Annual Securities Report

(Report based on Article 24, Paragraph 1 of the
Financial Instruments and Exchange Act)
Fiscal year Started October 1, 2014
(49th Term) Ended September 30, 2015

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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Section 1 [Information on the Company]

Part 1 [Overview of the Company]

1 [Key Financial Data]

(1) Consolidated Financial Data, etc.

Fiscal year		45th Term	46th Term	47th Term	48th Term	49th Term
Year end		September 2011	September 2012	September 2013	September 2014	September 2015
Net Sales	(Millions of yen)	53,635	53,387	53,115	54,502	54,928
Ordinary income	(Millions of yen)	5,421	6,431	6,186	6,401	7,042
Net income	(Millions of yen)	3,000	3,112	3,685	3,604	4,011
Comprehensive income	(Millions of yen)	2,706	3,232	4,674	3,827	4,149
Total net assets	(Millions of yen)	51,945	53,958	57,421	59,906	62,630
Total assets	(Millions of yen)	67,037	69,588	72,723	75,266	76,836
Net assets per share	(Yen)	1,898.34	1,975.33	2,106.23	2,205.39	2,304.38
Net income per share	(Yen)	112.33	116.66	138.44	135.55	151.18
Diluted net income per share	(Yen)	-	116.60	138.19	135.15	150.63
Equity ratio	(%)	75.6	75.6	77.1	77.7	79.6
Return on equity	(%)	6.0	6.0	6.8	6.3	6.7
Price earnings ratio	(Times)	14.5	13.7	12.2	16.0	20.3
Cash flows from operating activities	(Millions of yen)	5,236	6,889	3,926	4,402	6,485
Cash flows from investing activities	(Millions of yen)	(3,293)	(2,634)	(2,026)	(2,873)	(4,558)
Cash flows from financing activities	(Millions of yen)	(1,211)	(1,324)	(1,291)	(1,125)	(1,333)
Cash and cash equivalents at end of year	(Millions of yen)	12,083	15,014	15,622	16,025	16,619
No. of employees	(No. of people)	2,473	2,558	2,521	2,503	2,500

(Notes) 1. Net Sales do not include consumption taxes, (consumption tax and local consumption tax; hereinafter the same).
2. Diluted net income per share is not stated for the 45th term as there were no dilutive shares.

(2) Financial Data, etc. of the Company

Fiscal year		45th Term	46th Term	47th Term	48th Term	49th Term
Year end		September 2011	September 2012	September 2013	September 2014	September 2015
Net Sales	(Millions of yen)	50,314	50,082	49,355	50,616	50,957
Ordinary income	(Millions of yen)	5,380	6,352	6,056	6,367	7,032
Net income	(Millions of yen)	2,990	3,110	3,626	3,581	4,073
Common stock	(Millions of yen)	5,700	5,700	5,700	5,700	5,700
Total number of issued shares	(Thousands of shares)	26,731	26,731	26,731	26,731	26,731
Total net assets	(Millions of yen)	49,149	51,112	54,479	56,934	59,694
Total assets	(Millions of yen)	62,503	64,765	67,819	69,882	71,234
Net assets per share	(Yen)	1,839.96	1,916.60	2,044.87	2,142.76	2,243.29
Dividends per share (Of the above interim dividends per share)	(Yen)	44 (22)	44 (22)	44 (22)	44 (22)	71 (33)
Net income per share	(Yen)	111.96	116.57	136.22	134.68	153.50
Diluted net income per share	(Yen)	-	116.51	135.98	134.28	152.94
Equity ratio	(%)	78.6	78.9	80.2	81.3	83.6
Return on equity	(%)	6.2	6.2	6.9	6.4	7.0
Price earnings ratio	(Times)	14.5	13.7	12.4	16.1	20.0
Dividend payout ratio	(%)	39.30	37.75	32.30	32.67	46.25
No. of employees	(No. of people)	2,228	2,266	2,231	2,203	2,201

(Notes)
1. Net Sales do not include consumption taxes.
2. Dividends per share for the 49th term include a dividend of 5 yen in commemoration of the Company's 50th anniversary.
3. Diluted net income per share is not stated for the 45th term as there were no dilutive shares.

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 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.
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.

Date	Company History
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).

3 [Description of Business]

The TKC Group (TKC Corporation and affiliated companies) consists of the Company, three 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 (1) Computer services by TKC Consolidated Information Centers (2) Computer services by the TKC Internet Service Center (TISC) 2. Software and consulting services (1) 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.
(2) Systems consulting services by specialized staff	(Others) TKC Security Services K.K., a subsidiary of the Company, provides security, maintenance and repair services for buildings owned by the Company.
3. Sales of office equipment Sales of system devices for use with TKC information service applications 4. Sales of supplies Sales of office supplies for computer-based accounting	

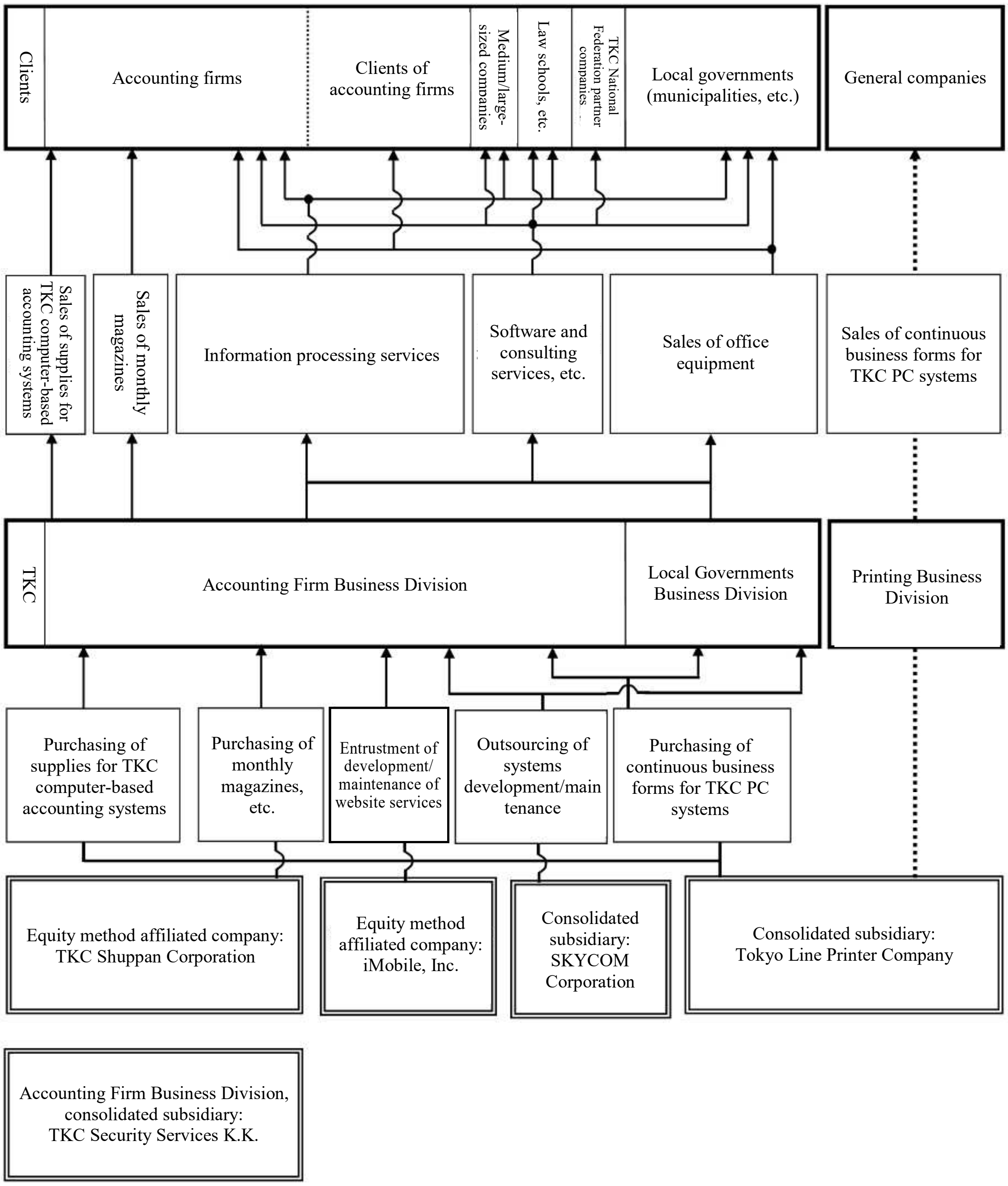
2 Local Governments Business

Main services/products	Positioning of the Company and affiliated companies
1. Information processing services (1) Computer services by the TKC Consolidated Information Center (2) Computer services by the TKC Internet Service Center (TISC) 2. Software and consulting services (1) Development and provision of software to be installed on system devices for information service applications (2) 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 held (%)	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 City, 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	262	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, 2015

Name of segment	Number of employees
Accounting Firm Business Division	1,575
Local Governments Business Division	526
Printing Business Division	172
Corporate (shared)	227
Total	2,500

(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, 2015

Number of employees	Average age (years)	Average years of service (years)	Average annual salary (yen)
2,201	38.1	14.9	6,577,048

Name of segment	Number of employees
Accounting Firm Business Division	1,467
Local Governments Business Division	526
Corporate (shared)	208
Total	2,201

(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 Group comprising of TKC Corporation and its five consolidated subsidiaries recorded a net sales of 54,928 million yen (increased 0.8% year-on-year), operating income of 6,741 million yen (increased 8.9% year-on-year), ordinary income of 7,042 million yen (increased 10.0% year-on-year), and current net income of 4,011 million yen (increased 11.3% year-on-year).

The Group's net sales, operating income, ordinary income and current net income all exceeded the previous fiscal year's performance with record-breaking figures in current sales and net profit.

Major factors include: the steady growth of orders for cloud services received by both the Accounting Firm and Local Governments Business Divisions (BDs); the Local Governments BD's release of software compatible with the launch of the new social security/tax number (My Number) system and the revised Basic Resident Register System; and the installation of systems to issue official certificates at convenience stores in government-designated cities and core cities. Increase in capitalized software development costs beyond the original budget, planned and efforts to curtail internal expenses also contributed to the high performance.

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

1) Net sales of the Accounting Firm BD was 39,067 million yen (decreased 1.8% year-on-year); operating income was 5,579 million yen (increased 2.4% year-on-year).

2) Computer service sales decreased 3.0% year-on-year. While the use of cloud services such as the FX4 Cloud Integrated Accounting Information System for mid-sized companies grew, the selling prices of computer-generated accounting books were lowered through system function enhancements to enable accounting firms and their clients to generate accounting books, formerly generated at the TKC Consolidated Information Center, from their own offices. This effort to increase FX series users lead to reduced sales.

3) Software sales increased by 5.2% year-on-year. This was due to growth in the FX4 Cloud user base and increase in sales from associated software rental services.

4) Sales from consulting services decreased 15.6% year-on-year. This was due to decrease in revenue from client/server system launch support services as a result of growth in FX4 Cloud system, leading users to shift from client/server systems to cloud services.

(5 Sales in PCs, servers and other hardware decreased 18.4% year-on-year. This was caused by decrease in demands for servers due to the increased transition to cloud services. Another factor was the lack of strong demand for PC replacements, which increased in the previous fiscal year when Microsoft's support for Windows XP ended and consumption tax rate was raised.

(2) Net sales of the Local Governments Business Division

1) Net sales of the Local Governments BD was 12,472 million yen (increased 8.9% year-on-year); operating income was 1,100 million yen (increased 51.6% year-on-year).

2) Sales from computer services increased 7.8% year-on-year. This was caused by increase in sales brought on by the snap general election of the House of Representatives and nationwide local elections, and increase in TISC service fees due to the growth of cloud services.

3) Software sales increased by 37.2% year-on-year. This was attributable to the releasing software compatible with the revised basic resident register system accompanying the launch of the My Number system, and also to the development and release of systems compatible with the Comprehensive Children and Child-rearing Support System and the FY2015 Revised Long-term Care Insurance System.

4) Sales from consulting services decreased 28.1% year-on-year. This was due to drop in sales of the local tax electronic declaration system, which sold well during the previous fiscal year but not in the current year.

(5 Sales in PCs, servers and other hardware decreased 37.7% year-on-year. Reduced orders in the current fiscal year was a result of growth in cloud system solutions and a drop from the strong PCs/servers/other hardware sales of the previous fiscal year prior to the consumption tax hike.

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

1) Net sales of the Printing BU was 3,388 million yen (increased 3.4% year-on-year); operating income was 54 million yen (increased 698.9% year-on-year).

2) Sales of data printing service-related products increased by 9.4% year-on-year. This was attributable to increases in orders received for articles relating to the snap general election of the House of Representatives, major government contract projects, and direct mail productions for other client companies.

3) Business form-related sales decreased by 6.5% year-on-year. This was due to declining demands for business forms despite the increase in regular large lot orders from the previous fiscal year, and also due to lack of large once-off orders from government offices that the Company enjoyed during the previous fiscal year.

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

The Accounting Firm BU operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2 Item 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 (10,900 members as of September 30, 2015), which consists of certified 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 the TKC National Federation ("TKCNF")

1) Policy and strategic targets in view of TKCNF's 50th anniversary (Year 2021)

Under its "Policy and strategic targets of TKCNF in view of its 50th anniversary," the TKC National Federation has set a strategic target to expand TKC member basis and achieve one million TKC Members' clients, and works proactively towards "providing support for the prosperity of SMEs."

Specific strategic goals are as follows:

(a) Number of TKC Member firms: Over 10,000 offices

(b) Number of certified public tax accountants at TKC Member firms: 15,000 accountants

(c) The "KFS Campaign": 500,000 companies for each project

K: (utilization of *Keizoku MAS* system)
F: (expansion of TKC's FX2 Self-accounting systems)
S: (implementation of "Shomen-tempu (tax audit report)" (Article 33-2 of CPTA Act); attachment and disclosure of "Certificate of Bookkeeping Timeliness" in financial statements; diffusion of "Chusho Kaikei Yoryo (Guidelines for SME accounting)")

(d) Number of TKC auditors conducting Field Audit: 20,000 auditors

(e) Number of subscribers of TKC Corporate Defense Plan: 300,000 companies

2) Important activity themes of TKCNF

TKCNF developed a roadmap to achieve these strategic goals under a universal theme, "Chance, Change and Challenge - Creating the Path to the Future. New Growth Strategy 2021 for TKC Accountants." The roadmap divides the years leading up to the 50th anniversary (2021) into 3 stages, and sets forth the following action plans for the first stage ending in December 2016:

(a) Enhance accounting leadership and contribute to the prosperity and success of companies;

(b) Promote the attachment of tax audit reports and strive to deliver flawless tax accounting;

(c) Improve the reliability of financial statements and strengthen ties with financial institutions;

(d) Participate in activities to expand the membership base and work to vitalize the organization.

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) TKC Management Strategy 2021

The Company announced the "TKC Management Strategy 2021" in January 2014. The strategy designed to support TKCNF achieve their strategic goals includes the Company's two priority initiatives to achieve over 10,000 TKC Member firms and 500,000 companies using TKC's self-accounting systems, and describes specific actions to be taken.

1) Support activities to achieve "Over 10,000 TKC Member Firms"

TKCNF initiated its Project 9501 in January 2015 in order to increase TKC membership to 9,501 or more offices by the end of September 2016.

The Company is working closely with TKCNF in soliciting new members to achieve this goal. During this fiscal year, we greeted nearly 150 non-member tax accountants at the New Members' Forum held in Fukuoka in November 2014 for TKC Members with memberships less than three years, and also hosted several seminars targeting non-member TAs.

After April 2015, the Company also encouraged non-member TAs to attend the My Number System Training Seminar for Accounting Firms for TKC Members which was held 142 times across Japan. More than 750 non-member TAs and accounting firm staff participated in the seminar, and was highly acclaimed as being "extremely useful, as the seminar not only provided explanation on the system itself, but also a clear indication of what accounting firms need to do."

These efforts resulted in the admission of 376 new members, exceeding this year's target (360 new members) and achieving a total number of 10,900 TKC Members and 9,200 offices (as of September 30, 2015).

2) Support activities to achieve "500,000 firms using TKC self-accounting systems"

(a) Activities to promote the use of self-accounting by SMEs (promotion of FX series)

The Company focuses on promoting the use of its self-accounting systems FX2 and e21-Meister (hereinafter, "the FX series") which provide owners of SMEs the tools to understand the financial conditions of their business in a timely manner and to review the progress of their business plans.

As part of the effort, we started offering the Legal Financial Accounting Tab method starting October 2014, which—in addition to the conventional method of printing account records at information centers—now enables clients of TKC Members to print their account records in-house through the FX series, and the OMS output method starting January 2015 for TKC Members to print accounting records of FX series user clients from the Tax Accountants Office Management System (OMS Cloud).

These measures are aimed to further enhance the product appeals of the FX series by providing a means to deliver accounting documents to clients in a timely manner, adding to the existing strengths of the system (such as: secure data storage at TKC data centers; benchmark with excellent company models using TKC management indicators, improved reliability of financial statements with the Certificate of Bookkeeping Timeliness (timely preparation of account books (Article 432 of the Companies Act), electronic tax filing certification). Further, the processing fees for these new output methods were set lower than conventional methods to offer greater advantage to TKC members and to accelerate the promotion of self-accounting systems.

The Company's activities during the fiscal year included: making appeals to TKC Members the advantages of promoting the use of self-accounting with the new output systems; assisting TKC Members in hosting meetings to promote self-accounting for the screening of target companies; and accompanying TKC Members on client visits to propose the implementation of FX series.

As a result of these activities, approximately 215,000 companies use the FX series as of September 30, 2015.

(b) Self-accounting promotion activities targeting mid-size companies (Promotion of FX4 Cloud)

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

During the fiscal year the Company supported TK Members for them to continue autonomous efforts in promoting the use of FX4 Cloud. Activities included: hosting in-house training sessions at offices of TKC Members that serve many large-scale clients; assisting TKC Members in hosting meetings to promote self-accounting; and accompanying TKC Members on client visits.

As a result of these activities, the number of FX4 Cloud users totaled approximately 7,600 companies as of September 30, 2015.

(c) Promoting participation in "Training on Annual Priority Themes" and follow-up with participants

The TKCNF held a training seminar on the annual priority themes entitled "Creating a Business Model for TKC Accountants— Learning from the Success of Highly Profitable TKC Members" at 80 venues nationwide between July and September. Approximately 4,600 firms and 6,800 attendees participated in the seminar.

Top-earning TKC Member Firms center their business operations around promoting FX series self-accounting, and demonstrated how they added value in the services using the FX series.

The Company positioned this training seminar as an opportunity to motivate firms in their initiatives to promote self-accounting, and encouraged the participation of TKC Members as well as offered ideas on promotional meetings and client visits.

(d) Tie-ups with Internet banking services

The Company plans to develop a new data application service capable of centrally managing transaction data of over 1,500 financial institutions nationwide, and to add data importing and automatic voucher issuing functions to the FX series.

This aims to support small businesses (individual business owners) who cannot spare the manpower for accounting operations to achieve speedy and accurate accounting by reducing the tasks of issuing slips from bank books, receipts, and invoices.

(3) Support activities for the TKCNF 7000 Project

In March 2013, the Japanese government initiated the Support Project for the Drafting of Business Improvement Plans. Under this project, approved support agencies consisting of TAs and CPAs will provide support in formulating business improvement plans to SMEs who are unable to do so on their own. The TKCNF launched the 7000 Project in April 2014 targeting to provide such support to 7,000 clients, and encouraged TKC Members to participate in this project. Further in February 2015, application deadlines for the use of support were abolished, and it has become a permanent responsibility of the approved support agencies to provide assistance in the formulation of business improvement plans. The entire TKCNF continues its engagement in such activities in response to the social expectations of tax accountants.

In order to support these activities, the Company established the TKC 7000 Project Promotion Support Headquarters in May 2015 as cross-departmental organization, and held the 7000 Project Practical Meetups throughout Japan and supported strengthening ties with credit guarantee corporations and financial institutions.

On system level, the Company upgraded its *Keizoku MAS* System to support the formulation of business improvement plans, and enhanced the functions of the Bank Report Button of the FX series to enable the monitoring of the plans.

On June 18, 2015 the Company, TKCNF and the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, JAPAN) signed a three-party Memorandum on Business Collaboration and Cooperation with the objectives of (1) strengthening ties between the three parties, and (2) enhancing support for SMEs. Our initiatives with TKCNF to support SMEs have been accepted and born fruit.

The Company intends to cooperate with TKCNF in such activities as promoting information exchanges with SME Support, JAPAN, dispatching of lecturers and establishing mutual aid schemes.

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

The Company issues a Certificate of Bookkeeping Timeliness in 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 corrections, insertions and deletions to past data, and TKC Corporation proves, as a third party, that TKC Members have visited 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 as of September 30, 2015, it is used to assess credibility for financial articles such as "Kiwame" introduced by The Bank of Tokyo-Mitsubishi UFJ as well as for other loan plans and preferential interest rates at 44 financial institutions in Japan including the Shoko Chukin Bank.

In the current fiscal year, we conducted aggressive promotional and advertising campaigns in order to increase awareness among corporate management that these unique features offered by the Company are highly acclaimed by financial institutions.

(5) Support for the My Number system

With the launch of the My Number system, companies are obliged to obtain the individual numbers of all employees, including non-regular employees and part-timers as well as their dependents, and implement security control measures as set forth in the "Act on the Use of Numbers to Identify a Specific Individual in the Administrative Procedure" and the "Guidelines for the Appropriate Handling of Specific Personal Information (for Business Operators)." The rules equally apply to accounting firms handling application procedures on behalf of these companies, and developing the appropriate management and operation procedures involves great burden and risk.

Against such backdrop, the Company upgraded the functions of its Office Management System for Tax Accounting Firms (OMS Cloud) to ensure the safe and appropriate management of My Number information entrusted to TKC Members from their clients, and is also in the process of developing and promoting PX My Portal (scheduled for release in November 2015), a cloud service that would provide TKC Members’ clients with a safe, secure and simple solution to collect, store and use My Number information, which will be offered as optional system to the Strategic Salary Information System (PX series).

Further, on August 24, 2015, TKCNF established a system to certify accounting firms that are well versed in the content and corporate practice under the My Number system as My Number System Advisor Firms. Certified advisor firms will use the Company's PX My Portal, and the Company endeavors to increase awareness on such firms and supports their operation.

As a result of these activities, the Company received orders for OMS Cloud from more than 450 firms which greatly exceeded the annual target (300 firms) and as of September 30, 2015, OMS Cloud is used by 6,100 firms.

(6) Support for the expansion of client base of TKC Members serving medium and large-size companies

While more and more medium and large-sized companies including many listed companies are preparing for overseas expansion as part of their consolidated group's growth strategies, those that have already expanded abroad are facing issues on the adequateness, accuracy and timely procurement of financial information from its overseas subsidiaries, and have a pressing needs to strengthen the group's global performance management structures. Further, with the optional exemptions of application of IFRS (International Financial Reporting Standards), there are more companies included listed companies to which the requirements apply. Additionally, revisions to the Companies Act (effective May 2015) call for companies to exercise tighter internal control systems within corporate groups that regulate the management of subsidiaries.

For tax-related issues, while the number of companies applying for consolidated tax payment is decreasing, companies are in need of solutions to handle increasingly complex tax effect calculations as a result of the tax system revisions in FY2015, including the staged reduction of effective statutory corporation tax rates. Moreover, the use of electronic tax filings by medium and large-size companies is increasing rapidly as all local municipalities now accept electronic filing of local taxes.

In light of these environmental changes, the Company actively promotes the TKC Consolidated Group Solution package for medium and 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, and the e-TAX series electronic tax filing system, etc.). The Company also released the cloud version of its "FAManager" fixed asset management system on August 26, 2015, which has been adopted by many companies.

During the fiscal year, the Company collaborated with the TKCNF's Medium and Large-size Support Research Committee (consisting of nearly 1,200 members as of September 30, 2015) in hosting seminars to discuss themes such as IFRS, revisions to the Companies Act, and revisions to the tax system. We also initiated cross sales activities targeting user companies by leveraging the advantages of the Company's systems, which encompass all aspects of account settlements and tax declaration on corporate group level.

As a result, the Enterprise Information Sales Department in charge of medium and large-size accounts achieved double-digit growth for the seventh consecutive year, and the number of companies using the TKC Consolidated Group Solution counted approximately 2,500 corporate groups (or about 16,000 companies) as of September 30, 2015.

(7) Support for overseas expansion

The Company promoted the use of the Overseas Business Monitor, which links overseas accounting systems in order to provide parent companies with easy-to-understand, real-time highlights on the performance of their overseas subsidiaries. The Company also entered into a comprehensive partnership agreement with Seibu Shinkin Bank on December 5, 2014 to provide overseas expansion support to SMEs, and in June 2015, held an overseas expansion support seminar to discuss how to manage the performance of Chinese subsidiaries.

(8) Expansion of markets for legal information database services

The LEX/DB Internet legal information database maintains an archive of over 270,000 judicial precedents, etc. (as of September 30, 2015) covering all legal fields from precedents set in the former Supreme Court dating back to 1875 to those most recently announced. The TKC Law Library is a comprehensive legal information database which uses the LEX/DB Internet as its core content and contains over 876,000 bibliographic information references and 46 databases of professional journals. As of September 30, 2015, the Library is used by over 15,000 institutions, including TKC Member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments.

In the current fiscal year, the Company formed a joint sales team with Gyosei Corporation in promoting the sales of the TKC Law Library basic service set along with practical contents on traffic accident-related and business-related legal affairs. We successfully hosted practical training seminars for law firms targeting lawyers with five years or less experience. The Company also began offering "Interpretations on Supreme Court Precedent," "New Business Law" and "References to Commercial-related Judicial Affairs" as new contents starting August 2015. The Company aims to bolster sales to attorneys, corporate legal offices and other practitioners of the law through these activities.

In the academic field, we continued to provide highly cost-efficient TKC Law School Educational Support System—Law School Package to law schools that are struggling in the tough managing environment. This package is currently in use at 70 schools. In addition, two new systems—the "Learning Support NAVI" and "Study Drills of Past Exams" were added to the current line of exercise systems included in the package 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 new functions enabling more students to create study plans, check their progress and study the necessary precedents in the lead up to the bar exam.

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. As of September 30, 2015, over 60 licenses are in use worldwide, with further growth anticipated in the future, particularly in the Asian regions.

3. 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 Item 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 TKC Government Cloud Service to municipalities with a population of up to about 500,000. 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 serves as a model for local government cloud systems that the Japanese government seeks to establish. According to surveys conducted by the government, only about 30% of local governments, both on individual and shared basis, uses cloud services for their mission-critical (resident registry, tax affairs, etc.) systems. Meanwhile, of the organizations using TKC's systems (180 agencies), almost half of the users, or 90 agencies have implemented cloud-based systems (as of September 30, 2015), including the Saitama Municipal Information System Standardization Promotion Council (18 municipalities), and the Ibaraki Municipal Cloud-based Mission-critical Task Operation Council (4 municipalities).

The Company also released the New Generation TASK Cloud (compatible with My Number system) in March 2015 as successor version to the TASK Cloud Service, offering support for the new social security/tax number (My Number) system and enhanced functionalities to ensure proper processing even by new or temporary staff who are unfamiliar with the tasks. During the current fiscal year, the Company prepared for the My Number notifications starting in October, while pursuing full-fledged promotional activities for local governments nationwide through events like the TASK Cloud Fair 2015 (held in 18 cities across Japan from June 30 to September 4, 2015). As a result, the Company received orders from about 20 agencies, all to be launched by the end of 2015.

(2) Expansion of cloud services for residents

With the introduction of individual Number (My Number) Cards in January 2016, issuing certificates at convenience store, and other new opportunities for services promoted by the Ministry of Internal Affairs and Communications will increase dramatically. In response, the Company provides the TASK Cloud Convenience Store Certificate Issuing System, eleven municipalities use this platform to provide certificate issuing services at convenience stores. Our extensive track record as the first cloud service for municipalities across Japan has attracted the interest of many local governments including government ordinance-designated cities, and we have received orders from 18 agencies including Kobe and Himeji of Hyogo Prefecture during the current fiscal year.

(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 inspection service for electronic filing of local taxes and the electronic tax payment service 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 over 40 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 more than 700 agencies (as of September 30, 2015).

This has also brought attention to our TASK cloud taxation document image management service as means to streamline taxation-related affairs and reduce associated costs. This service is used by over 30 agencies as of September 30, 2015.

(4) Compliance with revised laws and systems

1) Support for the My Number system

The Company added new system functions in connection with the introduction of the My Number system. We also hosted staff training events to support the smooth implementation of the new system at our client agencies, and presented systemized solutions to ensure information security that local agencies need to establish to achieve appropriate management of Individual Numbers (security control measures).

2) Support for the development of standardized local public accounting

With the announcement of the "Development and Promotion of Standardized Local Public Accounting (notice by the Ministry of Internal Affairs and Communications on January 23, 2015)," local governments are required to prepare financial statements in accordance with a set of uniform standards based on the introduction of double entry bookkeeping and creation of a fixed assets ledger by FY2017.

During this fiscal year, the Company worked to modified the TASK Cloud Public Accounting System, which provides support for daily bookkeeping (real-time conversion method), and the associated TASK Cloud Fixed Assets Control System to comply with the new standards, and proposed the new systems to local governments nationwide. As a result, the Company received orders from 11 agencies, including Nirasaki City and Hokuto City in Yamanashi Prefecture and Shimoda City in Shizuoka Prefecture.

3) Support for the joint reform of social security and taxation

Support for the Joint Reform of Social Security and Taxation is becoming a pressing issue for municipalities across Japan. The Company is working to provide systems that are fully compliant with the reforms in social security system undertaken in the areas of child birth and rearing, medical and nursing care, pensions, and measures to alleviate poverty, wealth disparity and low-income. In this fiscal year, the Company developed and released systems compatible with the new Comprehensive Children and Child-rearing Support System that started in April 2015 and the FY2015 revisions to the Long-term Care Insurance System.

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

The Group's Printing BU is engaged in the printing of business forms and manufacturing and sales of service and products around its data printing services.

While sales of business form printing continue to decline, the drop was minute in the current fiscal year thanks to regular orders from major clients received from the previous fiscal year. Meanwhile, data printing service sales increased which was attributable to increases in spot orders received for articles relating to the election, major government contract projects, and direct mail productions for other client companies, resulting in a 3.4% increase in sales over the previous fiscal year.

II. Cash flows

The balance of cash and cash equivalents as of the end of the current consolidated fiscal year increased by 593 million yen from the end of the previous consolidated fiscal year amounting to 16,619 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 6,485 million yen (2,082 million yen increase in revenue year-on-year). Major factors include the recognition of 6,962 million yen in net income before taxes and adjustments.

2. Cash Flows from Investing Activities

Cash flows from investing activities decreased by 4,558 million yen (1,684 million yen increase in spending year-on-year). Major factors include the payment of 6,338 million yen for the purchase of investments securities.

3. Cash Flows from Financing Activities

Cash flows from financing activities decreased by 1,333 million yen (207 million yen increase in spending year-on-year). Major factors include payment of 1,459 million yen for year-end dividends as of end of September 2014 and for interim dividends for the period ended September 2015.

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	39,067	98.2
Local Governments Business Division	12,472	108.9
Printing Business Division	3,388	103.4
Total	54,928	100.8

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

3 [Challenges Facing the Company]

Challenges faced by each division are as follows:

1. Challenges Faced by the Accounting Firm Business Division

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

(1) PC accounting systems is now a necessity even for small companies, and in many business negotiations the Company faces competition with other accounting system vendors. 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.

1) The strengths of the Company's systems lie in tax affairs and 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.

2) The most important feature of the Company's systems is that they are not mere 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) To achieve the strategic targets of the TKCNF, it is essential to increase TKC membership to exceed 10,000 offices as put forth by the TKCNF New Members & Services Committee. The Company will solicit membership in cooperation with TKC Members to contribute to the achievement of TKCNF's strategic target.

(3) The Company will provide support to enable clients of TKC Members to implement measures for the My Number system efficiently and to strengthen the ties between TKC Members and their clients, thus contribute to improving the profitability of TKC Members.

(4) The Company will increase the use base of the TKC Law Library by 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 to provide support to law firms.

2. Challenges Faced by the Local Governments Business Division

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

(1) Development of new resident services designed in anticipation of the My Number system

With the introduction of the My Number system in January 2016 and the commencement of information sharing in July 2017, municipalities are expected to provide new resident services using the My Number system to further improve convenience. The Company will develop new resident-orientated services in close connection with the New Generation TASK Cloud using the latest ICT found in tablet devices and smartphones while keeping an eye on government actions.

(2) Realization of optimal business processes

The Company's strength in the local governments field lies in the accessibility to TKC data centers where local governments across Japan can share a common system that our data centers operate (offered both for individual use and shared use by multiple agencies). The Company will leverage on this strength, and continue to develop systems to deliver optimal business processes at optimal costs by incorporating the benefits of cloud computing such as flexibility, extensibility and safety.

3. Challenges Faced by the Printing Business Division

The Company's Printing BU aims to "contribute to the direct communication capabilities of customers" and to "secure outsourcing contracts for back-office operations of customer." We have established our order receiving and production systems combining our analog and digital printing technologies to implement the following actions to increase sales from DPS (data print services) and BPO (business process outsourcing).

(1) We will focus on promoting sales of DPS-related products through the acquisition of new customers.

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

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

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

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

(6) We will strive to improve and maintain consistent quality, and enhance our quality inspections to prevent quality defects.

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

(8) As ISO14001 certified, environmentally-friendly company, we will further our efforts to reduce wasted paper, purify used pastes and switch to using soybean-derived inks.

4. Challenges Faced by the Entire Company

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

The business operations of the Company is 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 into 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 to identifying individuals, and 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. TISC also acquired the Assurance Reports on Controls at a Service Organization (Audit Report No. 86) based on JICPA Auditing and Assurance Practice Committee Practical Guideline No. 86.

Additionally, on October 12, 2015 the Company was among the first in Japan to acquire ISO/IEC27018 certification, an international standard specializing in the protection of personal information in relation to public cloud services. Acquiring this certification shows objectively that the Company uses and manages personal information — including My Number information of executives and employees of SMEs and residents that the Company receives from accounting firms and local governments — in a safe and secure manner under systems that are of the highest international level, and we feel that this will help raise the trust that our customers have in our 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, 2015).

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 fixed assets

The Accounting Standard for the Impairment of Fixed 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 public 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 124 million yen was spent on R&D in the current consolidated fiscal year, yielding the following results:

(1) Accounting Firm BD

Software developed by the Company includes FAManager, a cloud-based fixed asset management system designed for listed companies that uses rich data linking feature set to simplify the settling and entering of accounts pertaining to fixed assets, and PX My Portal, an optional add-on to the TKC payroll processing system (PX series) that enables users to manage My Numbers (individual numbers) in a safe, secure and easy manner.

Total research and development cost associated with this BU was 123 million yen.

(2) Local Governments BD

The Company developed the TASK Cloud Welfare Information Entry System, a cloud system used to enter welfare information.

Total research and development cost associated with this BU was 0 million yen.

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 76,836 million yen, a 1,570 million yen increase from 75,266 million yen in the previous consolidated fiscal year.

1) Current assets

Current assets as of the end of the current consolidated fiscal year amounted to 31,666 million yen, a 3,277 million yen decrease from 34,944 million yen of the previous consolidated fiscal year.

This was mainly attributable to 1,706 million yen decrease in Cash and deposits, and 1,274 million yen decrease in Notes and accounts receivable.

2) Non-current assets

Non-current assets as of the end of the current consolidated fiscal year amounted to 45,169 million yen, a 4,848 million yen increase compared to 40,321 million yen as of the previous consolidated fiscal year.

This was mainly attributable to an increase of 6,474 million yen in Investment securities, despite a 3,300 million yen decrease in Long-term deposits.

2. Liabilities

1) Current liabilities

Current liabilities as of the end of the current consolidated fiscal year amounted to 11,749 million yen, a 1,531 million yen decrease from13,281 million yen of the previous consolidated fiscal year.

This was mainly attributable to decrease of 755 million yen in Accounts payable, decrease of 268 million yen in Short-term debts, and decrease of 540 million yen in Income taxes payable.

2) Fixed liabilities

Fixed liabilities as of the end of the current consolidated fiscal year amounted to 2,456 million yen, a 378 million yen increase from 2,078 million yen of the previous consolidated fiscal year.

This was mainly attributable to a decrease of 340 million yen in Long-term debts payable included under Other, and a decrease of 265 million yen in Retirement benefit liabilities as a result of 800 million yen contribution to the retirement benefit trust, despite increases of 509 million yen in Lease obligations and 366 million yen in Long-term debts associated with the construction of the DPS Solutions Center for the Group’s subsidiary, Tokyo Line Printer Company.

3. Net assets

Total net assets as of the end of the current consolidated fiscal year amounted to 62,630 million yen, a 2,723 million yen increase compared to 59,906 million yen as of the previous consolidated fiscal year.

This was mainly attributable to an increase of 2,507 million yen in Retained earnings.

Capital-to-asset ratio as of the end of the current consolidated fiscal year was 79.6%, a 1.9% 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 5,200 million yen were made in the current consolidated fiscal year.

(1) Accounting Firm Business Division

Capital investment of 938 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 Business Division

Capital investment of 2,970 million yen was made for the development of software to provide services over the cloud system.

(3) Printing Business Division

Capital investment of 1,292 million yen was made for the construction of a new plant specializing in the data printing service operation.

2 [Major Property, Plants and Equipment]

(1) The Company

As of September 30, 2015

Name of office (Address)	Segments	Facilities	Book values (millions of yen)						Number of employees
			Buildings and structures	Machinery & vehicles	Land (Area in m^2)	Tools, furniture & 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 BD, Local Governments BD	Development facilities, information communication service facilities, information processing facilities	3,635	1	2,538 (25,755.02)	699	4,074	10,950	1,064
TKC Tokyo Head Office TKC Systems Development Research Center Tokyo Branch (Shinjuku-ku, Tokyo, etc.)	Accounting Firm BD, Local Governments BD	Office facilities	50	-	-	74	-	124	244
TKC Tokyo Consolidated Information Center (Nerima-ku, Tokyo)	Accounting Firm BD	Information processing facilities	255	-	2,224 (1,447.44)	16	-	2,495	28
TKC Chubu Consolidated Information Center (Kasugai City, Aichi)	Accounting Firm BD	Information processing facilities	60	-	196 (3,017.47)	13	-	271	21
TKC Kansai Consolidated Information Center (Ibaraki City, Osaka)	Accounting Firm BD, Local Governments BD	Information processing facilities, office facilities	112	-	-	17	-	129	35
TKC Chushikoku Consolidated Information Center (Kita-ku, Okayama City, Okayama)	Accounting Firm BD	Information processing facilities	21	-	-	6	-	27	11
TKC Kyushu Consolidated Information Center (Koga City, Fukuoka)	Accounting Firm BD	Information processing facilities	193	-	203 (2,341.48)	10	-	407	14
TKC Hokkaido Consolidated Information Center (Chuo-ku, Sapporo City, Hokkaido)	Accounting Firm BD	Information processing facilities	36	-	-	11	-	48	8
TKC Tohoku Consolidated Information Center TKC Tohoku SCG Service Center (Aoba-ku, Sendai City, Miyagi)	Accounting Firm BD	Information processing facilities	7	-	-	7	-	15	25
TKC Okinawa Consolidated Information Center TKC Okinawa SCG Service Center (Naha City, Okinawa)	Accounting Firm BD	Information processing facilities	7	-	-	4	-	11	10
TKC Ibaraki SCG Service Center (Tsukuba City, Ibaraki)	Accounting Firm BD, Local Governments BD	Office facilities	34	-	147 (1,120.00)	2	-	184	21
TKC Yamaguchi SCG Service Center (Yamaguchi City, Yamaguchi)	Accounting Firm BD	Office facilities	24	-	197 (814.00)	1	-	223	6
Dormitories, company housing (Utsunomiya City, Tochigi)	Accounting Firm BD, Local Governments BD	Welfare facilities	267	-	391 (5,326.69)	0	-	658	-

(2) Domestic subsidiaries

As of September 30, 2015

Company name	Name of office (Address)	Segments	Facilities	Book values (Millions of yen)						Number of employees
				Buildings and structures	Machinery & vehicles	Land (Area in m^2)	Tools, furniture & fixtures	Other	Total	
Tokyo Line Printer Company	Hanyu Plant (Hanyu City, Saitama)	Printing BD	Printing facilities	85	165	145 (7,275.17)	2	40	439	60
Tokyo Line Printer Company	DPS Solutions Center (Hanyu City, Saitama)	Printing BD	Printing facilities	573	363	110 (5,776.00)	13	93	1,152	39

(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 597 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, 2015) —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 Tochigi Head Office	Utsunomiya City, Tochigi	Accounting Firm BD, Local Governments BD	New office building	1,500	864	Self-funded	August 2015	April 2016	3,871m^2

(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.]

1) [Total number of shares]

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

2) [Issued shares]

Class	Number of shares issued as of end of current fiscal year (Shares) (September 30, 2015)	Number of shares issued as of the filing date (Shares) (December 25, 2015)	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:

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

	As of end of current fiscal year (September 30, 2015)	As of the end of the month prior to the filing date (November 30, 2015)
Number of subscription rights to shares	175	175
Number of own 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	17,500 (Note 1)	17,500 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares	1 yen	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	Price of issuing shares: 1,146 yen Amount of capitalization: 573 yen (Note 2)	Same as left
Conditions for exercise of subscription rights to shares	(Note 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	(Note 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 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 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 be 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) (hereafter 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 (hereafter, 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 Note 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 amount 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 Note 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 1), 2), 3), 4), or 5) 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, Item 4 of the Companies Act in case a resolution of the General Meeting of Shareholders is not required):
1) Resolution approving a merger agreement where the Company would become a dissolved company;
2) Resolution approving a company split agreement or a company split plan where the Company would become a split company;
3) Resolution approving a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary;
4) 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;
5) 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) Second Stock Option (Resolution of the Board of Directors on November 5, 2012)

	As of end of current fiscal year (September 30, 2015)	As of the end of the month prior to the filing date (November 30, 2015)
Number of subscription rights to shares	267	267
Number of own 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	26,700 (Note 1)	26,700 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares	1 yen	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	Price of issuing shares: 1,033 yen Amount of capitalization: 517 yen (Note 2)	Same as left
Conditions for exercise of subscription rights to shares	(Note 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	(Note 4)	Same as left

(Notes) 1. Refer to Note 1 under the section, "First Stock Option."
2. Refer to Note 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 an 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 Note 4 under the section, "First Stock Option."

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

	As of end of current fiscal year (September 30, 2015)	As of the end of the month prior to the filing date (November 30, 2015)
Number of subscription rights to shares	308	308
Number of own subscription rights to shares	-	-
Class of shares to be issued upon exercise of subscription rights to shares	Common shares	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	30,800 (Note 1)	30,800 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares	1 yen	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	Price of issuing shares: 1,324 yen Amount of capitalization: 662 yen (Note 2)	Same as left
Conditions for exercise of subscription rights to shares	(Note 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	(Note 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) (hereafter 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 (hereafter, 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 Note 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 the capital reserve occurring when issuing shares upon exercise of subscription rights to shares:
1) 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.
2) The amount of capital reserve to be increased shall be the amount calculated by subtracting the amount of capital increase stipulated in 1) above from the amount of maximum increase in capital described in 1) 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 Note 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, 1), 2), 3), 4), or 5) be approved at a General Meeting of Shareholders of the Company (or through a resolution of a Meeting of 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 Item 4 of the Companies Act in case a resolution of a General Meeting of Shareholders of the Company is not required):
1) Resolution approving a merger agreement where the Company would become a dissolved company;
2) Resolution approving a company split agreement or a company split plan where the Company would become a split company;
3) Resolution approving a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary;
4) 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;
5) 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.

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

	As of end of current fiscal year (September 30, 2015)	As of the end of the month prior to the filing date (November 30, 2015)
Number of subscription rights to shares	251	251
Number of own subscription rights to shares	-	-
Class of shares to be issued upon exercise of subscription rights to shares	Common shares	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	25,100 (Note 1)	25,100 (Note 1)
Amount to be paid in upon exercise of subscription rights to shares	1 yen	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	Price of issuing shares: 1,896 yen Amount of capitalization: 948 yen (Note 2)	Same as left
Conditions for exercise of subscription rights to shares	(Note 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	(Note 4)	Same as left

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

(3) [Exercise of 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, 2015

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 corporate bodies	Foreign corporate bodies, etc.		Other individuals	Total	
					Non-individuals	Individuals			
Number of shareholders	-	30	34	117	99	2	8,871	9,153	-
Number of shares held (Units)	-	80,523	3,589	61,856	32,819	6	88,093	266,886	42,433
Percentage of shares held (%)	-	30.2	1.3	23.2	12.3	0.0	33.0	100.0	-

(Notes) 1. Of the 177,653 shares held as treasury stock, 1,776 share units are included in "Other individuals" and 53 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, 2015

Names of shareholders	Address	Number of shares held (share units) (Thousands of shares)	Percentage of shares held to the total number of issued shares (%)
Iizuka Takeshi Scholarship Foundation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	3,652	13.7
Daido Life Insurance Company	1-2-1 Edobori, Nishi-ku, Osaka-shi, Osaka	2,569	9.6
TKC Employee Shareholding Association	2-1 Ageba-cho, Shinjuku-ku, Tokyo	1,610	6.0
Sozeishiryokan (Institute of Tax Research and Literature)	3-45-13 Minamidai, Nakano-ku, Tokyo	1,246	4.7
Masaharu Iizuka	Utsunomiya-shi, Tochigi	1,128	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	925	3.5
Kazuaki Iizuka	Kamakura-shi, Kanagawa	698	2.6
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-2-1 Marunouchi, Chiyoda-ku, Tokyo	666	2.5
Aioi Nissay Dowa Insurance Co., Ltd.	1-28-1 Ebisu, Shibuya-ku, Tokyo	598	2.2
Sompo Japan Nipponkoa Insurance Inc.	1-26-1 Nishishinjuku, Shinjuku-ku, Tokyo	598	2.2
Total	-	13,692	51.2

(8) [Status of Voting Rights]

1) [Shares Issued]

As of September 30, 2015

Classification	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 183,100	-	-
Shares with full voting right (others)	Common stock 26,505,500	265,055	-
Shares less than one unit	Common stock 42,433	-	-
Total number of shares issued	26,731,033	-	-
Total voting rights held by all shareholders	-	265,055	-

(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.

2) [Treasury Stock, etc.]

As of September 30, 2015

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	177,600	-	177,600	0.66
TKC Shuppan Corporation	4-8-8 Kudanminami, Chiyoda-ku, Tokyo	5,500	-	5,500	0.02
Total	-	183,100	-	183,100	0.68

(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 for exercise of subscription rights to shares	Same as above
Conditions for exercise of subscription rights to shares	Same as above
Matters concerning acquisition of subscription rights to shares through transfer	Same as above
Matters concerning substitute payments	Same as above
Matters concerning the grant of subscription rights to shares upon organizational restructuring	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 for exercise of subscription rights to shares	Same as above
Conditions for exercise of subscription rights to shares	Same as above
Matters concerning acquisition of subscription rights to shares through transfer	Same as above
Matters concerning substitute payments	Same as above
Matters concerning the grant of subscription rights to shares upon organizational restructuring	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 for exercise of subscription rights to shares	Same as above
Conditions for exercise of subscription rights to shares	Same as above
Matters concerning acquisition of subscription rights to shares through transfer	Same as above
Matters concerning substitute payments	Same as above
Matters concerning the grant of subscription rights to shares upon organizational restructuring	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	Common stocks
Number of shares	Common stocks: 28,100 shares (Note 1) The number of shares per one unit of subscription right of shares ("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 for exercise of subscription rights to shares	From December 13, 2014 To December 12, 2049
Conditions for exercise of subscription rights to shares	(Note 2)
Matters concerning acquisition of subscription rights to shares through transfer	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 organizational restructuring	(Note 3)

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	Common stocks
Number of shares	Common stocks: 18,200 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 for exercise of subscription rights to shares	From December 12, 2015 To December 11, 2050
Conditions for exercise of subscription rights to shares	(Note 2)
Matters concerning acquisition of subscription rights to shares through transfer	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 organizational restructuring	(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) (hereafter 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 (hereafter, 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 Note 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 the capital reserve occurring when issuing shares upon exercise of subscription rights to shares:
1) 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.
2) The amount of capital reserve to be increased shall be the amount calculated by subtracting the amount of capital increase stipulated in 1) above from the amount of maximum increase in capital described in 1) 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 Note 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, 1), 2), 3), 4), or 5) be approved at a General Meeting of Shareholders of the Company (or through a resolution of a Meeting of 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 Item 4 of the Companies Act in case a resolution of a General Meeting of Shareholders of the Company is not required):
1) Resolution approving a merger agreement where the Company would become a dissolved company;
2) Resolution approving a company split agreement or a company split plan where the Company would become a split company;
3) Resolution approving a share exchange agreement or a share transfer plan where the Company would become a wholly owned subsidiary;
4) 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;
5) 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, Item 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]

Not applicable.

(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	1,162	3,222,891
Treasury stock acquired during the current period for acquisition	69	215,367

(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, 2015 up to the date on which this Annual Securities Report was filed.

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

Classification	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	17,352	33,804,299	-	-
Other (Transferred by the exercise of subscription rights to shares) (Sold due to demand for sales of fractional unit shares)	13,800 90	26,817,126 174,939	- -	- -
Number of shares of treasury stock held	177,653	-	177,722	-

(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, 2015 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 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.

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.

Under this policy, our dividend payout ratio is at 50.0% (one half of the current net profit).

The Company provides in its Articles of Incorporation that interim dividends as set forth in Article 454 Item 5 of the Companies Act as of March 31 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 46.3%.

Date of Resolution	Total dividends amount (Millions of yen)	Dividends per share (Yen)
May 12, 2015 Resolution of the Board of Directors	875	33
December 22, 2015 Resolution of the Ordinary General Meeting of Shareholders	1,009	38

4 [Changes in Share Prices]

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

Fiscal year	45th Term	46th Term	47th Term	48th Term	49th Term
Year end	September 2011	September 2012	September 2013	September 2014	September 2015
Highest (Yen)	1,868	1,814	1,800	2,359	3,690
Lowest (Yen)	1,451	1,475	1,390	1,576	1,841

(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 2015	May 2015	June 2015	July 2015	August 2015	September 2015
Highest (Yen)	2,920	3,060	3,490	3,690	3,590	3,195
Lowest (Yen)	2,355	2,697	3,015	3,220	2,663	2,853

(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 (Hundreds of shares)
Director	Chairman of the Board	Masaharu Iizuka	February 5, 1943	April 1968 December 1971 December 1977 December 1983 December 2008 December 2014	Joined TKC Director, TKC Representative Director, Senior Managing Director Representative Director, President Representative Director, Chairman Director, Chairman (current position)	(Note 5)	11,282
Representative Director	President and Executive Officer, Director of Accounting Firm Business Division	Kazuyuki Sumi	September 28, 1948	March 1972 December 1990 April 1997 May 1997 December 1998 July 2001 December 2001 December 2006 December 2008 December 2011 June 2012	Joined TKC Director, Deputy Chief Director of Sales Director, Deputy Director of Local Governments Business Division Managing Director, Deputy Director of Local Governments Business Division Managing Director, Director of Local Governments Business Division Representative Director, President, TKC Security Services K.K. (current position) Senior Managing Director, Director of Local Governments Business Division Director, Senior Managing Director and Executive Officer, Director of Local Governments Business Division Representative Director, Vice President and Executive Officer, Director of Local Governments Business Division Representative Director, President and Executive Officer, Director of Accounting Firm Business Division (current position) Representative Director, Chairman, SKYCOM Corporation (current position)	(Note 5)	214
Representative Director	Vice President and Executive Officer, Chief Director of Business Administration	Hitoshi Iwata	March 31, 1957	April 1980 December 2000 September 2004 December 2005 December 2006 December 2008 August 2014	Joined TKC Director, Chief Director of General Affairs Director, Chief Director of Business Administration Managing Director, Chief Director of Business Administration Director, Managing Director and Executive Officer, Chief Director of the Business Administration Representative Director, Vice President and Executive Officer, Chief Director of Business Administration (current position) Representative Director, Vice President, TKC Financial Assurance K.K. (current position)	(Note 5)	59
Representative Director	Senior Managing Director and Executive Officer, Chief Director of Sales, Accounting Firm Business Division	Masanori Iizuka	March 12, 1975	April 2002 December 2010 October 2012 December 2012 April 2014 December 2014	Joined TKC Director, Executive Officer, Sales of Corporate Information Systems, Chief Director of G Project of Sales, Corporate Information Systems, Accounting Firm Business Division Director, Executive Officer, Chief Director of Sales of Corporate Information Systems, Accounting Firm Business Division Director, Managing Director and Executive Officer, Chief Director of Sales, Corporate Information Systems, Accounting Firm Business Division Director, Managing Director and Executive Officer, Chief Director of Sales, Accounting Firm Business Division Representative Director, Senior Managing Director and Executive Officer, Chief Director of Sales, Accounting Firm Business Division (current position)	(Note 5)	67

Official title	Position	Name	Date of Birth	Brief biography		Term of office	Number of shares held (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)	(Note 5)	2
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, Chief Director of Sales Planning, Local Governments Business Division 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)	(Note 5)	39
Director	Managing Director and Executive Officer, 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	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 (current position)	(Note 5)	19
Director	Executive Officer, Chief of Cloud Business Promotion, Local Governments Business Division	Satoshi Hitaka	January 19, 1971	April 2003 December 2010 December 2011 January 2012	Joined TKC Executive Officer, Director of ASP Service Promotion, Sales Planning, Local Governments Business Division Director, Executive Officer, New Business Strategy, Local Governments Business Division Director, Executive Officer, Chief Director of Cloud Business Promotion, Local Governments Business Division (current position)	(Note 5)	15
Director	Executive Officer, Chief Director of Sales Planning, Accounting Firm Business Sales Division	Yoshihisa Ito	April 2, 1967	April 1990 December 2007 October 2010 December 2013 October 2015	Joined TKC Executive Officer, Chief of User Interface Design, Systems Development Research Center Executive Officer, Chief Director of Sales Planning, Accounting Firm Business Division Director, Executive Officer, Chief Director of Sales Planning, Accounting Firm Business Division Director, Executive Officer, Director of Sales Planning, Sales, Accounting Firm Business Division (current position)	(Note 5)	29
Director	-	Yasuyuki Saito	June 21, 1956	February 1985 April 1985 January 2010 December 2010	Registered as certified tax accountant Started business as certified tax accountant Representative Partner of Accounting Firm TOP (current position) Director, TKC (current position)	(Note 5)	25
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, TKC (current position)	(Note 5)	10

Official title	Position	Name	Date of Birth	Brief biography		Term of office	Number of shares held (Hundreds of shares)
Auditor (full-time)	-	Toshiaki Sakuraoka	November 27, 1953	December 1996 December 2002 December 2006 December 2008 December 2012	Director, TKC Managing Director Director, Managing Director and Executive Officer Adviser to TKC Full-time Auditor (current position)	(Note 6)	71
Auditor (full-time)	-	Masataka Iida	December 8, 1954	April 1979 April 2004 October 2005 January 2011 December 2014	Joined TKC Section Chief of Internal Audit Department Deputy Director of Internal Audit Department Director of Internal Audit Department Full-time Auditor (current position)	(Note 7)	36
Auditor	-	Kenji Matsumoto	March 10, 1947	September 1986 September 1986 November 2010 December 2015	Registered as certified tax accountant Started business as certified tax accountant Representative Partner and Certified Tax Accountant, Aoyama Accounting Firm (current position) Auditor (current position)	(Note 8)	10
Auditor	-	Yoshiki Takashima	April 18, 1959	April 1990 January 2003 December 2008 September 2015	Registered as attorney Partner, Shibata, Yamaguchi & Takashima Law Firm (current position) Auditor (current position) Outside Auditor, Atomlivintech Co., Ltd. (current position)	(Note 6)	-
Total							11,883

(Notes) 1. Masanori Iizuka, Representative Director and Senior Managing Director & Executive Officer, is the eldest son of Masaharu Iizuka, Chairman of the Board and Representative Director.
2. Director Satoshi Hitaka is the spouse of Masaharu Iizuka, the eldest daughter of Chairman of the Board and Representative Director.
3. Directors Yasuyuki Saito and Hiroshi Ashikawa are Outside Directors.
4. Auditors Kenji Matsumoto and Yoshiki Takashima are Outside Auditors.
5. Two years from the close of the Ordinary General Meeting of Shareholders held December 19, 2014.
6. Four years from the close of the Ordinary General Meeting of Shareholders held December 21, 2012.
7. Four years from the close of the Ordinary General Meeting of Shareholders held December 19, 2014.
8. Four years from the close of the Ordinary General Meeting of Shareholders held December 22, 2015.

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 who 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)

1) 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 the Chairman and an Outside Director, 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.

2) 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.

3) 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.

4) 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.

5) 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(vi) of the Companies Act)

1) Directors must comply with all laws and regulations, the Articles of Incorporation, and the Resolutions of General Meetings of Shareholders (hereafter "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.

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

3) 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 (hereafter, the "President"), and full-time Corporate Auditors and outside company attorneys and receive their guidance as well as report the particulars to the Board of Directors.

4) 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.

5) 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 (Articles 362) and Authority (Articles 363) of Directors as stipulated in the Companies Act and the Company's Rules on 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.

6) 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.

7) 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.

8) 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.

9) 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.

10) 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.

11) 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(vi) 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)

1) Of the information relating to the execution of duties by Directors (hereafter, "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 on Management of Information Concerning the Minutes of General Meetings of Shareholders.

2) 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 on Management of Information Concerning Decision-making Processes of the Board of Directors as described in [1] (7) above.

3) 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 on Management of Information Concerning Legal Affairs.

4) 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 on Management of Information Concerning the Daily Operations of Directors:

a. 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;
b. written applications for approval and relevant documents settled by the Directors based on the Company's Rules Concerning Requests for Decisions;
c. other important information pertaining to the execution of duties by Directors.

5) 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

1) 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.

2) 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.

3) Upon receiving the 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:

a. Conformances with the management philosophy of the Company;
b. Compliances;
c. Expected degree of contributions to customers' business;
d. Anticipated feedback from customers;
e. Technical feasibilities;
f. Funds and costs necessary;
g. Other matters, such as principle of good faith with business partners.

4) 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.

5) 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 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

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

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

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

2) 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:

   a. Risks that have high degree of urgency;
   b. Risks associated with compliance;
   c. Risks associated with confidentiality obligations of the Company;
   d. Risks associated with the preservation of assets and accounting;
   e. Risks associated with the preparation of regulations and manuals for operation of business;
   f. Risks associated with the workplace environment and labor management;
   g. Other risks deemed necessary.

3) 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.

4) 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.

5) 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.

6) 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.

7) 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.

8) 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

1) 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:

   a. Systems Development Research Center Operation Improvement Committee
   b. Municipality Systems Development & Operations Division Operation Improvement Committee
   c. Consolidated Information Centers Operation Improvement Committee
   d. SCG Service Centers Operation Improvement Committee
   e. Municipality Sales Division Operation Improvement Committee
   f. Supplier Business Operation Improvement Committee
   g. Tokyo Head Office Operation Improvement Committee
   h. Personnel & Salary Systems Improvement Committee
   i. Risk Management Committee
   j. Other committees that the Board of Directors deems necessary to establish.

2) 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.

3) 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

1) 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.

2) 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)

1) 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.

2) 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 on the Board of Directors.

3) At the meetings of the Board of Directors held on the second month of each new fiscal year, the targeted profit and loss statements and funding plans 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 on the Board of Directors.

4) 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 to taken to achieve the targeted sales and current profits for the fiscal year.

5) 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 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.

6) 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.

7) 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)

1) 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.

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

3) 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.

4) 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.

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

6) 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(v) 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)

1) 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.

2) 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.

3) The Group Audit Office shall 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.

4) The Company shall assign Directors or employees of Deputy Manager or higher to the Subsidiaries to server as Outside 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)

1) 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.

2) 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.

3) 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 on the Board of Directors.

4) 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 to taken to achieve the targeted sales and current profits for the fiscal year.

5) 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 the projects in light of the

current management policy.

6) 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.

7) 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)

1) 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.

2) 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.

3) 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.

4) 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.

5) 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.

6) 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 Corporate Auditors (in relation to Article 100, Paragraph 3, Item 1 of the Ordinance for Enforcement of the Companies Act)

1) The Company shall establish a new Auditor Office to assist the duties of the Auditors and assign one or more dedicated employees.

2) In determining the specific details pertaining to the preceding item, the Company shall respect the opinions 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 Corporate Auditors from Directors (in relation to Article 100, Paragraph 3, Item 2 of the Ordinance for Enforcement of the Companies Act)

1) 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.

2) 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 Auditors, and their performance shall be evaluated by Auditors.

3) 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 to necessary investigations and gather necessary information.

(8) Ensuring effectiveness of directions to employees assisting duties of Corporate 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 Corporate Auditors (Related to the provisions of Article 100 Paragraph 3 Item 4 of the Ordinance for Enforcement of the Companies Act)

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

1) 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.

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

a. Status of activities of business units involved in the risk management of the Company;
b. Status of activities pertaining to audits and internal audits of the Subsidiaries of the Company;
c. Important accounting policies and accounting standards of the Company and any changes thereto;
d. 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;
e. Circulation of internal approval documents and meeting minutes requested by Auditors.

3) 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.

4) 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 Corporate Auditors of the Company by the Subsidiaries' 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 relation to Article 100, Paragraph 3, Item 4(b) of the Ordinance for Enforcement of the Companies Act)

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

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

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

3) 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.

4) 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 Corporate 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 secure sufficient amounts to cover for 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.

1) 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.

2) 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 Corporate Auditors' are implemented effectively (in relation to Article 100, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act)

1) Auditors shall receive advanced explanations 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.

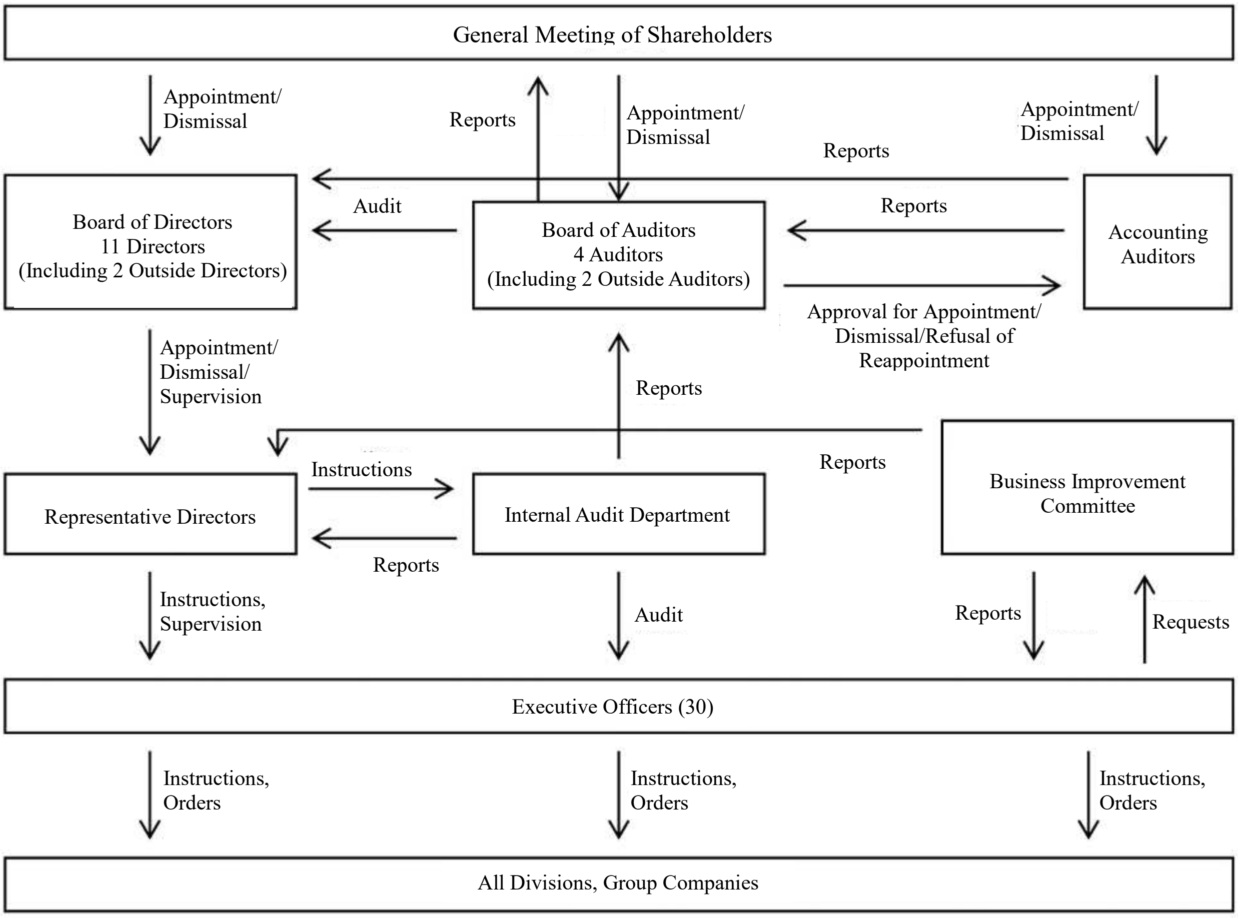
2) Auditors shall receive reports, as appropriate, on the status of implementation of internal audits, and express their opinions to the President if they deem necessary that additional audits be implemented or operation improvement measures be developed. The President must respect such opinions.

3) Auditors shall receive advance explanations on the auditing plans from accounting auditors, and reports on auditing methods and audit results whenever audits on quarterly settlements and audits on full year settlements are performed.

4) 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)
Reports
Accounting
Auditors
Approval for Appointment/
Dismissal/Refusal of
Reappointment
Appointment/
Dismissal/
Supervision
Reports
Reports
Instructions
Representative Directors
Internal Audit Department
Business Improvement
Committee
Reports
Instructions,
Supervision
Audit
Reports
Requests
Executive Officers (30)
Instructions,
Orders
Instructions,
Orders
Instructions,
Orders
All Divisions, Group Companies

III. Internal Audits and Audits by Auditors

The Company has four Auditors, two of which, Toshiaki Sakuraoka, a full-time Corporate Auditor, and Kenji Matsumoto, an Outside Auditor, are qualified public tax accountants and have extensive expertise in the areas of finance and accounting. Yoshiki Takashima, an Outside 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, Paragraph 4, Item 1 of 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

1) Establishment of a Response Control Division and appointment of managers

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.

2) 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.

3) 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.

4) Preparation of response manuals

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.

5) 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	Yasuyuki Saito	Mr. Saito is a representative partner of a certified public tax accountants firm TOP, 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 TOP 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. Saito and general shareholders, and the Company deems that this would not affect the independence of Mr. Saito. Mr. Saito 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 tax accounting firm, Aoyama Accounting Firm where Mr. Matsumoto serves as representative partner 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. 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 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

1) 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.

2) Outside Directors shall attend any major meetings of the TKC National Federation, the customer organization of the Accounting Firm BD.

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

4) 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 an Outside Director 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" hereafter):

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

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

3) 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;

4) 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);

5) certified public accountant, certified public tax accountant or other accounting specialist, 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);

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

7) any person falling under items 1) to 6) within the last three years;

8) near relatives of the following:

1. Persons falling under items 2) to 6) above (provided that an "executing member" in items 2) to 4) shall be limited to a person executing important duties, and "person affiliated with the corporation, association or other bodies" in item 5) 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, 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 6) shall be limited to persons executing important duties and certified public accountants, tax accountants and other persons with specialized qualifications);

2. Persons executing important duties of the Group;

3. Persons falling under item 2) 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 operation.

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

1) 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;

2) 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:

1) 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;

2) 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;

3) 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, 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 2015 are as follows:

Designated Limited Liability Partner, Executing Partner:	Atsuo Mori	
Designated Limited Liability Partner, Executing Partner:	Yuichi Noda	
Number of assistants assisting auditing:	Certified public accountants:	8
	Others:	15

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 responsibilities 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, Item 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 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
		Basic compensation	Stock options	Executive bonuses	Retirement benefits	
Directors (Excluding Outside Directors)	276	239	37	-	105	12
Auditors (Excluding Outside Auditors)	31	28	3	-	-	3
Outside executives	45	45	-	-	-	4

2. Total consolidated compensation for persons whose total consolidated compensation is in excess of 100 million yen

Name	Executive category	Company category	Total consolidated compensation by type (Millions of yen)				Total consolidated compensation (Millions of yen)
			Basic compensation	Stock options	Bonuses	Retirement benefits	
Masaharu Iizuka	Director	TKC Corporation	30	7	-	105	143

3. 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, 4,889 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	2,507	To maintain and strengthen business relationship
Mitsubishi UFJ Financial Group, Inc.	2,322,180	1,440	To maintain and strengthen business relationship
Joyo Bank, Ltd.	235,321	127	To maintain and strengthen business relationship
Nippon Paper Industries Co., Ltd.	17,000	27	To maintain and strengthen business relationship
Toyo Securities Co., Ltd.	51,000	15	To maintain and strengthen business relationship
Mito Securities Co., Ltd.	31,460	12	To maintain and strengthen business relationship
Fujitsu Limited	11,880	8	To maintain and strengthen business relationship
Tokai Tokyo Financial Holdings, Inc.	9,187	6	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	2,500	To maintain and strengthen business relationship
Mitsubishi UFJ Financial Group, Inc.	2,322,180	1,663	To maintain and strengthen business relationship
Joyo Bank, Ltd.	235,321	147	To maintain and strengthen business relationship
Nippon Paper Industries Co., Ltd.	17,000	30	To maintain and strengthen business relationship
Toyo Securities Co., Ltd.	51,000	18	To maintain and strengthen business relationship
Mito Securities Co., Ltd.	31,460	12	To maintain and strengthen business relationship
Tokai Tokyo Financial Holdings, Inc.	9,187	6	To maintain and strengthen business relationship
Fujitsu Limited	11,880	6	To maintain and strengthen business relationship

3. Equity securities held for the pure investment

Not applicable.

(2) [Audit Fees]

1) [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	9
Consolidated subsidiaries	-	1	-	-
Total	45	11	44	9

2) [Other important fees]
(For the previous consolidated fiscal year and the current consolidated fiscal year)

Not applicable.

3) [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.

4) [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; hereinafter, the "Ordinance on Consolidated Financial Statements").

(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, 2014 to September 30, 2015) and financial statements for the fiscal year (from October 1, 2014 to September 30, 2015) 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]

1) [Consolidated Balance Sheet]

(Unit: Millions of yen)

	Previous consolidated fiscal year (September 30, 2014)	Current consolidated fiscal year (September 30, 2015)
Assets		
Current assets		
Cash and deposits	23,625	21,919
Notes and accounts receivable	7,685	6,411
Lease investment assets	31	174
Finished good inventory	320	308
Work in progress	428	189
Raw materials and supplies	121	139
Deferred tax assets	2,130	1,894
Other	637	663
Allowance for bad debts	(37)	(34)
Total current assets	34,944	31,666
Non-current assets		
Property, plants and equipment		
Buildings and structures (net amount)	5,364	5,561
Machinery, equipment and vehicles (net amount)	443	547
Tools, furniture & fixtures (net amount)	1,011	996
Land	6,334	6,346
Lease assets (net amount)	84	163
Construction in progress account	428	880
Total property, plants and equipment	*1 13,668	*1 14,495
Intangible assets		
Software	835	2,611
Software in progress	1,877	724
Other	31	30
Total intangible assets	2,744	3,365
Investments and other assets		
Investment securities	*2 6,851	*2 13,326
Long-term loans	17	4
Deferred tax assets	2,694	2,431
Long-term deposits	12,700	9,400
Guarantee deposits	1,349	1,453
Long-term lease investment assets	100	547
Other	195	146
Total investments and other assets	23,908	27,308
Total non-current assets	40,321	45,169
Total assets	75,266	76,836

(Unit: Millions of yen)

	Previous consolidated fiscal year (September 30, 2014)	Current consolidated fiscal year (September 30, 2015)
Liabilities		
Current liabilities		
Accounts payable – trade	3,296	2,540
Short-term debts	328	60
Current portion of long-term debts	-	71
Lease obligations	56	225
Accounts payable	3,710	3,525
Income taxes payable	1,783	1,243
Consumption taxes payable	633	769
Provisions for bonuses	2,708	2,450
Other	764	862
Total current liabilities	13,281	11,749
Fixed liabilities		
Long-term debts	-	366
Lease obligations	164	673
Retirement benefit liabilities	1,084	818
Other	829	598
Total fixed liabilities	2,078	2,456
Total liabilities	15,359	14,206
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	5,409	5,419
Retained earnings	47,399	49,906
Treasury stock	(406)	(349)
Total shareholders' equity	58,102	60,676
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	388	508
Total accumulated other comprehensive income	388	508
Subscription rights to shares	100	127
Minority interests	1,315	1,317
Total net assets	59,906	62,630
Total liabilities and net assets	75,266	76,836

2) [Consolidated Statements of Income and Comprehensive Income]

[Consolidated Statements of Income]

(Unit: Millions of yen)

	Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Net Sales	54,502	54,928
Cost of sales	20,389	19,180
Gross profit	34,112	35,747
Selling, general and administrative expenses	*1, *2 27,920	*1, *2 29,006
Operating profit	6,192	6,741
Non-operating income		
Interest income	19	30
Dividend income	101	148
Land & rent received	35	38
Compensation received	-	56
Equity in earnings of affiliates	12	-
Other	43	37
Total non-operating income	212	310
Non-operating expenses		
Interest expenses	1	5
Foreign exchange losses	0	0
Treasury stock acquisition expenses	0	-
Equity in loss of affiliates	-	4
Other	-	0
Total non-operating expenses	3	9
Ordinary profit	6,401	7,042
Extraordinary profit		
Gains on sale of non-current assets	*3 2	*3 1
Subsidy income	-	10
Total extraordinary profit	2	11
Extraordinary losses		
Loss on sale of non-current assets	8	-
Loss on disposal of non-current assets	*4 35	*4 83
Impairment losses	*5 21	*5 2
Loss on valuation of golf club membership	-	5
Total extraordinary losses	65	91
Net income before taxes and adjustments	6,338	6,962
Income taxes-current	2,767	2,448
Income taxes-deferred	(36)	486
Total income taxes	2,731	2,934
Income before minority interests	3,607	4,027
Minority interest in income	3	16
Net income	3,604	4,011

[Consolidated Statements of Comprehensive Income]

(Unit: Millions of yen)

	Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Income before minority interests	3,607	4,027
Other comprehensive income		
Valuation difference on available-for-sale securities	219	121
Share of other comprehensive income of associates accounted for using the equity method	0	△0
Total other comprehensive income	*1 219	*1 121
Comprehensive income	3,827	4,149
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	3,820	4,131
Comprehensive income attributable to minority interests	7	18

3) [Consolidated Statement of Changes in Equity]

Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)

(Unit: Millions of yen)

	Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total equity
Balance at beginning of year	5,700	5,409	44,966	(194)	55,880
Accumulated financial impact due to changes in accounting policy					-
Balance at beginning of year reflecting changes in accounting policy	5,700	5,409	44,966	(194)	55,880
Changes in equity					
Dividends of surplus			(1,171)		(1,171)
Current net profit			3,604		3,604
Acquisition of treasury stock				(211)	(211)
Disposal of treasury stock					-
Changes in items other than equity (net)					
Total changes in equity	-	-	2,433	(211)	2,221
Balance at end of year	5,700	5,409	47,399	(406)	58,102

	Accumulated other comprehensive income		Subscription rights to shares	Minority interest	Total equity
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of year	172	172	55	1,312	57,421
Accumulated financial impact due to changes in accounting policy					-
Balance at beginning of year reflecting changes in accounting policy	172	172	55	1,312	57,421
Changes in equity					
Dividends of surplus					(1,171)
Current net profit					3,604
Acquisition of treasury stock					(211)
Disposal of treasury stock					-
Changes in items other than equity (net)	216	216	45	2	263
Total changes in equity	216	216	45	2	2,484
Balance at end of year	388	388	100	1,315	59,906

Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)

(Unit: Millions of yen)

	Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total equity
Balance at beginning of year	5,700	5,409	47,399	(406)	58,102
Accumulated financial impact due to changes in accounting policy			(44)		(44)
Balance at beginning of year reflecting changes in accounting policy	5,700	5,409	47,354	(406)	58,057
Changes in equity					
Dividends of surplus			(1,459)		(1,459)
Current net profit			4,011		4,011
Acquisition of treasury stock				(3)	(3)
Disposal of treasury stock		10		60	70
Changes in items other than equity (net)					
Total changes in equity	-	10	2,552	57	2,619
Balance at end of year	5,700	5,419	49,906	(349)	60,676

	Accumulated other comprehensive income		Subscription rights to shares	Minority interest	Total equity
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of year	388	388	100	1,315	59,906
Accumulated financial impact due to changes in accounting policy				11	(33)
Balance at beginning of year reflecting changes in accounting policy	388	388	100	1,326	59,872
Changes in equity					
Dividends of surplus					(1,459)
Current net profit					4,011
Acquisition of treasury stock					(3)
Disposal of treasury stock					70
Changes in items other than equity (net)	119	119	26	(8)	137
Total changes in equity	119	119	26	(8)	2,757
Balance at end of year	508	508	127	1,317	62,630

4) [Consolidated Statements of Cash Flows]

(Unit: Millions of yen)

	Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Cash flows from operating activities		
Net income before taxes and adjustments	6,338	6,962
Depreciation	2,066	2,239
Change in provision for doubtful receivables (( ) decrease)	(14)	(2)
Change in provisions for bonuses (( ) decrease)	433	(258)
Change in provision for retirement benefits (( ) decrease)	(657)	-
Change in retirement benefit liabilities (( ) decrease)	1,084	482
Contribution of securities to retirement benefit trust	(3,000)	(800)
Interest and dividends received	(121)	(179)
Interest paid	1	5
Share of profits of investments accounted for using the equity method (( ) gain)	(12)	4
Loss on disposal of fixed assets	35	83
Gain/loss on sales of fixed assets (( ) gain)	5	(1)
Impairment losses	21	2
Share-based payment expenses	45	44
Change in trade receivables (( ) increase)	(306)	1,385
Change in inventories (( ) increase)	(308)	233
Change in other assets (( ) increase)	(23)	50
Change in trade payables (( ) decrease)	(220)	(783)
Change in other liabilities (( ) decrease)	158	(370)
Change in accrued consumption taxes (( ) decrease)	482	136
Other	3	43
Subtotal	6,013	9,278
Interest and dividends received	132	191
Interest paid	(1)	(4)
Income taxes paid	(1,741)	(2,979)
Cash flows from operating activities	4,402	6,485
Cash flows from investing activities		
Payments into time deposits	(6,600)	(4,000)
Proceeds from withdrawal of time deposits	7,300	9,600
Proceeds from redemption of marketable securities	300	-
Purchase of property, plants and equipment	(1,060)	(1,966)
Proceeds from sales of property, plants and equipment	6	14
Payments for retirement of property, plants and equipment	-	(59)
Purchase of intangible assets	(1,829)	(1,709)
Purchase of investment securities	(1,001)	(6,338)
Payments for guarantee deposits	(11)	(135)
Proceeds from collection of guarantee deposits	16	32
Collection of loan receivables	12	12
Other payments	(6)	(16)
Other proceeds	0	6
Cash flows from investing activities	(2,873)	(4,558)

(Unit: Millions of yen)

	Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Cash flows from financing activities		
Increase/decrease in short-term loans payable (( ) decrease)	300	(268)
Proceeds from long-term loans payable	-	500
Repayment of long-term loans payable	(14)	(61)
Repayment of lease obligations	(22)	(40)
Purchase of treasury stock	(212)	(3)
Dividends paid	(1,171)	(1,459)
Dividends paid to minority shareholders	(4)	-
Other	-	0
Cash flows from financing activities	(1,125)	(1,333)
Change in cash and cash equivalents (△decrease)	403	593
Cash and cash equivalents at beginning of year	15,622	16,025
Cash and cash equivalents at end of year	*1 16,025	*1 16,619

[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
All subsidiaries are included in the scope of consolidation.

2. Application of the Equity Method

Affiliated companies under the equity method: (2 companies)
TKC Shuppan Corporation
i-mobile Co., Ltd.
Note that i-mobile Co., Ltd. has become an affiliated company to which the equity method applies from the 4th quarter of the fiscal year as a result of acquisition of additional shares by the Company.
Because the fiscal year-end of i-mobile Co., Ltd. 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.

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

1) Marketable and investment securities

a. 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

2) Inventory assets

a. Merchandise, raw materials

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

b. 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)

c. 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)

d. Supplies

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

(2) Depreciation of major depreciable assets

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

Calculated based on declining balance method, except for buildings acquired after April 1, 1998 (excluding accompanying facilities), 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

2) Intangible assets (excluding lease assets)

a. Software

a) 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).

b) Software for internal use

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

b. Other intangible assets

Amortized using the straight-line method.

3) 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) Standards for recognizing significant 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.

(4) Accounting procedure for retirement benefits

1) 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.

2) Recognizing actuarial differences as expenses

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

(5) Standards for recognizing significant revenues and expenses

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 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).

2) 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:

1) Cash on hand

2) Demand deposits

3) 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

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.

(Changes in Accounting Policies)

(Application of accounting standards for retirement benefits)

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 issued on May 17, 2012; hereinafter, the "Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Statement No. 25 issued on March 26, 2015; hereinafter, the "Implementation Guidance") were applied to the provisions of Paragraph 35 of the Accounting Standard and Paragraph 67 of the Implementation Guidance as of the current consolidated fiscal year. As a result, the Company revised the calculation method of retirement benefit obligations and service costs, changed the method to attribute the expected retirement benefit payments from straight-line basis to benefit formula basis, and amended the method of determining discount rates from a standard based on the expected average remaining service lives of employees to a standard using a single weighted average discount rate which reflects the estimated payment periods and amounts of retirement benefits according to the estimated timing.

With the application of the Accounting Standard, the Company recognized the effect of these changes to the calculation method for retirement benefit obligations and service costs in retained earnings at the beginning of the current fiscal year in accordance with transitional provisions set forth in Paragraph 37 of the Accounting Standard.

As a result, retirement benefit liability increased by 51 million yen and retained earnings decreased by 44 million yen at the beginning of the current consolidated fiscal year. In addition, the impacts on operating income, ordinary profit and income before income taxes as well as impacts on net assets per share, net income per share and net income per dilutive share for the current consolidated fiscal year were minimal.

(Additional Information)

(Establishment of retirement benefit trust)

The Company has contributed 800 million yen in cash to the retirement benefit trust for the current fiscal year in order to ensure the soundness of retirement benefit financing. As a result, the balance of retirement benefit liability was decreased by the same amount.

(Accounting Standards Not Yet Applied)

- Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(1) Summary

Revisions were made in relation to the additional acquisition of shares in subsidiary companies, including the handling of change in parent’s ownership interest in its subsidiaries while the parent retains control, the handling of acquisition costs, presentation of current net income and changes from minority interests to non-controlling interests and the handling of recognition of provisional accounting treatments.

(2) Planned date of application

Standards shall be applicable from the beginning of the term starting September 2016.The handling of recognition of provisional accounting treatments shall be applied to business combinations that occur after the beginning of the term starting September 2016.

(3) Impact of application of said accounting standards

The impacts that the revised Accounting Standard for Business Combinations and other standards will have on consolidated financial statements are currently under evaluation.

(Notes to Consolidated Balance Sheets)

*1. Accumulated depreciation of property, plants and equipment

Previous consolidated fiscal year (September 30, 2014)	Current consolidated fiscal year (September 30, 2015)
21,382 million yen	21,369 million yen

*2. Items pertaining to affiliated companies are as follows.

	Previous consolidated fiscal year (September 30, 2014)	Current consolidated fiscal year (September 30, 2015)
Investment securities (shares)	148 million yen	424 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, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Salaries	8,757 million yen	9,112 million yen
Provisions for bonuses	2,282	2,134
Retirement benefit expenses	719	867
Depreciation	551	569
Rent expenses	1,990	2,026
Research and development expenses	130	124

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

Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
130 million yen	124 million yen

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

	Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Machinery, equipment and vehicles	1 million yen	--- million yen
Tools, furniture & fixtures	1	1
Total	2	1

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

	Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Buildings and structures	23 million yen	15 million yen
Machinery, equipment and vehicles	0	0
Tools, furniture & fixtures	12	8
Other (Investments and other assets)	0	1
Other (Asset retirement expenses)	-	59
Total	35	83

*5. Impairment losses

Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)

The Group recognized impairment losses on the following group of assets for the consolidated fiscal year ended September 30, 2014:

Location	Usage	Classification	Impairment loss (Millions of yen)
Utsunomiya City, Tochigi, and others	Idle assets	Telephone subscription rights	21

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

For said 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 (21 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, 2014; ended September 30, 2015)

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

Location	Usage	Classification	Impairment loss (Millions of yen)
Utsunomiya City, Tochigi, and others	Idle assets	Telephone subscription rights	2

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 (2 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, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Valuation difference on available-for-sale securities:		
Increase/decrease during the fiscal year	339 million yen	151 million yen
Reclassification adjustments	(0)	-
Amount before tax	339	151
Tax expense ( ) or benefit	(119)	(30)
Valuation difference on available-for-sale securities	219	121
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	219	121

(Notes to Consolidated Statements of Changes in Equity)

Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)

1. Type and number of issued stocks and treasury stock

	Number of shares at beginning of current consolidated FY (thousands of shares)	Increase in number of shares during current consolidated FY (thousands of shares)	Decrease in number of shares during current consolidated FY (thousands of shares)	Number of shares at end of current consolidated FY (thousands of shares)
Issued shares				
Common stock	26,731	-	-	26,731
Total	26,731	-	-	26,731
Treasury stock				
Common stock (Note)	118	91	-	209
Total	118	91	-	209

(Note) The 91,000 share increase in common treasury stock resulted from a 90,000 share increase of shares through acquisition of treasury stock based on resolution of the Board of Directors, and a 1,000 share 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	Type of shares to be issued upon exercise of rights	Number of shares to be issued upon exercise of rights (shares)				Balance at 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	-	-	-	-	-	100
Total		-	-	-	-	-	100

3. Dividends

(1) Dividend payments

Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
December 20, 2013 Ordinary General Meeting of Shareholders	Common stock	585	22	September 30, 2013	December 24, 2013
May 12, 2014 Meeting of the Board of Directors	Common stock	585	22	March 31, 2014	June 16, 2014

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

Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
December 19, 2014 Ordinary General Meeting of Shareholders	Common stock	583	Retained earnings	22	September 30, 2014	December 22, 2014

Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)

1. Type and number of issued stocks and treasury stock

	Number of shares at beginning of current consolidated FY (thousands of shares)	Increase in number of shares during current consolidated FY (thousands of shares)	Decrease in number of shares during current consolidated FY (thousands of shares)	Number of shares at end of current consolidated FY (thousands of shares)
Issued shares				
Common stock	26,731	-	-	26,731
Total	26,731	-	-	26,731
Treasury stock				
Common stock (Note)	209	1	31	179
Total	209	1	31	179

(Note) The 1,000 share increase in common treasury stock resulted from increase due to purchase of fractional unit shares. The 31,000 share decrease in common treasury stock resulted from a 13,000 share decrease due to exercise of stock options, a 17,000 decrease due to share exchange, and a 0 share decrease due to sale of fractional unit shares.

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

Category	Description of subscription rights to shares	Type of shares to be issued upon exercise of rights	Number of shares to be issued upon exercise of rights (shares)				Balance at 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	-	-	-	-	-	127
Total		-	-	-	-	-	127

3. Dividends

(1) Dividend payments

Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
December 19, 2014 Ordinary General Meeting of Shareholders	Common stock	583	22	September 30, 2014	December 22, 2014
May 12, 2015 Meeting of the Board of Directors	Common stock	875	33	March 31, 2015	June 15, 2015

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

Resolution	Type of shares	Total amount of cash dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
December 22, 2015 Ordinary General Meeting of Shareholders	Common stock	1,009	Retained earnings	38	September 30, 2015	December 24, 2015

(Notes to Consolidated Statements of Cash Flows)

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

	Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Cash and deposits	23,625 million yen	21,919 million yen
Time deposits with deposit period greater than three months	(7,600)	(5,300)
Cash and cash equivalents	16,025	16,619

(Lease Transactions)

1. Finance lease transactions (Lessee)

   Finance lease transactions that do not involve transfer of ownership

   1) Description of lease assets

      Property, plants and equipment
      Mainly include machinery and equipment, tools, furniture and fixtures.

   2) Depreciation of lease assets

   Lease assets are amortized in accordance with 4. Accounting Policies, (2) Depreciation of major depreciable assets, which describes basis of presenting the consolidated financial statements.

2. Operating lease transactions (Lessee)

   Unexpired lease payments for non-cancellable operating lease transactions

(Unit: Millions of yen)

	Previous consolidated fiscal year (September 30, 2014)	Current consolidated fiscal year (September 30, 2015)
Within one year	120	141
After one year	163	226
Total	284	367

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, 2014)	Current consolidated fiscal year (September 30, 2015)
Current assets	31	174
Investments and other assets	100	547

(2) Lease obligations

(Unit: Millions of yen)

	Previous consolidated fiscal year (September 30, 2014)	Current consolidated fiscal year (September 30, 2015)
Current liabilities	31	174
Fixed liabilities	100	547

(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.

Marketable securities and investment securities are exposed to market fluctuation risk, and the Company periodically checks the fair 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 value of financial instruments

The fair 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 value, results may fluctuate when a different set of assumptions is used.

2. Fair value of financial instruments

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

Previous consolidated fiscal year (September 30, 2014)

	Book value in consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Differences (Millions of yen)
(1) Cash and deposits	23,625	23,625	-
(2) Notes and accounts receivable	7,685		
Allowance for bad debts	(37)		
	7,648	7,648	-
(3) Investments in securities	6,248	6,248	-
(4) Long-term deposits	12,700	12,702	2
Total assets	50,223	50,226	2
(1) Accounts payable – trade	3,296	3,296	-
(2) Accounts payable	3,710	3,710	-
Total liabilities	7,006	7,006	-

Current consolidated fiscal year (September 30, 2015)

	Book value in consolidated balance sheets (Millions of yen)	Fair value (Millions of yen)	Differences (Millions of yen)
(1) Cash and deposits	21,919	21,919	-
(2) Notes and accounts receivable	6,411		
Allowance for bad debts	(34)		
	6,376	6,376	-
(3) Investments in securities	12,397	12,397	-
(4) Long-term deposits	9,400	9,401	1
Total assets	50,093	50,095	1
(1) Accounts payable – trade	2,540	2,540	-
(2) Accounts payable	3,525	3,525	-
Total liabilities	6,066	6,066	-

(Notes)

1. Methods of calculating the fair value of financial instruments and securities transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable
The book value approximates the fair value because of the short maturity of these instruments.

(3) Investments in securities
The fair value of equity securities is based on quoted market prices on the stock exchange; and the fair 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 on Securities.

(4) Long-term deposits
The fair 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 value because of the short maturity of these instruments.

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

(Unit: Millions of yen)

Classification	Previous consolidated fiscal year (September 30, 2014)	Current consolidated fiscal year (September 30, 2015)
Other securities (unlisted equity securities)	453	503
Investment in affiliate companies	148	424
Total	602	928

The fair value of these financial instruments are 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) Investments in securities" for the previous consolidated fiscal year nor in "(3) Investments in 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, 2014)

	Within one year (Millions of yen)	Over 1 year 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	23,622	-	-	-
Notes and accounts receivable	7,685	-	-	-
Investments in securities				
Bonds	-	-	2,000	-
Long-term deposits	-	12,200	500	-
Total	31,308	12,200	2,500	-

Current consolidated fiscal year (September 30, 2015)

	Within one year (Millions of yen)	Over 1 year 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	21,915	-	-	-
Notes and accounts receivable	6,411	-	-	-
Investments in securities				
Bonds	-	-	8,000	-
Long-term deposits	-	9,400	-	-
Total	28,326	9,400	8,000	-

(Securities)

1. Other securities

Previous consolidated fiscal year (September 30, 2014)

	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) Shares	4,253	3,643	609
	(2) Bonds			
	Corporate bonds	507	500	7
	Subtotal	4,760	4,143	617
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value	Bonds			
	Corporate bonds	1,488	1,507	(19)
	Subtotal	1,488	1,507	(19)
Total		6,248	5,650	598

(Note) Unlisted shares (453 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, 2015)

	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) Shares	4,494	3,637	857
	(2) Bonds			
	Corporate bonds	505	500	5
	Subtotal	5,000	4,137	862
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value	(1) Shares	6	6	(0)
	(2) Bonds			
	Corporate bonds	7,391	7,503	(112)
	Subtotal	7,397	7,509	(112)
Total		12,397	11,647	750

(Note) Unlisted shares (503 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

Not applicable.

3. Securities for which impairment losses are recognized

Not applicable.

(Derivatives)

1. Derivative transactions for which hedge accounting is not applied

   Not applicable.

2. Derivative transactions for which hedge accounting is applied

   Not applicable.

(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, the portion of pension assets that the Company contributes is recognized similar to the defined benefit plan because the amount cannot be reasonably calculated.

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, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Retirement benefit obligations at beginning of year	3,657 million yen	4,084 million yen
Balance at beginning of year	-	51
Accumulated financial impact due to changes in accounting policy	3,657	4,135
Service costs	214	272
Interest costs	54	41
Actuarial differences	267	314
Retirement benefits paid	(109)	(144)
Balance of retirement benefit obligations at end of year	4,084	4,619

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

	Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Balance of pension assets at beginning of year	--- million yen	3,000 million yen
Expected returns	-	-
Actuarial differences	0	0
Contributions by employer	3,000	800
Retirement benefits paid	-	-
Balance of pension assets at end of year	3,000	3,801

(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, 2014)	Current consolidated fiscal year (September 30, 2015)
Contributory retirement benefit obligations	3,651 million yen	4,209 million yen
Pension assets	(3,000)	(3,801)
	651	408
Non-contributory retirement benefit liabilities	432	410
Net obligations and assets in the consolidated balance sheets	1,084	818
Retirement benefit liabilities	1,084	818
Net obligations and assets in the consolidated balance sheets	1,084	818

(4) Retirement benefit expenses and breakdown

	Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Service costs	214 million yen	272 million yen
Interest costs	54	41
Expected returns	-	-
Amount of actuarial differences treated as expenses	267	313
Retirement benefit expenses under the defined retirement benefit plan	536	627

(5) Pension assets

1) Major pension assets

	Previous consolidated fiscal year (September 30, 2014)	Current consolidated fiscal year (September 30, 2015)
Cash and deposits	100%	100%
Total	100	100

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

2) 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, 2014)	Current consolidated fiscal year (September 30, 2015)
Discount rate	1.00%	1.00%
Expected long-term rate of return	- %	- %
Expected increase in salary	1.00 to 2.00%	1.00 to 1.85%

3. Defined contribution plan

The amount of necessary contributions to the defined contribution plan of the Company and its consolidated subsidiaries was 221 million yen for the previous consolidated fiscal year, and 227 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 115 million yen.

(1) Reserve fund for multiemployer pension plan

	Previous consolidated fiscal year (March 31, 2014)	Current consolidated fiscal year (March 31, 2015)
Pension assets	627,857 million yen	735,622 million yen
Total of actuarial liabilities based on pension plan finance calculation and minimum policy reserves (Note)	640,038	729,355
Differences	(12,180)	(6,266)

(Note) Recorded as the "Benefit liabilities based on pension plan finance calculation" for the previous consolidated fiscal year.

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

Previous consolidated fiscal year: 1.45% (Started April 1, 2013; ended March 31, 2014)
Current consolidated fiscal year: 1.47% (Started April 1, 2014; ended March 31, 2015)

(3) Supplementary information

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

(Stock Option Plans)

1. Expenses related to stock options

(Unit: Millions of yen)

	Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Selling, general and administrative expenses	45	44

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	Directors (excluding Outside Directors): 9 Auditors (excluding Outside Auditors): 2	Directors (excluding Outside Directors): 10 Auditors (excluding Outside Auditors): 2 Executive Officers: 13	Directors (excluding Outside Directors): 10 Auditors (excluding Outside Auditors): 2 Executive Officers: 13	Directors (excluding Outside Directors): 11 Auditors (excluding Outside Auditors): 2 Executive Officers: 17
Number of stock options by class (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	December 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 Dec. 8, 2012 to Dec. 7, 2047	From Dec. 10, 2013 to Dec. 9, 2048	From Dec. 13, 2014 to Dec. 12, 2049

(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 2015). Number of stock options is exchanged to the number of common stock.

1) 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	-	-	-	28,100
Forfeited	-	-	-	-
Vested	-	-	-	28,100
Balance not vested	-	-	-	-
After vesting (shares)				
At end of previous consolidated fiscal year	20,600	30,800	34,400	-
Vested	-	-	-	28,100
Exercised	3,100	4,100	3,600	3,000
Forfeited	-	-	-	-
Balance not vested	17,500	26,700	30,800	25,100

2) 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)	1,945	1,946	1,945	1,946
Fair value per unit as of grant date (Yen)	1,145	1,032	1,323	1,569

3. Method used to estimate the fair value of stock options

The fair value of the 4th issue of subscription rights to shares (stock options) granted in the current consolidated fiscal year was measured as follows.

1) Valuation method used

The Black-Scholes model

2) Major base figures and estimations

	4th subscription rights to shares (stock options)
Expected volatility of stock (Note 1)	21.844%
Expected option life (Note 2)	8.2 years
Expected dividends (Note 3)	44 yen/share
Risk-free interest rate (Note 4)	0.251%

(Notes) 1. Expected volatility of stock is calculated based on the actual stock price data over the 8.2-year period (from October 2006 to December 2014).
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 44 yen of actual dividends made, consisting of the year-end dividend of 22 yen for the period ended September 2013 and the interim dividend of 22 yen for the period ended September 2014.
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.

(Tax Effect Accounting)

1. Major factors of deferred tax assets and deferred tax liabilities

	Previous consolidated fiscal year (September 30, 2014)	Current consolidated fiscal year (September 30, 2015)
Deferred tax assets		
Software development costs	2,044 million yen	1,877 million yen
Provisions for bonuses	959	807
Retirement benefit liabilities	389	276
Retirement benefit trust	1,062	1,220
Retirement bonuses for directors payable	149	24
Accrued business tax	122	96
Valuation loss on investment securities	56	51
Legal welfare expenses corresponding to provisions for bonuses	138	130
Asset retirement obligations	128	112
Impairment losses	148	135
Other	217	215
Subtotal	5,418	4,942
Valuation allowance	(359)	(362)
Total deferred tax assets	5,059	4,583
Deferred tax liabilities		
Retirement expenses corresponding to asset retirement costs	34	29
Valuation difference on available-for-sale securities	198	229
Other	1	0
Total deferred tax liabilities	235	258
Net deferred tax assets	4,824	4,325

(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, 2014)	Current consolidated fiscal year (September 30, 2015)
Current assets - Deferred tax assets	2,130 million yen	1,894 million yen
Non-current assets - Deferred tax assets	2,694	2,431
Fixed liabilities - Other	(0)	(0)

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, 2014)	Current consolidated fiscal year (September 30, 2015)
Statutory income tax rate	37.8%	35.4%
(Adjusted)		
Inhabitant tax on per capita basis	0.9	0.8
Entertainment expenses, etc. not deductible for tax purposes	1.9	1.2
Tax credits for salary growth	-	(1.4)
Changes in assessment of year end deferred tax assets due to changes in tax rate	2.3	5.9
Other	0.2	0.2
Income tax rate after applying tax effect accounting	43.1	42.2

3. Increase and decrease of deferred tax assets and deferred tax liabilities due to changes in income tax rate

   In accordance with the Act for Partial Revision of the Income Tax Act and Other (Act No. 9 of 2015) and the Act for Partial Revision of the Local Tax Act (Act No. 2 of 2015) promulgated on March 31, 2015, income tax rates were changed effective from the consolidated fiscal years starting on or after April 1, 2015. In conjunction with this, the statutory effective tax rate used to calculated deferred tax assets and deferred tax liabilities was changed from the previous rate of 35.4% to 32.8% for temporary differences expected to be reversed in the consolidated fiscal year starting October 1, 2015. The rate will be 32.1% for temporary differences expected to be reversed in or after the consolidated fiscal year starting October 1, 2016.

   As a result, the amount of deferred tax assets (after deducting deferred tax liabilities) decreased by 388 million yen, income taxes-deferred increased by 411 million yen, and valuation difference on available-for-sale securities increased by 22 million yen.

(Asset Retirement Obligations)

Previous consolidated fiscal year (ended September 30, 2014) and current consolidated fiscal year (ended September 30, 2015)

The amount of asset retirement obligations was immaterial.

(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 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, 2013; ended September 30, 2014)

(Unit: Millions of yen)

	Reportable segment			Total	Adjustments (Note 1)	Amounts in consolidated financial statements (Note 2)
	Accounting Firm BD	Local Governments BD	Printing BD			
Sales						
Sales to outside customers	39,772	11,453	3,277	54,502	-	54,502
Inter-segment sales or transfers	22	0	1,947	1,969	(1,969)	-
Total	39,794	11,453	5,224	56,472	(1,969)	54,502
Segment profit	5,446	726	6	6,180	12	6,192
Segment assets	20,358	9,256	5,191	34,806	40,459	75,266
Other items						
Depreciation (Note 3)	1,152	718	197	2,067	(1)	2,066
Investments in affiliated company under the equity method	148	-	-	148	-	148
Increase in property, plants and equipment and intangible assets (Note 3)	1,336	1,623	628	3,587	-	3,587

(Notes) 1. Adjustments are as follows:

(1) Adjustments of segment profit of 12 million yen include 7 million yen for elimination of inter-segment transactions and 3 million yen for adjustments of inventory assets.

(2) Adjustments of segment assets of 40,459 million yen include 40,851 million yen of corporate assets that are not allocated to specific reportable segments, and −391 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 to 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, 2014; ended September 30, 2015)

(Unit: Millions of yen)

	Reportable segment			Total	Adjustments (Note 1)	Amounts in consolidated financial statements (Note 2)
	Accounting Firm BD	Local Governments BD	Printing BD			
Sales						
Sales to outside customers	39,067	12,472	3,388	54,928	-	54,928
Inter-segment sales or transfers	10	0	1,986	1,997	(1,997)	-
Total	39,077	12,473	5,374	56,925	(1,997)	54,928
Segment profit	5,579	1,100	54	6,734	6	6,741
Segment assets	19,560	9,165	5,547	34,274	42,562	76,836
Other items						
Depreciation (Note 3)	1,075	860	305	2,241	(2)	2,239
Investments in affiliated company under the equity method	424	-	-	424	-	424
Increase in property, plants and equipment and intangible assets (Note 3)	938	2,970	1,292	5,200	-	5,200

(Notes) 1. Adjustments are as follows:

(1) Adjustments of segment profit of 6 million yen include 7 million yen for elimination of inter-segment transactions and 1 million yen for adjustments of inventory assets.

(2) Adjustments of segment assets of 42,562 million yen include 43,013 million yen of corporate assets that are not allocated to specific reportable segments, and △451 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 △2 million yen represent to 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, 2013; ended September 30, 2014)

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 customer

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, 2014; ended September 30, 2015)

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 customer

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 fixed assets by reportable segments]

Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)

(Unit: Millions of yen)

	Reportable segment			Total	Adjustments	Amounts in consolidated financial statements
	Accounting Firm BD	Local Governments BD	Printing BD			
Impairment losses	18	2	-	21	-	21

Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)

(Unit: Millions of yen)

	Reportable segment			Total	Adjustments	Amounts in consolidated financial statements
	Accounting Firm BD	Local Governments BD	Printing BD			
Impairment losses	2	0	-	2	-	2

[Information on amortization of goodwill and balance of goodwill by reportable segments]

Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)

Not applicable.

Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)

Information has been omitted as it was immaterial.

[Information on gain on negative goodwill by reportable segments]

Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)

Not applicable.

Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Not applicable.

[Related Parties Information]

1. Related Parties Transactions

(1) Transactions between the Company and related parties

Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)

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	Tomohiko Nagata	-	-	Tax accountant	(Held) Direct (0.0)	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Note 2)	16	Accounts receivable	1
Near relative of director	Runako Iizuka (Near relative of Chairman of the Board and Representative Director, Masaharu Iizuka)	-	-	-	-	Leasing of buildings	Leasing of buildings (Note 2)	98	-	-
Companies in which directors and near relatives hold majority voting rights	Certified public tax accounting firm TOP (Note 3)	Numazu City, Shizuoka	6	Tax accounting firm	-	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Note 2)	16	Accounts receivable	2
	Certified public tax accounting firm Ofuji Accounting Office (Note 4)	Miyagino-ku, Sendai City, Miyagi	9	Tax accounting firm	-	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Note 2)	14	Accounts receivable	1

(Notes) 1. Consumption taxes are not included in the transaction amounts. Consumption taxes are included in the year-end balance.
2. Terms of transaction or policies on determining the terms of transaction
(1) Rent expenses have been determined based on the result of survey by real estate agencies on rent expenses of other nearby buildings.
(2) Terms of transaction for the outsourcing of information processing are similar to the terms between other counterparts.
3. The company was co-founded with Mr. Yasuyuki Saito, Director of the Company.
4. The company was co-founded with a near relative of Mr. Kazuyuki Sumi, Representative Director of the Company.

Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)

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	Tomohiko Nagata	-	-	Tax accountant	(Held) Direct (0.0)	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Note 2)	17	Accounts receivable	1
Near relative of director	Runako Iizuka (Near relative of Representative Director and Senior Managing Executive Officer, Masanori Iizuka)	-	-	-	-	Leasing of buildings	Leasing of buildings (Note 2)	98	-	-
Companies in which directors and near relatives hold majority voting rights	Certified public tax accounting firm TOP (Note 3)	Numazu City, Shizuoka	6	Tax accounting firm	-	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Note 2)	15	Accounts receivable	1
	Certified public tax accounting firm Ofuji Accounting Office (Note 4)	Miyagino-ku, Sendai City, Miyagi	9	Tax accounting firm	-	Outsourcing of information processing, etc.	Outsourcing of information processing, etc. (Note 2)	15	Accounts receivable	1

(Notes) 1. Consumption taxes are not included in the transaction amounts. Consumption taxes are included in the year-end balance.
2. Terms of transaction or policies on determining the terms of transaction
(1) Rent expenses have been determined based on the result of survey by real estate agencies on rent expenses of other nearby buildings.
(2) Terms of transaction for the outsourcing of information processing are similar to the terms between other counterparts.
3. The company was co-founded with Mr. Yasuyuki Saito, Director of the Company.
4. The company was co-founded with a near relative of Mr. Kazuyuki Sumi, Representative Director of the Company.

(2) Transactions with consolidated subsidiaries and related parties to the Company submitting the consolidated financial statements

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, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Net assets per share	2,205.39 yen	2,304.38 yen
Net income per share	135.55 yen	151.18 yen
Diluted net income per share	135.15 yen	150.63 yen

(Note) The basis for calculating net income per share and diluted net income per share is as follows.

	Previous consolidated fiscal year (Started October 1, 2013; ended September 30, 2014)	Current consolidated fiscal year (Started October 1, 2014; ended September 30, 2015)
Net income per share		
Net income (Millions of yen)	3,604	4,011
Amount not attributable to common shareholders (Millions of yen)	-	-
Net income attributable to common shares (Millions of yen)	3,604	4,011
Average number of shares outstanding (thousands of shares)	26,587	26,532
Diluted net income per share		
Adjustments to net income (Millions of yen)	-	-
Number of common shares increased (thousands of shares)	79	97
(Subscription rights to shares (thousands of shares))	(79)	(97)
Outline of diluted shares not included in the calculation of diluted net income per share for not having dilutive effect	―――	

(Subsequent Events)

Not applicable.

5) [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	328	60	1.24	-
Current portion of long-term debts	-	71	0.93	-
Current portion of lease obligations	56	225	-	-
Long-term debts (excluding current portion of long-term debts)	-	366	0.93	October 5, 2016 to October 29, 2021
Lease obligations (excluding current portion of lease obligations)	164	673	-	October 22, 2016 to May 22, 2020
Other interest-bearing debts Accounts payable – installment purchases	56	200	1.27	October 22, 2015 to May 22, 2020
Total	605	1,597	-	-

(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 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)
Lease obligations	221	207	174	62
Other interest-bearing debts	50	38	36	24

[Schedule – Asset Retirement Obligations]

Information has been omitted as it was immaterial.

(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)	12,178	27,753	41,194	54,928
Quarterly net income before income taxes (current FY) (Millions of yen)	1,279	4,858	6,821	6,962
Quarterly net income (current FY) (Millions of yen)	813	2,830	3.955	4,011
Quarterly net income per share (current FY) (Yen)	30.67	106.70	149.10	151.18

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly net income per share (Yen)	30.67	76.01	42.39	2.09

2 [Financial Statements, etc.]

(1) [Financial Statements]

1) [Balance Sheets]

(Unit: Millions of yen)

	Previous fiscal year (September 30, 2014)	Current fiscal year (September 30, 2015)
Assets		
Current assets		
Cash and deposits	21,581	19,424
Accounts receivable	*1 6,816	*1 5,495
Lease investment assets	31	174
Merchandise	110	117
Work in progress	376	150
Raw materials and stored items	92	109
Prepaid expenses	314	252
Accounts receivable – other	*1 26	*1 84
Deferred tax assets	2,045	1,822
Other	*1 265	*1 288
Allowance for bad debts	(36)	(33)
Total current assets	31,624	27,886
Non-current assets		
Property, plants and equipment		
Buildings	5,114	4,788
Structures	113	101
Vehicles	3	1
Tools, furniture & fixtures	997	972
Land	6,091	6,091
Construction in progress account	-	880
Total property, plants and equipment	12,319	12,834
Intangible assets		
Software	773	2,497
Software in progress	1,856	697
Telephone subscription rights	28	26
Other	0	0
Total intangible assets	2,658	3,221
Investments and other assets		
Investments securities	6,594	12,786
Stocks of subsidiaries and affiliates	349	690
Investments in capital	100	100
Long-term loans	12	-
Long-term prepaid expenses	74	29
Deferred tax assets	2,545	2,311
Long-term deposits	12,200	9,400
Guarantee deposits	1,294	1,414
Long-term lease investment assets	100	547
Other	9	13
Total investments and other assets	23,280	27,292
Total non-current assets	38,257	43,347
Total assets	69,882	71,234

(Unit: Millions of yen)

	Previous fiscal year (September 30, 2014)	Current fiscal year (September 30, 2015)
Liabilities		
Current liabilities		
Accounts payable – trade	*1 3,155	*1 2,406
Lease obligations	31	174
Accounts payable – other	*1 2,137	*1 2,204
Income taxes payable	1,774	1,215
Accrued business office taxes	49	50
Consumption taxes payable	577	753
Advances received	250	382
Deposits received	326	305
Provisions for bonuses	2,560	2,305
Accounts payable – facilities	580	*1 365
Other	-	15
Total current liabilities	11,443	10,180
Fixed liabilities		
Lease obligations	100	547
Provisions for retirement benefits	651	408
Other	752	403
Total fixed liabilities	1,504	1,359
Total liabilities	12,948	11,539
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	5,409	5,419
Retained earnings		
Legal retained earnings	688	688
Other retained earnings		
General reserve	42,057	44,457
Retained earnings brought forward	3,007	3,155
Total retained earnings	45,753	48,301
Treasury stock	(403)	(346)
Total shareholders' equity	56,458	59,074
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	374	492
Total valuation and translation adjustments	374	492
Subscription rights to shares	100	127
Total net assets	56,934	59,694
Total liabilities and net assets	69,882	71,234

2) [Profit and Loss Statement]

(Unit: Millions of yen)

	Previous fiscal year (Started October 1, 2013, ended September 30, 2014)	Current fiscal year (Started October 1, 2014; ended September 30, 2015)
Net sales	*1 50,616	*1 50,957
Cost of sales	*1 18,120	*1 16,836
Gross profit	32,495	34,120
Selling, general and administrative expenses	*1, *2 26,335	*1, *2 27,401
Operating profit	6,160	6,719
Non-operating income		
Interest income	18	*1 29
Dividend income	*1 105	*1 154
Land & rent income	*1 40	*1 38
Compensations received	-	56
Other	*1 43	*1 34
Total non-operating income	208	313
Non-operating expenses		
Foreign exchange losses	0	0
Other	0	-
Total non-operating expenses	1	0
Ordinary profit	6,367	7,032
Extraordinary profit		
Gains on sale of non-current assets	1	1
Total extraordinary profit	1	1
Extraordinary losses		
Losses on sale of non-current assets	8	-
Loss on disposal of non-current assets	34	81
Impairment losses	21	2
Total extraordinary losses	64	83
Net income before taxes	6,303	6,949
Income taxes – current	2,746	2,412
Income taxes – deferred	(23)	463
Total income taxes	2,722	2,876
Net income	3,581	4,073

[Report on cost of sales]

(a) Cost of sales on information processing, software and consulting services

		48th Term (Started October 1, 2013, ended September 30, 2014)			49th Term (Started October 1, 2014; ended September 30, 2015)		
Category	Note	Amount (Millions of yen)		Ratio (%)	Amount (Millions of yen)		Ratio (%)
I Materials costs			3,074	23.5		3,264	27.8
II Labor costs	*1		2,271	17.4		2,093	17.8
III Expenses							
1. Computer rental expenses		496			322		
2. Maintenance contracts		1,598			1,459		
3. Depreciation		792			563		
4. Repairs and maintenance expenses		622			639		
5. Supplies expenses		1,762			1,397		
6. Other		2,439	7,712	59.1	2,011	6,394	54.4
Total expenses			13,059	100.0		11,752	100.0
Works in progress and inventories at beginning of year			126			376	
Transfers from other accounts	*2		494			788	
Total			13,679			12,917	
Works in progress and inventories at end of year			376			150	
Transfers to other accounts	*3		1,718			1,411	
Cost of sales on information processing, software and consulting services			11,584			11,356	

(Notes) 1. Labor costs include the following provisions. Figures in (parentheses) denote amounts for the previous fiscal year.
Provision for bonuses: 390 million yen (467 million yen)
Retirement benefit expenses: 79 million yen (105 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

		48th Term (Started October 1, 2013, ended September 30, 2014)		49th Term (Started October 1, 2014; ended September 30, 2015)	
Category	Note	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
I Inventories at beginning of year		101	1.5	110	2.0
II Purchases		6,545	98.5	5,488	98.0
Total		6,647	100.0	5,598	100.0
III Inventories at end of year		110		117	
Cost of sales on office equipment and supplies		6,536		5,480	

3) [Statement of Changes in Equity]

Previous fiscal year (Started October 1, 2013; ended September 30, 2014)

(Unit: Millions of yen)

	Equity							
		Capital surplus			Retained earnings			
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: General reserve	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at beginning of year	5,700	5,409	-	5,409	688	39,557	3,096	43,342
Accumulated financial impact due to changes in accounting policy								
Balance at beginning of year reflecting changes in accounting policy	5,700	5,409	-	5,409	688	39,557	3,096	43,342
Changes in equity								
General reserve						2,500	(2,500)	-
Dividends of surplus							(1,171)	(1,171)
Current net profit							3,581	3,581
Acquisition of treasury stock								
Disposal of treasury stock								-
Changes in items other than equity (net)								
Total changes in equity	-	-	-	-	-	2,500	(89)	2,410
Balance at end of year	5,700	5,409	-	5,409	688	42,057	3,007	45,753

	Equity		Valuation and translation adjustments		Subscription rights to shares	Total equity
	Treasury stock	Total equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of year	(191)	54,260	163	163	55	54,479
Accumulated financial impact due to changes in accounting policy		-				-
Balance at beginning of year reflecting changes in accounting policy	(191)	54,260	163	163	55	54,479
Changes in equity						
General reserve		-				-
Dividends of surplus		(1,171)				(1,171)
Current net profit		3,581				3,581
Acquisition of treasury stock	(211)	(211)				(211)
Disposal of treasury stock		-				-
Changes in items other than equity (net)			211	211	45	256
Total changes in equity	(211)	2,198	211	211	45	2,454
Balance at end of year	(403)	56,458	374	374	100	56,934

Current fiscal year (Started October 1, 2014; ended September 30, 2015)

(Unit: Millions of yen)

	Equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Common stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of year	5,700	5,409	-	5,409	688	42,057	3,007	45,753
Accumulated financial impact due to changes in accounting policy							(65)	(65)
Balance at beginning of year reflecting changes in accounting policy	5,700	5,409	-	5,409	688	42,057	2,941	45,687
Changes in equity								
General reserve						2,400	(2,400)	-
Dividends of surplus							(1,459)	(1,459)
Current net profit							4,073	4,073
Acquisition of treasury stock								
Disposal of treasury stock			10	10				
Changes in items other than equity (net)								
Total changes in equity	-	-	10	10	-	2,400	213	2,613
Balance at end of year	5,700	5,409	10	5,419	688	44,457	3,155	48,301

	Equity		Valuation and translation adjustments		Subscription rights to shares	Total equity
	Treasury stock	Total equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of year	(403)	56,458	374	374	100	56,934
Accumulated financial impact due to changes in accounting policy		(65)				(65)
Balance at beginning of year reflecting changes in accounting policy	(403)	56,393	374	374	100	56,868
Changes in equity						
General reserve		-				-
Dividends of surplus		(1,459)				(1,459)
Current net profit		4,073				4,073
Acquisition of treasury stock	(3)	(3)				(3)
Disposal of treasury stock	60	70				70
Changes in items other than equity (net)			117	117	26	144
Total changes in equity	57	2,681	117	117	26	2,825
Balance at end of year	(346)	59,074	492	492	127	59,694

[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

a. Stocks of subsidiaries and affiliates

Cost determined by moving average method.

b. 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

(2) Standards and methods used for the valuation of inventory assets

a. Merchandise, raw materials

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

b. 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).

c. 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), which are calculated based on straight-line method.

(2) Intangible assets

a. Software

a) 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).

b) Software for internal use
Amortized using straight-line method with an estimated in-house useful life of five years.

b. 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.

a. 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.

b. 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.

(Additional Information)

(Establishment of retirement benefit trust)

The Company has contributed 800 million yen in cash to the retirement benefit trust for the current fiscal year in order to ensure the soundness of retirement benefit financing. As a result, the balance of provisions for retirement benefits was decreased by the same amount.

(Notes to Balance Sheets)

*1. Assets and liabilities on affiliated companies

	Previous fiscal year (September 30, 2014)	Current fiscal year (September 30, 2015)
Short-term monetary claims on affiliated companies	18 million yen	33 million yen
Short-term monetary liabilities on affiliated companies	499	600

(Notes to Income Statements)

*1. Volume of transactions with affiliated companies

	Previous fiscal year (Started October 1, 2013; ended September 30, 2014)	Current fiscal year (Started October 1, 2014; ended September 30, 2015)
Volume of trading transactions		
Sales	35 million yen	32 million yen
Purchases	2,102	2,282
Operating expenses	1,387	1,415
Volume of non-operating transactions	14	16

*2. The approximate percentages of selling expenses were 56.1% for the previous fiscal year and 57.4% for the current fiscal year; percentages of general and administrative expenses were 43.9% and 42.6%, respectively.

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

	Previous fiscal year (Started October 1, 2013; ended September 30, 2014)	Current fiscal year (Started October 1, 2014; ended September 30, 2015)
Salaries	7,949 million yen	8,297 million yen
Provision for bonuses	2,213	2,031
Retirement benefit expenses	672	828
Depreciation	527	546
Rent expenses	1,879	1,919
Research and development expenses	130	124

(Notes to Tax Effecting)

1. Major factors of deferred tax assets and deferred tax liabilities

	Previous fiscal year (September 30, 2014)	Current fiscal year (September 30, 2015)
Deferred tax assets		
Software development costs	1,959 million yen	1,774 million yen
Provisions for bonuses	906	756
Provisions for retirement benefits	230	131
Retirement benefit trust	1,062	1,220
Accrued business tax	121	93
Valuation loss on investment securities	101	91
Retirement bonuses for directors payable	144	18
Legal welfare expenses corresponding to provisions for bonuses	131	122
Asset retirement obligations	115	107
Impairment losses	146	133
Other	204	210
Subtotal	5,122	4,660
Valuation allowance	(316)	(286)
Total deferred tax assets	4,805	4,373
Deferred tax liabilities		
Valuation difference on available-for-sale securities	184	213
Retirement expenses corresponding to asset retirement costs	30	26
Total deferred tax liabilities	215	239
Net deferred tax assets	4,590	4,133

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, 2014)	Current fiscal year (September 30, 2015)
Statutory income tax rate	37.8%	35.4%
(Adjusted)		
Inhabitant tax on per capita basis	0.9	0.8
Entertainment expenses, etc. not deductible for tax purposes	1.8	1.2
Dividends received, etc. to be excluded from gross revenue	(0.3)	(0.4)
Tax credits for salary growth	-	(1.4)
Changes in assessment of year end deferred tax assets due to changes in tax rate	2.2	5.8
Other	0.8	0.0
Income tax rate after applying tax effect accounting	43.1	41.4

3. Increase and decrease of deferred tax assets and deferred tax liabilities due to changes in income tax rate

In accordance with the Act for Partial Revision of the Income Tax Act and Other (Act No. 9 of 2015) and the Act for Partial Revision of the Local Tax Act (Act No. 2 of 2015) promulgated on March 31, 2015, income tax rates were changed effective from the fiscal years starting on or after April 1, 2015. In conjunction with this, the statutory effective tax rate used to calculated deferred tax assets and deferred tax liabilities was changed from the previous rate of 35.4% to 32.8% for temporary differences expected to be reversed in the fiscal year starting October 1, 2015. The rate will be 32.1% for temporary differences expected to be reversed in or after the fiscal year starting October 1, 2016.

As a result, the amount of deferred tax assets (after deducting deferred tax liabilities) decreased by 380 million yen, income taxes-deferred increased by 402 million yen, and valuation difference on available-for-sale securities increased by 21 million yen.

(Subsequent Events)

Not applicable.

4) [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 & Equipment	Buildings	5,114	80	13	392	4,788	10,181
	Structures	113	1	0	13	101	417
	Vehicles	3	-	-	1	1	43
	Tools, furniture and fixtures	997	451	8	467	972	5,572
	Land	6,091	-	-	-	6,091	-
	Construction in progress	-	880	-	-	880	-
	Total property, plants & equipment	12,319	1,413	21	875	12,834	16,214
Intangible Assets	Software	773	2,740	-	1,016	2,497	1,040
	Software in progress	1,856	628	1,787	-	697	-
	Telephone subscription rights	28	-	2 (2)	-	26	-
	Other	0	-	-	0	0	0
	Total intangible assets	2,658	3,368	1,789 (2)	1,016	3,221	1,041

(Notes) 1. Figures in (parentheses) under "Decrease in current year" are inclusive figures and recognized as impairment losses.
2. Major increase in tangible assets during the current fiscal year were attributable to the following:

Software	Development costs of software for sale	447 million yen
	Development costs of software for internal use	2,122 million yen
Construction in progress	Deposit for the construction of New SEC Building	880 million yen

[Schedule – Provisions]

(Unit: 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	36	33	36	33
Provisions for bonuses	2,560	2,305	2,560	2,305

(2) [Major Assets and Liabilities]

This item is omitted as information has been disclosed in the consolidated financial statements.

(3) [Other]

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) Sumitomo Mitsui Trust Bank, Limited 1-4-1 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 (48th term) from October 1, 2013 to September 30, 2014, filed to the Director-General of the Kanto Local Finance Bureau on December 24, 2014.

(2) Internal Control Report and Appendices

Submitted to the Director-General of the Kanto Local Finance Bureau on December 24, 2014.

(3) Quarterly Securities Reports and Confirmation Letter

First quarter of 49th term (From October 1, 2014 to December 31, 2014), filed to the Director-General of the Kanto Local Finance Bureau on February 12, 2015.

Second quarter of 49th term (From January 1, 2015 to March 31, 2015), filed to the Director-General of the Kanto Local Finance Bureau on May 14, 2015.

Third quarter of 49th term (From April 1, 2015 to June 30, 2015), filed to the Director-General of the Kanto Local Finance Bureau on August 11, 2015.

(4) Extraordinary Reports

Submitted to the Director-General of the Kanto Local Finance Bureau on December 25, 2014.

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 Information, etc.

Submitted to the Director-General of the Kanto Local Finance Bureau on December 25, 2015.

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 Information, etc.

Section 2 [Information on Guarantors, etc. of the Company]

Not applicable.

Independent Auditors' Audit Report and Internal Control Audit Report

December 22, 2015

TKC Corporation
To: The Board of Directors

Ernst & Young ShinNihon LLC

Designated Limited Liability Partner Executing Partner, Certified Public Accountant	Atsuo Mori (Seal)
Designated Limited Liability Partner Executing Partner, Certified Public Accountant	Yuichi Noda (Seal)

[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 Accounting Section, namely, the consolidated statements of financial position of TKC Corporation and consolidated subsidiaries for the fiscal year from October 1, 2014 to September 30, 2015, which consists of the consolidated balance sheets, consolidated statements of profit or loss, comprehensive income, change in consolidated equity, consolidated cash flows, and a summary of significant accounting policies, 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 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.

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, 2015, 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 the second paragraph of 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, 2015.

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.

Auditors' 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, 2015 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, 2015

TKC Corporation
To: The Board of Directors

Ernst & Young ShinNihon LLC

Designated Limited Liability Partner Executing Partner, Certified Public Accountant	Atsuo Mori (Seal)
Designated Limited Liability Partner Executing Partner, Certified Public Accountant	Yuichi Noda (Seal)

Pursuant to the first paragraph of 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 49th fiscal year from October 1, 2014 to September 30, 2015, which consists of the balance sheets, statements of profit or loss, change in equity, and significant accounting policies, other related notes and supplementary schedules.

Management's Responsibility for the Consolidated 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 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.

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, 2015, 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

(*) 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.

[Cover]

[Document filed]	Management's Report on Internal Control
[Applicable laws]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed with]	Director, Kanto Local Finance Bureau
[Date filed]	December 25, 2015
[Company name]	株式会社TKC (*Kabushiki Kaisha TKC*)
[Company name in English]	TKC Corporation
[Title and name of representative]	Kazuyuki Sumi, President and Representative Director
[Title and name of Chief Financial Officer]	Hitoshi Iwata, Executive Vice President, Chief Director of Business Administration, Representative Director
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi
[Place available for public inspection]	TKC Corporation Tokyo Head Office (2-1 Ageba-cho, Shinjuku-ku, Tokyo)
	Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

1 [Matters concerning the basic framework for internal control over financial reporting]

Kazuyuki Sumi, President and Representative Director, and Hitoshi Iwata, Chief Financial Officer of TKC Corporation (the "Company"), are responsible for designing and operating effective internal control over financial reporting of the Company, and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "Establishing the Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinions)" released by the Business Accounting Council.

Internal control, by nature, may not function effectively due to errors in judgment or negligence of those implementing internal control, or may not respond to unanticipated changes in internal and external environments. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2 [Matters concerning the scope of assessment, assessment date and assessment procedures]

Assessment of internal control over financial reporting was performed as of September 30, 2015, which is the end of this fiscal year, in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we first assessed internal controls which may have material impact on the entire financial reporting on a consolidated basis (entity-level controls), and based on the results of such assessment, we selected the business processes to be assessed. In the process-level assessment, we analyzed the selected business processes, identified key controls that may have material impact on the reliability of the financial reporting, and assessed the design and operation of these key controls to determine the effectiveness of our internal controls.

We determined the required scope of assessment of internal control over financial reporting for the Company as well as its consolidated subsidiaries and equity-method affiliated companies based on the materiality that may affect the reliability of the Company's financial reporting. The materiality that may affect the reliability of financial reporting was determined by taking into account the materiality of quantitative and qualitative impacts on financial reporting. Based on the results of assessment of entity-level controls conducted for the Company and one of its consolidated subsidiaries, we reasonably determined the scope of assessment of internal controls over business processes. The two other consolidated subsidiaries and two equity-method affiliated companies determined to have insignificant quantitative and qualitative influence on the reliability of financial reporting were not included in the scope of assessment of entity-level controls.

For the purpose of determining the scope of assessment of internal control over business processes, we selected locations and business units to be tested based on the fiscal year's nets sales (after elimination of transactions between consolidated companies), and companies whose net sales reached two-thirds of total amount on the Company's consolidated net sales were selected as "Significant Locations/Business Units." At such Significant Locations/Business Units, we included in the scope of assessment, business processes that lead to sales, accounts receivable, purchases and inventories that may have material impact on the business objectives of the Company. Further, in addition to the selected Significant Locations/Business Units, we also included in the scope of assessment, certain business processes having greater likelihood of material misstatements, processes having significant accounts involving estimates and management's judgment, and processes concerning businesses or operations dealing with high-risk transactions, as business processes that may have material impacts on financial reporting.

3 [Matters concerning the results of assessment]

As a result of the above assessments, the Company determined that the internal control over financial reporting was effective as if the last day of the fiscal year.

4 [Supplementary Information]

None.

5 [Special Notes]

None.

[Front cover]

[Document filed]	Written Confirmation
[Applicable laws]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
[Filed with]	Director, Kanto Local Finance Bureau
[Date filed]	December 25, 2015
[Company name]	株式会社TKC (*Kabushiki Kaisha TKC*)
[Company name in English]	TKC Corporation
[Title and name of representative]	Kazuyuki Sumi, President and Representative Director
[Title and name of Chief Financial Officer]	Hitoshi Iwata, Executive Vice President, Chief Director of Business Administration, Representative Director
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi
[Place available for public inspection]	TKC Corporation Tokyo Head Office (2-1 Ageba-cho, Shinjuku-ku, Tokyo)
	Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

1 [Matters Related to Adequacy of Statements Contained in the Annual Securities Report]

Kazuyuki Sumi, President and Representative Director of the Company and Hitoshi Iwata, Chief Financial Officer of the Company hereby confirm that the statements contained in the Annual Securities Report for the 49th fiscal year (from October 1, 2014 to September 30, 2015) are adequate under the Financial Instruments and Exchange Act.

2 [Special Notes]

None.