Lessons from 40 Years of Supporting Entrepreneurs in Japan: The Role of Financial Accounting and Financial Management Services in Assisting Corporate Success

May 18, 2010
TKC Corporation
Chairman
Masaharu Iizuka
TKC Corporation
Company Data 2010

- **Trade Name:** TKC Corporation
- **Foundation:** October 22, 1966
- **Founder:** The Late Dr. Takeshi Iizuka
- **Chairman:** Mr. Masaharu Iizuka
- **CEO:** Mr. Jyunzo Takada
- **Customer:**
  1. TKC National Federation Members
     - 10,120 CPTAs (8,400 Offices)
     - *Member’s Client using TKC Systems:
       a) 520,000 Corporations (20% Japan Total)
       b) 130,000 Bookkeeping Private Businesses
  2. 700 Local Governments (40% Japan Total)
- **Local Office:** 107 Offices in 67 Cities in Japan
- **Total Assets:** ¥58,561 m. (in 2009)
- **Turnover:** ¥49,742 m. (in 2009)
- **Profit b. Tax:** ¥ 6,656 m. (in 2009)
- **Employee:** 2,320 (as of April 2010)
- **Partner:** DATEV eG (Germany)
  Daido Life Insurance Company Ltd.
  Mitsubishi UFJ Financial Group, inc.
  iMobile, inc. (Tokyo)
**TKC & TKCNF Background**

**The Founder: Dr. Takeshi Iizuka**

1962  
Dr. Takeshi Iizuka met Mr. John L. Carey, a Director of AICPA  
- At the 8th World Congress of Accountants in New York.  
- "Computer Revolution" and its Impact to Accounting Profession

1963  
"The Iizuka Affair"  
-National Tax Authority vs. Dr. T. Iizuka  
-False charge for tax evasion consulting  
-A total of 3,000 inspectors mobilized  
-4 employees prosecuted  
-3 year delay in starting the TKC Computer Center

1965  
**Led to Removal of the Director General of National Tax Agency**  
-Counsel of the House of Representatives

1966  
**Foundation of TKC Corporation**  
- With a capital of 1 million Yen ($10,000)

1970  
"Not guilty" sentence for the 4 prosecuted employees  
-Dr. T. Iizuka abstained from compensation for damages

1971  
**Foundation of TKC National Federation**  
- 20 TKC local Associations organized
“Jiri-Rita”

自利利他

Self-interest is in the realization of others’ interest.
*From the Teaching of the Buddha.

A “Value to our Customers” mindset is essential.
We realize complete collaboration with our customers.
Our customers are our decision makers, co-developers
and evangelists of TKC systems.
“Value to the Customers”

“Jiri-Rita”

To achieve our customers' prosperity, we;

1. Identify the core drivers for our customers’ success,
2. Develop systems to strengthen these drivers, and
3. Support customers to benefit from these systems.

Our customers’ success is our greatest reward and joy.
TKC National Federation
Practice of “Jiri-Rita”

Structure of TKC Corp. and TKCNF

**Rita:**
Front Wheel: TKCNF
1. Realize Tax Justice
2. Compliance in Business Practice
3. Reinforce the Business Basis
4. Aggressive Use of TKC Systems
5. Mutual Support and Friendship

**Jiri:**
Back Wheel: TKC Corp.
1. Defend the Business Domain of Public Accountants and Support their Future Breakthroughs
2. Promote Social Welfare by Improving Local Governments’ Administrative Efficiency

“TKC is a Company which respects Customers’ Decisions”
TKC National Federation
20 TKC Local Associations

TKC Local Data Center
TKC SCG Service Center

TKC HOKKAIDO 421
TKC TOHOKU 560
TKC CHIBA 316
TKC KANASHIN 1,494
TKC KEIJI 341
TKC HOKURIKU 287
TKC HYOGO 386
TKC CHUGOKU 645
TKC KYUSHU 900
TKC CHUBU 926
TKC SHIKOKU 245
TKC N. OSAKA 462
TKC S. OSAKA 506
TKC SHIZUOKA 408
TKC S. TOKYO 415
TKC N. TOKYO 261
TKC E. TOKYO 332
TKC C. TOKYO 431
TKC KANAGAWA 441
TKC W. TOKYO 333
TKC N. OSAKA 462
TKC S. OSAKA 506

TOTAL 10,100 (August 2009)
Our Customers and their Clients
Public Accountants and Tax Payers in Japan

Public Accountants in Japan

Tax Payers in Japan

TKC Master Files

Data: National Tax Agency Home Page

*Estimated
The Certificate of Bookkeeping Timeliness
Passport for Bank Loan Assessment

● TKC proves the facts below as a third party

1. Dates of Monthly field Audit for last 36 months with the number of account transactions audited
2. Financial Statements are based on Account Books
3. Tax Returns are based on Financial Statements
4. Date of Electronic Tax filling
5. Tax amount payable
6. No past data manipulation through the years
7. Tax Audit Report attached, or not
8. KFS provided, or not
9. Duration of TKCNF Membership
10. URL of CPTA Office HP

● Remarks

1. PDF file prevents manipulation
2. The file is delivered to TKC Members automatically just after tax declaration via Internet
3. Banks can confirm the same file from TKCNF HP
Monthly Field Audit
Basic Idea and its Background

The reasons why **Monthly Field Audit** is essential for a CPTA.

1. Japanese Companies Act requires a company to prepare accurate account books in a timely manner. (see P 35)
2. Corporation Tax Act adopted “the Authoritativeness Principle”. (see P 36)
   ➢ The tax and financial accounts are interdependent.
   ➢ For appropriate tax declaration a CPTA shall examine (review) all account books and financial statements of a client.
3. CPTA has exclusive rights in tax matters and conducts his/her mission in accordance with the doctrine of self-assessment system. (see P 38)
4. Tax Act admits “Evidence Power of Account Books” (see P 37)
   ➢ Tax authority can not correct tax returns as far as they could not find any miscalculation in account books through their investigation.
5. CPTA shall conduct tax services based on the genuine facts and paying due attention (see P 39)
6. When a CPTA submits “Tax Audit Report” attached with tax returns (see P 40)
   ➢ Tax authority shall hear CPTA’s opinion before starting investigation.
   ➢ When the tax authority satisfied, the notice on omission of tax investigation is issued.
Japanese Economy

Profitable Corp. % Down from Post War 70% to Current 29%

From Corp. Tax Point of View

Profits %

1973: Oil Crisis and Shift to Floating Exchange Rate System

1991: Collapse of Bubble Economy and End of the Cold War

Profits 70% Age

Profits 50% Age

Profits 30% Age

Profits % in 2008: 29.1%

Demand of Clients
Mgt. Consulting for Survival

Demand of Clients
Tax Saving

Corp. Tax Return

Corp. with Profit
Corp. with Deficit
Profits %

Data: National Tax Agency

Profits %

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

0 500,000 1,000,000 1,500,000 2,000,000 2,500,000 3,000,000

52 54 56 58 60 62 64 66 68 70 72 74 76 78 80 82 84 86 88 90 92 94 96 98 00 02 04 06 08

Profits %
Japanese Economy
Big Recession in 2008 and 2009

Japan GDP sinks deeper...
..but Japan is forecast to bounce back faster in coming quarters

Japan’s revised GDP
Japan Q3 GDP growth revised down to 0.3% q/q from 1.2%

Japan GDP
Japan returns to growth, ending its longest recession in decades

Japan’s Q4 GDP +1.1 percent

http://graphics.thomsonreuters.com/0210/JP_GDP0210.gif
Japanese Economy

Unemployment Rate: 5% (Male: 5.6%/ Female: 4.3%)

MIC Report on Employment in Comparison with the Previous Year (April 17, 2010)

Unit: 10,000 Persons

- Construction
- Manufacturing
- Wholesaler/Retailer
- Hotel/Restaurant
- Medical/Health Care/Welfare
- Other Services

Damages to TKCNF Members’ Client SMEs
We can hear their Screams!

TKC Research in 2010

Profitable Corp. %

Profit b. Tax % in Average

Data: TKC BAST 2010
Financial Crisis 2008
Clients with Turnover > ¥100 million

83,711 Corporations

Sales Growth %

Ordinary Profit %

-25.0% -20.0% -15.0% -10.0% -5.0% 0.0% 5.0% 10.0% 15.0% 20.0% 25.0%

10.2% 41.1%
18.3% 29.6%
Financial Crisis 2009
Clients with Turnover > ¥100 million

83,711 Corporations

Sales Growth %

Ordinary Profit %

-25.0% -20.0% -15.0% -10.0% -5.0% 0.0% 5.0% 10.0% 15.0% 20.0% 25.0%

6.4% 24.5%
33.7% 35.3%
Next Trial for Entrepreneurs
Liquidity crisis: Repayment, but No new loans

Data Source: Bank of Japan

Loan Growth % by recipient

www.c.jfc.go.jp/jpn/result/c17_65.pdf
We help you profitably manage your company with appropriate tax declaration

TKC National Federation
We help you profitably manage your company with appropriate tax declaration

**K**  Keizoku MAS
To develop “Management Improvement Plan”

**F**  FX2 Self-Accounting System
to realize “Profitable Management”

**S**  Shomen-tenpu (Tax Audit Report: CPTA Act Art. 33-2)
to ensure “Appropriate Tax Declaration”

TKC National Federation
Workplace of KFS Tools

K-MAS /FX2 /S-Tax Audit Report

Client SMEs
- Monthly Field Audit

Tax Consultant Office
- Data Entry

TKC Data Center
- Monthly Service
- Financial Books
- FX2 Daily Report
- Data
- Certificate on Bookkeeping Timeliness
- Financial Statements

Tax Authority/Univ./Bank/Client
- National Tax Authority
  - Electronic Tax Declaration
- Local Governments
  - Electronic Tax Declaration
  - ASP: Public Facilities Reservation
  - ASP: Applications for Local Gov.
- Industries
  - TKCNF Homepage
  - TKC Member’s Homepage
  - Legal Data Base (LEX/DB)
- TKC Members’ Clients
  - Financial Disclosure for Clients
  - My Hometown Recruit Information
- Law School
  - ASP Service for Law School
- Large-sized Enterprises
  - eCA-DRIVER & eTaxEffect
  - eConsoliTax
  - ASP1000
  - IFRS Changer
  - FX4/FX5
- Banks
  - TKC Strategic Manager Loan

Keizoku MAS
- Management Improvement Plan
- Short-term Business Plan
- Review of Business Results

Research & Development
- Tax Returns

S: Tax Audit Report
- Tax Returns
- Tax Audit Report
- Tax Audit Report

FX2
- Financial Books

Internet
How Do they Work?

K-MAS → FX2 → Fin. Accounting → Tax Filing

At CPTA Office
- K-MAS for 5 Years Management Improvement Plan

At Client Company
- Monthly Field Audit for Tax Compliance
- FX2 for Profitable Management
- K-MAS for Budgeting of Next Fiscal Year

At TKC Data Center
- Certificate on Bookkeeping Timeliness (PDF)
- Account Books
- Financial Statements
# K-MAS for Management Improvement Plan

## Benchmark with Excellent Company Models

### Download Excellent Company Model from TKC Data Center

<table>
<thead>
<tr>
<th>Month</th>
<th>目標モデル(A)</th>
<th>当期予測(B)</th>
<th>自社モデル(C)</th>
<th>削減目標(B-C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1月</td>
<td>905,694</td>
<td>225,749</td>
<td>225,749</td>
<td></td>
</tr>
<tr>
<td>2月</td>
<td>404,112</td>
<td>88,694</td>
<td>100,684</td>
<td>-11,990, -5.0</td>
</tr>
<tr>
<td>3月</td>
<td>79,304</td>
<td>1,816</td>
<td>2,031</td>
<td>-113, -0.1</td>
</tr>
<tr>
<td>4月</td>
<td>417,347</td>
<td>98,059</td>
<td>104,070</td>
<td>-11,011, -4.8</td>
</tr>
<tr>
<td>5月</td>
<td>25,954</td>
<td>15,450</td>
<td>8,904</td>
<td>4.8</td>
</tr>
<tr>
<td>6月</td>
<td>19,144</td>
<td>38,377</td>
<td>10,787</td>
<td>4.8</td>
</tr>
<tr>
<td>7月</td>
<td>8,390</td>
<td>7,675</td>
<td>715</td>
<td>0.3</td>
</tr>
<tr>
<td>8月</td>
<td>72,984</td>
<td>52,373</td>
<td>20,011</td>
<td>9.1</td>
</tr>
<tr>
<td>9月</td>
<td>2,432</td>
<td>9,392</td>
<td>-7,500</td>
<td>-3.3</td>
</tr>
<tr>
<td>10月</td>
<td>43,761</td>
<td>10,835</td>
<td>2,503</td>
<td>1.1</td>
</tr>
<tr>
<td>11月</td>
<td>3,527</td>
<td>902</td>
<td>-236</td>
<td>0.1</td>
</tr>
<tr>
<td>12月</td>
<td>2,179</td>
<td>451</td>
<td>10</td>
<td>0.0</td>
</tr>
<tr>
<td>13月</td>
<td>21,371</td>
<td>5,417</td>
<td>-3,794</td>
<td>1.8</td>
</tr>
<tr>
<td>14月</td>
<td>20,268</td>
<td>7,058</td>
<td>2,092</td>
<td>0.8</td>
</tr>
<tr>
<td>15月</td>
<td>15,551</td>
<td>2,635</td>
<td>-1,202</td>
<td>0.2</td>
</tr>
<tr>
<td>16月</td>
<td>15,661</td>
<td>1,825</td>
<td>-2,012</td>
<td>0.2</td>
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<tr>
<td>17月</td>
<td>330,076</td>
<td>99,778</td>
<td>17,606</td>
<td>7.8</td>
</tr>
</tbody>
</table>

### Current Year Business Results prospected

Desirable Results when compared with Excellent Company

Problem Finding In Cost Structure

- 自売上高×A構成を確認してください。
K-MAS for Next Fiscal Year Budgeting

Last Question: “What are your goals?”
### FX2 for Profitable Management

**Daily Updating Report (365 Days)**

<table>
<thead>
<tr>
<th></th>
<th>“Today” Current Year</th>
<th>“Today” Previous Year</th>
<th>Budget Current Year (Planned by K-MAS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>511,833</td>
<td>608,526</td>
<td>510,497</td>
</tr>
<tr>
<td>Variable Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marginal Profit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposable Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>339,371</td>
<td>66.3</td>
<td>345,092</td>
<td>67.9</td>
</tr>
<tr>
<td>172,512</td>
<td>33.7</td>
<td>163,434</td>
<td>93.3</td>
</tr>
<tr>
<td>55,405</td>
<td>10.8</td>
<td>55,088</td>
<td>10.6</td>
</tr>
<tr>
<td>45,227</td>
<td>8.8</td>
<td>45,463</td>
<td>8.9</td>
</tr>
<tr>
<td>130,527</td>
<td>25.5</td>
<td>119,839</td>
<td>23.6</td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>41,965</td>
<td>8.2</td>
<td>43,596</td>
</tr>
</tbody>
</table>

**Notes:**
- Sales, Marginal Profit, and Ordinary Profit are shown for both the current year and the previous year.
- Disposable Income is calculated as the difference between Sales and Variable Cost (Direct Cost) for the current year.
- Fixed Cost (Indirect Cost) is also shown for both the current year and the previous year.

**Additional Information:**
- The report includes a comparison of actual performance against budgeted figures.
- The table provides detailed financial data for sales, variable and fixed costs, and profit margins for both the current and previous years.
1. Score of Owner as a Strategist

- Is your Marketing Strategy successful?
- What is the effect by the change of products mix?
- Is the marginal profit % improved?
- Is the marginal profit amount increased?
- Was your pricing policy correct?

2. Score of Owner as a Manager

- Is fixed cost growth within marginal profit growth?
- Are there any unusual figures?
- Is the personnel expenses % adequate?
- Is the year-end profit possible?
- How much is the cost allowance?

Disposable Income
Spread of KFS Tools
From “Tax Savings” to “Management Consulting”

Currently Active Client Totals

- “Management Consulting”
- FX2
- K-MAS
- S-Tax Audit Report
  “Tax Savings”
TKC BAST: Survey on Client Business Results
Every Year, Approx. 220,000 Corporations data added

“BAST” (CD-ROM)
(Business Analyses and Statistics by TKC)

- Published every year from 1975
- Based on the Financial Statements of TKCNF Members’ Clients processed at TKC Data Center
- Permission of TKCNF Members
- Selected Client data:
  1) Processed for at least 36 months continuously
  2) Monthly Field Audit conducted by TKCNF Members
  3) Corporations with sales amount from ¥5 million to ¥10 billion
  4) 900 types of industries
  5) Analysis on Excellent, Profitable, Deficit and Marginal Companies classified by each type of industry
- Anonymous of Client Names
- Delivered annually to TKCNF Members for free in May
TKC BAST: Survey on Client Business Results

KFS Improves Profitability

"TKC BAST 2010"
224,595 Corporations

"TKC BAST 2009"
226,771 Corporations

% Profitable Clients with KFS
- Profitable: 47.1%
- Unprofitable: 52.9%
- 136,755 Clients

% Profitable Clients w/o KFS
- Profitable: 35.7%
- Unprofitable: 64.3%
- 87,840 Clients

% Profitable Clients with KFS
- Profitable: 55.7%
- Unprofitable: 44.3%
- 134,381 Clients

% Profitable Clients w/o KFS
- Profitable: 40.5%
- Unprofitable: 59.5%
- 92,390 Clients
In Summary (1)

General Over View:

• Accounting is mission critical for entrepreneurs…
• …and Core to Bank Relationships
• Monthly accounting review visits are important for entrepreneurs to stay on top of their business
• In an ever-worsening economic environment, KFS tools can be leveraged to support company management
• K-MAS for financial planning, FX2 for accounting, and S: Tax Audit Report for proper confirmation of tax reporting
• KFS tool usage leads to higher % of companies being profitable
• It is important to help more companies do better by increasing number of users across Japan
Japanese Small companies face particular challenges:

- Domestic focus
- Lack of management tools
- Technology laggards
- Addiction to cheap money (loans)
- Over regulation
- Poor marketing
- Succession planning

And the Japanese economy is increasingly losing small business manufacturing without increases in services productivity. This creates long term issues.

With the proper tools (like ours, of course!) accountants provide not only basic services but are partners in over-coming management challenges.

- FX2 provides management accounting
- K-MAS provides benchmarking and planning
Appendix

1. Organization of TKC National Federation  P 32
2. Monthly Field Audit: TKC Member’s Obligation  P 33
3. Companies Act Bookkeeping Obligation  P 34
4. The Authoritativeness Principle  P 35
5. Evidence Power of Books  P 36
6. CPTA: The Mission and Services  P 37
7. CPTA: Genuine Facts and Due Attention  P 38
9. “Jiri-Rita”: Microsoft Mission Statement  P 40
10. TKC History of Innovation  P 41
11. FX2 Development Policy  P 42
Organization of TKC National Federation
600 TKC Members drive the Federation

TKC National Federation

- Chairman
- Board of Vice Chairmen
- Board of Directors

- Secretariat

20 TKC Local Associations

TKC地域会

TKC全国会

TKC地域会

20 TKC Local Associations
The Field Audit conducted by a TKC Member or his/her staff is to visit a client every month and to confirm, or to guide the truth of accounting fact, reality, and comprehensiveness in order to secure the legitimacy, the accuracy and the timeliness of accounting data and records of a client.

When at Field Audit, a TKC Member shall examine the soundness of the management policy of a client.

* Monthly Field Audit is not defined in CPTA Act.
Companies Act Bookkeeping Obligation

“Accuracy and Timeliness”

Commercial Code
Article 19 (Preparation and Retention of Commercial Books)

(1) A merchant shall be subjected to the business accounting practices generally accepted as fair and appropriate.

(2) A merchant shall prepare accurate commercial books (account books and balance sheet) regarding to properties used for business in a timely manner pursuant to the applicable Ordinance of the Ministry of Justice.

(3) A merchant shall retain its commercial books and important materials for ten years from the time of the closing of the commercial books.

(4) The court may, in response to a petition or ex officio, order the parties to a suit to submit commercial books, in whole or in part.

Companies Act
Article 432 (Preparation and Retention of Account Books)

(1) A Stock Company shall prepare accurate account books in a timely manner pursuant to the applicable Ordinance of the Ministry of Justice.

(2) A Stock Company shall retain its account books and important materials regarding its business for ten years from the time of the closing of the account books.
The Authoritiativeness Principle
Tax Returns led from Financial Statements

Corporation Tax Act
Article 74 (Final return)
(1) A domestic corporation (-omitted-) shall file with the Director of the Tax Office a return stating the following matters based on the definite settlement of accounts within two months from the day following the last day of each accounting period.
   i) – vi) (-omitted-)
(2) The documents as prescribed by Ordinance of the Finance Ministry, such as the balance sheet and the income statement for the said accounting period, shall accompany the final return under the preceding paragraph.

(Note)
- 確定決算主義の原則・Massgeblichkeitsprinzip (Germany)
  - IFRS (IAS) makes it difficult to maintain this method.
Corporation Tax Act
Article 130. (Correction of blue return, etc.)
In making correction of the tax base of corporation tax, the net loss amount or the consolidated net loss amount in a blue return or consolidated final return, etc. (-omitted-) filed by a domestic corporation, the Director of the Tax Office may make correction only if he inspects books and records (-omitted-) of the domestic corporation and finds any miscalculation of the said tax base of corporation tax, net loss amount, consolidated net loss amount in the said blue return or consolidated final return, etc. through such investigation. However, he may make correction without any investigation of the books and records if it is obvious by the matters stated in the said blue return, consolidated final return, etc. and documents attached to them that the calculation of the said tax base, deficit amount or consolidated net loss amount is not in conformity with the provisions of this Act or is otherwise incorrect.

(Note)
-帳簿の証拠力・Beweiskraft der Buchführung (Germany)
--The same article in the Income Tax Act Article 150 in Japan.
-IFRS (IAS) spoils this advantage.
Certified Public Tax Accountant Act

Article 1 (Mission of CPTA)
A Certified Public Tax Accountant, as an expert in taxation matters, shall endeavor, on a basis of independence, fairness and justice and in accordance with the doctrine of self-assessment system, to satisfy the confidence placed in them by tax payers and realize proper compliance with all laws and ordinances relating to taxes, as his or her mission.

Article 2 (The Services of CPTA) ...Summary
1. Exclusive services:
   1) Tax proxy
   2) Preparation of tax documents
   3) Tax counseling
2. Non-exclusive services:
   3. Assistant of attorney at a court with regard to taxation. (Article 2-2)

A person except a CPTA is prohibited from engaging these services, even if the service is provided on free in Japan.
Certified Public Tax Accountant Act

Article 45 (Disciplinary Measures in Cases of Tax Evasion Consultations, etc.)

(1) In cases when certified public tax accountants intentionally engage in tax proxy activities or prepare taxation documents contrary to the genuine facts, or engage in activities in violation of the provisions of Article 36, the Minister of Finance shall be able to assess disciplinary measures consisting of suspension of certified public tax accountant services for a period of up to one (1) year or the placement of a ban on the performance of certified public tax accountant services.

(2) In cases when certified public tax accountants fail to pay due attention and engage in actions specified in the previous paragraph, the Minister of Finance shall be able to assess disciplinary measures consisting of warnings or the suspension of certified public tax accountant services for a period of up to one (1) year.
Certified Public Tax Accountant Act

Article 33-2 (Attachment of Documents Containing Mention of Calculation Matters, Examination Matters, etc.)

(1) When certified public tax accountants or certified public tax accountant corporations have prepared returns containing mention of tax bases in accordance with the self-assessment system listed in Item 1 of Article 16, Paragraph 1 of the Act on General Rules for National Taxes or the methods for payment by declaration or delivery by declaration listed in Item 8 or 9 of Article 1, Paragraph 1 of the Local Tax Act, the said returns may be attached with documents containing mention of matters pertaining to calculations, arrangements and matters on which advice was granted with regard to the preparation of the returns as determined by Finance Ministry ordinance.

(2) (omitted)

(3) (omitted)

*The word “Tax Audit Report” is a mintage. The “Document” is a proper word in CPTA Act.
Mission Statement 2000

“To enable people and businesses throughout the world to realize their full potential.”

Mission Statement 2003

“Your potential. Our passion.”

“We work to help people and businesses throughout the world realize their full potential.”

Mr. Steven A. Ballmer
Microsoft CEO
Mr. Masaharu Iizuka
TKC Chairman
June 25, 2002 at TKC Tokyo Head Office
TKC History of Innovation

“Exploit Change as an Opportunity”

Turnover and Profit 1966 - 2009

- Turnover
- Ordinary Profit

- SOX/e-TAX
- Windows 95/Internet
- VAT/FX2
- Listed on Tokyo Stock Exch.
- V80 PC
- DATEV
- TKCNF

¥ Billion

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43

67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09

0 5 10 15 20 25 30 35 40 45 50 55 60
## FX2 Development Policy
### 3 Layers Structure

<table>
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<tr>
<th>Level</th>
<th>Objectives</th>
<th>Function needed</th>
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| **Strategic Decision Making** | To provide useful information for top management, who want to grasp business trends and to make timely decisions | 1. Summary of the most important data (incl. graph)  
2. Time series analyses (365 days, 5 years-10 years)  
3. Prospective directions based on past business trends  
4. Suggestion of potential breakthrough areas  
5. Linkage with external information (Internet, etc.) |
| **Performance Control**    | To provide actual information for a line manager, who wants to check business results and to promote PDCA management cycle | 1. High speed retrieval of “total” and “ranking”  
2. Powerful and structural drill-down  
3. PDCA promotion  
4. KPI by department, customer and products  
5. All transactions for past 10 years |
| **Routine Work**           | To provide comfortable circumstances for a worker, who wants to do his/her job completely without doubts, failure or hesitation | 1. Compliance (prevention of legal mistakes)  
2. Intuitive U.I. for smooth operation  
3. Quick turn of display (stress less)  
4. Expert check (data consistency)  
5. Data security |
Lessons from 40 Years of Supporting Entrepreneurs in Japan: The Role of Financial Accounting and Financial Management Services in Assisting Corporate Success

May 18, 2010
TKC Corporation
Chairman
Masaharu Iizuka