

# Annual Securities Report

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

Fiscal year	Started October 1, 2020
(55th Term)	Ended September 30, 2021

## TKC Corporation

1758 Tsurutamachi, Utsunomiya-shi, Tochigi

(E04807)

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

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[Fiscal year]	55th term (from October 1, 2020 to September 30, 2021)
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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	51st Term	52nd Term	53rd Term	54th Term	55th Term
Year end	September 2017	September 2018	September 2019	September 2020	September 2021
Net sales (million yen)	59,705	61,621	66,120	67,814	66,221
Ordinary income (million yen)	8,792	8,961	9,669	11,685	12,673
Net income attributable to owners of parent (million yen)	6,071	6,158	6,721	7,821	8,686
Comprehensive income (million yen)	7,097	6,517	4,082	7,501	9,839
Total net assets (million yen)	68,892	72,550	73,121	77,075	83,416
Total assets (million yen)	85,428	90,202	96,989	97,671	103,406
Net assets per share (yen)	1,275.85	1,343.16	1,362.39	1,466.56	1,582.45
Net income per share (yen)	114.56	116.73	127.76	148.81	164.93
Diluted net income per share (yen)	114.08	116.20	127.50	—	—
Equity ratio (%)	78.8	78.6	73.8	78.9	80.7
Return on equity (ROE) (%)	9.3	8.9	9.4	10.5	10.8
Price earnings ratio (PER) (times)	15.1	20.4	18.3	22.9	21.3
Cash flows from operating activities (million yen)	8,123	8,810	10,550	10,569	10,550
Cash flows from investing activities (million yen)	(4,617)	(4,013)	411	(10,124)	(7,201)
Cash flows from financing activities (million yen)	(3,019)	(2,567)	(3,792)	(3,786)	(3,691)
Cash and cash equivalents at end of year (million yen)	17,039	19,268	26,810	23,469	23,126
No. of employees (No. of people)	2,588	2,625	2,701	2,770	2,851

- (Notes)
1. Net sales do not include consumption taxes (consumption tax and local consumption tax; hereinafter the same).
  2. The Company introduced the Board Incentive Plan (BIP) Trust starting from the 2nd quarter consolidated accounting period of the 53rd Term, and recorded the stocks held by said Trust as treasury stocks. Accordingly, for the purpose of calculating the net income per share, they are included in the treasury stocks to be deducted in calculating the average number of shares outstanding.  
Diluted net income per share for the 54th and 55th Terms are not stated as there were no dilutive shares.
  4. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. Net assets per share, net income per share, and diluted net income per share have been calculated assuming that the stock split was conducted at the beginning of the 51st Term.
  5. The reason for decrease in net sales compared to the previous fiscal year is because the Company started applying the Accounting Standard for Revenue Recognition as of the beginning of fiscal year ended September 2021. For details, please refer to Notes (Changes in Accounting Policies) on Page 80.
  6. The Company applies the partially amended Accounting Standard for Tax Effect Accounting (ASBJ Standard No. 28, February 16, 2018), etc. as of the beginning of the 53rd Term. Accordingly, said accounting standard has been applied retroactively to the key financial data and other indicators for the 52nd Term shown herein.

(2) Financial Data, etc. of the Company

Fiscal year		51st Term	52nd Term	53rd Term	54th Term	55th Term
Year end		September 2017	September 2018	September 2019	September 2020	September 2021
Net sales	(million yen)	55,175	56,769	60,897	63,070	61,637
Ordinary income	(million yen)	8,473	8,577	8,972	11,107	12,064
Net income	(million yen)	5,900	5,959	6,262	7,472	8,293
Capital stock	(million yen)	5,700	5,700	5,700	5,700	5,700
Total number of shares issued	(hundreds of shares)	267,310	267,310	267,310	267,310	534,620
Total net assets	(million yen)	65,466	68,863	70,622	74,714	80,491
Total assets	(million yen)	79,034	82,737	88,192	89,767	95,264
Net assets per share	(yen)	1,237.41	1,300.74	1,343.47	1,421.63	1,526.97
Dividend per share (Of the above, interim dividends per share)	(yen)	100.00 (40.00)	105.00 (50.00)	110.00 (55.00)	120.00 (55.00)	104.50 (65.00)
Net income per share	(yen)	111.34	112.96	119.04	142.18	157.46
Diluted net income per share	(yen)	110.86	112.45	118.79	—	—
Equity ratio	(%)	82.6	82.9	80.1	83.2	84.5
Return on equity (ROE)	(%)	9.3	8.9	9.0	10.3	10.7
Price earnings ratio (PER)	(times)	15.5	21.0	19.7	23.9	22.3
Dividend payout ratio	(%)	44.91	46.48	46.20	42.20	45.70
No. of employees	(No. of people)	2,269	2,225	2,288	2,312	2,398
Total shareholder return (Benchmark index: TOPIX total return index)	(%) (%)	113.2 (129.3)	158.2 (143.3)	159.3 (128.4)	231.1 (134.7)	242.7 (171.7)
Stock price - high	(yen)	3,530	4,875	5,030	7,270	3,910 (7,840)
Stock price - low	(yen)	2,716	3,305	3,350	3,820	3,175 (6,190)

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

2. Dividends per share include a special dividend of 7 yen for the 55th Term.

The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. Dividend of 104.50 yen per share for the 55th Term is the sum of an interim dividend of 65 yen per share prior to this stock split, and a year-end dividend of 39.50 yen per share after said stock split. If the stock split is not taken into consideration, year-end dividend will be 79 yen per share, and annual dividend will be 144 yen per share.

3. The Company introduced the Board Incentive Plan (BIP) Trust starting from the 2nd quarter accounting period of the 53rd Term, and recorded the stocks held by said Trust as treasury stocks. Accordingly, for the purpose of calculating the net income per share, they are included in the treasury stocks to be deducted in calculating the average number of shares outstanding.

4. Diluted net income per share for the 54th and 55th Terms are not stated as there were no dilutive shares.

5. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. Net assets per share, net income per share, and diluted net income per share have been calculated assuming that the stock split was conducted at the beginning of the 51st Term.

Total shareholder return has been calculated taking into consideration said stock split.

6. The reason for decrease in net sales compared to the previous fiscal year is because the Company started applying the Accounting Standard for Revenue Recognition as of the beginning of fiscal year ended September 2021. For details, please refer to Notes (Changes in Accounting Policies) on Page 114.

7. The Company applies the partially amended Accounting Standard for Tax Effect Accounting (ASBJ Standard No. 28, February 16, 2018), etc. as of the beginning of the 53rd Term. Accordingly, said accounting standard has been applied retroactively to the key financial data and other indicators for the 52nd Term shown herein.
8. The highest and lowest stock prices are based on the market prices on the First Section of the Tokyo Stock Exchange.

The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. The stock prices for the 55th Term show the highest and lowest stock prices after the stock split; the figures in parenthesis show the highest and lowest stock prices before the stock split.

## 2 [History]

Date	Company History
October 1966	The Company was established in Utsunomiya-shi, 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 Youhin Center Co., Ltd. (a subsidiary, changed name to TKC Tokyo Supply Center Co., Ltd. in December 1993). [Merged and absorbed into the Company in January 2000]  Established TKC Osaka Keisan Center Co., Ltd. (a subsidiary, changed name to TKC Osaka Youhin Center Co., Ltd. in July 1987, and to TKC Osaka Supply Center Co., Ltd. in December 1993). [Merged and absorbed into the Company in January 2000]  Established TKC Okayama Keisan Center Co., Ltd. (a subsidiary, changed name to TKC Chushikoku Youhin Center Co., Ltd. in July 1987, and to TKC Chushikoku Supply Center Co., Ltd. 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 Co., Ltd. (a subsidiary, changed name to TKC Tohoku Youhin Center Co., Ltd. in July 1987, and to TKC Tohoku Supply Center Co., Ltd. in December 1993). [Merged and absorbed into the Company in January 2000]
December 1972	Established TKC Nagoya Keisan Center Co., Ltd. (a subsidiary, changed name to TKC Chubu Youhin Center Co., Ltd. in July 1987, and to TKC Chubu Supply Center Co., Ltd. in December 1993). [Merged and absorbed into the Company in January 2000]
November 1973	Established TKC Kyushu Keisan Center Co., Ltd. (a subsidiary, changed name to TKC Kyushu Youhin Center Co., Ltd. in July 1987, and to TKC Kyushu Supply Center Co., Ltd. in December 1993). [Merged and absorbed into the Company in January 2000]
August 1975	Established Tokyo Line Printer Company (currently a consolidated subsidiary).
February 1976	Established TKC Saitama Keisan Center Co., Ltd. (a subsidiary, changed name to TKC Kanshin Youhin Center Co., Ltd. in July 1987, and to TKC Kanshin Supply Center Co., Ltd. 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 Co., Ltd. (currently a consolidated subsidiary).
October 1984	Opened TKC Tax Research Center.
February 1985	Established TKC Management Consulting Co., Ltd. (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 Kabushiki Kaisha TKC (TKC Corporation).
June 1987	Changed names of Keisan Centers to Information Centers.
July 1987	Listed on the Second Section of the Tokyo Stock Exchange.
September 1987	Opened TASK Technology Development Center.

Date	Company History
March 1990	Integrated the information processing service divisions of TKC Tokyo Second Information Center, TKC Shinjuku-Minami Information Center and TKC Ikebukuro Information Center to form TKC Tokyo Consolidated Information Center.
April 1990	Established TKC Corporation Strategic Management Research Center. [Merged and absorbed into the Company in October 2000]
June 1991	Opened TKC Data Entry Center.
January 1992	Opened TKC Precedent Retrieval Service Center.
November 1992	Integrated the information processing service divisions of TKC Osaka Information Center, TKC Kyoto Information Center and TKC Hyogo Information Center to form TKC Kansai Consolidated Information Center.
February 1994	Opened Systems Development Center.
March 1996	Listed on the First Section of the Tokyo Stock Exchange.
January 1998	Integrated the information processing service divisions of TKC Nagoya Information Center, TKC Shizuoka Information Center and TKC Nagano Information Center to form TKC Chubu Consolidated Information Center.
June 1998	Opened New Systems Development Center.
June 1999	Acquired shares in SKYCOM Corporation (currently a consolidated subsidiary).
July 1999	The systems development division obtained ISO9001 quality management systems certification.
March 2001	Integrated the information processing service division of TKC Kyushu Information Center, TKC Kumamoto Information Center and TKC Kagoshima Information Center to form TKC Kyushu Consolidated Information Center.
November 2002	Changed the company name in the company registry to TKC Corporation to match the corporate name in the Articles of Incorporation.
March 2003	Tokyo Line Printer Company obtained "PrivacyMark" accreditation from the Japan Information Processing Development Center (JIPDEC).
July 2003	Integrated the information processing service divisions of TKC Okayama Information Center, TKC Hiroshima Information Center and TKC Shikoku Information Center to form TKC Chushikoku Consolidated Information Center.
October 2003	Reorganized the information processing service divisions of TKC Hokkaido Information Center, TKC Tohoku Information Center, TKC Tochigi Information Center, and TKC Okinawa Information Center into TKC Consolidated Information Center, and their SCG departments into TKCSCG Service Center. Changed the name of TKC Information Service Center (Accounting Firm BD) to TKCSCG Service Center. Opened TKC Internet Service Center (TISC).
	Became the first private company to pass the LGWAN (Local Government Wide Area Network) - ASP connection qualification test.
April 2004	Obtained PrivacyMark accreditation from JIPDEC (Local Governments BD).
June 2005	Obtained PrivacyMark accreditation from JIPDEC (company-wide).
December 2008	Obtained a report on the effectiveness of the implementation and operation of internal controls related to ASP services prepared by Ernst & Young ShinNihon LLC based on JICPA Auditing Standards Committee Report 18, "Assessment of Control Risks relating to an Entity using Service Organizations" (currently, Auditing and Assurance Practice Committee Practical Guideline No. 86, "Assurance Reports on Controls at a Service Organization").
September 2010	Opened Innovation & Technology Center (I&TC).
September 2015	Acquired 100% ownership of SKYCOM Corporation as wholly-owned subsidiary.
October 2015	Became the first company in Japan to obtain third party accreditation for ISO/IEC 27018:2014, "Code of practice for protection of personally identifiable information (PII) in public cloud acting as PII processors" (October 12).
April 2016	Opened System Engineering Center (SEC).
October 2017	Established TKC Customer Support Service Co., Ltd. (currently a consolidated subsidiary).
March 2018	Completed the construction of TKC Customer Support Service building.
October 2018	Tokyo Line Printer Company changed the company name to TLP Corporation.
March 2019	Became the first company to acquire certification under the Electronic Books Software Legal Compliance Certification System by Japan Image and Information Management Association (JIIMA) for its financial accounting systems that are offered to the clients of accounting firms.
September 2019	Acquired 100% ownership of TKC Shuppan Corporation as wholly-owned subsidiary.
September 2019	Established a voluntary Nomination and Compensation Advisory Committee.
March 2020	Acquired 100% ownership of TLP Corporation as wholly-owned subsidiary.



### 3 [Description of Business]

The TKC Group (TKC Corporation and affiliated companies) consists of the Company, six subsidiaries and one affiliated company. 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, (1) Consolidated Financial Statements.

#### (1) Accounting Firm Business

Key services/products	Positioning of the Company and affiliated companies
1. Information processing services (i) Computer services by the TKC Consolidated Information Center (ii) Computer services by the TKC Internet Service Center (TISC) 2. Software and consulting services (i) Development and provision of software to be installed on system devices for information service applications (ii) Systems consulting services by specialized staff 3. Sales of office equipment Sales of system devices for information service applications 4. Sales of supplies Sales of office supplies for computer-based accounting	(Services and sales) 1. 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. 2. TKC Customer Support Service Co., Ltd., a subsidiary of the Company, offers help desk services to accounting firms and their clients, and for medium and large-size companies. (Manufacturing and production) 1. TLP Corporation, 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, a subsidiary of the 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. (Others) TKC Security Services Co., Ltd., a subsidiary of the Company, provides security, maintenance and repair services for buildings owned by the Company.

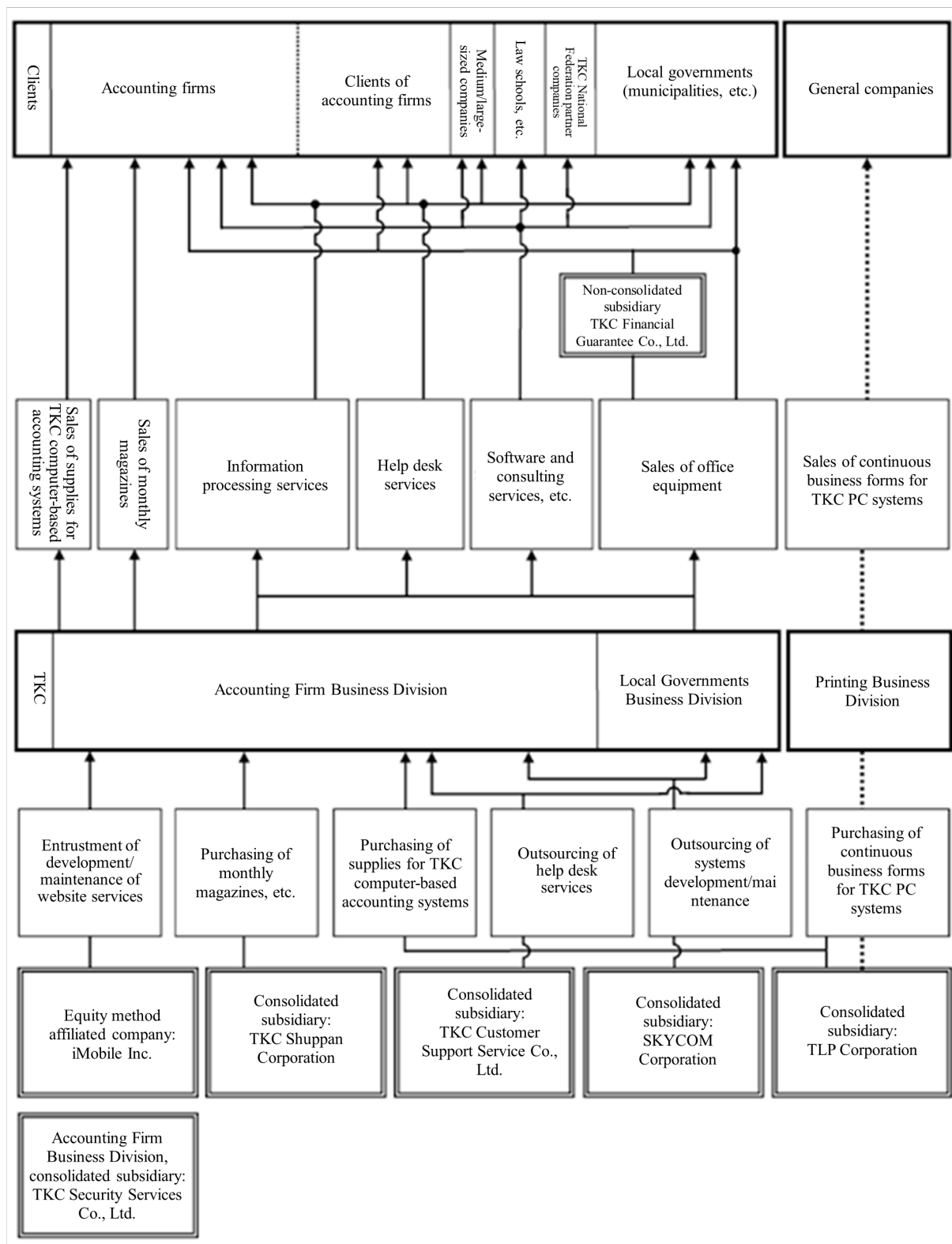
## (2) Local Governments Business

Key services/products	Positioning of the Company and affiliated companies
<p>1. Information processing services</p> <p>(i) Computer services by the TKC Consolidated Information Center</p> <p>(ii) Computer services by the TKC Internet Service Center (TISC)</p> <p>2. Software and consulting services</p> <p>(i) Development and provision of software to be installed on system devices for information service applications</p> <p>(ii) Systems consulting services by specialized staff</p> <p>3. Sales of office equipment</p> <p>Sales of system devices for information service applications</p>	<p>(Services and sales)</p> <p>1. The Company provides information processing services, software and consulting services, and sales of office equipment to local governments (local municipalities, etc.).</p> <p>2. TKC Customer Support Service Co., Ltd., a subsidiary of the Company, offers help desk services to local governments (local municipalities, etc.).</p> <p>(Manufacturing)</p> <p>1. TLP Corporation, a subsidiary of the Company, offers printed continuous business forms for TKC PC systems for information processing service applications.</p> <p>2. SKYCOM Corporation, a subsidiary of the Company, is engaged in the development and sales of software.</p>

## (3) Printing Business

Key products	Positioning of the Company and affiliated companies
Continuous business forms for PCs, general office forms, data printing services, brochures, etc.	<p>(Manufacturing and sales)</p> <p>TLP Corporation, a subsidiary of the Company, is engaged in the manufacturing and sales of continuous business forms for PCs and general office forms, and data printing services (DPS).</p>

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 (%)	Relationship
TLP Corporation	Itabashi-ku, Tokyo	100	Printing business, manufacture and sales of continuous business forms for PCs	100.0	Purchasing of printed continuous business forms for PCs; lease of office spaces. Executive positions held concurrently: yes Funding: no
TKC Security Services Co., Ltd.	Utsunomiya-shi, Tochigi	10	Security, maintenance & repairs, and cleaning services	100.0	Security, maintenance & repairs, packaging and shipping services. Executive positions held concurrently: yes Funding: no
SKYCOM Corporation	Chiyoda-ku, Tokyo	100	Development and sales of systems	100.0	Outsourcing of systems development. Executive positions held concurrently: yes Funding: no
TKC Customer Support Service Co., Ltd.	Kanuma-shi, Tochigi	25	Help desk services	100.0	Outsourcing of help desk services. Executive positions held concurrently: yes Funding: no
TKC Shuppan Corporation	Shinjuku-ku, Tokyo	83	Production of monthly magazines, etc.	100.0	Purchasing of monthly magazines, etc. Executive positions held concurrently: yes Funding: no

(Notes) 1. TLP Corporation 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 held (%)	Relationship
iMobile Inc.	Shibuya-ku, Tokyo	100	Development and maintenance of website services	30.0	Outsourcing of development and maintenance of website services. Executive positions held concurrently: yes Funding: yes

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

## 5 [Employees]

### (1) Consolidated Basis

As of September 30, 2021

Name of segment	Number of employees
Accounting Firm business	1,688
Local Governments business	604
Printing business	189
Corporate (shared)	370
Total	2,851

- (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, 2021

Number of employees	Average age (years)	Average years of service (years)	Average annual salary (yen)
2,398	39.5	16.2	7,587,877

Name of segment	Number of employees
Accounting Firm business	1,540
Local Governments business	604
Corporate (shared)	254
Total	2,398

- (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 [Management Policy, Business Environment and Challenges Faced by the Company]

#### (1) Management Policy, Business Environment and Challenges Faced by the Company

##### 1. Management policy, management strategy

The Company is managed to achieve the following two business objectives as set forth in our Articles of Incorporation (Article 2) under the company motto of “Jiri Rita (“self-interest is in the realization of other's interest”) and management principle of “Contribution to our Customers.”

- 1) Management of electronic data processing centers to defend the business domain and maintain control over the fate of accounting firms
- 2) Management of electronic data processing centers to improve the administrative efficiency of local governments

This basic principle has been inscribed in our Articles of Incorporation since the incorporation of the Company (October 22, 1966). With the expansion of our business scope, other business objectives have been added to the Articles, although they merely supplement these two business objectives and our basic policy for management has never changed.

##### 2. Business environment

The Japanese economy is seeing gradual recovery as progress is made in novel coronavirus (COVID-19) vaccinations. However, as the pandemic persists in other countries around the world, the re-spread of the disease in Japan remains a concern. Moreover, the impacts of rise in costs of materials and components due to the fragmented supply chain are gradually surfacing, and we have not ruled out the possibility of greater impacts depending on future trends in slowdown in trade and suppression of corporate capital investments.

In such situation, the Japanese government is aiming to resume the socio-economic activities by preparing various measures to support the people and SMEs such as offering booster vaccination. By quickly complying with such governmental initiatives and offering compatible systems and services, the Group will continue to support the local communities and society.

Revisions to the laws and advancements in ICT have significant impacts on the products and services that the Group offers. Legal reforms to which we must respond include: the electronic filing of income taxes mandated to large corporations starting in April 2020; the Revised Electronic Books Maintenance Act to be enacted as of January 1, 2022; the Group Tax Sharing System to be enacted in April, 2022; the new invoicing system to be implemented in October 2023; and electromagnetic invoicing requirements. In addition, we must also respond to the digital reform initiatives promoted by the government and local municipalities, as well as the unified standards for local public accounting. Advancements in ICT include evolutions in cloud computing technologies, response to FinTech, and use of AI.

We believe it is critical to become responsive to these changes in the environment and reflect such knowledge in the products and services offered by the Group.

##### 3. Priority business and financial issues

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

The Group provides support for the operation of accounting firms and local governments by achieving complete compliance with relevant laws and regulations and offering systems developed based upon the latest ICT. As such, the Group will continue to enhance 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 of Japan, and compile the Company's management philosophy, various board structures and corporate rules and regulations in a systematic manner to improve the Group governance system.

In particular, the Group established and operates a Group governance system in response to the Practical Guidelines for Group Governance System formulated by the Ministry of Economy, Trade and Industry (METI) in June 2019.

- 3) Fostering an organizational culture that bolsters job satisfaction

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

4) Ensuring business continuity

The Group will 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) Rapid response to system failure

In the rare event that the Company's system fails, the Group will identify the users impacted by system failure to notify them of the nature of the failure and countermeasures, and strive to establish a system to provide rapid support for recovery under the policy of "100% customer relief."

6) Efforts toward information security

The Group always provides various 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.

It is with this awareness that the Company acquired third party accreditations including the ISO/IEC 27001 Information Security Management Systems certification and the JIS Q 15001 Personal Information Protection Management Systems (PrivacyMark) in order to develop a technical environment that enables our customers to use our cloud services with a peace of mind.

In addition, the TKC Internet Service Center (TISC) acquired the following certifications: ISO/IEC 27018, code of practice for protection of personally identifiable data in the public cloud on October 12, 2015; ISO/IEC27017, code of practice for information security controls for cloud services on June 19, 2017; and ISO/IEC20000, the international standard for IT service management system on June 7, 2021.

The Company will continue to strive to develop environments where customers can use cloud services safely, securely and conveniently.

(2) Management Policy, Business Environment and Challenges Faced by the Accounting Firm Business Division

1. Management policy, management strategy

The Accounting Firm BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 1: Management of electronic data processing centers to defend the business domain and maintain control over the fate of accounting firms) and works under close ties with the TKC National Federation, which consists of certified public tax accountants and certified public accountants that are customers of TKC (11,500 members).

TKCNF announced its 3-year activity policy from 2019 to 2021 as follows:

**[Activity policy to change society with the TKC brand]**

- 1) Promote Shomen-tempu (attachment of tax audit reports) by the TKC methods (FY2021 year-end target: corporate Shomen-tempu by 156,000 companies)
- 2) Promote TKC Monitoring Information Service (FY2021 year-end target: 140,000 companies, 280,000 cases)
- 3) Promote self-accounting practice by the TKC methods (FY2021 year-end target: 300,000 companies, of which, 180,000 cases to be electronic books)

Based on the activity policy of TKCNF, the Company conducts activities to achieve its strategic targets for FY2021.

In addition, the Company supports the expansion of clients of TKC Members by providing tax and accounting systems for listed companies and other large enterprises in close collaboration with the TKCNF's Medium and Large-size Support Research Committee and the Overseas Deployment Support Research Committee.

2. Business environment

According to the Outline of Filing of Corporate Income Tax Returns (Taxation) published in October 2020 by the National Tax Agency, the percentage of companies recording profit in FY2019 was 35.3%. Although this was an increase of 0.6 percent points over the previous program year and the percentage has been rising for nine consecutive years, it shows that approximately 65% are still recording losses. Moreover, due to the COVID-19 pandemics, SMEs are still exposed to risks of difficulties and record losses. Amidst such impenetrable fog, many SMEs have secured cash on hand through emergency loans, which they began repaying in 2021. Businesses now face a big challenge of securing profit necessary to repay the loans.

In such climate, TKC Member firms, in an aim to achieve positive balance and proper filing, conducted monthly field audits and monthly settlements, offered managerial advisory services, and undertook activities to "strengthen the company through accounting." We also provided various support services, including the calculation of profits and sales revenues needed for loan repayment and development of business plans. As a result of these activities, nearly 56% of the clients of TKC Member firms have achieved surplus, and there are rising expectations from SMEs and

financial institutions nationwide towards the effective instructions provided by TKC Member firms.

The Revised Electronic Books Maintenance Act will be enforced on January 1, 2022, and the Revised Consumption Tax Act will be enforced on October 1, 2023. All business operators will be required to take actions for the preservation of data in the form of electromagnetic records and qualified invoice system. The Company considers such legal and social system reforms as an opportunity to expand the client base of TKC Members.

### 3. Priority business and financial issues

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

#### 1) Increase system competitiveness

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.

- a. The strengths of the Company's systems lie in the one-stop, full line of tax affairs and accounting. We have the capability to maintain complete compliance with laws, regulations and accounting standards in our financial accounting systems and to provide a one-stop, full line of accounting, tax affairs and electronic tax filing with fully compatible links to related tax information systems. Looking ahead, the Company will continue to respond promptly and accurately to revisions of laws/regulations and system modifications.
- b. The most important feature of the Company's systems is that they are not mere offering 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 strengthen our support for such TKC Members to assist them in adding greater value to their services.

#### 2) Activities to promote the use of self-accounting

In order to support TKCNF achieve their strategic targets, the Company will enhance and expand functions that support corporate executives' quick decision making, and carry out self-accounting promotion activities, taking advantage of the strengths of systems that prevent any retroactive insertions, deletions and corrections which may lead to falsification of accounting data.

#### 3) Support to achieve "Over 10,000 TKC Member Firms"

To achieve TKCNF's target of achieving over 10,000 TKC Member firms, the Company will solicit membership in cooperation with TKC Members and contribute to the achievement of TKCNF's strategic target.

#### 4) Enhance and expand the TKC Consolidated Group Solution

In collaboration with the Medium- and Large-sized Companies Support and Overseas Business Support Councils of TKCNF, the Company utilizes the TKC Consolidated Group Solution to support large sized companies in rationalizing and streamlining such operations as taxation, accounting, and management of overseas subsidiaries.

#### 5) Increase of user base of TKC Law Library

The Company will enhance the functions and contents of LEX/DB Internet, Publishers' Database, Legal Book Search and other contents constituting the TKC Law Library to further increase the convenience of users. Through such efforts, we aim to differentiate the TKC Law Library from the services offered by competitors in order to further increase the use by law firms.

### (3) Management Policy, Business Environment and Challenges Faced by the Local Governments Business Division

#### 1. Management policy, management strategy

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.

Also, as a medium- to long-term business vision, the Company established a policy to "contribute to the prosperity and development of local communities by improving administrative efficiency and resident services and reducing administrative costs through optimal use of TKC systems, and is now in the process of executing the strategies to that end.

#### 2. Business environment

Informatization of local governments (municipalities, in particular) is at a major turning point.



Against the backdrop of labor shortages due to declining birthrate/aging population and depopulation in local communities, municipalities are facing an important managerial issue of transitioning to a “Smart Municipality (digital society)” that could provide administrative services in a sustainable manner with half the number of staff. In particular, the COVID-19 pandemic brought light to the social issue of delay in digitalization of administrative services, which caused local governments to further accelerate their efforts. The national government formulated the Basic Act on the Formulation of a Digital Society (Cabinet Decision of Dec. 25, 2020), highlighting that the roles of local municipalities (cities, wards, towns, and villages) which take on administrative services close to residents are crucial in achieving a digital society. It calls for all municipalities to keep pace in implementing the following measures in accordance with the Local Governments Digital Transformation (DX) Promotion Plan (Ministry of Internal Affairs and Communications, Dec. 25, 2020):

1) Standardization and common use of information systems

By end of March 2026, migrate the 17 mission-critical operating systems to systems that are compliant with the standard specifications designed by the national government; utilize the nation-wide cloud (Gov-Cloud) to access the standardized systems.

2) Promotion of My Number Cards

In an aim for the majority of residents to become My Number Card holders by the end of March 2023, encourage applications in accordance with the Issuance Promotion Plan as well as enhance issuance functions.

3) Switching to online administrative services

Targeting the end of March 2023, enable residents to use their My Number Cards to access major administrative services (31 services) online through Mynportal.

4) Promotion of use of AI/RPA

5) Promotion of teleworking

6) Ensuring security measures

In addition, while governments and municipalities face increasingly serious financial conditions, local governments are expected to establish “sustainable administrative operations” in order to provide administrative services in a consistent, sustainable, efficient, and effective manner. To this end, local municipalities are facing the urgent need to update and disclose financial documents appropriately, visualize their financial conditions accurately, and aggressively utilize the information obtained from those financial documents in the assessment of projects and top decision-making.

Meanwhile, looking toward the market trends of business vendors supplying for local governments, new players from other industries and startups are entering the field of digitalization of administrative services one after another. Trends show that the local governments market is now increasingly competitive and the world has shifted to a harsh place where only those system suppliers who have the ability to respond flexibly and quickly to the changing business environment could survive.

3. Priority business and financial issues

As corporate effort to achieve digital transformation of local governments and to support sustainable reform of administrative and financial services, the Local Governments BD considers it a vital business challenge to provide support for the enhancement of services for residents and reduction of costs through improving the administrative efficiency of local governments, which are to be achieved through the development and provision of innovative products and services that leverage the latest in ICT, and will implement the following five priority activities to this end.

1) We will develop new municipality customers of mission-critical operational systems and further promote government cloud systems to propel digitalization of administrative services and minimize costs;

- a. To respond to the standardization & common use of local government information systems to be implemented by end of March 2026, we began to develop systems that are fully compliant with the standard specifications designed by the national government, and to achieve compatibility with Gov-Cloud.
- b. Compatibility with Gov-Cloud means that the systems that are implemented and operated at TISC will be fully compatible and operable on the nationwide cloud platform that the government is building.
- c. Two of the clients of the Company (Misato Town and Kawajima Town, Saitama Pref.) were selected for the Government Cloud Predecessor Project procured by the national government. The Company will be involved in this Project as application vendors for both towns. In this Project, we will mainly conduct verifications on the system migration to Gov-Cloud, functions and behavior of the systems after migrating, and information securities.

2) We will support the realization of evidence-based policy making (EBPM) based on public accounting

information by providing systems that allows analysis of administrative efficiency through multilateral use of financial data;

- 3) We will support the enhancement of convenience of users (governments and residents) through dissemination and expansion of eLTAX-related services and digitalization of tax administration;
- 4) We will engage in the development and provision of new, user-oriented administrative services and digitalization support solutions;
- 5) We will establish mutual software product supply relationship with local vendors providing services to local municipalities in order to promote alliance strategies to achieve expansion of sales area and multiplexing of services.

#### (4) Management Policy, Business Environment, and Challenges Faced by the Printing Business Division (Subsidiary: TLP Corporation)

##### 1. Management policy, management strategy

The Printing BD operates under the management policy to contribute to the communication and marketing of client companies and their customers by utilizing digital technologies and providing products and services that meet the changing needs. The COVID-19 pandemic has created a rapid flow for the government to go digital in this information-intensive society. To respond to the changes in social environment and values of clients, the Printing BD works to develop products and services utilizing our production technologies, to improve quality, and to add greater value. As a good partner to our clients, we will strive to further improve corporate value through the development of a communication environment utilizing digital technologies and printed materials.

##### 2. Business environment

With the expansion of the Internet environment and due to impacts of the COVID-19 pandemics, people have adjusted their lives to new lifestyles and new work/business styles. Under the government's digital reform initiatives, digitalization of administrative services, regulatory reform, wide use of the My Number card, and digitalization of education are in progress. The market is seeing creation of new businesses prompted by such unprecedented changes in the environment and shifts in sense of values. As to our key products, data print services (DPS) and business process outsourcing (BPO), we strive to provide products and services that meet these changes.

While demands for business forms continue to decline over time, we will work to reduce costs and expand our shares within the market through streamlining of production environment, elimination and consolidation of facilities, and increase in production efficiency.

##### 3. Priority business and financial issues

The Group's Printing BD implements the following actions to increase sales mainly from data print services (DPS) and business process outsourcing (BPO).

- 1) We will provide greater added-values to our products and services by combining our analog and digital printing technologies, thereby contribute to direct communication efforts of our customers.
- 2) We will continue to develop new technologies to respond to customer needs and to enable unique proposal-oriented sales activities by differentiating ourselves from competitors.
- 3) Customers have increased reliance on outsourcing as a result of COVID-19 pandemics. We will contribute to streamlining the customers' business operations through efforts including maintaining high quality, minimizing costs, and reducing information security risks.
- 4) We will improve quality and enhance quality and production capabilities by further strengthening the production environment of the dedicated DSP plant.
- 5) We will strive to improve and maintain consistent quality, and enhance our quality inspections of each process for all products to prevent quality defects.
- 6) We will carry out digital transformation (DX) and automation of processes throughout the Company to boost productivity and operational quality of all business segments.
- 7) In order to win trust from customers and business partners, and to stay on the front line of the government-initiated promotion of My Number Cards, we will further strengthen our information security systems based on Privacy Mark and ISMS to ensure strict management of My Number.
- 8) As ISO14001 certified, environmentally-friendly company, we will reduce wasted paper and further put our efforts into reducing energy consumption through increased productivity and efficiency.

## 2 [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 be forthcoming in disclosing 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 regard to the future are based on the Group's decision made as of the end of the current consolidated fiscal year (September 30, 2021).

### (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 FY2006 in accordance with the Financial Instruments and Exchange Act of Japan.

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) Stable Operation of Cloud Services

The Company is taking various measures to enable customers (including accounting firms and their clients, medium and large sized companies, and local governments) to use its cloud services in a safe and secure ICT environment, and to be able to maintain and continue its business operations in the event of emergencies. However, as we cannot prevent all unexpected disruptions, we take the following measures for early detection and recovery, and to minimize the impacts to our customers' business operations;

1. Strengthen our verification process upon providing the programs;
2. Strengthen our BCP in the event of unplanned disruptions;
3. Reduce time needed for recovery;
4. Third party assessment and verification of the effectiveness of measures.

### (5) 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 information security measures.

The Company also strengthens its information protection management systems by obtaining third party accreditations such as ISO/IEC27001 Information Security Management System (ISMS) and JIS Q 15001 Personal Information Protection Management Systems (Privacy Mark). TKC Internet Service Center also acquired ISO/IEC27018 certification, a standard specializing in the protecting of personal information in relation to ISMS and public cloud services, and ISO/IEC27017 certification for information security controls for cloud services and other third party

accreditations.

However, the potential for such information leaking due to unforeseen circumstances cannot be eliminated completely, and 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.

#### (6) 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.

### 3 [Management Analysis of Consolidated Financial Conditions, Operating Results, and Cash Flows]

#### (1) Analysis of the Group's Consolidated Operating Results for the Current Consolidated Fiscal Year

##### 1. Operating Results across the Group

The Japanese economy in the consolidated fiscal year under review (October 1, 2020 to September 30, 2021) (hereinafter, the “current fiscal year”) is seeing gradual recovery as progress is made in coronavirus (COVID-19) vaccinations. However, as the pandemic persists in other countries around the world, the re-spread of the disease in Japan remains a concern. Moreover, the impacts of rise in costs of materials and components due to the fragmented supply chain is gradually surfacing, and we have not ruled out the possibility of various restrictions to future economic activities.

In such economic climate, the Company has worked to provide aggressive support to our customers by offering new systems and services.

The Accounting Firm Business Division continued to support certified public tax accountants and certified public accountants that are customers of TKC (hereinafter, “TKC Members”) in their efforts to provide their clients with assistance in financing and managerial advisory services as escort supporters of SMEs. We also support SMEs in going digital and reducing the burdens of accounting operations by providing cloud-based accounting systems.

The Local Governments Business Division quickly provided services in response to the release of the administrative circular “Implementation Outline of Establishing COVID-19 Vaccination Systems” on October 23, 2020 from the Ministry of Health, Labour and Welfare, including revision of the vaccination ledger system and related systems, rendering of services for the production of COVID-19 vaccination coupon notices, and provision of vaccination reservation & registration systems, thereby supported customer local municipalities in their COVID-19 vaccination projects.

As a result of these activities, during the fiscal year under review, the consolidated Group comprising of TKC Corporation and its six consolidated subsidiaries recorded a net sales of 66,221 million yen (decreased 2.3% year-on-year), operating income of 12,314 million yen (increased 8.2% year-on-year), ordinary income of 12,673 million yen (increased 8.5% year-on-year), and net income attributable to owners of parent of 8,686 million yen (increased 11.1% year-on-year).

The reason for decrease in net sales compared to the previous fiscal year is due to the Company's decision on the early application of the Accounting Standard for Revenue Recognition (hereinafter, “Revenue Recognition Accounting Standard”), which will be mandatory for listed companies from the fiscal year starting after April 1, 2021. As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 2,460 million yen compared to the amount recognized if said Standard had not been applied. The reason for the Company's early application of the Revenue Recognition Accounting Standard was in an aim to compile the know-how gained through the application of said Standard and provide such know-how in its consulting services for listed companies.

Net sales for the current fiscal year by business division are shown below.

##### 2. Business activities and operating results of the Accounting Firm Business Division

###### 1) Business activities of the Accounting Firm BD

The Accounting Firm BD operates in accordance with the business objectives set forth in the Articles of Incorporation (Article 2, Paragraph 1: Management of electronic data processing centers to defend the business domain and maintain control over the fate of accounting firms) and works under close ties with the TKC National Federation (TKCNF), which consists of 11,500 certified public tax accountants and certified public accountants (as of September 30, 2021) that are customers of TKC.

#### **[Activities to achieve the strategic goals of the Accounting Firm Business Division]**

##### a. Support of SMEs affected by COVID-19

During the fiscal year under review, the Company aggressively engaged in support activities under the policy to focus all its effort on supporting TKC Members and their clients.

###### i) Provision of the latest information to TKC Members

To accurately and quickly convey information on SME support policies (such as the Employment Adjustment Subsidy and Business Reestablishment Subsidy) released by the national government and SME support organizations to TKC Members, the Company provided the latest information on a daily basis and offered on-demand webinars on these programs over the exclusive Intranet (ProFIT) for TKC Members. We began this activity on February 25, 2020 and posted a total of 253 entries as of the end of September 2021.

###### ii) Provision of TKC Monthly Indicators (Monthly BAST)

In May 2021, we began the free offering of TKC Monthly Indicators (hereinafter, “Monthly BAST”). Monthly BAST is a statistical summary unprecedented in Japan which contains the monthly settlement data of over 250,000 companies. The reliability of the monthly settlements contained is verified through the monthly field audits conducted by TKC Members. Users can view the latest information on the shift of sales and loans, etc. of companies, on a nation-wide scale or by prefecture, by annual revenue, or by industry. We expect that the Monthly BAST will be utilized by those in charge of supporting SMEs at financial institutions and administrative agencies, and economists analyzing the trends of SMEs in determining measures to support SMEs going forward.

iii) Offering of “COVID-19 management support information & emergency financial measures” corner

The Company developed a special website where TKC Members can check SME support policies offered by the national governments, prefectural governments, as well as cities with a population of 40,000 or greater, and financial institutions under the categories: Loans, Employment, Subsidies, and Taxation. TKC Members are able to send out information on emergency financial measures widely across clients and other SMEs. As of the end of September 2021, the website had 8,002 entries on support policies and is the largest database dedicated to SME support policies in Japan. The corner has been updated twice a week since the launch to ensure that the latest information is available at all times.

iv) Upgrading of a check function for clients requiring emergency support

The Company provided a check function for clients requiring emergency support on the Tax Accountants Office Management system (OMS). This function can automatically evaluate the eligibility of each client in the form of a checklist of various governmental emergency economic policies, special loans by government-affiliated financial institutions and other SME support policies. Further in the current fiscal year, we responded immediately to changes in the eligibility for the 3rd call for application for Business Reestablishment Subsidy, and added a function to extract eligible clients with a single click.

b. Sales activities to achieve TKCNF’s Strategic Targets 2021

TKCNF sets its 3-year activity policy from 2019 to 2021 and Strategic Targets 2021. The content is as follows:

[Activity policy to change society with the TKC brand]

- i) Promotion of Shomen-tempu (attachment of tax audit reports) by the TKC methods
- ii) Promotion of TKC Monitoring Information Service
- iii) Promotion of self-accounting by the TKC methods

The initiatives of TKCNF are beginning to draw the attention of many financial institutions. To take advantage of this opportunity to further enhance the managerial infrastructure of TKC Member firms, we launched the following measures:

- i) Understand and practice the Standards of Conduct for TKC Accountants;
- ii) Increase the numbers of Field Auditors and Assistant Field Auditors;
- iii) Enhance the managerial advisory services as a Certified Support Agency.

The Company has been engaged in sales activities to achieve the Strategic Targets 2021 in collaboration with TKCNF.

i) Promotion of TKC Monitoring Information Service

TKC Monitoring Information Service is a free cloud-based service in which the TKC Members, upon request by the management of their clients, provide to financial institutions such information as monthly trial balance sheets, financial statements and tax returns prepared by TKC Member firms after monthly field audits and monthly settlements. Monthly trial balance sheets will be made available immediately upon completion of the monthly settlement, and financial statements and tax returns are disclosed immediately after the client electronically files its financial documents to the tax authorities.

While promoting the TKC Monitoring Information Service, the Company communicated to financial institutions that the reliability of financial statements prepared by SMEs can be verified by the following three documents:

- Supporting documents submitted by TKC Members as provided for under Article 33-2 of the Certified Public Tax Accountant Act of Japan
- Certificate of Bookkeeping Timeliness, with which TKC Corporation certifies the timeliness in the preparation of accounting books as required under Article 432 of the Companies Act of Japan and the connection between the financial statements and tax returns for the past three years

- The Chusho Kaikei Yoryo checklist developed by the Japan Federation of Certified Public Tax Accountants' Associations and Japan Federation of Credit Guarantee Corporations

As a result of these activities, the number of financial institutions adopting this Service is increasing rapidly, adopted by 468 financial institutions including all local banks throughout Japan (64 institutions) as of September 30, 2021. Also, as of September 30, 2021, we achieved the target of 280,000 cases set in TKCNF's Strategic Targets 2021.

While the issue of excessive debt of SMEs is gradually surfacing amidst the pandemic, our TKC Monitoring Information Service, which can quickly provide monthly trial balance sheets, financial statements, and tax returns, is gaining high acclaims from financial institutions and credit guarantee corporations that are striving to support the businesses of SMEs. This service is expected to serve as a bridge between financial institutions and TKC Members in their efforts to support the businesses of SMEs.

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

Many SMEs are in need to plan for repaying the virtually interest-free, no-collateral loans from government-affiliated and private financial institutions. Recognizing these needs, during the current fiscal year, we continued to provide support for the utilization of functions for the management strategy level (budget registration, management by division, financing results spreadsheet) incorporated in the FX series. In order for management to utilize these functions effectively, they need to enter the accounting transaction data in a timely and accurate manner, so the Company also provided support on functions for daily task level, including support for the bank credit data receiving function to receive bank deposit transaction data through online banking and generate journal entries automatically, and the linking of salary journal with the strategic salary information system (PX2). In addition, the FX Cloud series which was released on September 25, 2020 features enhanced functions to "strengthen the company through accounting" and enhanced functions to support the field auditing by accounting firms. By offering assistance to implement the FX Cloud series, the Company will work to support SMEs in strengthening their financial management and capital procurement capabilities.

iii) Supporting complete compliance with the Electronic Books Maintenance Act of Japan

The requirements for the retention of electronic books have been eased in the Revised Electronic Books Maintenance Act of Japan to be enacted as of January 1, 2022. With this, there will be two types of electronic books (which are electromagnetic records of national tax-related books): (a) "superior electronic books" that contain the history of additions, deletions and revisions to the accounting data (traceable) (electronic books that satisfy the requirements of Article 2 and Article 5 of the Ordinance for Enforcement of the revised Act); and (b) "other electronic books" that are prepared using accounting software that do not keep record of such additions/deletions/revisions (electronic books that satisfy only the requirements of Article 2 of the Ordinance for Enforcement of the revised Act). This legal reform negates "the power of evidence" of the books, and the acceptance of such "other electronic books" implies that the government has approved the use of accounting software that might enable falsification of books.

To counter this issue, the Company supports the implementation of the FX series for the preparation of "superior electronic books" on a national level.

iv) Supporting complete compliance with the new invoicing system

A new invoicing system will be implemented as from October 1, 2023. During the two years until the new system comes into effect, taxable business entities must prepare for the new invoicing system, including application for registration as qualified invoice issuer, issuing of qualified invoices, and gaining knowledge on bookkeeping from qualified invoices. To enable accounting firms to provide smooth support to SMEs, we are offering reference materials and preparing for on-demand seminars.

v) Soliciting new members (promotion of joining TKCNF)

TKCNF is engaged in a project to increase TKC membership to over 10,000 firms by the end of December 2021. The Company is working closely with the New Members Service Committee of TKCNF in soliciting new members to achieve this goal through activities such as active hosting of webinars.

As a result of these activities, the number of TKC Member firms totaled approximately 9,800 accounting firms (11,500 accountants) as of September 30, 2021. The difference in numbers of firms and accountants are because some firms have multiple accountants who are members.

**[Activities to "support the preparation of highly reliable financial statements based on timely and accurate bookkeeping"]**

a. Support activities for diffusion of Chusho Kaikei Yoryo (Guidelines for SME accounting)

The TKCNF recommends the use of Basic Guidelines with Respect to the Accounting Procedures at Small- and Medium-sized Enterprises (hereinafter, "Chusho Kaikei Yoryo" (Guidelines for SME Accounting)) formulated

in February 2012 with which SME clients should comply.

These Guidelines have been formulated based on the following principles: i) accounting that helps to grasp the company's business situation; ii) accounting that contributes to providing information to stakeholders (financial institutions, etc.); iii) accounting that complies with the Ordinance on Company Accounting while achieving harmony between accounting and taxation system; and iv) accounting that does not place excessive burden on SMEs.

In order to support the activities of the TKCNF towards the diffusion and utilization of the Guidelines, the Company continues to promote the development of training materials and to strengthen collaboration with other organizations supporting SMEs.

#### **b. Issuance of Certificate of Bookkeeping Timeliness**

The Company utilizes the processing log data and historical time series data that are automatically logged at our data centers when TKC Members access our accounting system to issue a Certificate of Bookkeeping Timeliness free of charge. This Certificate serves as reference for financial institutions and other third parties to objectively evaluate the business performance of TKC Member firms.

This service was developed in an aim to improve reliability of financial statements and tax returns prepared by TKC Members and to provide a passport for smooth financing to the clients of TKC Members. This utilizes the features of the Company's financial accounting processing at TKC data centers, which prohibits any retroactive insertions, deletions and corrections to past data, and TKC Corporation proves, as a third party, that TKC Members have visited 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 by a one-stop, full line process in a timely manner.

By next year, we will enhance the functions to enable private businesses who use the TKC systems for accounting and tax return process, and receive the issuance of Certificate of Bookkeeping Timeliness (for private businesses) to submit their blue returns and other documents to financial institutions. We will support private businesses in strengthening their collaboration with financial institutions.

#### **[Expansion into large-scale enterprise market]**

By utilizing the TKC systems, the Company contributes to the compliance and rationalization of tax and accounting operations of large enterprises, mainly of listed companies, and is actively working to solicit these companies and their affiliates to become clients of TKC Members.

Starting April 2020, large enterprises with a capital of 100 million yen or greater are mandated to use electronic filing of income tax, consumption tax, and local taxes. With this reform, large sized companies must file their income tax returns electronically, as well as submit any attachments to tax returns (financial statements, statement classified by accounting items, etc.) in electronic data form. To enable these companies to switch smoothly to the mandated electronic filing system, the Company worked with TKCNF's Medium- and Large-sized Companies Support Council (1,518 members as of September 30, 2021) and released the Guidebook on Complying with Mandatory Electronic Filing on the Company's website and conducted activities to support users of ASP1000R electronic tax filing system for corporations and the eConsoliTax consolidated tax payment system in the actual implementation of electronic filing. As a result, the number of users of systems such as ASP1000R electronic tax filing system for corporations and the eConsoliTax consolidated tax payment system reached 7,644 companies as of September 30, 2021. This is equivalent to approximately 33% of the 23,000 some companies with a capital of 100 million yen or greater.

Also, as companies having business abroad are restricted from traveling overseas due to COVID-19 pandemic, they are facing challenges in managing their foreign subsidiaries and ensuring governance. More and more companies facing such hardship are implementing our OBMonitor overseas business monitoring system, as it is a cloud service that allows companies to check the financial data of their foreign subsidiaries from their offices in Japan. The number of users of the OBMonitor reached 1,200 companies, and is currently used in 37 countries around the world.

As a result of these activities, the number of corporate groups using the TKC Consolidated Group Solution counted approximately 4,720 corporate groups as of September 30, 2021. With this, our taxation-related information systems are adopted by 89% of the 100 largest Japanese listed companies by sales amount. The market shares among Japanese listed companies reached 41%.

Based on the know-how gained through the early application of the Revenue Recognition Accounting Standard, the Company is conducting webinars to explain the practical measures in complying with said Standard and to introduce the case studies of early application by the Company. To date, we have received over 4,250 requests to participate in the webinars.

#### **[Expansion of markets for legal information database services]**

##### **a. Increase of user base of TKC Law Library**



Many customers of the TKC Law Library including law firms and corporate legal departments now operate online due to the COVID-19 pandemic. Because users are unable to conduct research at data rooms or libraries, the TKC Law Library which offers access to laws and regulations, judicial precedents, bibliographic information references and also contents of specialized law magazines, any time, from any place is now earning greater reputation. As a result, the numbers of users and contracts to access additional contents have grown.

Also, in June 2021, the Company launched a new optional service of the TKC Law Library called the Legal Book Search which allows users to access PDF versions of specialized books on laws, accounting, tax accounting, business management, etc. This service is a fixed rate service for attorneys to access the free book search functions and view (for fee) the PDF versions on their tablets and PCs.

In the current fiscal year, as a result of online promotional activities towards TKC Member firms, universities, law schools, government offices, law firms, patent offices and corporate legal departments, the number of users exceeded 53,000 IDs and the Library is used by over 23,000 institutions as of September 30, 2021.

b. Progress in the academic market

Due to the impacts of COVID-19, many universities and law schools continue to conduct hybrid-style classes combining face-to-face and online lectures or full online classes after April 2021.

Our systems, such as the TKC Educational and Research Support System and TKC Law Library, can be accessed online and used anytime, anywhere. They contain a huge number of diverse contents compared to those of other companies, and include various functions such as report generation, exercises and testing. These features are being reconsidered as tools to support online classes and learning for faculty and students. To date, the Company conducts web meetings with various universities as needed, and continues to provide support in the development of online learning environments tailored to meet the situation of each university.

Also, the online study tools (for civil service examination, practical business law examination, and jurisprudence examination) offered mainly to the faculty of law of universities have been adopted by 26 universities as of September 30, 2021. Currently, many qualification examinations are adopting computer-based testing (CBT/IBT method). We will promote the use of our online testing functions and other effective online study tools to prepare for computer-based examinations among examination bodies and applicants.

2) Analysis of Accounting Firm BD's operating results

Net sales of the Accounting Firm BD were 45,412 million yen (decreased 3.7% year-on-year); operating income was 10,563 million yen (increased 3.2% year-on-year). The impacts of applying the Revenue Recognition Accounting Standard resulted in a 2,344 million yen decrease in net sales and a 17 million yen decrease in operating income. Breakdown of sales is as follows:

- a. Sales from computer services increased by 1.6% year-on-year. Medium-size companies are rapidly working towards digital transformation (DX), and in such climate, this was attributable to the continuing growth in number of implementations of the FX4 Cloud Integrated Accounting Information System for mid-size companies, which enables the linking of sales management systems, salary calculation systems and other business systems with accounting data, and the increase in the number of tax accounting firms adopting the Office Management System (OMS Cloud) for Tax Accounting Firms and the OMS Mobile which allows accounting firms to perform works using the OMS from home or outside their offices.
- b. Software sales increased by 3.7% year-on-year. This is the result of increase in the number of users of financial accounting systems, such as FX4 Cloud Integrated Accounting Information System for mid-size companies, that completely meet the requirements of the Electronic Books Maintenance Act of Japan, as well as strong growth in the number of users of our electronic tax filing system for corporations (ASP1000R) in response to the electronic filing of income taxes mandated to large enterprises with a capital of 100 million yen or greater starting April 2020.

As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 36 million yen compared to the amount recognized if said Standard had not been applied. This was because the Company changed the method of recognizing the net sales of software which were conventionally recognized as lump sum upon shipment. For contract obligations that are fulfilled over a certain period of time, net sales are divided in proportion to the contract period and recognized on a monthly basis.

- c. Sales from consulting services increased slightly year-on-year. This was due to strong sales of the FX4 Cloud Integrated Accounting Information System for mid-size companies, leading to increase in orders for system launch support services.
- d. Hardware sales decreased by 11.8% year-on-year. This was due to customers having completed their first round of PC replacements last year in response to the termination of Microsoft's Windows 7 support in January 2020, and PC sales reverting back to the usual level.
- e. Sales from supplies decreased by 68.1% year-on-year. Sales from office equipment for remote works and COVID-

19 infection prevention supplies were strong, however, with the application of the Revenue Recognition Accounting Standard, many of transactions of accounting slips and office equipment for accounting firms must be journalized as “agent transaction.” Starting this current fiscal year, the Company recognized the amount of net sales as transaction value less the purchase prices. As such, net sales decreased by 2,101 million yen compared to the amount recognized if said Standard had not been applied.

- f. The improvement in operating income year-on-year was a result of decrease in travel expenses by switching the style of customer support and proposal activities to remote using the online meeting system, and conducting planned large-scale events in hybrid style by combining face-to-face and online, and also from decrease in costs related to hosting seminars by changing our new customer acquisition activities from face-to-face seminars to webinars.

### 3. Business activities and operating results of the Local Governments Business Division

#### 1) Business activities of the Local Governments BD

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.

##### a. Development and provision of mission-critical system-related services

The Company provides TKC Government Cloud Service to municipalities (mainly for cities, wards, towns and villages). This is a cloud service that consists of the TASK Cloud Service which supports 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.

Our TASK Cloud Service is a single version package system operated at TKC data centers that is designed to allow shared use by multiple institutions. Service fees are charged in the form of fixed rate subscription fee depending on the scale of the municipality, which also include one regular upgrade per year. Acknowledged for these benefits, the TASK Cloud Service has been adopted by more than 160 local municipalities as of September 30, 2021.

In the current fiscal year, we provided client municipalities with aggressive support for their vaccination projects by offering the latest information to enable them to respond quickly and effectively to the vaccination projects, and providing agile services for the revision of the vaccination ledger system and launching of the COVID-19 vaccination reservation & registration system.

##### b. Support for digitalization of administrative services

In an aim to contribute to promoting digital transformation of local governments, the Company provides administrative service digitalization support solutions which support governments to achieve “no writing, no waiting, no visiting” administrative counter services.

In the current fiscal year, we greatly enhanced the functionalities of the TASK Cloud Easy Counter Service System, the TASK Cloud My Number Card Issuance Reservation and Management System, and also the TASK Cloud Smart Application System which was developed and launched with the cooperation of Osaka city, Osaka Prefecture.

As a result of aggressive promotional activities of these services, the TASK Cloud Smart Application System has been adopted by over 10 municipalities including government ordinance-designated cities such as Osaka, Yokohama, and Sakai cities, the TASK Cloud Easy Counter Service System is used by more than 20 municipalities, and the TASK Cloud My Number Card Issuance Reservation and Management System is adopted by over 70 municipalities.

##### c. Support for digitalization of local tax administrations

The Company is an authorized contractor of the Local Tax Agency, and provides a cloud-based service for the standard systems such as inspection system for eLTAX (local tax portal system) offered by the Agency. We also develop and provide Data Connection Services as our own functionality to connect the individual tax systems of each municipality.

These services are proposed in collaboration with 50 partner companies with whom we have on-going alliance partner agreements. As a result, our TASK Cloud Local Taxes Electronic Filing Support Service is currently used by approximately 780 agencies which account for more than 40% of all prefectures and local municipalities as of September 30, 2021.

In the current fiscal year, we worked to enhance the functionalities of our proprietary data connection services, as well as engaged in aggressive promotional activities and implementation support together with our partner

companies.

d. Response to standardized local public accounting

There is a section in the report by the Study Group on the Promotion of Local Public Accounting (FY2019) released by the Ministry of Internal Affairs and Communications in March 2020 that suggests: “It is believed that smooth implementation of the daily journalizing method and reduction of checking tasks in year-end bulk journalizing can be achieved by implementing a local public accounting system that has an integrated financial accounting system, linking, in advance, the expenditure items with account headings, and by establishing a system that can journalize and convert the budget items automatically upon budget execution. It may also be possible to streamline the ledger registration tasks by linking and integrating the data in the public domain ledger and data in the fixed assets ledger.” Based on the report, the Company recommends client municipalities to consider implementation of a local public accounting system that has an integrated financial accounting system and adopt the daily journalizing method upon system updating.

The Company provides the TASK Cloud Public Accounting System, as local public accounting systems integrated with financial accounting system which is compatible with the daily journalizing method encouraged by the Japanese government, and its related systems TASK Cloud Non-current Assets Control System and TASK Cloud Consolidated Financial Statement Preparing System.

In the current fiscal year, the Company engaged in enhancing the functions using the public accounting data from these local public accounting systems, such as year-by-year comparison analysis and graph displays. It also received new orders from many agencies including Sodegaura City, Chiba Prefecture, and Kanuma City, Tochigi Prefecture, and provided support for the smooth system launch and operation.

As a result, our local public accounting systems are adopted by more than 280 agencies as of September 30, 2021.

e. Research and development of next-generation products

The COVID-19 pandemic has revealed the delay in digitalization and moving online in administrative areas. In response, the Basic Policy on Economic and Fiscal Management and Reform 2020 (Cabinet Decision of July 2020) positioned all-out promotion of a digital government as top priority, and decided to speed up the implementation of digitalization to move as many administrative procedures as possible online and make them one stop and once only. Also, on December 25, 2020, the Ministry of Internal Affairs and Communications announced the Local Governments Digital Transformation (DX) Promotion Plan, and six legislative bills on digital reform were adopted on May 12, 2021, mandating local governments to standardize and commonalize their information systems by March 31, 2026.

To respond to the change in the environment surrounding our customers, the Company is working to accelerate the planning and development of new products as well as to strengthen customer support including the collection and communication of the latest information.

During the current fiscal year, we gathered and communicated information on the digitalization of administrative services and standardization of mission-critical operational systems, and conducted surveys, research and development on next-generation solutions through experimental projects with advanced organizations to support the post-COVID-19 “New Normal Lifestyle.”

2) Analysis of Local Governments BD’s operating results

Net sales of the Local Governments BD were 17,704 million yen (increased 1.9% year-on-year); operating income was 1,705 million yen (increased 64.4% year-on-year). The impacts of applying the Revenue Recognition Accounting Standard resulted in a 72 million yen decrease in net sales and a 118 million yen decrease in operating income. Breakdown of sales is as follows:

- a. Sales from computer services increased by 10.1% year-on-year. This was driven by increase in sales from the customer outsourcing services whose system was fully launched in FY2020, and increase in data center usage fees, and the winning of contracts for the production of COVID-19 vaccination coupon notices under the vaccination projects.
- b. Software sales decreased by 10.9% year-on-year. This was due to decrease in temporary revenue in response to legal reforms from the previous fiscal year, including sales from system revisions conducted in the previous fiscal year for the free preschool education subsidy program in response to partial revisions to the Child and Childcare Support Act of Japan. As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 176 million yen compared to the amount recognized if said Standard had not been applied.
- c. Sales from consulting services increased 22.3% year-on-year. This was a result of increase in sales from system implementation support, with the orders for new services such as the vaccination reservation & registration systems and My Number Card Issuance Reservation & Management System. Also, as a result of implementing the accounting processing which is unique to the first fiscal year of applying the Revenue Recognition Accounting Standard (recognizing the development costs prior to the previous fiscal year as cumulative effect of changes in

accounting principle), net sales increased by 116 million yen compared to the amount recognized if said Standard had not been applied.

- d. Hardware sales increased by 5.7% year-on-year. This was due to increase in renewal of servers and peripheral equipment by customers compared to the previous fiscal year.
- e. The increase in operating income year-on-year was a result of rendering of services for the production of vaccination coupon notices and provision of vaccination reservation & registration systems for the above-mentioned COVID-19 vaccination projects, and in addition, significant decrease in travel expenses by switching the style of customer support and proposal activities to remote using the online meeting system.

#### 4. Business activities and operating results of the Printing Business Division

##### 1) Business activities of the Printing Business BD

The Group's Printing BD operates with the main focus on data print services (hereinafter, "DPS"), business form printing, and printing of commercial-use creative materials.

In the DPS area, sales increased thanks to orders from local municipalities for printing of vaccination coupons under their COVID-19 vaccination projects, despite impacts of decline in contract prices due to smaller lot orders, failure to receive large projects from government offices, and decrease in demands for direct mail among private enterprises.

In the area of business form printing, sales decreased as a result of weak demands for business forms in response to paperless trends, and decline in demands for business forms due to impacts of COVID-19 pandemic.

In the area of printing of commercial-use creative materials (catalogs, flyers, booklets, books, etc.), sales dropped due to decrease in printing orders for reference materials and flyers with the continued cancellation/postponement of events impacted by COVID-19 pandemic and with increase in web-based seminars.

##### 2) Analysis of Printing Business BD's operating results

Net sales of the Printing BD were 3,105 million yen (decreased 5.5% year-on-year); operating income was 39 million yen (decreased 63.5% year-on-year). As a result of applying the Revenue Recognition Accounting Standard, net sales decreased by 43 million yen compared to the amount recognized if said Standard had not been applied. There were no impacts to the amount of operating income or loss. Breakdown of sales is as follows:

- a. Sales of data printing service-related products increased by 1.7% year-on-year. While demands for direct mail among private enterprises continue to decline due to the COVID-19 pandemic, we were able to improve performance by winning orders from local municipalities for printing of vaccination coupons.
- b. Business form-related sales decreased by 4.3% year-on-year. This is due to decline in demands for business forms as a result of digital transformation initiatives by client companies.
- c. Sales of printing of commercial-use creative materials (catalogs, flyers, books, etc.) decreased by 13.1% year-on-year. This was due to decrease in demands for printed materials and flyers for events, etc. from the cancellation/postponement of events, etc. impacted by the COVID-19 pandemic and switching to webinars.

#### 5. Important matters with respect to the Company as a whole

##### 1) Prevention of COVID-19 infection and actions for new working styles

As the outlook for the containment of COVID-19 pandemic is still unpredictable, the Company is taking the following infection prevention measures and adaptation to new working styles in order to continue the provision of services to its customers:

- a. To enable customers to continue using our cloud services, business form printing services, and help desk services, we have been continuing from the previous fiscal year to strengthen our business continuity measures (including prohibiting the entry of outside personnel at important offices and developing the infrastructure for remote access to the data center).
- b. By introducing teleworking and staggered working hour programs, we have worked towards achieving our target for weekly attendance to less than 30% for applicable areas during declaration of state of emergency. We also made it a general rule to conduct customer support and business meetings using the Web meeting systems.

##### 2) Application of the Revenue Recognition Accounting Standard

The Company began the early application of the Revenue Recognition Accounting Standard in the current fiscal year (started October 1, 2020). This is in an aim to compile the know-how gained through the application of the Revenue Recognition Accounting Standard and provide such know-how in our consulting services for listed companies.

##### 3) Conducting of Stock Split

With the record date of March 31, 2021, each common stock held by shareholders listed or recorded in the final Register

of Shareholders of the day will be divided at a ratio of two for one. The purpose is for the Company to aim to reduce the amount of investment unit of the Company's shares through a stock split, thereby improving the liquidity of the Company's shares and further expanding the investor base.

#### 4) Acquisition of patents pertaining to systems

The Company acquired the following six patents:

- a. Patent pertaining to "System, Method, and Program for Welfare Consultation Support" (Acquired on October 16, 2020; Patent No. 6780144)
- b. Patent pertaining to "Instrument, Method, and Program for the Generation of Genogram and Eco-map" (Acquired on January 8, 2021; Patent No. 6821846)
- c. Patent pertaining to "Instrument, Method, and Program for the Reading of Card Information" (Acquired on January 8, 2021; Patent No. 6821847)
- d. Patent pertaining to "Instrument, Method, and Program for Facility Acceptance Coordination" (Acquired on February 19, 2021; Patent No. 6840882)
- e. Patent pertaining to "System, Method, and Program for Graph Display" (Acquired on April 15, 2021; Patent No. 6869408)
- f. Patent pertaining to "Instrument, Method, and Program for Generation of Accounting Data" (Acquired on September 27, 2021; Patent No. 6950107)

#### 5) Acquisition of ISO/IEC20000

On June 7, 2021, the Company's data center, TKC Internet Service Center (hereinafter, "TISC") obtained the ISO/IEC 20000, the international standards for IT service management system. This certifies that the operating platform of TKC cloud services established inside TISC is managed and operated in compliance with the international standards for quality management, IT service management, and information security. From this data center, we will continue to provide safe, secure, and convenient cloud services in order to support the business operation of customers.

#### 6) Number of companies using the Company's systems for the filing of corporate income tax returns exceeds 600,000

The Company began the offering of Japan's first system to prepare corporate income tax returns (TPS1000) in 1981. Since then, the system underwent various upgrading to respond to the enforcement of the Consumption Tax Act of Japan in 1989 and legal reforms such as mandatory electronic filing, as we continued to improve the system's functionalities. Today, we offer the Corporate Financial Reporting System (TPS1000), which incorporates the optimum work process for corporate financial reporting enabling companies to complete the entire process from financial settlements to electronic tax filing in a one-stop manner. In 2003 the Company also released the eConsoliTax consolidated tax payment system which complies with the consolidated taxation system introduced in 2002, and the Electronic Tax Filing System for Corporations (ASP1000R) for large sized companies in 2007 which allows the preparation and electronic filing of corporate income tax returns. These corporate income tax return preparation systems are being highly rated by many TKC Member firms and listed companies, and the number of companies using the Company's systems for the filing of income tax returns exceeds 600,000 as of May 31, 2021.

This means that one out of every 4.6 companies in Japan are using TKC's corporate income tax return preparation systems.

### 6. Analysis of the Group's consolidated financial conditions for the current consolidated fiscal year

#### 1) Assets

Total assets as of the end of the current consolidated fiscal year amounted to 103,406 million yen, a 5,734 million yen increase compared to 97,671 million yen as of end of the previous consolidated fiscal year.

##### a. Current assets

Current assets as of the end of the current consolidated fiscal year amounted to 36,107 million yen, a 263 million yen increase from 35,844 million yen as of end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 233 million yen in Advances payments included in Other.

##### b. Non-current assets

Non-current assets as of the end of the current consolidated fiscal year amounted to 67,298 million yen, a 5,471 million yen increase compared to 61,826 million yen as of end of the previous consolidated fiscal year.

This was mainly attributable to 3,423 million yen increase in Investment securities and 2,000 million yen increase in Long-term deposits.

#### 2) Liabilities

Total liabilities as of the end of the current consolidated fiscal year amounted to 19,990 million yen, a 605 million yen decrease compared to 20,595 million yen as of end of the previous consolidated fiscal year.

a. Current liabilities

Current liabilities as of the end of the current consolidated fiscal year amounted to 14,721 million yen, a 19 million yen increase from 14,701 million yen as of end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 400 million yen in Provisions for bonuses, despite a 398 million yen decrease in Accounts payable–other.

b. Non-current liabilities

Non-current liabilities as of the end of the current consolidated fiscal year amounted to 5,268 million yen, a 625 million yen decrease from 5,893 million yen as of end of the previous consolidated fiscal year.

This was mainly attributable to a 418 million yen decrease in Lease obligations and a 291 million yen decrease in Provisions for stocks payment.

3) Net assets

Total net assets as of the end of the current consolidated fiscal year amounted to 83,416 million yen, a 6,340 million yen increase compared to 77,075 million yen as of end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 4,878 million yen in Retained earnings and an increase of 1,002 million yen in Valuation difference on available-for-sale securities.

Capital-to-asset ratio as of the end of the current consolidated fiscal year was 80.7%, a 1.8 point increase compared to the ratio of 78.9% as of the end of the previous consolidated fiscal year.

7. Analysis of the Group's cash flows for the current consolidated fiscal year

The balance of cash and cash equivalents as of the end of the current consolidated fiscal year decreased by 342 million yen from the end of the previous consolidated fiscal year amounting to 23,126 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 10,550 million yen (18 million yen decrease in revenue year-on-year). Major factors include the recognition of 12,660 million yen for Net income before taxes and adjustments and 2,945 million yen for Depreciation, and payment of 4,516 million yen for income taxes.

2) Cash flows from investing activities

Cash flows from investing activities decreased by 7,201 million yen (2,922 million yen decrease in spending year-on-year). Major factors include expenditure of 5,300 million yen into time deposits, revenue of 3,300 million yen from withdrawal of time deposits, expenditure of 1,420 million yen for the acquisition of tangible fixed assets, and expenditure of 1,887 million yen for the acquisition of intangible fixed assets.

3) Cash flows from financing activities

Cash flows from financing activities decreased by 3,691 million yen (95 million yen decrease in spending year-on-year). Major factors include payment of 3,449 million yen for year-end dividends as of end of September 2020 and interim dividends for the term ended September 2021 (a dividend of 65 yen per share).

Trends in cash flow indicators of the Group are as shown below:

	FY ended September 2018	FY ended September 2019	FY ended September 2020	FY ended September 2021
Equity ratio (%)	78.6	73.8	78.9	80.7
Ratio of equity at market value (%)	139.1	126.8	183.2	179.2
Debt redemption (years)	0.1	0.1	0.1	0.1
Interest coverage ratio (x)	3,385.5	4,566.9	6,492.7	27,055.7

Equity ratio = Total equity ÷ Total assets x 100

Ratio of equity at market value = Market cap ÷ Total assets x 100

Years of debt redemption = Interest-bearing debts ÷ Operating cash flows

Interest coverage ratio = Operating cash flows ÷ Interest expense

(Notes) 1. Each indicator is calculated based on consolidated financial figures.

2. Market capitalization is calculated by multiplying the closing share price as of the end of the fiscal year by the number of outstanding shares at the end of the fiscal year (after deducting treasury stocks).

## (2) Production, Orders Received and Sales

### 1. Production

None to be disclosed.

### 2. Orders received

None to be disclosed.

### 3. Sales results

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

Name of segment	Amount (millions of yen)	Year-on-year rate (%)
Accounting Firm BD	45,412	96.3
Local Governments BD	17,704	101.9
Printing BD	3,105	94.5
Total	66,221	97.7

(Notes) 1. Transactions between segments have been offset.

2. Figures shown do not include consumption taxes.

## (3) Analysis and Discussions on Operating Results, etc. from Management's Perspective

### (1) Significant accounting estimates and assumptions used in said estimates

The Group's consolidated financial statements have been prepared in accordance with accounting standards that are generally accepted as fair and appropriate in Japan. In preparing the consolidated financial statements, certain parts require management to use estimates and assumptions within these accounting policies, and such estimates and assumptions are reflected in the figures of assets and liabilities, revenue and expenses. While management conducts assessments on these estimates on an on-going basis and makes revisions as necessary based on changes in conditions, there are uncertainties in the estimates that could cause actual results to differ from such estimates.

Of the significant accounting estimates and assumptions used in said estimates of the Group, those estimates used that may have material impacts on the Group's consolidated financial statements are described in the Notes to Consolidated Financial Statements (Significant Accounting Estimates) under Part 5 [Financial Information] 1. Consolidated Financial Statements, (1) Consolidated Financial Statements.

### (2) Factors having material impacts on the Group's operating results

Refer to 2 [Risk Factors].

### (3) Analysis and discussions on the Group's cash flows, capital resources and liquidity of funds

In strengthening the Group's management to achieve sustainable growth of its corporate value, the Group makes it a basic policy to fund its business operation primarily by its own capital. Under this policy, we believe that we hold adequate cash-on-hand to maintain our business operation and to ensure a sufficient level of liquidity.

With the rapid advancement of information and communication technology (ICT) and major changes in social systems, we strive to make advance investments in research and development efforts and to actively pursue other capital investments to respond quickly to the changing market environment and achieve competitive advantage to lead our customers' business to success.

### (4) Objective indicators to measure the status of achievement of the Group's management policy, management strategy, and management goals

The Company maintains the principle of attributing the source of dividend for each fiscal year to the profit earned in the same fiscal year, on the premise of a company as going concern. Based on this policy, we establish and manage the following items as important management indicators:

#### 1) Management indicators based on consolidated figures

- Year-on-year sales ratio: 3% or greater
- Return on equity: 8% or greater

#### 2) Management indicators based on non-consolidated figures

- Equity ratio: greater than 80%
- Recurring profit margin: 8% or greater
- Total marginal profit ratio: 60% or greater

\* Marginal profit is the amount derived by deducting the costs that change in proportion to sales (variable costs)

from the amount of sales. Marginal profit will vary depending on product mix. Total marginal profit ratio means the ratio of the amount of this marginal profit in relation to the amount of sales.

In such situation, the consolidated year-on-year sales ratio of the current fiscal year under review was -2.3% (a decrease of 4.9 points year-on-year), and consolidated return on equity was 10.8% (an increase of 0.3 points year-on-year). The reason for decrease in the consolidated year-on-year sales ratio is due to the Company's decision on the early application of the Revenue Recognition Accounting Standard, which will be mandatory for listed companies from the fiscal year starting after April 1, 2021.

The non-consolidated equity ratio was 84.5% (an increase of 1.3 points year-on-year), non-consolidated recurring profit margin was 19.6% (an increase of 2.0 points year-on-year), and non-consolidated total marginal profit ratio was 76.0% (an increase of 1.2 points year-on-year).

In order to maintain the high level of performance, we will work to improve the Company's earnings structure and capital efficiency.



4 [Material Agreements, etc.]

None to be disclosed.

5 [Research and Development Activities]

There were no research and development expenses spent by the TKC Group during the current consolidated fiscal year.

There are no significant changes in the status of research and development activities of the TKC Group during the current consolidated fiscal year.

## Part 3 [Property, Plant 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 3,735 million yen were made in the current consolidated fiscal year.

#### (1) Accounting Firm Business

Capital investment of 2,213 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

Capital investment of 1,186 million yen was made for the development of software to provide services over the cloud system.

#### (3) Printing Business

Capital investment of 336 million yen was made for the implementation of envelop printing, bag-making, and document inserter/sealing machines.

### 2 [Major Property, Plant and Equipment]

#### (1) The Company

As of September 30, 2021

Name of office (Address)	Name of segment	Facilities	Book values (millions of yen)						No. of employees (No. of people)
			Buildings & structures	Machinery, equipment & vehicles	Land (Area in m2)	Tools, furniture & fixtures	Other	Total	
TKC Tochigi Head Office TKC Systems Development Research Center TKC Internet Service Center TKC Tochigi Consolidated Information Center (Utsunomiya-shi, Tochigi, etc.)*1, *2	Accounting Firm BD Local Governments BD	Development facilities Information communicati on service facilities Information processing facilities	5,235	19	2,694 (29,365.21)	1,431	3,514	12,896	1,225
TKC Tokyo Head Office TKC Systems Development Research Center Tokyo Branch (Shinjuku-ku, Tokyo)	Accounting Firm BD Local Governments BD	Office facilities	103	—	—	72	—	176	374
TKC Tokyo Consolidated Information Center (Nerima-ku, Tokyo)	Accounting Firm BD	Information processing facilities	197	—	2,224 (1,447.44)	55	—	2,477	22
TKC Chubu Consolidated Information Center (Kasugai-shi, Aichi)	Accounting Firm BD	Information processing facilities	69	—	196 (3,017.47)	34	0	300	17
TKC Kansai Consolidated Information Center (Ibaraki-shi, Osaka)	Accounting Firm BD	Information processing facilities	458	—	286 (1,808.03)	35	0	781	39
TKC Chushikoku Consolidated Information Center TKC Chushikoku Control Center (Kita-ku, Okayama-shi, Okayama)	Accounting Firm BD	Information processing facilities Office facilities	12	—	—	32	—	44	11
TKC Kyushu Consolidated Information Center (Koga-shi, Fukuoka)	Accounting Firm BD	Information processing facilities	149	—	203 (2,341.48)	28	0	382	11
TKC Hokkaido Consolidated Information Center TKC Hokkaido SCG Service Center (Chuo-ku, Sapporo-shi, Hokkaido)	Accounting Firm BD	Information processing facilities Office facilities	35	—	—	32	0	68	32

TKC Tohoku Consolidated Information Center TKC Tohoku SCG Service Center (Aoba-ku, Sendai-shi, Miyagi)	Accounting Firm BD	Information processing facilities Office facilities	5	—	—	41	0	46	20
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As of September 30, 2021

Name of office (Address)	Name of segment	Facilities	Book values (millions of yen)						No. of employees (No. of people)
			Buildings & structures	Machinery, equipment & vehicles	Land (Area in m2)	Tools, furniture & fixtures	Other	Total	
TKC Okinawa Consolidated Information Center TKC Okinawa SCG Service Center (Naha-shi, Okinawa)	Accounting Firm BD	Information processing facilities Office facilities	3	—	—	5	0	9	9
TKC Ibaraki SCG Service Center TKC Ibaraki Sales Section (Tsukuba-shi, Ibaraki)	Accounting Firm BD Local Governments BD	Office facilities	21	—	147 (1,120.00)	3	0	171	24
TKC Yamaguchi SCG Service Center (Yamaguchi-shi, Yamaguchi)	Accounting Firm BD	Office facilities	20	—	197 (814.00)	2	0	220	5
Dormitories, company housing (Utsunomiya-shi, Tochigi)	Accounting Firm BD Local Governments BD	Welfare facilities	220	—	391 (5,326.69)	13	—	625	—

## (2) Domestic subsidiaries

As of September 30, 2021

Company name	Name of office (Address)	Name of segment	Facilities	Book values (millions of yen)						No. of employees (No. of people)
				Buildings & structures	Machinery, equipment & vehicles	Land (Area in m2)	Tools, furniture & fixtures	Other	Total	
TLP Corporation	Hanyu Plant (Hanyu-shi, Saitama)	Printing BD	Printing facilities	58	349	145 (7,275.17)	8	12	574	68
TLP Corporation	DPS Solutions Center (Hanyu-shi, Saitama)	Printing BD	Printing facilities	980	165	132 (9,768.00)	39	109	1,427	53

- (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.  
\*2 includes 1,333 million yen for leased buildings and 56 million yen for leased tools, furniture & fixtures, which are leased to our subsidiary TKC Customer Support Service Co., Ltd.  
5. Major leased facilities and equipment other than those described above are as follows.  
(The Company)  
Annual office rent 731 million yen

## 3 [Plans for Capital Investments, Disposals of Property, Plant 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.

There are no plans for the establishment or disposal of major facilities and equipment as of the end of the current consolidated fiscal year (September 30, 2021), except for routine updates of facilities and equipment and disposals and/or sales related thereto.

## Part 4 [Information on the Company]

### 1 [Information on the Company's Stock]

#### (1) [Total Number of Shares, etc.]

##### (i) [Total number of shares]

Class	Total number of shares authorized to be issued (shares)
Common stock	120,000,000
Total	120,000,000

(Note) Based on the resolution of the board of Directors meeting held on March 10, 2021, the Company made a partial amendment of the Articles of Incorporation to conduct a stock split, effective as of April 1, 2021. As a result, the total number of authorized shares of the Company was increased by 60,000,000 shares to 120,000,000 shares.

##### (ii) [Issued shares]

Class	Number of shares issued as of end of current fiscal year (shares) (September 30, 2021)	Number of shares issued as of the filing date (shares) (December 20, 2021)	Name of stock exchange on which the Company is listed, or name of Authorized Financial Instruments Firms Association	Description
Common stock	53,462,066	53,462,066	First Section of the Tokyo Stock Exchange	Number of shares constituting a unit: 100 shares
Total	53,462,066	53,462,066	—	—

(Note) Based on the resolution of the Board of Directors meeting held on March 10, 2021, the Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. As a result, the total number of shares issued increased by 26,731,033 shares to 53,462,066 shares.

#### (2) [Share Subscription Rights, etc.]

##### (i) [Stock option scheme]

None to be disclosed.

##### (ii) [Rights plan]

None to be disclosed.

##### (iii) [Other share subscription rights, etc.]

None to be disclosed.

#### (3) [Exercise of Bonds with Share Subscription Rights Containing a Clause for Exercise Price Adjustment, etc.]

None to be disclosed.

#### (4) [Changes in Total Number of Issued Shares, Capital 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)
April 1, 2021 (Note)	26,731,033	53,462,066	—	5,700	—	5,409

(Note) As a result of a stock split (1:2).

## (5) [Shareholders Composition]

As of September 30, 2021

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	—	26	26	143	155	2	8,258	8,610	—
Number of shares held (share units)	—	177,942	2,925	131,943	79,511	4	141,517	533,842	77,866
Percentage of shares held (%)	—	33.3	0.5	24.7	14.9	0.0	26.5	100.0	—

- (Notes) 1. Of the 529,135 shares held as treasury stock, 5,291 share units are included in "Other individuals" and 35 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., 13 units are included in "Other corporate bodies" and 74 shares are included in "Number of shares less than one unit."
3. The "Financial Institutions" column includes 2,198 units of the Company's stocks owned by the BIP Trust.
4. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021.

## (6) [Major Shareholders]

As of September 30, 2021

Names of shareholder	Address	Number of shares held (hundreds of shares)	Percentage of shares held to total number of issued shares (excluding treasury stock) (%)
Iizuka Takeshi Scholarship Foundation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	75,060	14.2
Daido Life Insurance Company	1-2-1 Edobori, Nishi-ku, Osaka-shi, Osaka	51,380	9.7
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	46,705	8.8
Sozeishiryokan (Institute of Tax Research and Literature)	3-45-13 Minamidai, Nakano-ku, Tokyo	30,930	5.8
TKC Employee Shareholding Association	2-1 Ageba-cho, Shinjuku-ku, Tokyo	29,259	5.5
SSBTC Client Omnibus Account (Standing proxy: The Hong Kong & Shanghai Banking Corporation)	One Lincoln Street, Boston, MA 02111 USA (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	24,566	4.6
Masaharu Iizuka	Utsunomiya-shi, Tochigi	15,576	2.9
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	14,319	2.7
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-2-1 Marunouchi, Chiyoda-ku, Tokyo	13,328	2.5
Aioi Nissay Dowa Insurance Co., Ltd.	1-28-1 Ebisu, Shibuya-ku, Tokyo	11,966	2.3
Sompo Japan Insurance Inc.	1-26-1 Nishishinjuku, Shinjuku-ku, Tokyo	11,966	2.3
Total	—	325,059	61.4

- (Notes) 1. The 219,800 shares of the Company held by the BIP Trust are not included in the treasury stocks to be deducted in calculating the percentage of shares held to the total number of issued shares.
2. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021.

## (7) [Status of Voting Rights]

## (i) [Shares issued]

As of September 30, 2021

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 529,100	—	—
Shares with full voting right (others)	Common stock 52,855,100	528,551	—
Shares less than one share unit	Common stock 77,866	—	—
Total number of shares issued	53,462,066	—	—
Total voting rights held by all shareholders	—	528,551	—

- (Notes) 1. Shares with full voting right (others) includes 1,300 shares (13 units of voting rights) registered in the name of Japan Securities Depository Center, Inc., and 219,800 shares (2,198 units of voting rights) owned by the BIP Trust.
2. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. As a result, the total number of shares issued increased by 26,731,033 shares to 53,462,066 shares.

## (ii) [Treasury stock, etc.]

As of September 30, 2021

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	529,100	—	529,100	0.99
Total	—	529,100	—	529,100	0.99

- (Notes) 1. In addition to the above, the 219,800 shares owned by the BIP Trust are recorded as treasury stocks in the consolidated financial statements.
2. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021.

(8) [Information on Employee Stock Ownership Plan]

The Company introduced this Plan with the objectives to clarify the linkage between the Company's shareholder value and the remuneration for directors (excluding outside directors and expatriates), executive officers (excluding expatriates), and auditors (excluding outside directors and expatriates) (hereinafter referred to collectively as "Directors, etc."), and to motivate Directors, etc. to contribute more to enhancing the medium- to long-term corporate value by sharing common interest with shareholders, including not only the merit derived from the rising share price, but also the risk associated with the decline in share price. The introduction of the Plan was approved by resolution at the 52nd Ordinary General Meeting of Shareholders held on December 21, 2018.

(i) Description of the Plan

The Plan uses a structure called Board Incentive Plan trust (hereinafter "BIP Trust"). The Plan is similar to the performance-linked share compensation (Performance Share) and share compensation with transfer restriction (Restricted Stock) in the US and Europe, and delivers and provides the Company's shares and cash equivalent to the amount to convert and dispose the Company's shares (collectively, "the Company's Shares, etc.") to Directors, etc.

(ii) Total number of shares subject to delivery and provision to eligible Directors, etc.

The Company will contribute a total amount not exceeding 1,549 million yen to the Trust for a period of three fiscal years between the fiscal year ending September 30, 2019 and the fiscal year ending September 30, 2021 ("Initial Trust Period"). An amount not exceeding 977 million yen in total will be included in the Initial Trust Period as the amount for measures to be taken for the transition from the stock-based compensation stock option scheme.

Overview of Trust Agreement

Category of trust	Money trust other than a specific individually operated money trust (third party benefit trust)
Objective of trust	To provide incentive for Directors, etc.
Assignor	TKC Corporation
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiary	Directors, etc., who satisfy the beneficiary conditions
Trust administrator	A third party professional expert having no interest in the Company
Date of trust agreement	February 26, 2019
Trust period	February 26, 2019 to February 28, 2022 (scheduled)
Start of plan	March 1, 2019
Exercising of voting rights	Not to be exercised
Type of shares to be acquired	Common stock of the Company
Maximum amount of trust fund	Directors and executive officers: 1,470 million yen (scheduled) (Including trust fees and expenses) Auditors: 79 million yen (scheduled) (same as above)
Acquisition of shares	To be acquired in the stock market or from the Company (disposal of treasury stock)
Holder of vested rights	TKC Corporation
Residual property	The residual property that the Company (as holder of vested rights) may receive shall be within the amount of trust expense reserve, which is the trust fund less the fund for share acquisition.

(iii) Persons eligible for the delivery and provision of the Company's shares

Directors, etc., who satisfy the beneficiary conditions

## 2 [Acquisition, etc. of Treasury Stocks]

[Class of shares] Acquisition of common stocks under Article 155, Item 3 and Article 155, Item 7 of the Companies Act of Japan

### (1) [Acquisition of treasury stocks based on resolution at the General Meeting of Shareholders]

None to be disclosed.

### (2) [Acquisition of treasury stocks based on resolution of the Board of Directors]

Classification	Number of shares (shares)	Total amount (yen)
Resolution at the Board of Directors meeting (November 9, 2021) (Acquisition period: November 10, 2021)	300,000	1,033,500,000
Treasury stocks acquired prior to the current fiscal year	—	—
Treasury stocks acquired during the current fiscal year	—	—
Total number and value of remaining shares subject to resolution	—	—
Percentage of unexercised acquisition as of the last date of the current fiscal year (%)	—	—
Treasury stocks acquired during the current period	300,000	1,033,500,000
Percentage of unexercised acquisition as of the date of filing (%)	—	—

### (3) [Acquisitions of treasury stocks not based on resolutions of General Meeting of Shareholders or Board of Directors]

Classification	Number of shares (shares)	Total amount (yen)
Treasury stocks acquired during the current fiscal year	265,620	6,985,535
Treasury stocks acquired during the current period	20	68,800

(Notes) 1. Treasury stocks acquired during the current period do not include shares constituting less than one unit purchased during the period from December 1, 2021 to the date on which this Annual Securities Report was filed.

2. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. Treasury stocks acquired during the current fiscal year consists of 792 shares acquired prior to the stock split, 264,407 shares that increased as a result of the stock split, and 421 shares acquired after the stock split.

### (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 stocks for which subscribers were solicited	—	—	—	—
Acquired treasury stocks canceled	—	—	—	—
Acquired treasury stocks transferred due to merger, share exchange, subscription, or company split	—	—	—	—
Other treasury stocks (sold due to demand for sales of fractional unit shares)	100	173,340	46	79,769
Number of treasury stocks held	529,135	—	829,109	—

(Notes) 1. The disposition and holding of treasury stocks acquired during the current period do 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,



2021 up to the date on which this Annual Securities Report was filed.

2. The number of treasury stocks held does not include the 219,800 shares of the Company's stocks owned by the BIP Trust.
3. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. Other treasury stocks (sold due to demand for sales of fractional unit shares) during the current fiscal year are those after the stock split.

### 3 [Dividend Policy]

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.

The Company further provides in its Articles of Incorporation that interim dividends as set forth in Article 454 Item 5 of the Companies Act of Japan as of March 31 every year may be paid by resolution of the Board of Directors.

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 (information and communication technology) 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.

- (1) An interim dividend of 65 yen per share has been paid after the resolution of the Board of Directors.
- (2) The year-end dividend shall consist of an ordinary dividend of 32.50 yen per share and a special dividend of 7 yen per share as announced on November 9, 2021.
- (3) The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. Dividends per share for the current fiscal year shall be 104.50 yen, which is the sum of an interim dividend of 65 yen per share prior to this stock split, and a year-end dividend of 39.50 yen per share after said stock split.

As a result, the annual payout ratio came to 45.7%.

Date of Resolution	Total amount of cash dividends (millions of yen)	Dividend per share (yen)
May 7, 2021 Meeting of the Board of Directors	1,720	65.00
December 17, 2021 Ordinary General Meeting of Shareholders	2,090	39.50

## 4 [Corporate Governance]

### (1) [Overview of 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 business objectives in Article 2 of the Articles of Incorporation:

1. Management of electronic data processing centers to defend the business domain 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. Overview of the Corporate Governance System and Reasons for Selecting the Current System

##### 1. Overview of the corporate governance system

###### (1) Board of Directors

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

The members of the Board of Directors are the eight Directors, whose names are listed in (2) [Officers] 1. List of Officers.

###### (2) Board of Auditors

The Board of Auditors provides advice and suggestions to ensure the legality, appropriateness, and validity of the decision-making processes and resolutions by the Board of Directors.

The members of the Board of Auditors are the three Auditors, whose names are listed in (2) [Officers] 1. List of

Officers. The Board of Auditors is chaired by a Corporate Auditor (full-time).

(3) Nomination and Compensation Advisory Committee

At the Meeting of the Board of Directors held on September 10, 2019, the Company resolved to establish a Nomination and Compensation Advisory Committee as a voluntary advisory body to the Board of Directors.

The chairperson and majority of the committee members are independent Outside Directors and outside experts, and functioning as an advisory body to the Board of Directors, the Committee was established in an aim to further enhance the corporate governance system by ensuring that independent Outside Directors etc. are given the opportunity to engage in and provide advice on the decision-making of the following matters, thereby strengthening the independence, objectivity, and accountability of the Board of Directors;

- (i) Policy and procedure for the nomination of candidates for Directors and executive officers holding executive position;
- (ii) Appointment and dismissal of Directors and executive officers holding executive position;
- (iii) Policy for the determination of compensations for Directors and executive officers holding executive position;
- (iv) Policy for the determination of individual compensations for Directors and executive officers holding executive position;
- (v) Individual compensations for Directors and executive officers holding executive position;
- (vi) Appointment and dismissal of representative directors and auditors of subsidiaries and their individual compensations;
- (vii) Other matters that the Board of Directors deem necessary in relation to any of the above items.

The names of the members of the Nomination and Compensation Advisory Committee are as follows:

<List of members>

Chairperson: Junko Iijima (Outside Director)

Member: Yoshimasa Oshida (Outside Director)

Member: Hideki Tomonaga (Outside Auditor)

Member: Misao Taguchi (Outside expert)

Member: Masaharu Iizuka (In-house expert)

Member: Masanori Iizuka (Director)

Member: Satoshi Hitaka (Director)

## 2. 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.

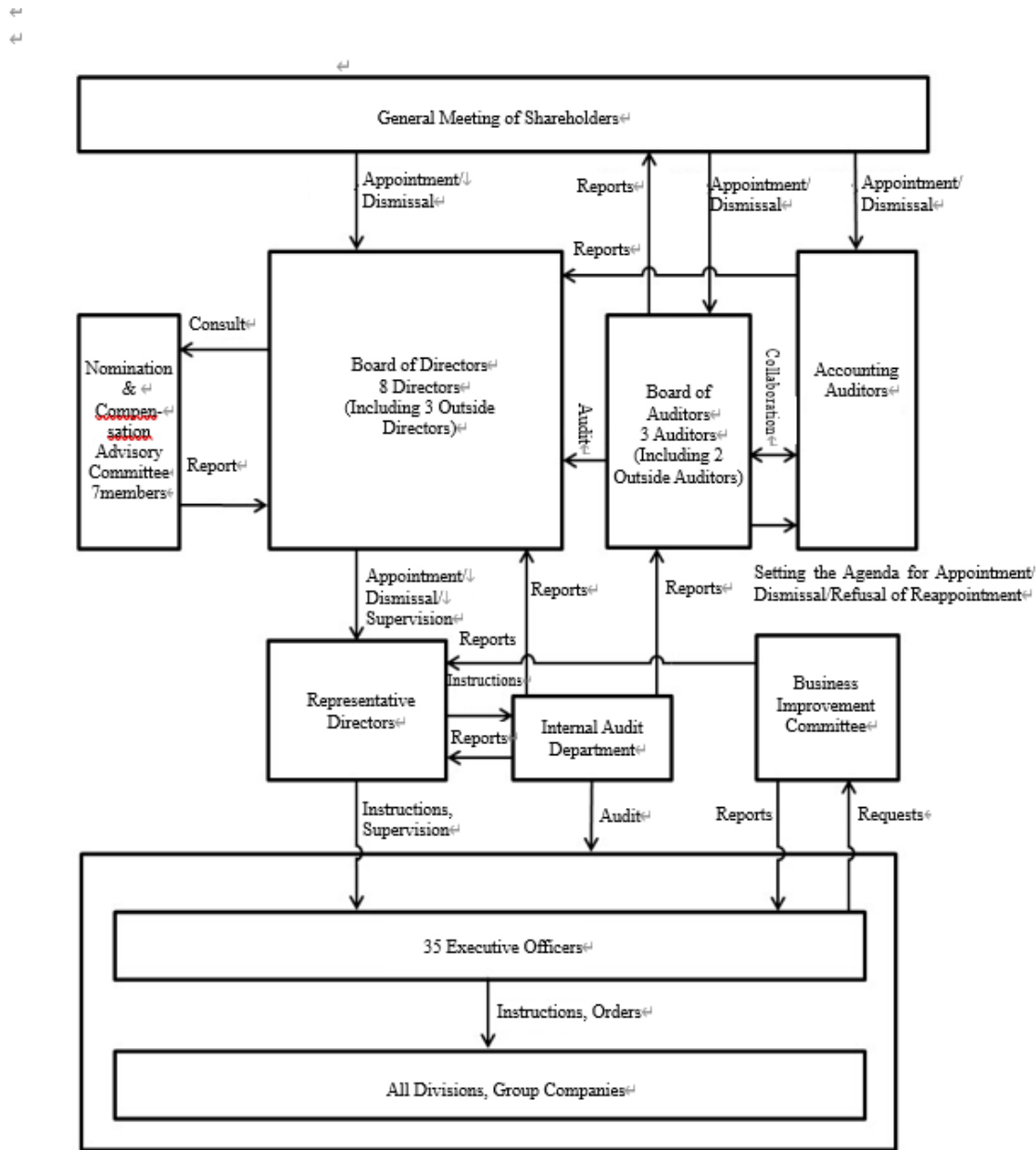
Outside Auditors primarily give advice and make suggestions in order to ensure the legality, appropriateness, and validity of the decision-making processes and resolutions by the Board of Directors by expressing their opinions on compliance issues and whether the resolutions of the Board of Directors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

We also have three Outside Directors and two Outside Auditors, a total of five members 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.

A schematic diagram of the Company's business execution and management oversight is shown below:



### 3. Other matters concerning corporate governance

#### (1) 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 of Japan. The outline is described 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 of Japan)
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 of Japan 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, etc. 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 of Japan 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 at all times, 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 of Japan)
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 of Japan)
    - (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, etc. 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:
      - (i) 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 performance are deliberated, and meeting in which matters directly related to the interest of specific customers, clients or employees are deliberated;
      - (ii) written applications for approval and relevant documents settled by the Directors based on the Company’s Rules Concerning Requests for Decisions;
      - (iii) 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 losses to the Company  
(in relation to the provisions of Article 100 Paragraph 1 Item 2 of the Ordinance for Enforcement of the Companies Act of Japan)
    - 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 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:

- (i) Conformances with the management philosophy of the Company;
  - (ii) Compliances;
  - (iii) Expected degree of contributions to customers' business;
  - (iv) Anticipated feedback from customers;
  - (v) Technical feasibilities;
  - (vi) Funds and costs necessary;
  - (vii) Other matters, such as principle of good faith with business partners.
- (4) When submitting proposals on the appointment of Directors to the General Meeting of Shareholders, it shall be made in accordance with the Company's Rules on the Nomination and Compensation Advisory Committee.

Proposals shall be deliberated and decided at the Nomination and Compensation Advisory Committee chaired by an independent Outside Director, etc. based on the standards for the appointment and dismissal of directors, which shall be reported to the Board of Directors.

The Board of Directors shall deliberate and decide on the matters reported by the Nomination and Compensation Advisory Committee.

## 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:

- (i) risks that may occur across all divisions (hereinafter, "common risks");
- (ii) 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:
- (i) Risks that have high degree of urgency;
  - (ii) Risks associated with compliance;
  - (iii) Risks associated with confidentiality obligations of the Company;
  - (iv) Risks associated with the preservation of assets and accounting;
  - (v) Risks associated with the preparation of regulations and manuals for operation of business;
  - (vi) Risks associated with the workplace environment and labor management;
  - (vii) 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:
  - (i) Systems Development Research Center Operation Improvement Committee
  - (ii) Municipality Systems Development & Operations Division Operation Improvement Committee
  - (iii) Consolidated Information Centers Operation Improvement Committee
  - (iv) SCG Service Centers Operation Improvement Committee
  - (v) Municipality Sales Division Operation Improvement Committee
  - (vi) Supplier Business Operation Improvement Committee
  - (vii) Tokyo Head Office Operation Improvement Committee
  - (viii) Personnel & Salary Systems Improvement Committee
  - (ix) Risk Management Committee
  - (x) 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 hazards 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 General Affairs 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 the provisions of Article 100 Paragraph 1 Item 3 of the Ordinance for Enforcement of the Companies Act of Japan)

- (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 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 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, coordinate to maximize the effect of the projects in light of the current management policy, and approve the use of president's strategic reserve funds to the extent approved by the Board of Director.
  - (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 ordinary income 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 the provisions of Article 100 Paragraph 1 Item 4 of the Ordinance for Enforcement of the Companies Act of Japan)
- (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 as to their contents, distribute them to all employees as guidelines from the President.
  - (2) Regular training sessions for all employees of the Company aiming at 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 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 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 the provisions of Article 100 Paragraph 1 Item 5 of the Ordinance for Enforcement of the Companies Act of Japan)
- (1) 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 (2) and (3) below) of the Company's subsidiaries (in relation to Article 100, Paragraph 1, Item 5(a) of the Ordinance for Enforcement of the Companies Act)
    - (i) In order for the Company to perform quarterly audits on the presence or absence of risk information pertaining to its subsidiary companies and affiliated companies (hereinafter, "Subsidiaries"), the Company shall conclude an internal audit agreement with its Subsidiaries and the Internal Audit Department shall conduct audits.
    - (ii) The Internal Audit Department shall establish a system whereby, upon identifying any incidents that may cause significant loss to the Subsidiaries, the President and the heads of relevant business divisions are immediately notified of the risks causing such incident, the degree of loss expected and impacts on the Company.

- (iii) The Internal Audit Department 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.
  - (iv) The Company shall assign Directors or employees of Deputy Manager or higher to the Subsidiaries to serve as Directors in order to communicate the management policy and requests of the Company in writing to the Subsidiaries' Board of Directors. The Company shall request the presidents of the subsidiaries to submit monthly reports on the latest business results, business forecast and risk management issues.
- (2) 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 of Japan)
- 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.
- (3) 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 of Japan)
- (i) The Board of Directors of Subsidiaries (referred to as "Board of Directors" in this section) shall hold regular meetings of the Board of Directors generally on a given day of every month, as well as ad hoc meetings when necessary. The date and time of meetings of the Board of Directors called for the approval of financial statements or in relation to the General Meetings of Shareholders shall be planned at least six months in advance.
  - (ii) At the meetings of the Board of Directors held at the end of each fiscal year, a management policy for the upcoming fiscal year formulated in light of the Management Philosophy of the Subsidiaries and a Medium-Term Management Plan covering the next three years starting from the upcoming fiscal year shall be submitted by the president of the Subsidiaries (referred to as "President" in this section and the next section), and the Board of Directors shall deliberate upon their strategic rationalities in accordance with the Company's Rules on the Board of Directors.
  - (iii) At the meetings of the Board of Directors held on the second month of each new fiscal year, the Targeted Profit and Loss Statements for the entire company and each business unit for the new fiscal year, and a proposed List of Dividing Duties of Directors and Strategic Goals shall be submitted by the President, and the Board of Directors shall deliberate upon their feasibilities in accordance with the Company's Rules on the Board of Directors.
  - (iv) At the monthly regular meetings of the Board of Directors, the targeted and actual P/L statements for the entire company and each business unit as of the end of the previous month shall be reported, and the Board of Directors shall analyze the differences in target and actual results, and discuss actions to be taken to achieve the targeted sales and current profits for the fiscal year.
  - (v) In executing his/her daily duties, the President shall inspect the details of individual projects planned by the Directors in charge of each business unit and coordinate to maximize the effect the projects in light of the current management policy.
  - (vi) In executing his/her daily duties, Directors in charge of each business unit shall provide instructions to the executive officers 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 ordinary income goals for the fiscal year.
  - (vii) In managing the business unit under his/her charge, Directors in charge of each business unit shall strive to reduce unnecessary expenses, improve work quality and productivity, and keep the workplace organized, and must exhibit leadership to create a workplace environment in which all employees are safe and comfortable, inspired and satisfied.
- (4) Systems to ensure that performance of duties by 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 of Japan)
- (i) In order to ensure compliance with laws and regulations by the directors and employees of the Subsidiaries (referred to as "Directors and employees" in this section), the division in charge of internal audit under the direct control of the President shall develop Compliance Regulations and Compliance Manual based on guidance provided by Auditors and outside company attorneys.
  - (ii) Regular training sessions for all Directors and employees aiming at further understanding on the Compliance Regulations and Compliance Manual as set forth above shall be conducted in accordance

with the plans of the division in charge of internal audit.

- (iii) When performing an internal audit on internal business units, the division in charge of internal audit must always inspect the awareness on Compliance Regulations and implementation of Compliance Manual among employees of the business unit being audited, and submit an Internal Audit Report to the President within one week after the completion of the audit.
- (iv) Directors in charge of each division shall appoint a compliance manager within each business unit in accordance with the Compliance Regulations, and conduct training on the Compliance Manual for employees within the business unit in a timely and appropriate manner.
- (v) In order to prevent the leaking of customer information and other confidential information, the body text and attached files of all electronic mails sent from internal PCs to outside the company shall be stored for a certain period of time.
- (vi) In preparation for the unlikely event that a Director or employee violates any laws or regulations, Subsidiaries shall establish a system whereby the division in charge of internal audit or the Director or employee that first learns of such information gives emergency notification to the President informing him/her of the facts and other relevant information.

6. Assignment of employees to assist the duties of Corporate Auditors (in relation to the provisions of Article 100 Paragraph 3 Item 1 of the Ordinance for Enforcement of the Companies Act of Japan)

- (1) The Company shall establish an 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 the Board of Auditors and take into full 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 the provisions of Article 100 Paragraph 3 Item 2 of the Ordinance for Enforcement of the Companies Act of Japan)

- (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 the Board of Auditors, and their performance shall be evaluated by the Board of 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 necessary investigations and gather necessary information.

8. Ensuring effectiveness of directions to employees assisting duties of Corporate Auditors

(in relation to the provisions of Article 100 Paragraph 3 Item 3 of the Ordinance for Enforcement of the Companies Act of Japan)

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. The systems listed below and other systems for reporting to Corporate Auditors

(in relation to the provisions of Article 100 Paragraph 3 Item 4 of the Ordinance for Enforcement of the Companies Act of Japan)

- (1) 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 of Japan)

- (i) All Directors and employees of the Company shall promptly submit the necessary reports and information requested by Auditors as established by the Board of Auditors.
- (ii) The reports and information to be submitted as set forth in the preceding item shall mainly include the following:
  - 1) Status of activities of business units involved in the risk management of the Company;
  - 2) Status of activities pertaining to audits of the Subsidiaries of the Company and internal audits;
  - 3) Important accounting policies and accounting standards of the Company and any changes thereto;
  - 4) Contents of announcements and important disclosure documents on the Company's latest business results and earnings forecasts announcements on both non-consolidated and consolidated basis;
  - 5) Circulation of internal approval documents and meeting minutes requested by Auditors.
- (iii) In the event a Director or employee learns of any fact of violations of laws and regulations or any

fact that could cause significant damage to the Company, such Director or employee shall immediately report matters pertaining to such fact to Auditors.

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

- (2) 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 of Japan 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 of Japan)

- (i) 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.

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

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

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

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

- 9-2. Systems to ensure that persons making reports as stated in the preceding item do not receive disadvantageous treatment for providing such reports

(in relation to the provisions of Article 100 Paragraph 3 Item 5 of the Ordinance for Enforcement of the Companies Act of Japan)

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 the procedures 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 the provisions of Article 100 Paragraph 3 Item 6 of the Ordinance for Enforcement of the Companies Act of Japan)

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 auditing 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 the provisions of Article 100 Paragraph 3 Item 7 of the Ordinance for Enforcement of the Companies Act of Japan)

- (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 accounting audit plans from accounting auditors, and reports on auditing methods and audit results whenever accounting audits on quarterly settlements and audits on full year settlements are performed, and exchange opinions.
- (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 legal affairs 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.

(2) Number of Directors

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

(3) 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.

(4) 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 of Japan.

(5) 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 of Japan, limiting their liabilities to the amounts set forth by law if they are without knowledge and not grossly negligent with regard to their responsibilities set forth in Article 423, Paragraph 1.

(6) 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 of Japan.

(7) 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 of Japan.

(8) 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 of Japan shall be passed by a vote of two-thirds or more of shareholders at meetings with the attendance of at least one-third of the shareholders that can exercise voting rights. This has been established to ensure smooth handling of special resolutions at General Meetings of Shareholders by easing the quorum for special resolutions by General Meetings of Shareholders.

(9) Collaboration with outside experts

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 holds discussions promptly after quarterly and annual financial settlements.

(10) 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 under 2. Reasons for Selecting the Current Corporate Governance System.

### III. 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.

(2) [Officers]

1. List of Officers

10 male and 1 female (percentage of female directors: 9.1%)

Position and Title	Name	Date of Birth	Brief biography	Term of office	Number of shares held (hundreds of shares)
Representative Director President and Executive Officer  Director of Accounting Firm BD	Masanori Iizuka	March 12, 1975	<p>April 2002 Joined the Company</p> <p>December 2010 Director, Executive Officer, in charge of Corporate Information Systems Sales Headquarters and Chief of G Project Promotion Headquarters, Accounting Firm BD</p> <p>October 2012 Director, Executive Officer, Chief of Corporate Information Systems Sales Headquarters, Accounting Firm BD</p> <p>December 2012 Director, Managing Executive Officer, Chief of Corporate Information Systems Sales Headquarters, Accounting Firm BD</p> <p>April 2014 Director, Managing Executive Officer, Chief of Sales Headquarters, Accounting Firm BD</p> <p>October 2016 Representative Director, Senior Managing Executive Officer, Chief of Sales Headquarters, Head of Accounting Firm BD</p> <p>October 2018 Representative Director, Senior Managing Executive Officer, Head of Accounting Firm BD</p> <p>December 2019 Representative Director, President and Executive Officer, Head of Accounting Firm BD (current position)</p> <p>December 2019 Representative Director and President, TKC Customer Support Service Co., Ltd. (current position)</p>	(Note 5)	153
Representative Director Senior Managing Executive Officer  Director of Local Governments BD	Satoshi Hitaka	January 19, 1971	<p>April 2003 Joined the Company</p> <p>December 2010 Executive Officer, General Manager of ASP Service Promotion Dept., Sales Planning Headquarters, Local Governments BD</p> <p>December 2011 Director, Executive Officer, in charge of New Business Strategy Headquarters, Local Governments BD</p> <p>January 2012 Director, Executive Officer, Chief of Cloud Business Promotion Headquarters, Local Governments BD</p> <p>December 2018 Director, Managing Executive Officer, Chief of Sales Headquarters, Local Governments BD</p> <p>December 2020 Representative Director, Senior Managing Executive Officer, Head of Local Governments BD (current position)</p> <p>December 2020 Representative Director and President, TKC Security Services Co., Ltd. (current position)</p>	(Note 5)	48
Director Senior Managing Executive Officer	Ikuo Kawahashi	February 26, 1955	<p>April 1977 Joined the Company</p> <p>December 2006 Executive Officer, Systems Development Headquarters, Local Governments BD</p> <p>January 2008 Executive Officer, Chief of Internal Control Center</p> <p>December 2013 Representative Director and Vice President, SKYCOM Corporation</p> <p>December 2014 Representative Director and President, SKYCOM Corporation (current position)</p> <p>December 2019 Senior Managing Executive Officer of the Company</p> <p>December 2020 Director, Senior Managing Executive Officer of the Company (current position)</p>	(Note 5)	154
Director Managing Executive Officer Chief of Systems Development Research Center, Accounting Firm BD	Yasuo Igarashi	January 4, 1967	<p>April 1989 Joined the Company</p> <p>August 2012 Executive Officer, Chief of Account Information Systems Development Center, Systems Development Research Center, Accounting Firm BD</p> <p>December 2016 Director, Executive Officer, General Manager of Sales Planning Dept., Sales Headquarters, Accounting Firm BD</p> <p>December 2017 Director, Managing Executive Officer, General Manager of Sales Planning Dept., Accounting Firm BD</p> <p>January 2018 Director, Managing Executive Officer, Chief of Systems Development Research Center, Accounting Firm BD (current position)</p>	(Note 5)	63



Position and Title	Name	Date of Birth	Brief biography	Term of office	Number of shares held (hundreds of shares)
Director Managing Executive Officer Chief of Business Administration Headquarters	Kiyotsugu Nakanishi	August 27, 1956	April 1979 Joined the Company December 2008 Executive Officer, General Manager of General Affairs Dept. December 2009 General Manager of General Affairs Dept. January 2015 General Manager of Internal Audit Dept. December 2018 Full-time Auditor of the Company December 2020 Director, Executive Officer, Chief of Business Administration Headquarters December 2021 Director, Managing Executive Officer, Chief of Business Administration Headquarters (current position)	(Note 5)	331
Director	Yoshimasa Oshida	August 17, 1956	November 1988 Registered as certified tax accountant November 1991 Started business as certified tax accountant July 2002 Representative Partner, Oshida Accounting Office (current position) December 2018 Director of the Company (current position)	(Note 5)	21
Director	Junko Iijima	August 3, 1967	October 2001 Registered as attorney October 2001 Joined Tokyo Toranomon Law Office (current position) October 2019 Chairperson of the Nomination and Compensation Advisory Committee of the Company (current position) December 2019 Director of the Company (current position)	(Note 5)	-
Director	Nobuhiko Kouga	January 25, 1964	February 1996 Registered as certified tax accountant February 1996 Started business as certified tax accountant April 2019 Representative Partner of Accounting Firm Top Management (current position) December 2020 Director of the Company (current position)	(Note 5)	10
Auditor (full-time)	Tsuneo Miyashita	May 28, 1949	March 1975 Joined the Company December 2006 Executive Officer, General Manager of TKCNF Research Committee Support Dept. October 2010 General Manager of Chairman's Office December 2016 Full-time Auditor of the Company (current position) Auditor, TKC Security Services Co., Ltd. (current position) October 2017 Auditor, TKC Customer Support Service Co., Ltd. (current position)	(Note 6)	198
Auditor	Hideki Tomonaga	February 15, 1956	April 1982 Joined Tokyo Regional Taxation Bureau July 2006 Resigned from National Tax College August 2006 Registered as certified tax accountant March 2007 Representative Director, Taxation Institute of Japan (current position) December 2018 Representative Partner, Tomonaga Hideki Licensed Tax Accountant Office (current position) December 2019 Auditor of the Company (current position)	(Note 4)	-
Auditor	Tomoyasu Hamamura	February 12, 1958	March 1989 Registered as certified tax accountant March 1989 Started business as certified tax accountant February 2007 Representative Partner of Hamamura Accounting Office (current position) December 2020 Auditor of the Company (current position)	(Note 6)	22
Total					1,002

- (Notes) 1. Director Satoshi Hitaka is the spouse of the elder sister of Masanori Iizuka, Representative Director, President, and Executive Officer.
2. Directors Yoshimasa Oshida, Junko Iijima, and Nobuhiko Kouga are Outside Directors.
3. Auditors Hideki Tomonaga and Tomoyasu Hamamura are Outside Auditors.
4. Four years from the close of the Ordinary General Meeting of Shareholders held December 20, 2019.
5. Two years from the close of the Ordinary General Meeting of Shareholders held December 18, 2020.
6. Four years from the close of the Ordinary General Meeting of Shareholders held December 18, 2020.
7. Auditor Masaaki Arino resigned and retired from office as of the close of the Ordinary General Meeting of Shareholders held December 17, 2021.

## 2. Procedures and policy on the nomination of Directors

- (1) For the appointment and dismissal of Directors, the Board of Directors shall consult with the Nomination and Compensation Advisory Committee, and respecting the report from said Committee, prepare the original proposals to be submitted for resolution at the General Meeting of Shareholders.
- (2) The Nomination and Compensation Advisory Committee shall nominate a candidate for a new Director who satisfies one of the following qualifications:
  - (i) a person who is an Executive Officer or of higher rank, who has engaged in the timely development of new products or new services (emergence of innovation) or, as person in charge of such marketing strategy, led such projects to success in line with the business objectives of the Company while anticipating the rapidly moving trends of a digital society, thereby winning a large number of clients, etc., improving the social reputation of the Company, and contributing notably to the sustainable growth of the Company.
  - (ii) a person who is an Executive Officer or of higher rank, who has eliminated unreasonableness, waste, and inconsistency within his/her business division in compliance with the laws, developed a business plan to achieve increased income and increased profit on an ongoing basis, improve the treatment of employees, and implement risk measures, and in executing such plan, contributed notably to improving the medium- and long-term corporate value through aggressive information sharing and provision of opinions to the Director in charge.

## 3. Outside Officers

Category	Name	Functions, roles and appointment
Director	Yoshimasa Oshida	<p>Mr. Oshida is a representative partner of a certified public tax accountants firm Oshida Accounting Office and the Company's Accounting Firm Business could benefit from his extensive experience and insights in the management of accounting firms. Based on his nine years of experience as chairperson of the TKCNF System Development Committee, he is expected to contribute to the sustainable growth of the Company and improvement of corporate value through the development and promotion of the Company's systems and services. He is also expected to provide input to ensure the validity of decisions made and resolved by the Board of Directors, and therefore, he has been reappointed as Outside Director.</p> <p>While Oshida Accounting Office 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. Oshida and general shareholders, and the Company deems that this would not affect the independence of Mr. Oshida.</p> <p>Mr. Oshida has no special interest in the Company. The number of shares of the Company held is as indicated in the "Number of shares held" column under 1. List of Officers.</p>
Director	Junko Iijima	<p>As a certified attorney, Ms. Iijima possesses expertise and extensive experience, and, in particular, deep insight into corporate governance. As chairperson of the Company's Nomination and Compensation Advisory Committee established on October 10, 2019, she displayed strong leadership in deliberating and designing the policies and procedures for the appointment and dismissal of Directors, etc., and the officers' compensation plan in accordance with the principles of the corporate governance code. She is expected to contribute to the sustainable growth and medium- to long-term improvement in the corporate value of the Company through enhanced corporate governance, and to provide valuable input from the perspective of a female. She is also expected to enhance the decision-making and supervisory functions of the Board of Directors, and therefore, she has been reappointed as Outside Director.</p> <p>Ms Iijima has no special interest in the Company. The number of shares of the Company held is as indicated in the "Number of shares held" column under 1. List of Officers.</p>
Director	Nobuhiko Kouga	<p>Mr. Kouga is a representative partner of Accounting Firm Top Management, and the Company's Accounting Firm Business could benefit from his extensive experience and insights in the management of accounting firms. As chairperson of the TKCNF New Members Service Committee, he is expected to contribute to the sustainable growth of the Company and improvement of corporate value over the medium-term by providing advice on follow-up activities for new member tax accountants and certified public accountants and activities to increase TKC Members. Therefore, he has been appointed as Outside Director.</p> <p>Mr. Kouga has no special interest in the Company. The number of shares of the Company held is as indicated in the "Number of shares held" column under 1. List of Officers.</p>

Category	Name	Functions, roles and appointment
Auditor	Hideki Tomonaga	<p>Mr. Tomonaga is a representative partner of a certified public tax accounting firm Tomonaga Hideki Licensed Tax Accountant Office, and has extensive experience as a tax specialist on consolidated taxation system, corporate reorganization taxation system and international trade. He has been providing appropriate guidance and audits from his professional perspective in ensuring tax compliance of the Company, and therefore, has been reappointed as Outside Auditor.</p> <p>While Tomonaga Hideki Licensed Tax Accountant Office 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. Tomonaga and general shareholders, and the Company deems that this would not affect the independence of Mr. Tomonaga.</p> <p>Mr. Tomonaga has no special interest in the Company. The number of shares of the Company held is as indicated in the “Number of shares held” column under 1. List of Officers.</p>
Auditor	Tomoyasu Hamamura	<p>Mr. Hamamura is a representative partner of Hamamura Accounting Office, and has made major contributions in the development of local economies through corporate management as certified public tax accountant, auditor, and accounting advisors to many businesses in Utsunomiya City, Tochigi Prefecture. Based on such experience and deep insight in the Company and the industry, he is expected to provide advice and proposals to ensure the legality, adequacy and appropriateness of the decision-making and resolutions of the Board of Directors. He is also expected to strengthen the supervisory functions of the Board of Directors, and therefore, has been appointed as Outside Auditor.</p> <p>Mr. Hamamura has no special interest in the Company. The number of shares of the Company held is as indicated in the “Number of shares held” column under 1. List of Officers.</p>

#### 4. Support systems for Outside Directors and Outside Auditors

- (1) The Company appoints the Chief of Business Administration Headquarters as a point of liaison to provide assistance to Outside Directors and Outside Auditors. The Chief of Business Administration Headquarters notifies in advance the Outside Directors and Outside Auditors of the schedule of each meeting of the Board of Directors or meeting of the Board of Auditors and send any related materials thereto, and if necessary, provides explanations in advance on such materials.
- (2) Outside Directors attends any major meetings of the TKCNF, the customer organization of the Accounting Firm BD.
- (3) Once a month, Outside Auditors review the approval request documents, accounting books and major evidence documents, and receive reports from the heads of departments and exchange opinions.
- (4) Compensations for Auditors shall be determined each January upon discussion among Auditors based on the business results for the preceding fiscal year.

#### 5. Standards concerning the independence of Outside Directors and Outside Auditors of the Company

- (1) A person who is currently not, or has not been for the past ten years, an executive member of the Company or the Company’s subsidiaries;
- (2) A person for which the Company is currently not, or was recently not, an important trade partner or its executing member, or an important trade partner of the Company or its executing member;
- (3) A person for which the Company is currently not, or was recently not, a consultant, accounting specialist, or legal specialist receiving large sums of money or other assets other than officers’ compensation from the Company;
- (4) A person who is currently not, or has not recently been, a near relative of an executive member of the Company or the Company’s subsidiaries, or a near relative of any of the persons falling under items (2) or (3);
- (5) Any other person whose independence is clear of doubt in executing the duties of an Outside Director.

### (3) [Audits]

Since its founding in 1966, the Company has adopted the so-called “management based on rules.” All directors and employees were required to ensure compliance, and any illegal act or violation of internal rules have been dealt with strictly and impartially without exceptions, even if the motivation was for the interest of the Company or for the customers, shareholders, business partners or employees. The main objective of this “management based on rules” is to firstly protect our employees, secondly our clients, and thirdly the Company through strict compliance. That is why our Directors and employees have a correct understanding on the standards that they need to abide by in the process of fulfilling their basic responsibilities and performing their day-to-day work, and strive to act according to these standards.

#### (i) Audits by Auditors

The Company has three Auditors, consisting of one Full-time Auditor and two Outside Auditors. Outside Auditors Hideki Tomonaga and Tomoyasu Hamamura are certified tax accountants who have considerable expertise in the areas of finance, accounting, and tax accounting.

Full-time Auditor Tsuneo Miyashita has served as head of Business Administration in charge of general affairs, accounting and financing and have considerable expertise on financing, accounting and tax affairs.

Auditors shall attend the meetings of the Board of Directors and other important management meetings in accordance with the Code of Kansayaku Auditing Standards. They shall strive to oversee the material decision-making process and execution of business, and receive reports from the accounting auditors, Directors and employees to form their audit opinions through deliberation.

The attendance of each Auditor to the meetings of the Board of Auditors is shown below:

Name	Number of days attended/number of meetings held (Note 1)	Attendance rate (Note 1)
Tsuneo Miyashita	6/6	100%
Masaaki Arino (Note 2)	4/4	100%
Kiyotsugu Nakanishi (Note 3)	2/2	100%
Hideki Tomonaga	6/6	100%
Tomoyasu Hamamura (Note 4)	4/4	100%
Yoshiki Takashima (Note 3)	2/2	100%

(Note 1) Based on the number of days held the during his/he term office in the current fiscal year.

(Note 2) Assumed office on December 18, 2020 and resigned and retired from office on December 17, 2021.

(Note 3) Retired from office on December 18, 2020.

(Note 4) Assumed office on December 18, 2020.

#### (ii) Internal audits

##### 1) Organization, personnel and procedures of internal audits

Internal audits of the Company are conducted based on the Resolution on Internal Control, Operational Risk Management Regulations, Internal Audit Regulations, and Regulations for the Management of Affiliates. Internal audits are aimed to establish an appropriate internal control system covering the entire TKC Group, and conducted from a standpoint independent from the line of business execution in order to determine the effectiveness.

The Internal Audit Department is an organization independent of other divisions of the Company and operates under the direct control of the President. There are five internal auditors in the Internal Audit Department, of which two hold the qualification of Certified Internal Auditors, the only globally recognized certification for internal auditors.

In June every year, the Company conducts a risk survey for all of its employees. Based on the assessment of this survey and risk-related information of affiliates, the Internal Audit Department formulates the annual internal auditing plan, taking into consideration any special assignments from the Board or Directors and results of deliberation with the Auditors. The audit plan is reported to the Board of Directors after approval by the President. Prior to conducting the audit, the internal auditors will undertake preliminary surveys and develop individual audit plans. After obtaining approval from the head of the Internal Audit Department, the internal auditors will notify the divisions to be audited. Site visits are conducted by several internal auditors. Within one week from the completion of the audit, the head of the Internal Audit Department shall prepare and submit an Internal Audit Report to the President. Based on the approved Internal Audit Report, the President will order the heads of audited divisions to take actions and report on any matters that need to be improved.

In addition, the head of the Internal Audit Department will provide copies of the Internal Audit Report to the Directors in charge of each division and Auditors. Directors in charge of each division shall control any division-

specific operational risks.

- 2) Coordination among internal audits, audits by Auditors, and accounting audits, and the relationship between these audits and the internal control division

The head of the Internal Audit Department must ensure an appropriate scope of audits and shall consider coordinating with the Auditors and accounting auditors in order to minimize the redundancy of tasks. To this end, the head of the Internal Audit Department holds monthly meetings with the Auditors and quarterly meetings with the accounting auditor, to report on the status of the internal control system and results of internal audits as requested and to exchange opinions.

The Auditors receive reports on the implementation and operation of internal controls of the TKC Group by the Internal Audit Department, reports on the progress of the internal audit plans, and reports on the results of assessment of internal control over financial reporting.

The Company has an audit agreement with the accounting auditor, and receives audit of the financial statements and internal control audit over financial reporting from the firm. In that process, the Internal Audit Department provides necessary information to the accounting auditor.

While the Auditors, accounting auditor, and internal auditors each have their own objectives of audits, standpoints of the auditing body, and duties, during the current fiscal year under review, they worked to strengthen the coordination and information sharing between the three different audits (audits by Auditors, audits by the accounting auditor, and internal audits), to improve the effectiveness and efficiency of each audit, and to maintain and improve the governance of the TKC group by complementing each other.

(iii) Accounting audits

- 1) Name of audit firm

Ernst & Young ShinNihon LLC

- 2) Continuous audit period

38 years

(Note) The Company had an audit agreement with Misuzu Audit Corporation (Chuo Audit Corporation at the time) from 1983 to 2007 (including the period from July 1, 2006 to August 31, 2006 when the Company temporarily appointed an accounting auditor instead of Misuzu Audit Corporation (Chuo Audit Corporation at the time)). Upon dissolution of Misuzu Audit Corporation, the Company has entered into an audit agreement with Ernst & Young ShinNihon LLC since 2007 (Shin Nihon LLC at the time). However, the certified public accountant who was providing the audit services to the Company also transferred to Ernst & Young ShinNihon LLC (Shin Nihon LLC at the time) and continued to provide audit services to the Company. As such, it could be deemed that the same auditing firm has been providing audit services to the Company on a continuous basis, and therefore, the audit period of the auditing firm prior to the transfer of said certified public accountant is also added and included.

- 3) Certified public accountants that executed the accounting audit

Kanji Tako, Toru Iizuka

- 4) Number of assistants assisting auditing:

The number of assistants assisting the accounting audit of the Company was 8 certified public accountants and 13 other personnel.

- 5) Policy and reasons for appointing the audit firm

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 of Japan. 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 something which prevents the accounting auditor's execution of his/her duties, the Board of Auditors, as necessary, 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.

- 6) Assessment of Accounting Auditors by Auditors and Board of Auditors

Based on the Practical Guidelines on the Assessment of Accounting Auditors and the Formulation of Selection Standards issued by the Japan Audit & Supervisory Board Members Association, the Board of Auditors assessed the auditing activities of Ernst & Young ShinNihon LLC during the past year, including such items as the quality control system of the auditing firm, auditing team, audit fees, communication with Auditors, etc., relationship

with management, and non-compliance risks. As a result of assessment, the Board of Auditors has determined that it is appropriate to reappoint said auditing firm as accounting auditor.

(iv) Content of audit fees

1) Content of compensation to certified public accountants engaged in audits

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	43	10	49	10
Consolidated subsidiaries	—	—	—	—
Total	43	10	49	10

(Note) The Company pays certified public accountants engaged in audits 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. 3402 "Assurance Reports on Controls at a Service Organization (Japanese Institute of Certified Public Accountants dated August 1, 2019)" covering services other than the services prescribed in Article 2 Paragraph 1 of the Certified Public Accountants Act.

2) Compensation to certified public accountants who belong to the same network as the Company's auditors (excluding 1) above)

Not applicable.

3) Policy for determining audit fees

Audit fees are determined with the consent of the Board of Auditors, taking into account such factors as scale and business characteristics of the Company and number of days of auditing works performed.

4) Reasons for Board of Auditors giving consent to the audit fees to the accounting auditor

The Board of Auditors has checked the audit plan, content of audit, man-hours required for the audit, and the unit price per man-hour, and reviewed the appropriateness of the amount of compensation in comparison to the conventional amounts and planned amounts. As a result, it has determined that the decision by the Board of Directors with respect to the compensation for the accounting auditor is appropriate, and has given consent in accordance with Article 339 Paragraph 1 of the Companies Act of Japan.

5) Other important fees under the audit and attestation services

Not applicable.

#### (4) [Officers' Compensation, etc.]

The Company resolved the policy on determining the individual compensations for officers of the Company at the meeting of the Board of Directors held on May 10, 2021. The Board of Directors also confirmed that, with respect to the individual compensations for officers for the current fiscal year, the method for determining the details of compensations, etc. and the details of the determined compensations were in compliance with said policy and reflected the matters reported by the Nomination and Compensation Advisory Committee, and determined that they are in compliance with said policy.

The details of the policy on determining the individual compensations for officers are as follows:

##### 1. Policy on determining the amount of officers' compensation and/or calculation method

###### (1) Officers' compensation system

Officers' compensation consists of monetary compensation and stock-based compensation (BIP Trust).

###### (2) Maximum amounts of Officers' compensation

The amount of compensation for officers of the Company was established by resolution of the 43rd Ordinary General Meeting of Shareholders convened on December 22, 2009, at an annual monetary amount of up to 480 million yen for Directors' compensation and up to 80 million yen for Auditors' compensation. Separate from these maximum amounts of compensation, Directors (excluding outside directors and expatriates), executive officers (excluding expatriates) are entitled to a stock-based compensation plan (BIP Trust) established by resolution of the 52nd Ordinary General Meeting of Shareholders convened on December 21, 2018, at an amount of up to 500 million yen for Directors and executive officers for three fiscal years.

Also, the total amount of compensation to be paid in each fiscal year is within the maximum amounts of compensation as determined by resolution of the General Meeting of Shareholders in accordance with Article 361 and Article 387 of the Companies Act of Japan, and within 1% of the total amount of marginal profit of the entire company achieved in the previous fiscal year.

Here, Officers' compensation shall mean monetary compensation and stock-based compensation for Directors, monetary compensation for Auditors, and the portion of stock-based compensation of the executive officers' allowance for executive officers who are not Directors.

###### (3) Policy on determining the amount of Officers' compensation

###### (i) Policy on determining the compensation for Directors also serving as executive officers

###### 1) The amounts of compensation may be increased if both of the following two conditions are met:

- a) On a non-consolidated, year-on-year basis, net sales, marginal profits and ordinary income of the entire Company increased.
- b) On closing an equity ratio of 83% or greater has been achieved.

Provided, in calculating the equity ratio, the effects of valuation difference on the available-for-sale securities that are held as cross-shareholdings are to be excluded.

In addition to the above, if, for reasons such as merging/absorbing affiliated companies, the amount of assets, liabilities, and net assets temporarily fluctuate significantly, such effects are also to be excluded.

Moreover, if the accounting standards applied to the year-to-year comparison of net sales, marginal profits and ordinary income of the entire Company have been changed, such effects are to be excluded only for the first fiscal year in which such new accounting standards are applied.

###### 2) The amounts of compensation for Directors who are executive officers shall be determined at the meeting of the Board of Directors, by assessing the achievement of business results of divisions in charge by referencing the year-on-year marginal profits as indicator. If the accounting standards applied to the year-to-year comparison of marginal profits have been changed, such effects are to be excluded only for the first fiscal year in which such new accounting standards are applied.

###### 3) In addition to item 2) above, if an officer is reappointed, the Board may also take into consideration the number of years holding executive positions based on his/her contribution to items 1) and 2) above.

###### 4) If the divisions in charge have failed to achieve target performance for two consecutive fiscal years, the amounts of compensation for the next fiscal year shall be decreased.

The amounts of compensation may also be reduced in the event he/she causes a material accident or major loss.

###### (ii) Policy on determining the compensation for Directors not holding executive positions

1) Directors who do not serve as executive officers shall be excluded from performance assessments.

2) If the Company makes a request to any of the Directors who do not hold executive positions to perform matters beyond the normal responsibilities of an outside Directors, it shall pay an advisory fee based on a separately entered agreement in compliance with the independence standards (compensation other than Officers' compensation must be less than 10 million yen per year).

(iii) Policy on determining the compensation for Auditors

1) Auditors shall be excluded from performance assessments, and shall be eligible for monetary compensation only.

2) If the Company makes a request to any of the Auditors to perform matters beyond the normal responsibilities of an outside Auditor, it shall pay an advisory fee based on a separately entered agreement in compliance with the independence standards (compensation other than Officers' compensation must be less than 10 million yen per year).

(iv) Basic policy on compensation for executive officers who are not Directors

1) An executive officer who is not a Director shall be paid an executive officer's allowance in addition to employee's salaries.

2) Executive officers' allowance shall consist of monetary compensation and stock-based compensation.

3) Executive officers' allowance shall be determined at the meeting of the Board of Directors, taking into consideration the following four points and assessing the business results.

a) Achievement of business results of divisions in charge;

b) Individual accomplishments in marketing or innovation;

c) Expertness of duties and individual contribution in improving the division's business results;

d) Executive position held and number of years holding such position.

If the division in charge continues to be unsuccessful in achieving the goals for two consecutive fiscal years, or causes a material accident or major loss, the Company may suspend the payment of executive officers' allowance in the middle of a fiscal year.

(4) Method of determining the amount of Officers' compensation

The Company determines the amounts of Directors' compensation at the meeting of the Board of Directors by respecting the results of the reports from the Nomination and Compensation Advisory Committee, chaired by an Independent Outside Officer and the majority of which consists of Outside Officers. Compensation for Auditors is determined by consultation among Auditors within the maximum amount approved at the General Meeting of Shareholders. The Nomination and Compensation Advisory Committee deliberates on the following matters and reports to the Board of Directors:

(i) Policy and procedure for the nomination of candidates for Directors and executive officers holding executive position;

(ii) Appointment and dismissal of Directors and executive officers holding executive position;

(iii) Policy for the determination of compensations for Directors and executive officers holding executive position;

(iv) Policy for the determination of individual compensations for Directors and executive officers holding executive positions;

(v) Individual compensations for Directors and executive officers holding executive position;

(vi) Appointment and dismissal of representative directors and auditors of subsidiaries and their individual compensations;

(vii) Other matters that the Board of Directors deem necessary in relation to any of the above items.

(5) Partial changes to the stock-based compensation plan using a trust

At the 53rd Ordinary General Meeting of Shareholders held on December 20, 2019, the proposal to change the stock-based compensation (BIP Trust) from the conventional system of granting points based on executive positions held to a performance-linked system was approved.

Under the new system, points will be granted to each individual within the range of 0% to 120% of the basic number of issued shares depending on the year-on-year ratio of the company-wide performance goals (marginal profits and ordinary income) for a given period of each fiscal year during the trust period, provided, during the



fiscal year ended September 30 of the same year, (1) the sales and ordinary income of the entire Company both increase, and (2) the non-consolidated equity ratio exceeds 80%.

Based on the advice of the Board of Auditors, the Company has resolved at the regular meeting of the Board of Directors held in January 2020 not to grant points to Auditors. For the fiscal year under review, the Company has calculated the amounts of stock-based compensation in accordance with the revised system.

The maximum number of total points granted to Directors, etc. in a single fiscal year shall remain unchanged at 34,000 points as approved at the 52nd Ordinary General Meeting of Shareholders held on December 21, 2018.

(6) Calculation method

Points = (monthly amount of officers' compensation ÷ trust average stock acquisition price × 50% × year-on-year ratio of marginal profits) + (monthly amount of officers' compensation ÷ trust average acquisition stock price × 50% × year-on-year ratio of ordinary income)

\*1: Trust average stock acquisition price is the average stock acquisition price of the Company's stock acquired by the Trust in establishing the stock-based compensation program (BIP Trust).

\*2: Marginal profit is the amount derived by deducting the costs that change in proportion to sales (variable costs) from the amount of sales. Marginal profit will vary depending on product mix. The Company considers the marginal profit ratio as an important financial indicator, and sets the target at 60%.

\*3: The year-on-year ratios of marginal profits and ordinary income fluctuate between the range of 0% to 120%.

\*4: Year-on-year ratio of marginal profits for the current fiscal year under review was 103.1%. Year-on-year ratio of ordinary income was 108.6%.

2. Total amount of compensation, total by type, and number of eligible officers, by officer category

Officer category	Total amount of remuneration (millions of yen)	Total compensation by type (millions of yen)		Number of eligible officers
		Monetary compensation	Stock-based compensation (BIP Trust)	
Directors (excluding Outside Directors)	182	170	12	10
Auditors (excluding Outside Auditors)	34	34	—	3
Outside Directors	28	28	—	4
Outside Auditors	19	19	—	3

(Notes) 1. As of the end of the fiscal year under review, the Company has eight Directors (of which, three are Outside Directors) and four Auditors (of which, two are Outside Auditors). The difference in the number of eligible Directors and Auditors is because the above number includes six Directors (of which, one is an Outside Director) and one Auditor (of which, one is an Outside Auditor) who retired from office due to expiration of terms of office, and one Auditor who resigned and retired from office as of the close of the Ordinary General Meeting of Shareholders for the 54th Term held on December 18, 2020.

2. The maximum amount of Officers' compensation was resolved at 480 million yen per year at the 43rd Ordinary General Meeting of Shareholders convened on December 22, 2009. The Directors' compensation is performance-linked and determined within the above maximum amount. The number of Directors as of the end of said General Meeting of Shareholders was twelve (of which, one was an Outside Director). Separate from the above, the maximum amount of the stock-based compensation plan (BIP Trust) for three fiscal years was resolved at 500 million yen at the 52nd Ordinary General Meeting of Shareholders held on December 21, 2018. The number of Directors (excluding Outside Directors) as of the end of said General Meeting of Shareholders was eight.

In the Initial Trust Period, in addition to the maximum amounts set forth above, an amount not exceeding 970 million yen in total has also been resolved to be used as funds to acquire the Company's stock to be granted as points to Directors, etc. (including Directors, etc. who have retired from office and became employees after the grant of stock options) as measures to be taken for the transition from the stock-based compensation stock option scheme.

(5) [Status of Shareholdings]

(i) Standards and approach to the classification of equity securities

The Company classifies its equity securities as those held for the purpose of pure investments, which are held for the purpose of gaining profits mainly by fluctuation in share values or by receipt of dividends, and those held for purposes other than pure investments (hereinafter “cross-shareholdings”). The Company make it a general rule not to hold equity securities for the purpose of pure investments.

As of the end of the fiscal year under review, the Company does not hold equity securities for the purpose of pure investments.

(ii) Equity securities held for purposes other than pure investments

1) Policy on cross-shareholding and methods to assess its rationality, and results of assessment of the appropriateness of each holding by Directors, etc.

a) Policy on cross-shareholdings

The purposes of cross-shareholding of share of other listed companies are to maintain and strengthen long-term, stable business relationships, or to maintain and strengthen business partnerships.

b) Methods to assess the rationality of cross-shareholding, and assessment of the appropriateness of each holding by Directors, etc.

The Boards of Directors of the Company and its Group companies annually assess the major cross-shareholdings taking into consideration the returns and risks and examining the medium- to long-term economic rationality and future prospects. As a result of such assessment, any cross-shareholdings that do not necessarily have significance shall be reduced through dialogue and negotiation with such business partners.

2) Number of securities and amounts recorded in the balance sheets

	Number of securities (Stock name)	Total amount recorded in balance sheets (millions of yen)
Unlisted stock	7	112
Securities other than unlisted stock	4	4,372

(Securities that increased in number of shares in the current fiscal year)

	Number of securities (Stock name)	Total amount acquired by increase in number of shares (millions of yen)	Reasons for increase in number of shares
Unlisted stock	—	—	—
Securities other than unlisted stock	—	—	—

(Securities that decreased in number of shares in the current fiscal year)

	Number of securities (Stock name)	Total amount sold by decrease in number of shares (millions of yen)
Unlisted stock	—	—
Securities other than unlisted stock	2	4

3) Numbers of securities and amounts recorded in the balance sheet for equity holdings for specific purpose and deemed equity holdings

Specified investment securities

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding, reason for increase in number of shares	Holding of the Company's shares
	Number of shares (shares)	Number of shares (shares)		
	Amount recorded in balance sheets (millions of yen)	Amount recorded in balance sheets (millions of yen)		
T&D Holdings, Inc.	1,780,000	1,780,000	To maintain and strengthen the partnership for the purpose of supporting the prosperity and success of SMEs. Figures on the effect of holding are not disclosed as they contain business secrets of said company. However, the Company assesses whether the benefits and risks from the holding cover the costs of capital, quantitatively on a regular basis.	Yes
	2,757	1,836		
Mitsubishi UFJ Financial Group, Inc.	2,322,180	2,322,180	To maintain and strengthen the long-term, stable business relationship. Figures on the effect of holding are not disclosed as they contain business secrets of said company. However, the Company assesses whether the benefits and risks from the holding cover the costs of capital, quantitatively on a regular basis.	Yes
	1,527	966		
Mebuki Financial Group, Inc.	275,400	275,400	To maintain and strengthen the long-term, stable business relationship. Figures on the effect of holding are not disclosed as they contain business secrets of said company. However, the Company assesses whether the benefits and risks from the holding cover the costs of capital, quantitatively on a regular basis.	Yes
	67	65		
Nippon Paper Industries Co., Ltd.	17,000	17,000	To maintain and strengthen the long-term, stable business partnership. Figures on the effect of holding are not disclosed as they contain business secrets of said company. However, the Company assesses whether the benefits and risks from the holding cover the costs of capital, quantitatively on a regular basis.	Yes
	20	22		
Mito Securities Co., Ltd.	—	31,460	As a result of assessment of whether or not to hold the cross-shareholding by comparing the benefits of the business relationship and holding with the costs of capital, the Board of Directors decided on selling, and shares were sold in April 2021.	No
	—	6		
Tokai Tokyo Financial Holdings, Inc.	—	9,187	As a result of assessment of whether or not to hold the cross-shareholding by comparing the benefits of the business relationship and holding with the costs of capital, the Board of Directors decided on selling, and shares were sold in April 2021.	No
	—	2		

(Note) Column with “—” indicates that the Company does not hold said stock.

(iii) Equity securities held for the pure investment

None to be disclosed.

## 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 the 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").

Note that the consolidated financial statements for the current consolidated fiscal year (started October 1, 2020; ended September 30, 2021) have been prepared based on the Revised Ordinance on Consolidated Financial Statements in accordance with the notes to Article 3, Supplementary Provisions of the Cabinet Office Ordinance on Partial Amendments to the Ordinance on the Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Cabinet Office Ordinance No. 29 of June 8, 2018; hereinafter, the "Revised Cabinet Office Ordinance").

- (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").

Note that the financial statements for the current fiscal year (started October 1, 2020; ended September 30, 2021) have been prepared based on the Revised Ordinance on Financial Statements in accordance with the notes to Article 2, Supplementary Provisions of the Revised Cabinet Office Ordinance.

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, 2020 to September 30, 2021) and financial statements for the fiscal year (from October 1, 2020 to September 30, 2021) have been audited by Ernst & Young ShinNihon LLC pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act of Japan.

### 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 appropriately 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, 2020)	Current consolidated fiscal year (September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	26,769	26,426
Notes and accounts receivable-trade	7,014	6,973
Lease investment assets	432	384
Merchandise and finished goods	238	222
Work in progress	307	51
Raw materials and stored items	177	138
Other	924	1,925
Allowance for doubtful accounts	(19)	(14)
Total current assets	35,844	36,107
Non-current assets		
Property, plant and equipment		
Buildings and structures (net amount)	8,182	7,855
Machinery, equipment and vehicles (net amount)	547	611
Tools, furniture & fixtures (net amount)	1,857	2,050
Land	6,911	6,802
Lease assets (net amount)	290	220
Construction in progress	5	—
Total property, plant and equipment	*1 17,794	*1 17,540
Intangible assets		
Software	2,724	2,654
Software in progress	370	924
Other	25	25
Total intangible assets	3,120	3,605
Investments and other assets		
Investment securities	*2 16,282	*2 19,705
Long-term loans receivable	163	120
Deferred tax assets	7,360	7,209
Long-term deposits	14,600	16,600
Guarantee deposits	1,438	1,440
Long-term lease investment assets	889	539
Other	178	537
Total investments and other assets	40,911	46,152
Total non-current assets	61,826	67,298
Total assets	97,671	103,406

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2020)	Current consolidated fiscal year (September 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	2,181	2,402
Electronically recorded obligations–operating	802	834
Current portion of long-term loans payable	142	80
Lease obligations	522	468
Accounts payable–other	2,184	1,786
Income taxes payable	2,549	2,211
Accrued consumption taxes	1,520	780
Provisions for bonuses	3,673	4,073
Provisions for loss on construction contracts	—	141
Other	1,124	1,942
Total current liabilities	14,701	14,721
Non-current liabilities		
Long-term loans payable	295	214
Lease obligations	1,113	694
Retirement benefit liabilities	3,400	3,554
Provisions for stocks payment	599	307
Other	485	498
Total non-current liabilities	5,893	5,268
Total liabilities	20,595	19,990
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	6,588	6,589
Retained earnings	68,533	73,411
Treasury stock	(1,660)	(1,352)
Total shareholders' equity	79,161	84,348
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(553)	449
Accumulated remeasurements of defined benefit plans	(1,532)	(1,382)
Total accumulated other comprehensive income	(2,085)	(932)
Total net assets	77,075	83,416
Total liabilities and net assets	97,671	103,406

## 2) [Consolidated Statements of Income and Comprehensive Income]

## [Consolidated Statements of Income]

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Net sales	67,814	66,221
Cost of sales	*1 22,667	*1 19,319
Gross profit	45,147	46,902
Selling, general and administrative expenses	*2, *3 33,766	*2, *3 34,587
Operating income	11,381	12,314
Non-operating income		
Interest income	37	51
Dividends income	146	150
Land and house rent received	50	51
Subsidy income	15	13
Other	56	92
Total non-operating income	306	359
Non-operating expenses		
Interest expenses	1	0
Loss on sale of securities	—	0
Other	0	0
Total non-operating expenses	1	0
Ordinary income	11,685	12,673
Extraordinary income		
Gain on sales of non-current assets	*4 2	*4 111
Other	—	9
Total extraordinary income	2	121
Extraordinary losses		
Loss on sale of non-current assets	—	*5 22
Loss on retirement of non-current assets	*6 40	*6 23
Loss on valuation of investment securities	—	89
Other	0	—
Total extraordinary losses	41	134
Net income before taxes and adjustments	11,646	12,660
Income taxes—current	4,070	4,156
Income taxes—deferred	(225)	(183)
Total income taxes	3,845	3,973
Net income	7,801	8,686
Loss attributable to non-controlling interests	(20)	—
Profit attributable to owners of parent	7,821	8,686

[Consolidated Statements of Comprehensive Income]

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Net income	7,801	8,686
Other comprehensive income		
Valuation difference on available-for-sale securities	(471)	1,002
Remeasurements of defined benefit plans	171	150
Total other comprehensive income	*1 (299)	*1 1,153
Comprehensive income	7,501	9,839
(Breakdown)		
Comprehensive income attributable to owners of the parent	7,524	9,839
Comprehensive income attributable to non-controlling interests	(22)	—



## 3) [Consolidated Statement of Changes in Net Assets]

Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	5,700	5,711	63,623	(1,630)	73,404
Changes during fiscal year					
Dividends of surplus			(2,911)		(2,911)
Profit attributable to owners of parent			7,821		7,821
Acquisition of treasury stock				(34)	(34)
Disposal of treasury stock		0		3	3
Change in parent's ownership interest from transactions with non-controlling interests		877			877
Changes in items other than equity (net)					
Total changes during fiscal year	—	877	4,909	(30)	5,756
Balance at end of year	5,700	6,588	68,533	(1,660)	79,161

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of year	(83)	(1,704)	(1,787)	1,504	73,121
Changes during fiscal year					
Dividends of surplus					(2,911)
Profit attributable to owners of parent					7,821
Acquisition of treasury stock					(34)
Disposal of treasury stock					3
Change in parent's ownership interest from transactions with non-controlling interests					877
Changes in items other than equity (net)	(469)	171	(297)	(1,504)	(1,801)
Total changes during fiscal year	(469)	171	(297)	(1,504)	3,954
Balance at end of year	(553)	(1,532)	(2,085)	—	77,075

Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	5,700	6,588	68,533	(1,660)	79,161
Cumulative effects of changes in accounting policies			(367)		(367)
Restated balance	5,700	6,588	68,165	(1,660)	78,793
Changes during fiscal year					
Dividends of surplus			(3,440)		(3,440)
Profit attributable to owners of parent			8,686		8,686
Acquisition of treasury stock				(6)	(6)
Disposal of treasury stock		0		315	315
Changes in items other than equity (net)					
Total changes during fiscal year	—	0	5,246	308	5,555
Balance at end of year	5,700	6,589	73,411	(1,352)	84,348

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of year	(553)	(1,532)	(2,085)	77,075
Cumulative effects of changes in accounting policies				(367)
Restated balance	(553)	(1,532)	(2,085)	76,707
Changes during fiscal year				
Dividends of surplus				(3,440)
Profit attributable to owners of parent				8,686
Acquisition of treasury stock				(6)
Disposal of treasury stock				315
Changes in items other than equity (net)	1,002	150	1,153	1,153
Total changes during fiscal year	1,002	150	1,153	6,708
Balance at end of year	449	(1,382)	(932)	83,416

## 4) [Consolidated Statements of Cash Flows]

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
<b>Cash Flows from Operating Activities</b>		
Net income before taxes and adjustments	11,646	12,660
Depreciation	3,070	2,945
Increase (decrease) in allowance for doubtful accounts	(21)	(5)
Increase (decrease) in provisions for bonuses	72	400
Increase (decrease) in provisions for loss on construction contracts	—	33
Increase (decrease) in retirement benefit liabilities	82	367
Contribution of securities to retirement benefit trust	(1,200)	—
Increase (decrease) in provisions for stocks payment	37	(291)
Interest and dividends income	(183)	(201)
Interest expenses	1	0
Loss on retirement of non-current assets	40	23
Loss (gain) on sale of non-current assets	(2)	(89)
Loss (gain) on valuation of investment securities	—	89
Decrease (increase) in notes and accounts receivable—trade	1,257	159
Decrease (increase) in inventories	366	31
Decrease (increase) in other assets	68	(679)
Increase (decrease) in accounts payable—trade	(1,559)	131
Increase (decrease) in other liabilities	(211)	(283)
Increase (decrease) in accrued consumption taxes	798	(739)
Other	66	281
Subtotal	14,330	14,832
Interest and dividends received	212	234
Interest paid	(1)	(0)
Income taxes paid	(3,971)	(4,516)
Cash Flows from Operating Activities	10,569	10,550
<b>Cash Flows from Investing Activities</b>		
Payments into time deposits	(8,400)	(5,300)
Proceeds from withdrawal of time deposits	3,000	3,300
Purchase of property, plant and equipment	(1,738)	(1,420)
Proceeds from sales of property, plant and equipment	2	201
Purchase of intangible assets	(1,369)	(1,887)
Purchase of investment securities	(5,505)	(4,118)
Proceeds from sales of investment securities	—	13
Proceeds from redemption of investment securities	4,050	2,000
Payments for guarantee deposits	(173)	(47)
Proceeds from collection of guarantee deposits	97	44
Payments of loans receivables	(230)	—
Collection of loans receivables	141	12
Other payments	(0)	(0)
Other proceeds	1	—
Cash Flows from Investing Activities	(10,124)	(7,201)

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Cash Flows from Financing Activities		
Repayment of long-term loans payable	(142)	(142)
Repayment of lease obligations	(99)	(91)
Purchase of treasury stock	(34)	(6)
Proceeds from disposal of treasury stock	0	0
Cash dividends paid	(2,905)	(3,449)
Cash dividends paid to non-controlling shareholders	(11)	—
Purchase of shares of subsidiaries without changes to the scope of consolidation	(593)	—
Cash Flows from Financing Activities	(3,786)	(3,691)
Increase (decrease) in cash and cash equivalents	(3,341)	(342)
Cash and cash equivalents at beginning of the year	26,810	23,469
Cash and cash equivalents at end of year	*1 23,469	*1 23,126

[Notes to Financial Statements]

(Basis of Presenting the Consolidated Financial Statements)

1. Scope of Consolidation

Consolidated subsidiaries (5 companies):

TLP Corporation

TKC Security Services Co., Ltd.

SKYCOM Corporation

TKC Customer Support Service Co., Ltd.

TKC Shuppan Corporation

Non-consolidated subsidiaries (1 company):

TKC Financial Guarantee Co., Ltd.

(Reason for excluding the company from the consolidated group)

TKC Financial Guarantee Co., Ltd. is excluded from the consolidated group because it does not have any material impact on the consolidated financial statements of the Company in terms of total assets, net sales, net income (amount in proportion to equity held) or retained earnings (amount in proportion to equity held), nor does it have material importance as a whole.

2. Scope of Application of the Equity Method

Affiliated companies under the equity method: (1 company)

iMobile Inc.

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

Non-consolidated subsidiaries not under the equity method: (1 company)

TKC Financial Guarantee Co., Ltd.

(Reason for excluding the company from the scope of application of the equity method)

TKC Financial Guarantee Co., Ltd. is excluded from the scope of application of the equity method because such exclusion has little impact on the consolidated financial statements of the Company in terms of net income (amount in proportion to equity held) or retained earnings (amount in proportion to equity held), and does not have material importance as a whole.

3. Fiscal Year-ends of Consolidated Subsidiaries

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

4. Accounting Policies

(1) Valuation standards and methods for major assets

(i) Marketable and investment securities

1) Available-for-sale securities

a. Available-for-sale securities with market value

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

b. Available-for-sale securities without market value

Stated at cost determined by the moving average method

(ii) Inventory assets

1) Merchandise, raw materials

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

2) Finished goods

Cost mainly determined by cost percentage method (with balance sheet values reflecting write downs for decreased profitability).

3) Work in progress

Cost determined by specific identification method (with balance sheet values reflecting write downs for decreased profitability).

4) Supplies

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

(2) Depreciation of major depreciable assets

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

Calculated based on declining balance method.

Provided, buildings acquired after April 1, 1998 (excluding accompanying facilities), and accompanying facilities and structures acquired after April 1, 2016 are calculated based on straight-line method.

Primary useful lives are as follows:

Buildings & structures 10 to 50 years

Machinery, equipment & vehicles 4 to 10 years

Tools, furniture & fixtures 2 to 20 years

(ii) Intangible assets (excluding lease assets)

1) Software

a. Software for sale

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

b. Software for internal use

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

2) Other intangible assets

Amortized using the straight-line method.

(iii) Leased assets

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

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

(3) Standards for recognizing significant provisions

(i) Allowance for doubtful accounts

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

(ii) Provisions for bonuses

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

(iii) Provisions for stocks payment

In setting aside provisions for payment of the Company's shares to Directors, etc., provisions are recognized at estimated amounts of stocks payment determined based on the points allocated to Directors, etc. in accordance with the rules on issuance of shares under the Board Incentive Plan (BIP) Trust.

(iv) Provisions for loss on construction contracts

In setting aside provisions for future losses related to construction contracts, provisions are recognized

at estimated amounts of losses for works in progress as at the end of the current consolidated fiscal year, if it is likely that the total amount of costs will exceed the total amount of revenues, and further if such amounts can be reasonably estimated.

(4) Accounting procedure for retirement benefits

(i) Method of attributing expected benefits to date

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

(ii) Recognizing actuarial differences as expenses and past service costs

Past service costs are recognized as expenses for a certain years (10 years) within the average remaining years of service of employees in which they occur using the straight-line method.

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

(iii) Unrecognized past service costs

Unrecognized past service costs are recognized on a tax-adjusted basis at the amount of accumulated remeasurements of defined benefit plans under accumulated other comprehensive income in net assets.

(5) Standards for recognizing significant revenues and expenses

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018) have been applied. Accordingly, revenues are recognized at the time the controls over promised goods or services are transferred to customers, in the amounts that are expected to be received in exchange for such goods or services.

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

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

(i) Cash on hand

(ii) Demand deposits

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

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

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

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

(ii) Application of the consolidated taxation system

The consolidated taxation system is applied.

(iii) Application of tax effect accounting for the transition from the consolidated taxation system to Group Tax Sharing System

Based on the treatment set forth under Item 3 of the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to Group Tax Sharing System (Practical Solution No. 39, March 31, 2020), the Company and its domestic consolidated subsidiaries do not implement the provisions of Paragraph 44 of the Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) for items that were transitioned to the group tax sharing system which was established in the Law for Partial Revisions to the Income Tax Act, etc. (Law No. 8 of 2020) and items that were revised under the non-consolidated taxation system in line with the transition to the group tax sharing system. The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the Tax Act prior to revisions.

#### (Changes in Accounting Policies)

As it has become possible to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) (hereinafter, “Revenue Recognition Accounting Standard”) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018) from the beginning of a consolidated fiscal year commencing after April 1, 2018, the Company applies the Revenue Recognition Accounting Standard, etc. from the beginning of the current consolidated fiscal year. Accordingly, we recognize revenues at the time the controls over promised goods or services are transferred to customers, in the amounts that we expect to receive in exchange for such goods or services.

Major changes are, conventionally for certain transactions, we have been recognizing the total amounts of compensation received from customers as revenue, but going forward, for transactions in which the Group acts as agent in the provision of goods or services to customers, we will recognize as revenues, the net amount after deducting the amounts we pay to suppliers from the amounts we receive from customers.

In applying the Revenue Recognition Accounting Standard, etc., we have followed the transitional measures set forth in the notes to Section 84 of the Revenue Recognition Accounting Standard. Therefore, we have adjusted the retained earnings at the beginning of the current consolidated fiscal year to include the cumulative effects of retroactive application of the new accounting policy prior to the beginning of the said consolidated fiscal year, and applied the new accounting policy to the balance at the beginning of the fiscal year under review.

As a result, the amounts of cumulative effects are reflected in the net assets at the beginning of the current consolidated fiscal year, and the beginning balance of retained earnings has decreased by 367 million yen.

Also, compared to the conventional method, net sales for the current consolidated fiscal year decreased by 2,460 million yen, cost of sales decreased by 2,324 million yen, and the amounts of operating income, ordinary income, and net income before taxes and adjustments decreased by 136 million yen each.

#### (Significant Accounting Estimates)

##### 1. Revenue recognition based on percentage of completion

###### (1) Amounts stated in the consolidated financial statements for the fiscal year under review:

(Unit: millions of yen)	
	Current consolidated fiscal year
Net sales	351

###### (2) Information on the nature of significant accounting estimates related to the identified items

###### (i) Calculation method

For net sales, in case where the contract price or total amount of costs required through completion for made-to-order software can be estimated reliably, then revenue is recognized depending on the percentage of fulfillment of the measured performance obligations. Provided, in case where the contract price or total amount of costs required through completion cannot be estimated reliably, then revenue is recognized within the expenses incurred.

###### (ii) Key assumptions

In estimating the total amount of costs, we first make sure that the schedule, development workload, and number of development personnel assigned to each made-to-order software development project are adequate and appropriate, then calculate the cost by multiplying the development man-hours by man-hour unit price for each contracted project.

In estimating the total amount of costs, we revise our estimations by conducting regular monitoring of the estimated development workload and actual man-hours for development projects.

###### (iii) Impact on next fiscal year’s consolidated financial statements

The Company considers the total amount of project costs revised based on the latest information including comparison of estimated costs and actual costs, and progress of the project at the time appropriate. However, in the event that the actual costs deviate from our estimations due to changes in future conditions, the estimates may impact the amount of revenue that the Group recognizes.



(Accounting Standards Not Yet Applied)

(Application of Accounting Standards for Revenue Recognition, etc.)

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, ASBJ)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020, ASBJ)

(1) Summary

The standard and implementation guidance stipulate the disclosure of revenue recognition (method of presentation & notes).

(2) Planned date of application

We plan to apply the standard and implementation guidance as of the beginning of the fiscal year ending September 2022.

(Accounting Standard for Fair Value Measurement, etc.)

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, ASBJ)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019, ASBJ)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019, ASBJ)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019, ASBJ)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020, ASBJ)

(1) Summary

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have established almost the same detailed guidance regarding fair value measurement (IFRS 13 “Fair Value Measurement” in IFRS and Topic 820 “Fair Value Measurement” of the Accounting Standards Codification in FASB). As such, ASBJ considered the guidance regarding fair value of financial instruments and disclosure in order to improve the compatibility with such international accounting standards, and issued the Accounting Standard for Fair Value Measurement, etc.

ASBJ’s basic approach in developing the Accounting Standard for Fair Value Measurement was to basically implement the entire provision of IFRS 13 and adopt unified calculation methods in order to improve the comparability of financial statements among companies in and outside Japan. Taking into consideration the practices that have been conducted thus far in Japan, alternative treatments will be added for each item to the extent to which comparability between financial statements is not greatly impaired.

(2) Planned date of application

We plan to apply the standards and implementation guidance as of the beginning of the fiscal year ending September 2022.

(3) Impacts of application of said accounting standards

The impact of the application of the Accounting Standard for Fair Value Measurement, etc. on the consolidated financial statements remains undetermined at present.

(Changes in Method of Presentation)

(Application of Accounting Standard for Disclosure of Accounting Estimates)

Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been applied to the consolidated financial statements prepared for the year-end of the current consolidated fiscal year under review. Accordingly, notes on Significant Accounting Estimates are included in the consolidated financial statements.

Provided, said notes do not include information on the previous consolidated fiscal year in accordance with the transitional measures set forth in the notes to Section 11 of said Accounting Standard.

(Additional Information)

(Stock-based Compensation Plan for Officers)

1. Outline of transaction

Based on the resolution of the Board of Directors' Meeting held on October 31, 2018 followed by approval at the Ordinary General Meeting of Shareholders held on December 21, 2018, the Company introduced a stock-based compensation plan called "BIP Trust." The objectives of the plan are to clarify the linkage between the Company's shareholder value and the remuneration for Directors, etc. and to motivate Directors, etc. to contribute more to enhancing the medium- to long-term corporate value by sharing common interest with shareholders, including not only the merit derived from the rising share price, but also the risk associated with the decline in share price.

The proposal to change the stock-based compensation plan for Directors, etc. (excluding Directors not holding executive positions) and Full-time Auditors to performance-linked compensation has been deliberated by the Nomination and Compensation Advisory Committee whose chairperson and half of the members are independent Outside Directors and outside experts, and approved at the Ordinary General Meeting of Shareholders held on December 20, 2019.

2. Stocks of the Company remaining in trust

The stocks of the Company remaining in trust are recorded as treasury stock under net assets with the book values in the trust (not including expenses attributable thereto). The book value of said treasury stocks was 434 million yen for 219,800 shares as of the end of the consolidated accounting period under review.

(Note) The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. The number of stocks has been calculated assuming that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(Notes to Consolidated Balance Sheets)

\*1. Accumulated depreciation of property, plant and equipment

	Previous consolidated fiscal year (September 30, 2020)	Current consolidated fiscal year (September 30, 2021)
	21,762 million yen	23,055 million yen

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

	Previous consolidated fiscal year (September 30, 2020)	Current consolidated fiscal year (September 30, 2021)
Investment securities (shares)	100 million yen	100 million yen

(Notes to Consolidated Statements of Income)

Provisions for loss on construction contracts included in Cost of sales are as follows:

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
	— million yen	33 million yen

\*2. Major items included in selling, general and administrative expenses are as follows:

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Salaries	11,564 million yen	11,958 million yen
Provision for bonuses	3,015	3,357
Retirement benefit expenses	731	957
Provisions for stocks payment	40	24
Depreciation	648	723
Rent expenses	2,220	2,444

\*3. Total amount of research and development expenses included in general administrative expenses

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
	6million yen	— million yen

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

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Land	— million yen	109 million yen
Machinery, equipment & vehicles	0	0
Tools, furniture & fixtures	2	1
Total	2	111

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

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Buildings & structures	— million yen	22 million yen

\*6. Breakdown of loss on retirement of non-current assets is as follows:

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Buildings & structures	19 million yen	12 million yen
Machinery, equipment & vehicles	0	0
Tools, furniture & fixtures	20	9
Intangible assets	0	0
Other (Investments and other assets)	—	0
Total	40	23

(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, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Valuation difference on available-for-sale securities:		
Increase/decrease during the fiscal year	(665) million yen	1,425 million yen
Reclassification adjustments	—	8
Amount before tax	(665)	1,434
Tax effect	194	(431)
Valuation difference on available-for-sale securities	(471)	1,002
Remeasurements of defined benefit plans, net of tax:		
Increase/decrease during the fiscal year	—	(33)
Reclassification adjustments	247	247
Amount before tax	247	214
Tax effect	(75)	(63)
Remeasurements of defined benefits	171	150
Total other comprehensive income	(299)	1,153

(Notes to Consolidated Statements of Changes in Equity)

Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)

1. Types and numbers of issued stocks and treasury stocks

	Number of shares at beginning of current consolidated FY (hundreds of shares)	Increase in number of shares during current consolidated FY (hundreds of shares)	Decrease in number of shares during current consolidated FY (hundreds of shares)	Number of shares at end of current consolidated FY (hundreds of shares)
Issued shares				
Common stock	267,310	—	—	267,310
Total	267,310	—	—	267,310
Treasury stock				
Common stock (Note)	4,475	66	9	4,533
Total	4,475	66	9	4,533

- (Notes) 1. The 66 hundred share increase in common treasury stock resulted from purchase of 66 hundred fractional unit shares.  
2. The 9 hundred share decrease in common treasury stock resulted from sales of 1 hundred fractional unit shares, and payment of 8 hundred shares under the BIP Trust.  
3. The number of treasury stock at the end of the current consolidated fiscal year includes the 1,897 hundred shares of treasury stock of the Company held by the BIP Trust.  
4. The Company conducted a stock split of its common shares at a ratio of 1:2, effective as of April 1, 2021. The above numbers of shares held are the numbers prior to the stock split.

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

None to be disclosed.

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, 2019 Ordinary General Meeting of Shareholders	Common stock	1,456	55	September 30, 2019	December 23, 2019
May 1, 2020 Meeting of the Board of Directors	Common stock	1,455	55	March 31, 2020	June 15, 2020

- (Notes) 1. The total amount of cash dividends determined by resolution of the Ordinary General Meeting of Shareholders on December 20, 2019 includes a cash dividend of 10 million yen to the stocks of the Company owned by the BIP Trust.  
2. The total amount of cash dividends determined by resolution of the Board of Directors on May 1, 2020 includes a cash dividend of 10 million yen to the stocks of the Company owned by the BIP Trust.  
3. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. The dividend per share shows the amount prior to the stock split.

(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 18, 2020 Ordinary General Meeting of Shareholders	Common stock	1,720	Retained earnings	65	September 30, 2020	December 21, 2020

- (Notes) 1. The total amount of cash dividends determined by resolution of the Ordinary General Meeting of Shareholders on December 18, 2020 includes a cash dividend of 12 million yen to the stocks of the Company owned by the BIP Trust.

2. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. The dividend per share shows the amount prior to the stock split.

Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)

1. Types and numbers of issued stocks and treasury stocks

	Number of shares at beginning of current consolidated FY (hundreds of shares)	Increase in number of shares during current consolidated FY (hundreds of shares)	Decrease in number of shares during current consolidated FY (hundreds of shares)	Number of shares at end of current consolidated FY (hundreds of shares)
Issued shares				
Common stock	267,310	267,310	—	534,620
Total	267,310	267,310	—	534,620
Treasury stock				
Common stock	4,533	3,771	815	7,489
Total	4,533	3,771	815	7,489

- (Notes)
1. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021.
  2. The 267,310 hundred share increase in issued common shares is the increase as a result of the stock split.
  3. The 3,771 hundred share increase in common treasury stock resulted from 3,759 hundred shares from the stock split, and 12 hundred shares from purchase of fractional unit shares (7 hundred shares prior to the stock split, 4 hundred shares after the stock split).
  4. The 815 hundred share decrease in common treasury stock resulted from sales of 1 hundred shares of fractional unit shares (after the stock split), and payment of 814 hundred shares under the BIP Trust (782 hundred shares prior to the stock split, 32 hundred shares after the stock split).
  5. The number of treasury stock at the end of the current consolidated fiscal year includes the 2,198 hundred shares of treasury stock of the Company held by the BIP Trust.

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

None to be disclosed.

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 18, 2020 Ordinary General Meeting of Shareholders	Common stock	1,720	65.00	September 30, 2020	December 21, 2020
May 7, 2021 Meeting of the Board of Directors	Common stock	1,720	65.00	March 31, 2021	June 14, 2021

- (Notes)
1. The total amount of cash dividends determined by resolution of the Ordinary General Meeting of Shareholders on December 18, 2020 includes a cash dividend of 12 million yen to the stocks of the Company owned by the BIP Trust.
  2. The total amount of cash dividends determined by resolution of the Board of Directors on May 7, 2021 includes a cash dividend of 7 million yen to the stocks of the Company owned by the BIP Trust.
  3. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. The dividend per share shows the amount prior to the stock split.

(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 17, 2021 Ordinary General Meeting of Shareholders	Common stock	2,090	Retained earnings	39.50	September 30, 2021	December 20, 2021

(Note) The total amount of cash dividends determined by resolution of the Ordinary General Meeting of Shareholders on December 17, 2021 includes a cash dividend of 8 million yen to the stocks of the Company owned by the BIP Trust.

(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, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Cash and deposits	26,769 million yen	26,426 million yen
Time deposits with deposit period greater than three months	(3,300)	(3,300)
Cash and cash equivalents	23,469	23,126

(Lease Transactions)

1. Finance lease transactions (Lessee)

Finance lease transactions that do not involve transfer of ownership

(i) Description of lease assets

Property, plant and equipment

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

(ii) Depreciation of lease assets

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

2. Operating lease transactions (Lessee)

Unexpired lease payments for non-cancellable operating lease transactions

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2020)	Current consolidated fiscal year (September 30, 2021)
Within one year	238	235
Over 1 year	470	393
Total	709	628

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, 2020)	Current consolidated fiscal year (September 30, 2021)
Current assets	432	384
Investments and other assets	889	539

(2) Lease obligations

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2020)	Current consolidated fiscal year (September 30, 2021)
Current liabilities	432	384
Non-current liabilities	889	539

## (Financial Instruments)

### 1. Status of financial instruments

#### (1) Policy for the handling of financial instruments

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

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

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

Investment securities are exposed to market fluctuation risk, and the Company periodically checks the fair 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, 2020)

	Book value in consolidated balance sheets (millions of yen)	Fair value (millions of yen)	Differences (millions of yen)
(1) Cash and deposits	26,769	26,769	—
(2) Notes and accounts receivable	7,014		
Allowance for doubtful accounts	(19)		
	6,994	6,994	—
(3) Investment securities	15,979	15,979	—
(4) Long-term deposits	14,600	14,554	(45)
Total assets	64,343	64,297	(45)
(1) Accounts payable—trade	2,181	2,181	—
(2) Accounts payable—other	2,184	2,184	—
Total liabilities	4,366	4,366	—



Current consolidated fiscal year (September 30, 2021)

	Book value in consolidated balance sheets (millions of yen)	Fair value (millions of yen)	Differences (millions of yen)
(1) Cash and deposits	26,426	26,426	—
(2) Notes and accounts receivable	6,973		
Allowance for doubtful accounts	(14)		
	6,959	6,959	—
(3) Investment securities	19,491	19,491	—
(4) Long-term deposits	16,600	16,533	(66)
Total assets	69,477	69,411	(66)
(1) Accounts payable—trade	2,402	2,402	—
(2) Accounts payable—other	1,786	1,786	—
Total liabilities	4,188	4,188	—

(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 most of these instruments.

(3) Investment 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—other

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)

Category	Previous consolidated fiscal year (September 30, 2020)	Current consolidated fiscal year (September 30, 2021)
Other securities (unlisted equity securities)	202	113
Stocks of subsidiaries and affiliates	100	100
Total	302	213

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

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

Previous consolidated fiscal year (September 30, 2020)

	Within 1 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	26,760	—	—	—
Notes and accounts receivable— trade	7,014	—	—	—
Investment securities				
Corporate bonds	—	2,100	6,900	4,000
Long-term deposits	—	6,000	8,600	—
Total	33,774	8,100	15,500	4,000

Current consolidated fiscal year (September 30, 2021)

	Within 1 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	26,422	—	—	—
Notes and accounts receivable— trade	6,973	—	—	—
Investment securities				
Corporate bonds	—	2,100	4,900	8,000
Long-term deposits	—	6,000	10,600	—
Total	33,395	8,100	15,500	8,000

(Securities)

1. Other securities

Previous consolidated fiscal year (September 30, 2020)

	Class	Book value in consolidated balance sheets (millions of yen)	Original purchase value (millions of yen)	Differences (millions of yen)
Securities for which the amounts in the consolidated balance sheets exceeds the original purchase value	(1) Stocks	157	87	69
	(2) Bonds			
	Corporate bonds	2,105	2,101	4
	Subtotal	2,262	2,189	73
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value	(1) Stocks	2,882	3,558	(675)
	(2) Bonds			
	Corporate bonds	10,834	10,986	(151)
	Subtotal	13,716	14,544	(827)
Total		15,979	16,733	(753)

(Note) Unlisted shares (202 million yen in the consolidated balance sheets) are not included under the table "Other securities" above since quoted market value is not available and the fair value is deemed to be extremely difficult to measure.

Current consolidated fiscal year (September 30, 2021)

	Class	Book value in consolidated balance sheets (millions of yen)	Original purchase value (millions of yen)	Differences (millions of yen)
Securities for which the amounts in the consolidated balance sheets exceeds the original purchase value	(1) Stocks	4,476	3,545	931
	(2) Bonds			
	Corporate bonds	1,101	1,100	0
	Subtotal	5,577	4,646	931
Securities for which the amounts in the consolidated balance sheets do not exceed the original purchase value	(1) Stocks	68	96	(27)
	(2) Bonds			
	Corporate bonds	13,845	14,068	(223)
	Subtotal	13,913	14,165	(251)
Total		19,491	18,811	680

(Note) Unlisted shares (113 million yen in the consolidated balance sheets) are not included under the table "Other securities" above since quoted market value is not available and the fair value is deemed to be extremely difficult to measure.

2. Other securities sold

Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)

None to be disclosed.

Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)

Class	Price sold (millions of yen)	Total gain from sales (millions of yen)	Total loss from sales (millions of yen)
(1) Stocks	13	8	—
(2) Bonds			
Corporate bonds	—	—	—
Subtotal	13	8	—

3. Securities for which impairment loss are recognized

For the current fiscal year, the Group recorded an impairment loss of 89 million yen on securities (89 million yen on shares of other securities).

In recording the impairment loss, if the market value at year-end has dropped by 50% or more compared to the original purchase value, the entire amount has been recorded as impairment loss; if the market value has dropped about 30-50%, the amount deemed necessary considering the recoverability has been recorded as impairment loss.

(Derivatives)

1. Derivative transactions for which hedge accounting is not applied

None to be disclosed.

2. Derivative transactions for which hedge accounting is applied

None to be disclosed.

(Retirement Benefits)

1. Overview of the retirement benefit system in use

The Company and its four 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, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Retirement benefit obligations at beginning of year	8,704 million yen	8,511 million yen
Service costs	556	445
Interest costs	—	—
Actuarial differences	(369)	33
Retirement benefits paid	(379)	(324)
Amount of past service costs accrued	—	36
Balance of retirement benefit obligations at end of year	8,511	8,702

(Note) Past service costs were accrued as a result of amendments to the retirement benefit rules made by some of the consolidated subsidiaries during the current consolidated fiscal year.

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

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Balance of pension assets at beginning of year	3,939 million yen	5,110 million yen
Expected returns	—	—
Actuarial differences	(28)	37
Contributions by employer	1,200	—
Retirement benefits paid	—	—
Balance of pension assets at end of year	5,110	5,148

### (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, 2020)	Current consolidated fiscal year (September 30, 2021)
Contributory retirement benefit obligations	7,832 million yen	7,984 million yen
Pension assets	(5,110)	(5,148)
	2,721	2,835
Non-contributory retirement benefit liabilities	678	718
Net obligations and assets in the consolidated balance sheets	3,400	3,554
Retirement benefit liabilities	3,400	3,554
Net obligations and assets in the consolidated balance sheets	3,400	3,554

### (4) Retirement benefit expenses and breakdown

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Service costs	556 million yen	445 million yen
Interest costs	—	—
Expected returns	—	—
Amount of actuarial differences treated as expenses	(341)	(4)
Amount of past service costs treated as expenses	247	250
Retirement benefit expenses under the defined retirement benefit plan	462	692

(5) Remeasurements of retirement benefits

Items that were recorded under remeasurements of defined benefit plans (amount before tax) are as follows:

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Past service costs	247 million yen	250 million yen
Total	247	250

(6) Accumulated remeasurements of retirement benefits

Items that were recorded under remeasurements of defined benefit plans (amount before tax) are as follows:

	Previous consolidated fiscal year (September 30, 2020)	Current consolidated fiscal year (September 30, 2021)
Unrecognized past service costs	(2,204) million yen	(1,990) million yen
Total	(2,204)	(1,990)

(7) Pension assets

1) Major pension assets

The percentages of each major classification in comparison to the amount of total pension assets are as follows:

	Previous consolidated fiscal year (September 30, 2020)	Current consolidated fiscal year (September 30, 2021)
Bonds	77%	79%
Cash and deposits	20	21
Other	3	—
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.

(8) Basis for actuarial calculations

Basis for major actuarial calculations

	Previous consolidated fiscal year (September 30, 2020)	Current consolidated fiscal year (September 30, 2021)
Discount rate	0.00%	0.00%
Expected long-term rate of return	—%	—%
Expected increase in salary	1.00 - 1.64%	1.00 - 1.64%

3. Defined contribution plan

The amount of necessary contributions to the defined contribution plan of the Company and its consolidated subsidiaries was 286 million yen for the previous consolidated fiscal year, and 291 million yen for the current consolidated fiscal year.

4. Multiemployer pension plan

The amounts of necessary contributions to the corporate pension fund plan under the multiemployer pension plan, which are recognized in the same manner as the defined contribution plan, were 132 million yen in the previous consolidated fiscal year and 135 million yen in the current consolidated fiscal year.

(1) Reserve fund for multiemployer pension plan

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
Pension assets	236,669 <sup>million yen</sup>	262,373 <sup>million yen</sup>

Actuarial liabilities based on pension plan finance calculation	193,925	206,858
Differences	42,744	55,515

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

Previous consolidated fiscal year: 2.29% (Started April 1, 2019; ended March 31, 2020)

Current consolidated fiscal year: 2.28% (Started April 1, 2020; ended March 31, 2021)

(3) Supplementary information

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

(Tax Effect Accounting)

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

	Previous consolidated fiscal year (September 30, 2020)	Current consolidated fiscal year (September 30, 2021)
Deferred tax assets		
Software development costs	2,620 million yen	2,794 million yen
Provisions for bonuses	1,134	1,258
Retirement benefit liabilities	388	501
Retirement benefit trust	1,558	1,570
Accumulated remeasurements of defined benefit plans	672	608
Retirement bonuses for directors payable	36	22
Accrued business tax	161	138
Loss on valuation of investment securities	158	188
Legal welfare expenses corresponding to provisions for bonuses	169	188
Asset retirement obligations	121	119
Impairment losses	115	115
Provisions for stocks payment	171	93
Valuation difference on available-for-sale securities	249	—
Other	374	443
Subtotal	7,933	8,042
Valuation allowance	(509)	(582)
Total deferred tax assets	7,423	7,460
Deferred tax liabilities		
Business tax refund	0	3
Retirement expenses corresponding to asset retirement costs	34	36
Valuation difference on available-for-sale securities	19	201
Other	9	9
Total deferred tax liabilities	63	251
Net deferred tax assets	7,360	7,209

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, 2020)	Current consolidated fiscal year (September 30, 2021)
Statutory income tax rate	30.5%	30.5%
(Adjusted)		
Inhabitant tax on per capita basis	0.6	0.6
Entertainment expenses, etc. not deductible for tax purposes	0.2	0.1
Other	1.7	0.2
Income tax rate after applying tax effect accounting	33.0	31.4

(Asset Retirement Obligations)

Previous consolidated fiscal year (ended September 30, 2020) and current consolidated fiscal year (ended September 30, 2021)

Information has been omitted as it was immaterial.

(Revenue Recognition)

The Group is engaged mainly in the accounting firm business and the local governments business.

Performance obligations under the main businesses are provision of information processing service, provision of software and consulting service, sale of office equipment, and sale of supplies.

The performance obligations for many of these transactions are fulfilled at a certain point in time upon delivery of the goods or services, so we recognize revenue at the time of delivery.

Of the software and consulting services, revenue from performance obligations that are fulfilled over a certain period of time is divided and recognized in proportion to the software usage period or service provision period, whichever applicable. For made-to-order software development, in case where the contract price or total amount of costs required through completion can be estimated reliably, revenue is recognized depending on the percentage of fulfillment of the measured performance obligations. Provided, in case where the contract price or total amount of costs required through completion cannot be estimated reliably, then revenue is recognized within the costs actually incurred.

(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]

Continuous business forms for PCs, 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.

As stated in the (Changes in Accounting Policies), the Company applies the Revenue Recognition Accounting Standard, etc. from the beginning of the current consolidated fiscal year, and changed its accounting processing methods on revenue recognition. As such, the method of measurements of profit/loss of the reportable segments has been changed accordingly.

As a result of these changes, compared to the conventional method, for the current consolidated fiscal year under review: for the Accounting Firm BD, net sales decreased by 2,344 million yen, and segment profit decreased by 17 million yen; for the Local Governments BD, net sales decreased by 72 million yen, and segment profit decreased by 118 million yen; and for the Printing BD, net sales decreased by 43 million yen.

### 3. Information on net sales, profit or loss, assets, and other items by reportable segments

Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)

(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			
Net sales						
Sales to outside customers	47,150	17,377	3,286	67,814	—	67,814
Inter-segment sales or transfers	7	0	2,183	2,191	(2,191)	—
Total	47,157	17,378	5,470	70,005	(2,191)	67,814
Segment profit	10,237	1,037	106	11,381	(0)	11,381
Segment assets	28,236	9,780	5,867	43,884	53,787	97,671
Other items						
Depreciation (Note 3)	1,392	1,315	364	3,072	(1)	3,070
Investments in affiliated company under the equity method	100	—	—	100	—	100
Increase in property, plant and equipment and intangible assets (Note 3)	2,195	1,289	319	3,804	—	3,804

(Notes) 1. Adjustments are as follows:

- (1) Adjustments of segment profit of -0 million yen include 6 million yen for elimination of inter-segment transactions and -8 million yen for adjustments of inventory assets.
  - (2) Adjustments of segment assets of 53,787 million yen include 54,824 million yen of corporate assets that are not allocated to specific reportable segments, and -1,037 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 (investment securities).
  - (3) Adjustments of depreciation of -1 million yen represent unrealized profits.
2. Segment profit is adjusted with the operating profit presented in the Consolidated Statements of Income.
  3. Increases in depreciation, tangible fixed assets and intangible fixed assets include depreciation long-term prepaid expenses and depreciation of such expenses.



Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)

(Unit: millions of yen)

	Reportable segment			Total	Adjustment s (Note 1)	Amounts in consolidated financial statements (Note 2)
	Accounting Firm BD	Local Government s BD	Printing BD			
Net sales						
Sales to outside customers	45,412	17,704	3,105	66,221	—	66,221
Inter-segment sales or transfers	8	0	2,073	2,082	(2,082)	—
Total	45,420	17,704	5,178	68,304	(2,082)	66,221
Segment profit	10,563	1,705	39	12,307	6	12,314
Segment assets	29,065	9,595	5,676	44,337	59,068	103,406
Other items						
Depreciation (Note 3)	1,533	1,047	364	2,946	(0)	2,945
Investments in affiliated company under the equity method	100	—	—	100	—	100
Increase in property, plant and equipment and intangible assets (Note 3)	2,213	1,186	336	3,735	(0)	3,735

(Notes) 1. Adjustments are as follows:

- (1) Adjustments of segment profit of 6 million yen include 6 million yen for elimination of inter-segment transactions and 2 million yen for adjustments of inventory assets.
  - (2) Adjustments of segment assets of 59,068 million yen include 60,047 million yen of corporate assets that are not allocated to specific reportable segments, and -979 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 (investment securities).
  - (3) Adjustments of depreciation of -0 million yen represent unrealized profits.
2. Segment profit is adjusted with the operating profit presented in the Consolidated Statements of Income.
  3. Increases in depreciation, tangible fixed assets and intangible fixed assets include depreciation long-term prepaid expenses and depreciation of such expenses.

[Related information]

Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)

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) Net 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, plant & equipment

Information is omitted since the Company has no property, plant 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, 2020; ended September 30, 2021)

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) Net 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, plant & equipment

Information is omitted since the Company has no property, plant 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, 2019; ended September 30, 2020)

(Unit: millions of yen)

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

Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)

None to be disclosed.

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

Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)

None to be disclosed.

Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)

None to be disclosed.

[Information on gain on negative goodwill by reportable segments]

Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)

None to be disclosed.

Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)

None to be disclosed.

[Related Parties Information]

1 Related Parties Transactions

(1) Transactions between the Company and related parties

Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)

(i) Non-consolidated subsidiaries and affiliated companies of the Company

Type	Company name or name of individual	Address	Capital or investments (millions of yen)	Business or occupation	Holding (held) voting rights ratio (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Item	Year-end balance (millions of yen)
Affiliated companies	iMobile Inc.	Shibuya-ku, Tokyo	100	Information provision services	(Holding) Direct (30.0)	Outsourcing of development and maintenance of website services	Loan of funds (Note) Recovery of funds (Note) Receiving of interests (Note)	230 141 3	Loans receivables	175

(Note) Terms of transaction or policies on determining the terms of transaction

The interest rates for the loans are determined in a reasonable manner based on the market interest rates.

(ii) Officers 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)	Item	Year-end balance (millions of yen)
Companies in which officers and near relatives hold majority voting rights	Certified public tax accounting firm Taguchi Partners Kaikai (Note 2)	Edoga wa-ku, Tokyo	5	Certified public tax accounting firm	—	Rendering of information processing services	Rendering of information processing services (Note 1)	13	Accounts receivable	1
	Certified public tax accounting firm Oshida Accounting Office (Note 3)	Yokohama-shi, Kanagawa	4	Certified public tax accounting firm	—	Rendering of information processing services	Rendering of information processing services (Note 1)	18	Accounts receivable	2
	Certified public tax accounting firm Ofuji Accounting Office (Note 4)	Miyagi no-ku, Sendai-shi, Miyagi	9	Certified public tax accounting firm	—	Rendering of information processing services	Rendering of information processing services (Note 1)	15	Accounts receivable	1

(Notes) 1. Terms of transaction or policies on determining the terms of transaction

Terms of transaction for the rendering of information processing are similar to the terms between other counterparts.

2. The company was co-founded by Mr. Misao Taguchi, Director of the Company.

3. The company was co-founded by Mr. Yoshimasa Oshida, Director of the Company.

4. The company was co-founded with a near relative of Mr. Kazuyuki Sumi, Director and Chairman of the Company.

5. Consumption taxes are not included in the transaction amounts. Consumption taxes are included in the year-end balance.

Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)

(i) Non-consolidated subsidiaries and affiliated companies of the Company

Type	Company name or name of individual	Address	Capital or investments (millions of yen)	Business or occupation	Holding (held) voting rights ratio (%)	Relationship with related party	Details of transaction	Transaction amount (millions of yen)	Item	Year-end balance (millions of yen)
Affiliated companies	iMobile Inc.	Shibuya-ku, Tokyo	100	Information provision services	(Holding) Direct (30.0)	Outsourcing of development and maintenance of website services	Recovery of funds (Note) Receiving of interests (Note)	12 3	Loans receivables	163

(Note) Terms of transaction or policies on determining the terms of transaction  
The interest rates for the loans are determined in a reasonable manner based on the market interest rates.

(ii) Officers 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)	Item	Year-end balance (millions of yen)
Companies in which officers and near relatives hold majority voting rights	Certified public tax accounting firm Oshida Accounting Office (Note 2)	Yokohama-shi, Kanagawa	4	Certified public tax accounting firm	—	Rendering of information processing services	Rendering of information processing services (Note 1)	24	Accounts receivable	2
	Certified public tax accounting firm Ofuji Accounting Office (Note 3)	Miyagino-ku, Sendai-shi, Miyagi	9	Certified public tax accounting firm	—	Rendering of information processing services	Rendering of information processing services (Note 1)	14	Accounts receivable	1
	Accounting Firm Top Management (Note 4)	Kushiro-shi, Hokkaido	9	Certified public tax accounting firm	—	Rendering of information processing services	Rendering of information processing services (Note 1)	18	Accounts receivable	2
	Hamamura Accounting Office (Note 5)	Utsunomiya-shi, Tochigi	3	Certified public tax accounting firm	—	Rendering of information processing services	Rendering of information processing services (Note 1)	11	Accounts receivable	1

(Notes) 1. Terms of transaction or policies on determining the terms of transaction  
Terms of transaction for the rendering of information processing are similar to the terms between other counterparts.  
2. The company was co-founded by Mr. Yoshimasa Oshida, Director of the Company.  
3. The company was co-founded with a near relative of Mr. Kazuyuki Sumi, Advisor (former Director) of the Company.  
4. The company was co-founded by Mr. Nobuhiko Kouga, Director of the Company.  
5. The company was co-founded by Mr. Tomoyasu Hamamura, Auditor of the Company.  
6. Consumption taxes are not included in the transaction amounts. Consumption taxes are included in the year-end balance.

(2) Transactions between consolidated subsidiaries of the Company and related parties

None to be disclosed.

2 Notes on the Parent Company and Important Affiliated Companies

(1) Information on the parent company

None to be disclosed.

(2) Summary of financial information of important affiliated companies

None to be disclosed.

(Earnings Per Share Information)

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Net assets per share	1,466.56 yen	1,582.45 yen
Net income per share	148.81 yen	164.93 yen

- (Notes)
1. The diluted net income per share is not stated as there were no dilutive shares.
  2. The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. Net assets per share and net income per share have been calculated assuming that said stock split was conducted at the beginning of the previous consolidated fiscal year.
  3. The basis for the calculation of net income per share is as follows:

	Previous consolidated fiscal year (Started October 1, 2019; ended September 30, 2020)	Current consolidated fiscal year (Started October 1, 2020; ended September 30, 2021)
Net income per share		
Net income attributable to owners of parent (millions of yen)	7,821	8,686
Amount not attributable to common shareholders (millions of yen)	—	—
Net income from common stocks attributable to owners of parent (millions of yen)	7,821	8,686
Average number of common stocks outstanding (hundreds of shares)	525,587	526,691

- (Note) The average number of stocks outstanding used in the calculation of earnings per share information has been determined by including the stocks of the Company owned by the BIP Trust (which has been established with the introduction of the BIP Trust plan) as deductible treasury stocks.
- The average numbers of said treasury stocks outstanding deducted for the calculation of net income per share were 380,138 shares for the previous consolidated fiscal year, and 264,371 shares for the current consolidated fiscal year.

(Material Subsequent Events)

(Acquisition of Treasury Stock)

In the meeting of the Board of Directors held on November 9, 2021, the Company resolved the agenda item on the acquisition of treasury stock pursuant to the provisions of Article 156 of the Companies Act of Japan, which is applicable in accordance with Article 165, paragraph 3 of the Companies Act. Said acquisition was conducted as follows:

1. Reason for acquisition of treasury stock

The objective for the acquisition of treasury stock is to improve capital efficiency and the interest of shareholders.

2. Details of the acquisition

(1) Type of shares to be acquired

Common stock of the Company

(2) Total number of shares to be acquired

300,000 shares (maximum)

(3) Total amount of shares to be acquired

1,033,500,000 yen (maximum)

3. Results of acquisition

(1) Number of shares acquired

300,000 shares

(2) Total amount of acquisition cost

1,033,500,000 yen

(3) Date of acquisition

November 10, 2021

(4) Method of acquisition

Acquisition through TSE's Off-auction Own Share Repurchase Trading System (ToSTNeT-3)

5) [Supplementary Schedules]

[Schedule – Corporate Bonds]

None to be disclosed.

[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 loans payable	—	—	—	—
Current portion of long-term loans payable	142	80	0.13	—
Current portion of lease obligations	522	468	—	—
Long-term loans payable (excluding current portion)	295	214	0.13	October 5, 2021 - September 10, 2025
Lease obligations (excluding current portion)	1,113	694	—	October 9, 2021 - December 31, 2025
Other interest-bearing debts				
Accounts payable–installment purchases	10	6	—	October 31, 2021 - February 28, 2023
Total	2,084	1,464	—	—

- (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. Repayments of long-term loans, lease obligations (excluding current portion) and other interest-bearing debts (excluding current portion) scheduled within 5 years from the consolidated settlement date are as follows.

	Over 1 year and within 2 years (millions of yen)	Over 2 years and within 3 years (millions of yen)	Over 3 years and within 4 years (millions of yen)	Over 4 years and within 5 years (millions of yen)
Long-term loans payable	71	71	71	—
Lease obligations	437	191	62	2
Other interest-bearing debts	1	—	—	—

[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
Net sales (millions of yen)	14,837	33,372	49,587	66,221
Quarterly (current FY) net income before income taxes (millions of yen)	2,815	8,050	11,692	12,660
Quarterly (current FY) net income attributable to owners of parent (millions of yen)	1,873	5,495	7,961	8,686
Quarterly (current FY) net income per share (yen)	35.64	104.42	151.19	164.93

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly net income per share (yen)	35.64	68.73	46.77	13.76

(Note) The Company conducted a stock split of its common shares at a ratio of 1:2 as of April 1, 2021. The quarterly (current FY) net income per share has been calculated assuming that the stock split was conducted at the beginning of the current consolidated fiscal year.

## 2 [Financial Statements, etc.]

## (1) [Financial Statements]

## (i) [Balance Sheets]

(Unit: millions of yen)

	Previous fiscal year (September 30, 2020)	Current fiscal year (September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	22,508	21,881
Accounts receivable–trade	*1 6,308	*1 6,304
Lease investment assets	432	384
Merchandise	57	77
Work in progress	281	0
Raw materials and supplies	141	100
Prepaid expenses	537	715
Accounts receivable–other	*1 203	*1 192
Other	*1 338	*1 1,096
Allowance for doubtful accounts	(19)	(13)
Total current assets	30,790	30,739
Non-current assets		
Property, plant and equipment		
Buildings	6,849	6,567
Structures	187	173
Vehicles	28	19
Tools, furniture & fixtures	1,779	1,974
Land	6,636	6,525
Total property, plant and equipment	15,481	15,259
Intangible assets		
Software	2,647	2,599
Software in progress	361	915
Telephone subscription rights	22	22
Other	0	0
Total intangible assets	3,031	3,537
Investments and other assets		
Investment securities	15,940	19,331
Stocks of subsidiaries and affiliates	1,389	1,389
Investments in capital	0	0
Long-term loans receivable	*1 163	*1 120
Long-term prepaid expenses	110	472
Deferred tax assets	6,068	5,967
Long-term deposits	14,500	16,500
Guarantee deposits	1,340	1,345
Long-term lease investment assets	889	539
Other	62	60
Total investments and other assets	40,464	45,727
Total non-current assets	58,977	64,525
Total assets	89,767	95,264

(Unit: millions of yen)

	Previous fiscal year (September 30, 2020)	Current fiscal year (September 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	*1 2,058	*1 2,251
Lease obligations	432	384
Accounts payable–other	*1 2,051	*1 1,686
Income taxes payable	2,506	2,169
Accrued business office taxes	54	56
Accrued consumption taxes	1,356	684
Advances received	516	594
Deposits received	327	343
Provisions for bonuses	3,300	3,660
Provisions for loss on construction contracts	—	141
Accounts payable–facilities	*1 45	*1 7
Other	10	674
Total current liabilities	12,659	12,654
Non-current liabilities		
Lease obligations	889	539
Provisions for retirement benefits	517	878
Provisions for stocks payment	599	307
Other	387	392
Total non-current liabilities	2,393	2,118
Total liabilities	15,052	14,772
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus		
Legal capital surplus	5,409	5,409
Other capital surplus	302	302
Total capital surplus	5,711	5,711
Retained earnings		
Legal retained earnings	688	688
Other retained earnings		
General reserve	58,757	63,057
Retained earnings brought forward	6,077	6,263
Total retained earnings	65,523	70,009
Treasury stock	(1,660)	(1,352)
Total shareholders' equity	75,274	80,069
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(560)	422
Total valuation and translation adjustments	(560)	422
Total net assets	74,714	80,491
Total liabilities and net assets	89,767	95,264

## (ii) [Statement of Income]

(Unit: millions of yen)

	Previous fiscal year (Started October 1, 2019; ended September 30, 2020)	Current fiscal year (Started October 1, 2020; ended September 30, 2021)
Net sales	*1 63,070	*1 61,637
Cost of sales	*1 20,097	*1 16,993
Gross profit	42,973	44,644
Selling, general and administrative expenses	*1, *2 32,181	*1, *2 32,943
Operating income	10,791	11,700
Non-operating income		
Interest income	*1 36	*1 50
Dividends income	*1 156	*1 155
Land and house rent received	*1 155	*1 156
Subsidy income	15	13
Other	*1 57	*1 91
Total non-operating income	422	468
Non-operating expenses		
Cost of lease revenue	106	104
Other	0	0
Total non-operating expenses	106	104
Ordinary income	11,107	12,064
Extraordinary income		
Gain on sales of non-current assets	2	111
Other	—	9
Total extraordinary income	2	121
Extraordinary losses		
Loss on sale of non-current assets	—	22
Loss on retirement of non-current assets	36	22
Loss on valuation of investment securities	—	89
Other	0	—
Total extraordinary losses	36	133
Net income before taxes	11,073	12,051
Income taxes—current	3,804	3,917
Income taxes—deferred	(203)	(158)
Total income taxes	3,600	3,758
Net income	7,472	8,293

[Report on cost of sales]

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

		54th Term (Started October 1, 2019; ended September 30, 2020)			55th Term (Started October 1, 2020; ended September 30, 2021)		
Category	Note	Amount (millions of yen)		Ratio (%)	Amount (millions of yen)		Ratio (%)
I Materials costs	*1		4,169	30.5		4,386	31.8
II Labor costs			2,599	19.0		2,669	19.4
III Expenses							
1. Computer rental expenses		389			402		
2. Maintenance contracts		1,255			1,288		
3. Depreciation		741			649		
4. Repairs and maintenance expenses	*2	581			592		
5. Supplies expenses		1,658			1,356		
6. Other		2,267	6,895	50.5	2,433	6,723	48.8
Total expenses			13,664	100.0		13,779	100.0
Works in progress and inventories at beginning of year			597			1	
Transfers from other accounts			1,308			1,206	
Total	*3		15,570			14,987	
Works in progress and inventories at end of year			281			0	
Transfers to other accounts			1,263			1,512	
Cost of sales on information processing, software and consulting services			14,026			13,475	

- (Notes) 1. Labor costs include the following provisions. Figures in (parentheses) denote amounts for the previous fiscal year.  
Provision for bonuses: 629 million yen (572 million yen)  
Retirement benefit expenses: 110 million yen (96 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

		54th Term (Started October 1, 2019; ended September 30, 2020)		55th Term (Started October 1, 2020; ended September 30, 2021)	
Category	Note	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
I Inventories at beginning of year		70	1.1	57	1.6
II Purchases		6,058	98.9	3,537	98.4
Total		6,128	100.0	3,595	100.0
III Inventories at end of year		57		77	
Cost of sales on office equipment and supplies		6,071		3,518	

## (iii) [Statement of Changes in Equity]

Previous fiscal year (Started October 1, 2019; ended September 30, 2020)

(Unit: millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at beginning of year	5,700	5,409	302	5,711	688	55,457	4,816	60,962
Changes during fiscal year								
General reserve						3,300	(3,300)	—
Dividends of surplus							(2,911)	(2,911)
Net income							7,472	7,472
Acquisition of treasury stock								
Disposal of treasury stock			0	0				
Changes in items other than equity (net)								
Total changes during fiscal year	—	—	0	0	—	3,300	1,261	4,561
Balance at end of year	5,700	5,409	302	5,711	688	58,757	6,077	65,523

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of year	(1,630)	70,744	(121)	(121)	70,622
Changes during fiscal year					
General reserve		—			—
Dividends of surplus		(2,911)			(2,911)
Net income		7,472			7,472
Acquisition of treasury stock	(34)	(34)			(34)
Disposal of treasury stock	3	3			3
Changes in items other than equity (net)			(438)	(438)	(438)
Total changes during fiscal year	(30)	4,530	(438)	(438)	4,092
Balance at end of year	(1,660)	75,274	(560)	(560)	74,714

Current fiscal year (Started October 1, 2020; ended September 30, 2021)

(Unit: millions of yen)

(Unit: millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of year	5,700	5,409	302	5,711	688	58,757	6,077	65,523
Cumulative effects of changes in accounting policies							(367)	(367)
Restated balance	5,700	5,409	302	5,711	688	58,757	5,710	65,156
Changes during fiscal year								
General reserve						4,300	(4,300)	—
Dividends of surplus							(3,440)	(3,440)
Net income							8,293	8,293
Acquisition of treasury stock								
Disposal of treasury stock			0	0				
Changes in items other than equity (net)								
Total changes during fiscal year	—	—	0	0	—	4,300	552	4,852
Balance at end of year	5,700	5,409	302	5,711	688	63,057	6,263	70,009

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of year	(1,660)	75,274	(560)	(560)	74,714
Cumulative effects of changes in accounting policies		(367)			(367)
Restated balance	(1,660)	74,907	(560)	(560)	74,347
Changes during fiscal year					
General reserve		—			—
Dividends of surplus		(3,440)			(3,440)
Net income		8,293			8,293
Acquisition of treasury stock	(6)	(6)			(6)
Disposal of treasury stock	315	315			315
Changes in items other than equity (net)			982	982	982
Total changes during fiscal year	308	5,161	982	982	6,143
Balance at end of year	(1,352)	80,069	422	422	80,491

[Notes to Financial Statements]

(Principal Accounting Policies)

1. Standards and methods used for the valuation of assets

(1) Standards and methods used for the valuation of securities

(i) Stocks of subsidiaries and affiliates

Stated at cost determined by the moving average method.

(ii) Available-for-sale securities

1) Available-for-sale securities with market value

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

2) Available-for-sale securities without market value

Stated at cost determined by the moving average method.

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

(i) Merchandise, raw materials

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

(ii) Work in progress

Cost determined by specific identification method (with balance sheet values reflecting write downs for decreased profitability).

(iii) Supplies

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

2. Depreciation of non-current assets

(1) Tangible fixed assets

Calculated based on declining balance method.

Provided, buildings acquired after April 1, 1998 (excluding accompanying facilities), and accompanying facilities and structures acquired after April 1, 2016 are calculated based on straight-line method.

(2) Intangible fixed assets

(i) Software

1) Software for sale

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

2) Software for internal use

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

(ii) Other intangible fixed assets

Amortized using the straight-line method.

3. Accounting standards for provisions

(1) Allowance for doubtful accounts

In setting aside provisions for possible losses due to uncollectable 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 stocks payment

In setting aside provisions for payment of the Company's shares to Directors, etc., provisions are recognized at estimated amounts of stocks payment determined based on the points allocated to Directors, etc. in accordance with the rules on issuance of shares under the Board Incentive Plan (BIP) Trust.

(4) Provisions for retirement benefits

In setting aside allowances for employees' retirement benefits, retirement benefit obligations and expected pension assets payable as of the end of the current fiscal year are recognized.

(i) Method of attributing expected benefits to date

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

(ii) Recognizing actuarial differences as expenses and past service costs

Past service costs are recognized as expenses for a certain years (10 years) within the average remaining years of service of employees in which they occur using the straight-line method.

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

(5) Provisions for loss on construction contracts

In setting aside provisions for future losses related to construction contracts, provisions are recognized at estimated amounts of losses for works in progress as at the end of the current fiscal year, if it is likely that the total amount of costs will exceed the total amount of revenues, and further if such amounts can be reasonably estimated.

4. Accounting standards for revenues and expenses

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018) have been applied. Accordingly, revenues are recognized at the time the controls over promised goods or services are transferred to customers, in the amounts that are expected to be received in exchange for such goods or services.

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.

(3) Application of tax effect accounting for the transition from the consolidated taxation system to Group Tax Sharing System

Based on the treatment set forth under Item 3 of the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to Group Tax Sharing System (Practical Solution No. 39, March 31, 2020), the Company do not implement the provisions of Paragraph 44 of the Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) for items that were transitioned to the group tax sharing system which was established in the Law for Partial Revisions to the Income Tax Act, etc. (Law No. 8 of 2020) and items that were revised under the non-consolidated taxation system in line with the transition to the group tax sharing system. The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the Tax Act prior to revisions.

#### (Changes in Accounting Policies)

As it has become possible to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) (hereinafter, “Revenue Recognition Accounting Standard”) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018) from the beginning of a fiscal year commencing after April 1, 2018, the Company applies the Revenue Recognition Accounting Standard, etc. from the beginning of the current fiscal year. Accordingly, we recognize revenues at the time the controls over promised goods or services are transferred to customers, in the amounts that we expect to receive in exchange for such goods or services.

Major changes are, conventionally for certain transactions, we have been recognizing the total amounts of compensation received from customers as revenue, but going forward, for transactions in which the Group acts as agent in the provision of goods or services to customers, we will recognize as revenues, the net amount after deducting the amounts we pay to suppliers from the amounts we receive from customers.

In applying the Revenue Recognition Accounting Standard, etc., we have followed the transitional measures set forth in the notes to Section 84 of the Revenue Recognition Accounting Standard. Therefore, we have adjusted the retained earnings at the beginning of the current fiscal year to include the cumulative effects of retroactive application of the new accounting policy prior to the beginning of the said fiscal year, and applied the new accounting policy to the balance at the beginning of the fiscal year under review.

As a result, the amounts of cumulative effects are reflected in the net assets at the beginning of the fiscal year, and the beginning balance of retained earnings has decreased by 367 million yen.

Also, compared to the conventional method, net sales for the current fiscal year decreased by 2,328 million yen, cost of sales decreased by 2,178 million yen, and the amounts of operating income, ordinary income, and net income before taxes and adjustments decreased by 150 million yen each.

#### (Significant Accounting Estimates)

Information is omitted since the content is the same as the statement set forth in the “Significant Accounting Estimates” in the Notes to Consolidated Financial Statements under 1. Consolidated Financial Statements, (1) Consolidated Financial Statements.

#### (Changes in Method of Presentation)

##### (Application of Accounting Standard for Disclosure of Accounting Estimates)

Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) has been applied to the financial statements prepared for the year-end of the current fiscal year under review. Accordingly, notes on Significant Accounting Estimates are included in the financial statements.

Provided, said notes do not include information on the previous fiscal year in accordance with the transitional measures set forth in the notes to Section 11 of said Accounting Standard.

#### (Additional Information)

Information is omitted since the content is the same as the statement set forth in the “Additional Information” in the Notes to Consolidated Financial Statements under 1. Consolidated Financial Statements, (1) Consolidated Financial Statements.

(Notes to Balance Sheets)

\*1. Monetary claims and monetary liabilities on affiliated companies

	Previous fiscal year (September 30, 2020)	Current fiscal year (September 30, 2021)
Short-term monetary claims on affiliated companies	204 million yen	225 million yen
Long-term monetary claims on affiliated companies	163	120
Short-term monetary liabilities on affiliated companies	442	445

(Notes to Income Statements)

\*1. Volume of transactions with affiliated companies

	Previous fiscal year (Started October 1, 2019; ended September 30, 2020)	Current fiscal year (Started October 1, 2020; ended September 30, 2021)
Volume of trading transactions		
Net sales	59 million yen	48 million yen
Purchases	2,937	3,006
Operating expenses	2,426	2,491
Volume of non-operating transactions	141	136

\*2. The approximate percentages of expenses under selling expenses were 48.7% for the previous fiscal year and 48.1% for the current fiscal year; percentages of expenses under general and administrative expenses were 51.3% and 51.9%, respectively.

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

	Previous fiscal year (Started October 1, 2019; ended September 30, 2020)	Current fiscal year (Started October 1, 2020; ended September 30, 2021)
Salaries	9,882 million yen	10,227 million yen
Provision for bonuses	2,726	3,030
Retirement benefit expenses	670	868
Provisions for stocks payment	40	24
Depreciation	530	607
Rent expenses	2,073	2,286

(Securities)

Stocks of subsidiaries and affiliates (the amounts in the previous fiscal year's balance sheets were 1,389 million yen for stocks of subsidiaries and 0 million yen for stocks of affiliates; the amounts in the current fiscal year's balance sheets are 1,389 million yen for stocks of subsidiaries and 0 million yen for stocks of affiliates) are not presented here since quoted market values are not available and are deemed to be extremely difficult to measure.

(Tax Effect Accounting)

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

	Previous fiscal year (September 30, 2020)	Current fiscal year (September 30, 2021)
Deferred tax assets		
Software development costs	2,415 million yen	2,581 million yen
Provisions for bonuses	1,006	1,116
Provisions for retirement benefits	157	267
Retirement benefit trust	1,558	1,570
Accrued business tax	150	127
Loss on valuation of investment securities	197	227
Retirement bonuses for directors payable	17	—
Legal welfare expenses corresponding to provisions for bonuses	150	167
Asset retirement obligations	106	106
Impairment losses	112	112
Provisions for stocks payment	171	93
Other	554	375
Subtotal	6,599	6,745
Valuation allowance	(504)	(576)
Total deferred tax assets	6,095	6,168
Deferred tax liabilities		
Valuation difference on available-for-sale securities	—	171
Retirement expenses corresponding to asset retirement costs	26	29
Total deferred tax liabilities	26	201
Net deferred tax assets	6,068	5,967

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, 2020)	Current fiscal year (September 30, 2021)
Statutory income tax rate	30.5%	30.5%
(Adjusted)		
Inhabitant tax on per capita basis	0.6	0.6
Entertainment expenses, etc. not deductible for tax purposes	0.2	0.1
Dividends received, etc. to be excluded from gross revenue	(0.1)	(0.1)
Other	1.3	0.1
Income tax rate after applying tax effect accounting	32.5	31.2

(Revenue Recognition)

Information is omitted since the content is the same as the statement set forth in the “Revenue Recognition” in the Notes to Consolidated Financial Statements under 1. Consolidated Financial Statements, (1) Consolidated Financial Statements.

(Material Subsequent Events)

Information is omitted since the content is the same as the statement set forth in the “Material Subsequent Events” in the Notes to Consolidated Financial Statements under 1. Consolidated Financial Statements, (1) Consolidated Financial Statements.

## (iv) [Supplementary Schedules]

## [Schedule – Tangible Fixed Assets, etc.]

(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, plant and equipment	Buildings	6,849	122	12	391	6,567	11,274
	Structures	187	4	1	18	173	525
	Vehicles	28	1	—	9	19	33
	Tools, furniture & fixtures	1,779	933	9	728	1,974	5,406
	Land	6,636	—	111	—	6,525	—
	Total property, plants & equipment	15,481	1,061	134	1,148	15,259	17,240
Intangible assets	Software	2,647	1,335	0	1,382	2,599	2,289
	Software in progress	361	1,022	467	—	915	—
	Telephone subscription rights	22	—	—	—	22	—
	Other	0	—	—	0	0	0
	Total intangible assets	3,031	2,357	468	1,382	3,537	2,289

(Note) Major increase/decrease during the current fiscal year were attributable to the following:

## (Amounts of increase)

Buildings	Acquisition of HVAC system for 1F of DEC Bldg.	23 million yen
Tools, furniture & fixtures	Acquisition of high-speed storage, etc. for common cloud infrastructure	222 million yen
	Acquisition of servers for common cloud infrastructure	165 million yen
	Acquisition of servers for management of host printers	131 million yen
Software	Development costs of software for sale	428 million yen
	Development costs of software for internal use	564 million yen
	Software purchased from outside	175 million yen

## (Amounts of decrease)

Land	Sell-off of land in Chigasaki	111 million yen
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## [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
Allowance for doubtful accounts	19	13	19	13
Provisions for bonuses	3,300	3,660	3,300	3,660
Provisions for loss on construction contracts	—	189	48	141
Provisions for stocks payment	599	24	315	307

## (2) [Major Assets and Liabilities]

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

## (3) [Other]

None to be disclosed.

## 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 or sale of shares less than one unit	
Place of handling	(Special account) 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation, Stock Transfer Agency Division
Administrator of shareholder registry	1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Forwarding office	_____
Handling charges for buyback or sale	_____
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: <a href="https://www.tkc.jp/">https://www.tkc.jp/</a>
Shareholder privileges	None to be disclosed.

(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 of Japan; 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 of Japan.

### 2 [Other Reference Information]

TKC Corporation has filed the following documents, originally written in Japanese, 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 (54th Term) (started October 1, 2019; ended September 30, 2020), filed to the Director-General of the Kanto Local Finance Bureau, Japan, on December 21, 2020

#### (2) Correction Reports for the Annual Securities Reports, Appendices, and Confirmation Letters

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on December 21, 2020

Correction Reports for the Annual Securities Reports for the Fiscal Year (54th Term) (started October 1, 2019; ended September 30, 2020), Appendices and Confirmation Letter thereto.

#### (3) Internal Control Report and Appendices

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on December 21, 2020

#### (4) Quarterly Securities Reports and Confirmation Letter

First quarter of 55th Term (started October 1, 2020; ended December 31, 2020), filed to the Director-General of the Kanto Local Finance Bureau, Japan, on February 12, 2021.

Second quarter of 55th Term (started January 1, 2021; ended March 31, 2021), filed to the Director-General of the Kanto Local Finance Bureau, Japan, on May 10, 2021.

Third quarter of 55th Term (started April 1, 2021; ended June 30, 2021), filed to the Director-General of the Kanto Local Finance Bureau, Japan, on August 12, 2021.

#### (5) Extraordinary Reports

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on December 21, 2020

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on December 20, 2021

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.

#### (6) Reports on Status of Acquisition of Treasury Stock

Reporting period (from November 1, 2021 to November 30, 2021); filed to the Director-General of the Kanto Local Finance Bureau, Japan, on December 10, 2021.

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

None to be disclosed.



# **Independent Auditors' Audit Report and Internal Control Audit Report**

December 17, 2021

To: The Board of Directors, TKC Corporation

Ernst & Young ShinNihon LLC  
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Kanji Tako
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Toru Iizuka

[Audit of Financial Statements]

## **Opinion**

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements presented in the Financial Information section, which comprise the consolidated balance sheets, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, bases of presenting the consolidated financial statements, other notes and the consolidated supplementary schedules of TKC Corporation applicable to the consolidated fiscal year started October 1, 2020 and ended September 30, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TKC Corporation and its consolidated subsidiaries as of September 30, 2021, and their financial performance and its cash flows for the consolidated fiscal year then ended in conformity with accounting principles generally accepted in Japan.

## **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the code of professional ethics in Japan, and we have fulfilled our other ethical responsibilities as the auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key Audit Matters (KAM) are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current consolidated fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Application of Accounting Standards, etc. for Revenue Recognition	
Details of key audit matters and reason for determination thereof	How we addressed the matter in our audit
<p>As stated in the (Changes in Accounting Policies) in [Notes to Financial Statements], it has become possible to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) (hereinafter, “Revenue Recognition Accounting Standard”) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018) from the beginning of a consolidated fiscal year commencing after April 1, 2018. Accordingly, the Company and its consolidated subsidiaries apply the Revenue Recognition Accounting Standard, etc. from the beginning of the current consolidated fiscal year, and recognize revenues at the time the controls over promised goods or services are transferred to customers, in the amounts that they expect to receive in exchange for such goods or services. As a result, the amounts of cumulative effects have been reflected in the net assets at the beginning of the consolidated fiscal year, and the beginning balance of retained earnings has decreased by 367 million yen. Also, compared to the conventional method, net sales for the current consolidated fiscal year decreased by 2,460 million yen, cost of sales decreased by 2,324 million yen, and the amounts of operating income, ordinary income, and net income before taxes and adjustments decreased by 136 million yen each.</p> <p>In applying the Revenue Recognition Accounting Standard, etc., there were diverse transactions that required consideration, such as whether to recognize the net amount as revenue after deducting the amounts paid to suppliers from the amounts received from customers for those transactions in which the Company and its subsidiaries act as agent of transactions for which the total amounts of compensation received from customers were recognized as revenue. The impacts of such changes to the amounts were also of significance. In addition, it required comprehensive determination, and as it was the first fiscal year of application, we have considered this matter to be a key audit matter.</p>	<p>To examine the adequacy of the application of Revenue Recognition Accounting Standard, etc. by the Company and its consolidated subsidiaries, we mainly implemented the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We obtained documents to assess each transaction and compared the total amounts with the net sales in the trial balance sheets in order to evaluate whether the differences between the current standard were comprehensively taken into consideration.</li> <li>• We obtained documents to assess the differences with the conventional standard, and asked questions to the heads of business units and head of accounting, and examined contracts that formed the basis of judgment in order to evaluate whether they complied with the Revenue Recognition Accounting Standard, etc.</li> <li>• We gained understanding on the accounting policy adopted by the Company, and assessed the design and operation of internal controls over the application of the Revenue Recognition Accounting Standard, etc.</li> <li>• We obtained documents on the calculation of the amounts of impacts, evaluated the consistency with documents on each transactions in question, reviewed the aggregation and calculation, and compared the amounts of journal entries in the general ledger in order to determine the adequacy of impacts to the retained earnings at the beginning of the fiscal year and to the net income.</li> <li>• We evaluated the adequacy of the presentation and disclosure of the consolidated financial statements with respect to the application of the Revenue Recognition Accounting Standard, etc.</li> </ul>

#### Responsibilities of Management, Corporate Auditors and Board of Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the Board of Auditors are responsible for overseeing the execution of duties by Directors in designing and implementing the Group’s financial reporting process.

#### Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to express an opinion on the consolidated financial statements in our auditor’s report from an independent standpoint based on our audit by obtaining reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, either due to fraud or error. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision-making of users of the consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we perform the following by exercising professional judgment and maintaining professional skepticism throughout the audit.

- We identify and assess the risks of material misstatement of the consolidated financial statements, either due to fraud or error, and then design and perform audit procedures responsive to those risks. The procedures selected and applied depend on the auditors’ judgment. Further, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of accounting policies and their method of application adopted by management, as well as the reasonableness of accounting estimates made by management and adequacy of related notes thereto.
- We conclude on the appropriateness of management's use of the going concern basis of accounting to prepare the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the going concern basis of accounting. If we conclude that such material uncertainty exists, we are required to draw attention in our auditor's report to the related notes in the consolidated financial statements or, if such notes about the material uncertainty are inadequate, to express a qualified opinion with an exceptive item on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate whether the overall presentation, structure, and content of the consolidated financial statements, including the related notes thereto, are in accordance with accounting principles generally accepted in Japan, and whether the consolidated financial statements and notes thereto represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit on the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the Board of Auditors regarding the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control that we identify during our audit, and any other matters required by the auditing standards.

We also provide corporate auditors and the Board of Auditors with a statement that we have complied with regulations on professional ethics in Japan regarding independence, and communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or mitigate factors that may hinder our independence.

Out of the matters we discuss with the corporate auditors and the Board of Auditors, we determine those matters that we judge as being of most significance in our audit of the consolidated financial statements for the current consolidated fiscal year to be key audit matters, and present those matters in our auditors' report. However, we do not describe these matters in our auditors' report in cases where the disclosure of such matters is prohibited by laws, regulations, etc., or in extremely limited circumstances where we determine that such matters should not be reported because disadvantages of doing so would reasonably be expected to outweigh the public interests.

#### [Audit of Internal Control]

##### Opinion

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the Internal Control Report as of September 30, 2021 of TKC Corporation.

In our opinion, the Internal Control Report referred to above, which represents that the internal control over financial reporting of TKC Corporation as of September 30, 2021 is effective, presents fairly, in all material respects, the result of the management's assessment on internal control over financial reporting in conformity with the assessments standards for internal control over financial reporting generally accepted in Japan.

##### Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the code of professional ethics in Japan, and we have fulfilled our other ethical responsibilities as the auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Responsibilities of Management and Corporate Auditors and the Board of Auditors for the Internal Control Report

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the Internal Control Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Corporate auditors and the Board of Auditors are responsible for overseeing and verifying the design and operation of internal control over financial reporting.

Internal control over financial reporting may not fully prevent or detect misstatements.

#### Auditor's Responsibilities for the Audit of the Internal Control Report

Our responsibility is to express an opinion on the Internal Control Report in our internal control audit report from an independent standpoint based on our internal control audit by obtaining reasonable assurance about whether the Internal Control Report is free from material misstatement.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we performed the following by exercising professional judgment and maintaining professional skepticism throughout the audit.

- We perform audit procedures to obtain audit evidence regarding the results of the assessments of internal control over financial reporting in the Internal Control Report. The procedures selected and applied depend on the auditor's judgment based on the significance of effect on the reliability of financial reporting.
- We evaluate the overall presentation of the Internal Control Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.
- We obtain sufficient and appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in the Internal Control Report. We are responsible for the direction, supervision and performance of the audit of the Internal Control Report. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the Board of Auditors regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, significant deficiencies in internal control that we identified which should be disclosed, and the result of their remediation, and any other matters required by the auditing standards for internal control.

We also provide corporate auditors and the Board of Auditors with a statement that we have complied with regulations on professional ethics in Japan regarding independence, and communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or mitigate factors that may hinder our independence.

#### Conflicts of Interest

Our firm or its engagement partners have no interest in the Company or its consolidated subsidiaries which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End of document

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(\*) 1. The above represents a translation, for convenience only, of the original copy of the Audit Report issued in the Japanese language, 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 17, 2021

To: The Board of Directors, TKC Corporation

Ernst & Young ShinNihon LLC  
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Kanji Tako
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Toru Iizuka

## Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the financial statements presented in the Financial Information section, which comprise the balance sheet, the statement of income, the statement of changes in equity, the important accounting policies, other notes and the supplementary schedules of TKC Corporation applicable to the 55th fiscal year started October 1, 2020 and ended September 30, 2021.

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, 2021, and its financial performance for the fiscal year then ended in conformity with accounting principles generally accepted in Japan.

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the code of professional ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key Audit Matters (KAM) are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Application of Accounting Standards, etc. for Revenue Recognition
As stated in the Notes (Changes in Accounting Policies), the Company applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018) (hereinafter, “Revenue Recognition Accounting Standard”) and Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018) from the beginning of the current fiscal year. As a result, the beginning balance of retained earnings has decreased by 367 million yen in the current fiscal year. Also, compared to the conventional method, net sales for the current fiscal year decreased by 2,328 million yen, cost of sales decreased by 2,178 million yen, and the amounts of operating income, ordinary income, and net income before taxes and adjustments decreased by 150 million yen each. Details of key audit matters, the reason for determination, and how we addressed the matter in our audit are omitted since the content is the same as the Key Audit matters stated in the auditor’s report on the consolidated financial statements.

## Responsibilities of Management, Corporate Auditors and Board of Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material

misstatement, either due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements on the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the Board of Auditors are responsible for overseeing the execution of duties by Directors in designing and implementing the financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion on the financial statements in our auditor's report from an independent standpoint based on our audit by obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, either due to fraud or error. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision-making of users of the financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we perform the following by exercising professional judgment and maintaining professional skepticism throughout the audit.

- We identify and assess the risks of material misstatement of the financial statements, either due to fraud or error, and then design and perform audit procedures responsive to those risks. The procedures selected and applied depend on the auditors' judgment. Further, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of accounting policies and their method of application adopted by management, as well as the reasonableness of accounting estimates made by management and adequacy of related notes thereto.
- We conclude on the appropriateness of management's use of the going concern basis of accounting to prepare the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the going concern basis of accounting. If we conclude that such material uncertainty exists, we are required to draw attention in our auditor's report to the related notes in the financial statements or, if such notes about the material uncertainty are inadequate, to express a qualified opinion with an exceptive item on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- We evaluate whether the overall presentation, structure, and content of the financial statements, including the related notes thereto, are in accordance with accounting principles generally accepted in Japan, and whether the financial statements and notes thereto represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the Board of Auditors regarding the planned scope and timing of the audit, significant audit findings including any significant deficiencies in internal control that we identify during our audit, and any other matters required by the auditing standards.

We also provide corporate auditors and the Board of Auditors with a statement that we have complied with regulations on professional ethics in Japan regarding independence, and communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards to eliminate or mitigate factors that may hinder our independence.

Out of the matters we discuss with the corporate auditors and the Board of Auditors, we determine those matters that we judge as being of most significance in our audit of the financial statements for the current fiscal year to be key audit matters, and present those matters in our auditors' report. However, we do not describe these matters in our auditors' report in cases where the disclosure of such matters is prohibited by laws, regulations, etc., or in extremely limited circumstances where we determine that such matters should not be reported because disadvantages of doing so would reasonably be expected to outweigh the public interests.

#### Conflicts of Interest

Our firm or its engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End of document

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(\*) 1. The above represents a translation, for convenience only, of the original copy of the Audit Report issued in the Japanese language, 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.

[Front Cover]

[Document filed]	Internal Control Report
[Applicable law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	December 20, 2021
[Company name]	<i>Kabushiki Kaisha TKC</i>
[Company name in English]	TKC Corporation
[Title and name of representative]	Masanori Iizuka, Representative Director, President and Executive Officer
[Title and name of Chief Financial Officer]	Kiyotsugu Nakanishi, Director, Managing Executive Officer, Chief of the Business Administration Headquarters
[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]

Masanori Iizuka, Representative Director, President and Executive Officer, and Kiyotsugu Nakanishi, 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, 2021, 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 four other consolidated subsidiaries and one equity-method affiliated company 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 net sales in order of size (after elimination of transactions between consolidated companies) and added up their net sales. As a result, the Company, whose net sales accounted for almost two-thirds of the Group's consolidated net sales, was selected as "Significant Business Location." For the selected Significant Business Location, we included as items of assessment, business processes that lead to sales, accounts receivable, purchases and inventories that may have material impact on the business objectives of the entity. Further, when including business locations other than the selected Significant Business Location in the scope of assessment, we also individually included as items of assessment, certain business processes having greater likelihood of material misstatements, processes having significant accounts involving estimates and forecasts 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 of the last day of the fiscal year.

4 [Supplementary Information]

None to be disclosed.

5 [Special Notes]

None to be disclosed.



[Front Cover]

[Document filed]	Confirmation Letter
[Applicable law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed with]	Director of Kanto Local Finance Bureau
[Date filed]	December 20, 2021
[Company name]	<i>Kabushiki Kaisha TKC</i>
[Company name in English]	TKC Corporation
[Title and name of representative]	Masanori Iizuka, Representative Director, President and Executive Officer
[Title and name of Chief Financial Officer]	Kiyotsugu Nakanishi, Director, Managing Executive Officer, Chief of the Business Administration Headquarters
[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]

Masanori Iizuka, Representative Director, President and Executive Officer of the Company and Kiyotsugu Nakanishi, Chief Financial Officer of the Company hereby confirm that the statements contained in the Annual Securities Report for the 55th fiscal year (started October 1, 2020; ended September 30, 2021) are adequate under the Financial Instruments and Exchange Act of Japan.

2 [Special Notes]

None to be disclosed.