

Annual Securities Report

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

Fiscal year	Started October 1, 2023
(58th Term)	ended September 30, 2024

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.

Contents

	Page
[Front Cover]	
Section 1 [Information on the Company]	4
Part 1 [Overview of the Company].....	4
1 [Key Financial Data]	4
2 [History]	7
3 [Description of Business]	9
4 [Information on Affiliates]	12
5 [Employees].....	13
Part 2 [Business Overview].....	15
1 [Management Policy, Business Environment and Challenges Faced by the Company]	15
2 [Approach and Initiatives Concerning Sustainability].....	18
3 [Risk Factors]	22
4 [Management Analysis of Consolidated Financial Conditions, Operating Results, and Cash Flows].....	24
5 [Material Agreements, etc.]	34
6 [Research and Development Activities]	34
Part 3 [Property, Plant and Equipment]	35
1 [Summary of Capital Investments].....	35
2 [Major Property, Plant and Equipment].....	35
3 [Plans for Capital Investments, Disposals of Property, Plant and Equipment]	37
Part 4 [Information on the Company].....	38
1 [Information on the Company's Stock]	38
(1) [Total number of shares, etc.]	38
(2) [Share subscription rights, etc.].....	38
(3) [Exercise of bonds with share subscription rights containing a clause for exercise price adjustment, etc.]	38
(4) [Changes in total number of issued shares, capital stock, etc.]	38
(5) [Shareholders composition]	39
(6) [Major shareholders].....	39
(7) [Status of voting rights]	40
(8) [Information on employee stock ownership plan].....	40
2 [Acquisition of Treasury Stock, etc.].....	42
3 [Dividend Policy]	43
4 [Corporate Governance]	44
(1) [Overview of corporate governance].....	44
(2) [Officers].....	58
(3) [Audits].....	65
(4) [Officers' compensation, etc.].....	68
(5) [Status of shareholdings].....	71
Part 5 [Financial Information]	73
1 [Consolidated Financial Statements]	74
(1) [Consolidated financial statements]	74
(2) [Other]	115
2 [Non-consolidated Financial Statements, etc.]	116
(1) [Non-consolidated financial statements].....	116
(2) [Major assets and liabilities]	129
(3) [Other]	129
Part 6 [Stock-Related Administration of the Company].....	130
Part 7 [Reference Information on the Company].....	131
1 [Information on the Parent Company].....	131
2 [Other Reference Information]	131
Section 2 [Information on Guarantors, etc., of the Company].....	132

[Audit Report] [Confirmation Letter] [Internal Control Report]

[Front Cover]

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[Fiscal year]	58th Term (from October 1, 2023, to September 30, 2024)
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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		54th Term	55th Term	56th Term	57th Term	58th Term
Year end		September 2020	September 2021	September 2022	September 2023	September 2024
Net sales	(millions of yen)	67,814	66,221	67,838	71,915	75,219
Ordinary income	(millions of yen)	11,685	12,673	13,677	14,772	16,035
Net income attributable to owners of parent	(millions of yen)	7,821	8,686	9,317	10,826	11,274
Comprehensive income	(millions of yen)	7,501	9,839	8,902	13,210	11,895
Net assets	(millions of yen)	77,075	83,416	87,325	95,308	102,176
Total assets	(millions of yen)	97,671	103,406	109,225	116,356	124,882
Net assets per share	(yen)	1,466.56	1,582.45	1,665.68	1,827.70	1,959.39
Net income per share	(yen)	148.81	164.93	177.62	206.54	216.21
Diluted net income per share	(yen)	—	—	—	—	—
Equity ratio	(%)	78.9	80.7	80.0	81.9	81.8
Return on equity (ROE)	(%)	10.5	10.8	10.9	11.9	11.4
Price earnings ratio (PER)	(times)	22.9	21.3	19.3	17.6	17.7
Cash flows from operating activities	(millions of yen)	10,569	10,550	13,050	13,067	12,796
Cash flows from investing activities	(millions of yen)	(10,124)	(7,201)	(4,342)	(5,861)	(5,964)
Cash flows from financing activities	(millions of yen)	(3,786)	(3,691)	(5,214)	(5,571)	(5,228)
Cash and cash equivalents at end of year	(millions of yen)	23,469	23,126	26,620	28,793	30,397
Number of employees	(persons)	2,770	2,851	2,880	2,895	2,922

(Notes) 1. The Company maintains a Board Incentive Plan (BIP) Trust and records the shares of the Company held by said Trust as treasury stock. Accordingly, for the purpose of calculating the net income per share, they are included in the treasury stock to be deducted in calculating the average number of shares outstanding.

2. The diluted net income per share is not stated as there were no dilutive shares.

3. 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 54th Term.

4. The reason for a decrease in net sales in the 55th Term compared to the 54th Term is because the Company started the early application of the Accounting Standard for Revenue Recognition, etc., from the beginning of the 55th Term.

(2) Financial data, etc., of the Company

Fiscal year		54th Term	55th Term	56th Term	57th Term	58th Term
Year end		September 2020	September 2021	September 2022	September 2023	September 2024
Net sales	(millions of yen)	63,070	61,637	63,570	67,660	70,990
Ordinary income	(millions of yen)	11,107	12,064	13,290	14,057	15,752
Net income	(millions of yen)	7,472	8,293	9,076	10,334	11,171
Capital stock	(millions of yen)	5,700	5,700	5,700	5,700	5,700
Total number of issued shares	(hundreds of shares)	267,310	534,620	534,620	531,664	531,664
Net assets	(millions of yen)	74,714	80,491	83,993	91,288	97,910
Total assets	(millions of yen)	89,767	95,264	100,776	107,401	116,040
Net assets per share	(yen)	1,421.63	1,526.97	1,602.11	1,750.60	1,877.56
Dividend per share (Of the above, interim dividends per share)	(yen)	120.00 (55.00)	104.50 (65.00)	78.00 (36.00)	90.00 (39.00)	100.00 (45.00)
Net income per share	(yen)	142.18	157.46	173.04	197.15	214.23
Diluted net income per share	(yen)	—	—	—	—	—
Equity ratio	(%)	83.2	84.5	83.3	85.0	84.4
Return on equity (ROE)	(%)	10.3	10.7	11.0	11.8	11.8
Price earnings ratio (PER)	(times)	23.9	22.3	19.8	18.5	17.9
Dividend payout ratio	(%)	42.20	45.70	45.10	45.70	46.70
Number of employees	(persons)	2,312	2,398	2,408	2,409	2,428
Total shareholder return (Benchmark index: TOPIX total return index)	(%) (%)	148.1 (104.9)	155.9 (133.7)	155.6 (124.2)	168.4 (161.2)	180.6 (187.9)
Stock price—high	(yen)	7,270	3,910 (7,840)	3,645	3,970	3,945
Stock price—low	(yen)	3,820	3,175 (6,190)	2,911	3,375	3,175

(Notes) 1. Dividend per share includes special dividends of 7 yen for the 55th Term, 6 yen for the 56th Term, 12 yen for the 57th Term, and 10 yen for the 58th 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 were taken into consideration, the interim dividend of 65.00 yen would have been 32.50 yen, and the total annual dividend per share would have been 72 yen.

2. The Company maintains a Board Incentive Plan (BIP) Trust and records the shares of the Company held by said Trust as treasury stock. Accordingly, for the purpose of calculating the net income per share, they are included in the treasury stock to be deducted in calculating the average number of shares outstanding.

3. The diluted net income per share is 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 54th Term.

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

5. The reason for a decrease in net sales in the 55th Term compared to the 54th Term is because the Company started the early application of the Accounting Standard for Revenue Recognition, etc., from the beginning of the 55th Term.
6. The highest and lowest stock prices have been in the Tokyo Stock Exchange Prime Market since April 4, 2022, and were in the First Section of the Tokyo Stock Exchange before that.

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 (parentheses) 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 domain 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 before deploying 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 started deploying 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.
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.

Date	Company history
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	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 Business) to TKCSCG Service Center. Opened TKC Internet Service Center (TISC).
April 2004	Became the first private company to pass the LGWAN (Local Government Wide Area Network) - ASP connection qualification test. 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 its 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.
April 2022	Transferred from the First Section of the Tokyo Stock Exchange to the Prime Market in response to TSE’s market restructuring.
August 2022	Selected as “Peppol service provider” by the Digital Agency.

3 [Description of Business]

The TKC Group (TKC Corporation and affiliated companies) consists of the Company, five subsidiaries, and one affiliated company. The Group is engaged in business activities that span its Accounting Firm Business (information processing services, software and consulting services, and sale of office equipment and supplies), Local Governments Business (information processing services, software and consulting services, and sale 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 “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
<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. Sale of office equipment</p> <p>Sale of system devices for information service applications</p> <p>4. Sale of supplies</p> <p>Sale of office supplies for computer-based accounting</p>	<p>(Services and sales)</p> <p>1. The Company provides information processing services, software and consulting services, and sale of office equipment and office supplies for computer-based accounting to customers including accounting firms and their clients.</p> <p>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.</p> <p>(Manufacturing and production)</p> <p>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.</p> <p>2. SKYCOM Corporation, a subsidiary of the Company, is engaged in the development and sale of software.</p> <p>3. TKC Shuppan Corporation, a subsidiary of the Company, publishes books and monthly magazines on business management, taxation, and accounting to provide useful business information to TKC member accounting firms and their clients.</p> <p>4. iMobile Inc., an affiliated company, is engaged in the development and maintenance of website services.</p> <p>(Others)</p> <p>TKC Security Services Co., Ltd., a subsidiary of the Company, provides security, maintenance and repair services for buildings owned by the Company.</p>

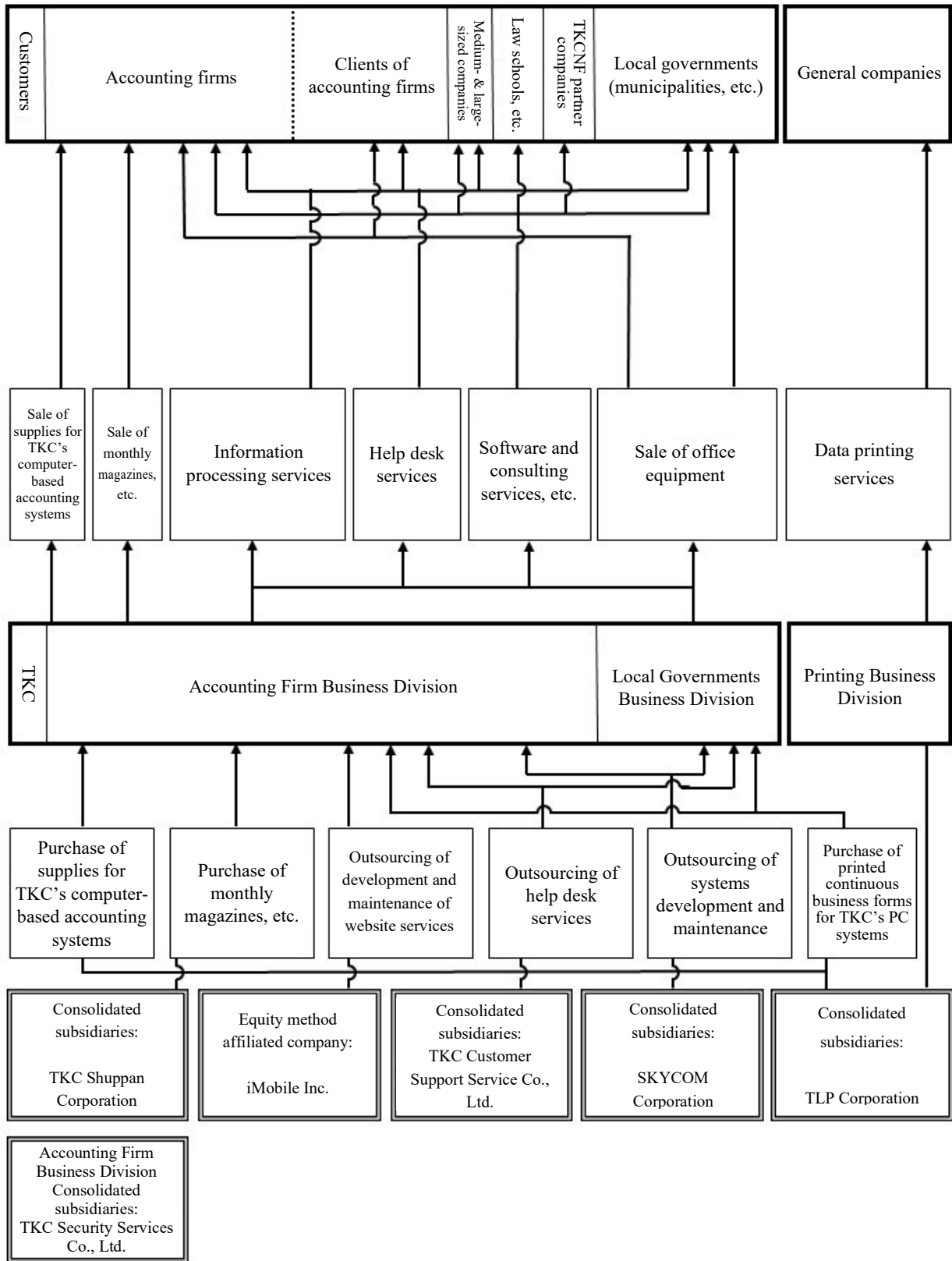
(2) Local Governments Business

Key services/products	Positioning of the Company and affiliated companies
<p>1. Information processing services</p> <p>(i) Computer services by the TKC 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. Sale of office equipment</p> <p>Sale 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 sale 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 sale of software.</p>

(3) Printing Business

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

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



4 [Information on Affiliates]

(1) Consolidated subsidiaries

Name	Address	Capital stock (millions of yen)	Principal line of business	Percentage of voting rights held (%)	Relationship
TLP Corporation	Itabashi-ku, Tokyo	100	Data printing services, business form planning, printing, and sales	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 sale 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 stock (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: No

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

5 [Employees]

(1) Consolidated basis

As of September 30, 2024

Name of segment	Number of employees (persons)
Accounting Firm Business	1,626
Local Governments Business	670
Printing Business	213
Corporate (shared)	413
Total	2,922

(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, 2024

Number of employees (persons)	Average age (years)	Average years of service (years)	Average annual salary (yen)
2,428	40.4	17.2	8,576,741

Name of segment	Number of employees (persons)
Accounting Firm Business	1,515
Local Governments Business	670
Corporate (shared)	243
Total	2,428

(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.

(4) Percentage of female workers in managerial positions, percentage of male workers taking childcare leave, and the difference between the wages of male and female workers

(i) The Company

Current fiscal year					Supplementary information
Percentage of female workers in managerial positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 2)	Difference between the wages of male and female workers (%) (Note 1)			
		All workers	Workers in regular employment	Part-time and fixed-term workers	
6.2	69.4	68.5	72.0	36.4	(Note 3)

(Notes) 1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

2. This is a calculation of the percentage taking childcare leave, etc., in the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991), Article 71-4, Item 1, based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

3. About the difference between the wages of men and women

(1) Workers in regular employment

The difference between the wages of men and women among workers in regular employment is caused by the fact that there are fewer female employees than male employees in high-ranking jobs (grades) with a high base yearly salary. The difference between the wages of men and women with the same job ranking (grade) is 80.5% to 99.9%, so there is not a large difference. Going forward, we will continue initiatives to promote the active engagement of women, encourage the promotion of female employees to high-ranking jobs, and aim to reduce the difference in wages.

(2) Part-time and fixed-term workers

The Company counts elderly people reemployed after retirement and part-timers in the same category. Men account for a larger percentage of elderly people reemployed after retirement and women account for a larger percentage of part-timers, so the difference in wages has become larger. The difference in wages between men and women among the elderly people who are reemployed is 96.1%, and the difference in wages between men and women among part-timers is 109.7%.

(ii) Consolidated subsidiaries

The provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991) do not apply to the consolidated subsidiaries of TKC, so they have not disclosed the percentage of female workers in managerial positions, the percentage of male workers taking childcare leave, and the difference between the wages of male and female workers. Note that the consolidated subsidiaries of TKC are as stated in "4 [Information on Affiliates], (1) Consolidated subsidiaries."

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

(i) Management policy and management strategy

The Company has been developing its management to achieve the following two business objectives as set forth in its Articles of Incorporation (Article 2) at the time of its founding under the company motto of “Jiri Rita” (“self-interest is in the realization of others’ 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

While business objectives other than those described above have been added to the Articles, they merely supplement these two original business objectives, and our basic management policy has never changed.

(ii) Business environment

The Japanese economy continued to move toward recovery, albeit only gradually, as economic activities were revitalized by rising share prices and expanded consumption, more than offsetting the impact of soaring prices of raw materials and energy. In such circumstances, the Group has continued to develop systems and provide services that promptly cater to constant changes in the social environment and government initiatives while carrying out business operations that contribute to our customers as well as local communities and society.

Revisions to the law and advancements in ICT have significant impact on the products and services that the Group offers. Legal revisions include the new consumption tax invoicing system which commenced in October 2023, the mandatory electronic preservation of electronic transaction data under the revised Act on Book and Record Keeping through Electronic Methods, as well as the fixed-amount tax reduction system. In addition, the national and local governments are promoting digital transformation as well as the standardization and common use of the information systems of local governments. Advancements in ICT include the rise of cloud computing and OSS, and technological innovations in generative AI, to name a few.

We believe it is critical to be quick to learn these changes in the business environment and reflect such knowledge in the products and services offered by the Group, thereby ensuring that we remain at the forefront of change and contribute to our customers.

(iii) Priority business and financial issues

1) Creation of innovation to achieve “Contribution to our Customers”

The business environment surrounding the accounting firms and local governments which are the customers of TKC is changing significantly. In addition, in order to cope with the decline in the working-age population, it is essential to enhance productivity and streamline operations through the promotion of digitalization. TKC supports the operations of its customers by incorporating the latest ICT to provide systems with greater added value, while fully complying with laws and regulations. To this end, it will further strengthen its systems development structure going forward.

2) Operation of safe, secure, and convenient data centers

TKC provides cloud services using data centers operated by its own employees to customers with over 800,000 instances of use, including accounting firms, SMEs, listed companies, local governments, financial institutions, universities, law firms, etc. We store our customers’ valuable data and support their business activities with our data centers, which bring together the know-how we have cultivated over 50 years. By endeavoring to operate robust and secure data centers, implement BCP measures, and ensure information security, we develop environments where customers can use cloud services safely, securely, and conveniently.

3) Initiatives to ensure sustainable growth and enhance corporate value over the medium to long term

Since our founding, we have always believed that the greatest asset of a company is its employees. We have thus worked to develop human resources, improve the treatment of employees, and create a comfortable work environment. To ensure sustainable growth going forward, we will continue to work on human capital management and management that takes into account the cost of capital and stock prices in order to further enhance our corporate value.

(2) Management policy, business environment and challenges faced by the Accounting Firm Business Division

(i) Management policy and management strategy

The Accounting Firm BD operates in accordance with the business objective 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 closely with the TKC National Federation (TKCNF), which consists of certified public tax accountants and certified public accountants that are customers of TKC (11,400 members).

TKCNF announced its 3-year activity policy from 2022 to 2024 as follows:

“TKC accountants challenging the future—push through field auditing and support companies in achieving positive balance and

proper filing!”

- 1) Massively expand superior electronic books—Promotion of self-accounting by the TKC method
- 2) Become guardians of tax justice—Promotion of *shomen-tempu* (attachment of tax audit reports) by the TKC method
- 3) Support the achievement of positive balance and foster good-standing companies—Promotion of field auditing and managerial advisory services

Based on the activity policy of TKCNF, the Company conducts activities to achieve the strategic targets for FY2024.

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, for example, TKCNF’s Medium and Large-size Support Research Committee and Overseas Deployment Support Research Committee.

(ii) Business environment

According to the Outline of Filing of Corporate Income Tax Returns (Taxation) published in November 2024 by the National Tax Agency, the percentage of companies recording profits in FY2023 was 36.0%. This marked a decrease of 0.2 percentage points over the previous fiscal year and shows that approximately 64% are still recording losses. In addition, soaring raw material, labor, and fuel costs have made it difficult for many SMEs to have certainty about the future, making it a major challenge for them to secure the necessary profits.

In such a climate, TKC member firms, in an aim to achieve positive balance and proper filing, have conducted monthly field audits and monthly settlements, offered managerial advisory services, and undertaken activities to strengthen companies through accounting. We have 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, around 57.2% of the clients of TKC member firms have achieved profits, and there are now rising expectations from SMEs and financial institutions nationwide for the effective guidance provided by TKC member firms.

(iii) Priority business and financial issues

The Accounting Firm BD provides customers with useful information with unparalleled speed and helps them improve their business productivity and added value by leveraging the latest cloud technology and by developing and providing systems that are fully compliant with laws and regulations. In addition, by collaborating with TKCNF, it will continue to engage in activities to strengthen companies through accounting and achieve positive balance and proper filing.

The division’s main product and market strategies for the next fiscal year are as follows.

- 1) Achieve positive balance and proper filing by promoting the FX Cloud Series
- 2) Support manpower reduction for accounting operations and early monthly settlements by promoting the use of Peppol invoices
- 3) Strengthen collaboration with financial institutions by promoting the use of TKC Monitoring Information Service
- 4) Strengthen efforts to solicit members by collaborating with TKCNF’s New Members Service Committee
- 5) Streamline tax and accounting operations of large enterprises by enhancing and expanding the TKC Consolidated Group Solution
- 6) Expand the user base of TKC Law Library and promote digital transformation in the academic market
- 7) Improve the quality of systems provided to customers and enhance support in this regard

(3) Management policy, business environment and challenges faced by the Local Governments Business Division

(i) Management policy and management strategy

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

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

(ii) 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 the important managerial issue of transitioning to “smart municipalities (digital society)” that can provide administrative services in a sustainable manner with half the number of staff. In particular, the delay in digitalization of administrative services has become a social issue, which caused local governments to further accelerate their efforts. The national government has highlighted 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 has called for all municipalities to keep pace in implementing measures

in accordance with the Local Governments Digital Transformation (DX) Promotion Plan (Ministry of Internal Affairs and Communications, revised April 24, 2024).

Moreover, as the national government and municipalities face increasingly challenging financial conditions, local governments are expected to establish sustainable administrative operations in order to continue providing 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 these financial documents in the assessment of projects and high-level decision-making.

Meanwhile, looking toward the market trends of business vendors supplying to 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 that the world has entered a harsh era in which only system suppliers who have the ability to respond flexibly and quickly to the changing business environment can survive.

(iii) Priority business and financial issues

The Local Governments BD has established a plan for all target customer organizations to complete the transition to standardization-compliant systems that conform to the standard specifications stipulated by the national government by the end of March 2026. Therefore, there will be a concentration of one-time sales such as system upgrading costs and installation costs during this period, and we expect a significant boost to our business performance during the two-year period from the 59th Term to 60th Term as a result of this system standardization process.

In addition, local governments are required to operate efficiently and improve the convenience of residents' lives through operational reforms that thoroughly utilize digital technology, and we expect this trend to further accelerate following the transition to standardization-compliant systems. We will take advantage of these changes as opportunities to create new customer value and enhance our support systems through innovation that leverages the latest technology, thereby ushering in further growth even after the completion of the transition to standardization-compliant systems.

(4) Management policy, business environment and challenges faced by the Printing Business Division (Subsidiary: TLP Corporation)

(i) Management policy and management strategy

The Printing BD operates under the management policy of contributing 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 movement toward the promotion of rapid digitalization in this information-intensive society. To respond to changes in the social environment and values of customers, the Printing BD works to develop products and services that utilize our production technologies, improve quality, and add greater value. Moreover, as a good partner of our customers, we will strive to further improve corporate value through the development of a communication environment that utilizes digital technologies and printed materials.

(ii) Business environment

The environment surrounding the Printing Business has changed, including the digitalization and regulatory reform of administrative services, revision of postage fees from October 1, 2024, dissemination of My Number Cards, digitalization of education, commencement of the consumption tax invoicing system, and revision of the Act on Book and Record Keeping through Electronic Methods. With regard to our key products of data printing services (DPS) and business process outsourcing (BPO), it is necessary that we provide products and services that meet the needs of these new lifestyles and new business styles. Furthermore, amid the rapid progress of global warming, there is an increasing number of customers who are conscious about CO2 reduction and environmental concerns. We believe that the printing industry cannot avoid the important issue of developing environmentally friendly products and other efforts to achieve the Sustainable Development Goals (SDGs) aimed at solving various global issues.

(iii) Priority business and financial issues

The Printing BD will concentrate its managerial resources on DPS and BPO operations and develop new products and services aimed at facilitating communication that resolve issues faced by customers. At the same time, we will strive to further improve the quality and added value of our products and services and expand our sales channels.

We also view the standardization of local government information systems as an opportunity to expand our business, and we will enhance our production facilities and strengthen our production system in response.

We will take advantage of the FSC certification (CoC certification/FSC-C182216) that we acquired on October 3, 2022, to support our customers in achieving the Sustainable Development Goals (SDGs) aimed at solving various global issues.

2 [Approach and Initiatives Concerning Sustainability]

The Group's approach and initiatives concerning sustainability are as follows.

Forward-looking statements in this text are based on the judgment of the Group as of the end of the current consolidated fiscal year.

(1) Governance and risk management concerning all aspects of sustainability

(i) Sustainability Policy

The Group has created its Sustainability Policy for the purpose of achieving sustainable growth and enhancing its medium- to long-term corporate value.

Sustainability Policy

The TKC Group consistently works on "Contribution to our Customers" and contributes to local communities based on the founding principles of TKC, and fulfills its public mission and social responsibilities with the aim of realizing a sustainable society.

1. Develop products and provide services that achieve "Contribution to our Customers" (Contribution)

We will seek conditions for the success of the business of our customers, develop systems to make progress toward meeting these conditions, and offer our utmost support for their implementation. Our joy is to contribute to our customers.

2. Practice compliance (Compliance)

Since our founding, we have adopted the so-called "management based on rules." All Officers and employees of the TKC Group are required to comply with laws and other social norms, and we strive to meet the expectations of our stakeholders (customers, shareholders, business partners, etc.).

3. Ensuring information security (Information security)

We offer various information-related services through the most appropriate use of the latest information and communication technologies (ICT) on a constant basis to accounting firms, their clients, local governments, etc. We recognize that ensuring information security is a priority in conducting our business activities, and we consider it our social responsibility.

4. Maintaining and promoting fair and free competition (Fair Trade)

We promote responsible procurement with the goal of resolving various social issues that exist in supply chains. In addition, by carrying out appropriate transactions under fair and free competition, we seek to strengthen relationships of trust with our business partners. We also take a firm stand against all anti-social forces or groups that threaten public order and safety.

5. Protecting the global environment (Environment) and preparing for natural disasters (BCP)

We consider environmental conservation to be a company's social responsibility and believe it is indispensable to the realization of a sustainable society. Accordingly, we actively promote environmental conservation activities based on the Basic Environmental Policy we announced in 2007.

In order to continue providing cloud services even in times of various natural disasters, we ensure that all our data centers meet the requirements of Tier 3 or higher as stipulated by the Japan Data Center Council's Data Center Facility Standard, thereby ensuring the operation of robust and secure data centers and the implementation of BCP measures.

6. Respect for human rights (Social)

We strive to understand various international norms related to human rights and respect fundamental human rights, individuality, privacy, and various value systems, as we work to provide safe and comfortable work environments and improve employee satisfaction. In addition, we will not engage in any act that violates human rights, such as the use of discriminatory language or behavior in relation to human rights, religion, gender, nationality, mental or physical disability, age, or sexual preference, violence, sexual harassment, or power harassment.

We will take appropriate action if any violation of human rights is identified. We also require our business partners, etc., to act in a way that demonstrates respect for human rights, protects the environment, and complies with laws and regulations, etc.

7. Strengthening corporate governance (Governance)

We will maintain and strengthen effective governance systems to achieve our Sustainability Policy as outlined above.

Established December 17, 2021

Revised March 14, 2023

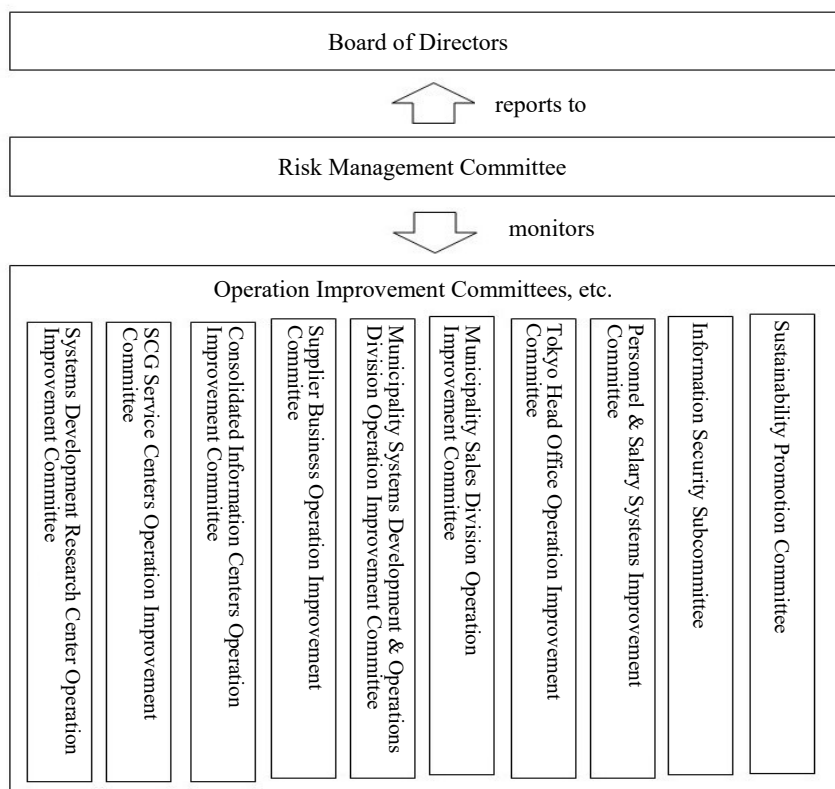
(ii) Governance

The Group has established a Risk Management Committee with the Representative Director and Senior Managing Director as the chairperson and the chairpersons of Operation Improvement Committees (the bodies that assist with compliance management and improvement of operational efficiency, etc., which the Directors are expected to promote), etc., as members. The Risk Management Committee identifies and evaluates all kinds of risks, including risks related to sustainability, narrows them down to the risks which should be responded to with priority, and monitors the progress of initiatives concerning said risks. The content of its deliberations is reported to the Board of Directors regularly, and the Board of Directors manages and supervises the content of said reports.

(iii) Risk management

The Operation Improvement Committees, etc., consider specific responses and take action regarding all kinds of risks identified and evaluated by the Risk Management Committee. The Risk Management Committee continuously monitors the status of the initiatives undertaken by the Operation Improvement Committees, etc.

<Diagram of the governance and risk management structure>



(2) Climate change

The Group has stipulated a Basic Environmental Policy to continuously engage in environmental conservation activities, and through “(1) (ii) Governance” and “(iii) Risk management” above, we are carrying out the identification, evaluation, and management of climate change risks.

As a result, we do not currently evaluate the risks and earning opportunities due to climate change as having a significant impact on the business activities of the Group. For this reason, we have not stipulated specific strategies or indicators and targets.

For global warming prevention, an international initiative, TKC is carrying out capital investments at data centers with a focus on the reduction of power consumption, and is striving to reduce greenhouse gas emissions. At the offices, we are raising our employees’ awareness of energy conservation and power saving, and in order to present specific behavior, we have created posters and displayed them in offices, meeting rooms, toilets, etc.

Furthermore, we are striving to reduce the paper resources and plastic provided to our customers by converting systems manuals to electronic versions, distributing our programs online, etc.

Please see the TKC website for the content of specific initiatives and our achievements in reducing the amount of greenhouse gas emissions (<https://www.tkc.jp/sustainability/e1>).

(3) Human capital and diversity

Although TKC is taking specific initiatives with respect to its strategy as well as indicators and targets concerning human capital

and diversity, these initiatives are not undertaken at all Group companies, so statements concerning the Group on a consolidated basis are difficult. For this reason, the following strategy as well as indicators and targets are those concerning the Company.

(i) Strategy

1) Human resources development policy

Since its founding, TKC has been developing its management with “Jiri Rita” (“self-interest is in the realization of others’ interest”) as its company motto and “Contribution to our Customers” as its management principle. In order to support the success of the businesses of our customers, we have continued to support the willingness to learn of our employees and develop our human resources. Furthermore, we are striving to ensure diversity by hiring human resources who can realize “Contribution to our Customers” from a variety of perspectives. Our main initiatives are as follows:

<Initiatives to support the acquisition of basic and specialist knowledge>

TKC has many customers who have specialist knowledge, and on the other hand, has employees with diverse backgrounds joining the Company. For this reason, we offer long-term and extensive opportunities for the acquisition of basic knowledge and specialist knowledge. We offer basic training for new employees, employees in their fifth year at the Company, etc., and have established systems to support the acquisition of specialist knowledge, such as in-house qualification systems for each job type, a system that offers financial incentives for obtaining public qualifications, etc.

<Initiatives to support the acquisition of role-specific skills>

In order to encourage employees to continually enhance their skills without being satisfied with the roles assigned to them by the Company, we continue to provide training for newly-appointed managers and other roles. Furthermore, we regularly hold study sessions for employees with subordinates and have established opportunities for them to enhance their skills concerning evaluation and organizational development.

<Initiatives to develop human resources>

In order to support the achievement of the targets set by each employee, we place importance on providing opportunities for one-on-one dialogue and all types of interviews. To enhance the quantity and quality of dialogue, we are implementing a curriculum for all employees which aims to enhance their interview skills, etc. Furthermore, we regularly hold online study sessions for all employees with the aim of spreading and implementing this curriculum on an ongoing basis. These study sessions also serve as opportunities to build internal interpersonal connections regardless of one’s job type, place of work, years of service, etc. Furthermore, we are encouraging reading, which is the foundation of self-learning, by establishing the Individual Book Purchase Support System, under which TKC subsidizes the cost of books purchased by individual employees, and the Reading Order System.

2) In-house environmental development policy

The foreword of the Rules of Employment states that TKC aims to be first-class in the world with respect to the three points of the level of customer services (customer satisfaction), market share, and treatment of employees. As part of our efforts to achieve this, we have developed an in-house environment based on the belief that it is important for each and every employee to be both physically and mentally healthy and to continue exercising their expertise with a strong sense of mission.

Our main initiatives are as follows:

<Initiatives to support the detection and resolution of health issues>

We are working to encourage our employees to receive regular medical examinations (including retests) and stress checks. The test items in the regular medical examinations and the employees required to receive them are more extensive than the standards stipulated in the Industrial Safety and Health Act. Furthermore, we have introduced health management systems and strengthened our health management structure, including health guidance for employees, by appointing industrial physicians to all offices.

<Initiatives for health maintenance and enhancement>

We are working on questionnaire surveys, etc., aimed at the reduction of smoking rate among employees, utilization of health insurance societies (seminars and use of exercise facilities), and improvement of the workplace environment.

<Initiatives concerning the promotion of the active engagement of women>

We are working on the development of an environment conducive for the active engagement of women by expanding the occupational domains of female employees, developing work-life balance support systems concerning childcare, nursing care, etc., setting up nurseries in the Company, etc.

(ii) Indicators and targets

TKC is using the following indicators regarding the human resources development policy and in-house environmental development policy stated above. The targets concerning said indicators (for the fiscal year ending September 2028) and our achievements in the current fiscal year are as follows. These indicators and targets are those concerning the Company.

Indicators	Targets	Achievements (Current fiscal year)
Human resources development policy	—	—
The percentage of employees (in their fourth year or more at the Company) who have passed level 2 of the Official Business Skills Test in Bookkeeping (Note 1)	100%	81.7%
The percentage of employees in development positions (in their fourth year or more at the Company) who have passed the Fundamental Information Technology Engineer Examination (Note 2)	100%	58.5%
Percentage of employees participating in role-specific skill-training sessions	80%	91.0%
Percentage of employees participating in study sessions for managers	80%	89.0%
In-house environmental development policy	—	—
Percentage of employees receiving regular medical examinations	100%	100%
Percentage of employees responding to stress checks	100%	98.8%
Certification as a Health & Productivity Management Outstanding Organization	Certified (continued)	Certified

(Notes) 1. Calculated from the number of employees who have passed level 2 or level 1 of the Official Business Skills Test in Bookkeeping, the Certified Public Tax Accountant Examination (bookkeeping, financial statement accounting), or who hold qualifications as a certified public tax accountant or certified public accountant (employees who hold multiple qualifications are counted only once).

2. Calculated from the number of employees who hold qualifications based on the Fundamental Information Technology Engineer Examination or the Applied Information Technology Engineer Examination (employees who hold multiple qualifications are counted only once).

3 [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 Report, that we deem investors should know 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 believe it is necessary for investment decisions concerning the Company's stock to be made after consulting and thoroughly reviewing this section as well as the content of this entire report. Note that this section does not cover all risk factors related to investing in the Company's stock.

Forward-looking statements in this section are based on the judgment of the Group as of the end of the current consolidated fiscal year (September 30, 2024).

(1) Changes in the business environment

In the business division for accounting firms, there is a possibility that the market will contract due to a lack of successors for accounting firms and the difficulty of hiring accounting firm staff as a result of the declining birthrate and aging population, and due to the closing down, bankruptcy, etc., of their clients in the challenging business environment.

In addition, the business division for local governments must respond to system upgrades in accordance with revisions to the law along with the government's system standardization efforts, and there is a possibility of a shortage of development resources in the event that unforeseen revisions to the law continue.

Taking into account such situations, the Group is further strengthening its in-house organizational structure, orienting itself toward outstanding marketing and innovation, and working on developing systems that strongly support the businesses of our customers while supporting the introduction of such systems.

(2) 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 procurement of raw materials and maintain optimal pricing. However, there are concerns of possible imbalance in supply and demand due to soaring oil prices and the tightening of supply and demand in international markets. Should such circumstances prevail, the Group will seek 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 that the procurement of raw materials becomes extremely difficult or if purchase prices rise significantly.

(3) Stable operation of cloud services

The Company has taken various measures to enable customers (including accounting firms and their clients, medium and large-size 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 unforeseen circumstances. However, as we cannot prevent all large-scale disasters and unexpected disruptions, we take the following measures to ensure early detection and recovery, and to minimize the impact on our customers' business operations:

- (i) Strengthen our verification process upon providing programs;
- (ii) Strengthen our BCP in the event of disasters and unplanned disruptions;
- (iii) Reduce the time needed for recovery; and
- (iv) Conduct third-party assessment and verification of the effectiveness of various measures.

(4) Fluctuations in energy prices

Because the data centers operated by the Company use a lot of electricity, we bear risks associated with fluctuating energy prices. We are working to mitigate these risks by taking energy-saving measures to reduce costs. However, further increases in electricity costs, etc., may impact our operating results and cash flows.

(5) Retirement benefit obligations

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

(6) Decline in value of fixed assets

The Company has applied the Accounting Standard for the Impairment of Fixed Assets since the fiscal year ended September 2006 in accordance with the Financial Instruments and Exchange Act of Japan. The application of this accounting standard for the impairment of fixed assets may affect the financial standing and operating results of the Group.

(7) Information security

The Group is entrusted with a large amount of information on companies and individuals held by our customers (accounting firms, local governments, etc.) 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 ongoing basis, educate and train its Directors and employees, and strengthen its information protection management system through adopting system-based information security measures, third-party certification, etc. However, the possibility of such information being leaked due to unforeseen circumstances cannot be eliminated completely, and such an event could have a negative impact on the Company's social standing and result in enormous costs as part of response efforts or a reduction in brand value, which may affect the financial standing and operating results of the Group.

(8) Contentious cases, etc.

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

4 [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

(i) Operating results across the Group

During the current consolidated fiscal year (October 1, 2023, to September 30, 2024; hereinafter the "period under review"), the Japanese economy continued to move toward recovery, albeit only gradually, as economic activities were revitalized by rising share prices and expanded consumption, more than offsetting the impact of soaring prices of raw materials and energy. Meanwhile, the frequent revisions to the law and systems have made it necessary for the Group's customers to practically respond accordingly. The Group has developed business operations aimed at contributing to its customers and local communities by providing systems and training services that promptly respond to revisions to the law and systems whenever they occur.

The Accounting Firm Business Division has supported certified public tax accountants and certified public accountants that are customers of TKC (hereinafter "TKC Members") with regard to their first settlements and filings under the consumption tax invoicing system, meeting the requirements for the mandatory retention of electronic transactions based on the revised Act on Book and Record Keeping through Electronic Methods, and responding to the fixed-amount tax reduction system that commenced in June this year.

The Local Governments Business Division has been working on systems development and transition support to ensure the smooth transition of systems by the deadline for compliance with the standard specifications (March 31, 2026), in accordance with the Basic Policy for Standardizing Information Systems in Local Governments resolved by the Cabinet on September 8, 2023.

As a result of these activities, during the period under review, the consolidated Group comprising TKC Corporation and its six consolidated subsidiaries recorded net sales of 75,219 million yen (increased 4.6% year on year), operating income of 15,505 million yen (increased 8.1% year on year), ordinary income of 16,035 million yen (increased 8.6% year on year), and net income attributable to owners of parent of 11,274 million yen (increased 4.1% year on year).

The 4.1% increase in net income attributable to owners of parent despite the more than 8% increases in operating income and ordinary income compared to the previous period is due to the recording of 365 million yen in gain on extinguishment of tie-in shares (extraordinary income) resulting from the merger and absorption of a non-consolidated subsidiary (TKC Financial Guarantee Co., Ltd.) during the previous period.

Net sales for the period under review by business division are shown below.

(ii) Business activities and operating results of the Accounting Firm Business Division

1) Business activities of the Accounting Firm BD

The Accounting Firm Business Division is working on the development and provision of products and services in close collaboration with TKCNF in order to support the sustainable development of accounting firms and SMEs that are client companies of the accounting firms.

Furthermore, it is providing a full range of cloud services to large-scale enterprises such as listed companies, law firms, universities, law schools, etc.

[Activities to achieve positive balance and proper filing]

a. Promotion of self-accounting by the TKC method (promotion of FX series)

SMEs are facing a challenging business environment due to inflation and depreciation of the yen, the start of repayment of the virtually interest-free/unsecured loans ("zero/zero loans") extended during the COVID-19 pandemic, and other factors. For this reason, we provided support so that management can quickly implement strategic decision-making through the utilization of management-strategy-level functions incorporated in the FX series Financial Accounting System for Enterprises (the 365 Days Floating Income Statement, budget entry, management by division, financing results spreadsheet, monthly reports of customer rankings, and annual forecast management). Moreover, in order for management to utilize these functions effectively, it is necessary for them to enter accounting transaction data in a timely and accurate manner and establish a system for monthly settlements. Therefore, the Company has also provided support for the utilization of daily-task-level functions, including a feature for receiving bank credit data, through which bank deposit transaction data can be received via online banking and journal entries generated automatically, as well as a feature for the integration of salary journals with the PX Series salary calculation system. In particular, in response to the fixed-amount tax reduction system, we provided not only system support but also prompt training and manuals to support the salary calculation operations of more than 170,000 client companies.

The FX series fully conforms with the consumption tax invoicing system and facilitates the proper filing of consumption tax. In particular, due to three points—a) the FX series is equipped with a function that automatically checks the applicability of transitional measures or special provisions; b) amounts deemed to be consumption tax due to transitional measures

concerning transactions with tax-exempt businesses can be posted automatically; and c) qualified invoice issuer numbers can be posted automatically to blue returns, consumption tax returns, and account itemization statements—all operations from accounting records to the filing of consumption tax can be completed in a single process, so the FX series is highly rated for its ability to increase productivity in accounting firm operations and facilitate proper filing.

In recognition of this, 325,000 companies were using the FX series as of September 30, 2024. The Company will continue to support SMEs in establishing a system for monthly settlements and achieving positive balance and proper filing through the introduction of the FX series.

b. Support for the preparation of highly reliable financial statements based on timely and accurate bookkeeping

The biggest feature of the financial accounting system provided by TKC Corporation is that it is predicated on the field audits and monthly settlements that TKC member firms implement for their clients every month, and it prohibits retroactive revisions and the processing of insertions or deletions in the transaction data after the implementation of field audits. It utilizes this feature to issue free of charge the Certificate of Bookkeeping Timeliness, which serves as a document used by financial institutions and others to objectively evaluate the reliability of accounting records.

This service was developed with the aim of improving the reliability of financial statements and tax returns prepared by TKC Members and facilitating smooth financing for the clients of TKC Members. 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 through a one-stop, full-line process in a timely manner. With the recent increase in the number of bankruptcies due to non-compliance, the Certificate of Bookkeeping Timeliness is a document that can demonstrate the “power of evidence” of accounting books, and we believe that its importance will grow going forward.

c. Promotion of TKC Monitoring Information Service

TKC Monitoring Information Service is a free cloud-based service that allows TKC member firms to disclose to financial institutions information such as monthly trial balance sheets, financial statements, and tax returns that they have prepared after monthly field audits and monthly settlements upon the request of the management of their clients.

The Company communicates to financial institutions that the reliability of financial statements prepared by SMEs can be verified using the following three sets of documents sent by TKC Monitoring Information Service:

- Supporting documents submitted by TKC Members as stipulated under Article 33-2 of the Certified Public Tax Accountants 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 correlation between financial statements and tax returns for the past three years; and
- The Chusho Kaikei Yoryo (Guidelines for SME Accounting) checklist developed by the Japan Federation of Certified Public Tax Accountants' Associations and the Japan Federation of Credit Guarantee Corporations.

As a result of these activities, TKC Monitoring Information Service has been adopted by 493 financial institutions as of September 30, 2024, surpassing 340,000 instances of use.

As a tool which can verify the three requirements presented in the Guidelines on Management Guarantees (distinguishing and separating relationships between corporations and individuals, strengthening financial foundation, and ensuring the transparency of management through the accurate determination of financial position as well as timely and appropriate information disclosure), TKC Monitoring Information Service is highly rated by financial institutions and credit guarantee corporations that offer management support to SMEs.

d. Fostering of good-standing companies through collaboration with TKCNF

The Accounting Firm Business Division is carrying out business operations aimed at achieving positive balance and proper filing through close collaboration with TKCNF, which is composed of 11,400 TKC Members (as of September 30, 2024).

TKCNF has set its activity policy for the three-year period from 2022 as follows.

“TKC accountants challenging the future—push through field auditing and support companies in achieving positive balance and proper filing”

- Massively expand superior electronic books—Promotion of self-accounting by the TKC method
- Become guardians of tax justice—Promotion of *shomen-tempu* (attachment of tax audit reports) by the TKC method
- Support the achievement of positive balance and foster good-standing companies—Promotion of field auditing and managerial advisory services

To support the activities of TKCNF and the achievement of their targets, the Company will engage in sales activities focused on the promotion of self-accounting by the TKC method.

TKCNF has issued the TKC Management Indicators (BAST), which contains the financial statement data of more than 250,000 companies, and companies that satisfy the following criteria are defined as “BAST good-standing companies.”

- Self-accounting by the TKC method used to implement monthly settlements
- Practice of *shomen-tempu* (attachment of tax audit reports) in accordance with Article 33-2, Paragraph 1, of the Certified Public Tax Accountants Act of Japan
- Compliance with the Chusho Kaikei Yoryo (Guidelines for SME Accounting) (including corporate accounting standards and SME accounting principles)
- Increase of marginal profit for two consecutive fiscal years
- Equity ratio of 30% or greater
- Positive net income before taxes

TKC Corporation is supporting the fostering of good-standing companies by TKC Members.

e. Soliciting new members (promoting membership of TKCNF)

TKCNF has worked toward its goal of having more than 1,000 firms join the federation as new TKC Members over the three-year period from 2022 to 2024, and it has achieved this goal as of September 30, 2024. We believe this is the result of our stronger efforts in collaborating with TKCNF's New Members Service Committee as well as our stronger support system to ensure that new firms joining TKCNF can make effective use of TKC systems.

[Expansion into large-scale enterprise market]

The Company contributes to the compliance and rationalization of tax and accounting operations at large enterprises through the use of TKC systems, especially at listed companies, and is actively working to solicit these companies and their affiliates to become clients of TKC Members.

a. Adoption of e-invoices

In August 2023, TKC was installed as the representative managing corporation of the E-Invoice Promotion Association (EIPA), and together with approximately 180 association member companies, primarily system vendors, we have worked on activities to promote the use of e-invoices. In July 2024, we participated in the Digital Forum for Certified Public Tax Accountants hosted by the Hokuriku Certified Public Tax Accountants' Association under EIPA and carried out a system demonstration of sending and receiving e-invoices using our Invoice Manager. Furthermore, at the Kaisha no Mirai College 2024 Nagoya (Port Messe Nagoya) held in July, we were in charge of a lecture on e-invoices as EIPA alongside the Digitalization and Business Reform Office of the National Tax Agency.

As a result of these activities, Invoice Manager has been introduced in approximately 1,000 medium and large-size companies as of September 30, 2024. The Company will continue to promote the use of e-invoices going forward.

b. Dissemination of information on compliance with new lease accounting standard

On September 13, 2024, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 34, "Accounting Standard for Leases," which will be mandatorily applied to listed companies from April 2027. As a result of this, all leases will be recorded on balance sheets as assets and liabilities as a general rule, and it will be necessary to identify related contracts and evaluate their asset values, which will require significant time and effort in practice. We have been actively disseminating information on compliance with this new lease accounting standard, and our seminar "Real Estate Lease Transactions under the New Lease Accounting Standard" delivered in August and September was viewed by 2,800 accounting personnel, including those at listed companies. The Company will continue to provide useful information on compliance with the new lease accounting standard going forward.

c. Expansion of market share among large-scale enterprises and support for expanding the client base of TKC Members

The Group Tax Shared Filing System (e-TAX Group Sharing) provided by TKC Corporation has been highly praised by the market, and it is being used in many companies that have adopted the Group Tax Sharing System. Approximately 40% of the 20,900-odd companies with a capital of more than 100 million yen now use our ASP1000R electronic tax filing system for corporations and the Group Tax Shared Filing System (e-TAX Group Sharing) as of September 30, 2024.

At the same time, the number of corporate groups using the TKC Consolidated Group Solution totaled approximately 5,670 corporate groups as of September 30, 2024. Currently, our market share of the listed companies in Japan has reached 43%, with 93 companies out of the top 100 companies with the highest net sales among the listed companies in Japan (93%) using the systems of TKC.

[Expansion of market for legal information database services]

TKC Corporation is providing a wide range of legal information services to the legal community, particularly accounting firms, as well as to the academic market, corporate legal departments, etc.

a. Expansion of the number of records and content in the TKC Law Library

TKC Corporation provides the TKC Law Library, a legal information database which boasts the industry's largest archive (more than 346,000 judicial precedents). Centered on judicial precedent information (LEX/DB), it comprehensively covers laws, documents, law journals, specialized books on law, and related additional information, and we are constantly enhancing the content of the Library. As a result of these activities, there has been a transition from paper-based research

that makes use of reference rooms and libraries to online research, which has led to a steady increase in the number of customers adopting our service.

For the period under review, usage of the Library gained traction at TKC member firms, universities, law schools, government offices, law firms, patent offices, corporate legal departments, and overseas research institutions, with 70,000 IDs from around 27,000 institutions using the Library as of September 30, 2024.

b. Expansion into the academic market

Many universities and law schools are promoting the digital transformation of their learning environment to allow for online use of materials and research. Our TKC Law School Educational and Research Support System can be used online anytime, anywhere, and contains a diverse variety of content that surpasses that of other companies. It is also equipped with various features such as report submission, online exercises, tests, and other components that support classes and self-study. More than 160 universities have signed a contract in FY2024 to adopt our TKC Law School Educational and Research Support System, which is rated highly by faculty members and students.

Furthermore, for law school students, graduates, individuals who have passed the preliminary exam, etc., who aim to sit for the bar exam, we also support their preparation for the bar exam by conducting the TKC Standardized Nationwide Mock Exam. More than 2,500 individuals have taken the 2024 TKC Standardized Nationwide Mock Exam, accounting for over 60% of the approximately 4,000 students who are scheduled to take the bar exam in 2024. The TKC Standardized Nationwide Mock Exam is widely recognized as the standard mock exam for the bar exam and boasts the best results in the industry, with more than five times the number of candidates of those of other companies in the industry. Going forward, we seek to further increase the number of candidates by developing a computerized test environment in preparation for the transition to the CBT examination scheduled to be implemented by the Ministry of Justice in 2026.

2) Analysis of the Accounting Firm BD's operating results

Net sales of the Accounting Firm Business Division were 50,467 million yen (increased 3.5% year on year); operating income was 11,289 million yen (increased 1.4% year on year). Breakdown of key sales is as follows:

- a. Sales from computer services increased by 4.6% year on year. This was attributable to an increase in the use of cloud services due to the growth in number of implementations of the FX Cloud Series amid the digital transformation (DX) of the accounting work of clients, and the increasing adoption of the Office Management System for Tax Accounting Firms (OMS Cloud) that caters to accounting firms and OMS Connect, which allows them to work remotely using OMS from home or outside their offices.
- b. Software sales increased by 4.0% year on year. This was attributable to an increase in the number of clients that started using the FX Cloud Series, which was quick to comply with the consumption tax invoicing system, the revised Act on Book and Record Keeping through Electronic Methods, and the fixed-amount tax reduction system.
- c. Sales from consulting services increased 2.6% year on year. This was due to an increase in the number of implementations of startup support services accompanying new orders for FX4 Cloud, a financial accounting system that caters to medium-sized companies.
- d. Hardware sales increased by 6.6% year on year. This was mainly due to the steady number of orders for hardware resulting from the subsidization of hardware purchase costs under the Small and Medium Enterprise Agency's Subsidy Program for Introducing IT to Businesses for Productivity Improvement in Services, etc. ("Subsidies for Introduction of IT"), as well as the rise in unit sales prices for IT devices.
- e. Sales from supplies decreased by 3.1% year on year. This was attributable to a decrease in the sale of accounting supplies, etc., due to the progress of digitalization, which more than offset the increase in agent transactions under the revenue recognition criteria for digital multifunction printers and other office equipment.
- f. The improvement in operating income year on year was a result of sales from computer services and software with higher profit margins growing steadily.

(iii) Business activities and operating results of the Local Governments Business Division

The Local Governments Business Division offers specialized information services in order to help promote the welfare of residents by improving administrative efficiency. The TKC Government Cloud Service provided by TKC Corporation to municipalities has been adopted by more than 1,140 municipalities (prefectures, cities, wards, towns, villages, etc.) as of September 30, 2024.

1) Business activities of the Local Governments BD

a. Meeting the needs of the standardization of local government information systems

Based on the Basic Policy for Standardizing Information Systems in Local Governments resolved by the Cabinet on September 8, 2023, it is now mandatory for municipalities to use mission-critical operations systems that conform with the standardization criteria and to strive to use the Government Cloud with standardization-compliant systems by March 31, 2026.

TASK Cloud Service, the mission-critical operations system that we are currently providing, is a single-version package system operated at our data centers that is designed to allow shared usage by multiple institutions. Service fees are charged in the form of a subscription fee, which also includes one regular upgrade per year. Moreover, through provision of the TASK Outsourcing Service, we provide integrated support for massive batch-printing of forms such as tax papers and entry tickets for elections. In recognition of this, the mission-critical system-related services of TKC Corporation have been adopted by approximately 170 local municipalities as of September 30, 2024.

For the period under review, we have been developing standardization-compliant systems to support the standardization of mission-critical operations systems and conducting various activities to support customer organizations in completing the transition to standardization-compliant systems and the Government Cloud by the deadline.

b. Support for digitalization and online provision of administrative procedures

The Company develops and provides support solutions for the digitalization of administrative services to achieve digital counter services with the “3 No’s (no visiting, no waiting, and no writing).”

For the period under review, we have enhanced the functionalities of the TASK Cloud Smart Application System and the TASK Cloud Easy Counter Service System, and have carried out the complete renewal of the TASK Cloud My Number Card Issuance Reservation and Management System in anticipation of the expanded use of the My Number Card going forward.

As a result of this, the TASK Cloud Smart Application System has been adopted by at least 60 agencies, including government ordinance-designated cities such as Osaka and Yokohama, while the TASK Cloud Easy Counter Service System and the TASK Cloud My Number Card Issuance Reservation and Management System have been adopted by at least 120 and 180 agencies, respectively, as of September 30, 2024.

c. Support for digitalization of local tax administrative procedures

As an authorized contractor of the Local Tax Agency, TKC Corporation provides cloud-based services for standard systems such as the inspection system eLTAX (local tax portal system) offered by the Agency. We also develop and provide the Data Integration Service as our proprietary feature to integrate these systems with the individual tax systems of various municipalities.

In promoting this service, we have jointly developed proposals with approximately 50 partner companies with which we have ongoing alliance partner agreements. As a result, our TASK Cloud Local Taxes Electronic Filing Support Service is currently adopted by approximately 790 agencies, which account for more than 40% of all prefectures and local municipalities, as of September 30, 2024.

The national government is aiming to achieve complete digitalization of local tax administrative procedures through eLTAX, etc., and we will continue to support municipalities and related organizations to work toward achieving this goal.

d. Support for digitalization of internal administrative work

TKC Corporation develops and provides the TASK Cloud Public Accounting System, an integrated financial accounting system for local public accounting, as well as related systems.

For the period under review, we have significantly enhanced various functions that comprehensively support sustainable administrative management from implementation planning to budgeting, settlement of accounts, and administrative evaluation, as well as the functions of electronic approval systems. As a result, the TASK Cloud Public Accounting System has been adopted by approximately 360 agencies as of September 30, 2024. The TASK Cloud Document Management System is currently under development, and its integrated use with the TASK Cloud Public Accounting System is expected to help digitalize internal administrative work and streamline operations.

2) Analysis of the Local Governments BD’s operating results

Net sales of the Local Governments BD were 21,754 million yen (increased 6.9% year on year); operating income was 4,110 million yen (increased 34.4% year on year). Breakdown of key sales is as follows:

a. Sales from computer services decreased by 0.2% year on year. This was due to the absence in the period under review of the printing of COVID-19 booster vaccination vouchers, for which we had received orders in the previous period. On the other hand, service fees increased steadily due to the expansion of tax items for the common local tax payment system and the full-scale operation of our systems for new customers.

b. Software sales increased by 28.8% year on year. This was due to a large increase in system upgrading operations accompanying the transition to standardization-compliant systems, as well as one-time system upgrading operations arising from a range of legal amendments, including benefit programs for low-income households and measures to alleviate the economic burden on child-rearing households, the fixed-amount tax reduction system, revisions to the child allowance system, and the romanization of names on My Number Cards.

c. Sales from consulting services decreased by 34.4% year on year. This was due to the absence in the period under review of support services for the introduction of, for example, the one-stop service for completing moving in/out procedures

started under a partial amendment to the Basic Resident Register Act and the expansion of tax items for the common local tax payment system, for which we had received orders in the previous period.

- d. Hardware sales increased by 6.1% year on year. This was due to an increase in the number of customer organizations who needed to renew their hardware and network devices in the period under review.
- e. The year-on-year increase in operating income was due to a significant increase in system upgrading operations with higher profit margins.

(iv) Business activities and operating results of the Printing Business Division

1) Business activities of the Printing BD

TLP Corporation, which is responsible for the Group's Printing Business, manufactures continuous business forms and office supplies for TKC's computer-based accounting for use at the TKC Consolidated Information Center of our Accounting Firm Business Division, as well as printed materials for our customers such as various printed and typed tax ledgers and other documents for the outsourcing services of our Local Governments Business Division.

TLP Corporation operates with a primary focus on DPS, business form printing, and the printing of commercial-use creative materials for general companies, government offices, and local municipalities.

In the DPS field, it provides outsourcing (BPO) aimed at rationalizing the creation of direct mail (DM) and notification-related operations of general administration, accounting, and personnel departments. In particular, we are working to increase the value offered to customers who use the Company's services, including the measurement of the effects of DM through the utilization of QR codes.

In the business form printing field, the use of business forms and slips is decreasing due to the increasing adoption of paperless methods, but there is clear demand for handwritten forms and specific forms, so we will engage in sales activities utilizing our strength in form printing.

In the commercial-use creative materials field (catalogs, books, etc.), we are supporting the provision in a timely manner of the publications required by customer companies, including printed materials for the anniversary events of customer companies, revised editions of specialized books due to legal revisions, etc. Furthermore, after the COVID-19 pandemic, face-to-face seminars and events are increasing in number and demand for the creation of materials to be distributed is also growing. We are increasing added value by undertaking contracts for the entire process from the creation to the printing of designs, thereby expanding the number of new business partners.

Furthermore, against the backdrop of an increasing number of environmentally conscious customers, we have steadily increased the use of FSC®-certified paper (having acquired the FSC certification (CoC certification/FSC-C182216) on October 3, 2022) by 45.5% year on year. We have also begun newly producing and selling paper files as an environmentally friendly alternative to clear files and are catering to the needs of customers who are environmentally conscious.

2) Analysis of the Printing BD's operating results

Net sales of the Printing BD were 2,997 million yen (increased 6.7% year on year); operating income was 101 million yen (decreased 21.0% year on year). Breakdown of key sales is as follows:

- a. Sales of products related to data printing services (hereinafter "DPS") increased by 10.3% year on year. This was due to an increase in orders from general companies for the production and delivery of direct mail, health insurance eligibility information, and other notifications.
- b. Business form-related sales increased by 1.0% year on year. This was due to the fact that although orders for slip printing operations are decreasing as a consequence of the progress of digitalization at customer companies, there is still strong demand for photocopiable handwritten slips using carbonless paper.
- c. Sales related to the printing of commercial-use creative materials (catalogs, books, etc.) decreased by 27.2% year on year. This was due to the absence in the period under review of printing operations related to manuals explaining the consumption tax invoicing system or anniversary activities of customer companies, for which we had received orders in the previous period.
- d. The year-on-year decrease in operating income was due to an increase in expenses for renewing the security system of our Printing Business, which handles personal information, to ensure that we are prepared for the growing threat of cyber attacks.

(v) Important matters with respect to the Company as a whole

1) Number of users of TKC's Peppol access points exceeds 5,600

As of September 30, 2024, the number of users of Peppol access points of TKC, which has been certified as a Peppol service provider by the Digital Agency, exceeded 5,600. Both the number of Peppol invoice users and the number of invoices sent and received are increasing steadily.

2) Acquired patent for the generation of detailed journal entries from e-invoices

On June 26, 2024, we were granted a patent for the generation of detailed journal entries from e-invoices (Patent No. 7511098). This patented technology allows for the generation of journal entries on a line-by-line basis for e-invoices received for purposes such as performance management by department. We will release the license for this patented technology free of charge under certain conditions to contribute to the spread and utilization of e-invoices.

3) Number of financial institutions with which we have entered into business matching agreements for OBM has increased to 21

The number of financial institutions with which we have entered into business matching agreements for the Overseas Business Monitor (OBMonitor, hereinafter "OBM") has increased to 21. OBM is a cloud-based service that allows parent companies in Japan to "visualize" the financial position of Japanese companies operating overseas (overseas subsidiaries). We support the overseas expansion of medium-sized companies and SMEs through the provision of OBM. As of September 30, 2024, a cumulative total of 1,630 companies (in 38 countries) have used this service.

4) TKC Customer Support Service Co., Ltd. (TCSS) rated "3 Star" for three consecutive years in HDI Benchmarking

TCSS is a wholly-owned subsidiary of the Company that specializes in call center services. On October 18, 2023, TCSS was awarded the highest "3 Star" rating by HDI-Japan in its quality ranking benchmark for the phone support services provided. This marks the third consecutive year that TCSS has received the highest rating.

(vi) 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 124,882 million yen, an 8,525 million yen increase compared to 116,356 million yen as of the end of the previous consolidated fiscal year.

a. Current assets

Current assets as of the end of the current consolidated fiscal year amounted to 46,672 million yen, a 3,498 million yen increase from 43,173 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 1,604 million yen increase in cash and deposits and a 1,339 million yen increase in accounts receivable-trade.

b. Non-current assets

Non-current assets as of the end of the current consolidated fiscal year amounted to 78,209 million yen, a 5,026 million yen increase compared to 73,182 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 2,198 million yen increase in software in progress, a 1,477 million yen increase in long-term prepaid expenses included in "other" under investments and other assets, and a 1,500 million yen increase in long-term deposits.

2) Liabilities

Total liabilities as of the end of the current consolidated fiscal year amounted to 22,705 million yen, a 1,657 million yen increase compared to 21,047 million yen as of the end of the previous consolidated fiscal year.

a. Current liabilities

Current liabilities as of the end of the current consolidated fiscal year amounted to 19,347 million yen, a 2,549 million yen increase from 16,797 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 1,427 million yen increase in provisions for bonuses and a 755 million yen increase in income taxes payable.

b. Non-current liabilities

Non-current liabilities as of the end of the current consolidated fiscal year amounted to 3,357 million yen, an 891 million yen decrease from 4,249 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to a 704 million yen decrease in retirement benefit liabilities.

3) Net assets

Total net assets as of the end of the current consolidated fiscal year amounted to 102,176 million yen, a 6,868 million yen increase compared to 95,308 million yen as of the end of the previous consolidated fiscal year.

This was mainly attributable to an increase of 6,248 million yen in retained earnings and an increase of 472 million yen in valuation difference on available-for-sale securities.

Equity ratio as of the end of the current consolidated fiscal year was 81.8%, a 0.1 point decrease compared to the ratio of 81.9% as of the end of the previous consolidated fiscal year.

(vii) 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 increased by 1,604 million yen from the end of the previous consolidated fiscal year, amounting to 30,397 million yen. The overview of cash flows for the current consolidated fiscal year and the major factors contributing to the results are as follows.

1) Cash flows from operating activities

Cash flows from operating activities increased by 12,796 million yen (270 million yen decrease in revenue year on year). Major factors include the recording of 16,009 million yen in net income before taxes and adjustments and 3,517 million yen in depreciation, as well as a payment of 4,575 million yen in income taxes and an increase of 1,329 million yen in notes and accounts receivable-trade.

2) Cash flows from investing activities

Cash flows from investing activities decreased by 5,964 million yen (102 million yen increase in spending year on year). Major factors include an expenditure of 4,800 million yen for payment into time deposits, proceeds of 3,300 million yen from the withdrawal of time deposits, an expenditure of 1,450 million yen for the purchase of property, plant, and equipment, and an expenditure of 4,066 million yen for the purchase of intangible assets.

3) Cash flows from financing activities

Cash flows from financing activities decreased by 5,228 million yen (343 million yen decrease in spending year on year). Major factors include an expenditure of 130 million yen for the repayment of lease obligations and a payment of 5,019 million yen for year-end dividends for the fiscal year ended September 2023 (dividend of 51 yen per share) and interim dividends for the fiscal year ended September 2024 (dividend of 45 yen per share).

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

	FY ended September 2021	FY ended September 2022	FY ended September 2023	FY ended September 2024
Equity ratio (%)	80.7	80.0	81.9	81.8
Ratio of equity at market value (%)	179.2	164.6	163.1	159.7
Debt redemption (years)	0.1	0.1	0.1	0.0
Interest coverage ratio (times)	27,055.7	8,627.1	11,323.4	17,357.9

Equity ratio = Total equity ÷ Total assets x 100

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

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 stock).

(2) Production, orders received, and sales

(i) Production

None to be disclosed.

(ii) Orders received

None to be disclosed.

(iii) Sales

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

Name of segment	Amount (millions of yen)	Year-on-year rate (%)
Accounting Firm Business	50,467	103.5
Local Governments Business	21,754	106.9
Printing Business	2,997	106.7
Total	75,219	104.6

(Note) Transactions between segments have been offset.

(3) Analysis and discussion of operating results, etc., from management's perspective

(i) 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 the scope of these accounting standards, and such estimates and assumptions are reflected in the figures of assets and liabilities, revenue and expenses. While management assesses these estimates on an ongoing basis and makes revisions as necessary based on changes in conditions, there are uncertainties in the estimates that may cause actual results to differ from these estimates.

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

(ii) Factors that have a material impact on the Group's operating results

Refer to "3 [Risk Factors]."

(iii) Analysis and discussion of the Group's cash flows, capital resources, and liquidity of funds

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

Amid the rapid advancement of information and communication technologies (ICT) and major changes in social systems, we strive to make advance investments in research and development efforts and actively pursue other capital investments

in order to respond promptly to the changing market environment and achieve a competitive advantage while leading our customers' businesses to success.

(iv) 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, based on the premise of continuing as a going concern. Based on this policy, we have established and managed the following items as important management indicators:

1) Management indicators based on consolidated figures

- a. Year-on-year sales ratio: 3% or greater
- b. Return on equity (ROE): 11% or greater

2) Management indicators based on non-consolidated figures

- a. Equity ratio: 80% or greater
- b. Marginal profit ratio: 70% or greater
- c. Return on equity (ROE): 11% 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 varies depending on the product mix. Marginal profit ratio refers to the amount of this marginal profit as a percentage of the amount of sales.

Under these circumstances, the consolidated year-on-year sales ratio for the period under review was 4.6% (a decrease of 1.4 points year on year), and the consolidated return on equity was 11.4% (a decrease of 0.4 points year on year).

The non-consolidated equity ratio was 84.4% (a decrease of 0.6 points year on year), the non-consolidated marginal profit ratio was 79.8% (an increase of 1.1 points year on year), and the non-consolidated return on equity was 11.8% (an increase of 0.0 points year on year).

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

5 [Material Agreements, etc.]

None to be disclosed.

6 [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 6,627 million yen were made in the current consolidated fiscal year.

(1) Accounting Firm Business

Capital investments of 2,759 million yen were made for the reinforcement of the common cloud infrastructure to enhance the cloud environment for the Company's systems and for the development of software for sale.

(2) Local Governments Business

Capital investments of 3,597 million yen were made for the replacement of the eLTAX service operating equipment and for the development of software to provide services over cloud systems.

(3) Printing Business

Capital investments of 270 million yen were made for the installation of insertion/sealing equipment.

2 [Major Property, Plant and Equipment]

(1) The Company

As of September 30, 2024

Name of office (Address)	Name of segment	Facilities	Book values (millions of yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (area in m ²)	Tools, furniture and 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 Business Local Governments Business	Development facilities Information communication service facilities Information processing facilities	4,763	5	2,807 (31,056.13)	1,648	7,863	17,088	1,321
TKC Tokyo Head Office TKC Systems Development Research Center, Tokyo Branch (Shinjuku-ku, Tokyo)	Accounting Firm Business Local Governments Business	Office facilities	86	—	—	96	—	182	360
TKC Tokyo Consolidated Information Center (Nerima-ku, Tokyo)	Accounting Firm Business	Information processing facilities	181	—	2,224 (1,447.44)	4	—	2,410	18
TKC Chubu Consolidated Information Center (Kasugai-shi, Aichi)	Accounting Firm Business	Information processing facilities	54	—	196 (3,017.47)	2	0	254	15
TKC Kansai Consolidated Information Center (Ibaraki-shi, Osaka)	Accounting Firm Business	Information processing facilities	415	—	286 (1,808.03)	5	0	707	36
TKC Chushikoku Consolidated Information Center TKC Chushikoku Control Center (Kita-ku, Okayama-shi, Okayama)	Accounting Firm Business	Information processing facilities Office facilities	29	—	—	7	—	37	8
TKC Kyushu Consolidated Information Center (Koga-shi, Fukuoka)	Accounting Firm Business	Information processing facilities	199	—	203 (2,341.48)	2	0	406	10

As of September 30, 2024

Name of office (Address)	Name of segment	Facilities	Book values (millions of yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (area in m ²)	Tools, furniture and fixtures	Other	Total	
TKC Hokkaido Consolidated Information Center TKC Hokkaido SCG Service Center (Chuo-ku, Sapporo-shi, Hokkaido)	Accounting Firm Business	Information processing facilities Office facilities	29	—	—	8	0	38	31
TKC Tohoku Consolidated Information Center TKC Tohoku SCG Service Center (Aoba-ku, Sendai-shi, Miyagi)	Accounting Firm Business	Information processing facilities Office facilities	3	—	—	3	0	7	18
TKC Okinawa SCG Service Center (Naha-shi, Okinawa)	Accounting Firm Business	Office facilities	12	—	—	2	0	14	6
TKC Ibaraki SCG Service Center TKC Ibaraki Sales Section (Tsukuba-shi, Ibaraki)	Accounting Firm Business Local Governments Business	Office facilities	17	—	147 (1,120.00)	0	0	165	22
TKC Yamaguchi SCG Service Center (Yamaguchi-shi, Yamaguchi)	Accounting Firm Business	Office facilities	16	—	197 (814.00)	1	0	215	5
Dormitories, company housing (Utsunomiya-shi, Tochigi)	Accounting Firm Business Local Governments Business	Welfare facilities	186	—	391 (5,326.69)	6	—	584	—

(2) Domestic subsidiaries

As of September 30, 2024

Company name	Name of office (Address)	Name of segment	Facilities	Book values (millions of yen)						Number of employees (persons)
				Buildings and structures	Machinery, equipment and vehicles	Land (area in m ²)	Tools, furniture and fixtures	Other	Total	
TLP Corporation	Hanyu Plant (Hanyu-shi, Saitama)	Printing Business	Printing facilities	64	187	145 (7,275.17)	11	17	425	80
TLP Corporation	DPS Solutions Center (Hanyu-shi, Saitama)	Printing Business	Printing facilities	781	266	132 (9,768.00)	23	272	1,477	60

(Notes) 1. The status of equipment and facilities held by consolidated companies other than those described above is small in scale and has been omitted.

2. The "Other" field under book value represents leased assets and software (including work in progress).

3. *1 includes some of the welfare facilities.

*2 includes 1,117 million yen for leased buildings and 22 million yen for leased tools, furniture and fixtures, which have been leased to our subsidiary TKC Customer Support Service Co., Ltd.

4. 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 a comprehensive review of economic forecasts, industry trends, investment efficiency, and other factors.

While, in principle, capital projects are formulated individually by each consolidated company, the Company takes the 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, 2024), 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

(ii) [Issued shares]

Class	As of the end of the fiscal year Number of shares (shares) (September 30, 2024)	As of the date filed Number of shares (shares) (December 23, 2024)	Name of stock exchange on which the Company is listed, or name of Authorized Financial Instruments Firms Association	Description
Common stock	53,166,466	53,166,466	Tokyo Stock Exchange Prime Market	Number of shares constituting a unit: 100 shares
Total	53,166,466	53,166,466	—	—

(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 1)	26,731,033	53,462,066	—	5,700	—	5,409
September 29, 2023 (Note 2)	(295,600)	53,166,466	—	5,700	—	5,409

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

2. As a result of retirement of treasury stock.

(5) [Shareholders composition]

As of September 30, 2024

Classification	Status of shares (100 shares in one unit of shares)							Number of shares less than one unit (shares)	
	Government and municipalities	Financial institutions	Financial instruments business operators	Other corporate bodies	Foreign corporate bodies, etc.		Other individuals		Total
					Non-individuals	Individuals			
Number of shareholders (persons)	—	25	23	156	166	4	8,054	8,428	—
Number of shares held (share units)	—	172,772	3,217	137,008	74,813	15	143,132	530,957	70,766
Percentage of shares held (%)	—	32.5	0.6	25.8	14.1	0.0	27.0	100.0	—

(Notes) 1. Of the 815,446 shares held as treasury stock, 8,154 share units are included in “Other individuals” and 46 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 2,038 units of the Company’s stock held by the BIP Trust.

(6) [Major shareholders]

As of September 30, 2024

Name of shareholder	Address	Number of shares held (hundreds of shares)	Percentage of shares held to the total number of issued shares (excluding treasury stock) (%)
Iizuka Takeshi Scholarship Foundation	1758 Tsurutamachi, Utsunomiya-shi, Tochigi	75,170	14.4
The Master Trust Bank of Japan, Ltd. (Trust account)	1-8-1 Akasaka, Minato-ku, Tokyo	50,151	9.6
Daido Life Insurance Company	1-2-1 Edobori, Nishi-ku, Osaka-shi, Osaka	47,964	9.2
Sozeishiryokan (The Institute of Tax Research and Literature)	3-45-13 Minamidai, Nakano-ku, Tokyo	30,930	5.9
TKC Group Employee Shareholding Association	2-1 Agebacho, Shinjuku-ku, Tokyo	29,886	5.7
State Street Bank and Trust Company 505001 (Mizuho Bank, Ltd., Settlement & Clearing Services Department)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1 Konan, Minato-ku, Tokyo)	21,570	4.1
Masaharu Iizuka	Utsunomiya-shi, Tochigi	14,626	2.8
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2-6-4 Otemachi, Chiyoda-ku, Tokyo	13,328	2.5
Custody Bank of Japan, Ltd. (Trust account)	1-8-12 Harumi, Chuo-ku, Tokyo	12,880	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	—	320,440	61.2

(Note) The 203,800 shares of the Company held by the BIP Trust are not included in the treasury stock to be deducted in calculating the percentage of shares held to the total number of issued shares.

(7) [Status of voting rights]

(i) [Shares issued]

As of September 30, 2024

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 815,400	—	—
Shares with full voting right (others)	Common stock 52,280,300	522,803	—
Shares less than one share unit	Common stock 70,766	—	—
Total number of issued shares	53,166,466	—	—
Total voting rights held by all shareholders	—	522,803	—

(Note) Shares with full voting right (others) include 1,300 shares (13 units of voting rights) registered under the name of Japan Securities Depository Center, Inc., and 203,800 shares (2,038 units of voting rights) held by the BIP Trust.

(ii) [Treasury stock, etc.]

As of September 30, 2024

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	815,400	—	815,400	1.53
Total	—	815,400	—	815,400	1.53

(Note) In addition to the above, the 203,800 shares held by the BIP Trust are recorded as treasury stock in the consolidated financial statements.

(8) [Information on employee stock ownership plan]

The Company introduced this Plan with the objectives of clarifying the correlation between the Company's shareholder value and the compensation for Directors (excluding Outside Directors and expatriates), Executive Officers (excluding expatriates), and Auditors (excluding Outside Auditors and expatriates) (hereinafter referred to collectively as "Directors, etc."), and of motivating Directors, etc., to contribute more to enhancing medium- to long-term corporate value by sharing a common interest with shareholders, including not only the benefits of rising share prices but also the risks associated with declining share prices. The introduction of the Plan was approved by resolution at the 52nd Ordinary General Meeting of Shareholders held on December 21, 2018.

The trust period of the Plan was established for three fiscal years between the fiscal year ended September 30, 2019, and the fiscal year ended September 30, 2021 ("Initial Trust Period"). Since the trust period was set to expire on February 28, 2022, the Company resolved at the Board of Directors meeting held on February 10, 2022, to extend the trust period for three years and to continue the Plan.

(i) Description of the Plan

The Plan uses a structure called a Board Incentive Plan trust (hereinafter "BIP Trust"). The Plan is similar to performance-linked share compensation (performance share) and share compensation with transfer restrictions (restricted stock) in the US and Europe, and involves the delivery and provision of the Company's shares and cash equivalent to the amount from the conversion and disposition of 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.

1) The Company has contributed a total amount not exceeding 1,549 million yen to the Trust for the Initial Trust Period. An

amount not exceeding 977 million yen in total has been included in the Initial Trust Period as the amount under measures to be taken for the transition from the stock-based compensation stock option scheme.

- 2) The Company resolved at the meeting of the Board of Directors held on February 10, 2022, to extend the trust period for three years and to continue the Plan. However, the total amount to be contributed by the Company shall not exceed 500 million yen for Directors and Executive Officers and 72 million yen for Auditors, as resolved at the 52nd Ordinary General Meeting of Shareholders held on December 21, 2018. No additional contribution was made upon continuation of the Plan.

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.)
Beneficiaries	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 (extended until February 28, 2025, based on changes to the Trust Agreement on February 14, 2022)
Start of plan	March 1, 2019
Exercising of voting rights	Not to be exercised
Class of shares to be acquired	Common stock of the Company
Maximum amount of trust fund	Directors and Executive Officers: 500 million yen (including trust fees and expenses) Auditors: 72 million yen (same as above)
Acquisition of shares	To be acquired in the stock market or from the Company (disposition of treasury stock)
Holder of vested rights	TKC Corporation
Residual property	The residual property that the Company (as the 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, etc.
Directors, etc., who satisfy the beneficiary conditions

2 [Acquisition of Treasury Stock, etc.]

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

(1) [Acquisition of treasury stock based on resolution of the General Meeting of Shareholders]

None to be disclosed.

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

None to be disclosed.

(3) [Acquisition of treasury stock not based on resolutions of General Meeting of Shareholders or Board of Directors]

Classification	Number of shares (shares)	Total amount (yen)
Treasury stock acquired during the current fiscal year	1,728	6,369,110
Treasury stock acquired during the current period	100	386,400

(Note) Treasury stock acquired during the current period does not include shares constituting less than one unit purchased during the period from December 1, 2024, to the date on which this Annual Securities Report was filed.

(4) [Disposition and holding of acquired treasury stock]

Classification	Current fiscal year		Current period for acquisition	
	Number of shares (shares)	Total amount disposed (yen)	Number of shares (shares)	Total amount disposed (yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock retired	—	—	—	—
Acquired treasury stock transferred due to merger, share exchange, subscription, or company split	—	—	—	—
Other (sold due to demand for sale of fractional unit shares)	50	134,990	38	102,673
Number of shares of treasury stock held	815,446	—	815,508	—

(Notes) 1. The disposition and holding of treasury stock acquired during the current period do not include shares transferred through the exercise of share subscription rights, shares obtained through the purchase of shares constituting less than one unit, and shares sold through demand for sale during the period from December 1, 2024, to the date on which this Annual Securities Report was filed.

2. The number of shares of treasury stock held does not include the 203,800 shares of the Company held by the BIP Trust.

3 [Dividend Policy]

The basic policy of the Company is to pay two annual dividends of retained earnings comprising 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, Paragraph 5, of the Companies Act of Japan may be paid by resolution of the Board of Directors every year with March 31 as the record date.

TKC's basic dividend policy is to maintain a dividend payout ratio (non-consolidated) of about 50% while continuing to maintain optimal profit in each fiscal year in order to meet the expectations of its shareholders. Amid the rapid advancement of information and communication technologies (ICT) and major changes in social systems, it is essential to make advance investments in research and development efforts and actively pursue other capital investments to enhance support for accounting firms and local governments that are the Company's customers and lead their businesses 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 for R&D and making funds available for stable dividend payouts over the long term.

- (1) An interim dividend of 45 yen per share has been paid following a resolution of the Board of Directors.
- (2) The year-end dividend shall consist of an ordinary dividend of 45 yen per share and a special dividend of 10 yen per share as announced on November 13, 2024.
- (3) Dividend per share for the current fiscal year shall be 100 yen, which is the sum of an interim dividend of 45 yen per share and a year-end dividend of 55 yen per share.

As a result, the annual payout ratio (non-consolidated) will be 46.7%.

Date of resolution	Total amount of cash dividends (millions of yen)	Dividend per share (yen)
May 10, 2024 Meeting of the Board of Directors	2,355	45.00
December 20, 2024 Ordinary General Meeting of Shareholders	2,879	55.00

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, with the following two business objectives listed 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 our business operations expanded, our management policy of focusing on accounting firms and local governments and specializing in the field of information and communication technologies (ICT) to guide our customers' businesses to success remains unchanged, and this has led the Group to occupy a unique position in Japan's IT industry.

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. As such, from a compliance perspective, our customers are required by vocation-based laws (Certified Public Tax Accountants Act and Certified Public Accountants Act) or administrative laws (Local Autonomy Act and Local Public Service Act) to adhere to much stricter levels of compliance than other types of businesses 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 relevant to our customer's business, and the Group strives diligently to ensure total compliance in managing individual Group companies as well as the Group as a whole in order to earn the trust of these customers.

As such, the Group understands corporate governance as follows:

1. In order to achieve the business objectives of the Company in compliance with laws and regulations, the Articles of Incorporation, and the resolutions of 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' businesses 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 a corporate governance process, we aim to improve the transparency of our decision-making and business processes, implement thorough risk management measures, and undertake timely information disclosure and accountability to continue enhancing our corporate value.

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 strive to 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, participates in deliberations, and expresses their opinions. The Company has adopted 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

Full-time Auditors chair the meetings of the Board of Auditors, which are held at least once every quarter and attended by other Auditors where they receive reports on the status of audits from the Accounting Auditor, report on the status of audits conducted by each Auditor, and exchange opinions. Auditors attend the monthly meetings of the Board of Directors and provide advice and suggestions to ensure the legality, propriety, and appropriateness of the decision-making and resolutions of the Board of Directors.

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

(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 Officers and outside experts, and the Committee was established as an advisory body to the Board of Directors in order 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 positions;
- (ii) Appointment and dismissal of Directors and Executive Officers holding executive positions;
- (iii) Policy for the determination of compensation for Directors and Executive Officers holding executive positions;
- (iv) Policy for the determination of individual compensation for Directors and Executive Officers holding executive positions;
- (v) Individual compensation for Directors and Executive Officers holding executive positions;
- (vi) Appointment and dismissal of Representative Directors and Auditors of subsidiaries and their individual compensation; and
- (vii) Other matters that the Board of Directors deems 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: Misao Taguchi (Outside expert)

Member: Keiichiro Kato (Outside Director)

Member: Shigeki Taenaka (Outside Auditor)

Member: Masanori Iizuka (Director)

Member: Satoshi Hitaka (Director)

2. Reasons for selecting the current corporate governance system

The Company adopts an auditor system and 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, propriety, and appropriateness of the decision-making and resolutions of the Board of Directors.

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

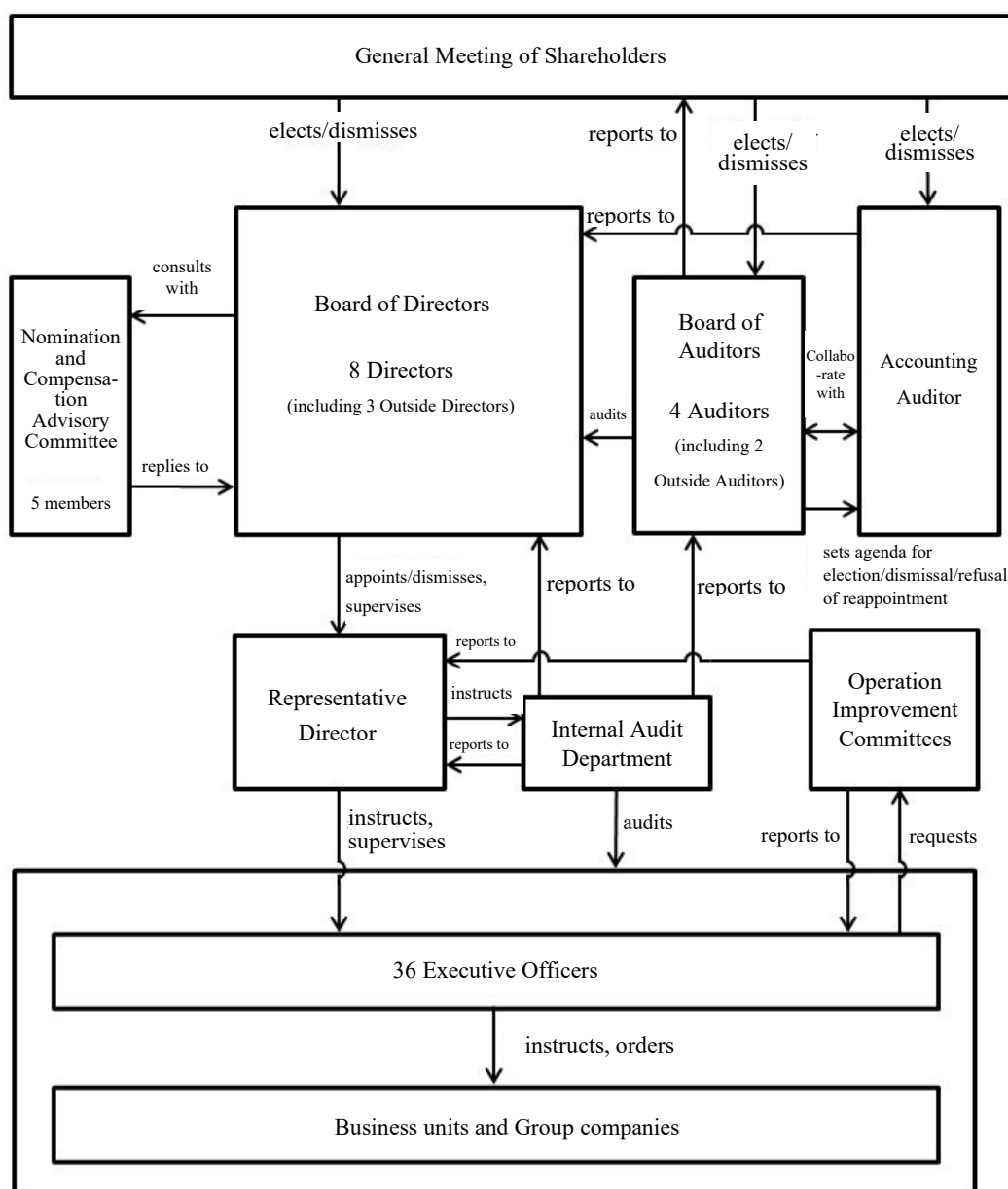
We also have three Outside Directors and two Outside Auditors, a total of five members who meet the requirements of independent Directors/Auditors and are notified to the Tokyo Stock Exchange.

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

Therefore, we believe that the functions to supervise management activities are adequate under the current system, which enables us to establish a highly efficient and transparent management system that the Company strives for.

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

Corporate Governance System



3. Other matters concerning corporate governance

(1) Outline of resolution on the development of systems to ensure the propriety of operations

The Company has established 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 as follows:

[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 provisions of the first half of Article 362, Paragraph 4, Item (vi), of the Companies Act)

1. Directors must comply with all laws and regulations, the Articles of Incorporation, and the resolutions of General Meetings of Shareholders (hereinafter “laws and regulations, etc.”), keep in mind at all times that the business objectives of the Company are as set forth in Article 2 of the Articles of Incorporation, namely the “management of electronic data processing centers to defend the business domain 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 Division of 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 laws and regulations, etc., 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 must immediately report to the Representative Director & President (hereinafter the “President”), Full-time Auditors, and outside company attorneys and receive their guidance as well as report the details to the Board of Directors.
4. In the event a Director finds that an act or plan of another Director or an employee may be in violation of laws and regulations, etc., he/she must, without delay, give warning to such Director or employee as a 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 on which they are to conduct deliberations, reports, and/or discussions (hereinafter “deliberations, etc.”) at the next meeting of the Board of Directors to make sure that there are no omissions in view of the scope of matters to be deliberated under the regulations concerning the Duties of the Board of Directors (Article 362) and Authority of Directors (Article 363) as stipulated in the Companies Act and the Company’s Rules on the Board of Directors. If there are other matters on which they should conduct deliberations, etc., they must be brought to the attention of 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 freely voice their opinions and exercise their voting rights on all matters on which they conduct deliberations, etc., 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 along with any materials used for explanations and the minutes of the meetings of the Board of Directors.
8. Directors must attend the General Meeting of Shareholders and willingly 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, etc. In the event an Auditor finds in the course of sitting in the meetings of the Board of Directors that a resolution may be in violation of laws and regulations, etc., he/she must, without delay, give warning to the Chairman.
10. As the highest authority in 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 character and insight at all times, strictly observe all laws and regulations, etc., as well as company rules, eliminate their ego and

put aside their personal affairs, exhibit discerning judgment to achieve business objectives, take the lead in setting good examples, and strive to gain the utmost trust of employees under their charge.

11. It is the basic policy of the Company to have no involvement with anti-social forces, bodies, and individuals, and not to comply with unjust and unlawful requests. The Company shall raise full awareness of this policy among all Directors and employees, share all pertinent information within the TKC Group, and establish systems for taking the appropriate countermeasures. Furthermore, the Company shall collaborate closely with the police and other external expert organizations, as well as with legal advisors and company attorneys.

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

1. Development of systems for the storage and management of information relating to the execution of duties by Directors of the Company

(in relation to the provisions of Article 100, Paragraph 1, Item 1, of the Ordinance for Enforcement of the Companies Act)

(1) Of the information relating to the execution of duties by Directors (hereinafter "information on Directors' duties"), 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' duties, 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 the Decision-Making Process of the Board of Directors as described in "[1], 7." above.

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

(4) Information on Directors' duties other than those described in the three preceding paragraphs shall be divided into the following three categories and stored and managed in accordance with the Company's Rules on Management of Information Concerning the Daily Operations of Directors:

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

(ii) written applications for approval and relevant documents approved by Directors in accordance with the Company's Rules Concerning Requests for Decisions; or

(iii) other important information pertaining to the execution of duties by Directors.

(5) A database system shall be established where all information on Directors' duties set forth in the preceding four paragraphs is stored so that the presence or absence and content of such information is 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)

2-1. Regulations for the management of strategic risks

(1) Strategic risks are risks related to business opportunities that arise out of uncertainties in 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 "the appointment of Directors" proposed to General Meetings of Shareholders.

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

(3) Upon receiving such a proposal described in the preceding paragraph from Directors (including employees), the President must evaluate its content from the following perspectives, and if it is determined that the proposal should be executed, the President shall report to the Board of Directors and have a Director in charge (including employees) announce an implementation plan at the meeting of the Board of Directors:

(i) Conformance with the management philosophy of the Company;

(ii) Compliance;

- (iii) Expected degree of contribution to customers' businesses;
- (iv) Anticipated feedback from customers;
- (v) Technical feasibility;
- (vi) Funds and costs necessary; and
- (vii) Other matters, such as the 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 meetings of the Nomination and Compensation Advisory Committee chaired by an independent Outside Officer, etc., based on the standards for the appointment and dismissal of Directors, and 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 in the performance of proper and efficient operations. These risks shall be divided and managed under the following two categories:

- (i) Risks that may occur across all divisions (hereinafter "common risks"); and
- (ii) Risks that may occur in specific divisions (hereinafter "division-specific risks").

This section sets forth the 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 a high degree of urgency;
- (ii) Risks associated with compliance;
- (iii) Risks associated with the 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 the performance of business operations;
- (vi) Risks associated with the workplace environment and labor management; and
- (vii) Other risks deemed necessary.

(3) In the event the Director in charge finds, as a result of the investigations described 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 classify and sort through 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 fully 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 action 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 described in the preceding paragraph, investigate the true cause of the risk and formulate measures to prevent its recurrence, and report to the Board of Directors and undertake revisions to the Regulations within two months.

(7) All heads of business units shall review their business units' compliance with the Regulations 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 the payment of special award money to those who uncover major common risks that were previously unnoticed and those who propose effective measures to prevent the 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 managed and cases in which highly advanced, specialized knowledge is required to manage certain common risks. The following committees (including committees to be newly established) shall be in charge of managing risks involving multiple divisions, and the respective divisions shall be responsible for managing any risks involving those particular divisions:

- (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; and
- (x) Other committees that the Board of Directors deems necessary to establish.

(2) The committees listed in the preceding paragraph shall serve as assisting bodies to the President or the Director in charge of each business unit, with an Executive Officer heading each committee and a fixed number of committee members as determined by the Board of Directors. The Director in charge or the head of each committee shall attend meetings of the Board of Directors and report on the matters to be reported by the committee, and may request deliberations on the necessary matters by the Board of Directors.

(3) Division-specific risks involving an individual committee or a specific division shall be managed in the same manner as the management of 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 damage, fires and other disasters, long power outages, water stoppages, the disconnection of communication lines, or other circumstances that may cause substantial damage to the Company, 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, business partners and external media organizations, as well as an external advisory team that includes company attorneys, and establish a system to respond promptly and prevent and minimize the spread of damages.

(2) In the event of any matters that may be in violation of laws and regulation 1.6mms, etc., the Business Administration Headquarters under the responsibility of the Director in charge of legal affairs shall become the supervising division to take action.

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 duties by Directors of the Company

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

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

(2) At the meeting 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 on their strategic rationality in accordance with the Company's Rules on the Board of Directors.

(3) At the meeting of the Board of Directors held in the second month of each new fiscal year, the Target Profit and Loss Statements for the entire company and each business unit for the new fiscal year as well as a proposed List of Division of Duties of Directors and Strategic Goals shall be submitted by the President, and the Board of Directors shall deliberate on their feasibility in accordance with the Company's Rules on the Board of Directors.

(4) At the monthly regular meetings of the Board of Directors, the target 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 the actions to be taken to achieve the target sales and ordinary income 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 the respective business units, coordinate to maximize the results of the projects in light of the current fiscal year's management policy, and approve the use of the President's strategic reserve funds to the extent approved by the Board of Directors.

(6) In executing his/her daily duties, the Director in charge of each business unit shall provide instructions to the Executive Officers and managers under his/her direct supervision to ensure that they have the correct awareness of the current fiscal year's management policy and strategic goals of their business unit and that the PDCA cycle is thoroughly implemented

to achieve these goals, and he/she shall monitor the progress of the results of the entire business unit at all times and strive to achieve the target sales and ordinary income for the fiscal year.

- (7) In managing the business unit under his/her charge, the Director in charge of each business unit shall strive to reduce unnecessary expenses, improve work quality and productivity, and keep the workplace organized, and he/she must demonstrate leadership to create a workplace environment in which all employees feel safe, comfortable, inspired, and satisfied.
4. Systems to ensure that the execution 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)
- (1) In order to ensure compliance with laws and regulations, etc., by employees, the Internal Audit Department under the direct control of the President shall prepare drafts of the Compliance Regulations and the Compliance Manual based on guidance provided by Auditors and outside company attorneys and, upon obtaining the approval of the Board of Directors with respect to their content, distribute them to all employees as guidelines from the President.
- (2) Regular training sessions for all employees of the Company aimed at further understanding of the Compliance Regulations and the Compliance Manual described in the preceding paragraph shall be conducted in accordance with the plans of the Internal Audit Department.
- (3) When performing internal audits of internal business units, the Internal Audit Department must always review the awareness level of the Compliance Regulations and implementation of the 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) The Director in charge of each business unit shall appoint a compliance manager within the business unit in accordance with the Compliance Regulations and conduct training on the Compliance Manual for employees of the business unit in a timely and appropriate manner.
- (5) In order to prevent the leakage of customer information and other confidential information, the body text and attached files of all electronic mail sent from internal PCs to parties outside the Company shall be stored for a certain period of time.
- (6) In preparation for the unlikely event that a Company employee violates laws and regulations, etc., the Company shall establish a system in which the Internal Audit Department or the employee, etc., who 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. Systems listed below and other systems to ensure the propriety 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)
- (1) Systems concerning reports to the Company on matters pertaining to the execution of duties by directors, executive officers, employees executing operations, other persons performing the duties under Article 598, Paragraph 1, of the Companies Act, and those equivalent to the above (hereinafter "Directors, etc." in items (2) and (3) below) at the Company's subsidiaries (in relation to the provisions of 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, etc."), the Company shall conclude an internal audit agreement with its Subsidiaries, etc., and the Internal Audit Department shall conduct audits.
- (ii) The Internal Audit Department shall establish a system whereby, upon identifying an incident that may cause significant losses to Subsidiaries, etc., the President and the heads of the relevant business units are immediately notified of the risks that caused the incident, the degree of losses expected, and the impact on the Company.
- (iii) The Internal Audit Department shall thoroughly exchange information with the divisions of Subsidiaries, etc., in charge of internal audits on a regular basis to prevent any inappropriate transactions between the Company and the Subsidiaries, etc. (including using corporate expenses for private entertainment purposes), or inappropriate accounting.
- (iv) The Company shall assign Directors or employees ranked Deputy Manager or higher to Subsidiaries, etc., to serve as directors in order to communicate the management policy and requests of the Company in writing to the board of directors of the Subsidiaries, etc. The Company shall request the presidents of the Subsidiaries, etc., to submit

monthly reports on the latest business results, business forecasts, and risk management issues.

- (2) Regulations and other systems for the management of risks of losses to the Company's subsidiaries
(in relation to the provisions of Article 100, Paragraph 1, Item 5(b), of the Ordinance for Enforcement of the Companies Act)
- Efforts shall be made to raise awareness of risks that may impact the company's operations and to promote early detection, preventive measures, and prompt and appropriate response in the event of an emergency in accordance with the separately stipulated Compliance Regulations, Compliance Manual, and other internal rules.
- (3) Systems to ensure the efficient execution of duties by Directors, etc., of the Company's subsidiaries
(in relation to the provisions of Article 100, Paragraph 1, Item 5(c), of the Ordinance for Enforcement of the Companies Act)
- (i) The board of directors of Subsidiaries, etc. (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 general meetings of shareholders shall be planned at least six months in advance.
- (ii) At the meeting 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, etc., 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, etc. (referred to as "President" in this section and the next section), and the Board of Directors shall deliberate on their strategic rationality in accordance with the company's rules on the Board of Directors.
- (iii) At the meeting of the Board of Directors held in the second month of each new fiscal year, the Target Profit and Loss Statements for the entire company and each business unit for the new fiscal year as well as a proposed List of Division of Duties of directors and Strategic Goals shall be submitted by the President, and the Board of Directors shall deliberate on their feasibility in accordance with the company's rules on the Board of Directors.
- (iv) At the monthly regular meetings of the Board of Directors, the target 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 the actions to be taken to achieve the target sales and ordinary income 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 the respective business units and coordinate to maximize the results of the projects in light of the current fiscal year's management policy.
- (vi) In executing his/her daily duties, the director in charge of each business unit shall provide instructions to the executive officers or managers under his/her direct supervision to ensure that they have the correct awareness of the current fiscal year's management policy and strategic goals of their business unit and that the PDCA cycle is thoroughly implemented to achieve these goals, and he/she shall monitor the progress of the results of the entire business unit at all times and strive to achieve the target sales and ordinary income for the fiscal year.
- (vii) In managing the business unit under his/her charge, the director in charge of each business unit shall strive to reduce unnecessary expenses, improve work quality and productivity, and keep the workplace organized, and he/she must demonstrate leadership to create a workplace environment in which all employees feel safe, comfortable, inspired, and satisfied.
- (4) Systems to ensure that the execution of duties by Directors, etc., and employees of the Company's subsidiaries is in conformance with laws and regulations and the Articles of Incorporation
(in relation to the provisions of Article 100, Paragraph 1, Item 5(d), of the Ordinance for Enforcement of the Companies Act)
- (i) In order to ensure compliance with laws and regulations, etc., by the Directors, etc., and employees of Subsidiaries, etc. (referred to as "Directors, etc., and employees" in this section), the division in charge of internal audits under the direct control of the President shall develop the Compliance Regulations and the Compliance Manual based on guidance provided by auditors and outside company attorneys.
- (ii) Regular training sessions for all Directors, etc., and employees aimed at further understanding of the Compliance Regulations and Compliance Manual described in the preceding item shall be conducted in accordance with the plans of the division in charge of internal audits.
- (iii) When performing internal audits of internal business units, the division in charge of internal audits must always review the awareness level of the Compliance Regulations and implementation of the 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) The director in charge of each business unit shall appoint a compliance manager within the business unit in accordance with the Compliance Regulations and conduct training on the Compliance Manual for employees of the business unit in a timely and appropriate manner.
- (v) In order to prevent the leakage of customer information and other confidential information, the body text and attached files of all electronic mail sent from internal PCs to parties outside the company shall be stored for a certain period of time.
- (vi) In preparation for the unlikely event that a Director, etc., or employee violates laws and regulations, etc., the company shall establish a system in which the division in charge of internal audits or the Director, etc., or employee who 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 with the duties of Auditors

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

- (1) The Company shall establish an Auditors' Office to assist with the duties of Auditors and assign one or more dedicated employees to the Office.
- (2) In determining the specific details pertaining to the preceding paragraph, 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 with the duties of Auditors from Directors

(in relation to the provisions of Article 100, Paragraph 3, Item 2, of the Ordinance for Enforcement of the Companies Act)

- (1) The appointment, transfer, personnel evaluation, and disciplinary punishment of employees assisting with the duties of Auditors shall be subject to prior consent of the Board of Auditors.
- (2) Employees assisting with 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 the evaluation of their performance shall be subject to the opinions of the Board of Auditors.
- (3) Business units executing the Company's business shall cooperate with employees assisting with the duties of Auditors and allow the attendance of such employees at the necessary meetings for them to conduct the necessary investigations and gather the necessary information.

8. Ensuring the effectiveness of directions to employees assisting with the duties of Auditors

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

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

9-1. Systems listed below and other systems for reporting to Auditors

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

- (1) Systems for reporting to Auditors by the Company's Directors, accounting advisors, and employees
(in relation to the provisions of Article 100, Paragraph 3, Item 4(a), of the Ordinance for Enforcement of the Companies Act)
 - (i) All Directors and employees of the Company shall promptly submit the necessary reports and information requested by Auditors as established by the Board of Auditors.
 - (ii) The reports and information to be submitted as set forth in the preceding item shall mainly include the following:
 - 1) Status of activities of business units involved in the risk management of the Company;
 - 2) Status of activities pertaining to audits of Subsidiaries, etc., of the Company and internal audits;
 - 3) Important accounting policies and accounting standards of the Company and any changes thereto;
 - 4) Content of announcements and important disclosure documents on the Company's latest business results and earnings forecasts on both non-consolidated and consolidated bases; and
 - 5) Circulation of internal approval documents and meeting minutes requested by Auditors.
 - (iii) In the event a Director or employee learns of any fact that violates laws and regulations, etc., or any fact that could cause significant damage to the Company, such Director or employee shall immediately report matters pertaining to

the fact to Auditors.

(iv) Auditors shall attend all 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 Auditors of the Company by the directors, accounting advisors, auditors, executive officers, employees executing operations, other persons performing the duties under Article 598, Paragraph 1, of the Companies Act, and those equivalent to the above at the Company's subsidiaries, and employees or any persons receiving reports from the above

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

(i) All directors, auditors, and employees of Subsidiaries, etc., shall promptly submit the necessary reports and information requested by Auditors 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, etc.;
- 2) Status of activities pertaining to audits by auditors of the Subsidiaries, etc.;
- 3) Important accounting policies and accounting standards of the Subsidiaries, etc., and any changes thereto; and
- 4) Circulation of internal approval documents of the Subsidiaries, etc., and meeting minutes requested by Auditors.

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

(iv) The Company's Auditors shall attend all meetings of the board of directors and other important meetings of Subsidiaries, etc., 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)

The Company and Subsidiaries, etc., must not treat any persons making reports described in the preceding item in a disadvantageous manner based on having provided such reports to the Board of Auditors of the Company.

9-3. Policy on the procedures for prepayment or reimbursement of expenses arising from the execution of duties by Auditors and the processing of expenses or debts arising from the execution of other duties

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

The Company shall secure sufficient funds to cover for the procedures for prepayment or reimbursement of expenses arising from the execution of duties by Auditors and for the processing of expenses or debts arising from the execution of other duties so as to allow Auditors to sufficiently achieve the execution of their duties.

(1) Ordinary auditing expenses shall be budgeted for in said 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 a policy on such expenses shall be established. The Board of Directors shall execute the measures under the established 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 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)

(1) Auditors shall receive advance explanations on the annual plan for the internal audits 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 it necessary that additional audits be implemented or operation improvement measures be developed, and the President must respect such opinions.

(3) Auditors shall receive advance explanations on accounting audit plans from the Accounting Auditor, as well as reports on auditing methods and audit results whenever accounting audits of quarterly settlements and full-year financial 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 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 as well as employees ranked Deputy Manager or higher nominated by said Director and Auditors. The Committee is expected to prepare reports on auditing systems that should be created by the Company in the future and 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 a 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 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 a General Meeting of Shareholders with the attendance of at least half of shareholders that can exercise voting rights.

(4) Exemption from liability for Directors and Auditors

In order to limit the liability 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.

(5) Outline of Limited Liability Agreement

The Company has concluded agreements with Outside Directors and Outside Auditors in accordance with the provisions of Article 427, Paragraph 1, of the Companies Act to limit their liabilities to the amounts set forth by law if they are acting in good faith and are not grossly negligent with regard to their respective responsibilities set forth in Article 423, Paragraph 1, of the Act.

(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 every year with March 31 as the record date pursuant to the provisions of Article 454, Paragraph 5, of the Companies Act.

(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.

(8) Special resolutions of General Meetings of Shareholders

The Company stipulates in its Articles of Incorporation that special resolutions of General Meetings of Shareholders as specified in Article 309, Paragraph 2, of the Companies Act shall be passed by a vote of two-thirds or more of shareholders at meetings with the attendance of at least one-third of shareholders that can exercise voting rights. This has been established to ensure the 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 Auditor and reviews important accounting issues from time to time in addition to regular accounting audits, and holds discussions promptly after quarterly and full-year financial settlements.

(10) Basic policy on the control of the Company

The Company has no particular basic policy on matters concerning the persons controlling the decisions on 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."

(11) Status of activities of the Board of Directors and the Nomination and Compensation Advisory Committee

(i) Status of activities of the Board of Directors in the current fiscal year

Position	Name	Number of times attended
Representative Director & President	Masanori Iizuka	13 times/13 times
Representative Director	Satoshi Hitaka	13 times/13 times
Director	Ikuo Kawahashi	13 times/13 times
Director	Kiyotsugu Nakanishi	13 times/13 times
Director	Yoshihisa Ito	12 times/13 times
Director	Takeshi Kawamoto	13 times/13 times
Outside Director	Junko Iijima	13 times/13 times
Outside Director	Nobuhiko Kouga	13 times/13 times
Outside Director	Keiichiro Kato	12 times/13 times

The specific content for consideration at meetings of the Board of Directors in the current fiscal year, based on the relevant laws and regulations and the Company's Articles of Incorporation and Rules on the Board of Directors, was mainly deliberations and resolutions regarding important matters pertaining to the management of the Group, such as General Meetings of Shareholders, settlements and finance, capital investments, organizational and personnel matters, Officers' compensation, revision of internal rules, etc. Furthermore, the Board of Directors received reports on the progress of the medium-term management plan, operating results and the status of business execution, the management status of subsidiaries, etc.

(ii) Status of activities of the Nomination and Compensation Advisory Committee in the current fiscal year

Members	Name	Number of times attended
Chairperson (Outside Director)	Junko Iijima	2 times/2 times
Member (Outside Auditor)	Tomoyasu Hamamura	2 times/2 times
Member (Outside expert)	Misao Taguchi	2 times/2 times
Member (Outside expert)	Yoshimasa Oshida	2 times/2 times
Member (Director)	Masanori Iizuka	2 times/2 times
Member (Director)	Satoshi Hitaka	2 times/2 times

The specific content for consideration at meetings of the Nomination and Compensation Advisory Committee in the current fiscal year was mainly deliberations on the appointment and dismissal of Directors and Executive Officers holding executive positions, individual compensation for Directors and Executive Officers holding executive positions, appointment and dismissal of representative directors and auditors of subsidiaries, etc., with the results of these deliberations reported to the Board of Directors.

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 based on the “strict implementation of compliance management” as stated in the TKC Charter of Corporate Code. The Company raises full awareness of the fact 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 in charge of preventing unreasonable demands

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

The Company has also established a system for immediate reporting to 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 receives guidance on how to deal with anti-social forces.

(3) Collection and management of 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 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 within the Company and at Group companies.

(2) [Officers]

1. List of Officers

11 male and 1 female (percentage of female Officers: 8.3%)

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 4)	186
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 4)	66
Director Senior Managing Executive Officer In charge of SKYCOM Corporation	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 December 2020 Company</p> <p>December 2020 Director, Senior Managing Executive Officer of the Company, in charge of SKYCOM Corporation (current position)</p>	(Note 4)	172

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 Systems Planning Headquarters, Systems Development Research Center, Accounting Firm BD	Yoshihisa Ito	April 2, 1967	<p>April 1990 Joined the Company</p> <p>December 2007 Executive Officer, Chief of User Interface Design Headquarters, Systems Development Research Center</p> <p>October 2010 Executive Officer, Chief of Sales Planning Headquarters, Accounting Firm BD</p> <p>December 2013 Director, Executive Officer, Chief of Sales Planning Headquarters, Accounting Firm BD</p> <p>April 2014 Director, Executive Officer, Chief of Sales Planning Headquarters, Accounting Firm BD</p> <p>December 2016 Executive Officer, Chief of Tax Information Systems Design Center, Systems Development Research Center, Accounting Firm BD</p> <p>January 2018 Executive Officer, Chief of User Interface Design Headquarters, Systems Development Research Center, Accounting Firm BD</p> <p>December 2019 Managing Executive Officer, Chief of User Interface Design Headquarters, Systems Development Research Center, Accounting Firm BD</p> <p>October 2020 Managing Executive Officer, Chief of Tax Information Systems Design Center, Systems Development Research Center, Accounting Firm BD</p> <p>December 2022 Director, Managing Executive Officer, Chief of Systems Planning Headquarters, Systems Development Research Center, Accounting Firm BD (current position)</p>	(Note 4)	74
Director Managing Executive Officer Chief of Systems Development Headquarters, Local Governments BD	Takeshi Kawamoto	August 23, 1969	<p>April 1994 Joined the Company</p> <p>April 2018 Chief of Technology Infrastructure Development Center, Local Governments BD</p> <p>December 2019 Executive Officer, Chief of Technology Infrastructure Development Center, Local Governments BD</p> <p>December 2020 Executive Officer, Chief of Systems Development Headquarters, Local Governments BD</p> <p>December 2021 Chief of Systems Development Headquarters, Local Governments BD</p> <p>December 2022 Director, Executive Officer, Chief of Systems Development Headquarters, Local Governments BD</p> <p>December 2024 Director, Managing Executive Officer, Chief of Systems Development Headquarters, Local Governments BD (current position)</p>	(Note 4)	27
Director	Keiichiro Kato	July 30, 1957	<p>August 1985 Registered as certified public accountant</p> <p>February 1987 Registered as certified public tax accountant</p> <p>February 1987 Started business as certified public tax accountant</p> <p>January 2003 Representative Partner, Kato Accounting Office (current position)</p> <p>December 2022 Director of the Company (current position)</p>	(Note 4)	116

Position and title	Name	Date of birth	Brief biography	Term of office	Number of shares held (hundreds of shares)
Director	Yuko Atsumi	June 25, 1971	<p>April 1994 Joined UBS Securities Japan Co., Ltd.</p> <p>November 1998 Joined the current Commerzbank AG</p> <p>December 2008 Registered as attorney</p> <p>December 2008 Joined Baker & McKenzie (Gaikokuho Joint Enterprise)</p> <p>March 2013 Established Waseda Legal Commons, LPC</p> <p>November 2018 Outside Director, Compliance Partners Inc. (current position)</p> <p>December 2020 Outside Audit & Supervisory Board Member, T. Rowe Price Japan, Inc. (current position)</p> <p>March 2021 Director, Top Notch Consulting Co., Ltd. (current position)</p> <p>January 2022 Partner, Kollect Partners Law Office (current position)</p> <p>November 2023 Outside Director, Espoirer Co., Ltd. (current position)</p> <p>June 2024 Outside Director, Synspective Inc. (current position)</p> <p>December 2024 Director of the Company (current position)</p>	(Note 4)	-
Director	Takashi Kato	April 7, 1958	<p>July 2013 General Manager, Taxation System Department, Bureau of Taxation, Tokyo Metropolitan Government</p> <p>July 2016 General Manager, General Affairs Department, Bureau of Taxation, Tokyo Metropolitan Government</p> <p>August 2017 Representative Director and President, Tokyo Traffic Development Co., Ltd. (Director, Bureau of Transportation, Tokyo Metropolitan Government)</p> <p>April 2018 President, Local Tax Digitalization Council (Director, Bureau of Taxation, Tokyo Metropolitan Government)</p> <p>April 2019 President, Local Tax Agency</p> <p>June 2023 President, Tokyo Tax Association (current position)</p> <p>December 2024 Director of the Company (current position)</p>	(Note 4)	-
Auditor (Full-time)	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</p> <p>December 2022 Full-time Auditor of the Company (current position)</p> <p>December 2023 Auditor, TKC Security Services Co., Ltd. (current position) Auditor, TKC Customer Support Service Co., Ltd. (current position)</p>	(Note 5)	70

Position and title	Name	Date of birth	Brief biography	Term of office	Number of shares held (hundreds of shares)
Auditor (Full-time)	Koji Iwai	August 30, 1967	<p>April 1991 Joined the Company</p> <p>January 2009 Chief of Systems Development Headquarters, Systems Development Research Center, and Chief of .NET Engineering Center</p> <p>October 2012 Deputy Chief of Business Administration Headquarters</p> <p>October 2016 General Manager of Corporate Information Sales Dept. III, Sales Headquarters</p> <p>December 2018 Executive Officer, Chief of Accounting Headquarters, and Manager of In-house Systems Promotion Section</p> <p>January 2021 Chief of DX Development Center, President's Office</p> <p>December 2022 Leader in charge of DX Promotion, Systems Planning Headquarters, Systems Development Research Center</p> <p>December 2024 Auditor of the Company (current position)</p>	(Note 7)	-
Auditor	Shigeki Taenaka	September 10, 1961	<p>August 1985 Joined Osaka Office of Aoyama Audit Corporation (currently PricewaterhouseCoopers Japan LLC)</p> <p>October 1989 Joined Mikio Taenaka Certified Public Accountant Office</p> <p>June 1995 Outside Audit & Supervisory Board Member, Nishimoto Trading Co. (currently CANON MEDTECH SUPPLY CORPORATION)</p> <p>January 2006 Director, Shigeki Taenaka Certified Public Accountant Office (current position)</p> <p>June 2009 External Audit & Supervisory Board Member, Japan System Techniques Co., Ltd.</p> <p>January 2018 Outside Audit & Supervisory Board Member, DENKYOSHA CO., LTD. (currently Denkyo Group Holdings Co., Ltd.) (current position)</p> <p>June 2019 Outside Audit & Supervisory Board Member, DAIBIRU CORPORATION</p> <p>January 2022 Representative Partner of Taenaka Accounting Firm (current position)</p> <p>December 2023 Auditor of the Company (current position)</p>	(Note 6)	16
Auditor	Nobuhiro Harada	July 30, 1960	<p>April 1983 Joined MITSUI LIFE INSURANCE COMPANY LIMITED (currently TAIJU LIFE INSURANCE COMPANY LIMITED)</p> <p>March 1992 Joined Aoyama Audit Corporation (currently PricewaterhouseCoopers Japan LLC)</p> <p>August 1995 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p>January 1997 Director, Harada Certified Public Accountant and Tax Accountant Office (current position)</p> <p>January 2002 Representative Director, Business Brain Harada Accounting Co., Ltd. (current position)</p> <p>February 2023 Representative Director, Business Support Harada Accounting Co., Ltd. (current position)</p> <p>December 2024 Auditor of the Company (current position)</p>	(Note 7)	52
Total					781

- (Notes) 1. Director Satoshi Hitaka is the spouse of the elder sister of Masanori Iizuka, Representative Director, President, and Executive Officer.
2. Directors Keiichiro Kato, Yuko Atsumi, and Takashi Kato are Outside Directors.
3. Auditors Shigeki Taenaka and Nobuhiro Harada are Outside Auditors.
4. Two years from the close of the Ordinary General Meeting of Shareholders held December 20, 2024.
5. Four years from the close of the Ordinary General Meeting of Shareholders held December 16, 2022.
6. Four years from the close of the Ordinary General Meeting of Shareholders held December 15, 2023.
7. Four years from the close of the Ordinary General Meeting of Shareholders held December 20, 2024.

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 prepare the original proposals to be submitted for resolution at the General Meeting of Shareholders while respecting the report from said Committee.
- (2) The Nomination and Compensation Advisory Committee shall nominate persons who satisfy any one of the following qualifications as candidates for new Directors:
 - (i) a person ranked Executive Officer or higher who has engaged in the timely development of new products or new services (development of innovation) or, as a 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 evolving trends of a digital society, thereby acquiring a large number of customers, etc., and improving the social reputation of the Company, contributing notably to the sustainable growth of the Company; or
 - (ii) a person ranked Executive Officer or higher who has eliminated unreasonableness, waste, and irregularity within his/her business unit in compliance with laws and regulations, developed a business plan to achieve higher income and profit on an ongoing basis, improve the treatment of employees, and implement risk countermeasures, and in executing such a plan, contributed notably to improving medium- to long-term corporate value through proactive information sharing and provision of opinions to the Director in charge.

3. Outside Officers

Category	Name	Functions, roles, and appointment
Director	Keiichiro Kato	<p>Mr. Kato is a representative partner of Kato Accounting Office and possesses extensive experience and insights in the management of accounting firms. He also serves as Vice Chairman of TKCNF and chairs the Executive Committee and the Board of Chairpersons, contributing to the realization of the business objectives of TKCNF. With these experiences, he is expected to contribute to sustainable growth and medium-term improvement in the corporate value of the Company, and is also expected to enhance the decision-making and supervisory functions of the Board of Directors. Therefore, he has been reappointed as Outside Director.</p> <p>Mr. Kato 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	Yuko Atsumi	<p>Ms. Atsumi is a partner of Kollect Partners Law Office and possesses expertise and extensive practical experience as an attorney, particularly her extensive insights in legal technology. In addition, she is expected to contribute to sustainable growth and medium-term improvement in the corporate value of the Company based on the knowledge she has developed through her experience as outside director at other companies. Therefore, she has been appointed as Outside Director.</p> <p>Ms. Atsumi 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	Takashi Kato	<p>Mr. Kato is President of the Tokyo Tax Association, and in addition to his expertise and extensive experience in local taxation systems, he has conducted research on artificial intelligence in graduate school (graduated in 1991) and is a certified advanced information processing engineer. In addition, as President of the Local Tax Agency, he has worked to share information and coordinate with local governments and systems-related parties. He has extensive insights in local government systems and has been involved in promoting the digitalization of local taxes, including the development of a common local tax payment system and payment sites, the formulation of a policy to digitalize all application and notification procedures stipulated in the Local Tax Act, and the development of the eLTAX system in conjunction with this policy. With these experiences, he is expected to contribute to sustainable growth and medium-term improvement in the corporate value of the Company, and is also expected to enhance the decision-making and supervisory functions of the Board of Directors. Therefore, he has been appointed as Outside Director.</p> <p>Mr. Kato 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	Shigeki Taenaka	Mr. Taenaka is a representative partner of Taenaka Accounting Firm and has experience as an outside auditor at listed companies. Based on this experience and deep insight in the Company and the industry, he is expected to provide advice and suggestions to ensure the legality, propriety, 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. Mr. Taenaka 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.”
Auditor	Nobuhiro Harada	Mr. Harada is Director of Harada Certified Public Accountant and Tax Accountant Office and has extensive knowledge of taxation and accounting as a certified public accountant and certified public tax accountant. He has also contributed to the development of local economies by providing management support to many companies as a certified public accountant, certified public tax accountant, and accounting advisor. Based on this experience and deep insight in the Company and the industry, he is expected to provide advice and suggestions to ensure the legality, propriety, 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. Mr. Harada 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.”

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 provides advance notification to Outside Directors and Outside Auditors of the schedule of each meeting of the Board of Directors or meeting of the Board of Auditors, sends any related materials thereto, and if necessary, provides explanations in advance on such materials.
- (2) Outside Directors attend major meetings of TKCNF, the customer organization of the Accounting Firm BD.
- (3) Compensation 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, and has not been for the past ten years, an executive member of the Company or the Company’s subsidiaries;
- (2) A person for whom the Company is currently not, and has not been recently, an important trade partner; a person who is currently not, and has not been recently, an executing member of a company for which the Company is an important trade partner; and a person who is currently not, and has not been recently, an important trade partner of the Company or its executing member;
- (3) A person who is currently not, and has not been recently, 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, and has not been recently, 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); and
- (5) Any other person whose independence is clear of doubt in performing 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 have been required to ensure compliance, and all illegal acts and violations of internal rules have been dealt with strictly and impartially without exceptions, even if their motivation was in the interest of the Company or for customers, shareholders, business partners, or employees. The main objective of this “management based on rules” is to firstly protect our employees, secondly our customers, and thirdly the Company through strict compliance. That is why our Directors and employees strive to have the correct understanding of the standards that they need to abide by in the process of fulfilling their basic responsibilities and performing their day-to-day work, and they strive to act according to these standards.

(i) Audits by Auditors

The Company has four Auditors, consisting of two Full-time Auditors and two Outside Auditors. Outside Auditors Shigeki Taenaka and Nobuhiro Harada are certified public accountants and certified public tax accountants who have considerable expertise in the areas of finance, accounting, and tax accounting.

Full-time Auditor Yasuo Igarashi serves as Chief of the Systems Development Division and possesses extensive business experience and broad expertise in finance and accounting through systems development at the Company. Full-time Auditor Koji Iwai serves as Deputy Chief of systems development and the Business Administration Headquarters and possesses broad expertise in compliance.

In accordance with the standards for audits by Auditors, Full-time Auditors attend meetings of the Board of Directors as well as major weekly and monthly meetings of various business units and job types to gain an understanding of the important decision-making process and the status of business execution related to the Group’s management.

In addition, all Auditors, including Outside Auditors, receive reports from the Accounting Auditor, Directors, and Executive Officers, and form their audit opinions following deliberations.

The attendance of each Auditor at the meetings of the Board of Auditors in the current fiscal year is shown below:

Name	Number of days attended/number of meetings held (Note 1)	Attendance rate (Note 1)
Tsuneo Miyashita	5/5	100%
Yasuo Igarashi	5/5	100%
Hideki Tomonaga (Note 2)	1/1	100%
Tomoyasu Hamamura	5/5	100%
Shigeki Taenaka (Note 3)	4/4	100%

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

(Note 2) Retired from office on December 15, 2023.

(Note 3) Installed in office on December 15, 2023.

(ii) Internal audits

1) Organization, personnel, and procedures of internal audits

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

The Internal Audit Department is an organization independent of other business units of the Company and operates under the direct control of the President. There are four internal auditors at the Internal Audit Department, of whom one holds the qualification of Certified Internal Auditor, 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 its assessment of this survey and risk-related information of affiliates, the Internal Audit Department formulates the annual internal audit plan, taking into consideration any special assignments from the Board of Directors and the results of discussions with 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 business units 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 the audited business units to take action 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 the respective business units and Auditors. Directors in charge of the respective business units shall manage any

division-specific operational risks.

- 2) Coordination between 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 shall ensure an appropriate scope of audits and consider coordinating with Auditors and the Accounting Auditor in order to minimize the redundancy of tasks. To this end, the head of the Internal Audit Department holds meetings with Auditors and the Accounting Auditor to report on the status of the internal control system and results of internal audits as requested and to exchange opinions.

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

The Company has an audit agreement with the Accounting Auditor and undergoes audits of financial statements and audits of internal controls over financial reporting by the firm. During this process, the Internal Audit Department provides the necessary information to the Accounting Auditor.

While Auditors, the Accounting Auditor, and internal auditors may differ in their audit objectives and in the standpoints and duties of the auditing body, they have worked in the current fiscal year to strengthen coordination and information sharing between the three different audits (audits by Auditors, audits by the Accounting Auditor, and internal audits), in order 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

41 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 appointed a temporary 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 (Shin Nihon LLC at the time) since 2007. However, the certified public accountant who had been providing 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 audit firm has been providing audit services to the Company on a continuous basis, and therefore, the audit period of the audit firm prior to the transfer of said certified public accountant has also been added and included.

- 3) Certified public accountants who executed the accounting audit

Shigeyuki Honda and Toru Iizuka

- 4) Number of assistants assisting with audit

Five certified public accountants and 11 other personnel assisted with the accounting audit of the Company.

- 5) Policy and reasons for appointing audit firm

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

If there is something that interferes with the Accounting Auditor's execution of their duties, the Board of Auditors shall, where necessary, develop a proposal on the dismissal or refusal of reappointment of said Accounting Auditor, and the Board of Directors shall present the proposal for resolution at the General Meeting of Shareholders.

- 6) Assessment of Accounting Auditor 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 has assessed the auditing activities of Ernst & Young ShinNihon LLC during the past year, including such items as the quality control system of the audit firm, auditing team, audit fees, communication with Auditors, etc., relationship with management, and non-compliance risks. As a result of the assessment, the Board of Auditors has determined that it is appropriate to reappoint said audit firm as the Accounting Auditor.

(iv) Content of audit fees

1) Content of compensation paid to certified public accountants, etc., engaged in audits

Classification	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	46	11	46	11
Consolidated subsidiaries	—	—	—	—
Total	46	11	46	11

(Note) The Company pays certified public accountants, etc., 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)," which covers services other than those prescribed in Article 2, Paragraph 1, of the Certified Public Accountants Act.

2) Compensation paid to parties who belong to the same network as the certified public accountants, etc., engaged in audits (Ernst & Young) (excluding "1)" above)

None to be disclosed.

3) Policy for determining audit fees

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

4) Reasons for Board of Auditors giving consent to the audit fees paid 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 conventional and planned figures. As a result, it has determined that the decision by the Board of Directors with respect to the compensation paid to the Accounting Auditor is appropriate, and it has given consent in accordance with Article 399, Paragraph 1, of the Companies Act of Japan.

5) Other fees for important audit and attestation services

None to be disclosed.

(4) [Officers' compensation, etc.]

The Company resolved the policy on determining individual compensation 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 individual compensation for Officers for the current fiscal year, the method for determining the details of compensation and the details of the determined compensation were in compliance with said policy and reflected the matters reported by the Nomination and Compensation Advisory Committee, which they determined to be in compliance with said policy.

The details of the policy on determining individual compensation for Officers are as follows:

1. Policy on and method for determining the amount of and/or calculation method for Officers' compensation

(1) Officers' compensation system

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

(2) Maximum amount 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, to be 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 compensation amounts, Directors (excluding Outside Directors and expatriates) and Executive Officers (excluding expatriates) are entitled to the stock-based compensation program (BIP Trust) established by resolution of the 52nd Ordinary General Meeting of Shareholders convened on December 21, 2018, with 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 amount of Officers' 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 refer to monetary compensation and stock-based compensation for Directors, monetary compensation for Auditors, and the portion of stock-based compensation in the allowance for Executive Officers for Executive Officers who are not Directors.

(Note) The Company resolved at the meeting of the Board of Directors held on February 10, 2022, to extend the trust period for three years and to continue the stock-based compensation program (BIP Trust).

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

(i) Policy on determining the compensation for Directors also serving as Executive Officers

1) The amount 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 profit, and ordinary income of the entire Company increased by over 3%.

However, for Directors with a business unit under their charge, "the entire Company" shall be substituted with "the business unit under their charge."

- b) On a non-consolidated basis, an equity ratio of 83% or greater has been achieved.

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

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

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

- 2) The amount of compensation for Directors who are Executive Officers shall be determined at meetings of the Board of Directors by assessing the achievement of business results of the business units under their charge by referencing the year-on-year marginal profit as an indicator. If the accounting standards applied to the year-to-year comparison of marginal profit have been changed, such effects are to be excluded only for the first fiscal year in which the 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 for which he/she has held executive positions based on his/her contribution to items 1) and 2) above.
- 4) If the business units under the Directors' charge fail to achieve their target performance for two consecutive fiscal years, the amount of compensation for the next fiscal year shall be reduced.

The amount of compensation may also be reduced in the event that a material accident or major losses were caused.

(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 Outside Directors who do not hold executive positions to perform matters beyond the normal responsibilities of an Outside Director, 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 Outside 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) Executive Officers who are not Directors shall be paid Executive Officers' allowance in addition to employee salaries.

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

3) Executive Officers' allowance shall be determined at meetings of the Board of Directors, taking into consideration the following four factors and an assessment of business results.

a) Achievement of business results of business units under their charge;

b) Individual accomplishments in marketing or innovation;

c) Expertise in duties and individual contribution to improving the business unit's business results; and

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

If the business unit under their charge continues to be unsuccessful in achieving its goals for two consecutive fiscal years or causes a material accident or major losses, the Company may suspend the payment of Executive Officers' allowance even in the middle of a fiscal year.

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

The Company determines the compensation for Directors at a meeting of the Board of Directors by respecting the results of the reports from the Nomination and Compensation Advisory Committee, which is chaired by an independent Outside Officer and whose majority consists of independent Outside Officers, after consulting said Committee. Compensation for Auditors is determined by discussion 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 positions;

(ii) Appointment and dismissal of Directors and Executive Officers holding executive positions;

(iii) Policy for the determination of compensation for Directors and Executive Officers holding executive positions;

(iv) Policy for the determination of individual compensation for Directors and Executive Officers holding executive positions;

(v) Individual compensation for Directors and Executive Officers holding executive positions;

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

(vii) Other matters that the Board of Directors deems 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 program (BIP Trust) from the existing 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 shares paid depending on the year-on-year ratio of company-wide performance goals (marginal profit and ordinary income) for a given period in each fiscal year during the trust period, provided that, during the fiscal year ended September 30 of the same year, (1) the net 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 current fiscal year, the Company has calculated the amount 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 profit) + (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 shares 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 varies depending on the product mix. The Company considers the marginal profit ratio as an important financial indicator and sets the target at 70% or greater.
- *3: Year-on-year ratios of marginal profit and ordinary income fluctuate between the range of 0% to 120%.
- *4: Year-on-year ratio of marginal profit for the current fiscal year was 106.3%. Year-on-year ratio of ordinary income was 112.1%.

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

Officer category	Total amount of compensation (millions of yen)	Total compensation by type (millions of yen)		Number of eligible Officers (persons)
		Monetary compensation	Stock-based compensation (BIP Trust)	
Directors (excluding Outside Directors)	212	197	15	6
Auditors (excluding Outside Auditors)	33	33	—	2
Outside Directors	28	28	—	3
Outside Auditors	19	19	—	3

(Notes) 1. As of the end of the current fiscal year, the Company has nine Directors (of whom, three are Outside Directors) and four Auditors (of whom, two are Outside Auditors). The discrepancy in the number of eligible Directors and Auditors is because the above number includes one Outside Auditor who retired from office as of the close of the 57th Ordinary General Meeting of Shareholders held on December 15, 2023.

2. The maximum amount of Directors' compensation was resolved at 480 million yen per year at the 43rd Ordinary General Meeting of Shareholders convened on December 22, 2009. Compensation for Directors 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 whom, one was an Outside Director). Separate from the above, the maximum amount for the stock-based compensation plan (BIP Trust) was resolved to be 500 million yen for three fiscal years 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 shares to be granted as points to Directors, etc. (including Directors, etc., who had retired from office and became employees after the granting of stock options) under measures to be taken for the transition from the stock-based compensation stock option scheme. The Company resolved at the meeting of the Board of Directors held on February 10, 2022, to extend the trust period for three years and to continue the stock-based compensation program (BIP Trust).

(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 investment, which are held for the purpose of gaining profits mainly through fluctuation in share value or the receipt of dividends, and those held for purposes other than pure investment (hereinafter “cross-shareholdings”). The Company makes it a general rule not to hold equity securities for the purpose of pure investment.

As of the end of the current fiscal year, the Company does not hold equity securities for the purpose of pure investment.

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

1) Policy on cross-shareholdings and methods to assess their 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 shares of other listed companies are to maintain and strengthen long-term, stable business relationships and to maintain and strengthen business partnerships.

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

The Boards of Directors of the Company and its Group companies where cross-shareholdings exist assess the major cross-shareholdings on an annual basis, taking into consideration their returns and risks and examining their medium- to long-term economic rationality and future prospects. As a result of the assessment, cross-shareholdings that are deemed not necessarily significant enough to hold shall be reduced through dialogue and negotiation with business partners, etc.

2) Number of securities and amounts recorded in balance sheets

	Number of securities (stock name)	Total amount recorded in balance sheets (millions of yen)
Unlisted securities	8	562
Securities other than unlisted securities	3	7,978

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

	Number of securities (stock name)	Total amount acquired through increase in number of shares (millions of yen)	Reasons for increase in number of shares
Unlisted securities	1	450	To enhance the value of the Company's Accounting Firm Business segment.
Securities other than unlisted securities	-	-	-

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

	Number of securities (stock name)	Total amount sold through decrease in number of shares (millions of yen)
Unlisted securities	-	-
Securities other than unlisted securities	-	-

3) Number of shares and amounts recorded in balance sheets for equity holdings for specific purposes and deemed equity holdings

Specified investment securities

Stock name	Current fiscal year	Previous fiscal year	Purpose of holding, overview of business alliances, etc., quantitative effect of holding, and reasons 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.	1,781,600	1,781,600	<p>1,600 shares of this company were transferred to TKC as a consequence of the merger and absorption dated April 1, 2023. The purpose of this holding is to maintain and strengthen the partnership with the goal of supporting the prosperity and success of SMEs.</p> <p>Although it is difficult to state the quantitative effect of the holding as its effect is not always quantitative in nature, the Company verifies whether the benefits of the holding, including the risks of the holding, are commensurate with the cost of capital quantitatively and periodically.</p>	Yes
	4,445	4,396		
Mitsubishi UFJ Financial Group, Inc.	2,322,180	2,322,180	<p>The purpose of this holding is to maintain and strengthen the long-term, stable business relationship.</p> <p>Although it is difficult to state the quantitative effect of the holding as its effect is not always quantitative in nature, the Company verifies whether the benefits of the holding, including the risks of the holding, are commensurate with the cost of capital quantitatively and periodically.</p>	Yes
	3,375	2,945		
Mebuki Financial Group, Inc.	275,400	275,400	<p>The purpose of this holding is to maintain and strengthen the long-term, stable business relationship.</p> <p>Although it is difficult to state the quantitative effect of the holding as its effect is not always quantitative in nature, the Company verifies whether the benefits of the holding, including the risks of the holding, are commensurate with the cost of capital quantitatively and periodically.</p>	Yes
	158	113		

(iii) Equity securities held for the purpose of 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”).

(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”).

Furthermore, 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, 2023, to September 30, 2024) and the financial statements for the fiscal year (from October 1, 2023, to September 30, 2024) have been audited by Ernst & Young ShinNihon LLC pursuant to Article 193-2, Paragraph 1, of the Financial Instruments and Exchange Act of Japan.

3. Special efforts to ensure the propriety of consolidated financial statements

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

1 [Consolidated Financial Statements]

(1) [Consolidated financial statements]

(i) [Consolidated balance sheets]

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
Assets		
Current assets		
Cash and deposits	32,093	33,697
Notes receivable–trade	50	23
Accounts receivable–trade	8,332	9,671
Contract assets	301	344
Lease investment assets	154	37
Merchandise and finished goods	246	346
Work in progress	41	39
Raw materials and supplies	137	156
Other	1,835	2,375
Allowance for doubtful accounts	(19)	(20)
Total current assets	43,173	46,672
Non-current assets		
Property, plant, and equipment		
Buildings and structures (net amount)	7,491	7,280
Machinery, equipment and vehicles (net amount)	445	488
Tools, furniture and fixtures (net amount)	2,023	2,061
Land	6,915	6,915
Leased assets (net amount)	432	323
Other (net amount)	–	25
Total property, plant, and equipment	*1 17,308	*1 17,094
Intangible assets		
Software	2,973	3,027
Software in progress	2,813	5,012
Other	25	24
Total intangible assets	5,813	8,064
Investments and other assets		
Investment securities	*2 22,050	*2 21,700
Long-term loans receivable	19	9
Deferred tax assets	7,383	7,698
Long-term deposits	18,700	20,200
Guarantee deposits	1,452	1,539
Long-term lease investment assets	44	7
Other	423	1,901
Allowance for doubtful accounts	(12)	(8)
Total investments and other assets	50,061	53,049
Total non-current assets	73,182	78,209
Total assets	116,356	124,882

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
Liabilities		
Current liabilities		
Accounts payable–trade	2,698	3,072
Electronically recorded obligations–operating	780	791
Current portion of long-term loans payable	71	71
Lease obligations	283	156
Accounts payable–other	2,387	2,567
Income taxes payable	2,437	3,193
Accrued consumption taxes	771	948
Contract liabilities	1,210	1,189
Provisions for bonuses	4,810	6,238
Provisions for loss on construction contracts	14	13
Other	1,332	1,105
Total current liabilities	16,797	19,347
Non-current liabilities		
Long-term loans payable	71	–
Lease obligations	391	244
Retirement benefit liabilities	2,956	2,251
Provisions for stocks payment	341	356
Provisions for loss on guarantees	3	3
Other	484	501
Total non-current liabilities	4,249	3,357
Total liabilities	21,047	22,705
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus	6,286	6,286
Retained earnings	84,890	91,138
Treasury stock	(2,604)	(2,606)
Total shareholders' equity	94,271	100,519
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,070	2,543
Accumulated remeasurements of defined benefit plans	(1,033)	(885)
Total accumulated other comprehensive income	1,036	1,657
Total net assets	95,308	102,176
Total liabilities and net assets	116,356	124,882

(ii) [Consolidated statements of income and consolidated statements of comprehensive income]
[Consolidated statements of income]

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Net sales	71,915	75,219
Cost of sales	*1 21,474	*1 21,571
Gross profit	50,440	53,647
Selling, general, and administrative expenses	*2 36,102	*2 38,141
Operating income	14,338	15,505
Non-operating income		
Interest income	66	81
Dividend income	195	231
Land and house rent received	40	41
Subsidy income	10	7
Equity in earnings of affiliates	55	37
Other	67	131
Total non-operating income	436	531
Non-operating expenses		
Interest expenses	1	0
Loss on sale of securities	0	—
Treasury stock acquisition expenses	0	—
Foreign exchange losses	—	0
Provisions for allowance for loss on guarantees	0	—
Other	0	0
Total non-operating expenses	2	1
Ordinary income	14,772	16,035
Extraordinary income		
Gain on sale of non-current assets	*3 1	*3 1
Gain on extinguishment of tie-in shares	365	—
Gain on sale of investment securities	15	14
Total extraordinary income	382	15
Extraordinary loss		
Loss on retirement of non-current assets	*4 19	*4 40
Other	—	1
Total extraordinary loss	19	41
Net income before taxes and adjustments	15,135	16,009
Income taxes—current	4,707	5,319
Income taxes—deferred	(399)	(584)
Total income taxes	4,308	4,734
Net income	10,826	11,274
Net income attributable to owners of parent	10,826	11,274

[Consolidated statements of comprehensive income]

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Net income	10,826	11,274
Other comprehensive income		
Valuation difference on available-for-sale securities	2,209	472
Remeasurements of defined benefit plans	174	148
Total other comprehensive income	*1 2,383	*1 620
Comprehensive income	13,210	11,895
(Breakdown)		
Comprehensive income attributable to owners of parent	13,210	11,895

(iii) [Consolidated statements of changes in net assets]

Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	5,700	6,589	78,743	(2,359)	88,672
Changes during fiscal year					
Dividends of surplus			(4,263)		(4,263)
Net income attributable to owners of parent			10,826		10,826
Acquisition of treasury stock				(1,089)	(1,089)
Disposal of treasury stock		0		0	0
Retirement of treasury stock		(381)	(416)	798	—
Increase due to merger		78		47	125
Changes in items other than equity (net)					
Total changes during fiscal year	—	(302)	6,146	(244)	5,599
Balance at end of year	5,700	6,286	84,890	(2,604)	94,271

	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	(138)	(1,207)	(1,346)	87,325
Changes during fiscal year				
Dividends of surplus				(4,263)
Net income attributable to owners of parent				10,826
Acquisition of treasury stock				(1,089)
Disposal of treasury stock				0
Retirement of treasury stock				—
Increase due to merger				125
Changes in items other than equity (net)	2,209	174	2,383	2,383
Total changes during fiscal year	2,209	174	2,383	7,982
Balance at end of year	2,070	(1,033)	1,036	95,308

Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)

(Unit: millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	5,700	6,286	84,890	(2,604)	94,271
Changes during fiscal year					
Dividends of surplus			(5,025)		(5,025)
Net income attributable to owners of parent			11,274		11,274
Acquisition of treasury stock				(6)	(6)
Disposal of treasury stock		0		4	4
Changes in items other than equity (net)					
Total changes during fiscal year	—	0	6,248	(1)	6,247
Balance at end of year	5,700	6,286	91,138	(2,606)	100,519

	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	2,070	(1,033)	1,036	95,308
Changes during fiscal year				
Dividends of surplus				(5,025)
Net income attributable to owners of parent				11,274
Acquisition of treasury stock				(6)
Disposal of treasury stock				4
Changes in items other than equity (net)	472	148	620	620
Total changes during fiscal year	472	148	620	6,868
Balance at end of year	2,543	(885)	1,657	102,176

(iv) [Consolidated statements of cash flows]

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Cash flows from operating activities		
Net income before taxes and adjustments	15,135	16,009
Depreciation	3,533	3,517
Increase (decrease) in allowance for doubtful accounts	19	(3)
Increase (decrease) in provisions for bonuses	(143)	1,427
Increase (decrease) in provisions for loss on construction contracts	(51)	(0)
Increase (decrease) in retirement benefit liabilities	401	(494)
Increase (decrease) in provisions for stocks payment	35	15
Interest and dividend income	(262)	(313)
Interest expenses	1	0
Equity in losses (earnings) of affiliates	(55)	(37)
Loss on retirement of non-current assets	19	40
Loss (gain) on sale of non-current assets	(1)	(1)
Loss (gain) on extinguishment of tie-in shares	(365)	—
Loss (gain) on sale of investment securities	(15)	(14)
Decrease (increase) in notes and accounts receivable—trade	(566)	(1,329)
Decrease (increase) in inventories	69	(117)
Decrease (increase) in other assets	46	(2,022)
Increase (decrease) in accounts payable—trade	(382)	179
Increase (decrease) in other liabilities	857	60
Increase (decrease) in accrued consumption taxes	(48)	177
Other	(2)	(44)
Subtotal	18,224	17,049
Interest and dividends received	280	323
Interest paid	(1)	(0)
Penalties paid	(11)	—
Income taxes paid	(5,424)	(4,575)
Cash flows from operating activities	13,067	12,796
Cash flows from investing activities		
Payments into time deposits	(4,300)	(4,800)
Proceeds from withdrawal of time deposits	3,300	3,300
Purchase of property, plant, and equipment	(1,671)	(1,450)
Proceeds from sale of property, plant, and equipment	1	1
Purchase of intangible assets	(3,119)	(4,066)
Purchase of investment securities	(1,501)	(451)
Proceeds from sale of investment securities	38	21
Proceeds from redemption of investment securities	1,300	1,500
Payments for guarantee deposits	(11)	(122)
Proceeds from collection of guarantee deposits	45	34
Proceeds from collection of loans receivable	57	69
Cash flows from investing activities	(5,861)	(5,964)

(Unit: millions of yen)

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Cash flows from financing activities		
Repayment of long-term loans payable	(71)	(71)
Repayment of lease obligations	(149)	(130)
Purchase of treasury stock	(1,090)	(6)
Proceeds from disposal of treasury stock	0	0
Payment of dividends	(4,260)	(5,019)
Cash flows from financing activities	(5,571)	(5,228)
Increase (decrease) in cash and cash equivalents	1,634	1,604
Cash and cash equivalents at beginning of year	26,620	28,793
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	538	—
Cash and cash equivalents at end of year	*1 28,793	*1 30,397

[Notes to consolidated financial statements]

(Basis of presenting 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

2. Scope of application of equity method

Equity method affiliated companies: (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.

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) Standards and methods used for the valuation of major assets

(i) Marketable and investment securities

1) Held-to-maturity securities

Amortized cost method

2) Available-for-sale securities

a. Securities other than shares that do not have a market value

Fair value method (related valuation differences are directly charged or credited to shareholders' equity, and cost of securities sold is calculated by the moving average method)

b. Shares that do not have a market value

Moving average cost method

(ii) Inventories

1) Merchandise, raw materials

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

2) Finished goods

Cost method based mainly on cost percentage method (with balance sheet values reflecting write downs for decreased profitability)

3) Work in progress

Cost method based on specific identification method (with balance sheet values reflecting write downs for decreased profitability)

4) Supplies

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

(2) Depreciation of major depreciable assets

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

Calculated based on declining balance method.

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

Primary useful lives are as follows:

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

- (ii) Intangible assets (excluding leased assets)
 - 1) Software
 - a. Software for sale

Amortized at the higher of (i) amortization based on estimated sales volume in the future and (ii) 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 straight-line method.
 - (iii) Leased assets

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

Amortized using straight-line method with useful lives equal to lease terms and residual values of 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 estimated payment amounts.
 - (iii) Provisions for stocks payment

In setting aside provisions for payment of the Company's shares to Directors, etc., provisions are recognized at estimated stocks payment amounts determined based on the points allocated to Directors, etc., in accordance with the rules on payment 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 of the end of the current consolidated fiscal year if it is likely that the total costs will exceed the total revenues, and further if such amounts can be reasonably estimated.
 - (v) Provisions for loss on guarantees

In order to prepare for losses due to guarantees, etc., we record estimated amounts of losses that will be incurred by taking into consideration the financial situation of the guaranteed parties.
- (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 to the end of the current consolidated fiscal year based on benefit formula standards.
 - (ii) Method of recognizing actuarial differences and past service costs as expenses

Past service costs are recognized as expenses for a certain number of 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 Group mainly provides information processing services, software and consulting services, and the sale of supplies and office equipment. Their revenues are recognized respectively in the following manner. These revenues are recognized at the amounts of compensation that are received from customers based on contracts. However, if there are rebates or returns, etc., these amounts are deducted from the amounts recognized.
- (i) Provision of information processing services

For provision of information processing services, calculation and storage of data and provision of business form printing services under contracts with customers are identified as performance obligations.

For provision of information processing services, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, when the customer inspects and accepts the products, or when the contract becomes final and binding.

(ii) Provision of software

For provision of software, provision of software for sale or for rent as well as provision of made-to-order software are identified as performance obligations.

Performance obligations of provision of software whose system has a validity period are satisfied with the lapse of the validity period. Therefore, in such cases, revenues are recognized throughout said validity periods.

For made-to-order software, satisfaction of performance obligations is determined based on the progress of development. As such, in cases where the contract value or total amount of costs required until completion can be estimated reliably, revenues are recognized over a certain period depending on the progress of satisfaction of performance obligations. However, in cases where the contract value or total amount of costs required until completion cannot be estimated reliably, revenues are recognized within the range of costs actually incurred (cost recovery method).

For performance obligations other than those described above, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, when the customer inspects and accepts the software, or on the date of commencement of use as set forth in the contract.

For some transactions, the Group's performance obligations involve making arrangements for other parties to provide products, and the Group is deemed to be an agent in such transactions. For such transactions where the Group is an agent, the revenue is calculated as the net amount of compensation to be received from the customer after deducting the amount to be paid to the party acting as principal.

(iii) Provision of consulting services

For the provision of consulting services, support services for the implementation of software and help desk services, etc., are identified as performance obligations.

For help desk services, the Group is obligated to provide services throughout the period set forth in the contract. Performance obligations are satisfied with the lapse of the contract period. Therefore, in such cases, revenues are recognized throughout said contract periods. For performance obligations other than those described above, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, at the time the provision of services is completed.

(iv) Sale of office equipment and supplies

For the sale of office equipment and supplies, the sale of computer-based accounting supplies and office equipment is identified as performance obligations.

For the sale of office equipment and supplies, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, when the customer inspects and accepts the products, or when the products are shipped out. Determination of the point in time the products are shipped out is based on the application of the alternative treatment of performance obligations in consideration of materiality, etc., since the period from the point the products are shipped out to their delivery is a normal period of time.

For some transactions, the Group's performance obligations involve making arrangements for other parties to provide products, and the Group is deemed to be an agent in such transactions. For such transactions where the Group is an agent, the revenue is calculated as the net amount of compensation to be received from the customer after deducting the amount to be paid to the party acting as principal.

(6) Scope of funds covered by 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; and
- (iii) Short-term investments that mature within three months, are easily convertible to cash, and bear very little value fluctuation risk.

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

(i) Application of the Group Tax Sharing System

The Group Tax Sharing System is applied.

(Significant accounting estimates)

1. Revenue recognition of made-to-order software

(1) Amounts recorded in the consolidated financial statements for the current consolidated fiscal year:

(Unit: millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Net sales	157	204

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

(i) Calculation method

For net sales, in cases where the contract value or total amount of costs required until completion of made-to-order software can be estimated reliably, revenues are recognized over a certain period depending on the progress of satisfaction of the measured performance obligations. However, in cases where the contract value or total amount of costs required until completion cannot be estimated reliably, revenues are recognized within the range of expenses actually 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, before calculating the costs by multiplying the development man-hours by the man-hour unit price for each contracted project.

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

(iii) Impact on the next consolidated fiscal year's consolidated financial statements

The Company considers as appropriate the total amount of costs revised based on the latest information, including a comparison of the estimated costs with actual costs incurred and the progress of the project at the time. However, in the event that the actual costs deviate from our estimates due to changes in future conditions, it may impact the amount of revenues recognized by the Group.

(Accounting standards not yet applied)

(Accounting Standard for Current Income Taxes, etc.)

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022, Accounting Standards Board of Japan (ASBJ))
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, October 28, 2022, Accounting Standards Board of Japan (ASBJ))
- Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan (ASBJ))

(1) Overview

In February 2018, the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28), etc. (hereinafter "ASBJ Statement No. 28, etc."), were issued, and the transfer of practical guidance concerning tax effect accounting from the Japanese Institute of Certified Public Accountants (JICPA) to the Accounting Standards Board of Japan (ASBJ) was completed, but in the process of the deliberations, it was decided that the following two points of discussion will be considered again after the issuance of ASBJ Statement No. 28, etc., after which they were deliberated and announced:

- Recording categories for tax expenses (taxation on other comprehensive income); and
- Tax effect pertaining to the sale of shares of subsidiaries, etc. (shares of subsidiaries and shares of affiliated companies) in the case that the group income tax system has been applied.

(2) Planned date of application

To be applied from the beginning of the fiscal year ending September 2025.

(3) Impact of application of these accounting standards, etc.

The amount of impact of the application of the Accounting Standard for Current Income Taxes, etc., on consolidated financial statements is being evaluated at the current time.

(Accounting Standard for Leases, etc.)

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024, Accounting Standards Board of Japan (ASBJ))
- Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024, Accounting Standards Board of Japan (ASBJ)), etc.

(1) Overview

As part of its efforts to make Japanese accounting standards consistent with international standards, the ABSJ has been considering, in view of international accounting standards, the development of an accounting standard for leases where the lessee recognizes assets and liabilities for all leases. The basic policy is to adopt the single lessee accounting model of IFRS 16 as a basis, but instead of adopting all provisions of IFRS 16, the new accounting standard for leases that has been announced seeks to be simpler, more convenient, and basically to require no modifications even if the provisions of IFRS 16 are used in separate financial statements, by adopting only the main provisions of IFRS 16.

For the accounting treatment of lessees, a single lessee accounting model for allocating the costs of leases to the lessee is applied to all leases regardless of whether a lease is a finance lease or an operating lease, as in IFRS 16, and depreciation of right-of-use assets and amounts equivalent to interest on lease liabilities are recognized.

(2) Planned date of application

To be applied from the beginning of the fiscal year ending September 2028.

(3) Impact of application of these accounting standards, etc.

The amount of impact of the application of the Accounting Standard for Leases, etc., on financial statements is being evaluated at the current time.

(Changes in method of presentation)

(Consolidated statements of income)

“Gain on sale of investment securities” included in “Other” under “Extraordinary income” in the previous consolidated fiscal year exceeded ten-hundredth of the total amount of extraordinary income, so it is presented as an independent item starting from the current consolidated fiscal year. To reflect this change in method of presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the 15 million yen presented in “Other” under “Extraordinary income” in the consolidated statements of income for the previous consolidated fiscal year has been reclassified as “Gain on sale of investment securities” of 15 million yen.

(Consolidated statements of cash flows)

“Loss (gain) on sale of investment securities” included in “Other” under “Cash flows from operating activities” in the previous consolidated fiscal year has increased in importance in terms of its amount, so it is presented as an independent item starting from the current consolidated fiscal year. To reflect this change in method of presentation, the consolidated financial statements for the previous consolidated fiscal year have been reclassified.

As a result, the (17) million yen presented in “Other” under “Cash flows from operating activities” in the consolidated statements of cash flows for the previous consolidated fiscal year has been reclassified as “Loss (gain) on sale of investment securities” of (15) million yen and “Other” of (2) million yen.

(Additional information)

(Stock-based compensation plan for Officers)

1. Overview of transactions

Based on a resolution at the meeting of the Board of Directors held on October 31, 2018, which was approved at the Ordinary General Meeting of Shareholders held on December 21, 2018, the Company introduced a stock-based compensation plan called the “BIP Trust.” The objectives of the plan are to clarify the correlation between the Company’s shareholder value and the compensation for Directors, etc., and to motivate Directors, etc., to contribute more to enhancing medium- to long-term corporate value by sharing a common interest with shareholders, including not only the benefits of rising share prices but also the risks associated with declining share prices.

The proposal to change the stock-based compensation program 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 whose members are independent Outside Officers and outside experts, and it was approved at the Ordinary General Meeting of Shareholders held on December 20, 2019.

2. Shares of the Company remaining in trust

The shares of the Company remaining in trust are recorded as treasury stock under net assets based on the book value in the trust (not including expenses attributable thereto). The book value of said treasury stock was 403 million yen for 203,800 shares as of the end of the current consolidated fiscal year.

(Notes to consolidated balance sheets)

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

	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
	24,548 million yen	25,227 million yen

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

	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
Investment securities (shares)	59 million yen	96 million yen

(Notes to consolidated statements of income)

*1. Provisions for loss on construction contracts included in cost of sales are as follows:

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
	(51) million yen	(0) million yen

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

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Salaries	12,113 million yen	12,786 million yen
Provisions for bonuses	3,674	4,941
Retirement benefit expenses	1,102	255
Provisions for stocks payment	35	19
Depreciation	648	697
Rent expenses	2,513	2,586

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

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Machinery, equipment and vehicles	0 million yen	— million yen
Tools, furniture and fixtures	0	1
Other	0	—
Total	1	1

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

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Buildings and structures	3 million yen	11 million yen
Machinery, equipment and vehicles	0	1
Tools, furniture and fixtures	3	0
Intangible assets	13	0
Leased assets	—	27
Total	19	40

(Notes to consolidated statements of comprehensive income)

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

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Valuation difference on available-for-sale securities:		
Increase/decrease during the fiscal year	3,165 million yen	665 million yen
Reclassification adjustments	15	14
Amount before tax	3,180	679
Tax effect	(971)	(207)
Valuation difference on available-for-sale securities	2,209	472
Remeasurements of defined benefit plans:		
Increase/decrease during the fiscal year	—	(40)
Reclassification adjustments	250	250
Amount before tax	250	210
Tax effect	(76)	(62)
Remeasurements of defined benefit plans	174	148
Total other comprehensive income	2,383	620

(Notes to consolidated statements of changes in net assets)

Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)

1. Class and number of shares of issued shares and treasury stock

	Number of shares at beginning of current consolidated FY (hundreds of shares)	Increase in number of shares during current consolidated FY (hundreds of shares)	Decrease in number of shares during current consolidated FY (hundreds of shares)	Number of shares at end of current consolidated FY (hundreds of shares)
Issued shares				
Common stock	534,620	—	2,956	531,664
Total	534,620	—	2,956	531,664
Treasury stock				
Common stock	10,354	2,999	3,156	10,197
Total	10,354	2,999	3,156	10,197

(Notes) 1. The 2,956 hundred share decrease in issued common stock is due to the retirement of treasury stock.

2. The 2,999 hundred share increase in common treasury stock is due to acquisition of treasury stock based on resolution of the Board of Directors of 2,956 hundred shares and purchase of fractional unit shares of 43 hundred shares.

3. The 3,156 hundred share decrease in common treasury stock is due to retirement of treasury stock of 2,956 hundred shares, allotted payment arising from merger/absorption of 199 hundred shares, and sale of fractional unit shares of 0 hundred shares.

4. The number of shares of treasury stock at the end of the current consolidated fiscal year includes the 2,060 hundred shares of treasury stock of the Company held by the BIP Trust.

2. Share subscription rights and treasury stock subscription rights

None to be disclosed.

3. Dividends

(1) Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
December 16, 2022 Ordinary General Meeting of Shareholders	Common stock	2,210	42.00	September 30, 2022	December 19, 2022
May 12, 2023 Meeting of the Board of Directors	Common stock	2,052	39.00	March 31, 2023	June 12, 2023

(Notes) 1. The total amount of cash dividends determined by resolution of the Ordinary General Meeting of Shareholders on December 16, 2022, includes a cash dividend of 8 million yen for the shares of the Company held by the BIP Trust.

2. The total amount of cash dividends determined by resolution of the Board of Directors on May 12, 2023, includes a cash dividend of 8 million yen for the shares of the Company held by the BIP Trust.

(2) Dividends with record dates during the current consolidated fiscal year whose effective dates are in the following consolidated fiscal year

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
December 15, 2023 Ordinary General Meeting of Shareholders	Common stock	2,669	Retained earnings	51.00	September 30, 2023	December 18, 2023

(Note) The total amount of cash dividends determined by resolution of the Ordinary General Meeting of Shareholders on December 15, 2023, includes a cash dividend of 10 million yen for the shares of the Company held by the BIP Trust.

Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)

1. Class and number of shares of issued shares and treasury stock

	Number of shares at beginning of current consolidated FY (hundreds of shares)	Increase in number of shares during current consolidated FY (hundreds of shares)	Decrease in number of shares during current consolidated FY (hundreds of shares)	Number of shares at end of current consolidated FY (hundreds of shares)
Issued shares				
Common stock	531,664	—	—	531,664
Total	531,664	—	—	531,664
Treasury stock				
Common stock	10,197	17	22	10,192
Total	10,197	17	22	10,192

(Notes) 1. The 17 hundred share increase in common treasury stock is due to purchase of fractional unit shares of 17 hundred shares.

2. The 22 hundred share decrease in common treasury stock is due to sale of fractional unit shares of 0 hundred shares and payment of 22 hundred shares under the BIP Trust.

3. The number of shares of treasury stock at the end of the current consolidated fiscal year includes the 2,038 hundred shares of treasury stock of the Company held by the BIP Trust.

2. Share subscription rights and treasury stock subscription rights

None to be disclosed.

3. Dividends

(1) Dividend payments

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
December 15, 2023 Ordinary General Meeting of Shareholders	Common stock	2,669	51.00	September 30, 2023	December 18, 2023
May 10, 2024 Meeting of the Board of Directors	Common stock	2,355	45.00	March 31, 2024	June 11, 2024

(Notes) 1. The total amount of cash dividends determined by resolution of the Ordinary General Meeting of Shareholders on December 15, 2023, includes a cash dividend of 10 million yen for the shares of the Company held by the BIP Trust.

2. The total amount of cash dividends determined by resolution of the Board of Directors on May 10, 2024, includes a cash dividend of 9 million yen for the shares of the Company held by the BIP Trust.

(2) Dividends with record dates during the current consolidated fiscal year whose effective dates are in the following consolidated fiscal year

Resolution	Class of shares	Total amount of cash dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
December 20, 2024 Ordinary General Meeting of Shareholders	Common stock	2,879	Retained earnings	55.00	September 30, 2024	December 23, 2024

(Note) The total amount of cash dividends determined by resolution of the Ordinary General Meeting of Shareholders on December 20, 2024, includes a cash dividend of 11 million yen for the shares of the Company held 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, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Cash and deposits	32,093 million yen	33,697 million yen
Time deposits with deposit period longer than three months	(3,300)	(3,300)
Cash and cash equivalents	28,793	30,397

(Lease transactions)

1. Finance lease transactions (lessee)

Finance lease transactions that do not involve transfer of ownership

(i) Description of leased assets

Property, plant, and equipment

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

(ii) Depreciation of leased assets

Leased assets are amortized in accordance with the basis of presenting 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, 2023)	Current consolidated fiscal year (September 30, 2024)
Within one year	285	262
Over one year	515	372
Total	800	634

3. Amounts for sublease transactions that are recorded in the consolidated balance sheets before deduction of interests

(1) Lease investment assets

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
Current assets	154	37
Investments and other assets	44	7

(2) Lease obligations

(Unit: millions of yen)

	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
Current liabilities	154	37
Non-current liabilities	44	7

(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 the operating activities of the Company are exposed to credit risk of 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 of those other than held-to-maturity securities on an ongoing basis.

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

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

(3) Supplementary information on fair value of financial instruments

Since certain assumptions that contain variable factors were used in estimating the fair value of financial instruments, 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: Note that shares that do not have a market value are not included (see Note 2).

Previous consolidated fiscal year (September 30, 2023)

	Book value in consolidated balance sheets (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
(1) Investment securities	21,878	21,880	1
(2) Long-term deposits	18,700	18,132	(567)
Total assets	40,578	40,012	(565)

Current consolidated fiscal year (September 30, 2024)

	Book value in consolidated balance sheets (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
(1) Investment securities	21,041	21,041	—
(2) Long-term deposits	20,200	19,555	(644)
Total assets	41,241	40,596	(644)

(Notes) 1. For cash and deposits, the fair value is omitted because of the nature of cash and the fact that the fair value approximates the book value due to the short maturity. Similarly, for notes receivable–trade, accounts receivable–trade, accounts payable–trade, and accounts payable–other, the fair values are omitted as the fair values approximate the book values due to the short maturity of these instruments.

2. Note that shares that do not have a market value are not included in “(1) Investment securities.” The book values of said financial instruments in the consolidated balance sheets are as follows:

(Unit: millions of yen)

Classification	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
Other securities (unlisted securities)	112	562
Stocks of subsidiaries and affiliates	59	96
Total	171	659

3. Scheduled redemption amounts for monetary claims and securities with maturity after the consolidated settlement date

Previous consolidated fiscal year (September 30, 2023)

	Within one year (millions of yen)	Over one year Within five years (millions of yen)	Over five years Within 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	32,081	—	—	—
Notes receivable–trade	50	—	—	—
Accounts receivable–trade	8,332	—	—	—
Investment securities				
Held-to-maturity securities				
Corporate bonds	—	1,500	—	—
Other securities with maturity				
Corporate bonds	—	500	4,100	9,000
Long-term deposits	—	7,000	11,700	—
Total	40,464	9,000	15,800	9,000

Current consolidated fiscal year (September 30, 2024)

	Within one year (millions of yen)	Over one year Within five years (millions of yen)	Over five years Within 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	33,686	—	—	—
Notes receivable–trade	23	—	—	—
Accounts receivable–trade	9,671	—	—	—
Investment securities				
Other securities with maturity				
Corporate bonds	—	600	4,000	9,000
Long-term deposits	—	12,000	8,200	—
Total	43,381	12,600	12,200	9,000

4. Breakdown by level of fair value of financial instruments, etc.

Fair values of financial instruments are classified into the following three levels in accordance with the observability and materiality of inputs for fair value calculations.

Level 1 fair value

Of the observable inputs for fair value calculations, fair value calculated by using quoted prices for assets or liabilities that are subject to the fair value calculations concerned formed in active markets

Level 2 fair value

Of the observable inputs for fair value calculations, fair value calculated by using inputs for fair value calculations other than Level 1 inputs

Level 3 fair value

Fair value calculated by using unobservable inputs for fair value calculations

If multiple inputs that have a material impact on fair value calculations are used, the fair value is classified into the lowest priority level for fair value calculations out of the levels to which the respective inputs belong.

(1) Financial instruments recorded at fair value in the consolidated balance sheets

Previous consolidated fiscal year (September 30, 2023)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stocks	7,649	—	—	7,649
Corporate bonds	—	12,729	—	12,729
Total assets	7,649	12,729	—	20,378

Current consolidated fiscal year (September 30, 2024)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Stocks	8,157	—	—	8,157
Corporate bonds	—	12,884	—	12,884
Total assets	8,157	12,884	—	21,041

(2) Financial instruments other than financial instruments recorded at fair value in the consolidated balance sheets

Previous consolidated fiscal year (September 30, 2023)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Held-to-maturity securities				
Corporate bonds	—	1,501	—	1,501
Long-term deposits	—	18,132	—	18,132
Total assets	—	19,634	—	19,634

Current consolidated fiscal year (September 30, 2024)

Classification	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Long-term deposits	—	19,555	—	19,555
Total assets	—	19,555	—	19,555

(Note) Explanation of valuation technique used to calculate fair value and inputs for fair value calculations

Investment securities

The fair value of listed equity securities is based on quoted market prices on the stock exchange, and the fair value of corporate bonds is based on the market prices quoted on the stock exchange or provided by financial institutions. As listed equity securities are traded in active markets, their fair values are classified as Level 1 fair value. Meanwhile, as corporate bonds held by the Company are infrequently traded in markets and cannot be regarded as quoted prices in active markets, their fair values are classified as Level 2 fair value.

Long-term deposits

The fair values of long-term deposits are estimated based on the present values with the total amount of principal and interest discounted using the interest rate applicable to new deposits, as well as on the fair market values provided by financial institutions for the derivative portions. Therefore, their fair values are classified as Level 2 fair value.

(Securities)

1. Held-to-maturity securities

Previous consolidated fiscal year (September 30, 2023)

	Class	Book value in consolidated balance sheets (millions of yen)	Fair value (millions of yen)	Difference (millions of yen)
Securities for which the fair values exceed the book values in the consolidated balance sheets	Corporate bonds	1,500	1,501	1
	Subtotal	1,500	1,501	1
Securities for which the fair values do not exceed the book values in the consolidated balance sheets	Corporate bonds	—	—	—
	Subtotal	—	—	—
Total		1,500	1,501	1

Current consolidated fiscal year (September 30, 2024)

None to be disclosed.

2. Other securities

Previous consolidated fiscal year (September 30, 2023)

	Class	Book value in consolidated balance sheets (millions of yen)	Original purchase value (millions of yen)	Difference (millions of yen)
Securities for which the book values in the consolidated balance sheets exceed the original purchase values	(1) Stocks	7,655	3,631	4,024
	(2) Bonds Corporate bonds	—	—	—
	Subtotal	7,655	3,631	4,024
Securities for which the book values in the consolidated balance sheets do not exceed the original purchase values	(1) Stocks	—	—	—
	(2) Bonds Corporate bonds	12,729	13,739	(1,009)
	Subtotal	12,729	13,739	(1,009)
Total		20,385	17,370	3,015

(Note) Unlisted securities (112 million yen in the consolidated balance sheets) are not included in the table “Other securities” above since their shares do not have a market value.

Current consolidated fiscal year (September 30, 2024)

	Class	Book value in consolidated balance sheets (millions of yen)	Original purchase value (millions of yen)	Difference (millions of yen)
Securities for which the book values in the consolidated balance sheets exceed the original purchase values	(1) Stocks	8,157	3,618	4,539
	(2) Bonds Corporate bonds	—	—	—
	Subtotal	8,157	3,618	4,539
Securities for which the book values in the consolidated balance sheets do not exceed the original purchase values	(1) Stocks	—	—	—
	(2) Bonds Corporate bonds	12,884	13,727	(843)
	Subtotal	12,884	13,727	(843)
Total		21,041	17,345	3,695

(Note) Unlisted securities (562 million yen in the consolidated balance sheets) are not included in the table “Other securities” above since their shares do not have a market value.

3. Other securities sold

Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)

Class	Price sold (millions of yen)	Total gain from sale (millions of yen)	Total loss from sale (millions of yen)
(1) Stocks	38	15	—
(2) Bonds			
Corporate bonds	—	—	—
Subtotal	38	15	—

Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)

Class	Price sold (millions of yen)	Total gain from sale (millions of yen)	Total loss from sale (millions of yen)
(1) Stocks	21	14	—
(2) Bonds			
Corporate bonds	—	—	—
Subtotal	21	14	—

4. Securities for which impairment loss is recognized

None to be disclosed.

(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 benefits system in use

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

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

Although the Company is a member of the multi-employer pension plan called the Japan Computer Information Service Employees' Pension Fund, the portion of pension assets that the Company contributes is recognized in a similar manner as the defined contribution plan because the amount cannot be reasonably calculated.

2. Defined benefit retirement plans

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

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Retirement benefit obligations at beginning of year	8,947 million yen	9,085 million yen
Service costs	450	463
Interest costs	—	—
Actuarial differences	130	(768)
Retirement benefits paid	(442)	(400)
Amount of past service costs accrued	—	40
Retirement benefit obligations at end of year	9,085	8,420

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

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Pension assets at beginning of year	6,140 million yen	6,129 million yen
Expected returns	—	—
Actuarial differences	(11)	39
Contributions by employer	—	—
Retirement benefits paid	—	—
Pension assets at end of year	6,129	6,168

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

	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
Contributory retirement benefit obligations	8,441 million yen	7,818 million yen
Pension assets	(6,129)	(6,168)
	2,311	1,649
Non-contributory retirement benefit obligations	644	601
Net liabilities and assets in the consolidated balance sheets	2,956	2,251
Retirement benefit liabilities	2,956	2,251
Net liabilities and assets in the consolidated balance sheets	2,956	2,251

(4) Retirement benefit expenses and breakdown

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Service costs	450 million yen	463 million yen
Interest costs	—	—
Expected returns	—	—
Amount of actuarial differences treated as expenses	142	(808)
Amount of past service costs treated as expenses	250	251
Retirement benefit expenses under defined benefit retirement plans	843	(93)

(5) Remeasurements of defined benefit plans

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

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Past service costs	250 million yen	251 million yen
Total	250	251

(6) Accumulated remeasurements of defined benefit plans

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

	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
Unrecognized past service costs	(1,488) million yen	(1,277) million yen
Total	(1,488)	(1,277)

(7) Pension assets

(i) Major pension assets

The respective percentages of major pension asset classifications in comparison to the total amount of pension assets are as follows:

	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
Bonds	72%	63%
Cash and deposits	28	37
Other	—	—
Total	100	100

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

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

The Company has a basic policy of covering the trust expenses with investment 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, 2023)	Current consolidated fiscal year (September 30, 2024)
Discount rate	0.00%	1.00%
Expected long-term rate of return	—%	—%
Expected increase in salary	1.00 - 1.64%	1.00 - 1.64%

(Note) The discount rate applied in the calculations at the beginning of the current consolidated fiscal year was 0.00%, but following a review of the discount rate at the end of the fiscal year, the Company determined that a change in the discount rate would have a significant impact on the amount of retirement benefit obligations and changed the discount rate to 1.00%.

3. Defined contribution plan

The amounts of necessary contributions to the defined contribution plan of the Company and its consolidated subsidiaries were 306 million yen for the previous consolidated fiscal year and 326 million yen for the current consolidated fiscal year.

4. Multi-employer pension plan

The amounts of necessary contributions to the corporate pension fund plan under the multi-employer pension plan, which are recognized in a similar manner as the defined contribution plan, were 139 million yen for the previous consolidated fiscal year and 140 million yen for the current consolidated fiscal year.

(1) Reserve fund for multi-employer pension plan

	Previous consolidated fiscal year (March 31, 2023)	Current consolidated fiscal year (March 31, 2024)
Pension assets	268,557 million yen	277,016 million yen
Actuarial liabilities based on pension plan financial calculations	216,477	224,936
Differences	52,079	52,079

(2) Coverage ratio of the Group for the multi-employer pension plan

Previous consolidated fiscal year: 2.33% (Started April 1, 2022; ended March 31, 2023)

Current consolidated fiscal year: 2.30% (Started April 1, 2023; ended March 31, 2024)

(3) Supplementary information

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

(Tax effect accounting)

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

	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
Deferred tax assets		
Software development costs	3,275 million yen	3,475 million yen
Provisions for bonuses	1,487	1,924
Retirement benefit liabilities	472	315
Retirement benefit trust	1,869	1,881
Accumulated remeasurements of defined benefit plans	455	392
Retirement bonuses for Officers payable	12	—
Accrued business taxes	159	187
Loss on valuation of investment securities	175	177
Legal welfare expenses corresponding to provisions for bonuses	226	293
Asset retirement obligations	120	121
Impairment losses	113	114
Provisions for stocks payment	104	108
Other	441	446
Subtotal	8,914	9,438
Valuation allowance	(567)	(569)
Total deferred tax assets	8,346	8,869
Deferred tax liabilities		
Business tax refund	2	—
Retirement expenses corresponding to asset retirement obligations	34	37
Valuation difference on available-for-sale securities	916	1,123
Other	9	9
Total deferred tax liabilities	963	1,170
Net deferred tax assets	7,383	7,698

2. Major items responsible for the significant difference between statutory income tax rate and effective income tax rate after application of tax effect accounting

	Previous consolidated fiscal year (September 30, 2023)	Current consolidated fiscal year (September 30, 2024)
Statutory income tax rate	30.5%	30.5%
(Adjustments)		
Inhabitant tax on per capita basis	0.5	0.5
Entertainment expenses and other permanently non-tax-deductible items	0.3	0.4
Tax deductions under the tax system to encourage wage increases	(1.7)	(1.6)
Other	(1.1)	(0.2)
Effective income tax rate after application of tax effect accounting	28.5	29.6

3. Accounting treatment of income taxes, local corporate taxes, and tax effect accounting concerning these taxes

The Company and its consolidated subsidiaries apply the Group Tax Sharing System and have been performing the accounting treatment and the disclosure of income taxes, local corporate taxes, and tax effect accounting concerning these taxes in accordance with the “Practical Solution on Accounting and Disclosure Under the Group Tax Sharing System” (ABSJ Practical Solution No. 42, issued August 12, 2021).

(Asset retirement obligations)

Previous consolidated fiscal year (ended September 30, 2023) and current consolidated fiscal year (ended September 30, 2024)

Information is omitted as it was immaterial.

(Revenue recognition)

1. Information on disaggregation of revenue from contracts with customers

Net sales of the Company are primarily revenue recognized from contracts with customers. The Company's reportable segments can be disaggregated into the following categories of goods and services:

Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)

(Unit: millions of yen)

	Reportable segments			Total
	Accounting Firm Business	Local Governments Business	Printing Business	
Revenue from computer services	16,563	9,490	—	26,053
Software sales	19,494	6,306	—	25,801
Revenue from consulting	7,394	1,668	—	9,062
Office equipment sales	4,228	2,891	—	7,120
Accounting supplies sales	1,068	—	—	1,068
Revenue from printing-related services	—	—	2,808	2,808
Sales to outside customers	48,749	20,357	2,808	71,915

Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)

(Unit: millions of yen)

	Reportable segments			Total
	Accounting Firm Business	Local Governments Business	Printing Business	
Revenue from computer services	17,300	9,471	—	26,771
Software sales	20,040	8,122	—	28,163
Revenue from consulting	7,591	1,093	—	8,684
Office equipment sales	4,510	3,067	—	7,578
Accounting supplies sales	1,024	—	—	1,024
Revenue from printing-related services	—	—	2,997	2,997
Sales to outside customers	50,467	21,754	2,997	75,219

2. Information that forms the basis for understanding revenue from contracts with customers

The Group mainly provides information processing services, software and consulting services, and the sale of supplies and office equipment. Their revenues are recognized respectively in the following manner.

These revenues are recognized at the amounts of compensation that are received from customers based on contracts. However, if there are rebates (rebates of sales) based on numerical criteria in contracts, or returns, etc., these amounts are deducted from the amounts recognized. The typical term of payment is generally within two months from the issuance of invoice at the point of satisfaction of performance obligations or on the date of the contract, etc.

(1) Provision of information processing services

For provision of information processing services, calculation and storage of data and provision of business form printing services under contracts with customers are identified as performance obligations.

For provision of information processing services, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, when the customer inspects and accepts the products, or when the contract becomes final and binding.

(2) Provision of software

For provision of software, provision of software for sale or for rent as well as provision of made-to-order software are

identified as performance obligations.

Performance obligations of provision of software whose system has a validity period are satisfied with the lapse of the validity period. Therefore, in such cases, revenues are recognized throughout said validity periods.

For made-to-order software, satisfaction of performance obligations is determined based on the progress of development. As such, in cases where the contract value or total amount of costs required until completion can be estimated reliably, revenues are recognized over a certain period depending on the progress of satisfaction of performance obligations. However, in cases where the contract value or total amount of costs required until completion cannot be estimated reliably, revenues are recognized within the range of costs actually incurred (cost recovery method).

For performance obligations other than those described above, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, when the customer inspects and accepts the software, or on the date of commencement of use as set forth in the contract.

For some transactions, the Group's performance obligations involve making arrangements for other parties to provide products, and the Group is deemed to be an agent in such transactions. For such transactions where the Group is an agent, the revenue is calculated as the net amount of compensation to be received from the customer after deducting the amount to be paid to the party acting as principal.

(3) Provision of consulting services

For the provision of consulting services, support services for the implementation of software and help desk services, etc., are identified as performance obligations.

For help desk services, the Group is obligated to provide services throughout the period set forth in the contract. Performance obligations are satisfied with the lapse of the contract period. Therefore, in such cases, revenues are recognized throughout said contract periods. For performance obligations other than those described above, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, at the time the provision of services is completed.

(4) Sale of office equipment and supplies

For the sale of office equipment and supplies, the sale of computer-based accounting supplies and office equipment is identified as performance obligations.

For the sale of office equipment and supplies, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, when the customer inspects and accepts the products, or when the products are shipped out. Determination of the point in time the products are shipped out is based on the application of the alternative treatment of performance obligations in consideration of materiality, etc., since the period from the point the products are shipped out to their delivery is a normal period of time.

For some transactions, the Group's performance obligations involve making arrangements for other parties to provide products, and the Group is deemed to be an agent in such transactions. For such transactions where the Group is an agent, the revenue is calculated as the net amount of compensation to be received from the customer after deducting the amount to be paid to the party acting as principal.

3. Information on relation between satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and information on the amounts and timing of revenue from contracts with customers that exist at the end of the current consolidated fiscal year that are expected to be recognized in the next consolidated fiscal year and after

(1) Balance of contract assets and contract liabilities, etc.

Contract assets are the Group's rights to consideration that the Group is entitled to receive in exchange for the goods or services that the Group has transferred to customers. Contract assets are reclassified as accounts receivable when the rights to payment become unconditional. Accounts receivables are received within the terms stipulated under each contract.

Contract liabilities are the obligations of the Company and its consolidated subsidiaries to transfer goods or services to customers for which the Group has received consideration or which have become due for receiving consideration from customers. These are received generally within two months from the date of the contract or within the terms stipulated under each contract, regardless of the satisfaction of performance obligations. Contract liabilities are reversed upon recognition of revenue.

Of the amount of revenue recognized during the previous consolidated fiscal year, revenue included in the balance of contract liabilities at the beginning of the previous consolidated fiscal year was 896 million yen. Furthermore, of the amount of revenue recognized during the current consolidated fiscal year, revenue included in the balance of contract liabilities at the beginning of the current consolidated fiscal year was 1,022 million yen.

(2) Transaction prices allocated to remaining performance obligations

The total amount of transaction prices allocated to remaining performance obligations for the current consolidated fiscal year is 3,286 million yen. For these remaining performance obligations, the Group expects to recognize revenue generally within five years after the closing date.

(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 corresponding to each of its businesses: the Accounting Firm Business, the Local Governments Business, and the Printing Business.

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

[Accounting Firm Business] (Provides services and products to accounting firms and their clients)

Information processing services, software and consulting services, sale of office equipment and supplies.

[Local Governments Business] (Provides services and products to local governments (municipalities, etc.))

Information processing services, software and consulting services, sale of office equipment.

[Printing Business]

Continuous business forms for PCs, general office forms, data printing services, etc.

2. Methods for calculating net sales, profit or loss, assets, and other items by reportable segment

Accounting methods for reported business segments are largely consistent with the methods described in the "Basis of presenting consolidated financial statements" section.

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

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

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

Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)

(Unit: millions of yen)

	Reportable segments			Total	Adjustments (Note 1)	Amounts in consolidated financial statements (Note 2)
	Accounting Firm Business	Local Governments Business	Printing Business			
Net sales						
Sales to outside customers	48,749	20,357	2,808	71,915	—	71,915
Inter-segment sales or transfers	7	0	2,463	2,471	(2,471)	—
Total	48,757	20,357	5,272	74,386	(2,471)	71,915
Segment profit	11,139	3,059	127	14,326	11	14,338
Segment assets	29,876	12,162	5,941	47,979	68,377	116,356
Other items						
Depreciation (Note 3)	2,059	1,091	383	3,534	(0)	3,533
Investments in equity method affiliated companies	59	—	—	59	—	59
Increase in property, plant, and equipment and intangible assets (Note 3)	2,914	2,784	302	6,002	—	6,002

(Notes) 1. Adjustments are as follows:

- (1) Adjustments of segment profit of 11 million yen include 6 million yen for elimination of inter-segment transactions and 4 million yen for adjustments of inventory assets.
 - (2) Adjustments of segment assets of 68,377 million yen include 69,439 million yen of corporate assets that are not allocated to specific reportable segments and (1,061) million yen for elimination of inter-segment transactions. Corporate assets are primarily surplus funds of the parent company (cash and deposits) 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 income presented in the consolidated statements of income.
 3. Increases in depreciation, property, plant, and equipment, and intangible assets include long-term prepaid expenses and amortization of such expenses.

Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)

(Unit: millions of yen)

	Reportable segments			Total	Adjustments (Note 1)	Amounts in consolidated financial statements (Note 2)
	Accounting Firm Business	Local Governments Business	Printing Business			
Net sales						
Sales to outside customers	50,467	21,754	2,997	75,219	—	75,219
Inter-segment sales or transfers	37	—	2,152	2,190	(2,190)	—
Total	50,505	21,754	5,149	77,409	(2,190)	75,219
Segment profit	11,289	4,110	101	15,501	3	15,505
Segment assets	29,939	16,054	5,731	51,726	73,156	124,882
Other items						
Depreciation (Note 3)	1,920	1,237	360	3,518	(0)	3,517
Investments in equity method affiliated companies	96	—	—	96	—	96
Increase in property, plant, and equipment and intangible assets (Note 3)	2,759	3,597	270	6,627	—	6,627

(Notes) 1. Adjustments are as follows:

- (1) Adjustments of segment profit of 3 million yen include 6 million yen for elimination of inter-segment transactions and (0) million yen for adjustments of inventory assets.
 - (2) Adjustments of segment assets of 73,156 million yen include 74,058 million yen of corporate assets that are not allocated to specific reportable segments and (902) million yen for elimination of inter-segment transactions. Corporate assets are primarily surplus funds of the parent company (cash and deposits) 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 income presented in the consolidated statements of income.
 3. Increases in depreciation, property, plant, and equipment, and intangible assets include long-term prepaid expenses and amortization of such expenses.

[Related information]

Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)

1. Information by product and service

Information is omitted since the same information has been disclosed under “Segment information.”

2. Information by geographic area

(1) Net sales

Information is omitted since more than 90% of net sales in the consolidated statements of income are sales to outside customers in Japan.

(2) Property, plant, and 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 outside customers that account for 10% or more of net sales in the consolidated statements of income.

Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)

1. Information by product and service

Information is omitted since the same information has been disclosed under “Segment information.”

2. Information by geographic area

(1) Net sales

Information is omitted since more than 90% of net sales in the consolidated statements of income are sales to outside customers in Japan.

(2) Property, plant, and 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 outside customers that account for 10% or more of net sales in the consolidated statements of income.

[Information on impairment losses of fixed assets by reportable segment]

Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)

None to be disclosed.

Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)

(Unit: millions of yen)

	Reportable segments			Total	Adjustments	Amounts in consolidated financial statements
	Accounting Firm Business	Local Governments Business	Printing Business			
Impairment losses	1	—	—	1	—	1

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

Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)

None to be disclosed.

Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)

None to be disclosed.

[Information on gain on negative goodwill by reportable segment]

Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)

None to be disclosed.

Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)

None to be disclosed.

[Related-party information]

1. Related-party transactions

(1) Transactions between the Company and related parties

Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)

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

Classification	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 company	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)	55 1	Loans receivable	65

(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 market interest rates.

(ii) Officers and major shareholders (individuals only) of the Company

Classification	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 their near relatives hold majority of voting rights	Kato Accounting Office (Note 2)	Sapporo-shi, Hokkaido	6	Certified public tax accounting firm	—	Rendering of information processing services, etc.	Rendering of information processing services, etc. (Note 1)	19	Accounts receivable-trade	3
	Ofuji Accounting Office (Note 3)	Miyagino-ku, Sendai-shi, Miyagi	9	Certified public tax accounting firm	—	Rendering of information processing services, etc.	Rendering of information processing services, etc. (Note 1)	19	Accounts receivable-trade	2
	Accounting Firm Top Management (Note 4)	Kushiro-shi, Hokkaido	9	Certified public tax accounting firm	—	Rendering of information processing services, etc.	Rendering of information processing services, etc. (Note 1)	30	Accounts receivable-trade	2
	Hamamura Accounting Office (Note 5)	Utsunomiya-shi, Tochigi	3	Certified public tax accounting firm	—	Rendering of information processing services, etc.	Rendering of information processing services, etc. (Note 1)	18	Accounts receivable-trade	1

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

Terms of transaction for the rendering of information processing services, etc., are similar to the terms with other counterparts.

2. The company was co-founded by Mr. Keiichiro Kato, Director of the Company.
3. The company was co-founded by 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.

Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)

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

Classification	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 company	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)	65 0	Loans receivable	—

(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 market interest rates.

(ii) Officers and major shareholders (individuals only) of the Company

Classification	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 their near relatives hold majority of voting rights	Kato Accounting Office (Note 2)	Sapporo-shi, Hokkaido	6	Certified public tax accounting firm	—	Rendering of information processing services, etc.	Rendering of information processing services, etc. (Note 1)	25	Accounts receivable-trade	3
	Ofuji Accounting Office (Note 3)	Miyagino-ku, Sendai-shi, Miyagi	9	Certified public tax accounting firm	—	Rendering of information processing services, etc.	Rendering of information processing services, etc. (Note 1)	18	Accounts receivable-trade	1
	Accounting Firm Top Management (Note 4)	Kushiro-shi, Hokkaido	9	Certified public tax accounting firm	—	Rendering of information processing services, etc.	Rendering of information processing services, etc. (Note 1)	31	Accounts receivable-trade	2
	Hamamura Accounting Office (Note 5)	Utsunomiya-shi, Tochigi	3	Certified public tax accounting firm	—	Rendering of information processing services, etc.	Rendering of information processing services, etc. (Note 1)	22	Accounts receivable-trade	1
	Taenaka Accounting Firm (Note 6)	Osaka-shi, Osaka	9	Certified public tax accounting firm	—	Rendering of information processing services, etc.	Rendering of information processing services, etc. (Note 1)	12	Accounts receivable-trade	1

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

Terms of transaction for the rendering of information processing services, etc., are similar to the terms with other counterparts.

2. The company was co-founded by Mr. Keiichiro Kato, Director of the Company.
3. The company was co-founded by 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. The company was co-founded by Mr. Shigeki Taenaka, Auditor of the Company.

(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, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Net assets per share	1,827.70 yen	1,959.39 yen
Net income per share	206.54 yen	216.21 yen

(Notes) 1. The diluted net income per share is not stated as there were no dilutive shares.

2. The number of shares of treasury stock at end of year and the average number of shares outstanding used in the calculation of earnings per share information have been determined by including the shares of the Company held by the BIP Trust (which was established with the introduction of the BIP Trust plan) as deductible treasury stock.

The number of shares of treasury stock at end of year deducted for the calculation of net assets per share was 206,000 shares for the previous consolidated fiscal year and 203,800 shares for the current consolidated fiscal year.

The average number of shares of treasury stock outstanding deducted for the calculation of net income per share was 206,000 shares for the previous consolidated fiscal year and 204,588 shares for the current consolidated fiscal year.

3. The basis for the calculation of net income per share is as follows:

	Previous consolidated fiscal year (Started October 1, 2022; ended September 30, 2023)	Current consolidated fiscal year (Started October 1, 2023; ended September 30, 2024)
Net income per share		
Net income attributable to owners of parent (millions of yen)	10,826	11,274
Amount not attributable to common shareholders (millions of yen)	—	—
Net income from common stock attributable to owners of parent (millions of yen)	10,826	11,274
Average number of shares of common stock outstanding (hundreds of shares)	524,174	521,470

(Material subsequent events)

None to be disclosed.

(v) [Consolidated supplementary schedules]

[Schedule – Corporate bonds]

None to be disclosed.

[Schedule – Borrowings]

Classification	Balance at beginning of year (millions of yen)	Balance at end of year (millions of yen)	Average interest rate (%)	Term of repayment
Short-term loans payable	—	—	—	—
Current portion of long-term loans payable	71	71	0.59	—
Current portion of lease obligations	283	156	—	—
Long-term loans payable (excluding current portion)	71	—	0.59	October 5, 2024 - September 10, 2025
Lease obligations (excluding current portion)	391	244	—	October 9, 2024 - March 21, 2029
Other interest-bearing debts				
Accounts payable–installment purchases	—	—	—	—
Total	817	472	—	—

(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 payable, 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.

	Due after 1 year but within 2 years (millions of yen)	Due after 2 years but within 3 years (millions of yen)	Due after 3 years but within 4 years (millions of yen)	Due after 4 years but within 5 years (millions of yen)
Long-term loans payable	—	—	—	—
Lease obligations	96	89	44	14
Other interest-bearing debts	—	—	—	—

[Schedule – Asset retirement obligations]

Information is omitted as it was immaterial.

(2) [Other]

Quarterly financial information for the current consolidated fiscal year

(Cumulative period)	First 3 months	First 6 months	First 9 months	Current consolidated fiscal year
Net sales (millions of yen)	17,124	37,047	55,166	75,219
Quarterly (current FY) net income before income taxes (millions of yen)	3,946	9,264	14,096	16,009
Quarterly (current FY) net income attributable to owners of parent (millions of yen)	2,710	6,376	9,684	11,274
Quarterly (current FY) net income per share (yen)	51.97	122.28	185.71	216.21

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly net income per share (yen)	51.97	70.30	63.43	30.49

(Note) Although the quarterly report for the 3rd quarter has not been submitted, the respective figures for the 3rd quarter are based on quarterly information prepared in accordance with the rules stipulated by the stock exchange. This information has not been subject to mid-term review.

2 [Non-consolidated Financial Statements, etc.]

(1) [Non-consolidated financial statements]

(i) [Balance sheets]

(Unit: millions of yen)

	Previous fiscal year (September 30, 2023)	Current fiscal year (September 30, 2024)
Assets		
Current assets		
Cash and deposits	27,032	28,547
Accounts receivable–trade	*1 7,525	*1 8,989
Contract assets	301	344
Lease investment assets	154	37
Merchandise	66	161
Work in progress	0	–
Raw materials and supplies	101	105
Prepaid expenses	925	1,366
Accounts receivable–other	*1 23	*1 35
Other	*1 809	*1 924
Allowance for doubtful accounts	(18)	(20)
Total current assets	36,922	40,491
Non-current assets		
Property, plant, and equipment		
Buildings	6,372	6,207
Structures	156	164
Vehicles	8	5
Tools, furniture and fixtures	1,961	2,001
Land	6,637	6,637
Total property, plant, and equipment	15,136	15,017
Intangible assets		
Software	2,941	2,908
Software in progress	2,789	4,955
Telephone subscription rights	22	21
Other	0	0
Total intangible assets	5,754	7,885
Investments and other assets		
Investment securities	21,700	21,326
Stocks of subsidiaries and affiliates	1,289	1,289
Investments in capital	0	0
Long-term loans receivable	*1 19	9
Long-term prepaid expenses	310	1,786
Deferred tax assets	6,271	6,679
Long-term deposits	18,500	20,000
Guarantee deposits	1,357	1,447
Long-term lease investment assets	44	7
Other	107	107
Allowance for doubtful accounts	(12)	(8)
Total investments and other assets	49,587	52,645
Total non-current assets	70,478	75,549
Total assets	107,401	116,040

(Unit: millions of yen)

	Previous fiscal year (September 30, 2023)	Current fiscal year (September 30, 2024)
Liabilities		
Current liabilities		
Accounts payable–trade	*1 2,682	*1 2,934
Lease obligations	154	37
Accounts payable–other	*1 2,100	*1 2,300
Income taxes payable	2,307	3,127
Accrued business office taxes	59	61
Accrued consumption taxes	637	865
Contract liabilities	1,210	1,189
Advances received	514	392
Deposits received	443	241
Provisions for bonuses	4,280	5,680
Provisions for loss on construction contracts	14	13
Accounts payable–facilities	*1 60	*1 35
Other	—	16
Total current liabilities	14,464	16,895
Non-current liabilities		
Lease obligations	44	7
Provisions for retirement benefits	849	434
Provisions for stocks payment	341	356
Provisions for loss on guarantees	3	3
Other	409	432
Total non-current liabilities	1,648	1,234
Total liabilities	16,113	18,130
Net assets		
Shareholders' equity		
Capital stock	5,700	5,700
Capital surplus		
Capital reserve	5,409	5,409
Other capital surplus	—	0
Total capital surplus	5,409	5,409
Retained earnings		
Retained earnings reserve	688	688
Other retained earnings		
General reserve	72,157	77,157
Retained earnings brought forward	7,909	9,055
Total retained earnings	80,755	86,901
Treasury stock	(2,604)	(2,606)
Total shareholders' equity	89,260	95,404
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,027	2,505
Total valuation and translation adjustments	2,027	2,505
Total net assets	91,288	97,910
Total liabilities and net assets	107,401	116,040

(ii) [Statements of income]

(Unit: millions of yen)

	Previous fiscal year (Started October 1, 2022; ended September 30, 2023)	Current fiscal year (Started October 1, 2023; ended September 30, 2024)
Net sales	*1 67,660	*1 70,990
Cost of sales	*1 19,422	*1 19,415
Gross profit	48,238	51,575
Selling, general, and administrative expenses	*1, *2 34,556	*1, *2 36,616
Operating income	13,681	14,958
Non-operating income		
Interest income	*1 66	*1 80
Dividend income	*1 190	*1 523
Land and house rent received	*1 156	*1 156
Subsidy income	10	7
Other	*1 57	*1 128
Total non-operating income	480	896
Non-operating expenses		
Cost of lease revenue	103	101
Other	1	0
Total non-operating expenses	104	102
Ordinary income	14,057	15,752
Extraordinary income		
Gain on sale of non-current assets	0	1
Gain on extinguishment of tie-in shares	365	—
Other	0	—
Total extraordinary income	366	1
Extraordinary loss		
Loss on retirement of non-current assets	10	39
Other	—	1
Total extraordinary loss	10	40
Net income before taxes	14,413	15,713
Income taxes—current	4,501	5,159
Income taxes—deferred	(422)	(617)
Total income taxes	4,078	4,542
Net income	10,334	11,171

[Report on cost of sales]

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

		57th Term (Started October 1, 2022; ended September 30, 2023)			58th Term (Started October 1, 2023; ended September 30, 2024)		
Classification	Note	Amount (millions of yen)		Ratio (%)	Amount (millions of yen)		Ratio (%)
I. Material costs			4,846	29.4		4,819	28.0
II. Labor costs	*1		3,466	21.0		3,619	21.1
III. Expenses							
1. Computer rental expenses		514			628		
2. Maintenance contracts		1,314			1,341		
3. Depreciation		686			782		
4. Repairs and maintenance expenses		665			733		
5. Supplies expenses		1,005			961		
6. Other		3,994	8,180	49.6	4,302	8,749	50.9
Total expenses			16,494	100.0		17,188	100.0
Work in progress and inventories at beginning of year			0			0	
Transfers from other accounts	*2		1,818			1,665	
Total			18,313			18,854	
Work in progress and inventories at end of year			0			—	
Transfers to other accounts	*3		3,039			3,885	
Cost of sales for information processing, software, and consulting services			15,273			14,968	

(Notes) 1. Labor costs include the following provisions. Figures in (parentheses) denote amounts for the previous fiscal year.

Provisions for bonuses: 1,162 million yen (1,010 million yen)

Retirement benefit expenses: 84 million yen (131 million yen)

2. Transfers from other accounts represent the transfer of amortization of software.

3. Transfers to other accounts represent the transfer of software development costs into the software and software in progress accounts.

4. Costs are calculated using job order costing by project.

(b) Cost of sales for office equipment and supplies

		57th Term (Started October 1, 2022; ended September 30, 2023)			58th Term (Started October 1, 2023; ended September 30, 2024)		
Classification	Note	Amount (millions of yen)		Ratio (%)	Amount (millions of yen)		Ratio (%)
I. Inventories at beginning of year			110	2.6		66	1.4
II. Purchases			4,104	97.4		4,541	98.6
Total			4,215	100.0		4,607	100.0
III. Inventories at end of year			66			161	
Cost of sales for office equipment and supplies			4,148			4,446	

(iii) [Statements of changes in net assets]

Previous fiscal year (Started October 1, 2022; ended September 30, 2023)

(Unit: millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Capital reserve	Other capital surplus	Total capital surplus	Retained earnings reserve	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of year	5,700	5,409	302	5,712	688	67,157	7,255	75,101
Changes during fiscal year								
General reserve						5,000	(5,000)	—
Dividends of surplus							(4,263)	(4,263)
Net income							10,334	10,334
Acquisition of treasury stock								
Disposal of treasury stock			0	0				
Retirement of treasury stock			(381)	(381)			(416)	(416)
Increase due to merger			78	78				
Changes in items other than equity (net)								
Total changes during fiscal year	—	—	(302)	(302)	—	5,000	654	5,654
Balance at end of year	5,700	5,409	—	5,409	688	72,157	7,909	80,755

	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	(2,359)	84,153	(160)	(160)	83,993
Changes during fiscal year					
General reserve		—			—
Dividends of surplus		(4,263)			(4,263)
Net income		10,334			10,334
Acquisition of treasury stock	(1,089)	(1,089)			(1,089)
Disposal of treasury stock	0	0			0
Retirement of treasury stock	798	—			—
Increase due to merger	47	125			125
Changes in items other than equity (net)			2,187	2,187	2,187
Total changes during fiscal year	(244)	5,107	2,187	2,187	7,294
Balance at end of year	(2,604)	89,260	2,027	2,027	91,288

Current fiscal year (Started October 1, 2023; ended September 30, 2024)

(Unit: millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Capital reserve	Other capital surplus	Total capital surplus	Retained earnings reserve	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of year	5,700	5,409	—	5,409	688	72,157	7,909	80,755
Changes during fiscal year								
General reserve						5,000	(5,000)	—
Dividends of surplus							(5,025)	(5,025)
Net income							11,171	11,171
Acquisition of treasury stock								
Disposal of treasury stock			0	0				
Changes in items other than equity (net)								
Total changes during fiscal year	—	—	0	0	—	5,000	1,145	6,145
Balance at end of year	5,700	5,409	0	5,409	688	77,157	9,055	86,901

	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	(2,604)	89,260	2,027	2,027	91,288
Changes during fiscal year					
General reserve		—			—
Dividends of surplus		(5,025)			(5,025)
Net income		11,171			11,171
Acquisition of treasury stock	(6)	(6)			(6)
Disposal of treasury stock	4	4			4
Changes in items other than equity (net)			478	478	478
Total changes during fiscal year	(1)	6,143	478	478	6,621
Balance at end of year	(2,606)	95,404	2,505	2,505	97,910

[Notes to financial statements]

(Important 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
Moving average cost method
 - (ii) Held-to-maturity securities
Amortized cost method
 - (iii) Other securities
 - 1) Securities other than shares that do not have a market value
Fair value method (related valuation differences are directly charged or credited to shareholders' equity, and cost of securities sold is calculated by the moving average method)
 - 2) Shares that do not have a market value
Moving average cost method
 - (2) Standards and methods used for the valuation of inventory assets
 - (i) Merchandise, raw materials
Cost method based on first-in, first-out method (with balance sheet values reflecting write downs for decreased profitability)
 - (ii) Work in progress
Cost method based on specific identification method (with balance sheet values reflecting write downs for decreased profitability)
 - (iii) Supplies
Last purchase cost method (with balance sheet values reflecting write downs for decreased profitability)
2. Depreciation of non-current assets
 - (1) Property, plant, and equipment
Declining balance method
However, buildings acquired after April 1, 1998 (excluding accompanying facilities), as well as accompanying facilities and structures acquired after April 1, 2016, are calculated based on straight-line method.
 - (2) Intangible assets
 - (i) Software
 - 1) Software for sale
Amortized at the higher of (i) amortization based on estimated sales volume in the future and (ii) amortization at a constant periodic rate based on remaining effective life (within 3 years)
 - 2) Software for internal use
Straight-line method with an estimated in-house useful life of five years
 - (ii) Other intangible assets
Straight-line method
3. Standards for recognizing 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 estimated payment amounts.
 - (3) Provisions for stocks payment
In setting aside provisions for payment of the Company's shares to Directors, etc., provisions are recognized at estimated stocks payment amounts determined based on the points allocated to Directors, etc., in accordance with the rules on payment of shares under the Board Incentive Plan (BIP) Trust.
 - (4) Provisions for retirement benefits
In setting aside retirement benefits for employees, the expected amount for retirement benefit obligations and pension assets payable as of the end of the current fiscal year is recognized.
 - (i) Method of attributing expected benefits to date
In calculating retirement benefit obligations, expected benefits are attributed to the period up to the end of the current fiscal year based on benefit formula standards.
 - (ii) Method of recognizing actuarial differences and past service costs as expenses
Past service costs are recognized as expenses for a certain number of 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 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 of the end of the current fiscal year if it is likely that the total costs will exceed the total revenues, and further if such amounts can be reasonably estimated.

(6) Provisions for loss on guarantees

In order to prepare for losses due to guarantees, etc., we record estimated amounts of losses that will be incurred by taking into consideration the financial situation of the guaranteed parties.

4. Standards for recognizing revenues and expenses

The Company mainly provides information processing services, software and consulting services, and the sale of supplies and office equipment. Their revenues are recognized respectively in the following manner. These revenues are recognized at the amounts of compensation that are received from customers based on contracts. However, if there are rebates or returns, etc., these amounts are deducted from the amounts recognized.

(1) Provision of information processing services

For provision of information processing services, calculation and storage of data and provision of business form printing services under contracts with customers are identified as performance obligations.

For provision of information processing services, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, when the customer inspects and accepts the products, or when the contract becomes final and binding.

(2) Provision of software

For provision of software, provision of software for sale or for rent as well as provision of made-to-order software are identified as performance obligations.

Performance obligations of provision of software whose system has a validity period are satisfied with the lapse of the validity period. Therefore, in such cases, revenues are recognized throughout said validity periods.

For made-to-order software, satisfaction of performance obligations is determined based on the progress of development. As such, in cases where the contract value or total amount of costs required until completion can be estimated reliably, revenues are recognized over a certain period depending on the progress of satisfaction of performance obligations. However, in cases where the contract value or total amount of costs required until completion cannot be estimated reliably, revenues are recognized within the range of costs actually incurred (cost recovery method).

For performance obligations other than those described above, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, when the customer inspects and accepts the software, or on the date of commencement of use as set forth in the contract.

For some transactions, the Company's performance obligations involve making arrangements for other parties to provide products, and the Company is deemed to be an agent in such transactions. For such transactions where the Company is an agent, the revenue is calculated as the net amount of compensation to be received from the customer after deducting the amount to be paid to the party acting as principal.

(3) Provision of consulting services

For the provision of consulting services, support services for the implementation of software and help desk services, etc., are identified as performance obligations.

For help desk services, the Company is obligated to provide services throughout the period set forth in the contract. Performance obligations are satisfied with the lapse of the contract period. Therefore, in such cases, revenues are recognized throughout said contract periods. For performance obligations other than those described above, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, at the time the provision of services is completed.

(4) Sale of office equipment and supplies

For the sale of office equipment and supplies, the sale of computer-based accounting supplies and office equipment is identified as performance obligations.

For the sale of office equipment and supplies, revenues are recognized at any given time the performance obligations are satisfied. Performance obligations are deemed satisfied, for example, when the customer inspects and accepts the products, or when the products are shipped out. Determination of the point in time the products are shipped out is based on the application of the alternative treatment of performance obligations in consideration of materiality, etc., since the period from the point the products are shipped out to their delivery is a normal period of time.

For some transactions, the Company's performance obligations involve making arrangements for other parties to provide products, and the Company is deemed to be an agent in such transactions. For such transactions where the Company is an agent, the revenue is calculated as the net amount of compensation to be received from the customer after deducting the amount to be paid to the party acting as principal.

5. Other important matters regarding the preparation of financial statements

(1) Application of the Group Tax Sharing System

The Group Tax Sharing System is applied.

(Significant accounting estimates)

Information is omitted since it is the same as the content set forth in “[Notes to consolidated financial statements] (Significant accounting estimates)” under “1 [Consolidated Financial Statements], (1) [Consolidated financial statements].”

(Additional information)

Information is omitted since it is the same as the content set forth in “[Notes to consolidated financial statements] (Additional information)” 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, 2023)	Current fiscal year (September 30, 2024)
Short-term monetary claims on affiliated companies	86 million yen	42 million yen
Long-term monetary claims on affiliated companies	5	—
Short-term monetary liabilities on affiliated companies	481	360

(Notes to statements of income)

*1. Volume of transactions with affiliated companies

	Previous fiscal year (Started October 1, 2022; ended September 30, 2023)	Current fiscal year (Started October 1, 2023; ended September 30, 2024)
Volume of sales transactions		
Net sales	47 million yen	78 million yen
Purchases	3,309	3,034
Operating expenses	2,774	2,856
Volume of non-operating transactions	126	125

*2. The approximate percentages of expenses under selling expenses were 46.6% for the previous fiscal year and 46.0% for the current fiscal year; the approximate percentages of expenses under general and administrative expenses were 53.4% and 54.0%, respectively.

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

	Previous fiscal year (Started October 1, 2022; ended September 30, 2023)	Current fiscal year (Started October 1, 2023; ended September 30, 2024)
Salaries	10,272 million yen	10,851 million yen
Provisions for bonuses	3,269	4,517
Retirement benefit expenses	1,009	225
Provisions for stocks payment	35	19
Depreciation	542	596
Rent expenses	2,357	2,433

(Securities)

Stocks of subsidiaries and affiliates (the amounts in the previous fiscal year’s balance sheets were 1,289 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 1,289 million yen for stocks of subsidiaries and 0 million yen for stocks of affiliates) are not presented here since their shares do not have a market value.

(Tax effect accounting)

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

	Previous fiscal year (September 30, 2023)	Current fiscal year (September 30, 2024)
Deferred tax assets		
Software development costs	3,047 million yen	3,254 million yen
Provisions for bonuses	1,305	1,732
Provisions for retirement benefits	258	132
Retirement benefit trust	1,869	1,881
Accrued business taxes	147	180
Loss on valuation of investment securities	214	216
Legal welfare expenses corresponding to provisions for bonuses	199	265
Asset retirement obligations	107	109
Impairment losses	112	113
Provisions for stocks payment	104	108
Other	374	371
Subtotal	7,741	8,365
Valuation allowance	(563)	(565)
Total deferred tax assets	7,178	7,799
Deferred tax liabilities		
Valuation difference on available-for-sale securities	878	1,088
Retirement expenses corresponding to asset retirement obligations	28	32
Total deferred tax liabilities	906	1,120
Net deferred tax assets	6,271	6,679

2. Major items responsible for the difference between statutory income tax rate and effective income tax rate after application of tax effect accounting

	Previous fiscal year (September 30, 2023)	Current fiscal year (September 30, 2024)
Statutory income tax rate	30.5%	30.5%
(Adjustments)		
Inhabitant tax on per capita basis	0.5	0.5
Entertainment expenses and other permanently non-tax-deductible items	0.3	0.3
Dividend income and other items permanently excluded from gross revenue	(0.1)	(0.7)
Tax deductions under the tax system to encourage wage increases	(1.8)	(1.5)
Other	(1.1)	(0.2)
Effective income tax rate after application of tax effect accounting	28.3	28.9

3. Accounting treatment of income taxes, local corporate taxes, and tax effect accounting concerning these taxes

The Company applies the Group Tax Sharing System and has been performing the accounting treatment and the disclosure of income taxes, local corporate taxes, and tax effect accounting concerning these taxes in accordance with the “Practical Solution on Accounting and Disclosure Under the Group Tax Sharing System” (ABSJ Practical Solution No. 42, issued August 12, 2021).

(Revenue recognition)

Information is omitted since it is the same as the content set forth in “[Notes to consolidated financial statements] (Revenue recognition)” under “1 [Consolidated Financial Statements], (1) [Consolidated financial statements].”

(Material subsequent events)

None to be disclosed.

(iv) [Supplementary schedules]

[Schedule – Property, plant, and equipment, etc.]

(Unit: millions of yen)

Classification	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	6,372	288	10	442	6,207	12,356
	Structures	156	27	0	18	164	577
	Vehicles	8	—	—	2	5	46
	Tools, furniture and fixtures	1,961	928	27	860	2,001	6,242
	Land	6,637	—	—	—	6,637	—
	Total property, plant, and equipment		15,136	1,243	39	1,323	15,017
Intangible assets	Software	2,941	1,752	8	1,778	2,908	3,597
	Software in progress	2,789	3,147	981	—	4,955	—
	Telephone subscription rights	22	—	1	—	21	—
	Other	0	—	—	0	0	0
	Total intangible assets		5,754	4,900	991	1,778	7,885

(Note) Major increases/decreases during the current fiscal year were attributable to the following:

(Amounts of increase)

Buildings	Overhaul of TISC emergency generators	95 million yen
	Refurbishment of air conditioning equipment at Kyushu Consolidated Information Center	67 million yen
Structures	Maintenance of parking at Tochigi Head Office	26 million yen
Tools, furniture and fixtures	Acquisition of servers, etc., for common cloud infrastructure	394 million yen
	Acquisition of servers, etc., for common SEC development infrastructure	123 million yen
Software	Acquisition of eLTAX network devices	89 million yen
	Development costs of software for sale	408 million yen
	Development costs of software for internal use	1,303 million yen

(Amounts of decrease)

Tools, furniture and fixtures	Retirement of TISC communication equipment switches	15 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	31	28	30	28
Provisions for bonuses	4,280	5,680	4,280	5,680
Provisions for loss on construction contracts	14	13	14	13
Provisions for stocks payment	341	19	4	356
Provisions for loss on guarantees	3	-	0	3

(2) [Major assets and liabilities]

Information is omitted since it 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 shareholders 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: https://www.tkc.jp/
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 share subscription rights 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 (57th Term) (started October 1, 2022; ended September 30, 2023), submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on December 18, 2023

(2) Internal Control Report and Appendices

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on December 18, 2023

(3) Quarterly Reports and Confirmation Letters

58th Term 1st Quarter (started October 1, 2023; ended December 31, 2023), submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on February 13, 2024

58th Term 2nd Quarter (started January 1, 2024; ended March 31, 2024), submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on May 13, 2024

(4) Extraordinary Reports

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on December 18, 2023

Submitted to the Director-General of the Kanto Local Finance Bureau, Japan, on December 23, 2024

Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 (Results of Exercise of Voting Rights at General Meeting of Shareholders), of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

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

None to be disclosed.

Independent Auditors' Audit Report and Internal Control
Audit Report

December 23, 2024

TKC Corporation

To: The Board of Directors

Ernst & Young ShinNihon LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Shigeyuki Honda
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Toru Iizuka
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[Audit of Consolidated 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, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets, consolidated statements of cash flows, basis of presenting consolidated financial statements, other notes, and the consolidated supplementary schedules of TKC Corporation for the consolidated fiscal year started October 1, 2023, and ended September 30, 2024.

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, 2024, as well as their financial performance and cash flows for the consolidated fiscal year then ended in conformity with corporate accounting standards 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 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 matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current consolidated fiscal year. These matters were addressed in the process 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.

Existence and cut-off of sales from software for sale and made-to-order software under the Local Governments Business segment	
Details of key audit matters and reasons for determination thereof	How we addressed the matter in our audit
<p>As stated in “[Notes to consolidated financial statements] (Revenue recognition),” the Company and its consolidated subsidiaries recognized software sales of 8,122 million yen under the Local Governments Business segment.</p> <p>Of the software sales, the performance obligations included in contracts are identified for software for sale and made-to-order software as stated in “4. Accounting policies, (5) Standards for recognizing significant revenues and expenses” under “[Notes to consolidated financial statements] (Basis of presenting consolidated financial statements).” Sales are recognized at any given time or over a certain period depending on how the performance obligations are satisfied. Therefore, in the case of major software for sale and made-to-order software, revenue is recognized at the point of inspection and acceptance or over a certain period of time depending on the degree of progress.</p> <p>Sales from the above software for sale and made-to-order software include customization and production, etc., of specialized software for local governments provided based on customer request. Also, because of the long lead times from order to delivery and the large scale of these projects, sales from each contract tend to be substantial in amount.</p> <p>Management may be under excessive pressure to achieve performance targets, and the intangible nature of software for sale and made-to-order software makes it difficult to physically ascertain the actual state of transactions or when the services are completed. Therefore, in order to achieve performance targets, there is a risk that management may record fictitious sales and a risk that they may record sales ahead of schedule in the current consolidated fiscal year for transactions that will undergo inspection and acceptance in the following consolidated fiscal year or later.</p> <p>As such, of the software sales under the Local Governments Business segment, we determined that the existence and the appropriateness of cut-off of sales from such software for sale and made-to-order software were of particular materiality in our audit of the consolidated financial statements for the current consolidated fiscal year, and that it was a key audit matter.</p>	<p>To examine the existence and the appropriateness of cut-off of sales from said software for sale and made-to-order software of the software sales under the Local Governments Business segment, we mainly implemented the following audit procedures:</p> <p>(1) Evaluation of internal controls</p> <ul style="list-style-type: none"> • We assessed the status of development and implementation of internal controls related to the approval of contract terms upon acceptance of orders for software, screening of software production, approval at the time of shipment and inspection/acceptance, and approval of calculation of degree of progress. <p>(2) Review of existence and appropriateness of cut-off of sales</p> <p>(i) In order to verify the existence of sales from said software for sale and made-to-order software recorded in the current consolidated fiscal year, we implemented the following procedures.</p> <ul style="list-style-type: none"> • We reviewed the written contracts, etc., for transactions extracted using sampling and verified that the net sales matched the contract values and recording periods. • We reviewed the Accounts Receivable Summary Table as of the fiscal year-end and verified whether there were any important accounts receivable–trade that were unrecovered beyond a normal recovery period. <p>(ii) In order to verify the appropriateness of cut-off of sales from said software for sale and made-to-order software recorded in the current consolidated fiscal year, we verified for the transactions extracted using sampling that the inspection completion notices that were the basis for recording sales matched the sales recording periods.</p> <p>(iii) We verified the appropriateness of the actual cost incurred and total estimated cost that were the basis for determining the degree of progress for made-to-order software whose revenue was recognized over a certain period depending on the progress of satisfaction of performance obligations.</p> <p>(iv) We examined the journal entries to be recorded in the following consolidated fiscal year and verified whether there were material cancellations of sales from such software for sale and made-to-order software.</p> <p>(v) We cross-checked the inspection completion notices that were the basis for recording sales against the dates and amounts of sales in the sales management systems and accounting systems.</p>

Other Information

Other information refers to information included in the Annual Securities Report other than the consolidated financial statements, non-consolidated financial statements, and these audit reports. Management is responsible for the preparation and presentation of such other information. In addition, corporate auditors and the Board of Auditors are responsible for overseeing the execution of duties by Directors in designing and implementing the reporting process for such other information.

Our opinion on the consolidated financial statements does not cover other information and, accordingly, we do not express an audit opinion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read such other information, and in doing so, consider whether this information is materially inconsistent with the consolidated financial statements or with the knowledge we obtained in the audit. We are also required to remain alert for indications that, other than these material inconsistencies, such other information appears to have been materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of such other information, we are required to report that fact.

We have nothing to report in this regard.

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 principles setting forth the preparation and proper presentation of these financial statements generally accepted in Japan. Responsibilities include designing and operating an internal control system deemed necessary by management to prepare and properly present consolidated financial statements that are free from material misstatements 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, where applicable, matters related to going concern in accordance with corporate accounting standards 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 Consolidated Financial Statements

Our responsibility is to express an opinion on the consolidated financial statements in our audit 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 misstatements 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. 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 misstatements due to fraud or error, and we design and perform audit procedures that are responsive to these risks. The procedures selected and applied depend on our judgment. Further, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making these risk assessments, we consider internal controls relevant to the audit in order to design audit procedures that are appropriate for the circumstances, even though the purpose of our audit of the consolidated financial statements is not to express an opinion on the effectiveness of internal controls.
- 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 draw conclusions on the appropriateness of management's use of the going concern assumption in preparing the consolidated financial statements and, based on the audit evidence obtained, whether material uncertainty exists with regard to events or conditions that may cast significant doubt on the going concern assumption. If we conclude that such material uncertainty exists, we are required to draw attention in our audit report to the related notes in the consolidated financial statements or, if such notes on 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 audit 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 corporate accounting standards generally accepted in Japan, and whether the consolidated financial statements and notes thereto represent the underlying transactions and accounting 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 of 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 controls 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 as well as, where applicable, the measures taken to eliminate factors that may hinder our independence or the safeguards

adopted to mitigate such factors to an acceptable level.

Of the matters we discuss with the corporate auditors and the Board of Auditors, matters that we deem to be of most significance in our audit of the consolidated financial statements for the current consolidated fiscal year are determined as key audit matters and presented in our audit report. However, we do not describe these matters in our audit report in cases where the disclosure of such matters is prohibited by laws and regulations, etc., or in extremely limited circumstances where we determine that such matters should not be reported because the disadvantages of doing so would reasonably be expected to outweigh public interest.

[Audit of Internal Controls]

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, 2024, of TKC Corporation.

In our opinion, the Internal Control Report referred to above, which states that the internal controls over financial reporting of TKC Corporation as of September 30, 2024, are effective, presents fairly, in all material respects, the results of management's assessment of internal controls over financial reporting in conformity with the assessment standards for internal controls over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal controls 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 auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate Auditors, and Board of Auditors for the Internal Control Report

Management is responsible for designing and operating internal controls over financial reporting, and for the preparation and fair presentation of the Internal Control Report in accordance with assessment standards for internal controls 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 controls over financial reporting.

Internal controls over financial reporting may not fully prevent or detect misstatements in financial reporting.

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 Audit Report is free from material misstatements.

In accordance with auditing standards for internal controls over financial reporting generally accepted in Japan, we perform 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 assessment of internal controls over financial reporting in the Internal Control Report. The procedures selected and applied depend on our judgment based on the significance of their effect on the reliability of financial reporting.
- We evaluate the overall presentation of the Internal Control Report, including disclosures on the scope, procedures, and conclusions of management's assessment of internal controls over financial reporting.
- We obtain sufficient and appropriate audit evidence regarding the results of the assessment of internal controls 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 controls we identify that should be disclosed as well as the results of their remediation, and any other matters required by the auditing standards for internal controls.

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 as well as, where applicable, the measures taken to eliminate factors that may hinder our independence or the safeguards adopted to mitigate such factors to an acceptable level.

<Compensation-related information>

The amount of compensation for us and other persons belonging to our network for audit and attestation services and non-audit services for the Company and its subsidiaries is as stated in "[Corporate Governance], (3) [Audits]" under "[Information on the Company]."

Conflicts of Interest

Our firm and its engagement partners have no interest in the Company or its consolidated subsidiaries that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End of document

(Notes) 1. The original copy of the above Audit Report is held 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 23, 2024

TKC Corporation

To: The Board of Directors

Ernst & Young ShinNihon LLC

Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Shigeyuki Honda
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Toru Iizuka
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[Audit of Financial Statements]

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 sheets, statements of income, statements of changes in net assets, important accounting policies, other notes, and the supplementary schedules of TKC Corporation for the 58th fiscal year started October 1, 2023, and ended September 30, 2024.

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, 2024, as well as its financial performance for the fiscal year then ended in conformity with corporate accounting standards 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 matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current fiscal year. These matters were addressed in the process 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.

(Existence and cut-off of sales from software for sale and made-to-order software under the Local Governments Business segment)

Details are omitted since the content is the same as the Key Audit Matters (Existence and cut-off of sales from software for sale and made-to-order software under the Local Governments Business segment) presented in the Audit Report on the consolidated financial statements.

Other Information

Other information refers to information included in the Annual Securities Report other than the consolidated financial statements, non-consolidated financial statements, and these audit reports. Management is responsible for the preparation and presentation of such other information. In addition, corporate auditors and the Board of Auditors are responsible for overseeing the execution of duties by Directors in designing and implementing the reporting process for such other information.

Our opinion on the financial statements does not cover other information and, accordingly, we do not express an audit opinion thereon.

In connection with our audit of the financial statements, our responsibility is to read such other information, and in doing so, consider whether this information is materially inconsistent with the financial statements or with the knowledge we obtained in the audit. We are also required to remain alert for indications that, other than these material inconsistencies, such other information appears to have been materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of such other information, we are required to report that fact.

We have nothing to report in this regard.

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 principles setting forth the preparation and proper presentation of these financial statements generally accepted in Japan. Responsibilities include designing and operating an internal control system deemed necessary by management to prepare and properly present financial statements that are free from material misstatements due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, where applicable, matters related to going concern in accordance with corporate accounting standards 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 audit 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 misstatements 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.

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 misstatements due to fraud or error, and we design and perform audit procedures that are responsive to these risks. The procedures selected and applied depend on our judgment. Further, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making these risk assessments, we consider internal controls relevant to the audit in order to design audit procedures that are appropriate for the circumstances, even though the purpose of our audit of the financial statements is not to express an opinion on the effectiveness of internal controls.
- 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 draw conclusions on the appropriateness of management's use of the going concern assumption in preparing the financial statements and, based on the audit evidence obtained, whether material uncertainty exists with regard to events or conditions that may cast significant doubt on the going concern assumption. If we conclude that such material uncertainty exists, we are required to draw attention in our audit report to the related notes in the financial statements or, if such notes on 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 audit 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 corporate accounting standards generally accepted in Japan, and whether the financial statements and notes thereto represent the underlying transactions and accounting 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 controls 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 as well as, where applicable, the measures taken to eliminate factors that may hinder our independence or the safeguards adopted to mitigate such factors to an acceptable level.

Of the matters we discuss with the corporate auditors and the Board of Auditors, matters that we deem to be of most significance in our audit of the financial statements for the current fiscal year are determined as key audit matters and presented in our audit report. However, we do not describe these matters in our audit report in cases where the disclosure of such matters is prohibited by laws and regulations, etc., or in extremely limited circumstances where we determine that such matters should not be reported because the disadvantages of doing so would reasonably be expected to outweigh public interest.

<Compensation-related information>

Compensation-related information is presented in the Audit Report on the consolidated financial statements.

Conflicts of Interest

Our firm and its engagement partners have no interest in the Company that should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End of document

(Notes) 1. The original copy of the above Audit Report is held 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 23, 2024
[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]	Yoshinori Nakajima, Executive Officer, Chief of Business Administration
	Headquarters
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi
[Place available for public inspection]	TKC Corporation, Tokyo Head Office (2-1 Agebacho, Shinjuku-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

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

Masanori Iizuka, Representative Director, President and Executive Officer of the Company, and Yoshinori Nakajima, Chief Financial Officer of the Company, are responsible for designing and operating effective internal controls over financial reporting of the Company, and they have designed and operated internal controls over financial reporting in accordance with the basic framework for internal controls set forth in “Establishing the Standards and Practice Standards for Management Assessment and Audit Concerning Internal Controls Over Financial Reporting (Council Opinions)” released by the Business Accounting Council.

Internal controls, by nature, may not function effectively due to errors in judgment or negligence of those implementing internal controls, and they 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 controls over financial reporting.

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

Assessment of internal controls over financial reporting has been performed as of September 30, 2024, which is the end of the current fiscal year, in accordance with assessment standards for internal controls over financial reporting generally accepted in Japan.

In conducting this assessment, we first assessed internal controls that may have a material impact on financial reporting on a consolidated basis as a whole (entity-level controls), and based on the results of the assessment, we selected the business processes to be assessed. For the process-level assessment, we analyzed the selected business processes, identified key controls that may have a material impact on the reliability of 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 controls over financial reporting for the Company as well as its consolidated subsidiaries and equity method affiliated companies from the standpoint of how material such controls are in affecting the reliability of financial reporting. The materiality in affecting the reliability of financial reporting was determined by taking into account the materiality of their quantitative and qualitative impact on financial reporting. Based on the results of our assessment of entity-level controls for the Company and one consolidated subsidiary, 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 impact 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 controls over business processes, we selected business locations to be tested based on the fiscal year’s net sales in order of size (after offsetting 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 a “Significant Business Location.” For the selected Significant Business Location, we included as items of assessment business processes that lead to sales, accounts receivable–trade, purchases, and inventories that may have a 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 in the items of assessment certain business processes with a greater likelihood of material misstatements, processes with significant accounts involving estimates and forecasts, and processes concerning businesses or operations dealing with high-risk transactions, as business processes that may have a material impact on financial reporting.

3 [Matters concerning the results of assessment]

As a result of the above assessments, the Company determined that the internal controls over financial reporting were effective as of the last day of the current 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 23, 2024
[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]	Yoshinori Nakajima, Executive Officer, Chief of Business Administration Headquarters
[Address of head office]	1758 Tsurutamachi, Utsunomiya-shi, Tochigi
[Place available for public inspection]	TKC Corporation, Tokyo Head Office (2-1 Agebacho, Shinjuku-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihonbashikabutocho, Chuo-ku, Tokyo)

1 [Matters related to propriety of statements contained in the Annual Securities Report]

Masanori Iizuka, Representative Director, President and Executive Officer of the Company, and Yoshinori Nakajima, Chief Financial Officer of the Company, hereby confirm that the statements contained in the Annual Securities Report for the 58th fiscal year (started October 1, 2023; ended September 30, 2024) are proper under the Financial Instruments and Exchange Act of Japan.

2 [Special notes]

None to be disclosed.