups to which the direct lender is affiliated) and borrowed in the immediately preceding fiscal year a total amount in excess of 2% of the consolidated total assets of the Group.

Note 6: Certified public accountants, certified public tax accountants or other accounting specialists, and attorneys or other legal specialists receiving large sums of money or other assets from the Group other than director compensation shall refer to persons who received from the Group, an amount in excess of 10 million yen or any property in the amount in excess of 2% of said person's total sales or gross income, whichever the higher, in the immediately preceding fiscal year in addition to the director compensation.

Note 7: Near relatives shall refer to relatives within the second degree and other interested parties that share living expenses.

Note 8: Persons executing important duties shall refer to persons executing important business operations, including Directors (excluding Outside Directors), executive officers, corporate executive officers and heads of business units.

Note 9: The term "fiscal year" used above can be replaced for individuals to read the year subject to income tax calculations.

VI. Accounting Audits

1. Accounting Auditors

The Company has an audit agreement with Ernst & Young ShinNihon LLC, and receives accounting audits from the firm.

The names of certified public accountants that executed the accounting audit for the fiscal year ended September 2017 are as follows:

Designated Limited Liability Partner, Executing Partner: Yasuo Sekiya
Designated Limited Liability Partner, Executing Partner: Yuichi Noda
Number of assistants assisting auditing:
Certified Public Accountants 5
Others 27

2. Policy for Determining the Dismissal or Refusal to Reappoint Accounting Auditors

It is the policy of the Company for the Board of Auditors to dismiss accounting auditors, with the consent of all Auditors, should it be deemed that said accounting auditor falls under any of the items prescribed in Article 340, Paragraph 1 of the Companies Act. In such event, an Auditor selected by the Board of Auditors shall report the dismissal of the accounting auditor and the reason for dismissal at the first General Meeting of Shareholders convened following the dismissal.

If there is a reason or a need to prevent the accounting auditor's execution of his/her duties, the Board of Auditors shall develop a proposal on the dismissal or refusal of reappointment of said accounting auditor, and the Board of Directors shall present such proposal for resolution at the General Meeting of Shareholders.

3. Matters Concerning the Suspension of Operations by Accounting Auditors

Not applicable.

VII Other Stipulations

1. Number of Directors

The Articles of Incorporation stipulate that the Company may have a maximum of 15 Directors.

2. Criteria for the Election or Dismissal of Directors

The Articles of Incorporation stipulate that Directors shall be elected by a majority vote of shareholders at the General Meeting of Shareholders with the attendance of at least one-third of shareholders that can exercise voting rights, and that election of Directors shall not to be based on cumulative voting.

The Articles of Incorporation further stipulate that Directors shall be dismissed by a vote of two-thirds or more of shareholders at the meeting with the attendance of at least half of the shareholders that can exercise voting rights.

3. Exemption from Liability for Directors and Auditors

In order to limit the liabilities of Directors and Auditors to a reasonable extent in performing their duties, the Company stipulates in its Articles of Incorporation that the Company may, by resolution of the Board of Directors, exempt Directors (including former Directors) and Auditors (including former Auditors) from liabilities to the extent allowed by law in accordance with Article 426, Paragraph 1 of the Companies Act.

4. Interim Dividends

In order to maintain flexible redistribution of profits to shareholders, the Company stipulates in its Articles of Incorporation that the Company may, by resolution of the Board of Directors, pay interim dividends as of March 31 every year pursuant to the provisions of Article 454, Paragraph 5 of the Companies Act.

5. Acquisition of Treasury Stock

In order to allow for flexible implementation of capital policies on improving capital efficiency and shareholder interest, the Company stipulates in its Articles of Incorporation that treasury stock may be acquired by resolution of the Board of Directors pursuant to the provisions of Article 165, Paragraph 2 of the Companies Act.

6. Special Resolutions

The Company stipulates in its Articles of Incorporation that special resolutions of the General Meetings of Shareholders as specified in Article 309, Paragraph 2 of the Companies Act shall be passed by a vote of two-thirds or more of shareholders at meetings with the attendance of at least one-third of the shareholders that can exercise voting rights. This has been established to ensure smooth handling of special resolutions at General Meetings of Shareholders by easing the quorum for special resolutions by General Meetings of Shareholders.

VIII. Compensation to Executive Directors

1. Total Amount of Compensation, Total by Type, and Number of Eligible Executives, by Executive Category

Executive category	Total amount of compensation (millions of yen)	Total compensation by type (millions of yen)				Number of eligible executives (no. of people)
		Basic compensation	Stock options	Executive bonuses	Retirement benefits	
Director (Excluding Outside Directors)	289	252	37	—	—	11
Auditor (Excluding Outside Auditors)	30	27	3	—	—	3
Outside executives	53	53	—	—	—	5

2. Policy on Determining the Amount of Executive Remuneration or Calculation Method

Director compensation consists of two parts: fixed-amount compensation and performance-based compensation. Fixed-amount compensation is determined in January each year based on the level of achievement of the Company's performance goals in previous fiscal year and the performance targets for the current fiscal year; performance-based compensation is determined based on the level of achievement of the Company's performance goals in previous fiscal year, and the level of achievement of performance goals by each business unit that each Director oversaw during previous fiscal year. Proposals on remuneration are developed at the meeting of Representative Directors and approved by resolution of the Board of Directors. Compensation for Auditors consists of fixed amount compensation and is determined by consultation among Auditors.

IX. Status of Shareholdings

1. Equity Securities Held for Purposes Other Than Pure Investment and the Total Amount Recorded in the Balance Sheet

14 stock names, 4,956 million yen

2. Stock Name, Number of Shares, Amount Recorded in the Balance Sheet and Purpose of Holding of Equity Securities Held for Purposes Other Than Pure Investments

Previous fiscal year

Specified investment securities

Stock name	Number of shares (shares)	Amount recorded in balance sheet (millions of yen)	Purpose of holding
T&D Holdings, Inc.	1,780,000	2,010	To maintain and strengthen business relationship
Mitsubishi UFJ Financial Group, Inc.	2,322,180	1,172	To maintain and strengthen business relationship
Mebuki Financial Group, Inc. (Joyo Bank, Ltd.)	235,321	102	To maintain and strengthen business relationship
Nippon Paper Industries Co., Ltd.	17,000	31	To maintain and strengthen business relationship
Toyo Securities Co., Ltd.	51,000	9	To maintain and strengthen business relationship
Mito Securities Co., Ltd.	31,460	7	To maintain and strengthen business relationship
Fujitsu Limited	11,880	6	To maintain and strengthen business relationship
Tokai Tokyo Financial Holdings, Inc.	9,187	4	To maintain and strengthen business relationship

Current fiscal year

Specified investment securities

Stock name	Number of shares (shares)	Amount recorded in balance sheet (millions of yen)	Purpose of holding
T&D Holdings, Inc.	1,780,000	2,907	To maintain and strengthen business relationship
Mitsubishi UFJ Financial Group, Inc.	2,322,180	1,696	To maintain and strengthen business relationship
Mebuki Financial Group, Inc.	275,325	119	To maintain and strengthen business relationship
Nippon Paper Industries Co., Ltd.	17,000	35	To maintain and strengthen business relationship
Toyo Securities Co., Ltd.	51,000	13	To maintain and strengthen business relationship
Mito Securities Co., Ltd.	31,460	11	To maintain and strengthen business relationship

Fujitsu Limited	11,880	9	To maintain and strengthen business relationship
Tokai Tokyo Financial Holdings, Inc.	9,187	6	To maintain and strengthen business relationship

3. Equity Securities Held for the Pure Investment

Not applicable.

(3) [Audit Fees]

(i) [Compensation paid to Auditors and certified public accountants]

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Compensation for audit and attestation services (millions of yen)	Compensation for non-audit services (millions of yen)	Compensation for audit and attestation services (millions of yen)	Compensation for non-audit services (millions of yen)
The Company	45	9	44	10
Consolidated subsidiaries	—	—	—	—
Total	45	9	44	10

(ii) [Other important fees]
(For the previous consolidated fiscal year and the current consolidated fiscal year)
Not applicable.

(iii) [Descriptions on non-audit services performed for the Company by Auditors and certified public accountants]
(For the previous consolidated fiscal year and the current consolidated fiscal year)

The Company pays its Auditors and certified public accountants compensation for assurance services for internal controls pertaining to the Company's ASP service based on the Auditing and Assurance Practice Committee Practical Guideline No. 86 "Assurance Reports on Controls at a Service Organization (Japanese Institute of Certified Public Accountants dated December 22, 2011)" covering services other than the services prescribed in Article 2 Paragraph 1 of the Certified Public Accountants Act.

(iii) [Policy for determining Audit fees]

Auditor compensations paid to Auditors and certified public accountants are determined by discussion based on the number days of auditing works performed.

Part 5 [Financial Information]

1. Method of Preparing Consolidated Financial Statements and Financial Statements

(1) The consolidated financial statements of the Company have been prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976).

(2) The financial statements of the Company have been prepared in accordance with the Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter, the "Ordinance on Financial Statements").

Further, as the Company is a Specified Company Submitting Financial Statements, we have prepared the financial statements in accordance with the provisions of Article 127 of the Ordinance on Financial Statements.

2. Auditing and Attestation

The consolidated financial statements for the consolidated fiscal year (from October 1, 2016 to September 30, 2017) and financial statements for the fiscal year (from October 1, 2016 to September 30, 2017) have been audited by Ernst & Young ShinNihon LLC pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act.

3. Special Efforts to Ensure the Appropriateness of its Consolidated Financial Statements

The Company makes exceptional efforts to ensure the appropriateness of our consolidated financial statements. Specifically, in order to understand the contents of accounting standards correctly and to develop a system that would enable us to respond to changes in accounting standards, we maintain membership of the Financial Accounting Standards Foundation and attend seminars held by the Accounting Standards Board of Japan.

1 [Consolidated Financial Statements]

(1) Consolidated Financial Statements

(i) [Consolidated Balance Sheet]

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Assets		
Current assets		
Cash and deposits	19,552	20,039
Notes and accounts receivable	6,335	6,555
Lease investment assets	238	269
Finished goods inventory	360	325
Work in progress	112	289
Raw materials and stored items	158	140
Deferred tax assets	2,079	2,046
Other	751	913
Provisions for bad debts	(36)	(33)
Total current assets	29,554	30,545
Non-current assets		
Property, Plants and Equipment		
Buildings and structures (net amount)	6,554	6,619
Machinery, equipment and vehicles (net amount)	425	508
Tools, furniture and fixtures (net amount)	1,188	1,249
Land	6,607	6,922
Lease assets (net amount)	129	342
Construction in progress	—	569
Total property, plants and equipment	*1 14,906	*1 16,212
Intangible Assets		
Software	2,976	2,806
Software in progress	706	976
Other	29	29
Total intangible assets	3,712	3,812
Investments and other assets		
Investment securities	*2 20,216	*2 23,659
Long-term loans	175	82
Deferred tax assets	3,190	2,953
Long-term deposits	7,000	6,000
Guarantee deposits	1,303	1,310
Long-term lease investment assets	601	459
Other	454	392
Total investments and other assets	32,943	34,858
Total non-current assets	51,562	54,883
Total assets	81,116	85,428

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Liabilities		
Current liabilities		
Accounts payable – trade	2,602	2,392
Electronically Recorded Obligations	—	897
Short-term debts	40	—
Current portion of long-term debts	71	71
Lease obligations	290	353
Accounts payable	3,371	2,918
Income taxes payable	2,203	1,445
Consumption taxes payable	529	543
Provisions for bonuses	2,853	3,028
Other	1,457	1,694
Total current liabilities	13,419	13,345
Fixed liabilities		
Long-term debts	295	223
Lease obligations	689	746
Retirement benefit liabilities	1,583	1,668
Other	572	552
Total fixed liabilities	3,140	3,191
Total liabilities	16,559	16,536
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,419	5,409
Retained earnings	52,606	56,549
Treasury stock	(350)	(968)
Total shareholders' equity	63,374	66,690
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(339)	621
Total accumulated other comprehensive income	(339)	621
Subscription rights to shares	176	178
Non-controlling interests	1,345	1,401
Total net assets	64,556	68,892
Total liabilities and net assets	81,116	85,428

(ii) [Consolidated Statements of Income and Comprehensive Income]

[Consolidated Statements of Income]

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Net Sales	57,750	59,705
Cost of sales	20,344	20,419
Gross profit	37,406	39,285
Selling, general and administrative expenses	*1,*2 29,764	*1,*2 30,718
Operating profit	7,642	8,567
Non-operating income		
Interest income	39	31
Dividend income	106	110
Land & rent income	37	42
Equity in earnings of affiliates	—	11
Other	46	33
Total non-operating income	230	229
Non-operating expenses		
Interest paid	5	3
Equity in loss of affiliates	262	—
Other	0	0
Total non-operating expenses	268	4
Ordinary income	7,604	8,792
Extraordinary income		
Gains on sale of non-current assets	*3 11	*3 2
Gain on reversal of asset retirement obligations	—	23
Total extraordinary income	11	25
Extraordinary losses		
Losses on sale of non-current assets	*4 0	—
Loss on disposal of non-current assets	*5 41	*5 3
Loss on disposal of software	—	15
Impairment losses	*6 1	*6 0
Total extraordinary losses	42	19
Profit before taxes and adjustments	7,573	8,798
Income taxes – current	3,316	2,828
Income taxes – deferred	(553)	(156)
Total income taxes	2,762	2,671
Profit	4,810	6,126
Profit attributable to the non-controlling shareholders	40	55
Profit attributable to owners of parent	4,770	6,071

[Consolidated Statements of Comprehensive Income]

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Profit	4,810	6,126
Other comprehensive income		
Valuation difference on available-for-sale securities	(852)	970
Share of other comprehensive income of associates accounted for using the equity method	0	0
Total other comprehensive income	*1 (852)	*1 971
Comprehensive income	3,958	7,097
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,922	7,032
Comprehensive income attributable to non-controlling shareholders	36	65

(iii) [Consolidated Statement of Changes in Equity]

Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	5,700	5,419	49,906	(349)	60,676
Changes of items during the period					
Dividends of surplus			(2,071)		(2,071)
Profit attributable to owners of parent			4,770		4,770
Acquisition of treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Changes of items other than shareholders' equity (net)					
Total changes of items during the period	—	0	2,699	(1)	2,697
Balance at end of year	5,700	5,419	52,606	(350)	63,374

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of year	508	508	127	1,317	62,630
Changes of items during the period					
Dividends of surplus					(2,071)
Profit attributable to owners of parent					4,770
Acquisition of treasury stock					(1)
Disposal of treasury stock					0
Changes in items other than equity (net)	(848)	(848)	48	28	(771)
Total changes of items during the period	(848)	(848)	48	28	1,926
Balance at end of year	(339)	(339)	176	1,345	64,556

Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	5,700	5,419	52,606	(350)	63,374
Changes of items during the period					
Dividends of surplus			(2,122)		(2,122)
Profit attributable to owners of parent			6,071		6,071
Acquisition of treasury stock				(677)	(677)
Disposal of treasury stock		(10)	(5)	59	44
Changes of items other than shareholders' equity (net)					
Total changes of items during the period	—	(10)	3,943	(617)	3,316
Balance at end of year	5,700	5,409	56,549	(968)	66,690

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of year	(339)	(339)	176	1,345	64,556
Changes of items during the period					
Dividends of surplus					(2,122)
Profit attributable to owners of parent					6,071
Acquisition of treasury stock					(677)
Disposal of treasury stock					44
Changes of items other than shareholders' equity (net)	961	961	2	56	1,019
Total changes of items during the period	961	961	2	56	4,335
Balance at end of year	621	621	178	1,401	68,892

(iv) [Consolidated Statements of Cash Flows]

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Cash flows from operating activities		
Profit before taxes and adjustments	7,573	8,798
Depreciation	2,449	2,716
Change in provision for bad debts (( ): decrease)	1	(2)
Change in provisions for bonuses (( ): decrease)	403	174
Change in retirement benefit liabilities (( ): decrease)	764	85
Interest and dividends received	(145)	(141)
Interest paid	5	3
Share of profits of investments accounted for using the equity method (( ): gain)	262	(11)
Loss on disposal of non-current assets	41	3
Loss on disposal of software	—	15
Gain/loss on sales of non-current assets (( ): gain)	(11)	(2)
Impairment losses	1	0
Gain on reversal of asset retirement obligations	—	(23)
Share-based payment expenses	48	46
Change in trade receivables (( ): increase)	656	(132)
Change in inventories (( ): increase)	5	(123)
Change in other assets (( ): increase)	(366)	14
Change in trade payables (( ): decrease)	9	634
Change in other liabilities (( ): decrease)	(0)	(394)
Change in accrued consumption taxes (( ): decrease)	(240)	13
Other	3	(59)
Subtotal	11,463	11,614
Interest and dividends received	153	168
Interest paid	(5)	(3)
Income taxes paid	(2,430)	(3,655)
Cash flows from operating activities	9,181	8,123
Cash flows from investing activities		
Payments into time deposits	(3,000)	(3,000)
Proceeds from withdrawal of time deposits	7,700	4,000
Purchase of property, plants and equipment	(1,612)	(2,124)
Proceeds from sales of property, plants and equipment	20	2
Purchase of intangible assets	(1,668)	(1,602)
Proceeds from redemption of capital contribution	—	100
Purchase of investment securities	(16,163)	(2,561)
Proceeds from redemption of investment securities	7,500	500
Profit on sales of stocks of subsidiaries and affiliates	250	—
Payments for guarantee deposits	(15)	(15)
Proceeds from collection of guarantee deposits	164	9
Payment of loans receivable	(300)	—
Collection of loan receivables	116	74
Other payments	(16)	—
Other proceeds	2	1
Cash flows from investing activities	(7,022)	(4,617)

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Cash flows from financing activities		
Increase/decrease in short-term loans payable (( ): decrease)	(20)	(40)
Repayment of long-term loans payable	(71)	(71)
Repayment of lease obligations	(55)	(102)
Purchase of treasury stock	(1)	(677)
Dividends paid	(2,069)	(2,119)
Dividends paid to non-controlling shareholders	(8)	(9)
Other	0	0
Cash flows from financing activities	(2,225)	(3,019)
Change in cash and cash equivalents (( ): decrease)	(66)	486
Cash and cash equivalents at beginning of year	16,619	16,552
Cash and cash equivalents at end of year	*1 16,552	*1 17,039

[Notes to Consolidated Financial Statements]

(Basis of Presenting the Consolidated Financial Statements)

1. Scope of Consolidation

Consolidated subsidiaries (3 companies):
Tokyo Line Printer Company
TKC Security Services K.K.
SKYCOM Corporation

Non-consolidated subsidiary (1 company):
TKC Financial Assurance K.K.
(Reason for excluding this company from the scope of consolidation)
TKC Financial Assurance K.K. is excluded from the scope of consolidation because it neither has any material impact on the consolidated financial statements of the Company in terms of total assets, sales, profit/loss (allocable to the Company in proportion to the share ownership) or retained earnings (allocable to the Company in proportion to the share ownership), nor has material importance to the Company as a whole.

2. Application of the Equity Method

Affiliated companies under the equity method (2 companies)
TKC Shuppan Corporation
iMobile Inc.

Because the fiscal year-end of iMobile Inc. is March 31, a provisional settlement of accounts similar to a final settlement has been performed as of the closing date of the consolidated financial statements.

Number of non-consolidated subsidiary not under the equity method (1 company)
TKC Financial Assurance K.K.
Reason for excluding this company from the scope of equity method)
TKC Financial Assurance K.K. is excluded from the scope of equity method because, even though it is excluded from the scope of equity method, it has minor impact on the consolidated financial statements of the Company in terms of, among others, profit (allocable to the Company in proportion to the share ownership) and retained earnings (allocable to the Company in proportion to the share ownership), and has no material importance to the Company as a whole.

3. Fiscal Year-ends of Consolidated Subsidiaries

The closing dates of all consolidated subsidiaries are the same as the closing date of the consolidated financial statements.

4. Accounting Policies

(1) Valuation standards and methods for major assets

(i) Marketable and investment securities

1) Available-for-sale securities

a. Available-for-sale securities with market value

Stated at fair market value based on the quoted market price as of the fiscal year-end (related valuation differences are directly charged or credited to the shareholders' equity, and cost of securities sold is calculated by the moving average method)

b. Available-for-sale securities without market value

Stated at cost determined by the moving average method

(ii) Inventory assets

1) Merchandise, raw materials

Cost determined by first-in, first-out method (with balance sheet values reflecting write-downs for decreased profitability)

2) Finished goods

Cost determined by cost percentage method and adjusted based on percentage of completion (with balance sheet values reflecting write-downs for decreased profitability)

3) Work in progress

Cost determined by cost percentage method or specific identification method and adjusted based on percentage of completion (with balance sheet values reflecting write-downs for decreased profitability)

4) Supplies

Last purchase price method (with balance sheet values reflecting write-downs for decreased profitability)

(2) Depreciation of major depreciable assets

(i) Property, plants and equipment (excluding lease assets)

Calculated based on declining balance method, except for buildings acquired after April 1, 1998 (excluding accompanying facilities), and accompanying facilities and structures acquired after April 1, 2016, which are calculated based on straight-line method.

Primary useful life figures are as follows:

Buildings and structures:	10 to 50 years
Machinery, equipment and vehicles:	4 to 10 years
Tools, furniture and fixtures:	2 to 20 years

(ii) Intangible assets (excluding lease assets)

1) Software

a. Software for sale

Software for sale is amortized and stated at the higher of amortization based on estimated sales volume in the future, and amortization at a constant periodic rate based on remaining effective life (within 3 years).

b. Software for internal use

Amortized using straight-line method with an estimated in-house useful life of five years.

2) Other intangible assets

Amortized using the straight-line method.

(iii) Leased assets

Leased assets relating to finance lease transactions that do not involve transfer of ownership

Amortized using the straight-line method with useful lives equal to lease terms and residual values at zero.

(3) Accounting standards for recognizing significant provisions

(i) Provisions for bad debts

In setting aside provisions for possible losses due to uncollectible receivables, provisions are recognized at the amounts calculated based on the historical rate of credit loss with respect to normal receivables, and at the amounts determined in consideration of collectability of individual receivables with respect to doubtful accounts and certain other receivables.

(ii) Provisions for bonuses

Provisions for bonuses are recognized based on the estimated amounts of payment.

(4) Accounting procedure for retirement benefits

(i) Method of attributing expected benefits to date

In calculating retirement benefit obligations, expected benefits are attributed to the period up until the end of the consolidated fiscal year based on benefit formula standards.

(ii) Recognizing actuarial differences as expenses

Actuarial differences are recognized as expense for the consolidated fiscal year in which they occur.

(5) Accounting standards for recognizing significant revenues and expenses

Accounting standards for recognizing revenues and cost of sales of made-to-order software (software development contracts)

(i) Projects for which the progress up to the end of the current consolidated fiscal year can be measured reliably

Accounted for by percentage-of-completion method (whereas, the degree of completion is estimated based on the construction cost percentage method).

(ii) Other projects

Accounted for upon conclusion of contracts.

(6) Scope of funds covered by the consolidated statements of cash flows

The scope of funds (cash and cash equivalents) covered by the consolidated statements of cash flows includes:

(i) Cash on hand;

(ii) Demand deposits;

(iii) Short-term investments that mature within three months and are easily convertible to cash and bear very little value fluctuation risk.

(7) Other important matters regarding the preparation of consolidated financial statements

(i) Accounting method for consumption taxes and local consumption taxes

Consumption taxes are accounted for using the tax-exclusion method.

(ii) Application of the consolidated taxation system

The consolidated taxation system is applied.

(Accounting Standards Not Yet Applied)

Not applicable.

(Notes to Consolidated Balance Sheets)

*1. Accumulated depreciation of property, plants and equipment

Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
21,268 million yen	21,859 million yen

*2 Items pertaining to non-consolidated subsidiaries and affiliated companies are as follows.

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Investment securities (shares)	261 million yen	272 million yen

(Notes to Consolidated Statements of Income)

*1. Major items included in selling, general and administrative expenses are as follows:

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Salaries	9,569million yen	10,196million yen
Provisions for bonuses	2,462	2,610
Retirement benefit expenses	1,150	513
Depreciation	557	584
Rent expenses	2,091	2,066
Research and development expenses	74	106

*2. Total amount of research and development expenses included in general administrative expenses

Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
74million yen	106million yen

*3. Breakdown of gains on sale of non-current assets is as follows:

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Land	10million yen	－million yen
Machinery, equipment and vehicles	0	0
Tools, furniture and fixtures	1	2
Total	11	2

*4. Breakdown of loss on sales of non-current assets is as follows:

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Buildings and structures	0million yen	－million yen

*5. Breakdown of loss on sales of non-current assets is as follows:

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Buildings and structures	16million yen	1million yen
Machinery, equipment and vehicles	7	－
Tools, furniture and fixtures	17	2
Other (Investments and other assets)	0	0
Total	41	3

*6. Impairment losses

Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)

The Group recorded an impairment loss for the following asset group for the current consolidated fiscal year:

Location	Usage	Classification	Impairment losses (millions of yen)
Itabashi-ku, Tokyo, etc.	Idle assets	Telephone subscription rights	1

The Group, in principle, groups its business assets based on management accounting units, and idle assets are grouped by types of asset.

For the current consolidated fiscal year, the book values of idle assets not used for business purposes were reduced to recoverable amounts, and such reduced amounts were recorded as impairment losses (1 million yen) under extraordinary losses.

Recoverable amounts were measured based on the net selling prices. Telephone subscription rights were evaluated based on their expected disposal prices.

Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)

The Group recorded an impairment loss for the following asset group for the current consolidated fiscal year:

Location	Usage	Classification	Impairment losses (millions of yen)
Shinjuku-ku, Tokyo, etc.	Idle assets	Telephone subscription rights	0

The Group, in principle, groups its business assets based on management accounting units, and idle assets are grouped by types of asset.

For the current consolidated fiscal year, the book values of idle assets not used for business purposes were reduced to recoverable amounts, and such reduced amounts were recorded as impairment losses (0 million yen) under extraordinary losses.

Recoverable amounts were measured based on the net selling prices. Telephone subscription rights were evaluated based on their expected disposal prices.

(Notes to Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments and tax expense or benefits on other comprehensive income

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Valuation difference on available-for-sale securities:		
Increase/decrease during the fiscal year	(1,243)million yen	1,396million yen
Reclassification adjustments	－	(0)
Amount before tax	(1,243)	1,396
Tax expense ( ) or benefit	390	(426)
Valuation difference on available-for-sale securities	(852)	970
Share of other comprehensive income of associates accounted for using the equity method:		
Increase/decrease during the fiscal year	0	0
Share of other comprehensive income of associates accounted for using the equity method	0	0
Total other comprehensive income	(852)	971

(Notes to Consolidated Statements of Changes in Equity)

Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)

1. Class and number of issued stocks and treasury stock

	Number of shares at beginning of current consolidated FY (hundreds of shares)	Increase in number of shares during current consolidated FY (hundreds of shares)	Decrease in number of shares during current consolidated FY (hundreds of shares)	Number of shares at end of current consolidated FY (hundreds of shares)
Issued shares				
Common stock	267,310	—	—	267,310
Total	267,310	—	—	267,310
Treasury stock				
Common stock (Note)	1,793	4	0	1,797
Total	1,793	4	0	1,797

(Note) The 400 share increase in common treasury stock resulted from increase due to purchase of fractional unit shares.
The 0 share decrease in common treasury stock resulted from increase due to purchase of fractional unit shares.

2. Subscription rights to shares and treasury subscription rights to shares

Category	Description of subscription rights to shares	Class of shares to be issued upon exercise of subscription rights to shares	Number of shares to be issued upon exercise of subscription rights to shares (shares)				Balance at the end of current consolidated fiscal year (millions of yen)
			Beginning of current consolidated fiscal year	Increase during current consolidated fiscal year	Decrease during current consolidated fiscal year	End of current consolidated fiscal year	
The Company (Parent company)	Subscription rights to shares as stock options	—	—	—	—	—	176
Total		—	—	—	—	—	176

3. Dividends

(1) Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
December 22, 2015 Ordinary General Meeting of Shareholders	Common stock	1,009	38	September 30, 2015	December 24, 2015
May 13, 2016 Meeting of the Board of Directors	Common stock	1,062	40	March 31, 2016	June 13, 2016

(2) Of the dividends with record dates during this consolidated fiscal year, those with effective dates in the following consolidated fiscal year

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
December 22, 2016 Ordinary General Meeting of Shareholders	Common stock	1,062	Retained earnings	40	September 30, 2016	December 26, 2016

Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)

1. Type and number of issued stocks and treasury stock

	Number of shares at beginning of current consolidated FY (hundreds of shares)	Increase in number of shares during current consolidated FY (hundreds of shares)	Decrease in number of shares during current consolidated FY (hundreds of shares)	Number of shares at end of current consolidated FY (hundreds of shares)
Issued shares				
Common stock	267,310	—	—	267,310
Total	267,310	—	—	267,310
Treasury stock				
Common stock (Note)	1,797	2,024	305	3,517
Total	1,797	2,024	305	3,517

(Note) The 2,024 hundred share increase in common treasury stock resulted from a 2,017 hundred share increase through acquisition of treasury stock based on resolution of the Board of Directors, and a 7 hundred share increase due to purchase of fractional unit shares.
The 305 hundred share decrease in common treasury stock resulted from the exercise of stock option.

2. Subscription rights to shares and treasury subscription rights to shares

Category	Description of subscription rights to shares	Class of shares to be issued upon exercise of subscription rights to shares	Number of shares to be issued upon exercise of subscription rights to shares (shares)				Balance at the end of current consolidated fiscal year (millions of yen)
			Beginning of current consolidated fiscal year	Increase during current consolidated fiscal year	Decrease during current consolidated fiscal year	End of current consolidated fiscal year	
The Company (Parent company)	Subscription rights to shares as stock options	—	—	—	—	—	178
Total		—	—	—	—	—	178

3. Dividends

(1) Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
December 22, 2016 Ordinary General Meeting of Shareholders	Common stock	1,062	40	September 30, 2016	December 26, 2016
May 10, 2017 Meeting of the Board of Directors	Common stock	1,060	40	March 31, 2017	June 12, 2017

(2) Of the dividends with record dates during this consolidated fiscal year, those with effective dates in the following consolidated fiscal year

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
December 22, 2017 Ordinary General Meeting of Shareholders	Common stock	1,582	Retained earnings	60	September 30, 2017	December 25, 2017

(Notes to Consolidated Statements of Cash Flows)

*1. Relationship between the ending balance of cash and cash equivalents and the amounts under the account items stated in the consolidated balance sheets

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Cash and deposits	19,552 million yen	20,039 million yen
Time deposits with deposit period greater than three months	(3,000)	(3,000)
Cash and cash equivalents	16,552	17,039

(Notes to Lease Transactions)

1. Finance Lease Transactions (Lessee)

Finance lease transactions that do not involve transfer of ownership

(i) Description of lease assets

Property, Plants and Equipment
Mainly include machinery and equipment, tools, furniture and fixtures.

(ii) Depreciation of lease assets

Lease assets are amortized in accordance with Basis of Presenting the Consolidated Financial Statements, 4. Accounting Policies, (2) Depreciation of major depreciable assets.

2. Operating Lease Transactions (Lessee)

Unexpired lease payments for non-cancellable operating lease transactions

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Within one year	145	157
After one year	255	263
Total	400	421

3. Amounts of Sublease Transactions That Are Recorded in the Consolidated Balance Sheets in Amounts Before Deduction of Interests

(1) Lease investment assets

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Current assets	238	269
Investments and other assets	601	459

(2) Lease obligations

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Current liabilities	238	269
Fixed liabilities	601	459

(Financial Instruments)

1. Status of Financial Instruments

(1) Policy for the handling of financial instruments

The Group manages its funds in the form of low risk, highly safe financial assets such as bank deposits and bonds. It is the policy of the Group not to enter into derivative transactions for speculative trading purposes.

(2) Description of financial instruments, risks and risk management policies

Notes and accounts receivable resulting from operating activities of the Company are exposed to credit risk of the customers. To reduce credit risk, the Company manages such risk as appropriate based on payment terms and credit ratings of customers in accordance with internal credit management regulations.

Investment securities are exposed to market fluctuation risk, and the Company periodically checks the fair market values and financial conditions of issuing bodies and conducts reviews of its holdings on an ongoing basis.

Long-term deposits include deposits with special provisions concerning early termination (callable certificates of deposit).

The majority of trade payables and accounts payable resulting from operating activities are due within three months.

(3) Supplementary information on fair market value of financial instruments

The fair market value of financial instruments is based on quoted market prices or on reasonable calculations in the absence of market quotations. Since certain assumptions that contain fluctuation factors were used in estimating the fair market value, results may fluctuate when a different set of assumptions is used.

2. Fair Market Value of Financial Instruments

The book value in consolidated balance sheets, fair market value and differences are as follows. Financial instruments for which the fair market value is extremely difficult to measure are not included. (See (Notes) 2.).

Previous consolidated fiscal year (September 30, 2016)

	Book value in consolidated balance sheets (millions of yen)	Fair market value (millions of yen)	Differences (millions of yen)
(1) Cash and deposits	19,552	19,552	—
(2) Notes and accounts receivable	6,335		
Provisions for bad debts	(36)		
	6,299	6,299	—
(3) Investments securities	19,798	19,798	—
(4) Long-term deposits	7,000	7,004	4
Total assets	52,651	52,655	4
(1) Accounts payable – trade	2,602	2,602	—
(2) Accounts payable	3,371	3,371	—

Total liabilities	5,973	5,973	—

Current consolidated fiscal year (September 30, 2017)

	Book value in consolidated balance sheets (millions of yen)	Fair market value (millions of yen)	Differences (millions of yen)
(1) Cash and deposits	20,039	20,039	—
(2) Notes and accounts receivable	6,555		
Provisions for bad debts	(33)		
	6,521	6,521	—
(3) Investments securities	23,230	23,230	—
(4) Long-term deposits	6,000	5,999	(0)
Total assets	55,790	55,790	(0)
(1) Accounts payable – trade	2,392	2,392	—
(2) Accounts payable	2,918	2,918	—
Total liabilities	5,311	5,311	—

(Notes) 1. Methods of calculating the fair market value of financial instruments and securities transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable

The book value approximates the fair market value because of the short maturity of these instruments.

(3) Investment securities

The fair market value of equity securities is based on quoted market prices on the stock exchange; and the fair market value of bonds is based on the market prices quoted on the stock exchange or provided by financial institutions. These securities categorized by purpose of holding are described further in the Notes to Securities of the Notes to Consolidated Financial Statements.

(4) Long-term deposits

The fair market value of long-term deposits is estimated based on the present value discounted using the interest rate applicable to new deposits in the total amount of principal and interest, and on the fair market value provided by financial institutions for the derivative portions.

Liabilities

(1) Accounts payable – trade, (2) Accounts payable

The book value approximates the fair market value because of the short maturity of these instruments.

2. Financial instruments for which the fair market value is extremely difficult to measure

(Unit: millions of yen)

Category	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Other securities (unlisted equity securities)	156	156
Stocks of subsidiaries and affiliates	261	272
Total	418	429

The fair market value of these financial instruments is deemed to be extremely difficult to measure since quoted market value is not available and future cash flows cannot be reliably estimated, and thus the above are not included in (3) Investment securities for the previous consolidated fiscal year nor in (3) Investment securities for the current consolidated fiscal year.

3. Redemption scheduled for monetary claims and securities with maturity dates subsequent to the consolidated settlement date

Previous consolidated fiscal year (September 30, 2016)

	Within 1 year (millions of yen)	Over 1 years and within 5 years (millions of yen)	Over 5 years and within 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	19,549	—	—	—
Notes and accounts receivable	6,335	—	—	—
Investment securities				
Corporate bonds	—	—	4,500	12,000
Long-term deposits	—	7,000	—	—
Total	25,885	7,000	4,500	12,000

Current consolidated fiscal year (September 30, 2017)

	Within 1 year (millions of yen)	Over 1 years and within 5 years (millions of yen)	Over 5 years and within 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	20,034	—	—	—
Notes and accounts receivable	6,555	—	—	—
Investment securities				
Corporate bonds	—	2,000	2,500	14,000
Long-term deposits	—	6,000	—	—
Total	26,590	8,000	2,500	14,000

(Notes to Securities)

1. Other Securities

Previous consolidated fiscal year (September 30, 2016)

	Classification	Book value in consolidated balance sheets (millions of yen)	Original purchase value (millions of yen)	Differences (millions of yen)
Securities for which the amounts in the consolidated balance sheets exceeds the original purchase value	(1) Stocks	1,420	1,244	176
	(2) Bonds			
	Corporate bonds	503	500	3
	Subtotal	1,924	1,744	179
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value	(1) Stocks	2,024	2,400	(376)
	(2) Bonds			
	Corporate bonds	15,849	16,146	(296)
	Subtotal	17,874	18,547	(673)
Total		19,798	20,291	(493)

(Note) Unlisted shares (156 million yen in the consolidated balance sheets) are not included under "Other securities" in the table above since quoted market value is not available and is deemed to be extremely difficult to measure.

Current consolidated fiscal year (September 30, 2017)

	Classification	Book value in consolidated balance sheets (millions of yen)	Original purchase value (millions of yen)	Differences (millions of yen)
Securities for which the amounts in the consolidated balance sheets exceeds the original purchase value	(1) Stocks	4,936	3,646	1,289
	(2) Bonds			
	Corporate bonds	—	—	—
	Subtotal	4,936	3,646	1,289
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value	(1) Stocks	—	—	—
	(2) Bonds			
	Corporate bonds	18,293	18,679	(385)
	Subtotal	18,293	18,679	(385)
Total		23,230	22,326	903

(Note) Unlisted shares (156 million yen in the consolidated balance sheets) are not included under "Other securities" in the table above since quoted market value is not available and is deemed to be extremely difficult to measure.

2. Other Securities Sold

Previous consolidated fiscal year (September 30, 2016)

Classification	Proceeds from sales (millions of yen)	Total gains on sales (millions of yen)	Total losses on sales (millions of yen)
(1) Stocks	250	—	—

(2) Bonds			
Corporate bonds	—	—	—
Total	250	—	—

Current consolidated fiscal year (September 30, 2017)

Not applicable.

3. Securities for Which Impairment Losses Are Recognized

Not applicable.

(Notes to Derivatives)

1. Derivative Transactions for Which Hedge Accounting Is Not Applied

Not applicable.

2. Derivative Transactions for Which Hedge Accounting Is Applied

Not applicable.

(Notes to Retirement Benefits)

1. Overview of the Retirement Benefit System in Use

The Company and its two consolidated subsidiaries have contributory and non-contributory defined benefit retirement plans (retirement lump-sum plan) and a defined contribution pension plan to cover retirement benefits to employees.

Under the retirement lump-sum plan, the Company pays a lump-sum retirement benefit based on employees' salary and period of service. The Company establishes a retirement benefit trust for the retirement lump-sum plan.

Although the Company is a member of a multiemployer pension plan called the Japan Computer Information Service Employees' Pension Fund ("*zenkoku joho sabisu sangyo kigyo nenkin kikin*"), the portion of pension assets that the Company contributes is recognized similar to the defined benefit plan because the amount cannot be reasonably calculated.

Japan Computer Information Service Employees' Pension Fund ("*zenkoku joho sabisu sangyo kosei nenkin kikin*"), to which the Company had subscribed, was dissolved as approved by the Minister of Health, Labour and Welfare on July 1, 2017. As such, the fund has been transferred on the same day to a new corporate pension system, Japan Computer Information Service Employees' Corporate Pension Fund ("*zenkoku joho sabisu sangyo kigyo nenkin kikin*"), established as a new successor system. No additional bearing of expenses is estimated which may arise from the dissolution of Japan Computer Information Service Employees' Pension Fund ("*zenkoku joho sabisu sangyo kosei nenkin kikin*").

2. Defined Benefit Retirement Plan

(1) Adjustment of balance of retirement benefit obligations at the beginning and end of fiscal years

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Balance of retirement benefit obligations at beginning of year	4,619million yen	5,512million yen
Service costs	283	321
Interest costs	46	－
Actuarial differences	723	(106)
Retirement benefits paid	(159)	(131)
Balance of retirement benefit obligations at end of year	5,512	5,595

(2) Adjustment of balance of pension assets at the beginning and end of fiscal years

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)

Balance of pension assets at beginning of year	3,801 million yen	3,929 million yen
Expected returns	—	—
Actuarial differences	128	(2)
Contributions by employer	—	—
Retirement benefits paid	—	—
Balance of pension assets at end of year	3,929	3,927

(3) Adjustment of balance of retirement benefit obligations and pension assets at the end of the fiscal years, and net retirement benefit obligations and assets recognized in the consolidated balance sheets

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Contributory retirement benefit obligations	5,045million yen	5,113million yen
Pension assets	(3,929)	(3,927)
	1,115	1,186
Non-contributory retirement benefit obligations	467	482
Net obligations and assets in the consolidated balance sheets	1,583	1,668
Retirement benefit liabilities	1,583	1,668
Net obligations and assets in the consolidated balance sheets	1,583	1,668

(4) Retirement benefit expenses and breakdown

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Service costs	283million yen	321million yen
Interest costs	46	—
Expected returns	—	—
Amount of actuarial differences treated as expenses	723	(106)
Retirement benefit expenses under the defined retirement benefit plan	1,053	215

(5) Pension assets

(i) Major pension assets

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Bonds	－%	13%
Cash and deposits	100	87
Total	100	100

(Note) All pension assets are the retirement benefit trust established for the Company's defined retirement benefit plan.

(ii) Basis for expected long-term rate of return on pension assets

The Company has a basic policy to cover the trust expenses with operation profit and does not have an expected long-term rate of return on pension assets.

(6) Basis for actuarial calculations

Basis for major actuarial calculations

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Discount rate	0.00%	0.00%
Expected long-term rate of return	－%	－%
Expected increase in salary	1.00-1.85%	1.00-1.85%

3. Defined Contribution Plan

The amount of necessary contributions to the defined contribution plan of the Company and its consolidated subsidiaries was 237 million yen for the previous consolidated fiscal year, and 248 million yen for the current consolidated fiscal year.

4. Multiemployer Pension Plan

The amount of necessary contributions to the employees pension fund plan under the multiemployer pension plan, which is recognized in the same manner as the defined contribution plan, was 120 million yen for the previous consolidated fiscal year, and 115 million yen for the current consolidated fiscal year.

(1) Reserve fund for multiemployer pension plan

	Previous consolidated fiscal year (March 31, 2016)	Current consolidated fiscal year (March 31, 2017)
Pension assets	727,403 million yen	738,049 million yen
Total of actuarial liabilities based on pension plan finance calculation and minimum policy reserves	706,662	722,844
Differences	20,740	15,205

(2) Coverage ratio of the Group in the multiemployer pension plan

Previous consolidated fiscal year: 1.52% (Started April 1, 2015; ended March 31, 2016)
Current consolidated fiscal year: 1.63% (Started April 1, 2016; ended March 31, 2017)

(3) Supplementary information

The ratio in (2) above does not match the actual self-pay ratio of the Company.

(Notes to Stock Option Plans)

1. Expenses Related to Stock Options

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Selling, general and administrative expenses	48	46

2. Description, Scale and Fluctuation of Stock Option Plans

(1) Details of stock options

	1st subscription rights to shares	2nd subscription rights to shares	3rd subscription rights to shares	4th subscription rights to shares
Position and number of grantees	9 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors)	10 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 13 Executive Officers of the Company	10 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 13 Executive Officers of the Company	11 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 17 Executive Officers of the Company
Number of stock options by class (Note) (Note)	Common stock: 27,000 shares	Common stock: 37,600 shares	Common stock: 34,400 shares	Common stock: 28,100 shares
Date of grant	March 12, 2012	December 7, 2012	December 9, 2013	May 12, 2014
Conditions for vesting	n/a	n/a	n/a	n/a
Required period of service	Not provided	Not provided	Not provided	Not provided
Period stock options can be exercised	From March 13, 2012 to March 12, 2047	From December 8, 2012 to December 7, 2047	From December 10, 2013 to December 9, 2048	From December 13, 2014 to December 12, 2049

	5th subscription rights to shares	6th subscription rights to shares
Position and number of grantees	9 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 21 Executive Officers of the Company	9 Directors of the Company (excluding Outside Directors) 2 Auditors of the Company (excluding Outside Auditors) 22 Executive Officers of the Company
Number of stock options by class (Note) (Notes)	Common stock: 18,200 shares	Common stock: 18,100 shares
Date of grant	December 11, 2015	December 12, 2016
Conditions for vesting	n/a	n/a

Required period of service	Not provided	Not provided
Period stock options can be exercised	From December 12, 2015 to December 11, 2050	From December 13, 2016 to December 12, 2051

(Note) Number of stock options is exchanged to the number of common stock.

(2) Scale and fluctuation of stock options

The following summarizes the stock options that existed during the current consolidated fiscal year (year ended September 2017). Number of stock options is exchanged to the number of common stock.

(i) Number of stock options

	1st subscription rights to shares	2nd subscription rights to shares	3rd subscription rights to shares	4th subscription rights to shares
Before vesting (shares)				
At end of previous consolidated fiscal year	—	—	—	—
Granted	—	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Balance not vested	—	—	—	—
After vesting (shares)				
At end of previous consolidated fiscal year	17,500	26,700	30,800	25,100
Vested	—	—	—	—
Exercised	5,300	6,700	8,400	6,000
Forfeited	—	—	—	—
Balance not vested	12,200	20,000	22,400	19,100

	5th subscription rights to shares	6th subscription rights to shares
Before vesting (shares)		
At end of previous consolidated fiscal year	—	—
Granted	—	18,100
Forfeited	—	—
Vested	—	18,100
Balance not vested	—	—
After vesting (shares)		
At end of previous consolidated fiscal year	18,200	—
Vested	—	18,100
Exercised	2,000	2,100
Forfeited	—	—
Balance not vested	16,200	16,000

(ii) Per unit information

	1st subscription rights to shares	2nd subscription rights to shares	3rd subscription rights to shares	4th subscription rights to shares
Exercise price (yen)	1	1	1	1

Average market price of stock at time of exercise (yen)	3,105	3,105	3,105	3,105
Fair value per unit as of grant date (yen)	1,145	1,032	1,323	1,569

	5th subscription rights to shares	6th subscription rights to shares
Exercise price (yen)	1	1
Average market price of stock at time of exercise (yen)	3,105	3,105
Fair value per unit as of grant date (yen)	2,670	2,557

3. Method Used to Estimate the Fair Value of Stock Options

The fair value of the 6th issue of subscription rights to shares (stock options) granted in the current consolidated fiscal year was measured as follows.

(i) Valuation method used: The Black-Scholes model

(ii) Major base figures and estimations

	6th subscription rights to shares (stock options)
Expected volatility of stock (Notes) 1	24.484%
Expected option life (Notes) 2	8.5 years
Expected dividends (Notes) 3	68 yen/share
Risk-free interest rate (Notes) 4	(0.005%)

(Notes) 1. Expected volatility of stock is calculated based on the actual stock price data over the 8.5-year period (from June 2008 to December 2016).
2. Expected option life is calculated based on the period of time from the allotment date to the date on which the Directors, Auditors and Executive Officers are expected to lose their status.
3. Expected dividends are based on a total of 68 yen of actual dividends made, consisting of the year-end dividend of 33 yen for the period ended September 2015 and the interim dividend of 35 yen for the period ended September 2016.
4. Risk-free interest rate is calculated based on the yield of government bonds having a remaining life equal to the expected option life.

4. Method Used to Estimate the Number of Stock Options to Be Vested

Because it is difficult to rationally estimate the number of stock options that will be forfeited in the future, only the actual number of forfeited stock options is used in the estimation.

(Notes to Tax Effect Accounting)

1. Major Factors of Deferred Tax Assets and Deferred Tax Liabilities

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Deferred tax assets		
Software development costs	1,989million yen	2,139million yen
Provisions for bonuses	883	938
Retirement benefit liabilities	501	528
Retirement benefit trust	1,198	1,197
Retirement bonuses for directors payable	18	18
Accrued business tax	151	108
Valuation loss on investment securities	136	136
Legal welfare expenses corresponding to provisions for bonuses	141	138
Asset retirement obligations	113	107
Impairment losses	116	116
Valuation difference on available-for-sale securities	172	—
Other	206	205
Subtotal	5,629	5,636
Valuation allowance	(319)	(319)
Total deferred tax assets	5,310	5,317
Deferred tax liabilities		
Enterprise tax refund receivable	—	26
Retirement expenses corresponding to asset retirement costs	29	26
Valuation difference on available-for-sale securities	10	264
Other	0	0
Total deferred tax liabilities	40	317
Net deferred tax assets	5,269	5,000

(Note) Net deferred tax assets for the previous and current consolidated fiscal years are included in the following items in the consolidated balance sheets.

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Current assets - Deferred tax assets	2,079million yen	2,046million yen
Non-current assets - Deferred tax assets	3,190	2,953

2. Major Items Causing Significant Difference Between Statutory Income Tax Rate and Effective Income Tax Rate After Applying Tax Effect Accounting

	Previous consolidated fiscal year (September 30, 2016)	Current consolidated fiscal year (September 30, 2017)
Statutory income tax rate	32.8%	30.7%
(Adjusted)		
Inhabitant tax on per capita basis	0.9	0.8
Entertainment expenses, etc. not deductible for tax purposes	1.0	1.3
Tax credits for salary growth taxation system	(1.7)	(2.5)
Changes in assessment of year end deferred tax assets due to changes in tax rate	3.2	—
Other	0.3	0.0
Income tax rate after applying tax effect accounting	36.5	30.4

(Notes to Asset Retirement Obligations)

Previous consolidated fiscal year (ended September 30, 2016) and current consolidated fiscal year (ended September 30, 2017)

Information has been omitted as it was immaterial in terms of the amount of asset retirement obligations.

(Segment information, etc.)

[Segment information]

1. Overview of Reportable Segments

The Group's reportable segments are components of the Group for which separate financial information is available and which are subject to regular review by management for the purpose of determining the allocation of managerial resources and evaluating business performance.

The Group has three reportable segments for each of its business divisions: the Accounting Firm Business Division, the Local Governments Business Division, and the Printing Business Division.

Major services and products of each reportable segment are as follows:

[Accounting Firm BD] (Providing services & products to accounting firms and their clients)
Information processing service, software and consulting service, sales of office equipment and supplies.

[Local Governments BD] (Providing services & products to local governments (municipalities, etc.))
Information processing service, software and consulting service, sales of office equipment.

[Printing BD]
Computer-generated business forms, general office forms, data printing services, etc.

2. Methods of Calculating Net Sales, Profit or Loss, Assets and Other Items by Reportable Segments

Accounting methods for reported business segments are largely consistent with that methods described in the "Basis of Presenting the Consolidated Financial Statements" section.

Profits by reportable segments are figures of operating income of the segments.

Inter-segment sales and transfers are based on prevailing market values.

3. Information on Net Sales, Profit or Loss, Assets, and Other Items by Reportable Segments

Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)

(Unit: millions of yen)

	Reportable segment			Total	Adjustments (Notes) 1	Amounts in consolidated financial statements (Notes) 2
	Accounting Firm BD	Local Governments BD	Printing BD			
Sales						
Sales to outside customers	40,636	13,455	3,658	57,750	—	57,750
Inter-segment sales or transfers	10	0	1,930	1,942	(1,942)	—
Total	40,647	13,456	5,589	59,693	(1,942)	57,750
Segment profit	6,479	1,016	143	7,639	3	7,642
Segment assets	22,665	8,872	5,715	37,253	43,862	81,116
Other items						
Depreciation (Notes) 3	1,020	1,134	294	2,450	(1)	2,449
Investments in affiliated company under the equity method	261	—	—	261	—	261
Increase in property, plants and equipment and intangible assets (Notes) 3	2,586	1,829	144	4,559	—	4,559

(Notes) 1. Adjustments are as follows:

(1) Adjustments of segment profit of 3 million yen include 7 million yen for elimination of inter-segment transactions, and -3 million yen for adjustment of non-current assets.

(2) Adjustments of segment assets of 43,862 million yen include 44,246 million yen of corporate assets that are not allocated to specific reportable segments, and -384 million yen for elimination of inter-segment transactions. Corporate assets are primarily surplus funds of the parent company (cash and cash equivalents), and long-term investment funds (investments securities).

(3) Adjustments of depreciation of -1 million yen represent the unrealized profits.

2. Segment profit is adjusted with the operating profit presented in the Consolidated Statements of Income.

3. Increases in depreciation, property, plants and equipment and intangible assets include depreciation long-term prepaid expenses and depreciation of such expenses.

Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)

(Unit: millions of yen)

	Reportable segment			Total	Adjustments (Notes) 1	Amounts in consolidated financial statements (Notes) 2
	Accounting Firm BD	Local Governments BD	Printing BD			
Sales						
Sales to outside customers	42,325	13,717	3,662	59,705	—	59,705
Inter-segment sales or transfers	7	0	1,867	1,875	(1,875)	—
Total	42,332	13,718	5,530	61,581	(1,875)	59,705
Segment profit	7,818	576	166	8,561	5	8,567
Segment assets	22,918	9,143	5,813	37,875	47,552	85,428
Other items						
Depreciation (Notes) 3	1,068	1,354	294	2,717	(0)	2,716
Investments in affiliated company under the equity method	272	—	—	272	—	272
Increase in property, plants and equipment and intangible assets (Notes) 3	1,855	1,753	553	4,163	(0)	4,162

(Notes) 1 Adjustments are as follows:

(1) Adjustments of segment profit of 5 million yen include 5 million yen for elimination of inter-segment transactions, -2 million yen for adjustment of non-current assets and 2 million yen for adjustments of inventory assets.

(2) Adjustments of segment assets of 47,552 million yen include 47,896 million yen of corporate assets that are not allocated to specific reportable segments, and -343 million yen for elimination of inter-segment transactions. Corporate assets are primarily surplus funds of the parent company (cash and cash equivalents), and long-term investment funds (investments securities).

(3) Adjustments of depreciation of -0 million yen represent the unrealized profits.

(4) Adjustments of property, plants and equipment, and intangible assets of -0 million yen represent the unrealized profits.

2. Segment profit is adjusted with the operating profit presented in the Consolidated Statements of Income.

3. Increases in depreciation, property, plants and equipment and intangible assets include depreciation long-term prepaid expenses and depreciation of such expenses.

[Related information]

Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)

1. Information by Product and Service

Information is omitted since the same information is disclosed under the segment information.

2. Information by Geographic Area

(1) Sales

Information is omitted since more than 90% of sales in the Consolidated Statements of Income are sales to outside customers in Japan.

(2) Property, plants and equipment

Information is omitted since the Company has no property, plants and equipment in regions outside Japan.

3. Information by major customers

Information is omitted since there are no sales to external customers that account for 10% or more of the sales in the Consolidated Statements of Income.

Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)

1. Information by Product and Service

Information is omitted since the same information is disclosed under the segment information.

2. Information by Geographic Area

(1) Sales

Information is omitted since more than 90% of sales in the Consolidated Statements of Income are sales to outside customers in Japan.

(2) Property, plants and equipment

Information is omitted since the Company has no property, plants and equipment in regions outside Japan.

3. Information by Major Customers

Information is omitted since there are no sales to external customers that account for 10% or more of the sales in the Consolidated Statements of Income.

[Information on impairment losses of non-current assets by reportable segments]

Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)

(Unit: millions of yen)

	Reportable segment			Total	Adjustments	Amounts in consolidated financial statements
	Accounting Firm BD	Local Governments BD	Printing BD			
Impairment losses	—	—	1	1	—	1

Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)

(Unit: millions of yen)

	Reportable segment			Total	Adjustments	Amounts in consolidated financial statements
	Accounting Firm BD	Local Governments BD	Printing BD			
Impairment losses	0	—	—	0	—	0

[Information on amortization of goodwill and balance of goodwill by reportable segments]
Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)

Not applicable.

Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)

Not applicable.

[Information on gain on negative goodwill by reportable segments]
Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)

Not applicable.

Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)

Not applicable.

[Related Parties Information]

1. Related Parties Transactions

(1) Transactions between the Company and related parties

Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)

(i) Non-consolidated subsidiaries and affiliated companies of the Company

Type	Company name or name of individual	Address	Capital or investments (millions of yen)	Business or occupation	Holding (held) voting rights ratio (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Account	Year-end balance (millions of yen)
Subsidiary	TKC Financial Assurance K.K.	Shinjuku-ku, Tokyo	100	Financing business	(Holding) Direct (73.9)	Collaborations in business related to financing	Sale of shares (Note 1(i))	250	–	–
Affiliated companies	iMobile Inc.	Chiyoda-ku, Tokyo	262	Information providing services	(Holding) Direct (30.0)	Outsourcing of development and maintenance of website services.	Provision of funds (Note 1(ii))	250	Loan receivables	146

(Note) 1. Terms of transaction or policies on determining the terms of transaction

(i) The price at which the stocks were sold was approved by the resolution of the Board of Directors of TKC Financial Assurance K.K. (August 28, 2015), and is the same as that to other shareholders.

(ii)The interest rates for the loan was determined in a reasonable manner, taking the market interest rates into account.

(ii) Directors and major shareholders (individuals only) of the Company

Type	Company name or name of individual	Address	Capital or investments (millions of yen)	Business or occupation	Holding (held) voting rights ratio (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Account	Year-end balance (millions of yen)
Director	Hiroshi Ashikawa	–	–	Certified public tax accountant	(Held) Direct (0.0)	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Notes 1(i))	10	Accounts receivable	1
Near relative of director	Runako Iizuka (Near relative of Representative Director, Senior Managing Director and Executive Officer, Masanori Iizuka)	–	–	–	–	Leasing of buildings	Leasing of buildings (Notes 1(ii))	98	–	–
							Purchase of building and land (Notes 1 (iii))	126	–	–
Companies in which directors and near relatives hold majority voting rights	Certified public tax accounting firm TOP (Notes 2)	Numazu City, Shizuoka	6	Certified public tax accounting firm	–	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Notes 1(i))	12	Accounts receivable	1
	Certified public tax accounting firm Aoyama Accounting Firm (Notes 3)	Minato-ku, Tokyo	8	Certified public tax accounting firm	–	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Notes 1(i))	17	Accounts receivable	1
	Certified public tax accounting firm Ofuji Accounting Office (Notes 4)	Miyagino-ku, Sendai City, Miyagi	9	Certified public tax accounting firm	–	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Notes 1(i))	14	Accounts receivable	1

(Notes)1. Terms of transaction or policies on determining the terms of transaction

(i) Terms of transaction for the outsourcing of information processing are similar to the terms between other counterparts.

(ii) Rent expenses have been determined based on the result of survey by real estate agencies on rent expenses of other nearby buildings.

(iii) The purchase price of the building and land was determined by referring to the appraisal value assessed by a real estate appraiser.

2. The company was co-founded with Mr. Yasuyuki Saito, Director of the Company.
3. The company was co-founded with Mr. Kenji Matsumoto, Auditor of the Company.
4. The company was co-founded with a near relative of Mr. Kazuyuki Sumi, Representative Director, President and Executive Officer of the Company.
5. Consumption taxes are not included in the transaction amounts. Consumption taxes are included in the year-end balance.

Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)

(i) Non-consolidated subsidiaries and affiliated companies of the Company

Type	Company name or name of individual	Address	Capital or investments (millions of yen)	Business or occupation	Holding (held) voting rights ratio (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Account	Year-end balance (millions of yen)
Affiliated companies	iMobile Inc.	Chiyoda-ku, Tokyo	262	Information providing services	(Holding) Direct (30.0)	Outsourcing of development and maintenance of website services	Provision of funds (Note 1) Receipt of interest (Note 1)	24 1	Loan receivables	122

(Note) 1. Terms of transaction or policies on determining the terms of transaction
The interest rates for the loan was determined in a reasonable manner, taking the market interest rates into account.

(ii) Directors and major shareholders (individuals only) of the Company

Type	Company name or name of individual	Address	Capital or investments (millions of yen)	Business or occupation	Holding (held) voting rights ratio (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Account	Year-end balance (millions of yen)
Director	Hiroshi Ashikawa	—	—	Certified public tax accountant	(Held) Direct (0.0)	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Note 1(i))	11	Accounts receivable	0
Near relative of director	Masaharu Iizuka (Near relative of Representative Director, Senior Managing Director and Executive Officer, Masanori Iizuka)	—	—	—	(Held) Direct (3.4)	Exercise of subscription rights to shares	Exercise of subscription rights to shares (Note 1(ii))	52	—	—
						Acquisition of treasury stock	Acquisition of treasury stock (Note 1(iii))	92	—	—
Near relative of director	Runako Iizuka (Near relative of Representative Director,	—	—	—	—	Leasing of buildings	Leasing of buildings (Note 1 (iv))	49	—	—

	Senior Managing Director and Executive Officer, Masanori Iizuka)					Purchase of building and land	Purchase of building and land (Note 1 (v))	620	—	—
Companies in which directors and near relatives hold majority voting rights	certified public tax accounting firm Taguchi Partners Kaikei (Note 2)	Edogawa-ku, Tokyo	5	Certified public tax accounting firm	—	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Note 1(i))	10	Accounts receivable	1
	Certified public tax accounting firm Aoyama Accounting Firm (Note 3)	Minato-ku, Tokyo	8	Certified public tax accounting firm	—	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Note 1(i))	23	Accounts receivable	1
	Certified public tax accounting firm Ofuji Accounting Office (Note 4)	Miyagino-ku, Sendai City, Miyagi	9	Certified public tax accounting firm	—	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Note 1(i))	15	Accounts receivable	1

(Notes) 1. Terms of transaction or policies on determining the terms of transaction

(i) Terms of transaction for the outsourcing of information processing are similar to the terms between other counterparts.

(ii) The exercises of the subscription right to shares stated here represent the exercise of stock options occurred in the current consolidated fiscal year, the granting of which was resolved at the Board of Directors' Meeting on February 10, 2012, November 5, 2012, November 12, 2013, November 11, 2014, November 10, 2015 and November 8, 2016. The transaction amount is the amount obtained by multiplying the number of granted shares by the exercise of stock options during the current consolidated fiscal year by the amount paid at the time of exercise.

(iii) Share prices at the time of acquiring treasury stocks are based on the Tokyo Stock Exchange in off-hours trading (through the ToSTNeT-3 system).

(iv) Rent expenses have been determined based on the result of survey by real estate agencies on rent expenses of other nearby buildings.

(v) The purchase price of the building and land was determined by referring to the appraisal value assessed by a real estate appraiser.

2. The company was co-founded with Mr. Misao Taguchi, Director of the Company.

3. The company was co-founded with Mr. Kenji Matsumoto, Auditor of the Company.

4. The company was co-founded with a near relative of Mr. Kazuyuki Sumi, Representative Director, President and Executive Officer of the Company.

5. Consumption taxes are not included in the transaction amounts. Consumption taxes are included in the year-end balance.

(2) Transactions with consolidated subsidiaries and related parties to the Company

Not applicable.

2 Notes on the Parent Company and Important Affiliated Companies

(1) Information on the parent company

Not applicable.

(2) Summary of financial information of important affiliated companies

Not applicable.

(Earnings Per Share Information)

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Net assets per share	2,374.07 yen	2,551.70 yen
Earnings per share	179.65 yen	229.13 yen
Diluted earnings per share	178.88 yen	228.16 yen

(Note) The basis for calculating earnings per share and diluted earnings per share is as follows.

	Previous consolidated fiscal year (Started October 1, 2015; ended September 30, 2016)	Current consolidated fiscal year (Started October 1, 2016; ended September 30, 2017)
Earnings per share		
Profit attributable to owners of parent (millions of yen)	4,770	6,071
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent having the common shares (millions of yen)	4,770	6,071
Average number of shares outstanding (hundreds of shares)	265,514	264,962
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (millions of yen)	—	—
Number of common shares increased (hundreds of shares)	1,147	1,126
(Subscription rights to shares included in the above (hundreds of shares))	(1,147)	(1,126)
Outline of diluted shares not included in the calculation of diluted earnings per share for not having dilutive effect	――――――――――――	

(Subsequent Events)

Not applicable.

(v) [Consolidated Supplementary Schedules]

[Schedule – Corporate Bonds]

Not applicable.

[Schedule – Borrowings]

Category	Balance at beginning of year (millions of yen)	Balance at end of year (millions of yen)	Average interest rate (%)	Terms of repayment
Short-term debts	40	—	1.00	—
Current portion of long-term debts	71	71	0.83	—
Current portion of lease obligations	290	353	—	—
Long-term debts (excluding current portion of long-term debts)	295	223	0.83	From October 5, 2018 to October 29, 2021
Lease obligations (excluding current portion of lease obligations)	689	746	—	From October 22, 2018 to April 27, 2024
Other interest-bearing debts Accounts payable – installment purchases	149	98	0.53	From October 22, 2017 to May 22, 2020
Total	1,551	1,495	—	—

(Notes) 1. The weighted average interest rates applicable to the year-end balance of borrowings are indicated for average interest rates.

2. The average interest rate for lease obligations is not included because the amount of lease obligations in the consolidated balance sheets represents the total amount of lease payment before deducting interest.

3. Repayment of long-term debts, lease obligations (excluding current portion) and other interest-bearing debts (excluding current portion) scheduled within 5 years from the consolidated settlement date is as follows.

	After 1 year but within 2 years (millions of yen)	After 2 years but within 3 years (millions of yen)	After 3 years but within 4 years (millions of yen)	After 4 years but within 5 years (millions of yen)
Long-term debts	71	71	71	9
Lease obligations	319	204	115	50
Other interest-bearing debts	36	24	—	—

[Schedule – Asset Retirement Obligations]

Information has been omitted as it was immaterial in terms of the amount of asset retirement obligations.

(2) [Other]

Quarterly financial information for the current consolidated fiscal year

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Current consolidated fiscal year
Sales (millions of yen)	13,423	30,207	44,625	59,705
Quarterly profit before income taxes (current FY) (millions of yen)	1,625	4,893	7,185	8,798
Quarterly profit attributable to owners of parent (Current FY) (millions of yen)	1,082	3,306	4,748	6,071
Quarterly earnings per share (current FY) (yen)	40.75	124.54	178.97	229.13

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly earnings per share (yen)	40.75	83.79	54.42	50.12

2 [Financial Statements, etc.]

(1) [Financial Statements]

(i) [Balance Sheets]

(Unit: millions of yen)

	Previous fiscal year (September 30, 2016)	Current fiscal year (September 30, 2017)
Assets		
Current assets		
Cash and deposits	16,575	17,185
Accounts receivable	*1 5,383	*1 5,542
Lease investment assets	238	269
Merchandise	198	125
Work in progress	69	243
Raw materials and stored items	124	110
Prepaid expenses	341	328
Accounts receivable – other	*1 76	*1 145
Deferred tax assets	1,909	1,890
Other	*1 325	*1 414
Provisions for bad debts	(35)	(31)
Total current assets	25,207	26,225
Non-current assets		
Property, Plants and Equipment		
Buildings	5,772	5,905
structures	154	138
Vehicles	0	0
Tools, furniture and fixtures	1,159	1,220
Land	6,352	6,667
Construction in progress	—	569
Total property, plants and equipment	13,439	14,502
Intangible Assets		
Software	2,817	2,683
Software in progress	694	953
Telephone subscription rights	26	25
Other	0	0
Total intangible assets	3,538	3,663
Investments and other assets		
Investment securities	19,853	23,250
Stocks of subsidiaries and affiliates	502	502
Investments in capital	100	0
Long-term loans	*1 172	*1 80
Long-term prepaid expenses	340	331
Deferred tax assets	2,998	2,737
Long-term deposits	7,000	6,000
Guarantee deposits	1,265	1,272
Long-term lease investment assets	601	459
Other	10	9
Total investments and other assets	32,845	34,643
Total non-current assets	49,822	52,809
Total assets	75,030	79,034

(Unit: millions of yen)

	Previous fiscal year (September 30, 2016)	Current fiscal year (September 30, 2017)
Liabilities		
Current liabilities		
Accounts payable – trade	*1 2,468	*1 2,252
Lease obligations	238	269
Accounts payable – other	*1 1,916	*1 2,213
Income taxes payable	2,127	1,403
Accrued business office taxes	51	53
Consumption taxes payable	397	502
Advances received	978	1,026
Deposits received	331	463
Provisions for bonuses	2,660	2,810
Accounts payable – facilities	*1 329	*1 511
Other	—	0
Total current liabilities	11,500	11,507
Fixed liabilities		
Lease obligations	601	459
Provisions for retirement benefits	1,115	1,186
Other	442	413
Total fixed liabilities	2,159	2,059
Total liabilities	13,660	13,567
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus		
Legal capital surplus	5,409	5,409
Other capital surplus	10	—
Total capital surplus	5,419	5,409
Retained earnings		
Legal retained earnings	688	688
Other retained earnings		
General reserve	46,557	48,957
Retained earnings brought forward	3,527	4,900
Total retained earnings	50,773	54,546
Treasury stock	(347)	(964)
Total shareholders' equity	61,545	64,690
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(351)	597
Total valuation and translation adjustments	(351)	597
Subscription rights to shares	176	178
Total net assets	61,370	65,466
Total liabilities and net assets	75,030	79,034

(ii) [Profit and Loss Statement]

(Unit: millions of yen)

	Previous fiscal year (Started October 1, 2015; ended September 30, 2016)	Current fiscal year (Started October 1, 2016; ended September 30, 2017)
Net sales	*1 53,361	*1 55,175
Cost of sales	*1 17,862	*1 17,942
Gross profit	35,499	37,233
Selling, general and administrative expenses	*1,*2 28,069	*1,*2 28,978
Operating profit	7,429	8,254
Non-operating income		
Interest income	*1 39	*1 31
Dividend income	113	118
Land & rent income	*1 38	*1 39
Other	*1 45	*1 29
Total non-operating income	236	219
Non-operating expenses		
Treasury stock acquisition expenses	—	0
Foreign exchange losses	0	0
Total non-operating expenses	0	0
Ordinary income	7,665	8,473
Extraordinary income		
Gains on sale of non-current assets	11	2
Gain on reversal of asset retirement obligations	—	23
Total extraordinary income	11	25
Extraordinary losses		
Loss on disposal of non-current assets	33	3
Loss on disposal of software	—	15
Valuation loss on stocks of subsidiaries and affiliates	287	—
Impairment losses	—	0
Total extraordinary losses	321	19
Profit before taxes	7,355	8,479
Income taxes – current	3,201	2,713
Income taxes – deferred	(388)	(134)
Total income taxes	2,813	2,578
Profit	4,542	5,900

[Report on cost of sales]

(A) Cost of sales on information processing, software and consulting services

Category	Notes	50th Term (Started October 1, 2015; ended September 30, 2016) Amount (millions of yen)		Ratio (%)	51st Term (Started October 1, 2016; ended September 30, 2017) Amount (millions of yen)		Ratio (%)
I Materials costs			3,347	27.7		3,375	28.1
II Labor costs	*1		2,176	18.0		2,033	17.0
III Expenses							
1. Computer rental expenses		350			427		
2. Maintenance contracts		1,377			1,316		
3. Depreciation		529			558		
4. Repairs and maintenance expenses		641			640		
5. Supplies expenses		1,493			1,333		
6. Other		2,157	6,549	54.2	2,308	6,585	54.9
Total expenses			12,074	100.0		11,994	100.0
Works in progress and inventories at beginning of year			150			69	
Transfers from other accounts	*2		1,052			1,234	
Total			13,276			13,298	
Works in progress and inventories at end of year			69			243	
Transfers to other accounts	*3		1,131			1,354	
Cost of sales on information processing, software and consulting services			12,076			11,700	

(Notes) 1. Labor costs include the following provisions. Figures in (parentheses) denote amounts for the previous fiscal year.
Provisions for bonuses: 429 million yen (438 million yen)
Retirement benefit expenses: 37 million yen (89 million yen)
2. Transfers from other accounts represent the transfer of depreciation of software.
3. Transfers to other accounts represent the transfer of software development costs into software and software in progress accounts.
4. Costs are determined using job order costing by project.

(B) Cost of sales on office equipment and supplies

Category	Notes	50th Term (Started October 1, 2015; ended September 30, 2016) Amount (millions of yen)	Ratio (%)	51st Term (Started October 1, 2016; ended September 30, 2017) Amount (millions of yen)	Ratio (%)
I Inventories at beginning of year		117	2.0	198	3.1

II Purchases		5,866	98.0	6,170	96.9
Total		5,984	100.0	6,368	100.0
III Inventories at end of year		198		125	
Cost of sales on office equipment and supplies		5,786		6,242	

(iii) [Statement of Changes in Equity]

Previous fiscal year (Started October 1, 2015; ended September 30, 2016)

(Unit: millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of year	5,700	5,409	10	5,419	688	44,457	3,155	48,301
Changes of items during the period								
Provision of general reserve						2,100	(2,100)	—
Dividends of surplus							(2,071)	(2,071)
Profit							4,542	4,542
Acquisition of treasury stock								
Disposal of treasury stock			0	0				
Changes of items other than shareholders' equity (net)								
Total changes of items during the period	—	—	0	0	—	2,100	371	2,471
Balance at end of year	5,700	5,409	10	5,419	688	46,557	3,527	50,773

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of year	(346)	59,074	492	492	127	59,694
Changes of items during the period						
Provision of general reserve		—				—
Dividends of surplus		(2,071)				(2,071)
Profit		4,542				4,542
Acquisition of treasury stock	(1)	(1)				(1)
Disposal of treasury stock	0	0				0
Changes of items other than shareholders' equity (net)			(843)	(843)	48	(794)

Total changes of items during the period	(1)	2,470	(843)	(843)	48	1,675
Balance at end of year	(347)	61,545	(351)	(351)	176	61,370

Current fiscal year (Started October 1, 2016; ended September 30, 2017)

(Unit: millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of year	5,700	5,409	10	5,419	688	46,557	3,527	50,773
Changes of items during the period								
Provision of general reserve						2,400	(2,400)	—
Dividends of surplus							(2,122)	(2,122)
Profit							5,900	5,900
Acquisition of treasury stock								
Disposal of treasury stock			(10)	(10)			(5)	(5)
Changes of items other than shareholders' equity (net)								
Total changes of items during the period	—	—	(10)	(10)	—	2,400	1,373	3,773
Balance at end of year	5,700	5,409	—	5,409	688	48,957	4,900	54,546

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of year	(347)	61,545	(351)	492	176	61,370
Changes of items during the period						
Provision of general reserve		—				—
Dividends of surplus		(2,122)				(2,122)
Profit		5,900				5,900
Acquisition of treasury stock	(677)	(677)				(677)
Disposal of treasury stock	59	44				44
Changes of items other than shareholders' equity (net)			948	948	2	950
Total changes of items during the	(617)	3,145	948	948	2	4,096

period						
Balance at end of year	(964)	64,690	597	597	178	65,466

[Notes to Financial Statements]

(Principal Accounting Policies)

1. Standards and Methods Used for the Valuation of Assets

(1) Standards and methods used for the valuation of securities

(i) Stocks of subsidiaries and affiliates

Stated at cost determined by the moving average method

(ii) Available-for-sale securities

1) Available-for-sale securities with market value

Stated at fair market value based on the quoted market price as of the fiscal year-end (related valuation differences are directly charged or credited to the shareholders' equity, and cost of securities sold is calculated by the moving average method)

2) Available-for-sale securities without market value

Stated at cost determined by the moving average method

(2) Standards and methods used for the valuation of inventory assets

(i) Merchandise, raw materials

Cost determined by first-in, first-out method (with balance sheet values reflecting write-downs for decreased profitability).

(ii) Work in progress

Cost determined by cost percentage method or specific identification method and adjusted based on percentage of completion (with balance sheet values reflecting write-downs for decreased profitability).

(iii) Supplies

Last purchase price method (with balance sheet values reflecting write-downs for decreased profitability).

2. Depreciation of Non-current Assets

(1) Property, plants and equipment

Calculated based on declining balance method, except for buildings acquired after April 1, 1998 (excluding accompanying facilities) and accompanying facilities and structures acquired after April 1, 2016, which are calculated based on straight-line method.

(2) Intangible Assets

(i) Software

1) Software for sale

Software for sale are amortized and stated at the higher of amortization based on estimated sales volume in the future, and amortization at a constant periodic rate based on remaining effective life (within 3 years).

2) Software for internal use

Amortized using straight-line method with an estimated in-house useful life of five years.

(ii) Other intangible assets

Amortized using the straight-line method.

3. Accounting Standards for Provisions

(1) Provisions for bad debts

In setting aside provisions for possible losses due to uncollectible receivables, provisions are recognized at the amounts calculated based on the historical rate of credit loss with respect to normal receivables, and at the amounts determined in consideration of collectability of individual receivables with respect to doubtful accounts and certain other receivables.

(2) Provisions for bonuses

Provisions for bonuses are recognized based on the estimated amounts of payment.

(3) Provisions for retirement benefits

In setting aside allowances for employees' retirement benefits, retirement benefit obligations and expected pension assets payable as of the end of the current fiscal year are recognized.

(i) Method of attributing expected benefits to date

In calculating retirement benefit obligations, expected benefits are attributed to the period up until the end of the fiscal year based on benefit formula standards.

(ii) Recognizing actuarial differences as expenses

Actuarial differences are recognized as expense for the fiscal year in which they occur.

4. Accounting Standards for Revenues and Expenses

Accounting standards for recognizing revenues and cost of sales of made-to-order software (software development contracts)

(1) Projects for which the progress up to the end of the current fiscal year can be measured reliably

Accounted for by percentage-of-completion method (whereas, the degree of completion is estimated based on the construction cost percentage method).

(2) Other projects

Accounted for upon conclusion of contracts.

5. Other Important Matters Regarding the Preparation of Financial Statements

(1) Accounting method for consumption taxes and local consumption taxes

Consumption taxes are accounted for using the tax-exclusion method.

(2) Application of the consolidated taxation system

The consolidated taxation system is applied.

(Notes to Balance Sheets)

*1. Monetary claims and monetary liabilities on affiliated companies

	Previous fiscal year (September 30, 2016)	Current fiscal year (September 30, 2017)
Short-term monetary claims on affiliated companies	72million yen	85million yen
Short-term monetary claims on affiliated companies	122	80
Short-term monetary liabilities on affiliated companies	523	452

(Notes to Income Statements)

*1 Volume of transactions with affiliated companies

	Previous fiscal year (Started October 1, 2015: ended September 30, 2016)	Current fiscal year (Started October 1, 2016; ended September 30, 2017)
Volume of trading transactions		
Sales	66 million yen	65 million yen
Purchases	2,667	2,636
Operating expenses	1,173	1,128
Volume of non-operating transactions	10	9

*2 The approximate percentages of selling expenses were 56.4% for the previous fiscal year and 55.5% for the current fiscal year; percentages of general and administrative expenses were 43.6% and 44.5%, respectively.

Major items included in selling, general and administrative expenses are as follows.

	Previous fiscal year (Started October 1, 2015; ended September 30, 2016)	Current fiscal year (Started October 1, 2016; ended September 30, 2017)
Salaries	8,721 million yen	9,316 million yen
Provisions for bonuses	2,325	2,461
Retirement benefit expenses	1,086	474
Depreciation	529	555
Rent expenses	1,988	1,966
Research and development expenses	74	106

(Notes to Securities)

Stocks of subsidiaries and affiliates (the amounts in the previous fiscal year's balance sheet are 448 million yen for the stocks of subsidiaries and 54 million yen for the stocks of affiliates; and the amounts in the current fiscal year's balance sheet are 448 million yen for the stocks of subsidiaries and 54 million yen for the stocks of affiliates) are not presented here since quoted market value is not available and is deemed to be extremely difficult to measure.

(Notes to Tax Effect Accounting)

1. Major factors of deferred tax assets and deferred tax liabilities

	Previous fiscal year (September 30, 2016)	Current fiscal year (September 30, 2017)
Deferred tax assets		
Software development costs	1,862million yen	2,005million yen
Provisions for bonuses	816	862
Provisions for retirement benefits	340	362
Retirement benefit trust	1,198	1,197
Accrued business tax	141	102
Valuation loss on investment securities	174	174
Retirement bonuses for directors payable	17	17
Legal welfare expenses corresponding to provisions for bonuses	131	128
Asset retirement obligations	103	97
Impairment losses	112	112
Other	380	205
Subtotal	5,280	5,267
Valuation allowance	(345)	(346)
Total deferred tax assets	4,935	4,920
Deferred tax liabilities		
Enterprise tax refund receivable	—	26
Valuation difference on available-for-sale securities	—	242
Retirement expenses corresponding to asset retirement costs	27	24
Other	—	0
Total deferred tax liabilities	27	293
Net deferred tax assets	4,907	4,627

2. Major items causing difference between statutory income tax rate and effective income tax rate after applying tax effect accounting

	Previous fiscal year (September 30, 2016)	Current fiscal year (September 30, 2017)
Statutory income tax rate	32.8%	30.7%
(Adjusted)		
Inhabitant tax on per capita basis	1.0	0.8
Entertainment expenses, etc. not deductible for tax purposes for an indefinite period	1.0	1.3
Dividends received, etc. to be excluded from gross revenue for an indefinite period	(0.1)	(0.1)
Tax credits for salary growth taxation system	(1.6)	(2.4)
Reduction in assessment of year end deferred tax assets due to changes in tax rate	3.1	—
Other	2.0	0.0
Income tax rate after applying tax effect accounting	38.2	30.4

(Subsequent Events)

Not applicable.

(iv) [Supplementary Schedules]

[Schedule – Tangible Assets]

(Unit: millions of yen)

Category	Type of asset	Balance at beginning of year	Increase in current year	Decrease in current year	Depreciation in current year	Balance at end of year	Accumulated depreciation
Property, plants and equipment	Building	5,772	506	6	366	5,905	10,667
	structures	154	0	—	16	138	446
	Vehicles	0	—	—	0	0	44
	Tools, furniture and fixtures	1,159	550	2	486	1,220	5,450
	Land	6,352	314	—	—	6,667	—
	Construction in progress	—	703	134	—	569	—
	Total property, plants and equipment	13,439	2,075	142	868	14,502	16,608
Intangible assets	Software	2,817	1,352	15	1,472	2,683	2,419
	Software in progress	694	879	620	—	953	—
	Telephone subscription rights	26	—	0	—	25	—
	Other	0	0	—	0	0	0
	Total intangible assets	3,538	2,232	635	1,472	3,663	2,420

(Note) Major increases in tangible assets during the current fiscal year were attributable to the following:

Buildings	Acquisition of Kansai Consolidated Building	305 million yen
Land	Acquisition of Kansai Consolidated Land	314 million yen
Construction in progress	Construction of TKC Customer Support Center Building	569 million yen
Software	Development costs of software for sale	426 million yen
	Development costs of software for internal use	670 million yen
	Software purchased from outside	257 million yen

[Schedule – Provisions]

(millions of yen)

Item	Balance at beginning of year	Increase in current year	Decrease in current year	Balance at end of year
Provisions for bad debts	35	31	35	31
Provisions for bonuses	2,660	2,810	2,660	2,810

(2) [Major Assets and Liabilities]

This item is omitted as information has been disclosed in the consolidated financial statements.

(3) [Others]

Not applicable.

Part 6 [Stock-related Administration of the Company]

Fiscal year	From October 1 to September 30
Ordinary General Meeting of Shareholders	December
Record date	September 30
Record dates for dividends of surplus	September 30 March 31
Number of shares in one unit	100 shares
Buyback and increase of shares less than one unit	
Place of handling	(Special account) Mitsubishi UFJ Trust and Banking Corporation (Stock Transfer Agency Department) 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Forwarding office	――――――
Handling charges for buyback and increase	Amount stipulated separately as commission for entrusting sale or purchase of stock
Method of giving public notice	By means of electronic public notice. However, in the event that electronic notice is not possible due to incidents or other unavoidable circumstances, public notices will be posted in the Nihon Keizai Shimbun. TKC's website for public notices: http://www.tkc.jp/
Shareholder privileges	Not applicable.

(Note) In accordance with the provisions of TKC Corporation's Articles of Incorporation, holders of shares less than one unit shall have no rights other than: rights listed in the items of Article 189, Paragraph 2 of the Companies Act; rights to receive allotment of shares for subscription and subscription rights to shares based on the number of shares they hold; and rights to request the sale of shares less than one unit.

Part 7 [Reference Information on the Company]

1 [Information on the Parent Company]

TKC Corporation does not have a parent company as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2 [Other Reference Information]

TKC Corporation has filed the following documents between the beginning of the current fiscal year and the filing date of this Annual Securities Report.

(1) Annual Securities Report, Appendices and Confirmation Letter

Fiscal year (50th term) from October 1, 2015 to September 30, 2016, filed to the Director-General of the Kanto Local Finance Bureau on December 26, 2016.

(2) Internal Control Report and Appendices

Submitted to the Director-General of the Kanto Local Finance Bureau on December 26, 2016.

(3) Quarterly Securities Reports and Confirmation Letter

First quarter of 51st term (From October 1, 2016 to December 31, 2016), filed to the Director-General of the Kanto Local Finance Bureau on February 13, 2017.

Second quarter of 51st term (From January 1, 2017 to March 31, 2017), filed to the Director-General of the Kanto Local Finance Bureau on May 12, 2017.

Third quarter of 51st term (From April 1, 2017 to June 30, 2017), filed to the Director-General of the Kanto Local Finance Bureau on August 14, 2017.

(4) Extraordinary Reports

Submitted to the Director-General of the Kanto Local Finance Bureau on December 26, 2016.
Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights at General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs.
Submitted to the Director-General of the Kanto Local Finance Bureau on December 25, 2017.
Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights at General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs.

(5) Share Buyback Report

Reporting period (From February 10, 2017 to February 28, 2017), filed to the Director-General of the Kanto Local Finance Bureau on March 13, 2017.
Reporting period (From June 28, 2017 to June 30, 2017), filed to the Director-General of the Kanto Local Finance Bureau on July 13, 2017.
Reporting period (From July 1, 2017 to July 31, 2017), filed to the Director-General of the Kanto Local Finance Bureau on August 7, 2017.

Section 2 [Information on Guarantors, etc. of the Company]

Not applicable.

Independent Auditors' Audit Report and Internal Control Audit Report

December 22, 2017

To: The Board of Directors
TKC Corporation

Ernst & Young ShinNihon LLC

Designated Limited Liability Partner
Executing Partner Yasuo Sekiya (Seal)
Certified Public Accountant

Designated Limited Liability Partner
Executing Partner Yuichi Noda (Seal)
Certified Public Accountant

[Audit of financial statements]

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Information Section, namely, the consolidated statements of financial position of TKC Corporation and consolidated subsidiaries for the fiscal year from October 1, 2016 to September 30, 2017, which consists of the consolidated balance sheets, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, a basis of presenting the consolidated financial statements, and other related notes and consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TKC Corporation and consolidated subsidiaries as of September 30, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

[Audit of internal control]

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of TKC Corporation as of September 30, 2017.

Management's Responsibility for the Report on Internal Control

The Company's management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the management's report on internal control based on our internal control audit as independent auditors. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the internal control audit to obtain reasonable assurance about whether the management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the result of assessment on internal control over financial reporting in the management's report on internal control. The procedures selected depend on the auditors' judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes, including examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of the management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the management's report on internal control referred to above, which represents that the internal control over financial reporting of TKC Corporation as of September 30, 2017 is effectively maintained, and presents fairly, in all material respects, the result of the assessment of internal control over financial reporting in conformity with the assessments standards for internal control over financial reporting generally accepted in Japan.

Interest

Our firm and the executing partners have no interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

End of document

(*) 1. The above is a digitized version of the original copy of the Audit Report which is held in the custody by TKC Corporation (the Company filing this Annual Securities Report).
2. XBRL data is not included in the scope of audit.

Independent Auditors' Audit Report

December 22, 2017

To: The Board of Directors
TKC Corporation

Ernst & Young ShinNihon LLC

Designated Limited Liability Partner
Executing Partner Yasuo Sekiya (Seal)
Certified Public Accountant

Designated Limited Liability Partner
Executing Partner Yuichi Noda (Seal)
Certified Public Accountant

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the financial statements included in the Financial Information Section, namely, the statements of financial position of TKC Corporation for the 51st fiscal year from October 1, 2016 to September 30, 2017, which consists of the balance sheets, statements of income, statements of changes in equity, important accounting policies, and other related notes and supplementary schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan and for designing and operating such internal control as management determines necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TKC Corporation as of September 30, 2017, and its financial performance for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the executing partners have no interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

End of document

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